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

Consolidated Financial Statements for the Years ended December 31, 2017 and 2016 and Report of the Statutory Auditor

BANCO DE COMERCIO EXTERIOR DE COLOMBIA S.A. BANCÓLDEX Y SUBORDINADAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(IN THOUSANDS OF COLOMBIAN PESOS, EXCEPT WHERE INDICATED OTHERWISE)

1. REPORTING ENTITY

Banco de Comercio Exterior de Colombia S.A. – BANCÓLDEX, is a National order, mixed economy company, organized as a credit bank establishment, linked to the Ministry of Commerce, Industry and Tourism, established and organized according to the Colombian Laws as of January 1, 1992, in accordance with the provisions of Law 7 and Decree 2505 of 1991; Its term of duration is 99 years as of December 30, 1992 and, in accordance with Resolution No. 0652 of April 15, 1996 of the Superintendence of Finance of Colombia, the duration term of the Bank is extended until December 30, 2091.

Articles 58 and 94 of Law 795 of January 14, 2003, confirm the legal nature of the Bank, exempt it from the regime of forced investments and authorize it to rediscount leasing transactions

In addition, pursuant to Articles 44, 46 and 50 of Law 1450 of 2011, the National Government grants the Bank powers to administer the Modernization and Innovation Fund for Micro, Small and Medium Enterprises, the Development and Innovation Unit and the Productive Transformation Program under a figure similar to Autonomous Patrimony. Article 13 of Law 1753 of 2015 ordered the unification of the Development and Innovation Unit (Article 46 of Law 1450 of 2011) and the Modernization and Innovation Fund for Micro, Small and Medium Enterprises (Article 44 of Law 1450 of 2011) and created the Business Growth Management Unit, which assumes the mission and functions of these programs under a unified approach.

Article 126 of Law 1815 of December 7, 2016, by means of which "the Income and Capital Resources Budget and Appropriations Law are decreed for the fiscal period from January 1 to December 31, 2017", established that "The autonomous patrimonies whose administration has been assigned by law to the Banco de Comercio Exterior de Colombia S.A. - Bancoldex may be managed directly by Bancoldex or through its subsidiaries. On March 24, 2017, effective from April 1 of the same year, due to the legal authorization given and by Policy definition of the Ministry of Commerce, Industry and Tourism, Bancóldex ceded to FIDUCÓLDEX the contractual position it holds under Inter-Administrative Agreement 375 of 2015.

Its corporate purpose is to finance, primarily but not exclusively, export-related activities and domestic industry by acting as a discount or rediscount bank rather than as a direct intermediary.

It may also carry out credit operations, including financing Colombian export buyers, discount loans granted by other financial institutions, grant and receive guarantees and endorsements in legal or foreign currency and other activities authorized by the Organic Statute of the Financial System and current regulations.

The Bank has control over Fiduciaria Colombiana de Comercio Exterior S.A. - Fiducóldex, with a stake of 89.32%, an indirect mixed economy corporation of the national order, subject to inspection and surveillance by the Superintendence of Finance of Colombia, constituted since October 31, 1992, with headquarters in Bogotá D.C. Its corporate purpose is the execution of a trust agreement with the Nation (represented by BANCÓLDEX), to promote Colombian exports and fulfill other purposes stipulated in Decree 663 of 1993, such as the execution of trust agreements in all their aspects and modalities, as well as the execution of all the operations, businesses, acts, orders and services of the fiduciary activity.

Likewise, as of May 28, 2003, it created a control situation over ARCO Grupo Bancoldex S.A. (formerly Leasing Bancóldex S.A.), with a participation of 87.45%, a mixed economy company of indirect creation, not attached or linked to any Ministry and assimilated to an industrial and commercial company of the State, of Colombian nationality and domiciled in the city of Bogota D.C., organized as a financing company, subject to inspection and oversight by the Superintendence of Finance of Colombia, created by public deed 1557 of 1994 granted at the Notary's Office 4 of the Círculo de Bogotá (authorization of operation contained in Resolution 718 of 1994 by the Superintendence of Finance of Colombia).

The consolidated financial statements include the financial statements of the Bank and its subsidiaries, Fiduciaria Colombiana de Comercio Exterior S.A. - Fiducóldex and Arco Grupo Bancóldex S.A.

The value of the assets, liabilities and shareholders' equity of each of the entities and their consolidated value, including the eliminations as of December 31, 2017 and 2016, are listed below (amounts expressed in millions of pesos):

Dic. 31- 2017	Assets	% Part.	Liabilities	% Part.	Wealth	% Part.	Profit for the year	% Part.
Bancóldex	$ 7.052.925	93,18	$ 5.390.505	91,26	$ 1.662.420	100,00	$ 116.416	102,19
Fiducóldex	67.468	0,89	10.662	0,18	56.806	3,42	5.852	5,14
Arco Grupo Bancóldex	748.362	9,89	642.408	10,88	105.954	6,37	12.322	10,82
Net Effect of Eliminations	(299.924)	(3,96)	(137.129)	(2,31)	(162.795)	(9,79)	(20.673)	(18,15)
Consolidated	$ 7.568.831	100,00	$ 5.906.446	100,00	$ 1.662.385	100,00	$ 113.917	100,00

Dec. 31- 2016	Assets	% Part.	Liabilities	% Part.	Wealth	% Part.	Profit for the Year	% Part.
Bancóldex	$ 7.196.833	93,39	$ 5.598.925	92,04	$ 1.597.908	98,46	$ 104.353	99,12
Fiducóldex	67.627	0,88	12.047	0,20	55.580	3,42	5.140	4,88
Arco Bancóldex Group	687.100	8,92	595.353	9,79	91.747	5,65	11.521	10,94
Net Effect of Eliminations	(245.380)	(3,18)	(123.005)	(2,02)	(122.375)	(7,54)	(15.733)	(14,94)
Consolidated	$ 7.706.180	100,00	$ 6.083.320	100,00	$ 1.622.860	100,00	$ 105.281	100,00

2. PRESENTATION GROUNDS

Applied Accounting Standards - The accompanying consolidated financial statements of the Bank and its subsidiaries, in conformity with the provisions in force issued by Law 1314 of 2009, regulated by Decree 2420 of 2015, as amended by Decrees 2496 of 2015, 2131 of 2016 and 2170 of 2017, have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations, translated into Spanish and issued by the Board of Directors.

- Financial debt instruments in the Consolidated Statement of Financial Position are classified as held for trading with changes in the Income Statement in accordance with IFRS 9, version 2009.

- The loan portfolio is recorded at amortized cost in accordance with the accounting policy, and its provisions are determined by the loss models under IFRS 39.

- Goods received in lieu of payment or returned are measured as per their classification in accordance with IFRS 5, as applicable.

The Entities have applied the accounting policies, judgements, estimates and significant accounting assumptions described in Notes 3 and 4.

Under Colombian law, the Bank is required to prepare consolidated and separate financial statements. Separate financial statements are those that serve as the basis for the distribution of dividends and other appropriations by shareholders. The consolidated financial statements are presented to the General Shareholders' Meeting for consolidated management purposes.

Basis of preparation and measurement - The consolidated financial statements were prepared based on historical costs except for the following significant items which are measured at fair value through profit or loss in the statement of financial position:

- Derivative financial instruments.

- Selected investments measured at fair value with changes in the Other Comprehensive Income from equity instruments (available for sale).

- Liabilities at fair value through profit or loss.

- Investment properties.

- Properties classified as property and equipment.

- Property and equipment under operating leases. The classification of the Entities' financial assets and liabilities is carried out in accordance with the applicable categories, fulfilling the description of financial assets and liabilities.

Functional and presentation currency - The Bank and its subsidiaries consider the Colombian peso (COP) to be its functional currency, considering that this is the currency that most faithfully represents the economic effects of transactions related to profit margins, financial instruments, purchase variations, costs, among other significant transaction references. The financial statements are presented in the Bank's functional currency, Colombian peso (COP).

Going concern - The preparation of the consolidated financial statements was carried out on a going concern basis, and it was determined that there is no uncertainty about facts, events or conditions that could give rise to significant doubt as to whether the Entities will continue to operate normally. The judgments by which the Entities were determined to be a going concern are related to the evaluation of the current financial situation, their current intentions, the results of their operations and access to financial resources in the financial market, where the impact of such factors on future operations was also considered and no situation was determined that would make it impossible for the Entities to operate as a going concern***.***

Accrual basis of accounting – Accrual basis of accounting - Entities prepare their financial statements, except for cash flow information, using the accrual basis of accounting, so that entities recognize items as assets, liabilities, equity, income and expenses when they meet the definitions and recognition criteria provided for in the conceptual framework of international financial reporting standards.

Materiality - The Entities shall determine the relative importance of the figures to be presented in the financial statements according to their function or nature, that is, if a particular item is not material, it is aggregated with other items, since the Bank is not required to provide a specific disclosure required by an IFRS when the information is not material.

Uniformity of presentation - Entities shall maintain the presentation and classification of the items disclosed in the consolidated financial statements from period to period, unless a review of activities that are material to the presentation of the consolidated financial statements is presented, or when it becomes apparent that another presentation or classification will be more appropriate, considering the criteria defined by the Entity's policies in force.

Disclosure about the criteria and estimates used to recognize each group of components of assets and liabilities shall be disclosed in the notes relating to accounting policies. When required for comprehensibility purposes, the importance of the use of these estimates and assumptions affecting the amounts presented in the financial statements shall be stipulated in the explanatory notes to the consolidated financial statements, which detail the explanatory notes generated for each group of components that require a segregated description of the value judgements used, relevant to the presentation of the consolidated financial statements.

3. MAIN ACCOUNTING POLICIES

The main accounting policies defined for the preparation of these consolidated financial statements, detailed below, have been applied consistently to the periods presented in these consolidated financial statements, unless otherwise indicated.

a. *Consolidation and equity method* - In accordance with Colombian law and IFRS 10, the Entities must prepare consolidated and separate or individual financial statements. The separate and individual financial statements serve as the basis for the distribution of dividends and other appropriations by shareholders. The consolidated financial statements are presented at the Shareholders' Meeting and present the assets, liabilities, shareholders' equity, income, expenses and cash flows of the Parent Company and its subsidiaries as if they were a single economic entity.

   Controlling entities - In accordance with the International Financial Reporting Standard IFRS 10, the Bank is required to prepare consolidated financial statements with the entities it has control over. The Bank has control over another entity if, and only if, it meets all the following elements:

   - Power over the investee that gives it the present capacity to direct its relevant activities that significantly affect its performance.

   - Exposure or right to variable returns arising from their involvement in the investee.

   - Ability to use its power over the investee to influence the investor's return.

In the consolidation process, the Bank combines the assets, liabilities and results of the entities over which it has control, after standardizing its accounting policies. In this process, it eliminates reciprocal transactions and unrealised profits between them. The participation of non-controlling interests in the controlled entities is presented in the country separately from the equity of the Bank's shareholders.

Standardization of accounting policies - The Bank standardizes its accounting policies to apply uniform accounting policies to transactions and other similar events that have occurred in similar circumstances.

b. *Cash and cash equivalents* - Cash equivalents are intended to hedge short-term obligations and represent securities that are readily convertible to cash and do not result in a significant change in their value. A financial instrument is 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 purposes, the value of the resources they hold for immediate availability, such as: securities available, deposits in banks (local and foreign accounts).

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

d. 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 recognized directly in profit or loss. All financial assets are recognized and derecognized at the trade date when a purchase or sale of a financial asset is made.

Entities classify their financial assets in the following categories: i) 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 the ORI. The classification depends on the business model with which the financial instruments were acquired. 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:

- Has been acquired primarily for short-term sale purposes; or
- At initial recognition it is part of a portfolio of financial instruments managed by the Entities and there is evidence of a recent pattern of short-term benefits; or
- It is a derivative that has not been designated and effective as a hedging instrument or financial guarantee.
- Financial assets other than financial assets held for trading may be designated at fair value through profit or loss on initial recognition if:

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

Investments measured at amortized cost - These are investments held to maturity, non-derivative financial assets with fixed or determinable payments and fixed maturity dates, where the Entities have the affirmative intention and ability to hold to maturity. After initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

Financial assets measured at fair value with changes in the ORI - 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.

Listed redeemable instruments held by the Entities that are traded in an active market are classified as available-for-sale financial assets and are stated at fair value at the end of each reporting period. Entities also have unlisted 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 can be measured reliably). Changes in the carrying amount of available-for-sale monetary financial assets related to changes in foreign exchange rates and interest income, calculated using the effective interest method, are recognized in profits or loss. Other changes in the carrying amount of 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 gain or loss previously accumulated in the investment revaluation reserve is reclassified to retained earnings.

Dividends on available-for-sale equity instruments are recognized in profit or loss 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 translated at the exchange rate prevailing at the end of the period. Other foreign exchange gains and losses are recognized in other comprehensive income.

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

Loans and receivables portfolio - These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. In the initial measurement, the portfolio is recognized at its fair value (Amount disbursed), and transaction costs are recognized directly in the income statement because they are not material. The Entities in their subsequent measurement shall measure the portfolio at amortized cost using the effective interest rate method. In addition, interest should be recognized as an increase in portfolio value exponentially over the life of the instrument.

Interest income is recognized when applying the current interest rate, except for short-term accounts receivable when the effect of discounting is not significant, suspending the accrual of interest on the portfolio in arrears for two months or more depending on the type of loan and its rating, and provisioning all of them.

For their evaluation, the Entities monitor them on an ongoing basis, treating those derived from the credit portfolio and others separately.

Impairment of financial assets - Financial assets other than those designated at fair value through profit or loss are tested for impairment at the end of each reporting period. A financial asset is impaired when there is objective evidence of impairment because of one or more events that have occurred after initial recognition of the asset and the 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 cost is 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 arrears or failure to pay interest 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 receivables, impairment is assessed on a collective basis. Objective evidence that a portfolio of accounts receivable may be impaired could include the Entities' past experience in collecting payments, an increase in the number of late 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.

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

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

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

When an available-for-sale financial asset is impaired, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss for the period.

For financial assets carried 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 previously recognized impairment loss is reversed with a change in the income statement, provided that the carrying amount of the investment at the date the impairment is reversed does not exceed the amount that would have resulted from the amortized cost had it not been recognized.

Regarding available-for-sale equity securities, impairment losses previously recognized in the income statement are not reversed through the income statement. Any increase in fair value after an impairment loss is recognized in other comprehensive income and accumulated under "Investment Revaluation Reserve". With respect to available-for-sale debt securities, impairment losses are reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event that occurs after the impairment loss is recognized.

Derecognition of financial assets – The Entities derecognize a financial asset only when the contractual rights to the financial asset's cash flows expire, or when it transfers substantially all the risks and rewards of ownership of the financial asset to another entity. If the Bank does not transfer or retain substantially all the risks and rewards of ownership, and continues to retain control of the transferred asset, the Entities will recognize their participation in the asset and the associated obligation for the amounts they would have to pay. If the Entities retain substantially all the risks and rewards of 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 carrying amount of the asset and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

In the event of partial derecognition of a financial asset (i.e. when Entities retain an option to reacquire part of a transferred asset), Entities allocate the previous carrying amount of the financial asset between the part they continue to recognize under a continuing holding and the part they will no longer recognize on the basis of the relative fair value of those parts at the date of the transfer. The difference between the carrying amount allocated to the part that will no longer be recognized and the sum of the consideration received by the part that will no longer be recognized and any cumulative allocated gain or loss that would have been recognized in other comprehensive income is recognized in profit or loss. The cumulative gain or loss that would have been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that will no longer be recognized.

e. *Investment financial assets* - Investment financial assets are classified as subsequently measured at amortized cost or at fair value based on the:

- The entity's business model for managing portfolios.

- The characteristics of the contractual cash flows.

In accordance with the Entities' business model, a financial asset is classified as measured at amortized cost if the following two conditions are met:

- The asset is held within a business model whose objective is to hold the assets to obtain the contractual cash flows.

- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are only payments of the main and interest on the amount of the main that are pending. Other financial assets that do not meet the two conditions mentioned in the preceding paragraph are classified as measured at fair value.

After initial recognition, all financial assets classified as at fair value through profit or loss are measured at fair value. Gains and losses resulting from changes in fair value are presented net in the income statement under the heading "Net changes in fair value of debt financial assets".

In turn, for financial assets classified as 'at amortized cost', after their initial recognition, principal repayments, plus or minus the cumulative amortization (calculated using the effective interest method) of any difference between the initial amount and the repayment value at maturity and minus any write-down for impairment, are adjusted to profit or loss.

Dividend income on financial assets in equity instruments is recognized in the income statement as part of the net income on equity instruments when the Entities' right to receive payment is established, regardless of the decision taken to recognize changes in fair value.

Financial assets other than investments in associates and joint ventures, both debt instruments and equity instruments measured at fair value, are classified in accordance with the Entities' policies and business models with respect to these instruments, considering, in addition, the option provided for under International Financial Reporting Standards "IFRS 9" of equity instruments between:

- Measured at fair value through profit or loss, when considered marketable.

- Measured at fair value with changes in other comprehensive income when they are considered strategic and there is no intention to sell in the short term.

The classification of assets measured at fair value through profit or loss and the designation of investments in equity instruments as measured at fair value through profit or loss with changes in other comprehensive income were determined based on the facts and circumstances existing at the date of transition to IFRSs.

The Entities value most of their investments using the information provided by the price provider INFOVALMER S.A. The supplier provides inputs for the valuation of investments (prices, rates, curves, margins, etc.).

Estimating fair value

In accordance with IFRS 13 'Measurement at Fair Value', fair value is the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In accordance with the foregoing, the fair value valuations of the Entities' investment financial assets are carried out as follows:

- The information provided by the price provider INFOVALMER S.A. is used for those instruments for which valuation inputs are published daily, in accordance with previously approved investment valuation methodologies.

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

Impairment - In accordance with IAS 39, the Entities assess at the end of each reporting period whether there is objective evidence that a financial asset or a group of assets measured at amortized cost is impaired. Indicators that the financial asset is impaired, the significant economic difficulties of the debtor, the likelihood that the debtor will go bankrupt or undergo financial restructuring, and the delinquency in payments are indicators.

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

Clasification	Characterisitcs	Assessment	Accounting
Financial debt instruments	Portfolio to manage investments in fixed income and variable income debt securities with the objective of obtaining profits from fluctuations in the market value and in the purchase and sale of these securities.	The valuation of negotiable securities is done daily. The prices determined by the price vendor INFOVALMER are used for valuation. In cases where there is no fair value determined, for the valuation day, the valuation must be made 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 income and capital. In the case of securities traded abroad, when the price vendor designated as the official price provider for the corresponding segment does not have a valuation methodology for these investments, the dirty IDB price published by an information	Accounting must be done to the following accounts Investments at Fair Value Through Profit or Loss" from the Single Catalogue of Financial Information for Supervisory Purposes (CUIF). The difference between the current fair value and the immediately preceding fair value is recorded as goodwill or negative goodwill and its balancing entry affects the results for the period. This procedure is performed daily.

Clasification	Characterisitcs	Assessment	Accounting
		supply platform at 4:00 p.m., Colombian official time, is used as an alternative source of information.	
Instruments at amortized cost	Securities and, in general, any type of investment for which the Bank has the serious purpose and the legal, contractual, financial and operational capacity to hold them until the expiration of their maturity or redemption period. Liquidity operations may not be made on these investments, as well as money 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 operation is the Banco de la República, the General Directorate of Public Credit and the National Treasury or the entities supervised by the Superintendence of Finance of Colombia. They may also be provided as collateral in a central counterparty risk clearing house to support the performance of transactions accepted by it for clearing and settlement and/or as collateral for money market operations.	Exponentially based on the internal return rate calculated at the time of purchase, based on a 365-day year. This procedure is performed daily.	Accounting must be performed in the "Amortized Cost" Investment accounts of the Single Catalogue of Financial Information for Supervision Purposes (CUIF). Present value is recorded as an investment goodwill and its offsetting entry is recorded in the income statement for the period. The uncollected receivable returns are recorded as an investment goodwill. And their collection is accounted for as a lesser value of the same. This procedure is performed daily.
Available for sale - in equity instruments	This category includes investments in subsidiaries, affiliates, associates, equity interests in private equity funds and joint ventures that give the Bank joint ownership of the issuer.	In accordance with Article 35 of Law 222 of 1995, investments in subsidiaries must be accounted for in the books of the parent or controlling company using the equity method in the separate financial statements. Where the standards of the Commercial Code or other legal provisions do not provide for the accounting treatment of	The effect of the valuation of the investment corresponding to the investor is recorded in the respective unrealized gains or losses (ORI) account, with a charge or credit to the investment. Dividends distributed in kind or in cash must be recorded as income, adjusting the

Clasification	Characterisitcs	Assessment	Accounting
		investments in subsidiaries, affiliates, associates and interests in joint ventures, they must comply with IAS 27, IAS 28 and IAS 11, as applicable.	corresponding unrealized gains or losses account (maximum up to their accumulated value) and, if necessary, also the value of the investment in the amount of the surplus over that account.

- *Equity instruments with changes in Other Comprehensive Income (ORI)* - The Entities value these investments by increasing or decreasing the acquisition cost by the percentage the investor's ownership over the subsequent variations in the equity of the respective issuer. For this purpose, the variation in the issuer's equity is calculated based on the certified financial statements as of November 30 of each year.

- *Trust rights* - The Entities value these investments with the information provided by the respective management company or INFOVALMER (unit value).

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

  a) From instruments at amortized cost to debt instruments with changes in results

  - There is room for reclassification when any of the following circumstances occur:

  - Significant deterioration in the conditions of the issuer, its parent, its subordinates or its related parties.

  - Changes in the regulation that prevent the maintenance of the investment.

  - Merger processes involving the reclassification or realization of the investment, with the purpose of maintaining the previous interest rate risk position or to adjust to the credit risk policy previously established by the resulting entity.

  b) From investments available for sale - equity instruments to equity instruments with changes in results - reclassification occurs when:

  - The composition of the significant activities of the business is redefined, due to circumstances such as variations in the economic cycle or market niche in which the Entities are operating or in their risk appetite;

  - The assumptions of adjustment in the management of investments that have been defined in the business model previously materialize;

- The investor loses his or her status as parent or controlling shareholder, and such circumstance also implies the decision to sell the investment in the short term as of that date;

- Significant deterioration in the conditions of the issuer, its parent, its subordinates or its related parties;

- Changes in the regulation that prevent maintenance of the investment;

- Merger processes involving the reclassification or realization of the investment, with the purpose of maintaining the previous interest rate risk position or to adjust to the credit risk policy previously established by the Entities.

When investments available for sale - equity instruments are reclassified to equity instruments with changes in results, the result of the reclassification of investments shall be recognized and maintained in the ORI as unrealized gains or losses until the related investment is sold. Securities or securities that are reclassified for being part of negotiable investments may not be reclassified again. As of the reclassification date, it must be valuated at the internal return rate of the day before the reclassification.

- *Investment repurchase agreements* - These are restricted investments that represent collateral for investment repurchase agreements. On these investments, the Entities retain the economic rights and benefits associated with the security and retain all the risks inherent in it, although they transfer legal ownership when carrying out a money market transaction. These securities continue to be measured daily and accounted for in the statement of financial position or income statement in accordance with the methodology and procedure applicable to investments classified as held for trading, held-to-maturity and available for sale in accordance with the category in which they are located prior to the acquisition of the repurchase agreement.

f. *Loan portfolio and financial leasing transactions* - The provision of criteria applicable to the presentation, classification, evaluation and valuation of the loan portfolio, credit risk, restructuring, portfolio provisioning, portfolio write-offs, among others, shall be recognized in accordance with the policies and Technical Regulatory Framework established in Decree 2420 of 2015, as amended by Decrees 2496 of 2015, 2131 of 2016 and 2170 of 2017. The resources used in granting loans come from our own resources, from the public in the form of deposits and other external and internal financing sources. Loans are recorded at disbursement value except for the Parent Company commercial discounting portfolio, which is recorded at discount.

Classification of the credit portfolio - The classification of the credit portfolio in the Entities contemplates the following modalities:

- *Commercial* - granted to natural or legal persons for the development of organized economic activities other than microcredits. The portfolio of the Parent Company is rediscount which consists of a traditional mechanism for the placement of resources of the second tier bank. It consists of the repurchase or discount on the second tier of securities from entities of the Colombian financial system, which have made the initial discount of the security to natural or legal persons.

In the case of the Parent Company, it only applies to the financing of business activities. At present, promissory notes that have been signed with companies (legal entities or natural persons with productive activity) are discounted before an eligible financial entity, with a current quota and available in Bancóldex, which in turn is assigned through an endorsement.

This portfolio includes the following:

Agreements: These are the loans disbursed by the Parent Company under the form of agreements with contributions from third parties. This portfolio is granted by the Parent Company in the following categories:

- With rate compensation with third-party resources because of the spread of market lending rates offered by the Parent company.

- With rate compensation with third-party resources and Bank resources because of the market lending rate differential offered by the Parent company.

The contributor largely assumes the resulting differential between the contractual rate and the market rate.

Document Discount: A financial instrument that consists of purchasing at a discount and without recourse (eliminates the seller's liability for payment in the event of default by the bill acceptor) up to a percentage of the amount of securities originated in domestic commercial transactions for the sale of goods or services on credit, covered under an insurance policy issued by an eligible insurance company and duly authorized by the Parent Company.

