

***COLOMBIAN FOREIGN TRADE  
BANK (BANCO DE COMERCIO  
EXTERIOR DE COLOMBIA S.A. –  
BANCÓLDEX)***

***FINANCIAL STATEMENTS FOR THE  
COMPLETED YEARS ENDING ON DECEMBER  
31, 2015 AND 2014***

## **STATUTORY AUDITOR'S REPORT**

To the Stockholders of

**BANCO DE COMERCIO EXTERIOR DE COLOMBIA S.A. BANCÓLDEX:**

I have audited the accompanying balances sheets of BANCO DE COMERCIO EXTERIOR DE COLOMBIA S.A. BANCÓLDEX. as of December 31, 2015 and 2014, and the corresponding statements of income, changes in stockholders' equity and cash flows for the years then ended and the summary of the significant accounting policies and other explanatory notes.

Management is responsible for the preparation and accurate presentation of these financial statements in accordance with accounting principles generally accepted in Colombia and accounting instructions and practices established by the Colombian Superintendency of Finance. This responsibility includes designing, implementing and maintaining an adequate internal control system for the administration of risks and preparation and presentation of financial statements free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

My responsibility is to express an opinion on these financial statements based on my audits. I obtained the information necessary to comply with my functions and to carry out my work in accordance with auditing standards generally accepted in Colombia. Those standards require that I plan and conduct the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit procedures selected depend upon the auditor's professional judgment, including his assessment of the risk of material errors in the financial statements. In performing these risk assessments, the auditor considers the Entity's internal controls that is relevant for the preparation and reasonable presentation of the financial statements with the purpose of designing audit procedures appropriate to the circumstances. An audit also includes an evaluation of the accounting principles used and the significant accounting estimates made by Management, as well as evaluating the overall financial statements presentation. I consider that my audits provide me a reasonable basis to express my opinion.

In my opinion, the financial statements referred to above, truly taken from the accounting books, present fairly, in all material respects, the financial position of BANCO DE COMERCIO EXTERIOR DE COLOMBIA S.A. BANCÓLDEX as of December 31, 2015 and 2014, the results of its operations, the changes in its stockholders' equity, and its cash flows for the years then ended in accordance with accounting principles generally accepted in Colombia and accounting instructions and practices established by the Colombian Superintendency of Finance, applied on a consistent basis.

Based upon my functions as Statutory Auditor and the scope of my audits as of December 31, 2015 and 2014, I report that I have observed the basic principles of professional ethics; that the Bank's accounting books have been kept in conformity with legal regulations and the accounting technique; the operations recorded in the accounting books and the acts of Management are adjusted to the by-laws and to the General Stockholders' Meeting's and Board of Directors' decisions; the correspondence, account vouchers, and the minute and stock registry books are duly kept and preserved; It has complied with the regulations and instructions of the Colombian Superintendency of Finance related to the implementation and impact on the balance sheet and the income statement of Risk Management Systems applicable to the Bank; the management report duly matches with the basic financial statements, and the contributions to the Integral Social Security System were properly and timely made. My evaluation of the internal control, conducted with the purpose of establishing the scope of my audit tests, indicates that the Bank has followed adequate internal control, and preservation and custody measures for its assets and those of third parties under its possession. I conducted follow-up of the Bank Management responses to my internal control recommendations, which I have communicated in separate reports, and, there are no outstanding material issues that may affect my opinion.

**RICARDO RUBIO RUEDA**

Statutory Auditor

Professional Licence No. 7192 - T

Appointed by Deloitte & Touche Ltda.

February 19, 2016.

**COLOMBIAN FOREIGN TRADE BANK**  
**(BANCO DE COMERCIO EXTERIOR DE COLOMBIA S.A.) – BANCOLDEX**  
**NOTES TO FINANCIAL STATEMENTS FOR YEARS ENDING ON DECEMBER 31, 2015 AND 2014**  
**(FIGURES EXPRESSED IN MILLIONS OF COLOMBIAN PESOS, EXCEPT WHERE IT IS OTHERWISE INDICATED)**

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## **1. REPORTING ENTITY**

The Foreign Commerce Bank of Colombia S.A, Bancóldex, is a mixed economy entity owned by the national government that is organized as a financial institution and dedicated to lending, associated with the Ministry of Trade, Industry, and Tourism. It was established and organized according to Colombian legislation, established as of January 1, 1992 in keeping with the precedents set by Law 7<sup>a</sup> and Decree 2505 of 1991; the term of duration for this law is of 99 years, starting on December 30 of 1992, and, in accordance with Resolution No. 0652 issued on April 15, 1996 by the Financial Superintendence of Colombia. The term of duration for the Bank is extended until December 30 of 2091.

The legal nature of the Bank is confirmed in Articles 58 and 94 of Law 795 from January 14, 2003. It is exempted from the compulsory investment system and authorizes the rediscounting of leasing transactions.

Additionally, according to the information stipulated in Articles 44, 46, and 50 of Law 1450 of 2011, the Government of Colombia awards powers to the Bank to work with the following government initiatives: Independent Equities from the Modernization and Innovation Fund for Micro, Small, and Medium-sized companies, the Development and Innovation Unit and the Productive Transformation Program. Article 13 of Law 1753 of 2015 facilitated the unification of the Development and Innovation Unit (Article 45 of Law 1450 from 2011) and of the Modernization and Innovation Fund for Micro, Small, and Medium-sized Companies (Article 44 of Law 1450 from 2011), and created the Business Growth Management Unit, which assumes the mission objective and the functions of these programs through a unified perspective.

The Bank is located in the city of Bogota, D.C. It does not have branches or agencies, and it operates with the following number of employees:

	<b>2015</b>	<b>2014</b>
Bancóldex	314	325
Banking Opportunities Investment Program	19	20
Modernization and Innovation Fund for Micro, Small, and Medium sized Companies	9	12
Productive Transformation Program	43	49
Development and innovation Unit	41	60
<b>Total</b>	<b>426</b>	<b>466</b>

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The most important statutory reforms are as follows, including the following Laws:

1372 from November of 1993; 1578 from December 29 of 1993; 520 from May 19 of 1995; 2229 from May 7 of 1996; 3254 from June 24 of 1998, through which various articles of the statutes related to reforming the Commerce Code were modified. The capital authorized by the Bank was increased and a extraordinary accounts were stopped in June of 1998; 1254 from June 30 of 1999 and 3798 from September 3 of 2001, through which many articles of the statutes for the current legislation were updated; 2904 from July 9 of 2002 through which Article 50 of the statutes was modified based on the recommendations given by the Financial Superintendent for Colombia with respect to the Good Government Code; 4568 from October 6 of 2004 through which Article 6 was modified which refers to the Bank's mission, reiterating its legal status as a second level bank; 2339 from June 26 of 2008 through which Articles 6°, 19°, 21°, 22° and 76° referring to the banks social statutes were modified; 1366 from April 22 of 2008, through which a statutory reserve was created; 1264 from May 23 of 2012, through which the amount of capital authorized by the Cultural Equity account capitalization was increased; 789 from April 18 of 2013 through which the amount of the statutory reserve was diminished; 931 from April of 2014 through which Articles 46 and 49 of the Social Statutes were updated in order to maintain consistency with articles 206 and 437 of the Commerce Code; and 850 from April 20 of 2015 through which changes were made to the Country Code Survey, which was modified by way of the External Bulletin 028 from 2014 issued by the Financial Superintendence of Colombia.