Portfolio at market rates: This is a line of credit provided in Colombian or foreign currency to Colombian financial intermediaries with a current credit limit and available in the Parent Company, so that they may in turn carry out active credit operations in legal currency that are expressly authorized by Colombian law and are aimed at financing operations with the business sector.

Special Lines Portfolio: These are the loans disbursed by the Parent company under the special lines modality. This portfolio is granted by the Parent Company with rate compensation by the Bank directly, because of the differential of the lending rates offered in certain lines, this rate differential will be assumed by the Bank in its entirety.

The Parent Company assumes the entire resulting difference between the contractual rate and the market rate as well:

• *Consumption and Housing* - which are exclusively due to loans to officials and former officials, for the latter granted prior to their retirement.

For the subsidiary Arco Grupo Bancoldex:

Consumption- These are loans that, regardless of their amount, are granted to individuals to finance the acquisition of consumer goods or the payment of services for non-commercial or business purposes, other than those granted under the microcredit modality. The loans classified in this category correspond to the employee portfolio.

Housing - These are those that, regardless of the amount, are granted to natural persons, for the acquisition of new or used housing, or for the construction of individual housing. In accordance with Law 546 of 1999, they are denominated in UVR or in legal currency and protected with first-degree mortgage collateral, constituted on the financed housing.

Causing interest - In accordance with paragraphs 29 and 30 of IAS 18, revenues from ordinary activities arising from the use by third parties of assets of the entity that produce interest, royalties and dividends are recognized in accordance with the basis set out in paragraph 30, provided that:

a) it is probable that the entity will receive economic benefits associated with the transaction.

b) the amount of revenue from ordinary activities can be measured reliably.

Income from ordinary activities is recognized in accordance with the following bases:

Interest is recognized using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of an asset and of allocating interest income or cost over the relevant period. The effective interest rate is the rate that exactly matches estimated future cash payments or receipts over the expected life of the financial instrument, or when appropriate, for a period less than the carrying amount of the asset at the time of origination. To calculate the effective interest rate, cash flows are estimated considering all contractual terms of the financial instrument without considering future credit losses and considering the initial balance of the transaction or grant, transaction costs and premiums granted less commissions and discounts received which are an integral part of the effective rate.

From the legal point of view, default interest is contractually agreed and as such can be assimilated to variable interest caused by a default of the debtor. In that sense, such interest is caused from the moment in which the contractual obligation to do so arises, independent of future credit losses, as established in the definition of the effective interest rate; therefore, said balance forms part of the total indebtedness with the client that is evaluated for the determination of impairment following the procedures established for such purpose, either through individual or collective evaluation.

Suspension of interest accrual - Interest is incurred to the extent that there are future cash flows expected to be recovered, in line with paragraph 29 of IAS 18, which establishes causation when it is probable that the entity will receive the economic benefits associated with the transaction. Accordingly, the following applies:

a) The accrual of interest on individually or collectively assessed loans is suspended if they are provisioned one hundred percent, as there are no future cash flows to be recovered.

b) For other partially impaired loans, either individually or collectively, causation shall continue to be made at the original rate of credit, which in the case of loans assessed individually for impairment corresponds to the rate at which the discounted future flows expected to be recovered were discounted.

Impairment - IAS 39 Impairment Losses Incurred - The methodology used by the Entities to calculate the goodwill of the loan portfolio is based on the methodology of loss incurred. An individual impairment assessment shall be used to calculate the goodwill of the impaired loan portfolio. According to International Accounting Standard 39, credit institutions must develop a loss incurred model, whereby losses are only recognized for accounting purposes if there is objective evidence that the event has already occurred and that it can be reliably estimated. "An entity shall assess at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets measured at amortized cost is impaired.

To identify the operations that record objective individual evidence of impairment, the Entities use as their main criteria the days in arrears recorded for each operation and this is differentiated by the type of portfolio and client, applying expert criteria. To determine the criteria for the days in arrears that apply to each of the segments, the history recorded by the customers in both the Parent Company and the Leasing Company was used. In the case of portfolios with financial intermediaries, days in arrears are very short terms (less than 10 days) and in the case of companies, the default criterion was set at 90 days.

In accordance with IAS 39 - Financial Instruments - recognition and measurement, the Entities assess at the end of each period whether there is objective evidence that a financial asset or a group of assets measured at amortized cost is impaired. If impairment exists, a provision is recorded with a charge to income. The quantification of losses incurred considers three key factors: the exposure at the time of default, the probability of default and the loss given the default.

Value of the operation: The estimate of the significant impairment of the operations will be made based on the value of the credit at the date of analysis discounted with the IRR as defined in the accounting policies for IFRS. In the financial statements, the estimated value of the significant impairment of a transaction shall be recorded as an expense in the period in which the loss becomes evident.

PD (probability of default) - Based on the history of the Entities, it was defined that operations considered with objective evidence of impairment hardly reverse their behavior and recover, for this reason it was defined that for these operations the probability of default required for this methodology will be 100%.

PDI (loss due to default) - The PDI depends on the type of transaction (direct commercial or rediscount portfolio, consumer portfolio and home portfolio) and the guarantee. For direct commercial credit operations, the recovery percentage found in Annex 3 of Chapter 2 of the Basic Accounting and Financial Circular Letter is used, with special treatment for operations classified in E, whose IMP will be 100%. On the other hand, for trade credit rediscount operations, the recovery rate defined by the Parent Company for the internal provisions model will be used, which to date is 40%. It should be noted that this recovery rate corresponds to a stress scenario.

Write-offs on loans and receivables - A loan or receivable is subject to write-off with a charge to impairment for loan or receivable portfolios, respectively, when all possible collection mechanisms have been exhausted and are considered irrecoverable. The Board of Directors defines periodic dates for the authorization of write-offs.

The write-off does not relieve the officials of the responsibilities they may have for the approval and administration of the credit, nor does it exempt them from the obligation to continue collection efforts to achieve collection.

Recovery of previously written-off financial assets are recorded in the income statement.

Restructured loans - Restructuring of a loan means any exceptional mechanism implemented through the conclusion of any legal transaction, the purpose of which is to modify the conditions originally agreed upon, to enable the debtor to pay adequate attention to his obligation in the face of the actual or potential deterioration in his capacity to pay. Restructured loans are recorded at the time of restructuring at the present value of the future cash flows expected in the agreement, discounted at the original rate of the asset before restructuring.

g. *Financial derivatives* - A derivative is a financial instrument or other contract whose value changes over time in response to changes in a particular underlying variable (a specified interest rate, the price of a financial instrument, a foreign exchange rate, etc.); it does not require a net initial investment or requires a lower investment than would be required for other types of contracts where a similar response to changes in market conditions could be expected and is settled at a future date.

During their operations, the Entities trade financial instruments for trading purposes such as forward contracts, futures contracts and cash transactions and for hedging purposes such as futures contracts. Derivative transactions are recognized at fair value. Subsequent changes in fair value are adjusted with a charge or credit to income, as appropriate, unless the financial instrument is designated as a hedge.

The derivative financial instrument is valued considering the counterparty credit risk (CVA) or the entity's own credit risk (DVA). The difference in the calculation of the derivative financial instrument under risk-free assumptions and the derivative financial instrument adjusted for credit risk will result in the adjustment by CVA or DVA, as applicable.

To incorporate credit risk into the methodology used to measure derivative instruments, the premise of affecting the discount rate was applied, within the valuation of such instruments at the corresponding closing date.

Hedging ratio - The hedging strategy is accounted for as follows: the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in the ORI and the ineffective portion is recognized in the income statement for the period. Gains or losses on the hedging instrument accumulated in equity shall be reclassified to the income statement at the time of disposal of all or part of the foreign operation.

The Entities document at the inception of the transaction the relationship between the hedging instrument and the hedged loss, as well as the risk management objective and strategy for undertaking the hedge. The Entities also document their assessment both at the date of commencement of the transaction and on a recurring basis; that the hedging relationship is highly effective in offsetting changes in the fair value or cash flows of the hedged items.

The Entities require that all transactions involving the purchase or sale of financial assets or derivative contracts are accounted for using the trade date. Credit risk will be involved in the valuation of derivative financial instruments, such as an adjustment to the period-end valuation. The Entities will not include transaction costs in the valuation of the derivative, but will only reflect the price at which it can be sold in the main market.

h. *Embedded derivatives* - Entities shall measure the existence of an embedded derivative in contracts containing special clauses. They will need to be identified, separated, measured and recognized. The Entities shall evaluate the existence of judgements that reflect the existence of an embedded derivative in the characteristics and risks of the host contract. This evaluation shall not be performed again unless there has been a change in the terms of the contract that significantly modifies the cash flows that would arise under the contract, in which case a new evaluation is required. Embedded derivatives shall be recognised at fair value.

   An embedded derivative is separated from the host contract and treated as a derivative for accounting purposes, while the host contract is measured and recognized as a financial instrument; if separability of the embedded derivative from the host contract is impracticable, it is essential to measure the entire combined contract as a financial asset or financial liability held for trading.

i. *Non-current assets held for sale* - Non-current assets and disposal groups are classified as held for sale if their carrying amount is recoverable through a sale transaction and not through continuing use.

   This condition is deemed to be met only when the Entities have a formal plan for sale which is highly probable and the asset (or group of assets for disposal) is available for immediate sale in its current condition subject only to the terms that are customary and adapted for the sale of those assets (or group of assets for disposal). Non-current assets held for sale shall be held for a maximum of one year from their classification date.

   Entities shall recognize non-current assets held for sale at the lower of carrying amount or fair value less costs to sell. If the asset is acquired as part of a business combination, it is measured at fair value less costs to sell. Cost of sales includes only incremental costs, directly attributable, except for finance costs and income tax expense. The subsequent measurement of non-current assets held for sale shall be given at the initial recognition value, less all costs to sell that arose but were not allocated to the initial measurement, and subsequent impairment losses.

   On subsequent measurement, the amount of non-current assets held for sale is affected by the measurement and recognition in IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations.

   Non-current assets are reclassified from held for sale to hold for use if they no longer meet the criteria to be classified as held for sale. In the case of fixed assets that had previously been transferred to the available-for-sale category and that require reclassification to hold for use again, the asset is measured again at the lower of its recoverable amount and the carrying amount that would have been recognized if the asset had never been classified as held for sale.

   Goods received in lieu of payment - Goods received in lieu of payment are assets from which it is expected that their amount will be recovered through their sale and not through their use.

   Initial measurement - Entities shall measure goods received as dation in payment (or groups of assets for disposal) classified as held for sale, at the lower of:

   - Its book value; or
   - its fair value less costs to sell.

Subsequent measurement - Entities shall measure goods received in lieu of payment at the lower of carrying value or fair value less costs to sell.

Where the sale is expected to occur beyond the one-year period, the Entities shall measure the costs of sale at their present value. Any increase in the present value of such costs of sale over time is presented in the income statement as a finance cost.

Expenses incurred with goods received in lieu of payment must be recorded in the income statement. On the other hand, they must be measured at the lower of fair value and carrying amount, less costs incurred to execute the sale.

Impairment of Goods received in lieu of payment -

Entities shall recognize an impairment loss due to initial or subsequent reductions in the value of the asset (or group of assets for disposal) to fair value less costs to sell.

In addition, an entity shall recognize a gain on any subsequent increase in fair value less costs to sell of an asset, but not exceeding the cumulative impairment loss recognized. See Assets Impairment Policy.

Entities shall not depreciate (or depreciate) assets received in lieu of payment if they are classified as held for sale, or if they form part of a group of assets for disposal classified as held for sale. However, interest and other expenses attributable to the liabilities of a group of assets for sale shall continue to be recognized.

Rules on the legal period for sale - Goods received in lieu of payment must be sold within two years of the date of acquisition; however, they may be recorded as fixed assets, if they are necessary for the ordinary course of business of the business and the limits on investment in assets are met. An extension may be requested from the Superintendence of Finance for its disposal, which must be submitted in any case prior to the expiration of the established legal term.

The respective application must demonstrate that, although the management procedures for the disposal have been followed diligently, it has not been possible to obtain its sale. In any event, the extension of the term may in no case exceed two years from the date of expiry of the initial legal term, during which period the work to realize these unproductive assets must continue.

Returned goods - The restitution of these goods must be accounted for at book cost (cost less accumulated depreciation), they are not subject to depreciation.

Art and culture goods - The Entities in their initial measurement establish the following treatment for art and culture goods:

a. If the good was purchased by the Entities it is measured at cost;

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

c. if it is not possible to obtain its fair value reliably, its cost is zero

Art and cultural goods, in their subsequent recognition, must be measured at cost, less any impairment losses.

j. Property and equipment - An item of property and equipment is recorded if it is probable that the future economic benefits associated with the asset will flow to the Entities and the cost of the item can be measured reliably. As described in the latter criterion, it will be necessary to identify for initial recognition all costs of property, plant and equipment at the time they are incurred.

Initial measurement: The initial recognition of property and equipment is at cost, which is the cash equivalent at the date of recognition, plus attributable costs.

Also included are import duties, non-recoverable indirect taxes, and trade deductions and rebates, estimates related to the costs of dismantling and withdrawing the assets, including: rehabilitation of the place where the asset is located, the obligation incurred by the Entities, either when they acquire the asset or because of having used the asset for purposes other than the Entities' productive operation.

In the case of capitalization of improvements, the costs will be required to increase the useful life, increase its capacity, or increase the value of the asset. Repairs and/or maintenance to property and equipment that only repair or maintain the asset, and therefore maintain the condition in terms of, for example, the useful life or expected future economic benefits arising from the use of the same item, shall be recognized as an expense in the period in which they are incurred, i.e. they have a net effect on the income statement.

Start-up costs cannot be capitalized as part of the cost of property and equipment. Unless identified, there is a need to incur these costs to return the asset to normal operating conditions, for which purpose and in all cases, the corresponding analysis will be required prior to recognition.

Subsequent measurement: After recognition as an asset, an item of property and equipment shall be measured as follows:

Group Description	**Method**
Buildings	Revalued model
Land	Revalued model
Assets	Cost model
IT Equipment	Cost model
Network and communication equipment	Cost Model
Machinery and Equipment	Costocmodel
Furnishings	Cost model
Transport vehicles	Cost model
Goods delivered as commodate	Cost model
Art and cultural assets	Cost model

Depreciation - Depreciation of an asset begins in the month in which the asset is at the location and in the condition necessary to operate in the manner intended by management.

The depreciation charge for each period shall be recognized in the results of the period, using the straight-line method, according to the estimated useful lives which the Entities considered will faithfully represent the period in which an item classified in this group of assets is expected to expire, offset an economic benefit.

The actual useful life corresponds to the period during which the asset is expected to be used. The accounting policy describes residual value as 'the estimated value that an entity would currently be able to obtain from the liquidation of an item, after deducting the estimated costs of such disposal, if the asset had already reached the age and other condition expected at the end of its useful life'.

The residual value and useful life of an item of property, plant and equipment will be reviewed at least annually and if expectations differ from previous estimates, the changes will be accounted for as a change in accounting estimates prospectively.

According to the appraisal carried out in December 2017, the valuation of the floors where the Parent Company offices are located (based on International Valuation Standards), it was determined that the useful life is 100 years and the remaining useful life at the date of the appraisal is 62 years.

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

Parent Company

Group Descripttion	% Residual	Useful life	
Building	15%	100 Años	
Furnishings	10%	5 years	12 years
IT Equipment	10%	2 years	5 years
Network and communication equipment	10%	2 years	6 years
Equipment and machinery	10%	6 years	14 years
Furniture	10%	5 years	12 years
Transport vehicles	10%	10 years	20 years
Land	0%	0 years	0 yers
Goods delivered in commodate	0%	0 years	0 years
Art and cultural assets	0%	0 years	0 years

Subsidiaries

Arco Bancoldex Group

Group Descrption	Method	Residual % Rango	Service life initial range	Service Life End Range
Buildings	Revalued cost	1% - 15%	100 years	
Fixtures	Historical cost	1% - 15%	5 years	12 years
IT Equipment	Historical Cost	1% - 15%	2 years	5 years
Network and communications equipment	Historical cost	1% - 15%	2 years	6 years

Group Descrption	Method	Residual % Rango	Service life initial range	Service Life End Range
Machinery and Equipment	Historical Cost	1% - 15%	6 years	14 years
Furniture	Historical Cost	1% - 15%	5 years	12 years
Transportation vehicle	Historical Cost	1% - 15%	10 years	20 years
Grounds	Historical Cost	0%	0 years	0 years
Goods provided on loan	Historical Cost	0%	0 years	0 years
Art and cultural goods	Historical Cost	0%	0 years	0 years

Fiducóldex

Assets Group	Residual Value	Useful life
Buildings	Will be the value of the land	According to the technical study.
Furnitures and fixtures	0%	10
Computer hardware	0%	3
Vehicles	0%	5

The Entities conduct a review of the revalued cost every three years to assess whether it is necessary to determine a new revalued cost to be determined by an appraiser, who will use the techniques set out in the International Valuation Standards (IVS). If there is reasonable assurance that the value of the buildings will increase or decrease, the new revalued cost must be determined.

If so, when an increase in fair value occurs from period to period, it is recognized as part of the cost of property and equipment under "Other Comprehensive Income". Likewise, when fair value decreases are presented, the valuation recorded in Other Comprehensive Income will first be written off and, if there is a surplus, it will be recognized in the income statement.

For movable assets whose acquisition value is equal to or less than (50 UVT), they are depreciated at the latest in the month following the month in which they are acquired, regardless of their useful life.

Disposal of property and equipment - The carrying value of an item of property, plant and equipment is written off when no further associated future economic benefits are expected and the gains or losses from the disposition are recognized in earnings.

Impairment of property, plant and equipment - Evaluations of the evidence of impairment shall be made once there are indications of impairment of the value of the non-financial or minimum assets at the end of each reporting period. If there is evidence of impairment, the Entities analyze whether such an impairment exists by comparing the net carrying amount of the asset with its recoverable amount (the higher of fair value less costs to sell and value in use of the asset). When the carrying amount exceeds the recoverable amount, the carrying amount is adjusted by modifying future depreciation charges in accordance with their remaining useful lives.

k. *Intangible Assets*- Entities shall record an intangible asset once it is identified: the existence of control, the separability of the asset, and the fact that it is expected to generate a future economic benefit, for its recognition it is essential that it complies with all the characteristics described above.

Initial measurement - Intangible assets are initially measured at cost, however it depends on how the Entities obtained the asset. An intangible asset can be acquired separately as part of a business combination and with the development or generation of the asset internally developed by the Entities.

- The intangible asset acquired in a separate transaction is measured as the sum of the purchase price, including import duties and non-refundable acquisition taxes, after deducting discounts and rebates, and the cost directly attributable to preparing the asset for its intended use. Also, it is probable 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 value of the cost is the fair value at the acquisition date.

- For internally generated intangible assets, only the costs of the asset's development stage are recognized as intangible. Costs incurred in the research phase are recognized as an expense in the period in which they are incurred.

- In business combinations, the value of the cost is the fair value at the acquisition date.

- For internally generated intangible assets, only the costs of the asset's development stage are recognized as intangible. Costs incurred in the research phase are recognized as an expense in the period in which they are incurred.

Depreciation should be adjusted to allocate the revised carrying amount of the intangible asset, less any residual value, on a systematic basis over its useful life.

Subsequent measurement: In subsequent recognition, intangible assets are amortized on a straight-line basis over their estimated useful lives. Entities shall evaluate whether the useful life of an intangible asset is defined 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 determinants of estimating the useful life of an intangible asset, the time measurement that best represents the expected term of use of the asset is taken.

The Entities determine that intangible assets with a defined useful life are amortized based on their estimated useful lives, as follows:

Parent Company and Arco Bancóldex Group

Group Description	Méthod	% Remaining	Useful Life	
Licenses	Cost Model	0%	1 Year	15 Years
Software and applications	Cost Model	0%	1 Year	15 Years

Fiducoldex

The subsidiary makes cash payments for the purchase of licenses. The use of the licenses will be between 3 and 15 year periods, depending on the type of license. The useful lives and residual value established by the Fiduciary are listed below:

Assets Groups	Useful Life	Residual Value
Core	15 years	0
Software (licenses)	3 years	0

Individual cost licenses with a value equal to or less than 50 Tax Value Units (UVT's) will be amortized over the same period in which they were acquired.

An intangible asset is retired on sale or when no future economic benefits are expected from its use or sale. The resulting gain or loss is the difference between the carrying amount and recoverable amount of the intangible asset.

l. Other non-financial assets - There are assets for which it is not possible to find similar recognition and measurement criteria that allow them to be classified within the categories or groups of available financial assets.

m. *Impairment of non-financial assets* - The identification of evidence of impairment should provide enough detail of the scenarios that management estimates could or may have impaired the value of the assets and should be presented as a reduction in the carrying amount.

The criteria used to determine impairment indicators must be designed to describe the possible internal or external events that could lead to a loss in the value of the asset or in the expected economic benefits arising from its disposal, which impairment test must be considered at least once at the end of the accounting period or when the relevant information for decision-making purposes is presented.

An impairment loss arises when the carrying amount of an asset exceeds its recoverable amount. The identification of the impairment value of assets requires that an evaluation of the indications of impairment be considered and carried out by the Entities. At the end of each reporting period, the Entities shall evaluate whether there is any indication of impairment of the value of any asset; if such an indication exists, the Entities shall estimate the recoverable amount of the asset.

Indications of impairment may be due to observable internal or external sources of significant changes that result in a significant impairment loss in the carrying amount of non-financial assets. Impairment is considered to be an indication of impairment if there are changes in the legal, economic, technological or market environment in which the asset is operated or in the market for which it is intended, internal reports indicating that the economic performance of the asset is, or will be, worse than expected, changes in market rates or rates of return that may affect the measurement of recoverable amount (eg. Increases 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 Entity assets (e.g. effects of demand, competition, or other economic factors). The signs of deterioration are not limited to those previously observed.

Once an impairment loss is recognized, depreciation or amortization charges on the asset are adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its useful life.

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

n. *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 Company's own equity instruments. Financial liabilities are recognized and measured at amortized cost, except for derivatives measured at fair value in accordance with the applicable requirements of IFRS 9.

- *Financial liabilities at amortized cost* - All financial liabilities are classified as measured after amortized cost using the effective interest method, except for derivative financial instruments that are measured at fair value through profit or loss. The amortized cost of financial liabilities in certificates of deposit at term, subordinated bonds and financial obligations are determined based on the nominal value of the obligation, including interest cost.

- *Financial liabilities at fair value through profit or loss* - In the initial recognition, the inconsistency in the measurement (accounting asymmetry), which could arise when using different measurement criteria, can be eliminated or reduced. The entities have chosen to design the measurement of values at fair value through profit or loss, considering the availability of the information relating to the valuation of these instruments.

On initial recognition, Entities shall classify 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 in the period in which they are incurred.

In the subsequent measurement, the Entities shall measure the issuance of debt instruments at amortized cost, applying the effective interest method.

o. Income taxes - Income tax expense includes current and deferred taxes, and the Bank shall recognize, with certain exceptions, the liabilities or assets arising from the calculation of deferred tax, using the balance sheet method to calculate the amount of a deductible deferred tax for those transactions or recognitions for which an expectation of future taxable income is identified. The accounting valuation to be considered will be the book value, while the tax valuation will be the tax based, the value of which will be represented by the amount at which the different transactions carried out by the Bank would appear in a "hypothetical tax balance sheet", the applicable tax rate must 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 statute will be applied, which will have a direct bearing on the measurement of the amounts to be calculated for current or deferred tax purposes.

Law 1819 of 2016 eliminated the CREE tax and the CREE tax surcharge for the years 2017 and 2018 and in turn increased the general income tax rate to 34% for 2017 and 33% for the following years creating an income tax surcharge of 6% and 4% for the taxable years 2017 and 2018, respectively, the latter applicable to taxable bases of $800 million and thereafter.

For the current period of December 31, 2017 and 2016 the current tax rates are:

Year	**Income**	**CREE**	**Surcharge**	**Total**
2016	25%	9%	6%	40%
2017	34%	Not Applicable	6%	40%
2018	33%	Not Applicable	4%	37%
2019	33%	Not Applicable	0%	33%

- *Current tax and cree* – Current and constructive tax - Current tax includes the expected tax payable or receivable on the year's taxable income or loss and any adjustments related to prior years. It is measured using the tax rates that have been approved, or whose approval process is practically completed at the balance sheet date, considering the provisions established in Law 1819 of 2016.

- *Deferred tak* – The calculation of deferred tax is based on the assessment of temporary differences, using the balance sheet method. These differences arise from the carrying amount of an asset or liability in the statement of financial position and the tax value of the asset or liability. Current and deferred taxes shall be recognized as income or expense and included in profit or loss.

  Deferred taxes relating to items recognized outside the income statement shall be recognized outside the income statement and shall be recognized in correlation with the related transaction, either in the statement of comprehensive income or directly in equity.

The 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, they will recognize a deferred tax asset arising from unused tax losses or credits only if they have enough temporary differences or if there is other convincing evidence that you will have sufficient future taxable profit against which to charge such losses or credits.

- *Wealth tax* - This tax is generated by the possession of wealth (gross equity less current debts) equal to or greater than $1,000 million pesos as of January 1, 2015, 2016 and 2017. Entities record this tax against operating expenses for the period, at the value of the tax recognized as of January 1 of each year.

p. *Provisions and contingent liabilities* - These are recognized when the Entities*:*

- They have a present obligation because of a past event,

- it is probable that the Entities will have to dispose of resources that incorporate economic benefits to settle the obligation,

- they can make a reliable estimate of the value of the obligation.

The amount recognized as a provision should be the best estimate, at the end of the reporting period, of the expenditure required to settle the present obligation. The best estimate of the outlay required to settle the present obligation is the rationally assessed value that an 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 probable that resources embodying economic benefits will flow out of the entity to satisfy the obligation, the provision should be reversed, and the provision should be used to cover only the expenditure for which it was originally recognized. Provisions on legal disputes will be determined based on the probability established by the legal area for each proceeding described in the note on judgments and estimates.

Onerous contracts - a provision is recognized because of the present obligations arising from this type of contract, where unavoidable costs of performance are required, determined by implied obligations that are greater than the expected benefits.

To establish the existence of onerous contracts the Entities assess the following:

- Has the contract not been executed under normal conditions in accordance with the initial parameters agreed between the parties, from the point of view of compliance with the obligations of the entity carrying out the evaluation?

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

- Has the income of the entity conducting the evaluation related to the contract, directly or indirectly, had or is expected to have a significant decrease or have the costs of its care had a significant increase that may suggest the existence of an onerous contract?

q. *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 will be classified into short-term benefits, and long-term benefits

Short-term benefits: Benefits that are expected to be fully settled before the end of the twelve months following the end of the annual reporting period. A liability and an expense are recognized for the effect of contractual obligations acquired with the employee. The liabilities incurred are recognized undiscounted, i.e. at the amount at the measurement date.

The contractual or constructive obligation of the Entities 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 shall be incurred 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 will be paid from the twelve months following the end of the period in which they are earned.

The Entities have no post-employment benefits, and only those that are payable upon termination of the contractual relationship between the employee and the employee, such as severance payments, shall be deemed termination benefits.

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

s. *Leases* - A type of contract that is typically entered between two parties, where one of the parties (the lessor) is supposed to give the other party (the lessee) the right to use an asset for its own benefit. This means that the latter is obliged to pay the lessor a sum of money for a specified period, as agreed by mutual agreement by contract.

Leases are classified according to the very characteristics of the contract, i.e. their identification is based on economic substance over and above the 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 lessor agree to change the terms of the lease, in which case the classification of the lease must be reassessed, in which case financial leases transfer to the lessee all the risks and rewards of the lease all the risks and rewards associated with the lease, while operating leases are of a residual nature, i.e. when the circumstances do not exist to qualify a lease as a finance lease, the classification of contracts under finance or operating leases depends on the circumstances of each party and may therefore 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 is accounted for in its entirety as an expense, and no value is taken to the asset or liability, since it is limited only to the transfer of the right of use.

Financial leasing: Financial leases, for their part, shall recognize as assets the assets acquired under a finance lease, and as liabilities the obligations associated with the lease, the assets and liabilities shall be recognized at amounts which, at the inception of the lease, shall be recognized, are equal to the fair value of the leased asset, if lower than the fair value of the leased asset, they are recognized at the present value of the minimum lease payments, this type of lease gives rise to a finance charge in the income statement for each period corresponding to the agreed interest rate.

Leaseback: A sale and leaseback transaction is a transaction that involves the disposal of an asset and its subsequent lease to the seller.

t. *Investments in associates:* The Parent company will have investments with significant influence if it holds, directly or indirectly (for example, through subsidiaries), an interest equal to or greater than 20% of the voting power of the investee but less than 50%.

On initial recognition, an investment in an associate is recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the investee's profit or loss after the acquisition date.

u. *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.

Entities recognize revenue when:

- The amount of these can be measured reliably

- It is probable that future economic benefits will 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 will flow to the company and that ordinary income can be measured reliably).

Interest: Interest income on a financial asset is recognized when it is probable that the Entities will receive the economic benefits associated with the transaction and the amount of income from ordinary activities can be measured reliably. Interest income is recognized on a time basis, with reference to the outstanding principal 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 carrying amount of the financial asset on initial recognition.

v. *Joint operations* - Based on the analysis performed by the subsidiary Fiducóldex, for the statement of financial position it recognizes its participation in consortiums as a joint operation, in such a way that it will account for the assets, liabilities, income from ordinary activities and expenses related to the participation.

Fiducóldex acknowledges in connection with its participation in a joint venture:

- Its assets, including interest in the jointly held assets

- Its liabilities, including its share of the jointly incurred liabilities

- Its revenue from ordinary activities from the sale of its interest in the proceeds of the joint venture

- Their share of the revenue from ordinary activities from the sale of the proceeds of the joint venture

- Its expenses, including its share of the jointly incurred expenses

- Assets, liabilities, income from ordinary activities and expenses relating to participation in a joint venture shall be accounted for in accordance with the policies applied to Fiducóldex.

When Fiducóldex enters into a transaction with a joint venture in which it is a joint venture operator, such as a sale or contribution of assets, it is carrying out the transaction with the other parties in the joint venture and, as such, will recognize gains and losses from this transaction only to the extent of the other parties' interests in the joint venture.

Where such transactions provide evidence of a reduction in the net reliable value of assets to be sold or contributed to the joint venture or of an impairment of those assets, such losses shall be fully recognized by the joint venture operator.

In addition, Fiducóldex has an interest in a joint venture, which is a jointly controlled company, through which the venturers have a contractual agreement that establishes joint control over all the economic activities of that company. The contract requires that agreement between the parties on financial and operational decisions be unanimous.

Fiducóldex records its interest in the joint venture using the proportionate consolidation method. Fiducóldex combines in the consolidated financial statements its proportionate share of the assets, liabilities, income and expenses of the joint venture with similar items on a line-by-line basis. The financial statements of the joint venture are prepared for the same period as those of Fiducóldex and the necessary adjustments are made to standardize any differences that may exist with respect to Fiducóldex's accounting policies.

Once joint control is lost, Fiducóldex values and recognizes the investments it holds at fair value. Any difference between the carrying amount of the jointly controlled investment and the fair value of the investment held plus the proceeds from the sale is recognized in the income statement.

When there is significant influence over the remaining investment, the investment is accounted for as an associate.

Among the policies adopted globally with each of the management units are the following:

Generalities - The consortiums are defined as follows in accordance with the provisions of article 7 of Law 80 of 1993 (General Statute of Public Administration Contracting).

"It is when two or more persons jointly submit the same proposal for the award, conclusion and execution of a contract, jointly and severally liable for each and every one of the obligations arising from the proposal and the contract. Consequently, the actions, facts and omissions that may arise in the development of the proposal and the contract will affect all the members that make up the proposal".

Characteristics - The main characteristics of the consortium are set out below:

- Mutual aid agreement
- Comply with taxes
- To process the RUT
- Obtain the TIN
- The duration of the consortium is the same at the end of the contract and it is generally longer than one year.
- It is not a commercial company.
- They do not have their own legal status

Management Unit - The Consortium Members, join to find a way to optimize resources, taking advantage of the technical, administrative and financial qualities and qualities.

This Unit must be created for the provision and execution of the trust contract.

It must prepare the accounts for the Members and for the Settlor based on the contractual obligations.

Legal Representation - The members of the consortium shall appoint a Legal Representative to represent the consortium for all purposes and shall be provided with the basic rules governing the relations between them and their responsibility.

The Legal Representative must create the trust to be administered before the Superintendence of Finance.

He will be in charge of tax and contractual obligations.

The Legal Representation can be rotated in the time determined by the members or left fixed until the expiration of the contract to be administered.

Ongoing and in liquidation joint operations - Currently, the status of the consortia in which Fiducóldex participates is:

Active consortiums - These are those consortiums that comply with the principle of ongoing business, this refers to the future or long-term permanence that a third party expects from an organization without interrupting its activities, which must be considered for the preparation of financial statements under IFRS.

In addition, the management of the consortium must identify and disclose situations in the financial statements that threaten the continuity of the consortium agreement.

On the other hand, the corresponding benefits from Fiducóldex's participation in the consortium will be recognized line by line by the percentage of the statement of financial position and the statement of comprehensive income, that is, it will be proportionally consolidated according to Fiducóldex's participation in the consortium.

However, for the calculation of this method, the policies of the consortium must be consistent with those applied by the Trust to prepare the financial statements under IFRS. Otherwise, Fiducóldex must make the respective adjustment to determine this value.

Consortia in liquidation - These are those consortia that intend to liquidate, cease their activity or end in accordance with what has been contractually agreed in the trust business or because there is no other alternative than to proceed in this way.

In this case, such consortia shall be measured in accordance with the policies of the active consortia. However, detailed management is within the consortia policy.

w. *Operating segments* - To comply with the provisions of IFRS 8 - Consolidated Operating Segments, the following segments have been defined, which describe the activities performed by each of the Group entities and whose results are monitored internally on an ongoing basis:

- *The Parent Company* - the products will be framed within the strategy of the Parent Company whose main objective is to promote the business and economic growth of Colombian companies through financial and non-financial products, considering the nature of the activities carried out as a development bank and that ultimately contribute to the generation of the financial margin.

The products and/or concepts that are included within each of the segments with the factors identified for each of them are:

Loan portfolio: Includes the portfolio loans that the Parent company disburses to promote business development. The factors considered to identify portfolio operating segments are mainly based on the classification by currencies (COP and USD) and a subsequent grouping of the portfolio lines that the Parent company promotes and that contribute to the net interest income. This differentiation is very important and is considered independently when making pricing and profitability models, since the type of support to companies and the destination depend on the demand for resources in the currency they require, and this in turn, also has an impact on the funding for each type of portfolio (COP and USD), as the Parent Company for the COP portfolio is funded in the capital market and with equity, while for the USD portfolio it is funded mainly with multilateral entities and with the Correspondent Banking.

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

Foreign currency portfolio: Includes the commercial foreign currency portfolio, including discount transactions on foreign currency documents.

- *Invesment and treasury products:* the factors for the identification of these segments, the Parent Company orients the Treasury's operation to portfolio management with two objectives: the management of liquidity in the medium term and the obtaining of reasonable profitability and profits through the negotiation of financial assets, framed within the risk guidelines established by the Board of Directors.

  Investment Portfolio: Includes the securities managed by the Treasury of the Parent Company in treasury securities in national or foreign currency and Colombian private debt securities specifically issued by issuers supervised by the Superintendence of Finance of Colombia.
  Treasury Products: Includes products for liquidity management in pesos and foreign currency, operations with derivatives, re-expression of own position (exchanges), short operations, cash operations and currency trading.

- *Commissions:* Includes the products of international banking operations, special programs, issues guarantees, guarantees shared with the National Guarantee Fund, mircoinsurance, among others.

- *Other products:* This includes investments in private equity funds, investments in affiliates and subsidiaries, other assets and new products developed by the Parent company with less than 10% of assets or income.

- *Fiducóldex* - Fiduciary Business: It corresponds to the segment of the trust business of the Entities and currently manages assets more than $8 billion in business in consortiums, investment trusts, private equity funds, collective investment funds, concessions, trust administration and payments among others, the latter include Procolombia, Fontur, PTP and INNPULSA belonging to the Trade, Industry and Tourism Sector.

- *Arco Grupo Bancóldex* -This corresponds to the Leasing business segment and for the internal monitoring of the results it considers the following grouping factors:

  Leasing: commercial leasing operations, at all stages, granted to natural or legal persons for the development of organized economic activities. Within the main types of leasing, all forms of leasing are carried out, especially domestic leasing, import leasing, syndicated leasing, leasing, real estate leasing and infrastructure leasing.

  Credit: segment through which resources are provided to a legal or natural person, with a term for payment. This segment includes ordinary loans and cash and cash equivalents. All operations have a commercial character, which tends to strengthen the productive activities of the economy.

  Factoring: a segment in which commercial companies are provided with a set of services that mainly include the financing of their loans to their customers, sometimes assuming the risk of collection in exchange for a consideration. Generally, the modality considered the purest and known as factoring at maturity is used.

  Others: In this segment are mainly the company's investments, which refer to those stipulated by law. They do not represent more than 10% of the annual income.

4. USE OF ESTIMATES AND JUDGEMENTS

For the preparation of these consolidated financial statements, the management of the entities provides criteria, judgements and estimates, in accordance with the understanding and applicability of the technical regulatory framework for the preparation of financial information. In applying accounting policies, different types of estimates and judgments were used. Management made these value judgments based on the analysis of assumptions that were eloquently based on historical experience and factors considered relevant in determining the carrying amounts of certain assets and liabilities that are not clear and therefore required additional effort for their analysis and interpretation. the detail of the judgments and estimates significant to the presentation of the current financial statements is as follows.

Lawsuits - the preparation of consolidated financial statements in accordance with IFRSS required judgments on the application of the accounting policies issued by the entities, due to their significant effect on the amounts recognized in the consolidated financial statements, the entities shall disclose the judgments applied that differ from those referred to in the estimates made when applying the entity's accounting policies.

The information about significant professional judgments and key sources of estimation uncertainty are useful in assessing the financial situation. the critical judgments made in applying accounting policies that have a significant effect on the consolidated financial statements are described below:

- ***Classification of assets and liabilities -*** The designation of assets and liabilities was made in accordance with the business model of each of the financial instruments, where it was determined that the financial assets are classified in the categories of marketable securities classified as measures at fair value through profit or loss, available for sale classified as measures at fair value with changes in other comprehensive income, or to be held until maturity classified as measures at amortized cost. Financial liabilities are classified in the fair value and amortized cost categories.

Estimates - Estimates originated from consideration of complex or subjective transactions, often applied to the assessment of issues that are inherently uncertain, so that results can be varied between these and other estimates. The estimates are reviewed regularly and, if any correction is made to the estimates described, the Entities shall make the necessary modifications prospectively, detailing their effect on the disclosure of each group or element of the financial statements.

Assumptions and uncertainties in estimates - Disclosures about assumptions and other key sources of uncertainty in the estimates used as of the date of presentation of the current consolidated financial statements are made for the purpose of indicating the most significant judgements that will enable users of the financial statements to better understand how accounting policies are applied***.***

These key assumptions and other sources of estimation uncertainty relate to estimates that provide the most reliable and understandable information presented in the consolidated financial statements. The following are judgments relating to the fair value of financial instruments, credit provisions, income taxes, employee benefits and provisions.

a. *Fair value* - The fair value of an asset or liability is the estimated amount of consideration that would be agreed to by two parties in full exercise of their powers, willing and free, not in a forced sale or liquidation. For practical purposes, and under the above definition, the Entities shall consider as fair value all measures of value that most accurately represent market conditions at the valuation date, as well as all measures of value that together represent the price that market participants would grant at the measurement date.

   The measurement criteria include the ranking of the different types of fair value that can be calculated and the consideration of the approaches that should be used in order to use the most appropriate valuation technique for expressing the amounts in each component of the financial statements. A fair value measurement is for a particular asset or liability. Therefore, when measuring fair value, an entity considers the characteristics of the asset or liability in the same way that market participants would take them into account when pricing the asset or liability at the measurement date. A fair value measurement shall mean that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under present market conditions.

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

   To increase consistency and comparability in fair value measurements and related disclosures, the fair value hierarchy categorizes input data from valuation techniques into three levels. This fair value hierarchy lists the inputs used in their valuation:

- *Level 1:* are quoted prices (unadjusted) active markets for identical assets or liabilities to which the Entities have access on the measurement date.

- *Level 2:* are different from the quoted prices included in level 1 that are observable for assets or liabilities, directly or indirectly.

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

Fair value measurement - Fair value measurements are made in accordance with the criteria adopted by the Entities in estimating the fair value of both an asset and a liability, the Entities use available observable market data. Where level 1 and 2 input data are not available, unobservable data shall be used and may be classified as level 3 input data at will. The Entities shall, by means of the required analysis, establish a measurement criterion supported by an expert.

b. *Employee benefits* - In accordance with IAS 19 Employee benefits, for accounting recognition purposes, all forms of consideration granted by the Entities in exchange for employee services are divided into two classes:

i) *Short-term benefits* - In accordance with Colombian labor regulations, such benefits correspond to severance pay, interest on severance pay, vacation pay, vacation pay, legal and extralegal premiums, and assistance and parafiscal contributions to state entities that are amortized within 12 months following disbursement. These benefits are accrued on a straight-line basis over the period.

ii) *ii) Long-term benefits* - Long-term benefits are those that are amortized over a period of more than 12 months following disbursement. Among the long-term benefits that the Parent Company grants to its employees are housing and vehicle loans at preferential interest rates, as opposed to those offered by the market.

To access the benefit, it is necessary to comply with the requirements established in the internal manuals of the Entities.

c. *Income taxes* - Entities evaluate the realization of deferred income tax assets over time. Represents tax on recoverable income through future deductions from taxable income and is recorded in the statement of financial position. Deferred tax assets are recoverable to the extent that the realization of the related tax benefits is probable. As of December 31, 2017, the Entities estimate that deferred income tax assets will be recoverable based on their estimated future taxable income. Deferred tax liabilities recorded as taxable differences in the calculation of deferred tax will reflect the amounts payable for income tax in future periods.

d. *Revaluation of property, plant and equipment* - Entities measure land and buildings at their revalued amounts and changes in fair value are recognized in other comprehensive income.

e. *Provisions and contingencies* - A contingency requires classification based on a reliable estimate of the probability of an event or event occurring. Unless the possibility of any outflow of resources in the liquidation is remote, the Entities shall disclose, for each class of contingent liabilities, at the end of the reporting period, a brief description of the nature of the contingent liability. Where there is a probability of an inflow of economic benefits, the Entities shall disclose a brief description of the nature of the contingent assets at the end of the reporting period and, where practicable, an estimate of their financial effect.

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

5. ACCOUNTING CHANGES

5.1. Incorporated in Colombia as of January 1, 2018 - Decrees 2496 of 2015 and 2131 of 2016 **-** With these decrees, as of January 1, 2018, the following standards will enter into force in the technical regulatory framework containing some amendments issued by the IASB on January 1, 2016, allowing for their early application:

Financial Reporting Standard	Subject of the amendment	Detail
IAS 7 – Cash Flor Statements	Disclosure initiatives	Clarify disclosures to assess changes in responsibilities arising from funding activities.
IAS 12 – Deferred tax	Recognition of deferred tax assets for unrealized losses	They clarify the following aspects: • Unrealized losses on debt instruments measured at fair value and measured for tax purposes give rise to a deductible temporary difference, regardless of whether the holder of the debt instrument expects to recover the carrying amount of the debt instrument by sale or by use. • The carrying amount of an asset does not limit the estimated future taxable profit. • The estimates for future taxable profit exclude tax deductions resulting from the reversal of deductible temporary differences. • An entity evaluates a deferred tax asset in combination with other deferred tax assets. When tax legislation restricts the use of tax losses, an entity would measure a deferred tax asset in combination with other deferred tax assets of the same type.
IFRS 9 – Financial Instruments		It was issued as a complete standard including previously issued requirements and additional amendments to introduce a new expected loss model and limited changes to the classification and measurement requirements for financial assets. With the following phases:

Financial Reporting Standard	Subject of the amendment	Detail
		Phase 1: All recognized financial assets within the scope of IAS 39 are measured subsequently at amortized cost or fair value. Phase 2: The impairment model, in accordance with IFRS 9, reflects expected credit losses as opposed to credit losses incurred under IAS 39. Step 3: The three types of hedge accounting arrangements included in IAS 39 are maintained. The effectiveness test has been revised and replaced by the principle of "economic partnership". Additional disclosure requirements have been added for the entity's risk management activities.
IFRS 15 – Income from customer contracts		IFRS 15 – It has a unique model for processing revenue from customer contracts. Its basic principle is that an entity must recognize revenue to represent the transfer or the goods or services promised to customers in an amount that reflects the consideration to which the entity expects to be entitled for those goods or services, with 5 steps for recognition. Subsequently, the amendments clarifying how were included: • identify a performance obligation (a promise to transfer a good or service to a customer) in a contract; • determine whether a company is the principal (the supplier of a good or service) or an agent (responsible for arranging the good or service that must be provided); and • to determine whether the revenue derived from the dealership of a license must be recognized at any given time or in time. This standard replaces the following: IAS 18'Revenue', IAS 11'Construction Contracts', IFRIC 13'Customer Loyalty Programs', IFRIC 15'Agreements for the Construction of Real Estate', IFRIC 18'Transfers of Assets from Customers', SIC Interpretation 31'Advertising Service Exchanges'.

The Entities anticipate that the adoption of these standards and interpretations issued by the IASB incorporated in Colombia as of January 1, 2018, mentioned above, would not have a material impact on the financial statements. The following is the analysis made by the Bancóldex Group in relation to IFRS 9 and IFRS 15:

IFRS 9 - Financial Instruments: The new impairment model in IFRS 9 is based on expected loss as opposed to the loss incurred model, for which the impairment will be recognized in advance, in addition, within the parameters of this standard, financial guarantee contracts and loan commitments must be included, as well as the contractual assets of the income standard in IFRS 15.

For the application of this standard, it focuses on three phases:

Phase 1 assets whose asset quality has not significantly deteriorated since initial recognition

Phase 2 assets with significant worsening, but no objective evidence of impairment event

Phase 3 assets with evidence of impairment as of the reporting date

In view of the foregoing, each of the phases must be evaluated to apply the new model of impairment based on expected loss.

Implementation of IFRS 9 - The Parent company and the subsidiary Arco Grupo Bancóldex are carrying out a consultancy for the implementation of IFRS 9, which aims to measure its impact on the Financial Statements. The consultancy is carried out by the firm Ernst & Young, to evaluate the impact of Law 1314 of 2009 and Decree 2496 of 2015, work that will end at the end of March 2018.

Currently, each Entity has an initial diagnosis of the existing gaps, as well as the development of a methodological framework for the design of models and tools for quantifying risks, credit losses and reserves to be used, to continue with the implementation of the accounting impacts under the standard in question. To this end, the collection of information is brought forward to continue with the estimation of probability of default, loss due to default (LGD-Loss Given Default) and expected loss.

The consultant's diagnosis indicates that the strongest impacts will be evident in the deterioration of financial instruments, their classification and accounting policy. During the development of the implementation plan activities the Company considers the implementation of the calculation of the loss adjustment for the second half of 2018. Although minor impacts in terms of preliminary risk parameter values have currently been identified, the Company anticipates changes in the value of the loss adjustment under the expected loss model, mainly driven by the incorporation of a lifetime parameter of Loss Incurred in the ECL for higher credit risk instruments. However, reliable quantitative impacts can only be analyzed and reported once the risk parameter models and the ECL are implemented and validated.

They also suggest updating the evaluation model developed to measure and recognize the impairment of the loan portfolio and the portfolio of investments classified at amortized cost.

IFRS 15 - Revenue from customer contracts: IFRS 15 must comply with the following requirements:

1. Identification of the contract

2. Identification of performance obligations

3. Determining the transaction price

4. Allocation of transaction price to performance obligations

5. Revenue recognition (customer satisfaction) reliably measured revenue

The implementation of IFRS 15 - Revenue from Ordinary Activities Arising from Contracts with Customers establishes new criteria for the recognition of income considering the contractual provisions, such criteria being:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other traditional business practices) and agree to comply with their respective obligations.

- The entity may identify the rights of each party with respect to the goods or services to be transferred

- The entity may identify the payment terms with respect to the goods or services to be transferred

- The contract has a business rationale (ie the risk, timing or amount of the entity's future cash flows are expected to change as a result of the contract)

- The entity is likely to collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In assessing whether collection of the consideration is likely, an institution shall consider only the customer's ability and intention to pay the consideration on maturity. The amount of the consideration to which the institution is entitled may be lower than the price established in the contract if the consideration is variable, because the institution may offer the client a price reduction.

For the purposes of applying IFRS 15, a contract does not exist if each party to the contract has the right, unilaterally enforceable, to terminate a contract that is wholly unexecuted without set-off to the other party (or parties).

Revenue recognition from ordinary activities is when (or to the extent that) it meets a performance obligation by transferring the committed goods or services (i.e. one or more assets) to the client. An asset is transferred when (or as the customer obtains control of that asset.

Based on the above, there is no significant impact on the application of IFRS 15 - Revenue from Ordinary Activities Arising from Contracts with Customers in the Bank's Financial Statements, since the Company's main sources of income come from the Portfolio and Investments and there are no different indications of revenue recognition.

5.2. Incorporated in Colombia as of January 1, 2019 - *Decrees 2496 of 2015 and 2170 of 2017* - With these decrees, as of January 1, 2019, the following standards will enter into force in the technical regulatory framework that contains some amendments issued by the IASB in the second half of 2016, allowing for their early application:

Financial Reporting Standard	Subject of the amendment	Detail
IFRS 2 – Share-based payments	Classification and Measurement of Share-Based Payment Transactions	IFRS 2 did not contain any guidance on how profit consolidation conditions affect the fair value of cash-settled share-based payment liabilities. The IASB has added a guide that introduces accounting requirements for cash-based share-based payments that follow the same approach used for share-based payments. In force January 2018
IFRS 16 – Leases	Issuance of new standard	It establishes principles for the recognition, measurement, presentation and disclosure of leases to ensure that lessees and lessors provide relevant information that accurately 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 Substance Evaluation of Transactions Involving the Legal Form of a Lease Contract In force January 2019
IAS 40 – Investment properties		The amendments clarify that a transfer to or from investment property requires an assessment of whether a property meets, or no longer meets, the definition of investment property, supported by observable evidence that a change in use has occurred. In addition, the amendments clarify that the situations listed in IAS 40 are not exhaustive and that change of use is possible for properties under construction (i.e. a change in use is not limited to finished properties). In force January 2018
Annual improvements Cycle 2014 - 2016		The amendments to IFRS 1 First-time Adoption remove certain short-term exemptions because the reporting period to which the exemptions applied has now passed. As such, these exemptions no longer apply. The amendments to IAS 28 'Investments in Associates and Joint Ventures' clarify that the option to measure

Financial Reporting Standard	Subject of the amendment	Detail
		investments in associates and joint ventures at fair value through profit or loss is available separately to each associate or joint venture and that this choice must be made on initial recognition of the associate or joint venture is applicable to a venture capital organization and other similar entities.