The purpose of the Bank consists in financing - primarily but not exclusively - the activities related to exports and national industries working towards this aim as a discount or rediscount bank, more than as a direct intermediary

The bank can also carry out credit transactions, including those to finance buyers of Colombian exports, discount credit issued by other financial institutions, provide and receive endorsements and guarantees in legal or foreign currencies, as well as other activities authorized by the Organic Law for the Financial System and current regulatory standards.

The Bank has control over the Colombian Foreign Commerce Trust S.A. –Fiducoldex- with an 89.17% participation, an indirect anonymous mixed economy society that forms part of the national government and is subject to both inspection and review from the Financial Superintendence of Colombia, constituted on October 31 of 1992, with a branch in Bogota D.C. The purpose of this company is to act as a mercantile trust for the Government of Colombia (represented by Bancóldex) in order to promote Colombian exports and meet other goals stipulated in Decree 663 of 1993. These other objectives include the celebration of mercantile trust contracts in all of their aspects such as the carrying out of all transactions, deals, acts, commissions, and services directly from the trust company activities.

Similarly, as of May 28 of 2003, Bancóldex became majority owner of Leasing Bancóldex S.A., with 86.55% participation, which is a social capital mixed economy agency that was created indirectly and not attached or linked to any Ministry, with the legal structure of a

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Colombian government industrial and commercial company located in Bogota D.C. This entity is organized as a commercial financing company, subject to inspection and review by the Financial Superintendence of Colombia. It was created through Law 1557 of 1994k issued in the Notary 4<sup>a</sup> of the Bogota Circle (functional authorization contained within Resolution 718 of 1994 by way of the Financial Superintendence of Colombia). These two investments are detailed in Note 5

## **2. MAIN ACCOUNTING POLICIES**

- a. *Basic accounting policy* –The accounting policies and policies for preparing the Bank’s financial statements and those of its subsidiaries are in accordance with generally accepted accounting principles in Colombia and the instructions of the Financial Superintendence of Colombia.
- b. *Cash equivalents* - The Bank considers cash equivalents for statements of change of cash flows, open positions in the money market and related areas in terms of 30 days or less.
- c. *Derivatives for assets and liabilities in the currency market and related areas* – This area registers the repurchasing agreements (repo), simultaneous transactions, inter-banking funds and seasonal transfers effected by the Bank’s use of the liquidity surplus.

*Repurchasing or Repo Transactions:* These occur when the Bank and its subsidiaries acquire or transfer assets in exchange for receiving a cash amount, assuming that at the time of such a transaction the agreement to transfer the property back to its “counterpart” on the same day or at a later date and for a predetermined price for values of the same type and with similar characteristics. The initial amount can be calculated with a discount from the original market price.

*Simultaneous Transactions:* These occur when the Bank and its subsidiaries acquire or transfer values in exchange for the delivery or receiving of a cash sum, assuming in this action an agreement to transfer or acquire the property again on the same day or at a later date at a predetermined price for the same values and with similar characteristics. The initial amount won’t be able to be calculated with a discount compared to the market price of the goods involved in the transaction: values initially provided by others cannot be substituted during the time of the transaction, nor can restrictions be placed on the mobility of the goods involved in the transaction.

*Interbank Funds:* Inter-banking funds are considered to be that the Bank deposits or receives directly from another financial entity without mediating the agreement for the transfer of investments or credit portfolios. In these cases, the transaction relies on guarantees for it to be carried out. These also consist of transactions classified as “*overnight*”, which are carried out with foreign banks using funds from the Bank.

- d. *Investments* – These include investments acquired by the Bank and its subsidiaries with the intention of maintaining a secondary liquid surplus and to allow access for these companies

to alternative capital financing by way of private capital funds, essentially consisting of the following two types: - entrepreneurial, with the purpose of contributing to the development of the private capital industry, and; - entrepreneurial in Colombia, with the purpose of encouraging participation of new investors from national and foreign institutions, acquiring direct or indirect control of any entity in the financial sector or of services, complying with the object of eliminating or reducing market risks faced by assets and liabilities or other elements that the financial statements may be subject to, and finally, with the purpose of complying with legal requirements.

The following table indicates the way by which different types of investments are classified, assessed, and recorded:

*Negotiable investments in debt certificates*

Term	Characteristics	Valuation	Accounting
Short term	Any kind of investment acquired for the purpose of obtaining profits from price fluctuations.	<p>Using the prices determined by Infovalmer, designated as the official price provider in accordance with the instructions established in Chapter IV Title IV of Part II from the Legal Bulletin issued by the Financial Superintendence of Colombia (C.E. 029/14).</p> <p>For cases where fair prices do not exist on the day of valuation, this should be valued exponentially according to the internal rate of returns. The fair value or price for market exchanges should be calculated using the sum of the upcoming flows of returns and capital.</p> <p>This process is carried out daily.</p>	<p>The difference between the present value and the value value immediately before is registered as a higher or lower value from the investment and its offsetting affects the results of the period.</p> <p>This procedure is carried out daily from the date of purchase onwards.</p>

*Negotiable investments in participative securities:*

Term	Characteristics	Valuation	Accounting
	Participatory units with the purpose of allowing companies access to financial capital alternatives through	The valuation of portfolios and units participating in the private capital funds will have a frequency defined by their	The investments are recorded as profits or losses within the

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Term	Characteristics	Valuation	Accounting
Long Term	the use of private capital and to contribute to the industrial development of private capital in Colombia.	own regulations as long as the investment does not exceed the amount stipulated for accountability.	Statement of Results, with credit or charges related to the original investment.