5.3. Issued by the IASB 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	Detail
IFRS 9 – Financial Instruments	Prepaid with negative compensation features	Amend the existing requirements in IFRS 9 with respect to termination rights to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative offsetting payments. In addition, they include a clarification with respect to accounting for a modification or exchange of a financial liability measured at amortized cost that does not result in derecognition of the financial liability. In force January 2019
IFRIC 22 – Foreign Currency Transactions and Advance Counterparties		This Interpretation addresses how to determine the date of the transaction for establishing the exchange rate to be used in the initial recognition of the related asset, expense or income (or the related part thereof), in the derecognition of a non-monetary asset or non-monetary liability arising from the payment or collection of the foreign currency prepayment consideration. In force January 2018
IFRIC 23 – Uncertainties in Income Tax Treatment		This Interpretation clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty about income tax treatment. In this circumstance, an entity shall recognize and measure its current or deferred tax assets or liabilities by applying the requirements of IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined by applying this Interpretation.

Financial Reporting Standard	Subject of the amendment	Detail
		Entry into force January 2019

The Entities shall carry out the quantification of the impact on the financial statements, once the decree incorporating them into the Colombian Normative Technical Framework is issued.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following as of December 31, 2017

	Dec. 31, 2017	Dec.31, 2016
Legal currency		
Cash	$ 358,541	$ 758,843
Banco de la Republica (1)	37, 402,182	45, 015,414
Banks and other financial entities	130,407,823	45,882,192
Foreign currency		
Cash		28,933
Banks and other financial entities	7,343,787	21,729,990
	$ 175,512,333	$ 113,415,372

(1) These funds are allocated to La Nación under the borrowing agreement between the Parent Company and the Inter-American Development Bank (IDB), under which the Parent Company pledges the proceeds it receives from the loan portfolio up to an amount of 120% of the semi-annual debt service for the 2080/OC-CO and 2193/OC-CO and 130% for the loan agreements.

As of December 31, 2017 and 2016, there were no reconciling items in legal or foreign currency with more than 30 days to regularize for the Bank and Fiducóldex, however, ARCO presents three reconciling items greater than 30 days as of December 31, 2017, amounting to $39,658.

7. FINANCIAL INSTRUMENTS

Financial instrument assets comprise marketable investments 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 and equity instruments measured by changes in equity.

The balance of the investment portfolio is as follows as of december 31, 2017 and 2016:

	Dec. 31. 2017	Dec. 31. 2016
Investments at fair value through profit or loss - debt instruments		
Titles issued by the nation - TES (1) (2)	$ 661.064.810	$ 750.926.490
Nation Issued Securities - Yankee Bonds	154.624.400	140.368.323
Certificates of Deposit at term issued by controlled entities	31.055.955	74.776.020
	846.745.165	966.070.833
Investments at amortized cost		
Class A and B Agricultural Development Titles	10.588.751	6.414.414
	10.588.751	6.414.414
	Dec. 31-2017	**Dec. 31-2016**
Investments at fair value through profit or loss - equity instruments		
Participation Pension fund	24.201.372	22.702.197
	24.201.372	22.702.197
Investments at fair value with changes in the ORI - equity instruments		
Segurexpo de Colombia S.A. (3)	14.650.589	-
Banco Latinoamericano de Exportaciones S.A. - BLADEX	39.215.473	43.158.683
Private Equity Funds (4)	101.491.501	80.511.064
	155.357.563	123.669.747
Investments carried at cost and fair value		
Segurexpo de Colombia S.A. (4)	-	14.573.813
Fondo Nacional de Garantías S.A. - F.N.G. (5)	101.072.173	98.849.113
	101.072.173	113.422.926
	$ 1.137.965.024	$ 1.232.280.117

(1) Debt securities - delivered as collateral in money market operations transactions

As of December 31, 2017 and 2016, the investments in debt securities with changes in the result delivered as collateral in money market operations amounted to $0 and $12,511,800, respectively.

As of December 31, 2017 and 2016, the investments in debt securities with changes in the ORI delivered as collateral in money market operations amounted to $0 and $61,350,810, respectively.

(2) Debt securities - delivered as collateral transactions with the Central Counterparty Risk Chamber

As of December 31, 2017 and 2016, investments in debt securities with changes in the ORI provided as collateral to support transactions with the Central Counterparty Risk Chamber amounted to $66,338,198 and $61,414,465, respectively.

(3) Investment in Segurexpo de Colombia S.A.

For the investment of Segurexpo de Colombia S.A. in accordance with Decree 1007 of June 24, 2016 issued by the Ministry of Commerce, Industry and Tourism, the sale of the participation of Bancoldex and Previsora S.A. in this company was authorized, establishing a two-stage sale program. Once the bidding process had been carried out at each of the stages indicated in the aforementioned decree, no acquisition proposals were received, which is why this disposal process was completed and, on 31 October 2017, the equity method of accounting was recognized as required by Decree 2496 of 2015.

As of December 31, 2017, this investment was updated in accordance with an assessment by INCORBANK.

(4) Investments at fair value with changes in the ORI - Equity Instruments

The following is a detail of the Private Equity Funds as of December 31, 2017 and 2016:

December 31, 2017

Organization	Credit Risk Rating	Investment commitments	Contingency	Historical Cost	Unit Redemption	Invested	Market Value	Valuation	Impairment	Implemented%
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

Organization	Credit Risk Rating	Investment commitments	Contingency	Historical Cost	Unit Redemption	Invested	Market Value		Valuation	Impairment	Implemented %
		USD	USD	USD	USD	USD	COP	USD	USD	COP	
Microcarbon Development Fund Lp	1	4.000	101	3.899	121	4.020	10.642.035	3.566	(332)	71	100
Darby latin american private debt	1	4.864	3.256	1.607	-	1.607	4.796.446	1.607	(136)	16	33
Angel Ventures pacific alliance fund II	1	5.000	5.000	-	-	-	-	-	-	-	-
		13.864	8.357	5.506	121	5.627	15.438.481	5.173	(468)	87,00	41,00
Total Private Equity Funds in $							$ 101.491.501				

December 31, 2016

Organization	Credit Risk Rating	Investment commitments	Contingency	Historical Cost	Unit Redemption	Invested	Market Value	Valuation	Impairment	Implemented %
Aureos	2	14.646.862	3.988.061	4.474.604	12.720.776	17.195.380	9.820.206	5.345.601	491.000	117,40
Escala	3	11.000.001	297.051	10.685.830	17.118	10.702.948	5.877.107	(4.808.723)	587.711	97,30
Progresa Capital	1	3.723.480	176.864	2.642.448	1.149.022	3.791.470	2.347.130	(295.318)	46.943	101,83
Colombia Ashmore	1	37.686.200	1.343.568	31.150.141	12.482.552	43.632.693	46.582.631	15.432.490	931.653	115,78
Brilla Colombia	2	9.600.009	7.329.468	2.261.325	9.458	2.270.783	853.199	(1.408.126)	42.660	23,65
Amerigo Ventures Colombia	1	2.762.176	1.355.704	1.223.436	322.466	1.545.902	753.784	(469.653)	15.076	55,97
Velum Early Stage Fund I	1	7.547.482	1.581.347	5.966.135	-	5.966.135	7.381.296	1.415.161	147.626	79,05
Mas Equity Fund III colombia,	1	21.000.000	20.382.248	617.752	-	617.752	175.520	(442.232)	3.510	2,94
Ashmore andino II	1	15.000.000	12.709.303	2.290.697	-	2.290.697	1.876.143	(414.553)	37.523	15,27
		$ 122.966.210	$ 49.163.614	$ 61.312.368	$ 26.701.392	$ 88.013.760	$ 75.667.016	$ 14.354.647	$ 2.303.702	71,48

Organization	Credit Risk Rating (*)	Investment commitments	Contingency	Historical Cost	Unit Redemption	Invested	Invested		Valuation	Impairment	Implemented %
							COP	USD			
Microcarbon Development Fund Lp	1	4.000	2.066	1.934	121	2.055	4.844.048	1.614 -	319	96.880	51%
Darby Latin American Private Debt Fun	1	5.000	5.000	-	-	-	-	-	-	-	0%
		9.000	7.066	1.934	121	2.055	4.844.048	1.614 -	319	96.880	51%
Total Private Equity Funds in $							$ 80.511.064				

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

(5) Investments in Associates

During 2017 and 2016, the investment of Fondo Nacional de Garantías S.A. was measured using the equity method as required by Decree 2496 of 2015.

The detail of investments in associates as of December 31, 2017 and 2016, is as follows:

December 31, 2017

Organization	Credit Risk Rating	Country	% Part	Investment Value	Impairment	Net Worth
Fondo Nacional de Garantías S.A.	A	Colombia	25,73%	101.072.173	-	101.072.173
				$ 101.072.173	$ -	$ 101.072.173

December 31, 2016

Organization	Credit Risk Rating	Country	% Part	Invesment Value	Impairment	Net Worth
Fondo Nacional de Garantías S.A.	A	Colombia	25,73%	98.849.113	-	98.849.113
				$ 98.849.113	$ -	$ 98.849.113

The detail of the fair value of trading derivatives as of December 31, 2017 and 2016, is as follows:

	Dec. 31-2017	Dec. 31- 2016
Forward Negotiation Contracts		
Active position		
Foreign exchange purchase rights	$ 270.085.575	$ 650.300.341
Foreign exchange sale rights	1.842.702.050	1.142.756.077
Currency purchase obligations	(268.946.755)	(645.790.594)
Currency sale obligations	(1.823.053.722)	(1.120.071.883)
Credit Valuation adjustment -CVA	(31.217)	(23.021)
Total Forward contracts active position	$ 20.755.931	$ 27.170.920
Passive position		
Foreign exchange purchase rights	$ 2.302.947.006	$ 1.176.391.442
Foreign exchange sale rights	156.406.989	714.823.524
Currency purchase obligations	(2.328.655.499)	(1.193.710.860)
Currency sale obligations	(158.340.166)	(720.062.124)
Debit Valuation adjustment -DVA	3.426	7.068
Total Forward contracts liabilities position	$ (27.638.244)	$ (22.550.950)

	Dec. 31- 2017	Dec. 31- 2016
Futures Trading Contracts		
Foreign exchange purchase rights	$ 1.036.928.415	$ 970.559.529
Foreign exchange sale rights	1.536.460.145	1.022.634.064
Currency purchase obligations	(1.036.928.415)	(970.559.529)
Currency sale obligations	(1.536.460.145)	(1.022.634.064)
*Future Hedging Contracts**		
Foreign exchange purchase rights	$ -	$ -
Foreign exchange sale rights	58.301.292	-
Currency purchase obligations	-	-
Currency sale obligations	(58.301.292)	-
Total Futures contracts	$ -	$ -

Credit quality of debt securities - Below is a breakdown of the credit quality of debt securities, in accordance with the international risk rating assigned by the recognized rating agencies*:*

	Dec. 31, 2017	Dec. 31, 2016
Investment Grade	$ 844.674.121	$ 890.296.221
No Qualification	36.861.166	37.702.197
Total	$ 881.535.287	$ 927.998.418

As of December 31, 2017 and 2016, on average, more than 95% and 96%, respectively, of the investments had international investment grade ratings, and it should be noted that more than 90%, in both years, of the investments were in national debt securities. This reflects a low credit risk exposure in accordance with the conservative credit risk profile defined by the Board of Directors for the Entities.

Forwards operations are carried out only in the Parent Company, below is the detail of the credit quality of the counterparties with which it operates, in accordance with the international risk rating assigned by the recognized rating agencies:

	Dec. 31, 2017	Dec. 31, 2016
Investment Grade	$ 39.218.640	$ 235.331.439
No Qualification	50.091.521	97.889.255
Total	$ 89.310.161	$ 333.220.694

As of December 31, 2017 and 2016, 44% and 66%, respectively, of the exposure is to internationally rated investment grade counterparties and the remaining 34% and 56%, respectively, are to pension funds, local and trust funds and insurance companies.

The following is a summary of financial assets by maturity dates as of December 31, 2017 and 2016:

December 31, 2017

	Up to three months		More than three months and not		More than one 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
Negotiable investments								
Titles issued by the Nation - TES		$ 991.060		$ 28.962.360	$ 344.948.325	$ 111.639.000	$ 174.524.065	$ 661.064.810
Term Certificates of Deposit issued by controlled entities		8.067.040		503.585	22.485.330	-		31.055.955
Securities issued by the Nation - Yankee Bonds	-	-	-	-	-	-	154.624.400	154.624.400
Investments at amortised cost								
Agricultural Development Titles 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**

December 31, 2016

	Up to three months		More than three months and not		More than one 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
Negotiable investments								
Titles issued by the Nation - TES	$ -	$ -		$ -	$ 345.013.870	$ 135.744.330	$ 270.168.290	$ 750.926.490
Term Certificates of Deposit issued by controlled entities	6.196.875	4.020.360	13.094.070	22.180.720	19.432.795	-	9.851.200	74.776.020
Securities issued by the Nation - Yankee Bonds	-	-	-	-	-	-	140.368.323	140.368.323
Amortized cost investments								
Agricultural Development Titles TDA	2.925.459	-	1.415.020	2.073.935	-	-	-	6.414.414
	$ 9.122.334	**$ 4.020.360**	**$ 14.509.090**	**$ 24.254.655**	**$ 364.446.665**	**$ 135.744.330**	**$ 420.387.813**	**$ 972.485.247**

8. OTHER FINANCIAL ASSETS

The balance of money market operations comprises the following as at 31 December 2017 and 2016

	Dec. 31, 2017			Dec. 31, 2016		
	Interest Rate (%)	Negotiation Period Days	Price	Interest Rate (%)	Negotiation Period Days	Price
Interbancarios						
Legal currency						
Banks			$ -	7,14	8	$ 5.008.921
Financial Organizations	4,52	5	5.002.511	7,14	4	5.002.974
Foreing currency						
Banks	1,55	5	16.414.827	1,55	242	52.984.639
Financial Organizations			-	0,63	6	30.009.200
			$ 21.417.338			$ 93.005.734

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

The following is a breakdown of the loan portfolio by type:

Portfolio in legal currency:		
Guarantee Ideal commercial portfolio:		
In force	$ 610.654.569	$ 595.719.008
Expired 1 month up to 3 months	18.478.305	-
Expired 3 months up to 6 months	6.645.793	-
Expired 6 months up to 12 months	12.129.189	-
Expired more than 12 months	29.533.471	42.916.985
	677.441.327	**638.635.993**
Other Guarantees commercial portfolio:		
In Force	3.563.894.967	3.595.946.669
Expired 1 month up to 3 months	5.423.635	7.969.254
Expired 3 months up to 6 months	-	49.578.526
Expired 6 months up to 12 months	2.417.947	-
Expired more than 12 months	39.701.011	-
	3.611.437.560	**3.653.494.449**

	Dec. 31, 2017	Dec. 31, 2016
Guarantee Ideal consumer portfolio:		
Outstanding	1.025.927	990.737
	1.025.927	**990.737**
Other Consumer portfolio guarantees:		
Outstanding	408.455	521.210
Expired 1 month up to 2 months	15.743	-
	424.199	**521.210**
Ideal guarantee for homeowners portfolio..:		
Outstanding	15.188.118	15.544.810
Expired 1 month up to 4 months	210.281	-
	15.398.398	**15.544.810**
Total legal currency	**4.305.727.411**	**4.309.187.199**
Portfolio in legal currency:		
Portfolio in foreign currency:		
Guarantee Ideal commercial portfolio:		
Outstanding	6.955.228	10.643.784
Expired up to 12 months	51.244	-
	7.006.472	**10.643.784**
Other Guarantees commercial portfolio:		
In force	1.786.706.514	1.755.668.583
	1.786.706.514	**1.755.668.583**
Total foreign currency	**1.793.712.986**	**1.766.312.367**
Total portfolio and gross accounts receivable	**6.099.440.397**	**6.075.499.566**
Impairment of portfolio and accounts receivable	(71.722.093)	(50.286.088)
Total net portfolio and accounts receivable	**$ 6.027.718.304**	**$ 6.025.213.478**

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

	December 31, 2017						
	Equity balance	Interest balance	Amortized Cost Portfolio	Other concepts	Balance guarantees	Equity impairment	Impairment Interest
Suitable commercial warranty							
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
Other commercial warranty							
	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
Suitable commercial warranty							
Category A	1.020.223	5.704	1.025.927	142	3.445.876	-	-
Consumption other guarantee							
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							
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 portfolio	$ 6.041.868.811	$ 57.571.586	$ 6.099.440.397	$ 3.395.126	$ 813.871.880	$ 60.274.760	$ 11.447.333

	December 31, 2016						
	Equity balance	Interest balance	amortized cost portfolio	Other concepts	Guarantee balnce	Equity impairment	Interest impairment
Suitable commercial warranty							
Category A	$ 585.701.428	$ 4.563.063	$ 590.264.491	$ 707.098	$ 379.270.716	$ -	$ -
Category B	23.800.634	1.177.628	24.978.262	722.172	6.608.332	403.278	7.125
Category C	5.553.634	667.969	6.221.603	139.894	6.267.244	821.924	41.924
Category D	21.275.478	4.006.408	25.281.886	1.284.039	7.449.485	15.111.742	1.038.158
Category E	2.115.465	418.070	2.533.535	193.044	649.810	2.108.027	208.923
	638.446.639	10.833.138	649.279.777	3.046.247	400.245.587	18.444.971	1.296.130
Other comercial warranties							
Category A	5.302.229.711	41.246.043	5.343.475.754	-	348.593.576	-	-
Category B	5.289.112	95.969	5.385.081	-	465.590	-	-
Category C	4.254.739	174.042	4.428.781	-	-	1.086.107	82.663
Category D	38.274.751	4.314.151	42.588.901	5.247	362.015	18.091.340	1.099.532
Category E	12.071.484	1.213.030	13.284.514	-	424.800	9.451.692	733.653
	5.362.119.797	47.043.235	5.409.163.032	5.247	349.845.981	28.629.139	1.915.848
Suitable consumer warranty							
Category A	984.703	6.034	990.737	401	3.397.401	-	-
Other consumer warranty							
Category A	515.820	5.390	521.210	-	-	-	-
Housing							
Category A	15.382.635	162.175	15.544.810	2.336	52.447.873	-	-
Total gross portfolio	$ 6.017.449.594	$ 58.049.972	$ 6.075.499.566	$ 3.054.232	$ 805.936.842	$ 47.074.110	$ 3.211.978

Distribution of the portfolio by geographical area and economic sector - The loan portfolio is distributed by the following economic areas and sectors as of December 31, 2017 and 2016, as well as by the following:

December 31, 2017

Economic sector	ANTIOQUIA AND CHOCO	BOGOTA D.C.	CENTRAL	COSTA ATLANTICA	EJE CAFETERO	ABROAD	WEST	SANTANDERES	SUR-ORIENTE	GENERAL TOTAL
Artistic activities, entertainment. and recreation	$ 5.114.182	$ 15.442.648	$ 325.284	$ 1.628.488	$ 355.884	$ -	$ 1.059.873	$ 369.622	$ 208.975	$ 24.504.956
Acomodation and meal services 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
Administrative and support services activities	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; social security	-	3.569.315	103.372	-	1.863.199	-	43.550	-	50.336	5.629.772
Agriculture, livestock, forestry and fisheries	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; 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
Teaching	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	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
Sum. water; sewage, waste, and discounting.	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
Sum. of electricity, gas, steam, 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
Real estate	299.219	529.741	-	-	-	-	-	-	-	828.960
Grand total	**$ 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**

December 31, 2016

Economic Sector	ANTIOQUIA Y CHOCO	BOGOTA D.C.	CENTRAL	COSTA ATLANTICA	EJE CAFETERO	EXTERIOR	OCCIDENTE	SANTANDERES	SUR-ORIENTE	Total general
Artistic activities, entertainment. and recreation	$ 2.430.289	$ 14.382.664	$ 494.276	$ 520.293	$ 142.585	$ -	$ 3.263.762	$ 486.517	$ 53.262	$ 21.773.647
Acomodation and meal services activities	20.936.763	31.968.971	12.719.148	29.130.416	5.987.031	-	14.835.887	8.010.190	3.612.573	127.200.979
Activities of households as employers	-	-	83.773	-	-	-	7.129	-	-	90.902
Administrative and support services activities	15.438.454	42.914.607	6.051.871	6.914.700	5.645.049	-	14.568.938	6.270.832	899.132	98.703.582
Financial and insurance activities	70.665.112	182.803.068	18.295.806	17.683.642	18.021.270	162.943.922	235.275.512	137.755.029	19.041.721	862.485.082
Real estate activities	15.455.720	66.368.430	1.913.495	14.221.332	6.812.051	-	17.700.220	5.929.049	834.222	129.234.518
Professional, scientific and technical activities	29.260.543	103.899.783	18.331.467	20.556.402	11.724.820	-	19.237.540	15.814.197	3.138.173	221.962.925
Public administration - defense; social security	-	147.030	180.880	-	1.657.898	-	780.978	-	-	2.766.787
Agriculture, livestock, forestry and fisheries	16.453.472	12.371.178	7.144.544	7.827.345	2.719.005	-	9.392.920	7.504.928	3.443.952	66.857.344
Employees	643.829	16.909.036	-	17.691	-	-	-	251.121	-	17.821.677
Human health care and social assistance	32.549.407	45.072.394	12.687.765	25.388.245	15.340.851	-	19.178.851	14.898.029	1.977.445	167.092.986
Wholesale-retail; vehicle repair	136.189.645	367.290.685	108.735.371	119.918.659	64.417.489	70.591.116	139.484.632	114.858.116	45.838.891	1.167.324.604
Construction	41.001.447	83.812.105	18.867.017	34.188.537	9.652.739	2.397.066	37.443.034	31.165.222	4.208.327	262.735.495
Teaching	7.216.635	11.466.877	5.552.852	3.032.889	4.807.335	-	5.794.047	3.363.299	755.049	41.988.983
Mining and quarrying	3.906.505	7.603.136	4.876.580	66.639.202	-	-	1.493.850	3.807.921	110.848	88.438.041
Manufacturing Industries	265.219.733	346.903.806	64.947.152	278.512.871	106.540.519	162.952.889	317.935.343	66.891.600	3.860.505	1.613.764.417
Information and communications	13.334.841	31.795.410	2.761.533	7.682.414	155.383	-	3.317.202	1.228.822	380.352	60.655.957
Extraterritorial organizations and bodies	-	32.595	-	-	-	-	-	-	-	32.595
Other service activities	7.300.443	39.040.924	7.693.585	18.978.021	5.771.927	-	3.044.675	3.209.276	487.432	85.526.283
Sum. water; sewage, waste, and discounting.	2.249.821	1.122.110	1.000.094	321.345	60.476	-	6.125.611	2.572.589	367.862	13.819.907
Sum. of electricity, gas, steam, air conditioning.	671.598	4.179.204	-	369.414	-	30.089.513	2.857.738	291.833	98.551	38.557.852
Transport and storage	59.128.120	198.057.097	59.769.970	558.982.389	12.859.323	-	55.104.283	30.939.300	11.038.077	985.878.559
Real estate	381.896	404.547	-	-	-	-	-	-	-	786.443
Grand Total	**$ 740.434.272**	**$ 1.608.545.655**	**$ 352.107.180**	**$ 1.210.885.808**	**$ 272.315.750**	**$ 428.974.506**	**$ 906.842.152**	**$ 455.247.869**	**$ 100.146.375**	**$ 6.075.499.566**

Currency portfolio –

Modalities	December 31, 2017 Legal currency	 Foreign currency	 Total
Commercial	$ 4.288.878.887	$ 1.793.712.986	$ 6.082.591.873
Consumption	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

Modalities	December 31, 2016 Legal currency	 Foreign currency	 Total
Commercial	$ 4.292.130.443	$ 1.766.312.366	$ 6.058.442.809
Consumption	1.511.947	-	1.511.947
Housing	15.544.810	-	15.544.810
Total	$ 4.309.187.200	$ 1.766.312.366	$ 6.075.499.566

Portfolio by maturity period –

December 31, 2017					
0 to 1 year	1 to 3 years	3 to 5 años	5 to 10 years	More than 10 years	Total
$ 979.691.182	$ 2.472.980.168	$ 1.168.636.032	$ 1.425.028.053	$ 36.256.438	$ 6.082.591.873
118.235	602.333	700.368	29.190	-	1.450.126
212.626	365.099	306.169	5.110.194	9.404.310	15.398.398
$ 980.022.043	$ 2.473.947.600	$ 1.169.642.569	$ 1.430.167.437	$ 45.660.748	$ 6.099.440.397

	December 31, 2016 0 to 1 year	 1 to 3 years	 3 to 5 years	 5 to 10 years	 More than 10 years	 Total
Commercial	$ 1.326.639.938	$ 2.133.024.200	$ 1.207.104.161	$ 1.391.523.063	$ 151.447	$ 6.058.442.809
Conssumption	277.286	286.354	490.143	304.376	153.788	1.511.947
Housing	52.596	41.523	125.514	4.073.695	11.251.482	15.544.810
Total	$ 1.326.969.820	$ 2.133.352.077	$ 1.207.719.818	$ 1.395.901.134	$ 11.556.717	$ 6.075.499.566

Restructured loans – The detail of restructured loans in the commercial portfolio is as follows*:*

December 31, 2017

	Númber of credits		Capital Balance		Interest balance and others		Capital impairment		Impairment interest and others
Commercial									
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
Consumption									
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

To Decembre 31, 2016

	Númber of credits		Capital Balance		Interest balance and others		Capital impairment		Impairment interest and others
Commercial									
Category A	22	$	538.081	$	10.188	$	12.866	$	262
Category B	8		1.251.237		23.283		43.488		866
Category C	8		435		10		69		9
Category D	9		4.527.719		483.605		2.500.446		266.219
Total	47	$	6.317.472	$	517.086	$	2.556.869	$	267.356

Portfolio write-offs - The detail of portfolio write-offs as of December 31, 2017 and 2016, is as follows:

	December 31, 2017							
		Capital		Interests		Amortized cost portfolio		Other concepts
Commercial	$	3,741,154	$	551,945	$	4,293,099	$	6,462

	December 31, 2016							
		Capital		Interests		Amortized cost portfolio		Other concepts
Commercial	$	15,485,806	$	1,179,940		16,665,746	$	1,288,752

Write-off portfolio recovery - The detail of the portfolio recovery is as follows:

	December 31, 2017		December 31, 2016	
	Recovery of written-off portfolio	Recovery interest written-off	Recovery of written-off portfolio	Recovery interest written-off
Commercial	$ 1,333,284	$ -	$ 1,814	$ 278

10. COMMERCIAL ACCOUNTS TRADE AND OTHER RECEIVABLES, NET

The following is a detail of net trade and other accounts receivable, as of December 31, 2017 and 2016:

	Dec.31, 2017	Dec.31, 2016
Commisions	$ 1.238.048	$ 1.307.876
Rent	48.100	-
Royalties on assets under operational leases	5.326	2.177
Receivables	282.758	2.235.402
Payments on behalf of customers	3.694.455	3.054.352
Advances to contracts and suppliers	4.494.168	7.495.291
To employess	650.339	582.941
Guarantee deposits	507.280	1.125.266
Settlement of derivative transactions	4.274.169	6.465.794
Reimbursable expenses of Autonomous	1.010.691	205.340
Joint Operations	5.040.593	4.870.110
Miscellaneous	1.051.029	811.447
	22.296.954	28.155.995
Less deterioration of accounts receivable:	(1.801.658)	(2.319.858)
	$ 20.495.297	$ 25.836.137

11. OTHER NON-FINANCIAL ASSETS

The detail of other non-financial assets at 31 December 2017 and 2016 is as follows:

	Dec. 31, 2017	Dec. 31, 2016
Prepaid expenses	$ 1.463.961	$ 1.323.748
Deferred credit letters	-	69.805
Art and cultural assets	33.216	33.216
Goods delivered as commodate	-	14.489
Real estate to be leased	13.505.004	10.645.096
Machinery and equipment to be leased	3.623.455	6.058.250
Vehicles to be leased	1.437.415	1.114.066
Activities in joint operations	54.622	35.588
Taxes (*)	2.680.317	26.338.819
Others	230.605	231.914
	$ 23.028.595	$ 45.864.991

(*) In the Parent Company, during the year 2016, a balance of Ch$18,715,639 was generated in favor of Income Taxes and $3,993,425 was paid in advance for the year 2017.