*Investments with expiration dates:*

Term	Characteristics	Valuation	Accounting
Until the date of expiration	<p>Any investment with a serious purpose and legal, contractual, financial and operative capacity to be maintained until the end of its term of maturity or expiration.</p> <p>These investments do not allow the realization of currency market operations or related activities. Nevertheless, these can be delivered as guarantees before the Chamber of Central Risk for Counterparts.</p>	<p>Exponentially, according to the internal return rate calculated at the time of sale.</p> <p>This process is carried out daily.</p>	<p>The present value is recorded as a value greater than the investment and its counterpart is registered in the results for the period.</p> <p>This process is carried out daily.</p>

*Debt securities for sale*

Term	Characteristics	Valuation	Accounting
6 months	<p>Once the term is complete, these can be reclassified from their previous categories on the following business day</p> <p>These investments allow for currency market operations and related activities and can be delivered as guarantees before the Chamber of Central Risk for Partners.</p>	<p>Using the prices determined by Infovalmer, designated as the official price provider in accordance with the instructions established in Chapter IV Title IV of Part II from the Legal Bulletin issued by the Financial Superintendence of Colombia (C.E. 029/14).</p> <p>For cases where fair prices do not exist on the day of valuation, this should be valued exponentially according to the internal rate of returns. The fair value or price for market exchanges should be calculated using the sum of the upcoming flows of returns and capital. This process is carried out daily.</p>	<p>The difference between the present value and the value on the day of valuation, calculated according to the internal rate for returns. The previous rate is set as the highest value of the investment interest included in results statements.</p> <p>The difference between the market value and the present value is recorded as an unrealized accumulated profit or loss within the equity accounts.</p>

*Available for sale as Equity Securities:*

<b>Registration for Stock Market quotes</b>	<b>Valuation</b>	<b>Accounting</b>
Registered	<p>Valuation is carried out based on the price determined by the provider of valuation prices, authorized by the Financial Superintendence of Colombia and selected by the entity.</p> <p>Participation in collective portfolios and the values issued in the development of deed processes are valued taking into account the value for the unit, calculated by the administrating society the day prior to the date of valuation, even in those cases when these units are listed on the Colombian Stock Exchange. The exception to this situation is participation in collective portfolios that set the price in a secondary market and the values representative value of participation in stock market funds, which are valued at the price quoted by the price provider.</p>	The updating of the market value of the securities with high marketability or that are quoted in foreign stock markets are recorded as an unrealized accumulated profit or loss within the equity accounts with credit or interest on the original investment.
Not Registered	<p>Are valued at the price that is determined by the price provider.</p> <p>When the price provider does not have specific methods for determining a price, the entities will have to increase or decrease the cost of acquisition by the percentage of participation that corresponds to the investor, in terms of the subsequent variations of the equity of the issuing authority.</p>	In the event that the value of the updated investment, with participation from the investor, is greater than the registered value of the investment, the difference should firstly affect the provision or devaluing until it is exhausted, and the excess should be registered as a surplus caused by valuation.
Registered in Foreign Stock Markets	<p>In accordance with the valuation price determined by the price providers and authorized by the Financial Superintendence of Colombia.</p> <p>When there is no set price, the price at the close of the previous day that the stock market was open is used for the quote for the valuation, or, if it's not available, it can be based on prices from the previous 5 days of the stock exchange, or by using the average of the closing prices during the last 30 days.</p>	Updating the market value of assets with high value or that are quoted from foreign stock exchanges are recorded as unrealized accumulated profits or losses within the equity accounts with credit or interest on the original investment.

*Investment transfer rights* – These correspond to restricted investments that represent a guarantee of collateral operational returns, whether they be simultaneous or temporary value transfers.

In cases of negotiable investments, these are recorded at the value of the transfer at the moment when the funds were received and these are updated with the market value; the

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variations that occur between this and the previous value recorded are registered in the income statements as profit or loss, as the case may be.

*Investment credit risk rating* - As a result of a credit risk assessment, investments with exception to those made by Bancóldex in Private Equity Funds are classified and provisioned in the following way:

<b>Classification</b>	<b>Provision</b>
"A" Normal Risk	-
"B" Acceptable Risk, more than normal	20%
"C" Appreciable Risk	40%
"D" Significant Risk	60%
"E" Uncollectable Investment	100%

The credit risk of investments of Bancóldex's Private Equity Funds in the framework of the Bancóldex Capital program is classified based on an internal methodology appropriately approved by the Colombian Financial Superintendence in June 2009.

The above, inasmuch the rating and provision system by existing credit risk is not designed to be applied on shares in private equity funds, taking into account that securities or assets with an expected positive cash flow from the beginning of the investment or in those that the counterpart's compliance capability can be estimated with some degree of precision, which isn't a characteristic of private equity funds.

The Bancóldex methodology is based on qualitative and quantitative criteria and establishes the following scale for rating the credit risk of private equity funds and the establishment of provisions:

<b>Level of credit risk</b>	<b>Rating</b>	<b>Provision</b>
Very low	1	2%
Low	2	5%
Moderate	3	10%
High	4	50%
Very High	5	100%

- a. *Credit portfolio and financial leasing operations* - Registers the credit lines granted by the Bank and its subsidiary Bancóldex Leasing, under different authorized modalities. The resources used to grant credit come from internal resources, from the public through deposits and other internal and external funding sources. Loans are carried at the expenditure value, except for purchases of "*factoring*" portfolios, which are recorded at the discount.

Financial leasing operations are recorded at the finance amount of each good that the Leasing, prior to the corresponding contract, delivers in rent to the user for their use or

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enjoyment; the finance value of the leasing operations are amortized with the payment of financial lease charges in the corresponding part of the payment to the principal.

The structure of the Bank's and Leasing Bancóldex's credit portfolio only provides for the commercial credit modality, which is defined as the different credit lines granted to microloans; notwithstanding the foregoing and in compliance with External Memo 054 from 2009, issued by the Colombian Financial Superintendence. Bancóldex consumer and mortgage portfolio solely arises from credit lines granted to ex-officials before their withdrawal.

*Evaluation frequency* - The Bank evaluates the rating of the entirety of its credit transactions on a monthly basis and the result of this assessment is registered the following month. For the portfolio evaluation, the short-term nature of the obligations is taken into account, as well as the level of risk associated with the debtor which is evaluated minimally on a semi-annual basis in May and November of each year, evaluating additional risk factors apart from default, primarily related to the ability to pay and the generation of funds to cover the debt. Leasing Bancóldex evaluates its portfolio on a monthly basis.

*Credit risk evaluation criteria* - Bancóldex constantly evaluate the credit risk incorporated in its credit assets, both at the time of being granted as well as throughout the life of the credit line, including restructurings. Bancóldex, have designed and adopted a Credit Risk Management System - SARC, to evaluate credit risk, which consists of policies, processes, models, provisions, and control mechanisms that make it possible to identify, measure and properly mitigate credit risk.

*Evaluation and credit risk rating of the portfolio* - In accordance with Chapter II of the Basic Financial and Accounting Circular Letter (External Memo 100 from 1995), from the Colombian Financial Superintendence, Bancóldex as a rediscount institution, is exempt from adopting internal reference models from this entity. For this reason, the establishment of credit portfolio provisions was carried out in accordance with Annex I, Chapter II of the cited Circular Letter. However, with the issuance of External Memo 032 in November 2014 from the Colombian Financial Superintendence, rediscount banks, for qualifying and generating provisions, must develop internal methodologies for rediscount transactions. In the case of direct commercial credit operations, consumer transactions, housing and microloans must adopt the reference models of the above referenced Superintendence. The effects of External Memo 032 from 2014, regarding ratings and provisions began to be seen in the financial statements as of December 2015.