12. NON-CURRENT ASSETS HELD FOR SALE, NET

Non-current assets held for sale include assets received in lieu of payment, assets returned and assets that have a formal sale plan in place within less than one year of their foreclosure.

The balance of non-current assets held for sale is as follows at 31 December 2017 and 2016:

	2017	2016
Goods received in payment		
Movable property	$ 230.739	$ 230.727
Real estate for housing	1.911.630	-
Real estate other tan for housing	15.007.611	12.621.542
	17.149.980	12.852.269
Less:		
Impairment of goods received in payment	(224.154)	(145.372)
Goods received in lieu of payment:	$ 16.925.826	$ 12.706.898
Restituted property		
Machinery and equipment	$ 3.380.691	$ 3.186.189
Vehicles	432.561	1.043.829

	2017	2016
Computer equipment	41.125	41.125
Immovables	29.590.250	17.512.046
	33.444.627	21.783.189
Less:		
Impairment of restituted property	(4.757.962)	(3.913.441)
Restituted property	$ 28.686.665	$ 17.869.748
Non-current assets held for sale		
Assets	$ -	$ 54.111
Computer Equipment	-	680
Machinery	-	2.366
Furniture	-	4.073
	-	61.230
Total	$ 45.612.491	$ 30.637.876

During 2017, the Bank received four assets in lieu of payment, including: 1 movable asset (vehicle), 2 real estate for housing (houses) and 1 real estate other than housing (commercial premises).

For Arco Grupo Bancoldex, as of December 31, 2017 and 2016, these assets represent 2.6% and 1.6% of the Company's total assets. The Administration is taking the necessary steps for the realization of these assets. On the goods received in payment, the Company has practiced during 2017, the corresponding appraisals and are available for sale. They are insurance policies that cover theft, fire, earthquake, riot, explosion, volcanic eruption, low voltage, property, loss or damage to offices and machinery.

13. NET PROPERTY AND EQUIPMENT

Net property and equipment, as of December 31, 2017 and 2016 are detailed below:

Cost of property and equipment

	Land, buildings and warehouses	Machinery, fixtures and fittings and office equipment	Transport Vehicles	Computer, Network and Communications Equipment	Total
Cost					
Balance at December 31, 2015	$ 54.051.666	$ 8.257.568	$ 562.107	$ 7.375.839	$ 70.247.180
Adquistion/Adittions	585.962	1.004.633	-	329.871	1.920.466
Withdrawals	-	(926.219)	-	(1.486.105)	(2.412.324)
Sales	-	(17.532)	-	(6.634)	(24.166)
Referrals	(4.230.419)	(105.353)	-	(17.379)	(4.353.151)
Disposals	181.800	-	-	-	181.800
Balance at December 31, 2016	50.589.009	8.213.097	562.107	6.195.592	65.559.805
Revaluatiion	8.088.564	-	-	-	8.088.564
Adquisitions	-	181.665	-	612.650	794.315
Withdrawals	-	(15.601)	-	(79.211)	(94.812)
Sales	-	-	-	(1.519)	(1.519)
Refrrerals	(549.405)	20.593	175.910	(20.593)	(373.495)
Disposals	-	-	181.800	-	181.800
Balance to December 31, 2017	$ 58.128.168	$ 8.399.754	$ 919.817	$ 6.706.919	$ 74.154.658

Accumulated depreciation of property and equipment

	Land, buildings and warehouses	Machinery, fixtures and fittings and office equipment	Transport Vehicles	Computer, Network and Communications Equipment	Total
Acumulated Depreciation					
Balance to December 31, 2015	$ (1.335.150)	$ (4.582.912)	$ (494.325)	$ (5.172.158)	$ (11.584.545)
Depreciation	(860.338)	(579.463)	(52.961)	(849.510)	(2.342.272)
Withdrawals	-	759.317	-	1.485.120	2.244.437
Sales	-	17.532	-	4.495	22.027
Referrals	101.422	105.353	-	17.379	224.154
Disposals	36.360	-	(39.390)	-	(3.030)
Balance to December 31, 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)
Withdrawals	-	15.601	-	79.111	94.712
Sales	-	-	-	1.519	1.519
Referrals	814.940	-	(175.910)	-	639.030
Disposals	-	-	(75.750)	-	(75.750)
Balance to December 31, 2017	$ (2.067.714)	$ (4.834.983)	$ (891.296)	$ (5.233.450)	$ (13.027.443)

Net book value of property and equipment

	Land, buildings and warehouses	Machinery, fixtures and fittings and office equipment	Transport Vehicles	Computer, Network and Communications Equipment	Total
Joint ventures 2016 (1)					
Cost	-	$ 1.143.064	$ -	$ -	$ 1.143.064
Depreciation	-	(1.003.757)	-	-	(1.003.757)
Joint ventures 2017 (1)					
Coso	-	776.633	-	-	776.633
Depreciation	-	(761.151)	-	-	(761.151)
Net book value					
Balance at December, 2016	$ 48.531.303	$ 4.072.231	$ (24.569)	$ 1.680.918	$ 54.259.883
Balance at December 31, 2017	$ 56.060.454	$ 3.580.253	$ 28.521	$ 1.473.469	$ 61.142.697

(1) This balance corresponds to Fiducóldex's participation in the consortia

Revaluation of land and buildings - The fair value of the properties was determined using the comparable market value method. This means that the appraiser's valuations were based on quoted prices in active markets, adjusted for differences in the nature, location and/or condition of the particular property.

As of December 31, 2017 and 2016, there were no restrictions on plant and equipment properties and they were duly covered, for which purpose the Company has insurance policy coverage.

Impairment of property and equipment - entities consider that there is no reasonable change that would imply that the carrying value of property and equipment exceeds its recoverable value.

14. PROPERTY AND EQUIPMENT UNDER OPERATING LEASES

The detail of the assets given in operating leases is as follows:

	Machinery	Transport vehicles	Accessories	Immovables	Total
Cost					
Balance December 31, 2015	$ 1.499.117	$ 86.483	$ 221.075	$ 2.375.318	$ 4.181.993
revaluation	-	-	-	1.478.887	1.478.887
Acquiaisions	(855.535)	-	(221.075)	2.794.060	1.717.450
Balance December 31, 2016	643.582	86.483	-	6.648.265	7.378.330
Sales	-	(86.483)	-	-	(86.483)
Transfers	-	-	-	2.798.545	2.798.545
Balance December 31, 2017	**$ 643.582**	**$ -**	**$ -**	**$ 9.446.810**	**$ 10.090.392**
Cumulative depreciation					
Balance January 1, 2016	$ (1.447.056)	$ (71.348)	$ (147.235)	$ -	$ (1.665.639)
Depreciation	(45.625)	(14.270)	(73.840)	(109.791)	(243.526)
Impairments	855.535	-	221.075	-	1.076.610
Balance December 31, 2016	(637.146)	(85.618)	-	(109.791)	(832.555)
Depreciation	-	-	-	(89.418)	(89.418)
Sales	-	85.618	-	-	85.618
Balance December 31, 2017	**$ (637.146)**	**$ -**	**$ -**	**$ (199.209)**	**$ (836.355)**

	Machinery	Transport vehicles	Accessories	Immovables	Total
Net Carrying Amount					
Balance December 31, 2016	$ 6.436	$ 865	$ -	$ 6.538.474	$ 6.545.775
Balance December 31, 2017	$ 6.436	$ -	$ -	$ 9.247.601	$ 9.254.037

Arco Grupo Bancoldex has maintained the necessary measures for the conservation and protection of the properties, equipment and assets under operating leases. As of December 31, 2017 and 2016, They are insurance policies covering theft, fire, earthquake, riot, riot, explosion, volcanic eruption, low voltage, property, loss or damage to offices and vehicles. The Company has 2017 and 2016 appraisals for property, plant and equipment and assets under operating leases.

15. INVESMENT PROPERTIES

The following is a detail of investment properties as of December 31, 2017 and 2016:

	Dec. 31, 2017 Buidlings and Land	Dec. 31, 2016 Buildings and Land
Cost	$ 210.655	$ 198.016
Re-evaluatión	6.202.589	4.032.403
Acumulated Depreciation	-	(101.422)
	$ 6.413.244	$ 4.128.997

The following is the movement in the cost of investment property:

	Dec. 31, 2017	Dec. 31, 2016
Inicial Balance	$ 4.230.419	$ -
Transfers	549.405	4.230.419
Revaluation	1.633.420	-
Final Balance	$ 6.413.244	$ 4.230.419

The following is the change in the depreciation of investment property:

	Dec. 31, 2017	Dic. 31, 2016
Initial Balance	$ (101.422)	$ -
Revaluation	101.422	
Transfers	-	(101.422)
Final Balance	$ -	$ (101.422)

For the 2017 period, a transfer of the Land group to Investment Properties was made due to the use of the 37th floor of the Building. This property is measured at fair value as assessed in December 2017 by TINSA Colombia Ltda.

There are no restrictions on the realization of investment properties.

16. FINANCE LEASE

The detail of finance leases at 31 December 2017 and 2016 is as follows:

	Computer Equipment	Vehicles	Total
Cost:			
Balance December 31, 2015	$ -	$ -	$ -
Acquisitions	1.079.928	-	1.079.928
Balance December 31, 2016	$ 1.079.928	$ -	$ 1.079.928
Acquisitions	331.543,00	155.900,00	487.443,00
Balance December 31, 2017	$ 1.411.471	$ 155.900	$ 1.567.371
Acumulated Amortization:			
Balance December 31, 2016	$ -	$ -	$ -
Amortization expense	451.620	6.062	457.682
Balance December 31, 2017	$ 451.620	$ 6.062	$ 457.682
Net book value			
Balance December 31, 2016	$ 1.079.928	$ -	$ 1.079.928
December 31, 2017	$ 959.851	$ 149.838	$ 1.109.689

In the Parent company's analysis of goods and services contracts during 2017 and 2016 and in accordance with IAS 17 and the Parent company's policy, certain contracts were identified that are classified as financial leases, which the Parent company maintains for current or future use and are expected to be used for more than one year.

17. INTANGIBLE ASSETS

As of December 31, 2017 and 2016, the balance of this account is broken down as follows:

	Licenses	Computer Software	Students and Projects	Total
Balance December 31, 2015	$ 1.797.733	$ 7.135.844	$ 1.586.668	$ 10.520.245
Acquisitions / Additions	705.139	1.077.934	27.144	1.810.217
Impairments	(6.220)	-	-	(6.220)
Transfers	155.806	-	(155.806)	-
Amortization expenses	(1.385.129)	(791.422)	(136.102)	(2.312.653)
Balance december 31, 2016	$ 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
Transfers	-	(83.301)	-	(83.301)
Amortization Expenses	(1.306.160)	(807.381)	(127.328)	(2.240.869)
Balance December 31, 2017	$ 1.841.206	$ 8.292.450	$ 1.354.404	$ 11.488.060

18. LIABILITIES FOR FINANCIAL INSTRUMENTS AT AMORTIZED COST

The following is a detail of financial instruments at amortized cost as of December 31, 2017 and 2016:

	Dec. 31-2017	Dec. 31-2016
certificates of deposit		
Issued less than 6 months	$ 22.902.825	$ 31.785.774
Issued to 6 and less than 12 months	$ 152.450.870	$ 666.385.483
Issued to 12 and less than 18 months	297.837.817	113.816.466
Issued to or more than 18 months	2.265.876.581	2.376.818.925
	2.739.068.093	3.188.806.648
Special guarantee deposits	71.840.243	2.405.818
Interbank funds purchased (1)	-	22.017.444
Simultaneous operations (1)	-	73.848.803
Ord. Bonds equal to or greater than 18 months	704.825.150	503.450.331
	$ 3.515.733.486	$ 3.790.529.044

(1) The detail of interbank funds purchased, and simultaneous transactions is as follows:

	Dec. 31- 2016		
	Interest rate (%)	Negotiation term days	Amount
Interbank funds purchased			
Legal currency			
Bank	7,13	5	$ 10.007.926
Other financial institutions	7,14	5	12.009.518
			$ 22.017.444
Commitments to transfer simultaneous operations			
Legal currency			
Bank			
Simultaneous CRCC	7,45	4	$ 73.848.804
			$ 73.848.804

19. BANK LOAS AND OTHER FINANCIAL OBLIGATIONS

19.1. Bank loans: The following is a breakdown of bank loans and other financial obligations as of December 31, 2017 and 2016:

	31 Dec. 2017	31 Dec. 2016
Legal Currency		
Bank loans and other financial obligations		
Credits	39.910.050	30.353.170
Finagro	2.074.906	1.128.623
Foreign currency		
Bank loans and other financial obligations		
Acceptances	274.801	38.235.965
Outside Banks (1)		
Créditos	19.360.460	225.587.581
International organizations	136.298.645	51.574.913
Interamerican Development Bank	1.458.725.862	1.213.720.043
Corporación Andina de Fomento	433.521.071	421.872.279
	2.047.906.038	1.912.754.816
	$ 2.090.165.795	$ 1.982.472.574

(1) The detail of loans from foreign banks is as follows:

	31 Dec. 2017			31 Dec. 2016		
	Tasa Int. (%)	Amount USD (thousands)	Amount pesos	Interest rate (%)	Amount USD (thousands)	Amount pesos
Short term						
Bank Of Montreal Canada	0,00	-	$ -	1,90	6.138	$ 18.417.314
Bank Of Tokyo Mitsubishi N.Y. USA	2,06	6.488	19.360.460	0,00	-	-
Banco del Estado de Chile	0,00	-	-	1,60	20.136	60.422.622
Banco de credito e inversiones de Chile	0,00	-	-	1,73	4.987	14.963.763
Citibank USA	0,00	-	-	1,67	24.172	72.533.113
Interamerican Investment Corp.	0,00	-	-	2,05	6.307	18.926.861
BCO. KFW IPEX BANK GMBH	0,00	-	-	1,74	2.917	8.753.028
Corporación Andina de Fomento CAF Venezuela	2,18	95.118	283.830.867	1,85	157.419	472.370.021
	2,17	101.606	303.191.327	1,81	222.076	666.386.722
Mid term						
Instituto de Crédito Oficial del Reino de España	2,62	5.446	16.250.100	0,95	10.880	32.648.052
Corporación Andina de Fomento CAF Venezuela	3,50	50.164	149.690.204	0,00	-	-
Banco Latinoamericano de Exportaciones Bladex	3,16	40.231	120.048.545	0,00	-	-
	3,31	95.841	285.988.849	0,95	10.880	32.648.052
Long term						
Interamerican Development Bank Usa	2,09	488.849	1.458.725.862	1,92	404.478	1.213.720.042
	2,27	686.296	$ 2.047.906.038	1,86	637.434	$ 1.912.754.816

Short term	2,17	101.606	303.191.327	1,81	222.076	666.386.722
Mid term	3,31	95.841	285.988.849	0,95	10.880	32.648.052
Long term	2,09	488.849	1.458.725.862	1,92	404.478	1.213.720.043
	2,27	686.296	2.047.906.038	1,86	637.434	1.912.754.817

19.2. Finance lease agreements: As of December 31, 2017 and 2016, the balance of this account is broken down as follows:

Leased Equipment		31 Dec. 2017		31 Dec 2016
Beginning balance	$	1.416.173	$	518.582
Additions		487.443		1.079.928,00
Interest caused		315.902		-
Less Payments		(847.135)		(182.337)
Eliminations	$	(152.239)		
Reexpression		(6.634)		-
Final Balance	$	1.213.510	$	1.416.173

20. COMMERCIAL ACCOUNTS PAYABLE AND OTHER ACCOUNTS PAYABLE

The following is a detail of accounts payable as at 31 December 2017 and 2016:

		31 Dec. 2017		31 Dec. 2016
fees and commissions	$	315.760	$	319.754
Costs and expenses payable		62.991		87.975
Dividends		2.288.292		2.267.898
Leases		34.477		-
Contributions over transactions		29.316		21.487
Suppliers		7.929.286		9.592.687
Contributions, affiliations and transfers		78.118		78.237
Labor deductions and contributions		5.600.129		5.709.720
Various creditors		976.804		976.804
Insurance		724.156		699.722
Cuentas por pagar en operaciones conjuntas		3.049.070		3.089.608
Liquidation of future contracts		6.523.239		6.163.789
Accounts payable to other employees		924.723		858
Accounts payable VPN Prize not used		1.066.512		328.235
For payment agreement PTP		1.315.688		-
For payment in foreign currency		1.461.990		440.201
Miscellaneous		1.452.754		2.504.205
	$	33.833.305	$	32.281.180

21. EMPLOYEE BENEFITS

The following is a detail of the balances of employee benefits as of December 31, 2017 and 2016:

	31 Dec. 2017	31 Dec. 2016
Payroll payable	$ 554.158	$ 692.319
Layoffs	1.385.712	1.500.452
Layoffs interest	160.598	173.507
Vacation	3.836.611	4.341.266
Holiday bonus	330.358	280.892
Bonus	44.048	37.452
Other benefits	262.709	242.535
	$ 6.574.194	$ 7.268.423

22. ESTIMATED LIABILITIES AND PROVISIONS

The detail of provisions as of December 31, 2017 and 2016, is as follows:

	31 Dec. 2017	31 Dec. 2016
Labor claims (1)	$ 788.298	$ 725.451
In joint operations	244.693	949.185
Other provisions	216.947	485.656
	$ 1.249.938	$ 2.160.292

(1) Corresponds to labor lawsuits filed by third parties against the Parent Company and the Fiducoldex Subsidiary.

The detail of the proceedings against the Parent Company as of December 31, 2017 and 2016, with possible (medium) and/or probable (high) ratings, is as follows:

Process type	Parts	General Information	Status of the Process	Dec. 31-2017	Dec. 31-2016
LABOR	**TOMÁS URIBE MOSQUERA VS. BANCOLDEX and others**	Character: ordinary labor process of undetermined amount. Identification : 5 Labor Court of Bogotá Circuit. - Court 3 of the Decongestion Circuit (11001310500520060108901) Probability of loss: Likely Attorney: Claudia Liévano	A second instance decision favorable to the Bank was issued. Currently, the process is at the Supreme Court of Justice, with the extraordinary appeal being filed. Is pending ruling.	**102.777**	**100.794**
LABOR	**CARLOS HELÍ GOMEZ BRAVO VS. BANCOLDEX yand others**	Character: ordinary labor process of undeterminated amount (110013105014200700021-01) Identificación: 14 Labor Court of Bogotá Circuit. - Superior Court of Bogotá - Labor Chamber - Supreme Court of Justice. Probability of loss: likely. Attorney> Claudia Liévano	The second instance decision was rendered unfavorable to the Bank. Currently, the process is at the Supreme Court of Justice, obtaining the extraordinary appeal for cassation. It is pending ruling	**105.924**	**103.494**
LABOR	**DANIEL MONTAÑÉZ MADERO VS. BANCOLDEX and others**	Character: ordinary labor process of undeterminated amount. Identification: 14 Labor Court of Bogotá Circuit. Superior Court of Bogotá (110013105014-20070045601) Probability of loss: Probably. Attornery: Claudia Liévano	The second instance decision was rendered unfavorable to the Bank. Currently, the process is at the Supreme Court of Justice, obtaining the extraordinary appeal for cassation. It is pending ruling	**316.513**	**309.251**
LABOR	**HERMES HERNÁN RODRIGUEZ HERNÁNDEZ VS. BANCOLDEX**	Character: ordinary labor porcess of undeterminated amount. Identification: 15 Labor Court of Bogotá Circuit. 9 Labor Court of the Decongestion Circuit. Superior Court of Bogotá (11001310501520060052201) Probability of loss: Probably. Attornery: Germán Valdés	A judgment in the first instance favorable to the Bank was delivered. Currently, the process is at the Supreme Court of Justice, obtaining the extraordinary appeal for cassation. It is pending ruling.	**216.888**	**211.912**
Total				**742.102**	**725.451**

The main contingencies in which the Fiducóldex Subsidiary is a party as of December 31, 2017, are indicated below:

Litigation - The provision is made up of a 3.57% participation of the Fosyga Consortium and the Fiduciary's own provision of 96.43% covering 100% of the value of the claims that cover the estimated probable losses related to labor, civil and tax litigation (administrative and governmental). The main assumptions considered in the calculation of the provision are:

Process Number	Plaintiff	Value pretension	Provision calculated participation Dec 2017	Rating
2008-0368	Salud Total EPS	$ 95.606	$ 3.413	Likely
2009-0268	Sanitas EPS	1.526.864	54.509	Likely
2010-0119	Sanitas EPS	862.453	30.789	Likely
2009-1007	Sanitas EPS	555.018	19.814	Likely
2012-00467	Coomeva EPS	1.153.877	41.193	LIkely
2010-00772	Coomeva EPS	196.769	7.025	Likely
2010-00807	Cafesalud EPS Cruz Blanca EPS Y Saludcoop EPS	6.000.000	214.200	Likely

Process Number	Plaintiff	Value pretension	Provision calculated participation Dec 2017	Rating
2010-0267	Sanitas EPS	1.154.873	41.229	Likely
2012-00616	Sanitas EPS	20.162	720	Likely
2012-0590	Sanitas EPS	6.175	220	Likely
2012-00501	Sanitas	4.655	167	Likely
	Total	$ 11.576.452	$ 413.279	
Provision recorded in the Balance Sheet of the Fiduciary Company according to Fiducóldex share Dec 2017			$ 196.333	
Own provision recognized in the Trust Company as of Dec 2017			$ 216.946	

In accordance with the first instance ruling issued in the ordinary labor proceeding initiated by Mr. Rafael Enrique Hoyos Velasco against Fiducóldex, it is necessary to recognize a provision equivalent to 100% of the value of the imputed sentence, since the procedural risk of loss currently existing in accordance with what is stated by the respective attorney-in-fact has a probable probability of this sentence.

Therefore, the process indicated in the Financial Statements of the Trust Company was recognized for a total value of $46,195,665, which is derived from the following items:

Concept	Value
Wages and social benefits foregone	
For compensation under Article 26 of Law 361 of 1997	$ 18.264
Cost of proceedings	22.932
	5.000
Total	
	$ 46.196

The main contingencies to which the Trust Company is a party as of December 31, 2017, are indicated below:

Proceedings against Fiducóldex (Respondent)

Ordinary Labor Demand - ONEIDA MEJIA IGUARIN. (Fiducóldex Trust - SAMA) - The plaintiff initiated ordinary labor proceeding to obtain payment of the severance payments and interest on the severance payments corresponding to the years 2009, 2010, 2011 and 2012 during which she worked in the company SAMA LTDA.

Considering that, although the evidentiary material is true, the legal arguments outlined and the defense strategy assumed have a good chance of demonstrating that it is not the Fiduciary that is called upon to make the payments required by the plaintiff, there is a probability that the firm will accept the claims of the lawsuit.

By means of an order dated on November 30, 2016, issued by the Second Labor Court of the Riohacha Circuit, a hearing was scheduled for March 22, 2017. With the purpose of holding a hearing to receive testimonial evidence, the date of February 10, 2017 was set at the Second Labor Court of the Circuit of Bogotá (Commission Office).

On February 10, 2017, a hearing was held, during which the testimonial evidence was not declared, since the witnesses did not attend the hearing. On March 22, 2017, a processing and trial hearing was held, during which the plaintiff was interviewed and closing arguments were presented; in addition, the hearing was suspended to issue a first instance decision; the date of the next hearing will be set by state. (May 31, 2017) July 6, 2017: According to the external lawyer's report, the date for the trial hearing is still pending. August 3, 2017: According to the external lawyer's report, the date for the trial hearing is still pending. September 12, 2017: According to the external lawyer's report, the date for the trial hearing is still pending. October 2, 2017: According to the external lawyer's report, the date for the trial hearing is still pending. November 2, 2017: According to the external lawyer's report, the date for the trial hearing is still pending. December 01, 2017: According to the external lawyer's report, the date for the trial hearing is still pending.

Ordinary Labor Lawsuit - ALEX ELOY MARTINEZ PINEDO (Fideicomiso Fiducóldex - SAMA) - The plaintiff initiated ordinary labor proceedings, in order to obtain payment of severance pay and interest on severance pay corresponding to the years 2009, 2010, 2011 and 2012 during which he worked for the company SAMA LTDA.

Considering that, although the evidentiary material is true, the legal arguments outlined and the assumed defense strategy have a good chance of demonstrating that it is not the Fund that is called upon to make the payments required by the plaintiff, there is a probability that the aforementioned chamber will accept the claims of the lawsuit.

The hearing scheduled for March 23, 2017 did not take place, as the testimonies ordered by commissioner's office in the city of Bogotá have not yet been evacuated. Labor Court 32 of the Circuit of Bogota, set a date for the reception of testimonies for May 10, 2017 at 4:00 p.m. On March 31, 2017, the Court issued an order setting the date for the hearing to be held on August 9, 2017 at 9:00 a.m. On May 10, 2017, a hearing was held for the commissioner's office, because of which the commission assigned to it was fulfilled and the proceedings were sent to the court of origin. (May 31, 2017) July 6, 2017: The report of the external lawyer's actions shows that the process has not changed. August 3, 2017: According to the attorney-in-fact report, no procedural action has been taken to date.15 August 2017: The attorney-in-fact informs the attorney-in-fact that the hearing was not held since the judge was on leave. A new date is still pending.25 August 2017: The attorney-in-fact informs that, within the reference process, and after the diligence has been postponed until now, the Court has not set a new date to exhaust the processing and trial hearing referred to in article 80 of the Code of Criminal Procedure. It remains pending the ruling of the Court that on December 1, 2017 continues to await the ruling of the court to set a new hearing date.

23. OTHER LIABILITIES

The detail of other liabilities as of December 31, 2017 and 2016, is as follows:

	31 Dec. 2017	31 Dec. 2016
Anticipated Income	$ 84.675.333	$ 94.969.876
Interests arising from restructuring processes	1.252.938	775.379
Deferred payments	316.051	29.508
Deferred payment credit letters	-	69.805
Fees to apply to payment obligations	2.290.819	2.939.213
Income received for third parties	30.223	200.840
Various-Agreements (*)	25.806.702	26.186.079
Minority Interest	19.366.176	18.277.590
	$ 133.738.242	$ 143.448.290

(*) These balances correspond mainly to the resources received by the Parent Company of Ministries, Governments and Mayor's Offices for the financing of lines with rate differentials.

24. SHAREHOLDER'S EQUITY

24.1. Share capital: As of December 31, 2017, and 2016, the detail of capital is as follows:

	Dec. 31- 2017	Dec. 31- 2016
Ministry of Commerce, Industry and Tourism	$ 976.143.335	$ 976.143.335
Ministry of Finance and Public Credit	83.420.180	83.420.180
Individuals	2.993.357	2.993.357
	$ 1.062.556.872	$ 1.062.556.872

The number of shares subscribed and paid is as follows:

	Dec. 31- 2017	Dec. 31-2016
Ministry of Commerce, Industry and Tourism (Class"A" Actions) Ordinary	$ 976.143.335	$ 976.143.335
Ministry of Fianance and Public Credit (Class"A" Actions) Ordinary	83.420.180	83.420.180
Private Stockholders (Class"B" Actions)	2.080.683	2.080.683
Private Stockholders (Class"C" Actions) Preferred	912.674	912.674
	$ 1.062.556.872	$ 1.062.556.872

Series C preference shares have a minimum annual preferential dividend equivalent to 3.5% of the net worth of the share at the beginning of the year, charged against the earnings of which the General Meeting decrees the calculation. This minimum preferential dividend shall be effective, in principle, for eight (8) years, at the end of which the Parent Company shall compare the average value of the share registered in the Colombian Stock Exchange during the twelve (12) months prior to the month in which the comparison is made, against the average equity value of the share in the same period.

If the average stock market value is equal to or greater than 110% of the average equity value, the privilege will be extinguished and, consequently, the minimum preferential dividend will be suspended; otherwise, the privilege will be extended for five (5) years, after which the Parent Company will again compare the average values in the same manner. If the average stock market value 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, on the understanding that at the end of each of these periods the Parent Company will carry out the comparison of average values. If, after the expiration of the periods indicated, the average stock market value continues to be less than 110% of the average equity value, the privilege will be extended for one (1) more year, after which it will expire.

The termination of the privilege, regardless of the time at which it is exercised, will result in these shares becoming ordinary and the subsequent replacement of the securities. If the General Meeting of Shareholders decides to recognize a dividend higher in value than the minimum preferential dividend, the payment of such dividend shall take precedence over the minimum preferential dividend.

For the liquidation of the privilege enshrined in the preceding paragraphs, the Parent Company 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 31 of the year N - 1 / Total shares outstanding

The payment of the minimum preferential dividend foreseen is ordered by the General Shareholders' Meeting of the Parent Company with a charge to the net profits of the respective period; therefore, without prejudice to the provisions of Article 381.2 of the Commercial Code, the payment dates of the preferential dividend correspond to those indicated by said entity and in the event that in a given year the Parent Company does not produce profits, or these are not sufficient.

By decision of the General Shareholders' Meeting of the Parent Company on August 31, 2002, the privilege had been extended for a term of five years and again, at the ordinary meeting held on March 31, 2008, taking into account that the share price is a simple reference to know whether the privilege is extended or not, in principle for five years and then for three successive two-year periods, the General Shareholders' Meeting ordered that the stock market price be taken as zero (0) and that the privilege be continued for a further five years. Given the expiration of this privilege, the General Shareholders' Meeting of March 22, 2013 approved the extension for a further five years.

24.2. Reserves: The following is the detail of reserves as at 31 December 2017 and 2016:

	31 Dec. 2017	31 Dec. 2016
Legal		
Appropriation of net profits	$ 149.103.832	$ 138.296.495
Statutory		
Capital Funds - Protection	49.346.690	49.346.690
Occasionals		
Loan portfolio - Protection	3.498.144	3.462.175
Tax provisions	36.945.283	34.374.743
	$ 238.893.949	$ 225.480.103

Legal reserve: according to legal provisions, all credit institutions 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 loyal reserve may not be used to pay dividends or to cover expenses or losses during the time that the Entities have undistributed profits.

Statutory and occasional reserves: approved by the General Shareholders' Meeting

- In accordance with articles 271 and 272 of the Tax Statute and article 1 of Decree 2336 of 1995, taxpayers required to use special investment valuation systems, in accordance with the special rules established for this purpose by the control entities, the equity value of the investments will be that resulting from the application of such valuation mechanisms and their effects must be recorded in the income statement. For tax purposes, this result will only be made at the head of the company in accordance with the rules of article 27 and other concordant regulations of the Tax Statute. The profits generated at the close of the accounting year because of the application of special systems of valuation at market prices and which have not been made at the head of the company in accordance with the rules of article 27 and other concordant regulations of the Tax Statute, shall be transferred to a reserve. This reserve may only be affected when such profits are capitalized or when the income is fiscally realized.

- The Parent Company also considered that the same effect existed previously on the valuations of derivative transactions, which is why an occasional reserve was created.

25. OTHER INCOME

The detail of other income is:

	31 Dec. 2017	31 Dec. 2016
Recovery of provisions		
Loan Portfolio	$ 17.350.026	$ 12.774.143
Accounts Receivable	10.841.981	3.254.242
Financial leasing operations	18.438.684	301.331
Operating leasing operations	12	365.241
Write-offs	561.141	1.755
Reversal of impairment loss	353.113	2.598.690
Own property leases	1.535.994	1.031.803
For sale of property and equipment	476.076	191.792
Activities in joint operations	28.892.815	27.984.212
Prepayments, recourses and recoveries	-	250.219
F.N.G. Revenue.	222.425	220.564
Others	4.087.464	1.534.181
	$ 82.759.731	$ 50.508.173

26. OTHER EXPENSES

The detail of other expenses is:

	31 Dec. 2017	31 Dec. 2016
Contributions and affiliations	$ 2.384.100	$ 2.038.118
Legal and notarial	21.917	59.355
Insurance	2.335.270	2.119.013
Maintenance and repairs	5.092.608	4.378.484
Adaptation and installation of offices	452.583	1.039.843
Activities in joint operations	16.995.566	16.609.403
Multas y sanciones	1.558.845	-
Toilet and security services	1.075.311	986.439
Temporary services	884.444	818.314
Advertising	1.078.567	1.073.399
Public Relations	95.289	52.060
Public services	1.123.021	1.159.199
Travel expenses	931.852	909.662
Transportation	839.122	900.265
Supplies and stationery	252.441	234.889
Publications and subscriptions	240.226	204.771
Photocopying service	4.416	3.746
Scanning service	99.612	154.375
Reference books	3.310	1.889
Work lunches	47.284	53.227
Cafeteria elements	123.660	261.942
Toiletries	66.159	110.132
Courier services	403.648	379.416
Telex data transmission. tas. SWIFT	1.541.357	1.582.107
Building management	718.620	748.614
Lesser Things	9.759	2.183
Commercial information	774.303	523.709
Storage of magnetic files	75.852	119.625
Contact Center Bancoldex	550.297	536.403
Stock exchange registrations	54.700	51.700
Alternate contingency processing service	73.841	97.679
Institutional Notices and Announcements	89.506	49.481
Corporate Communications	272.493	515.208
Assumed withholdings	194.164	397.996
VAT assumed by Bancóldex	13.144	5.148
Training	119.677	149.665
Prior period expenses (*)	3.646.403	4.352
Events and Refreshments Business Training and	699.278	975.358
Goods received in payment	10.331	-
Others	4.943.052	4.695.427
	$ 49.896.028	$ 44.002.596

(*) The balance as of December 31, 2017 is represented mainly by the following records in the Parent Company: a) $ 522,500 corresponding to the account receivable from Tecnología y Desarrollo de Colombia S.A.S, in response to the decision of the Arbitration Tribunal of the Bogota Chamber of Commerce; b) Payment of social security contributions, for the periods 2012, 2013, 2014, 2015 and 2016, for a total amount of Ps. 2,258,430; c) Interest forgiveness agreement for a total amount of Ps. 776,397, in application of the payment in payment of the portfolio operation LD700504505.

27. CURRENT TAX LIABILITIES AND DEFERRED TAX ASSETS AND LIABILITIES

The tax provisions applicable to the entities stipulate that the rate applicable to income tax for the years 2017 and 2016 is 34% and 25% respectively and the income tax for equity - CREE and surcharge of the same tax for the year 2016 is 9% and 6% respectively. In addition, a 6% income tax surcharge for 2017 is established for companies whose income is equal to or greater than $800 million.

Income tax recognized in profit or loss

	31 Dec. 2017	31 Dec. 2016
Current tax :		
Compared to the current year	$ 45.348.843	$ 25.411.572
	45.348.843	25.411.572
Deferred tax :		
Compared to the current year	17.997.871	1.328.285
Adjustments to deferred taxes attributable to changes in laws and tax rates	(1.428.465)	-
Reductions (reversing expected reductions) of deferred tax assets	-	4.335
	16.569.406	1.332.620
Total tax expense related to ongoing operations	$ 61.918.249	$ 26.744.192

The reconciliation between pre-tax income and net taxable income for 2017 and 2016 is as follows:

Earnings before tax from ongoing operations	175.834.806	132.025.105
Income tax expense calculated at 40%	78.603.009	59.103.146
Effect of expenses that are not deductible when determining taxable profit	8.323.089	14.370.726
Income (lost) in making investments	(660.081)	3.442.505
Income (loss) in realization of derivatives	9.192.063	(31.489.906)
Income method of participation not constitutive of income	9.123.371	(3.774.844)
Refunds that are not taxed when determining taxable profit	(9.024.464)	(22.388.856)
Effect of income that is exempt or non-constitutive - Dividends	(4.985.284)	(3.262.835)
Revaluation fixed assets	(693.045)	-
Others	(27.960.419)	18.020
Net income of assets owned for more than two years	10	-
Income tax expense for ordinary income system	61.918.249	16.017.956
Income tax expense for presumptive income system recognized in results (related to ongoing operations)	$ 61.918.249	$ 26.744.192

The Parent Company, for the year 2017 paid the income tax for the ordinary income system, for the year 2016 it was determined by the presumptive income system, established in the liquid equity.

In accordance with the regulations in force at 31 December 2016, the taxpayer's net income may not be less than 3% (*) of his net assets on the last day of the immediately preceding taxable year.

(*) Law 1819 of 2016 increased the percentage to 3.5%.

In accordance with IAS 12.58(a), current and deferred taxes shall be recognized as income or expense and included in profit or loss, except to the extent that they arise from transactions or events that are recognized outside profit or loss, either in other comprehensive income or directly in equity.

Reconciliation of the nominal tax rate and the effective tax rate - The reconciliation of the effective tax rate is performed in accordance with the following regulatory parameters, which were in effect at the end of the December 31, 2017 and December 31, 2016 periods.

Reconciliation of the nominal tax rate and the effective tax rate - The reconciliation of the effective tax rate is performed in accordance with the following regulatory parameters, which were in effect at the end of the December 31, 2017 and December 31, 2016 periods.

Pursuant to Law 1607 of 2012, for the year 2016, an income tax rate of 25% was determined and, in addition, income tax for equity CREE was paid at the rate of 9% and a respective surcharge equivalent to 6%. The income tax for equity CREE and the surcharge were in force until 2016.

Law 1819 of 2016 increased the general income tax rate for 2017 to 34%, and established a special income tax surcharge equivalent to 6%.

Income tax recognized directly in equity

	31 Dec. 2017	31 Dec. 2016
Deferred tax		
Generated by transactions with equity participants:		
Profit (loss) for difference in exchange for investments in investments abroad	14.033.085	(208.102)
Profit (loss) in valuation of capital funds	3.981.719	3.785.171
Unrealized profit (loss) of investments available for sale	-	6.754.377
Cost of uncontrolled investments	2.877.958	2.913.644
Revaluation of assets	2.926.747	-
Total income tax recognized in other integral profit	$ 23.819.509	$ 13.245.090

Current tax assets and liabilities

	31 Dec. 2017	31 Dec. 2016
Current tax assets		
Surpluss in private liquidation to be requested	$ 2.602.804	$ 26.108.598
Current tax liability		
Income tax payable	14.739.997	2.538.153
Total	$ (12.137.193)	$ 23.570.444

Current taxes correspond to Income and Complementary Taxes. As of December 31, 2017, the balance of the tax asset corresponds to the balance in favor of the subsidiary Fiducóldex and during 2016, the balance in favor was generated in the Parent Company (see note 11). The balance payable as of December 31, 2017 amounted to Ch$14,739,997, of which Ch$13,408,143 corresponded to the Parent Company and Ch$1,331,854 to the subsidiary Arco Grupo Bancóldex.

Deferred tax balances - The analysis of deferred tax assets/liabilities presented in the financial statements is presented below:

		31 Dec. 2017		31 Dec. 2016
Deferred tax assets				
Industry and Commerce provision	$	-	$	551.303
Excess of presumptive income over ordinary income		-		29.411.645
Valuated income Investment portfolio		52.161		48.322
Provisioned Expenses		101.200		847.361
Loss on valuation of derivatives		1.233.587		-
Cost movable property / Machinery leasing		1.369.886		304.144
Software Amortization		1.189.825		2.410.832
Other assets		27.539		697.810
Agreements		2.433.277		1.678.195
Depreciation of fixed assets		173.092		175.599
Provisión otras cuentas por cobrar		-		134
Deferred income		-		40.678
Total defferred Assets		6.580.567		36.166.023
Deferred tax liability				
Investment portfolio valuation		3.358.831		2.629.167
Profit in valuation of derivatives		-		7.859.173
Valuation of returns Capital Funds		5.075.506		6.503.364
Exchange difference in Foreign Exchange investments		873.668		1.058.991
Cost of movable and immovable assets		12.979.305		12.408.177
Provisión bienes inmuebles		3.965.362		3.965.362
Deferred charged		340.718		434.558
Portfolio of credits and accounts receivable		44.072.508		48.863.700
Other deferred tax liabilities - equity		9.786.425		13.461.954
Total deferred liabilities		80.452.323		97.184.446
Total	$	(73.871.756)	$	(61.018.423)

2017	Opening balance	Recognized in the results	Directly recognized in Equity	Closing Balance
Deferred tax (liability) / asset related to				
Derivatives	$ (7.852.792)	$ 9.096.662	$ 66.438	$ 1.310.308
Revaluation of assets - Property, plant and equipment	(11.521.762)	(549.825)	(2.926.747)	(14.998.334)
Machinery operating lease	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	1.976.274	(907.520)	-	1.068.754
Financial assets at fair value through profit or loss	(2.629.166)	(729.664)	-	(3.358.830)
Portfolio of loans 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	(10.288.536)	1.427.858	(196.548)	(9.057.226)
Valuation of portfolio	48.322	3.839	-	52.161
Foreign exchange difference on foreign operations	(850.890)	185.323	(17.133)	(682.700)
Provisions	1.398.664	(1.297.598)	-	101.066
Provisions for leased goods	(3.965.363)	-	-	(3.965.363)
Cost of Forex investments	(2.913.643)	-	35.685	(2.877.958)
Other financial liabilities	(487.812)	83.225	-	(404.587)
Agreements difference rate/ deferred income	1.718.873	755.084	-	2.473.957
Tax loss carryforwards/excess presumptive income	29.411.645	(29.411.645)	-	-
Total	$ (61.018.423)	$ (16.569.406)	$ 3.716.073	$ (73.871.756)

2016	Opening balance	Recognized in the results	Recognized in other comprehensive income	Directly recognized in equity	Closing Balance
Deferred tax (liability) / asset related to					
Derivatives	$ 23.653.294	$ (31.506.086)	$ -	$ -	(7.852.792,20)
Revaluation of assets - Property, plant and equipment	(13.866.673)	1.347.415	997.496	-	(11.521.762,00)
Machinery operating lease	-	181.655	-	-	181.655,00
Depreciation of fixed assets	(311.482)	195.825	-	-	(115.657,00)
Other assets	69.254	(11.383)	-	-	57.871,00
Financial leases		431.971	-	-	431.971,00
Intangible assets	2.491.068	(1.324.259)	809.465	-	1.976.274,00
Financial assets at fair value through profit or loss	(5.116.288)	2.487.122	-	-	(2.629.165,61)
Portfolio of loans and accounts receivable	(46.294.592)	(2.569.107)	-	-	(48.863.699,00)
Available-for-sale financial assets	-		-	(6.754.378)	(6.754.378,00)
Valuation of equity funds	(7.328.155)	824.790	-	(3.785.171)	(10.288.535,88)
Valuation of portfolio	-	48.322	-	-	48.322,00
Foreign exchange difference on foreign operations	(1.058.992)		-	208.102	(850.890,00)
Provisions	1.145.398	253.266	-	-	1.398.664,00
Provisions for leased goods	(3.965.363)		-	-	(3.965.363,00)
Cost of Forex investments	-		-	(2.913.643)	(2.913.643,00)
Other financial liabilities	(28.227)	(459.585)	-	-	(487.812,00)
Agreements difference rate/ deferred income	2.358.749	(639.876)	-	-	1.718.873,00
Tax loss carryforwards/excess presumptive income	-	29.411.645	-	-	29.411.645,00
Total	$ (48.252.009)	$ (1.328.285)	$ 1.806.961	$ (13.245.090)	(61.018.422,70)

28 CONTINGENCIES

Legal Contingencies - As of December 31, 2017 and 2016, the Parent Company dealt with administrative and judicial proceedings against the parties; the claims of the proceedings were reviewed based on the analysis and concepts of the attorneys in charge and the following contingencies were determined:

Labor lawsuits - As of December 31, 2017 and 2016, the Parent Company had filed labor lawsuits for $100,000, respectively.

Civil lawsuits **-** As of December 31, 2017 and 2016, the result of the valuation of the claims of the civil litigation proceedings in the Parent Company was $24,000, respectively.

Administrative and other proceedings - As of December 31, 2017 and 2016, the result of the valuation of the claims of the administrative, arbitration and executive proceedings in the Parent Company was $5,819,999 and $5,832,148, respectively.