In accordance with External Memo 032 from 2014, as of December 2015, transactions are classified based on the criteria described above and in accordance with the type of portfolio in each of the following risk categories:

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*Direct commercial portfolio:*

The commercial portfolio contracts must be classified in of the following credit risk categories: AA, A, BB, B, CC, and Default.

For the assignment of the ratings, the default criteria and a risk profile are included.

*Rediscount commercial portfolio:*

The commercial portfolio contracts must be classified in of the following credit risk categories: AA, A, BB, B, CC, and Default.

For the assignment of the ratings, the default criteria and a risk profile are included.

*Consumer portfolio:*

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

- General - Automobiles: credit given for the acquisition of automobiles.
- General - Others: credit given for the acquisition of consumer goods different than automobiles.

The rating of the consumer portfolio by risk category varies according to the segments explained above and is determined by a score called "Z", that takes into account the following variables: default amount when calculating the provision, maximum default amount recorded over the last three years, default amount over the last three quarters, having or not having other active credit lines with the Bank and the type of collateral; appropriate, pledge or mortgage.

In accordance with the "Z" score calculated in the previous section, the rating is assigned by credit risk categories based on the following table, taking into account the lower the score, the better the credit risk rating.

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

Through November 2015, transactions were rated based on default criteria and risk profile (debtor's ability to pay) and classified in one of the following risk categories:

*For the commercial portfolio:*

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### Category

"A" Normal Risk	Credit lines current and up to 1 month overdue
"B" Acceptable Risk	Credit lines between 1 and 3 months overdue
"C" Appreciable Risk	Credit lines between 3 and 6 months overdue.
"D" Significant Risk	Credit lines between 6 and 12 months overdue
"E" Uncollectable Risk	Credit lines more than 12 months overdue

*For consumer portfolio:*

### Category

"A" Normal Risk	Credit lines current and up to 1 month overdue
"B" Acceptable Risk	Credit lines between 1 and 2 months overdue
"C" Appreciable Risk	Credit lines between 2 and 3 months overdue
"D" Significant Risk	Credit lines between 3 and 6 months overdue
"E" Uncollectable Risk	Credit lines more than 6 months overdue

*Credit portfolio provisions* – As of December 2015, and as a result of the adoption of External Memo 032 from 2014, from the Colombian Financial Superintendence, Bancóldex modified the provisions framework, which was based on the guidelines established in Chapter II of External Memo 100 from 1995, from the Colombian Financial Superintendence, for the credit risk management for each portfolio, in accordance with the following annexes from said chapter.

- Mortgage portfolio - General system for the evaluation, scoring and provisioning of the credit portfolio (Annex 1)
- Direct commercial portfolio - Commercial portfolio reference model - MRC (Annex 3)
- Consumer portfolio - Consumer portfolio reference model - MRCO (Annex 5)
- Rediscount commercial portfolio – Internal methodology. Individual provisions of the entities authorized to perform rediscount transactions. (Annex 6)

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

*Pro-cyclical individual component and counter-cyclical individual component:* The individual provision is established as a sum of two individual components.

Pro-cyclical individual component (PIC): Corresponds to the portion of the individual provision of the credit portfolio that shows each debtor's current credit risk.

Counter-cyclical individual component (CIC): Corresponds to the portion of the individual provision of the credit portfolio that shows possible changes in the credit risk of the debtors

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at times when the deterioration of said assets increases. This portion is established in order to reduce impact on the income statement when this situation occurs.

The pro-cyclical individual component (PIC) requires relying upon the A & B default probability matrices. For the direct commercial portfolio that adopts the commercial portfolio reference model from the Superintendence of Finance, the matrices defined in Annex 3 are used; for the rediscount commercial portfolio, the matrices defined in the Bank's methodology are used which are presented later in this report and for the consumer portfolio, the matrices defined in Annex 5 are used, from the cited External Memo 100 from 1995.

*Definition of the accumulative or incremental phase:*

In order to determine the methodology for calculating pro-cyclical and counter-cyclical components, the Bank evaluates the indicators established by the Colombian Financial Superintendence on a monthly basis (related to deterioration, efficiency, growth of the credit portfolio and the financial situation of the entity), which once calculated shall determine the calculation methodology of the individual provision components of the credit portfolio. In accordance with these indicators, the Bank applied the calculation methodology in the accumulative phase on December 31st, 2015.

*Expected loss model.*

The estimation of expected loss or an individual provision under the reference models (direct commercial portfolio and consumer portfolio) and under the Bank's methodology (rediscount commercial portfolio), the following formula was determined:

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

Default Probability (DP): Corresponds to the probability of that in span of twelve (12) months after the cut-off date of the financial statements, the debtors of an undermined portfolio default (in accordance with the cases describe in Letter B, Number 1.3.3.1 from Chapter II, External Memo 100 from 1995). The default probability is established in accordance with the matrices that are shown later in this report.

Exposure of the asset at the moment of default: Corresponds to the value at risk when the debtor, confirmed by the current principal balance, interests and other receivables.

Loss given default (LGD): is defined as the economic deterioration that the Bank would incur, in case any of the default situations referred to in Letter B, Number 1.3.3.1 from Chapter II, External Memo 100 from 1995, should occur. The LGD for qualified debtors in

the default category shall incur a gradual increase in accordance with the days passed after the classification in said category.

In accordance with the above, the application of models and the establishment of provisions are carried out as follows:

*Direct commercial portfolio:*

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

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

Commercial portfolio classification by level of assets	
Size of the business	Level of assets
Large companies	More than 15,000 Current Legal Monthly Minimum Wage
Medium-sized companies	Between 5,000 and 15,000 Current Legal Monthly Minimum Wage
Small companies	Less than 5,000 Current Legal Monthly Minimum Wage

*Default Probability (DP):* the reference model from the Colombian Financial Superintendence is used.

	Large Company		Medium-sized company		Small company		Legal Person	
Rating	Matrix A	Matrix B	Matrix A	Matrix B	Rating	Matrix A	Matrix B	Matrix A
AA	1.53%	2.19%	1.51%	4.19%	AA	1.53%	2.19%	1.51%
A	2.24%	3.54%	2.40%	6.32%	A	2.24%	3.54%	2.40%
BB	9.55%	14.13%	11.65%	18.49%	BB	9.55%	14.13%	11.65%
B	12.24%	15.22%	14.64%	21.45%	B	12.24%	15.22%	14.64%
CC	19.77%	23.35%	23.09%	26.70%	CC	19.77%	23.35%	23.09%
Default	100.00%	100.00%	100.00%	100.00%	Default	100.00%	100.00%	100.00%

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*Loss given default (LGD):* The LGD is classified by the type of collateral as follows:

Type of Collateral	P.D.I.	Days following default	New PDI	Days following default	New PDI
Inadmissible guarantee	55%	270	70%	540	100%
Subsidiary Loans	75%	270	90%	540	100%
Admissible financial collateral	0-12%	-	-	-	-
Commercial and residential real estate	40%	540	70%	1080	100%
Property leasing assets	35%	540	70%	1080	100%
Non-property assets	45%	360	80%	720	100%
Other collateral	50%	360	80%	720	100%
Collection rights	45%	360	80%	720	100%
No Collateral	55%	210	80%	420	100%

*Rediscount commercial portfolio:*

For the rediscount commercial credit portfolio, in accordance with Circular Letter 032 from 2014, the Bank designed its own methodology to calculate provisions. This methodology is based on the reference model's general guidelines from the established commercial portfolio by the SFC, the default probability and loss given default inputs, and historical data from the Bank's customers.

The default probability incorporates an additional premium arising from the risk of the financial system.

Default Probability (DP): is assigned according to the rating and the percentages, which are dynamic, from the following table. They are revised at least once per year, based on the behavior of the monthly scores of the intermediaries

Classification	Matrix A	Matrix B
A1	2,2%	3,5%
A2	3,2%	5,7%
A3	7,0%	10,6%
A4	20,1%	28,8%
A5	100,0%	100,0%

*Loss given default (LDI):* corresponds to 40% for all rediscount transactions, which was obtained by adopting a conservative approach against the history of portfolio recoveries recorded at the Bank.

*Consumer portfolio:*

*Default Probability (DP)*: is assigned according to the risk rating and the segment of each debtor according to the following table:

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

*Loss given default (LGD)*: the LGD by type of collateral is the following:

Type of Collateral	P.D.I.	Days following default	New PDI	Days following default	New PDI
<b>Inadmissible guarantee</b>	60%	210	70%	420	100%
<b>Admissible financial collateral</b>	0-12%	-	-	-	-
<b>Commercial and residential real estate</b>	40%	360	70%	720	100%
<b>Property leasing assets</b>	35%	360	70%	720	100%
<b>Non-property assets</b>	45%	270	70%	540	100%
<b>Other collateral</b>	50%	270	70%	540	100%
<b>Collection rights</b>	45%	360	80%	720	100%
<b>No Collateral</b>	75%	30	85%	90	100%

As of December 2015, the general provision is not required. At the Extraordinary Shareholders Meeting on December 22nd, 2015, reclassifying the general provision to make an individual provision that requires the application of models was approved, which was the result of the implementation of External Memo 032 from 2014. Likewise, it may be used to compensate the requirements of individual provisions generated by debtor defaults from the commercial portfolio. Inasmuch as the recovery of that portfolio is recorded, the provision shall be paid back to the general provision.

Through November 2015, credit portfolio provisions were established in accordance with Annex I, Chapter II of Circular Letter 100 from 1995. As a result, the Bank established provisions earmarked to the income statement, thus:

General provision - It is the obligated general provision of 1% of the gross total of the portfolio. This provision may be greater, if it is approved at a General Shareholders

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Meeting with a quorum higher than 85%. At the Extraordinary Shareholders Meeting on December 14th, 2009, an increase to 3% was approved

Individual provision - Individual provisions are established according to the protection method of the qualified credit lines in risk categories ("A", "B", "C", "D" y "E") with the following percentages:

*For the commercial and consumer portfolios:*

Category	Capital	Interests and other concepts
A - Normal	1%	1%
B - Acceptable	3.2%	3.2%
C - Appreciable	20%	100%
D - Significant	50%	100%
E - Uncollectable	100%	100%

*Mortgage portfolio*

The mortgage portfolio provision is calculated in accordance with Annex 1, Chapter II of External Memo 100 from 1995, according to the following guidelines:

*Classification and qualification:* they are classified in one of the following risk categories:

**Category**

"A" Normal Risk	Credit lines current and up to 2 months overdue
"B" Acceptable Risk	Credit lines between 2 and 5 months overdue.
"C" Appreciable Risk	Credit lines between 5 and 12 months overdue.
"D" Significant Risk	Credit lines between 12 and 18 months overdue.
"E" Uncollectable Risk	Credit lines more than 18 months overdue.

Individual provision - Individual provisions are established according to the protection method of the qualified credit lines in risk categories ("A", "B", "C", "D" and "E") with the following percentages:

Category	Capital	Interests and other concepts
A - Normal	1%	1%
B - Acceptable	3.2%	3.2%
C - Appreciable	10%	10%
D - Significant	20%	20%
E - Uncollectable	30%	30%

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If during two (2) consecutive years, the credit line has remained in category "E", the percentage of the provision of the guaranteed portion shall increase to sixty percent (60%). If another year elapses in these conditions, the percentage of the provision of the guaranteed portion shall increase to one-hundred percent (100%), unless the entity sufficiently demonstrates the existence of objective factors that show the recovery of the credit and the efforts made to collect it. In this case, identifying the use of judicial or extrajudicial processes, and indicating the status of the corresponding process is required.

*Effect of the appropriate collateral on the establishment of individual provisions* - As of December 2015, for the direct commercial portfolio, the rediscount commercial portfolio and the consumer portfolio, the models incorporate the effect of the guarantees. To calculate mortgage provisions, only appropriate collateral is to be taken into account, which is calculated as 100% of their value.

As of November 2015, the guarantees for the credit lines were only backed by these credit lines; as a result, the outstanding balances of the credit lines were covered by securities of an appropriate nature, the corresponding percentage was covered, applying said percentage to it; with commercial loans, the difference between the unpaid balance and seventy percent (70%) of the value of the guarantee is used. In these cases, depending on the nature of the collateral and the amount of time the respective credit line has been outstanding, only the percentages of the total value of the collateral is considered for the establishment of provisions, which are indicated below:

**Non-mortgage collateral**

<b>Amount of Time Outstanding</b>	<b>Percentage of Coverage</b>
0 - 12 months	70%
Between 12 and 24 months	50%
More than 24 months	0%

**Mortgage Collateral or Mercantile Trust**

<b>Amount of Time Outstanding</b>	<b>Percentage of Coverage</b>
0 - 18 months	70%
Between 18 and 24 months	50%
Between 24 and 30 months	30%
Between 30 and 36 months	15%
More than 36 months	0%

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Mortgage collateral that deals with the debtor's commercial or industrial establishments, where the corresponding establishment operates or functions and guarantees on properties by destination that form part of the respective establishment are taken at zero percent (0%).

*Write-off ratio* – Subject to the decision and in accordance with the Administration of Bancóldex, are those loan portfolios that are considered irrecoverable or distant or with an uncertain recovery, after having exhausted the collection actions in accordance with the items established by lawyers and collection companies, and previously approved by the Board of Directors of Bancóldex

In all of the cases of written off loans, the Bank will continue to carry out the procedures to recover these loans, showing due diligence, until this results in an accounting cleansing exercise.