The following is the detail of the work processes:

Type of Process	Parties	General information	Process Status	31-dic-17	31-dic-16
WORK	**OLGA CÁRDENAS DE MICHELSEN (Sustituta pensional de Arturo Michelsen) VS. BANCOLDEX y Otros**	Nature: Proceso Ordinario laboral de cuantía indeterminada Identificación: Juzgado 15 Laboral del Circuito de Bogotá. Juzgado 9 Laboral del Circuito de Descongestión.(110013105015-2002-00431-01) Loss probability: Possible. Proxy: Claudia Liévano	A second instance ruling in favor of the Bank was issued. The process is currently before the Supreme Court of Justice, and an extraordinary appeal has been filed in cassation. It is pending decision. Absolute value	**1**	**1**
WORK	**JAVIER ENRIQUE MÚNERA OVIEDO VS. BANCOLDEX**	Nature: ordinary work process for an approximate amount of $100.000 Identificación: Juzgado 1 Laboral del Circuito de Barranquilla. 08001310500120040023801 Loss probability: Possible. Proxy: Claudia Liévano.	A second instance ruling in favor of the Bank was issued. The applicant lodged an appeal in cassation. Bancoldex lodged an objection.	**100.000**	**100.000**

Type of Process	Parties	General information	Process Status	31-dic-17	31-dic-16
WORK	**HERNÁN OSORIO JIMÉNEZ VS. BANCOLDEX**	Nature: Ordinary work process of unidentified amount. Identificación: Juzgado 4 Laboral del Circuito de Bogotá. (110013105004-2010-00406-00) Loss probability: Possible. Proxy: Claudia Liévano	A second instance ruling in favor of the Bank was issued. Absolute value	**1**	**1**
WORK	**BRYAN ALEXANDER JIMÉNEZ VS. BANCOLDEX**	Nature: Ordinary work process of unidentified amounta. Identificación: Juzgado 23 Laboral del Circuito de Bogotá. (2016-435) Loss probability: Possible. Proxy: Germán Valdés	A lawsuit was filed and transferred to the Bank. The lawsuit was answered. A date is set for the initial hearing.	**-**	**-**

The detail of the contingent accounts is as follows:

Borrowers –

Interest on loan portfolio	$ 8.114.274	$ 5.832.204
Interest on financial leases	1.876.224	1.759.439
Fees receivable	716.379.474	699.540.054
Purchase options to be received	21.142.197	19.178.495
Penalties for breach of operating leasing contracts	47	-
Social Security Contributions	2.245.564	-
Litigation in progress	5.844.000	5.856.148
Securities in repo operations	-	73.862.610
Excess of presumptive income	72.416.328	45.437.243
Purchase commitments Forward FIX ME	1.492.000	189.044.730
Rights in options	-	67.045.520
	$ 829.510.108	$ 1.107.556.443

Creditors –

	31 Dec. 2017	31 Dec. 2016
Bank Guarantees	$ 58.988.602	$ 16.130.176
Letters of Credit	13.015.891	6.383.158
Approved appropriations not disbursed	1.445.169	1.668.884
Litigation in progress	100.000	100.000
Private Equity Fund Commitments	36.633.630	49.163.616
Sales commitments Forward FIX ME	-	189.044.730
Investment Commitment FCP ME	24.938.783	21.204.025
Guarantees	-	4.095.504
Others	464	2.555.489
	$ 135.122.539	$ 290.345.582

29 TRUSTEE-MANAGED BUSINESS

Following is a detail of the value of the assets and liabilities corresponding to all the businesses managed by the Trust as of December 31, 2017:

Business Category	Number of Business	Assets	Liabilities
Payments and Administration			
Real estate deals	3	$ 40.458.666	$ 7.654.750
Administration and payment business	107	1.783.023.866	325.123.471
Total Payment and administration	110	1.823.482.532	332.778.221
Securitisations			
Business Securitization Process	1	94.824.473	69.351.951
Total Titularizaciones	1	94.824.473	69.351.951
Trust in Guarantee			
Business in Guarantee Trust	24	23.732.055	230.955
Total Fiducia in Guarantee	24	23.732.055	230.955
Pension Liabilities			
Pension Liabilities Businesses	10	5.964.980.602	20.483.446
Total pension liabilities	10	5.964.980.602	20.483.446
Collective Investment Fund			
FICs Fiducóldex	1	115.668.084	129.525
FICs 60 Subdued	1	10.817.797	11.915
Total Mutual Funds	2	126.485.881	141.440
Private Equity Fund			
Áureos Colombia Funds	1	52.850.046	74
Total Private Equity Fund	1	52.850.046	74
TOTAL	148	$ 8.086.355.589	$ 422.986.087

30. OPERATING SEGMENTS

As of December 31, 2017, and 2016, the assets and consolidated net income of the Bancóldex Group for the various businesses are presented below:

December 31, 2017	Business Bancoldex	Arco Grupo Bancoldex	Trust Management Business Fiducoldex	SUB-TOT	Removals		Consolidated Statement
					Debit	Credit	
Amount of Primary Related Assets	7.052.849.556	748.361.634	67.467.629	7.868.678.818	-	299.924.231	7.568.754.587
Amount of Managed Assets (Trust management businesses)	-	-	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 Margin	**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 Margin	**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 portfolio provisions presented net of recoveries and ARCO includes the provisions of goods returned or received in payment (BRDP's)
(***) includes the other income and expenses not considered in the financial margin and the expenses of BRDP's

December 31, 2016	Business Bancoldex	Arco Grupo Bancoldex	Trust Management Business Fiducoldex	SUB-TOT	Removals		Consolidated Statement
					Debit	Crédit	
Amount of Primary Related Assets	7.196.832.323	687.100.498	67.627.370	7.951.560.192	75.750	245.456.500	7.706.179.442
Amount of Managed Assets (Trust management businesses)	-	-	6.838.706.515	6.838.706.515			6.838.706.515
STATEMENT OF INCOME:							
Financial earnings generated:	2.408.365.705	75.367.701	45.491.720	2.529.225.126	13.355.080		2.515.870.046
Financial expenses	2.170.644.071	40.086.045	337.423	2.211.067.539		10.681.995	2.200.385.544
Other financial income and/or expenses (includes commissions)	- 7.184.727	3.287.566	120.767	- 3.776.394			- 3.776.394
Gross Financial Margin	**230.536.907**	**38.569.222**	**45.275.064**	**314.381.193**			**311.708.108**
Balance portfolio provisions	25.119.145	12.569.039	46.687	37.734.870			37.734.870
Net Financial Margin	**205.417.763**	**26.000.183**	**45.228.377**	**276.646.323**			**273.973.238**
Operating expenses:							
Administrative expenses	65.689.951	16.830.646	36.349.093	118.869.690	2.098.055	112.103	120.855.642
Financial corporate tax (*) (*)	32.346.756	3.060.722	1.509.631	36.917.109			36.917.109
Other provisions (**)	3.497.609	2.850.384	-	6.347.993			6.347.993
Operating profit	**103.883.447**	**3.258.431**	**7.369.654**	**114.511.531**			**109.852.494**
Net other income/expenses (includes dividends) (***)	20.333.242	12.518.824	394.267	33.246.333	11.073.723		22.172.611
Profit before tax	**124.216.689**	**15.777.255**	**7.763.920**	**147.757.864**			**132.025.104**
Income Tax	19.864.220	4.255.915	2.624.056	26.744.192			26.744.192
Net Income	**104.352.469**	**11.521.340**	**5.139.864**	**121.013.672**			**105.280.912**

(*)) Includes different income taxes
(**) Includes different portfolio provisions
(***) Includes other revenues and expenses not considered in the Financial Margin

31. RELATED PARTIES

The Parent company considered the participation of the related parties in the generation of profits, the existence of the relationship with related parties such as: shareholders, members of the Board of Directors and Directors of the Parent company, subordinate entities and entities of the same parent company, are clear examples of persons or entities that influence or may have an effect on the results and financial situation of the Parent company. It was also considered that the aforementioned transactions could be carried out that other parties, unrelated to each other, could not, therefore, record the balances of assets and liabilities resulting from the reconciliation of balances, as well as the income and expenses caused in each period, corresponding to transactions with related parties, which are discussed in detail below:

- *Shareholders:* all related party transactions as defined in IAS 24.

- *Administrators:* President, Vice-Presidents, Managers and Controller of the Parent Company are considered administrators.

- *Subordinate:* the entities over which control is exercised in accordance with the definition of control in IFRS 10, Fiduciaria Colombiana de Comercio Exterior S.A. - Fiducóldex and Leasing Bancóldex.

Transactions with related parties - The Parent Company may enter into transactions, agreements or contracts with related parties, on the understanding that any such transactions will be carried out at fair value, based on market conditions and rates.

There was no difference between the Parent Company and its related parties during the periods ended December 31, 2017 and 2016:

- Loans that imply an obligation for the mutual insurance company that does not correspond to the essence or nature of the mutual insurance contract.

- Loans with interest rates different from those normally paid or charged to third parties under similar conditions of term, risk, etc.

- Transactions whose characteristics differ from those carried out with third parties.

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

Shareholder transactions –

	31 Dec. 2017	31 Dec. 2016
ASSETS		
Investments		
Ministry of Finance and Public Credit	$ 812.405.710	$ 891.294.813
	$ 812.405.710	$ 891.294.813
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
Income Received in Advance		
Ministry of Commerce, Industry and Tourism	65.063.800	70.467.774
Other liabilities		
Ministry of Commerce, Industry and Tourism	10.487.730	6.662.904
	$ 77.610.210	$ 79.189.358
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
Unrealised gains or losses ORI		
Ministry of Finance and Public Credit	38.443.389	16.885.944
	$ 1.098.006.904	$ 1.076.449.459

	31 Dec. 2017	31 Dec. 2016
INCOME		
Other Income		
Ministry of Commerce, Industry and Tourism	$ 41.645.243	$ 46.641.289
Valuation of investments and other income		
Ministry of Finance and Public Credit	77.930.147	71.921.450
	$ 119.575.390	$ 118.562.739
EXPENSES		
Valuation of investments		
Ministry of Finance and Public Credit	$ 975.534	$ 6.025.925
Commissions		
Ministry of Finance and Public Credit	5.704.675	7.238.271
Other (Interbank interest liabilities, Valuation loss)		
Ministry of Finance and Public Credit	4.907.620	4.639.820
Others		
Ministry of Commerce, Industry and Tourism	1.397	-
	$ 11.589.225	$ 17.904.016

The balances of assets with shareholders correspond to the investments that the Parent company has made in treasury securities issued by the Ministry of Finance and Public Credit, which are acquired in the public market and are valued at market prices. The average market rate of the TES at the end of December 2017 and 2016 was 5.34% and 6.43%, respectively. No free or compensated services, interest-free loans or transactions between the Parent company and the shareholders mentioned above, or loans without interest or consideration, or transactions whose characteristics differ from those carried out with third parties, were presented.

Operations with administrators –

The assets correspond to housing, vehicle and unrestricted investment loans, to the accounts receivable on them, granted in accordance with the term and rate conditions in force in the internal regulations for housing, vehicle and unrestricted investment loans of the Parent company's employees.

	31 Dec. 2017	31 Dec. 2016
ASSETS		
Loan portfolio		
Housing	$ 380.275	$ 399.485
Consumption	42.942	88.500
Accounts receivable		
Interest receivable	2.375	2.971
Social welfare	12.448	9.296
Others	4.165	813
	$ 442.206	$ 501.065
LIABILITIES		
Accounts payable		
Wellness	$ 2	$ 92
Others	2.899	-
Holidays	291.939	329.480
	$ 294.841	$ 329.572
INCOME		
Portfolio income		
Interest on loans	$ 45.377	$ 54.011
Income - Miscellaneous		
Profit on sale of furniture	-	100
Other Income	800	1.300
	$ 46.177	$ 55.411
EXPENSES		
Staff costs		
Personnel Expenses	$ 3.283.138	$ 2.615.599
Expenses - Miscellaneous		
Assumed Withholdings	16.377	21.977
Others	144.576	57.457
	$ 3.444.092	$ 2.695.033

Transactions with subsidiaries –

	31 Dec. 2017	31 Dec. 2016
ASSETS		
Investments		
Fiducoldex S.A.	$ 50.738.795	$ 49.643.920
Arco Grupo Bancoldex S.A.	92.659.974	79.411.038
Credit portfolio		
Arco Grupo Bancoldex S.A.	155.083.032	140.506.525
Portfolio interest		
Arco Grupo Bancoldex S.A.	711.122	732.135
Accounts receivable - Sundry		
Fiducoldex S.A.	268.274	-
Arco Grupo Bancoldex S.A.	301.801	-
	$ 299.762.999	$ 270.293.619
LIABILITIES		
Financial obligations		
Arco Grupo Bancoldex S.A.	$ 152.240	$ -
Accounts payable		
Fiducoldex S.A.	8.658	-
Arco Grupo Bancoldex S.A.	8.993	-
	$ 169.890	$ -
EQUITY		
Surplus for the equity method		
Fiducoldex S.A.	$ 12.786.732	$ 12.327.612
Arco Grupo Bancoldex S.A.	29.276.357	30.037.001
	$ 42.063.090	$ 42.364.613

	31 Dec. 2017	31 Dec. 2016
INCOME		
Portfolio income		
Arco Grupo Bancoldex S.A.	$ 14.742.162	$ 13.342.403
By the equity method		
Fiducoldex S.A.	5.226.681	4.590.926
Arco Grupo Bancoldex S.A.	10.775.876	9.972.222
Dividend income		
Fiducoldex S.A.	-	2.965.598
Arco Grupo Bancoldex S.A.	-	2.378.677
Rental Income		
Fiducoldex S.A.	562.278	17.274
Arco Grupo Bancoldex S.A.	29.115	27.424
Other Income		
Fiducoldex S.A.	1.786	13.710
Arco Grupo Bancoldex S.A.	4.957	4.658
	$ 31.342.854	$ 33.312.892
EXPENSES		
Other Interests		
Arco Grupo Bancoldex S.A.	$ 2.802	$ -
By the equity method		
Fiducoldex S.A.	459.090	-
Arco Grupo Bancoldex S.A.	265.118	-
Leases		
Arco Grupo Bancoldex S.A.	8.910	12.677
	$ 735.920	$ 12.677

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

The loan portfolio corresponds to ordinary loans granted to Leasing Bancóldex, which were made under current general market conditions for similar transactions. The weighted average rate of the portfolio with Arco Grupo Bancóldex for 2017 and 2016 is DTF (E.A.) + 1.46% and DTF (E.A.) + 1.36%, respectively.

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

There were no free or compensated services, interest-free loans or transactions between the Parent company and the aforementioned subsidiaries whose characteristics differ from those carried out with third parties.

Operations with members of the board of directors –

Corresponds to the fees paid for attending Board of Directors, Credit Committee, GAP Committee, Audit Committee and Capital Fund Committees. No free or compensated services, loans without interest or consideration, or transactions whose characteristics differ from those with third parties were presented between the Parent Company and the members of the Board of Directors.

	31 Dec. 2017	31 Dec. 2016
ASEETS		
Loan Portfolio		
Housing	$ -	$ 8.902
Accounts receivable		
Interest receivable	-	39
Payments on behalf of customers	-	13
Others	4.007	3.876
Provisions		
Loans	-	(89)
Interest receivable	-	(1)
	$ 4.007	$ 12.740
INCOME		
Interest on loans	$ 225	$ 612
Recoveries	90	68
	$ 315	$ 680
EXPENSES		
Fees	$ 384.351	$ 350.088
Provisions	-	1
	$ 384.351	$ 350.089

32. RISK MANAGMENT

Risk management in the Bancóldex Group is a "transversal" process throughout the entire organization. It is carried out in an integral manner and is carried out in compliance with current regulations and the internal guidelines of each of the entities defined by each Board of Directors. Risk management includes the identification, measurement, control and mitigation of risks to ensure the financial sustainability of the organization and is supported by an organizational structure that guarantees the independence of functions between the front, middle and back office areas. This management is materialized through the interrelationship of the Credit Risk Management System (SARC), the Market Risk Management System (SARM), and the Liquidity Risk Management System (SARL), the Operational Risk Management System (SARO), the Information Security and Business Continuity System (ISMS) and the Asset Laundering and Financing of Terrorism Risk Management System (SARLAFT). Each of these systems includes policies, risk measurement and monitoring methodologies, clear identification of processes and procedures, among others.

The Board of Directors of each of the subsidiaries is the main body responsible for risk management and, as such, leads the process and decisions in this area. The respective Board approves the general risk management policies and the organizational structure on which they are based to carry out 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 such management. Similarly, the internal audit (headed by the Internal Comptroller) and the Fiscal Comptroller's Office are informed of the operations carried out by each subsidiary and periodically submit reports related to their risk management evaluations.

The committees are decision-making bodies that support the Boards of Directors in the management of the different risk categories. The parent company has the following committees, however, each of the subsidiaries also has similar bodies, which support all decisions taken by each of the Boards of Directors.

<table>
<tr><th>Instance</th><th>Risk Category</th><th>Main responsibilities</th></tr>
<tr><td>Risk Management Committee of the Board of Directors</td><td>Credit Risk
Operational Risk
Liquidity Risk
Market Risk</td><td>• Analyze proposals for credit, market, liquidity and operational risk policies and recommend them to the Board of Directors.
• Approve credit and counterparty limits.
• Approve general guidelines for credit risk management methodologies.
• To pronounce on the operational risk profile of the Parent Company.
• Approve the contingency and business continuity plans and have the necessary resources for their timely execution.</td></tr>
<tr><td>Auditoría Committee</td><td>Credit Risk
Operational Risk
Liquidity Risk
Market Risk</td><td>• Analyze the results of the audits carried out on the processes related to risk management.
• Monitor the levels of risk exposure, its implications for the entity and the measures adopted to control and mitigate it.</td></tr>
</table>

Instance	Risk Category	Main responsibilities
	Risk of ML/FT	
Internal Credit Committee	Credit Risk	• Approve specific topics for credit risk management methodologies. • Approve smaller credit limits.
Portfolio Rating Committee	Credit Risk	• Approve the qualifications of debtors for purposes of calculating provisions. • Monitor the risk profile of debtors.
Assets and Liabilities Management Committee	Market Risk and Liquidity Risk	• Approve procedures and methodologies related to market and liquidity risks. • Approve placement, recruitment and coverage strategies. • Monitor the liquidity situation of the Parent Company.
Quality and Operational Risk Committee	Operational risk	• To 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. • To 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 operational risk profile of the Parent Company.
Information Security and Business Continuity Committee	Information Security and Continuity	• Analyze and approve information security and business continuity policies. • Recommend, control and monitor the execution of the Information Security Plan in the Parent Company. • Make decisions in the administration processes and document management techniques.

a) Credit Risk –

Qualitative information - The credit risk management of the Bancóldex Group is aligned with the standards established by the Superintendence of Finance of Colombia and the International Financial Reporting Standards. To this end, it has a Credit Risk Management System - SARC that incorporates policies, processes and procedures, methodologies for granting and monitoring and auditing processes, which cover the different products and segments.

Among the policies are those of a general nature that frame the credit operation of the Bancóldex Group, 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 guarantees to be required. The Group has methodologies and models for credit risk analysis that support the processes of granting and monitoring specialized for the different segments it serves.

Considering that the Parent Company portfolio is almost entirely made up of financial intermediaries (local credit institutions, foreign financial intermediaries and entities oriented towards microenterprise credit), the risk rating models are based on the CAMEL methodology and incorporate quantitative and qualitative aspects and prospective analysis. These models incorporate statistical information and are complemented by expert judgement.

In line with the foregoing, the subsidiary Arco Grupo Bancóldex has a company rating methodology for the granting and monitoring of loans, which seeks to evaluate the debtor's ability to pay and is based on the knowledge of the borrower, his ability to pay and the characteristics of the contract to be signed, which include, among others, the financial conditions of the loan, the guarantees, sources of payment and the macroeconomic conditions to which he may be exposed. In the granting process, for each of the portfolios, variables are established that allow for the discrimination of credit subjects that adjust to the risk profile of the Entity. The processes of segmentation and discrimination of the credit portfolios and their possible subjects of credit serve as a basis for their qualification. The methodologies and procedures implemented in the granting process allow monitoring and controlling the credit exposure of the different portfolios, as well as the aggregate portfolio, avoiding an excessive concentration of credit by debtor, economic sector, economic group, risk factor, etc

In the Parent company and subsidiary Arco Grupo Bancóldex, the Risk Vice Presidency is responsible for proposing to the Board of Directors the methodologies and models used for the origination and monitoring of loans. These models must be validated periodically in order to measure their effectiveness. The Risk Vice Presidency reports periodically to the Board of Directors and the different Committees on the results of the credit risk analysis and the evolution of the risk profile of credit operations. As part of the follow-up and monitoring process, the entire loan portfolio must be rated monthly by applying the regulatory guidelines, which take into account the financial condition and ability to pay of each debtor.

The processes and technology adopted by the Bancóldex Group allow it to manage any credit operation during the granting, monitoring and recovery stages.

During 2017, both the parent company and the subsidiary Arco Grupo Bancóldex continued to strengthen their periodic early warning reports and projections and scenario analyses. In addition, in line with the new strategy of the Parent Company, the Board of Directors approved a policy framework for direct loans to companies and strengthened the methodology for granting and monitoring these companies. Similarly, some credit management processes were reviewed and adjusted in the Parent Company.

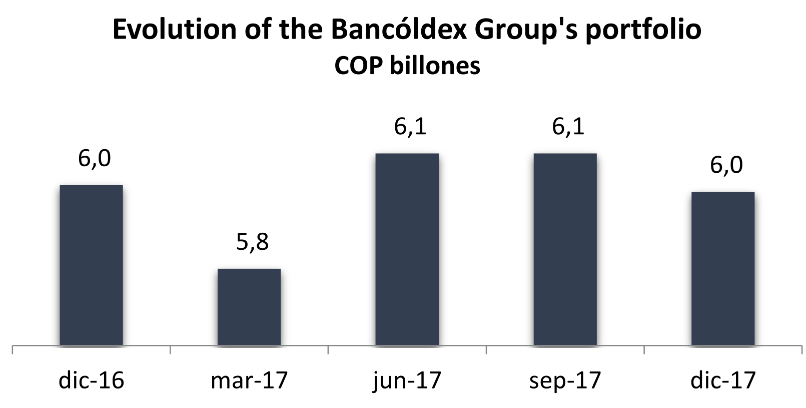
With respect to the measurement of impairment of financial assets at amortized cost, the Bancoldex Group follows the guidelines defined by the IASB in accordance with IAS 39 (financial instruments, recognition and measurement), which indicates that credit institutions must develop a model of incurred loss, through which losses are only recognized for accounting purposes if there is objective evidence that the loss event has already occurred and that it can be reliably estimated.

An individual impairment assessment is used to calculate the impaired loan portfolio's goodwill through an analysis of the expected payment flow of the customer's loans. The evidence of objective impairment is based on the delinquency of the institutions and is differentiated by type of portfolio and customer, applying expert criteria. The calculation of impairment takes into account the value of the transaction, the probability of default and the recovery rate.

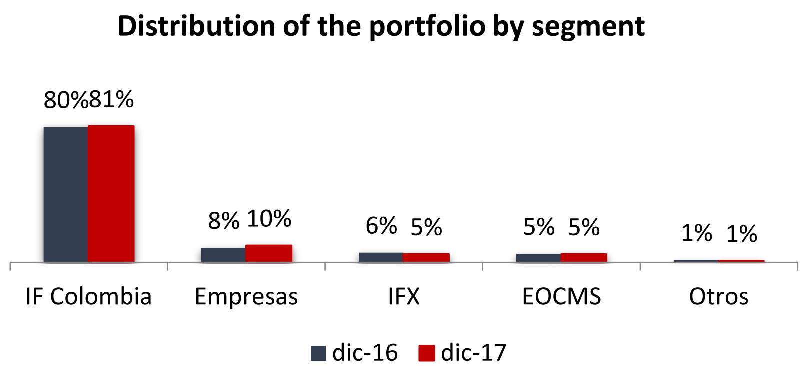
Quantitative information: Consolidated exposure to credit risk. The maximum exposure to credit risk of the Bancóldex Group is reflected in the value of financial assets in the Statement of Financial Position at 31 December 2017 and 2016, as indicated below:

	Dec. 2017	Dec. 2016
Loan portfolio	$ 6.099.440.397	$ 6.075.499.566
Debt securities	842.958.078	965.060.817
Equity securities	366.628.621	273.457.553
Derivatives	89.310.161	173.828.000
Financial guarantees	58.891.123	26.533.247
Money market operations in progress	21.417.338	87.996.813
Maximum credit risk exposure	**$ 7.478.645.718**	**$ 7.602.375.996**

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



Risk concentration - The Bancóldex Group monitors credit risk concentration through different portfolio groupings such as: by type of entity, type of portfolio, risk category and country, as presented below:



EOCM: microenterprise credit-oriented institutions and IFX: foreign banks

Distribution by type of portfolio

Type of portfolio	Dec. 2017	Dec. 2016
Commercial	$ 6.082.591.872	$ 6.058.442.809
Consumption	1.450.126	1.511.947
Housing	15.398.398	15.544.810
Total	**$ 6.099.440.397**	**$ 6.075.499.566**

The structure of the Bancóldex Group's loan portfolio mainly includes commercial credit. Additionally, it presents a housing and consumer portfolio, which is exclusively due to loans to civil servants and ex-officials granted prior to their retirement, in the case of the Parent company.

Distribution by risk rating

Rating	Dec. 2017	Dec. 2016
A	$ 5.946.745.046	$ 5.950.797.002
B	48.997.049	30.363.343
C	13.572.587	10.650.384
D	52.702.276	67.870.788
E	37.423.438	15.818.049
Total	**$ 6.099.440.397**	**$ 6.075.499.566**

Distribution by country

Country	Dec. 2017	Dec. 2016
Colombia	$ 5.818.570.064	$ 5.725.097.992
Ecuador	203.153.789	207.339.734
Panamá	10.941.333	41.509.822
Costa Rica	4.476.000	27.200.403
Dominican Republic	17.904.000	24.136.005
Others	44.395.211	50.215.610
Total	**6.099.440.397**	**6.075.499.566**

High Quality Indicator

Portfolio Quality		**Dic-17**	**Dic-16**
Risk profiling	Indicator[1]	2.5%	1,9%
	Draping (time)	0,4	0,4

1 Risk Profile Indicator = rated portfolio B-E/gross portfolio

2 Coverage= provisions/ rated Portfolio B-E

As of December 2017, the balance of the gross portfolio amounted to COP 6,099,440 million, recording an annual increase of 0.39% driven by greater use of the rediscount portfolio. The risk profile indicator was at 2.5% and corresponds in part to the impairment of loans in the subsidiary Arco Grupo Bancóldex and the obligations of the companies from Internacional C.F. In the case of the Parent Company, the NPL ratio increased as several clients from Internacional C.F. increased. they stopped attending to their duties. The Parent Company began the process of collection and normalization of the loan portfolio received and as of December 31, 2017, the balance of this portfolio amounted to COP 55,218 million, in 61 clients and distributed among various risk categories.

Impairment indicators

Portfolio Quality		Dec-17	Dec-16
Impairment Value **COP millions**	Grupo Bancóldex	60.274.760	47.074.110
	Bancóldex	38.971.411	28.629.139
	Arco G. Bancóldex	21.303.349	18.444.970
Impairment indicator[1]	Grupo Bancóldex	0.99%	0.77%
	Bancóldex	0.70%	0.52%
	Arco G. Bancóldex	3.39%	3.22%

[1]Impairment Indicator= Impairment/gross portfolio

The transactions with impairment losses correspond mainly to operations of the FILIAL Arco Grupo Bancóldex, which are delinquent for more than 90 days. In the case of the Parent Company, such operations correspond to the portfolio received from Internacional Compañía de Financiamiento.