All of the requests to write off loans that are presented to the Executive Boards will have to be accompanied by reports from the following Bank entities

- Report and recommendation from the Vice-President of Operations, indicating the background for the loan, the efforts made to recoup the loan and its impact on the Bank's financial results.
- Report from the Legal Department about the legal procedures carried out to recoup the loan.
- Report from the Vice-President of Risk that presents the financial report related to the debtor and the levels of risk in accordance with the economic indicators, based on the internal methodology that was applied to analyze the opportunity to pay off the debt and the level of recoverability of this portfolio.

f. Bank acceptances, cash and derivative operations

*Bank Acceptances* - It records the value of bank acceptances created by the bank on behalf of the clients and those created on behalf of the bank for its corresponding banks. The bank acceptances have a maturity date of up to six (6) months and may only originate in transactions of the sale of goods..

At the time of acceptance of Bills of Exchange, their value is accounted simultaneously in assets and liabilities, as “debtors bank acceptances in term” and if at maturity they are not submitted for collection, they are rated under the heading “debtors bank acceptances after the term”. If, when payment is made, they have not been covered by the purchaser of the goods, they are re-classified to the loan account “covered bank acceptances”.

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*Sales Transactions* – Sales transactions are registered with a term for their compensation and liquidation equal to the date of their celebration or recording. That is to say, presently or up to three business days following the day of registration.

The accounting for these operations is performed under the method of the liquidation date. That is to say, the vendor maintains the financial assets in his balance sheet such as no delivery thereof is made, thereby registering in their accounting the right to receive the money for the product of transaction and an obligation of delivering the negotiated asset. Meanwhile, the buyer holds a right to receive the financial asset, which should be valued at market prices, and who is obliged to deliver the money agreed in the transaction.

*Derivatives* – The derivative financial instruments are met or settled in the future and their exchange prices adjusted depending on one or more underlying assets. The derivatives may be negotiated to hedge from other positions, speculate so as to seek earnings, or to perform arbitration in the market. Nonetheless, the operations that Bancóldex has negotiated are uniquely with the purpose of speculation.

The account record distinguishes the class of derivative performed (forward, swap, future and option) as well as its objectives (speculation or hedging). The valuation of the derivative financial instruments and the structured products are conducted daily at a fair exchange rate. If said price is positive, that is to say, is favorable for the bank, it is registered under assets, separating the value of the right from the value of the obligation, with exception to the case of options where the accounting record is done in one account. Meanwhile, those which are given a negative fair exchange rate, that is to say, unfavorable for the bank, are registered in liabilities, therefore calling for a separation.

The derivative financial instruments that are compensated and liquidated through a central house of risk of their counterparts are subject to the conditions established in the regulations of said house.

Given that future derivative financial instruments have daily compensation and liquidation; the value of the obligation is equal to the value of the right. Therefore, said values are updated each in accordance with the price of the market regarding the future and the effect on the income statement being equivalent to the variation of the fair exchange price of the future, that is to say, to daily cash flows.

- g. *Accounts Receivable* – This records important pending accounts such as interests. Commissions, advances to contracts and providers, advances to staff, and others. The Bank provides financial yields in accordance with the agreed on conditions, suspending the generation of interests on the portfolio with arrears of two months or more, depending on the modality and classification of the loan and it provides the total of these loans. The interest costs are controlled through debtors' contingency accounts. For its evaluation the Bank engages in permanent monitoring, treating the derivatives from the credit portfolio as separate to the other products.

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- h. *Property and equipment* – It records tangible assets acquired, built or under importation, construction or mounting process, that are permanently used in the development of the business and with a useful life that exceeds one year. It includes direct and indirect costs and expenses caused until when the asset is being used.

When the assets are sold or disposed of, the cost and its accumulated depreciation, adjusted for inflation, are eliminated from the respective accounts and the corresponding gain or loss is reflected in the results of the period.

The major improvements that improve the useful life of the assets are capitalized in the costs of maintenance and reparation that do not prolong the life of the assets are charged to expenditures inasmuch as they as it is incurred.

The annual rates of depreciation are the following:

Buildings	5%
Equipment, office furniture and fixtures	10%
Computer equipment	20%
Vehicles	20%
Computer licenses and software	33.33%

The Bank and its subsidiaries take the adequate measures of security and the properties and equipment are properly insured and protected against risk of fire, earthquake, flood, theft and robbery.

- i. *Prepaid expenses and deferred charges* – The prepaid expenses correspond to expenses incurred by the Bank and its subsidiaries in the development of its activities, in which the benefits are received in various future periods and can be recovered. Prepaid expenses assume continuous delivery of services to be received.

Deferred charges correspond to costs and expenses that benefit future periods and are not recoverable. The amortization is recognized from the date on which it contributes to the generation of income within the deadlines established by the Colombian Financial Supertendency.

*Prepaid expenses*

- The insurance during the term of the policy
- The other costs in accordance with consumption

*Deferred charges*

- Computer programs of no more than three (3) years of using the straight-line method.

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- Future income tax assets

- j. *Letters of credit of deferred payments* – Register the value of the letter of credit utilized of which it is anticipated that the payment is made in a single or various determined dates. The use of the letter of credit of deferred payments constitutes a firm commitment from the Bank as confirming the documentary credit.
- k. *Deposits in Guarantee* – Correspond to the cash collateral that the bank delivers. The increase of this value is done at the moment when there is a call in the margin. This item is recorded for the amount disbursed in favor of the counterparty
- l. *Trust rights* – Register the securitization of the portfolio of credits, which is a mobilization mechanism of assets that consists of grouping present and future goods generated from cash flows called ‘Underlying Assets’, through the creation of a self financing structure in a special purpose vehicle from which securities are issued. For the purposes of structuring securitization processes, the condition exists of ‘special purpose vehicle’ exclusively for capital gains tax or universalities. The exclusive source of funding of such values is the cash flow derivative of the Underlying Assets associated with the securitization.

Bancóldex as the Originator in the process of securitization conducted in October of 2010 the transfer between assets account to the framework of Trust rights, and once the agent handling issued titles and returned the resources to the Bank, it is registered as a gain or loss from the transaction and the records need to reduce the fiduciary right in favor of the Bank as the memorandum accounts associated with the loan portfolio.

The securitized portfolio finalized on May 11 of 2015, the date by which the sum total of securities issues was paid by the trust administration TDEX 10-01.

- m. *Valorizations* – Register the valorizations of the investments available for sale of participative securities, properties and equipment, specifically property and assets of art and culture.

The valorization of property, assets of art and culture are determined by the appraisals against the net adjusted costs; the former based on commercial appraisals conducted by persons or firms of recognized expertise and independence.

In the event of devaluation, according with caution standards, a provision is constituted for each individual real estate property.