Credit risk management - Other financial instruments - The basic policies and rules for handling credit operations also cover treasury operations, particularly in the case of counterparties with whom interbank and derivative transactions are carried out, among others. For each of the positions that make up the investment portfolio, the Bancóldex Group has policies and limits that seek to minimize exposure to credit risk, among others:

- *Credit limits and term limits for each counterparty* - are defined by the Parent Company Risk Management Committee according to the results of each counterparty's risk rating model.
- Trading quotas - These are verified by the front office prior to the closing of transactions in order to guarantee that the available one is available to carry it out.
- Local framework contracts and ISDAs/Credit Support Annex - these bilateral agreements describe the handling of transactions between counterparties in line with international best practice and limit the legal and financial risk of default events. These documents are used to agree on the risk exposure mitigation mechanisms (threshold), the procedures to be followed in the event of default and the special conditions by type of transaction, which are applied to derivatives.
- Counterparty alerts - the Bancóldex Group has alert indicators that allow timely identification of changes in the financial situation of counterparties. The Parent Company Risk Vice Presidency submits periodic reports to the Risk Management Committee on the financial condition of counterparties that have assigned limits to operate.

b) Market Risk –

Qualitative information - Market risk is defined as the possibility of losses being incurred, net interest income being reduced and/or the economic value of equity being reduced as a result of changes in the price of financial instruments in which positions are held on or off the balance sheet. These changes in the price of the instruments may result from changes in interest rates, foreign exchange rates and other important variables on which the economic value of the instruments depends.

Market risk management - The Bancóldex Group manages market risk through the identification, measurement, monitoring and control of the different interest rate, exchange rate and collective portfolio exposures, equity price risk and mutual fund exposures. Market risk management is permanent and generates daily, weekly and monthly reports to senior management and to all front, middle and back office officials with the aim of taking timely decisions to adequately mitigate the risks assumed and guarantee risk appetite and risk limits approved by the different bodies of each of the Entities. This management is framed within the guidelines of the Superintendence of Finance of Colombia (Chapter XXI of E.C. 100) and is supported by internal methodologies that allow monitoring the exposure of the different products traded in the Entities. The foregoing is consolidated in the Manuals of the Market Risk Management System - MRSA of each of the Entities, which define: policies, organizational structure, methodologies, etc.

In addition, the Group has segregated front, middle and back office areas that allow it to identify, measure and analyze information on the market risks inherent in the different transactions.

The businesses in which the Bancóldex Group is exposed to market risk are: buying and selling fixed income products in legal and foreign currency, positions in the spot market and forward´s, Bonds, CDT´s in the financial sector with indexation at variable rates such as IPC, DTF and IBR collective portfolios or investment funds. Subsidiaries must have a business strategy, ensuring that the risks assumed do not affect the Group's financial soundness and stability.

In the Bancóldex Group, the Vice President of Risk in the Parent Company or its equivalent in each of the subsidiaries, is the body responsible for proposing, developing and ensuring adequate 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 market risk management. It is also responsible for the measurement, analysis and control of the risks inherent in the business, as well as the periodic review and evaluation of the valuation methodologies of the different products traded in the Treasury.

The Asset and Liability Management Committee of each of the Entities is the instance in which the Board of Directors has delegated the responsibility for approving the maximum levels of exposure to market risk that the Entities may assume in each of the Treasury products.

To determine the level of market risk assumed, the Bancóldex group uses the standard value at risk (VaR) methodology established in chapter XXI of the Basic Accounting and Financial Circular Letter of the Superintendence of Finance of Colombia, in accordance with Annex I for credit institutions and Annex II for the trust company. For the Parent company, the calculation of the total value at risk of the investment portfolio results from the sum of the exposure to interest rate, share 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 included in the Market Risk Calculation. The value at risk of the Parent Company is calculated daily in the Financial Risk Department. The VaR calculated is incorporated into the solvency level in accordance with current regulations. The subsidiary Fiducóldex calculates the Value at Risk monthly in accordance with the applicable regulations.

In addition to regulatory compliance, the Parent Company and the subsidiary Fiducóldex use an internal value at risk measurement model, the results of which are used as a complementary analysis and management mechanism. These internal models allow for daily monitoring of the market risk exposure of the Treasury's product portfolio, the results of which are permanently reported to the areas and committees involved. The results of the market risk assessment are the starting point for daily trading. The calculation of VaR using the internal model is carried out daily in accordance with market conditions and the risk factors defined in this methodology. For the Parent Company, the internal model is subjected to back and stress testing that allows it to determine the validity of the model and to know how accurate the loss projections are compared with the accounting reality and to determine the possible losses in situations of market stress. The subsidiary Fiducóldex has a value at risk model under JP Morgan's Risk Metrics methodology. The methodologies used to measure VeR are periodically evaluated and subjected to periodic backtesting tests to determine their effectiveness, as well as periodic stress and/or awareness tests of the portfolios managed.

Quantitative information - Below is the investment portfolio of the Parent Company as of December 31, 2017 and 2016:

	Dec. 2017	Part. %	Dec.2016	Part. %
At amortized cost	0	0	0	0
At fair value with changes in the ORI	429.726.820	51%	441.357.567	43%
At fair Value	413.231.260	49%	553.706.250	57%
Total	842.958.080		965.060.817	

At the end of 2016, the Treasury increased the value of the portfolio strategically to generate short-term profits, due to market conditions. After the profit taking in 2017, the value of the portfolio returned to levels of approximately COP 850,000,000,000 thousand.

Maximum, minimum and average investment portfolio amounts:

	Year 2017		
Investments	**Maximum Amount**	**Minimum Amount**	**Average Amount**
At amortized cost	-	-	-
At fair value with changes in the ORI	440.089.170	410.562.470	424.158.622
At fair Value	715.623.925	352.008.130	495.975.932

	Year 2016		
Investments	**Maximum Amount**	**Minimum Amount**	**Average Amount**
At amortized cost	-	-	-
At fair value with changes in the ORI	627.347.358	366.744.235	461.555.934
At fair Value	432.320.718	351.766.748	395.891.122

The investment portfolio of the subsidiary Fiducóldex as of December 31, 2017 and 2016 is presented below:

	Dec. 2017	Part. %	Dec.2016	Part. %
At amortized cost	0	0	0	0
At fair value with changes in the ORI	0	0%	0	0%
At fair Value	27.988.456	100%	23.712.212	100%
Total	27.988.456		23.712.212	

The value of the investment portfolio at fair value showed an increase in investments of debt securities, going from COP 1,010,015 thousand to COP 3,787,085 thousand.

Maximum, minimum and average investment portfolio amounts:

	Year 2017		
Investments	**Maximum Amount**	**Minimum Amount**	**Average Amount**
At amortized cost	-	-	-
At fair value with changes in the ORI	-	-	-
At fair Value	27.988.456	23.711.447	25.356.935

	Year 2016		
Investments	**Maximum Amount**	**Minimum Amount**	**Average Amount**
At amortized cost	-	-	-
At fair value with changes in the ORI	-	-	-
At fair Value	26.918.489	21.081.986	23.598.576

Total market risk - The total market risk exposure of the Bancóldex Group is obtained independently from the regulations applicable to each of them.

For the Parent Company it is calculated as the algebraic sum of the exposures to interest rate risk, foreign exchange rate risk, equity price risk and collective portfolio risk.

The total variation of the market risk for the Parent Company, as well as that of its components, is observed below:

	Year 2016			
Modules	**Maximun**	**Minimun**	**Average**	**Year-end closing**
Interest rate	70.159.406,98	53.792.309,21	62.852.070,76	66.949.730,48
Exchange rate	2.972.359,77	200.464,30	1.450.995,84	2.855.110,53
Share price	2.937.709,46	2.386.385,74	2.708.892,33	2.826.893,73
Collective portfolios	11.835.126,46	9.337.635,86	10.410.923,57	11.835.126,46
Total	**84.466.861,20**	**70.651.656,04**	**77.422.882,50**	**84.466.861,20**

	Year 2017			
Modules	**Maximun**	**Minimun**	**Average**	**Year-end closing**
Interest rate	77.696.303,73	49.588.069,25	59.602.957,60	54.036.939,11
Exchange rate	2.868.446,15	3.708,64	654.705,50	169.381,73
Share price	2.776.789,92	2.431.245,36	2.561.019,42	2.525.476,41
Collective portfolios	14.227.407,16	12.371.585,82	13.109.708,07	14.227.407,16
Total	**95.167.610,95**	**65.761.123,94**	**78.352.185,03**	**70.959.204,41**

*Numbers in COP thousands

The Parent company's exposure to market risk fell by 16%, from COP 84,466,861 thousand at the end of December 2016 to COP 70,959,204 thousand at the end of December 2017. This behavior is mainly explained by the reduction in the exposure to interest rate risk, because of the lower value of the investments portfolio in local public debt instruments; and to a lesser extent by the exchange rate and stock price risk.

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

The total change in market risk and in the components thereof is shown below:

	Year 2016			
Risk Element	**Maximiun**	**Mínimiun**	**Average**	**Year end-closing**
Interest rate CEC pesos - component 1	$ 8.315	$ 71.02	$ 2.087	$ 1.245
Interest rate CEC pesos - component 2	2.597	76.56	885	247
Interest rate CEC pesos - component 3	1.072	28	224	81
DTF interest rate - node 2 (long term)	15.859	1.598	5.159	1.598
CPI interest rate	13.060	8.413	11.500	-
Collective Portfolios	18.750	6.986	12.966	12.517
Non-diversified VaR	42.688	14.641	24.886	15.691
Diversified VaR	$ 26.768	$ 10.252	$ 15.958	$ 11.570

*Numbers in COP thousands

	Year 2017			
Risk Factor	**Máximum**	**Mínimum**	**Average**	**Year ending closed**
Interest rate CEC pesos - component 1	$ 11.656	$ 679	$ 3.651	$ 11.656
Interest rate CEC pesos - component 2	2.151	302	1.233	1.307
Interest rate CEC pesos - component 3	2.087	73	483	2.087
DTF interest rate - node 1 (short-term)	2.456	1.917	2.174	2.257
DTF interest rate - node 2 (long term)	1.622	1.157	1.402	-
CPI interest rate	1.830	1.057	1.554	10.111
Collective Portfolios	16.959	3.302	11.167	11.656
Non-diversified VaR	27.419	7.095	17.753	27.419
Diversified VaR	$ 17.101	$ 4.327	$ 10.929	$ 11.961

The exposure to market risk of the subsidiary Fiducóldex increased by 32% from COP 11,570 thousand at the end of December 2016 to COP 17,101 thousand at the end of December 2017.

c) liquidity risk –

Qualitative information - The processes for liquidity risk management are framed within the segregation of duties and the observance and adoption of the best practices and requirements of different regulatory and control bodies. In this sense, the cash management of the different entities manages the cash flow, taking into account 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 cash movements of the Entities.

To measure liquidity risk, the Parent Company and the subsidiary Arco Grupo Bancoldex use the reference methodology of the Superintendence of Finance of Colombia, which establishes the degree of exposure to said risk by calculating the Liquidity Risk Indicator (IRL). For its part, the subsidiary Fiducóldex uses an internal methodology for measuring liquidity risk approved by SFC and for investment funds, FIC uses the standard methodology established by the regulatory body. 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.

The Bancóldex Group conducts an annual review of policies, limits, processes, methodologies and tools for assessing liquidity risk exposure in order to establish their validity and ensure that they are in accordance with current regulations, the structure of balance sheet positions and best market practices. In the same way, the internal model is validated by means of backtesting tests, to establish its reliability level and, if necessary, make modifications to make it more suitable to the reality of each business.

In addition, the Bancóldex Group holds a series of periodic meetings with the different risk areas of the Entities, in which it seeks to align risk policies and methodologies, as well as to review the main liquidity risk indicators to ascertain the situation of the Entities and propose possible alternatives for them.

The Parent company also submits a quarterly analysis of the Group's liquidity risk to the GAP committee, which presents a report on the risk situation of the Entities and alerts them on their liquidity situation.

For its part, the subsidiary Fiducóldex ensures that the structure of the resources managed is in accordance with the cash flow of the trusts managed, in such a way as to enable them to comply with their obligations to third parties in a timely manner; for this reason, the Bank tends to invest in securities with a high level of liquidity in comparison with other market roles.

Quantitative information

Liquid assets - The following table presents the liquid assets to market (discounting haircut) discriminated by their degree of liquidity, which show that the Entities have a high participation of high quality assets (that can be delivered in repo operations with the Banco de la República).

Discriminated Liquid assets

Liquid assets	Dec. 2017	Dec.2016
High liquidity	882.912.022	769.477.285
Available	172.922.264	108.905.064
Investments High quality securities	709.989.758	660.572.221
Other liquid assets	24.844.764	59.820.816
Total liquid assets	**907.756.786**	**829.298.101**

It can be observed that most of the liquid assets of the Bancóldex Group are of high quality, given that 97% of the liquid assets are of high quality, which indicates that almost all of this type of assets can be used in money market operations with Banco República and its market haircut is low.

In the Parent Company, high quality liquid assets increased compared to the previous year, thanks to the significant reduction in lower quality liquid assets - other liquid assets - due to the Treasury's strategy of reducing investments in private debt, due to prospects of lower profitability of said instruments, considering the expansionary monetary policy that was presented throughout 2017.

Liquid assets	Dec. 2017	Dec.2016
High liquidity	827.931.092	735.282.850
Available	130.879.182	80.597.896
Investments High quality securities	697.051.910	654.684.954
Other liquid assets	24.441.896	59.012.804
Total liquid assets	**852.372.988**	**794.295.654**

In the subsidiary Arco Grupo Bancoldex, at the end of 2017, there was an increase in liquid assets compared to the previous year, sufficient to cover net requirements and it should be noted that the total liquid assets are of high quality.

Liquid assets	Dec. 2017	Dec.2016
High liquidity	49.006.792	28.960.557
Available	39.286.773	23.073.290
Investments High quality securities	9.720.019	5.887.267
Other liquid assets	-	-
Total liquid assets	**49.006.792**	**28.960.557**

On the other hand, the liquid market assets of the subsidiary Fiducóldex presented a slight increase compared to the previous year, which is due to the increase in profits due to a higher value of the income from consortium commissions, as well as higher income from the tax refund carried out at the end of 2017.

Liquid assets	Dec. 2017	Dec.2016
High liquidity	5.974.138	5.233.878
Available	2.756.308	5.233.878
Investments High quality securities	-	-
Other liquid assets	402.868	808.012
Total liquid assets	**6.377.006**	**6.041.890**

Liquidity Risk Indicator - IRL - The Group entities calculate the liquidity risk indicator in order to measure the level of liquidity of the entities in the short term and thus identify possible alerts on it, the parent company and the subsidiary Arco Grupo Bancoldex do so using the standard model established by SFC, while the subsidiary Fiducóldex applies the internal methodology for the company, given that it does not apply the internal methodology for the company.

As of December 31, 2017, the Parent Company presented an IRL thirty days after COP 831,917,375 thousand, while the same indicator in 2016 showed a result of COP 668,772,673 thousand, which represents an increase of 24% over the previous year, which is explained by a reduction in liquidity requirements during the year, which had an average value of COP 52 in 2017.350,590 thousand compared to the average requirement observed in 2016 of COP 126,593,036 thousand, which allowed the Bank to secure the liquid assets necessary to cover CDTs, bonds and loans with the correspondent banks (coverage of 4.167%) and to maintain a significant level of assets to support its credit and treasury activity.

IRL 30 DAYS	dic-17	dic-16
Liquidity risk indicator	831.917.375	668.772.673
Market liquid assets	852.372.988	794.295.654
Net liquidity requirements	20.455.612	125.522.981
IRL	**4,167%**	**633,00%**

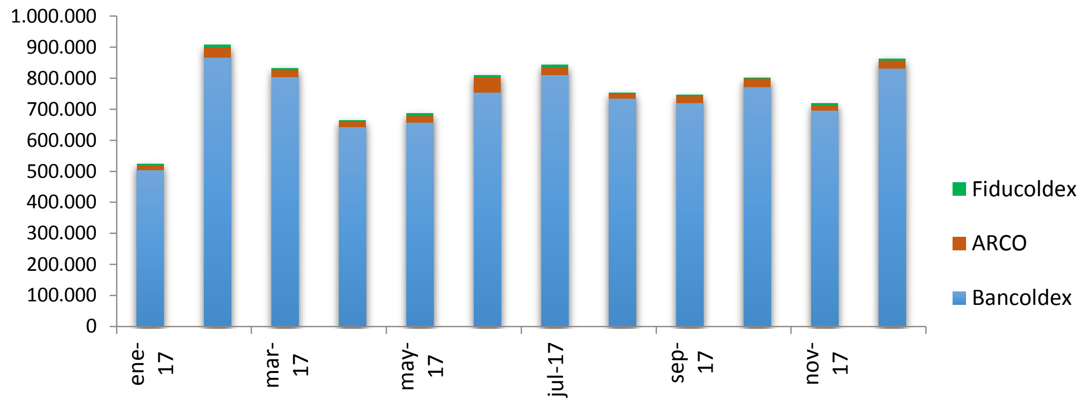
As of December 31, 2017, the subsidiary Arco Grupo Bancoldex presented an IRL at 30 days of COP 25,923,227 thousand, while the same indicator in 2016 showed a result of COP 20,960,557 thousand, showing an increase in the liquidity level of the Bank. However, there was less coverage of liquid assets over the net liquidity requirements (going from 3.29% in 2016 to 2.12% in 2017), which is explained by an increase in the net requirements in a greater proportion to the increase in the Entity's liquid assets. It should be noted that, even though the indicator is low, the limits required by the regulator are fully complied with, allowing the Company to comply with its obligations in the short term in a broad and sufficient manner.

IRL 30 DAYS	dic-17	dic-16
Liquidity risk indicator	49.006.792	28.960.557
Market liquid assets	23.083.565	8.794.326
Net liquidity requirements	25.923.227	20.166.231
IRL	**212,00%**	**329,00%**

As of December 31, 2017, the subsidiary Fiducóldex presented a thirty-day percentage IRL of -5.73%, which means that the Fiduciary has net expenses (negative sign) corresponding to 5.73% of liquid assets, which is equivalent to a coverage of liquid assets on net withdrawals of 1.746%. Likewise, during 2017 the net liquidity requirements were stable (average COP 2,138,483 thousand), which allowed the Fiduciary to secure the liquid assets necessary to fully, timely and efficiently meet the expected obligations during the year.

IRL 30 DAYS	dic-17	dic-16
Liquidity risk indicator	6.377.006	6.041.890
Market liquid assets	-365.224	-317.855
IRL (Liquidity requirement indicator)	-5,73%	-5,26%
Liquid assets coverage / liquid requirements	**1,72%**	**1,90%**

IRL 30 days – Entities



d) Operational Risk -

Qualitative information - The policies and methodologies in which the Parent Company frames the management of operating risk are set forth in the SARO Manual, which follows the bases and guidelines required by the Superintendence of Finance of Colombia for the development of an operating risk management system according to External Circular Letter 041 of June 29, 2009, which was constituted in Chapter XXIII of the Basic Accounting and Financial Circular Letter or External Circular Letter 100 of the Superintendence of Finance of Colombia.

For the effective management of the Operating Risk in the Parent Company, we have established our own measurement parameters, in accordance with the structure, size, corporate purpose and processes of the company. It is also aligned with best practices for the management of Operational Risk, in an operating model built on the principles developed by the Basel II Committee.

Like the other risk management systems in the Parent Company, the SARO is based on general and specific policies determined by the Board of Directors and is based on an organizational structure that guarantees an adequate segregation of duties between front, middle and back office. Likewise, there are suitable methodologies that allow the identification, monitoring, mitigation and control of operational risks.

Given that this type of risk is dynamic and susceptible to constant changes in the business and its environment, monitoring schemes are adopted to facilitate the rapid identification of new risks and the mitigation of existing ones through the execution of action plans. This monitoring shall be carried out at least annually or in accordance with operational risk events.

With regard to the operational risks of fraud and corruption, the guidelines adopted are in line with those established by the Office of the President of the Republic's Office of Transparency, DNP, DAFP and the United Nations Office on Drugs and Crime (UNODC); "Estrategias para la construcción del Plan Anticorrupción y de Atención al Ciudadano", guide published in compliance with the provisions of the Anti-Corruption Statute - Law 1474 of 2011 "Por la cual se dictan normas orientadas a fortalecer los mecanismos de prevención, investigación y sanción de actos de corrupción y la efectividad del control de la gestión pública", art. 73.

Quantitative information - Next, the main activities developed in the Parent Company around the operational risk management system during 2017 are described, it should be clarified that there were no changes in the standard regarding the Operational Risk Management:

Identification, measurement, control and monitoring of operating risks - As of December 31, 2017, residual operating risk remained concentrated at the "Medium" and "Low" LGD levels at 72.7%, which corresponds to the acceptable risk level defined by the Bank. Likewise, the Operational Risk Self-Assessments of all the processes in the Parent Company were carried out, 792 risks were identified that are mitigated with 1,624 controls, 24.2% of the risks are classified as high and 3% as critical, these risks have their respective controls and are monitored by the process leaders and the governing bodies established in the SARO Manual.

The enterprise operational risk map was developed under different perspectives, reflecting the operational risk profile that is within the acceptable risk level of the Organization.

RADAR Application - Historical basis of operational risk events - Officials reported the operational risk events presented in each of the areas. As of December 31, 2017, 186 events were reported, a 41% decrease from 2016. This behavior was caused, among other factors, by the stabilization of some applications, implementation of action plans and the automation of some processes that were highly manual. According to current regulations, operational risk events are classified in types A, B and C as follows:

	2017		2016	
Occasion	**No.**	**Participation**	**No.**	**Participation**
Tipo A	7	3.80%	12	4.00%
Tipo B	169	90.90%	273	87.00%
Tipo C	10	5.40%	28	9.00%
TOTAL	186	100%	313	100%

During 2017, the economic losses for operating risk generated in the events classified as "Type A", were COP 1,509.8 million and were recorded in their respective accounting accounts of operating risk, recoveries amounted to COP 124.5 million, so the net effect of the economic losses for operating risk was COP 1,385.3 million.

Accompaniment in the development of projects or products - During 2017, the Operational Risk Office participated and accompanied the development of projects such as the Savings Account, where processes such as Legal Support, Price Definition, Channel Service, Linking, Customer Creation and Updating, Tax Management, Accounting Management, Transactional Monitoring, Fraud Investigation, Operational Administration of resources, Confirmation and Registration of operations, among others, were associated. Additionally, he accompanied the Project Structuring of projects: Delta and Pioneers, implementation of the new CRM, modernization of the Treasury core and the Fund of Funds product, among others.

Visits to control and supervision bodies - The requirements presented by the delegations of the Superintendence of Finance of Colombia, Internal Audit and the Deloitte Fiscal Audit Office were met, and for the second half of 2017 they made visits with satisfactory results.

During 2017, the economic losses for operating risk generated in the events classified as "Type A", were COP 1,509.8 million and were recorded in their respective accounting accounts of operating risk, recoveries amounted to COP 124.5 million, so the net effect of the economic losses for operating risk was COP 1,385.3 million.

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

Policies and division of functions - The Entity Board of Directors provides policies for all business activities.

Reports to the Board of Directors - Periodically, reports are presented to the Board of Directors and the Risk Management Committee regarding the status of the credit placements of the Entities, monitoring of the financial situation of the different debtors (financial intermediaries, countries, etc.).), progress reports on the Credit Risk Management System (SARC), Market Risk Management System (SARM), Operating Risk Management System (SARO), Liquidity Risk Management System (SARL), Asset Laundering and Financing of Terrorism Risk Management System (SARLAFT), review of policies and methodologies for credit risk assessment, market and liquidity, operational, compliance with limits, among others. The risk exposure of the Entities is reported periodically to the Board of Directors.

The monthly financial statements, the budget execution and the budget are also reported to the Board of Directors.

In the case of the Parent Company, in addition to the risk management systems, reports related to the Conglomerate Risk Management System are submitted to the Board of Directors.

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

Technological infrastructure - The Entity areas have the necessary technological infrastructure to support them. The risk control and management areas also have the appropriate technological infrastructure to obtain the necessary information for the analysis and monitoring of risk in current operations.

Risk measurement methodologies - To identify the different types of risk, the Entities have methodologies and measurement systems that allow them to determine their exposure to the risks inherent in the business and are documented in the respective manuals.

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

Verification of operations - The Entities have mechanisms for verifying the negotiations carried out, such as agreements to record telephone calls for treasury operations and written communications with counterparties in which the conditions of each negotiation are set forth. Likewise, to comply with the operations, funds are received or transferred through systems that provide a high degree of security such as Sebra from the Banco de la República, SWIFT, Deceval (manages and custodians the dematerialized collection instruments) and DCV (manages and custodians the fixed-income securities).

Audit - The main management body of the Internal Control System (ICS) is the Audit Committee, which has ensured the proper functioning of the ICS of the Entities and of the Risk Management Systems, carrying out its functions in accordance with the Internal Regulations of each Entity and with the provisions of the regulations, both for the State Entities in general and for the Financial Institutions in particular.

Through the work and results reports presented by the Internal Comptrollership and the Fiscal Comptrollership, the Audit Committee followed up on the development and compliance of the different Risk Management Systems applicable to the Entities.

33. LEGAL CONTROLS

During the periods 2017 and 2016, the Entities complied with all the legal requirements established for their operation.

34. EVENTS OCURRING AFTER THE REPORTING PERIOD

The management of each Entity evaluated subsequent events occurring from January 1, 2018 to February 22, 2018, the date on which the financial statements were available for issuance and determined that no subsequent events requiring the recognition or disclosure of additional information in these statements have occurred.

35. APROVAL OF THE FINANCIAL STATEMENTS

The issuance of the consolidated financial statements of the Entities for the year ended December 31, 2017 was authorized by the Legal Representative and the Board of Directors, as recorded in Minute No. 369 of the Board of Directors of February 22, 2018, to be presented to the General Shareholders' Meeting as required by the Commercial Code.