- n. *Term deposit certificates* – Register the accrued liabilities per item by way of catchments through the issuance of term deposit certificates. The liquidity obtained is utilized to meet disbursements of credit portfolios and leasing operations. Its redemption is always completed on the expiry date or following business day, as the case may be

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- o. *Special deposit* - Register the security deposits received by Bancóldex to meet payment obligations in their favor that for one reason or another cannot be applied immediately
- p. *Credits from banks and other financial institutions* – Register the value of the obligations undertaken in obtaining funds from banks and other institutions of the country or from abroad, under the same payment methods of direct loans or using a line of credit established for application in specific circumstances.

The transactions made across means of communication should be registered the same day it is communicated, given that they are supported by contracts between parties.

- q. *Accounts Payable* – Register the amounts payable, such that the returns received for the use of third-party resources, commission, fees, sums received under the contractual arrangements of the purchase commitment, suppliers, dividends, taxes, deductions and labor contributions and affiliations and others sums to pay for others cases similar in nature
- r. *Securities of investments in circulation* – Register the obligations generated for the collection of funds via the issuance of investment securities or straight bonds. This collection is conducted to obtain the resource to be allocated in the credit portfolio.

The terms to maturity and financial conditions are indicated in the issue of the corresponding prospectus. Its redemption is always completed on the day of expiry or by the following business day, as the case may be.

- s. *Other liabilities* – Register the consolidated labor obligations, credit portfolios of deferred payments, anticipated revenues, as well as other diverse liabilities. In the anticipated revenues Bancóldex records the amount received to meet the special financing agreements for the credit portfolio transactions with the differential rates of interest.
- t. *Estimated liabilities and provisions* – Register the provisions to cover the estimated liabilities, taking into account that:
- There is an acquired right and therefore an obligation
  - Payment is enforceable or probable
  - The provision is justifiable, quantifiable and verifiable.
- u. *Conversion of foreign currency* - Operations in foreign currency that aren't US Dollars are converted to USD and then restated in Colombian Pesos at the market representative rate calculated on the last transaction. The rights and obligations of foreign currency are adjusted to the "market representative rate" published daily by the Financial Superintendence of Colombia.

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As of December 31 of 2015 and 2014, Bancóldex and its subsidiaries used the exchange rates of \$3.149.47 and \$2.392,46 respectively

The limits of the Bank's positions as of the 31st of December 2015 are the following:

	<b>Maximum Amount USD</b>	<b>Minimum Amount USD</b>
Own Position	69,774,695.98	-17,443,674.00
Own Cash	174,436,739.96	-69,774,695.98
Net Leveraging Position	1,918,804,139.58	Cero

- v. *Reserves* - Registers the values of liquid profits from previous periods that have been appropriated by a mandate from the Shareholders General Assembly with the objective of providing legal dispositions, statutory provisions or specific purposes.

In accordance with the current provisions in Colombia, a legal fund must be established appropriating 10% of the liquid profits of each period until it reaches at least 50% of the registered capital.

The statutory reserves are mandatory if they aren't affected by a reform of the social contract or if they don't reach the expected amount for these reserves.

The occasional reserves ordered by the Assembly will only be mandatory during the period for which these are declared and this Assembly will be able to change the destination for these reserves or distribute them when they become unnecessary.

- w. *Recognition of Revenue for Financial Performance* – Revenue from financial performance and other concepts are acknowledged when they occur, except revenue that comes from:

Commercial and consumer credit rates that have a "C" appreciable risk rating or in categories with higher risk, or when they last ninety-one (91) days for commercial rates and sixty-one (61) days for consumer rates.

These financial yields are controlled in debtor contingent accounts and are registered as income when they are collected. For capitalization of interest, this is registered in the deferred payment account and income is recorded when it is effectively collected.

Loans that default and no longer collect interest, currency rate corrections, adjustments to exchange rates, taxes and income from other sources at cease to create this revenue from the first day of the default of the loan. Once the outstanding payments are made, this revenue source becomes active again.

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While these loans are paid back, the corresponding record will be managed in contingent accounts.

- x. *Contingent Accounts* - These accounts register the operations through which the Bank acquires a right or assumes an obligation, conditioned to the occurrence or non occurrence of an event, depending on future, eventual or remote factors. Financial income is recorded from the day in which the causation is suspended in loan portfolios and leasing contracts. In debtor and creditor contingencies, the transferred or received values that are object of repurchase or simultaneous operations are registered.
- y. *Memoranda accounts* - These accounts record operations with third parties that due to their nature do not affect the financial standing of Bancóldex and its subsidiaries.

The resources from the programs, assimilated with autonomous patrimonies administrated by Bancóldex, are managed by a separate system in memoranda accounts.

In addition, fiscal memorandum accounts are included where figures for the preparation of tax statements are recorded; this also includes registration accounts used for tax purposes related to internal control or management information.

- z. *Net profit per share* – The net profit per share for the years ended 2015 and 2014 are determined based on the shares that are in circulation, which were \$1.062.556.872.

### 3. AVAILABLE FUNDS

	2015	2014
<i>Legal Currency</i>		
Fund	\$ -	\$ 465
Central Bank (Banco de la República) <sup>(1)</sup>	17,359,652	3,440,417
Banks and other financial entities	20,193,021	17,156,993
<i>Foreign Currency</i>		
Fund	16,516	47,244
Central Bank (Banco de la República)	-	11,390
Banks and other financial entities	<u>25,905,014</u>	<u>92,097,027</u>
	<u>\$ 63,474,203</u>	<u>\$ 112,753,536</u>

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- (1) Bancóldex presents a restriction on these funds in favor of the Government of Colombia under the borrowing contracts signed between Bancóldex S.A. and the Inter - American Bank of Development (BID), through which Bancóldex attaches revenues that are received by repayments of the loan portfolio that is up to 120% of the biannual service of debt for the loan contracts 2080/OC-CO y 2193/OC-CO and 130% for the 3003/TC-CO contract.

As of December 31 of 2015 and 2014, Bancóldex does not provide conciliation lines in national or foreign currency that have had more than 30 days for their regularization.

#### 4. ACTIVE POSITIONS IN OPERATIONS OF CURRENCY AND RELATED MARKETS

The detail of the active positions in currency market operations and related markets is as follows

2015				2014		
<u>Entity</u>	<u>Interest rate(%)</u>	<u>Negotiation deadline</u>	<u>Value</u>	<u>Interest Rate (%)</u>	<u>Negotiation deadline</u>	<u>Value</u>
Inter-banking <sup>(1)</sup>						
<i>Foreign Currency</i>						
Banks	1,01	187	<u>81.886.220</u>	0,47	30	<u>11.962.300</u>
			<u>\$ 81.886.220</u>			<u>\$ 11.962.300</u>

- (1) All of the operations performed were in a period established by Bancóldex for its payment and there are no restrictions on balances.

The active positions that are in short term of monetary market operations and related fields with a period of less than 30 days are considered cash equivalents for the effects of the cash flow statements from of December 31 of 2015 and 2014, which rise to \$ 44.092,300 and \$11.962,579 respectively.

## 5. INVESTMENTS

The details of the investments are as follows:

	2015	2014
Debt securities:		
<i>Negotiable</i>		
Public debt securities issued and guaranteed by the nation	277,454,553	306,235,020
Securities issued by entities supervised by the Superintendence of Finance	63,819,895	79,999,850
<i>Available for sale</i>		
Public debt securities issued and guaranteed by the nation	193,051,920	224,625,540
External public security debts issued and guaranteed by the nation	102,113,546	0
<i>Rights of repurchase for negotiable investments</i>		
Public debt securities issued and guaranteed by the nation	80,724,500	0
<i>Investments available for sale delivered in guarantee</i>		
Public debt securities issued or guaranteed by the nation	<u>63,405,590</u>	<u>52,868,945</u>
Total debt securities	<u>780,570,004</u>	<u>663,729,355</u>
Participative securities:		
<i>Negotiable</i>	62,851,390	58,229,782
<i>Available for sale</i>	<u>200,500,201</u>	<u>191,622,965</u>
Total participative securities	<u>263,351,591</u>	<u>249,852,747</u>
	<u>1,043,921,595</u>	<u>913,582,102</u>
<i>Allowance</i>		
Negotiable investments in participative securities	(1,971,218)	(1,814,854)
Investments available for sale in participative securities	<u>(12,596,726)</u>	<u>(12,596,726)</u>
	<u>(14,567,944)</u>	<u>(14,411,580)</u>
	<u>1,029,353,651</u>	<u>899,170,522</u>

- (1) In the month of November, 2015, this asset investment issued in foreign currency by the Republic of Colombia (Yankee Bonds) was reclassified as Negotiable and Available for Sale (prior approval realized by the Superintendence of Finance of Colombia according to a consultation undertaken by the bank).

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Investments in debt securities

	2015		2014	
	<u>Interest Rate. *</u>	<u>Value</u>	<u>Interest Rate. *</u>	<u>Value</u>
	<u>(%)</u>			
<u>In legal money:</u>				
Securities issued by the nation				
<i>Treasury Department TES - Fixed rate</i>	7.72	614,636,563	6.16	583,729,505
Securities issued by entities supervised by the Superintendence of Finance	8.29	<u>63,819,895</u>	5.65	<u>79,999,850</u>
		<u>678,456,458</u>		<u>663,729,355</u>
<u>In foreign currency</u>				
Securities issued by the nation				
<i>Yankee Bonds</i>	6.39	<u>102,113,546</u>	-	<u>-</u>
Total investments in debt securities		<u>\$ 780,570,004</u>		<u>\$ 663,729,355</u>

\* This refers to the average valuation rate.

The following is the maturation of negotiable investments in debt certificates in accordance with future capital and interest flows:

	2015	2014
0 – 30 days	\$ 317,800	8,512,392
31 – 60 days	1,647,899	221,947
61 – 90 days	109,670	162,114
91 – 180 days	12,216,240	8,848,261
181 – 360 days	42,709,595	23,652,750
More than 360 days	395,967,828	409,947,061

*Negotiable investments in participative securities– Private Capital Funds*

2015

Entity	Credit Risk Rating	Investment Commitments	Contingency	Historic Cost	Redemption in Units	Inverted	Market Value	Valuation	Allowance	Implemented %
Aureos	2	\$ 14,646,861	\$ 4,083,411	\$ 5,630,314	\$ 4,933,136	\$ 10,563,450	\$ 16,541,162	\$ 10,910,848	\$ 827,058	72.12
Escala	2	11,000,000	621,322	10,361,558	17,120	10,378,678	6,621,228	(3,740,330)	331,061	94.35
Progresa Capital	1	3,472,017	325,804	2,248,653	897,560	3,146,213	2,328,336	79,683	46,567	90.62
Colombia Ashmore	1	39,021,700	9,802,487	19,059,569	10,159,644	29,219,213	31,912,185	12,852,616	638,244	74.88
Brilla Colombia	1	9,600,000	7,828,932	1,761,610	9,458	1,771,068	643,948	(1,117,662)	32,197	18.45
Amerigo Ventures Colombia	1	\$ 10,485,206	\$ 9,640,106	\$ 543,587	\$ 301,512	\$ 845,099	\$ 498,208	\$ (45,379)	\$ 9,964	8.06
Velum Early Stage Fund I	1	<u>7,957,549</u>	<u>4,272,251</u>	<u>3,685,298</u>	<u>-</u>	<u>3,685,298</u>	<u>2,984,238</u>	<u>(701,060)</u>	<u>59,685</u>	<u>46.31</u>
		<u>\$ 96,183,333</u>	<u>\$ 36,574,313</u>	<u>\$ 43,290,589</u>	<u>\$ 16,318,430</u>	<u>\$ 59,609,019</u>	<u>\$ 61,529,305</u>	<u>\$ 18,238,716</u>	<u>\$ 1,944,776</u>	<u>61.97</u>

Entity	Credit Risk Rating	Investment Commitments	Contingency	Historic Cost	Redemption in Units	Inverted	Market Value	Valuation	Allowance	Implemented %
							\$	USD		
In foreign currency:										
MGM Sustainable	1	<u>USD 4,000</u>	<u>USD 3,450</u>	<u>USD 550</u>	<u>USD 121</u>	<u>USD 671</u>	<u>\$ 1,322,085</u>	<u>USD 420</u>	<u>USD 215</u>	<u>\$ 26,442</u>
Total Private Equity Funds in \$							<u>\$ 62,851,390</u>			

2014

Entity	Credit risk rating	Investment commitments	Contingency	Historic Cost	Redemption in Units	Inverted	Market Value	Valuation	Allowance	Implemented %
In legal money :										
Aureos	2	\$ 14,646,861	\$ 4,495,089	\$ 6,317,826	\$ 3,833,945	\$ 10,151,771	\$ 13,830,816	\$ 7,512,990	\$ 691,541	69.31
Escala	2	11,000,000	1,168,828	9,814,052	17,120	9,831,172	7,209,843	(2,604,209)	360,492	89.37
Progresa Capital	1	3,472,017	958,795	1,615,662	897,560	2,513,222	1,779,156	163,494	35,583	72.39
Colombia Ashmore	1	37,686,200	11,855,539	15,671,017	10,159,644	25,830,661	33,937,687	18,266,671	678,754	68.54
Brilla Colombia	1	9,600,000	8,126,327	1,464,216	9,458	1,473,674	634,627	(829,588)	31,731	15.35
Amerigo Ventures Colombia	1	<u>3,037,933</u>	<u>2,535,676</u>	<u>212,528</u>	<u>289,729</u>	<u>502,257</u>	<u>272,604</u>	<u>60,076</u>	<u>5,452</u>	<u>16.53</u>
		<u>\$ 79,443,011</u>	<u>\$ 29,140,254</u>	<u>\$ 35,095,301</u>	<u>\$ 15,207,456</u>	<u>\$ 50,302,757</u>	<u>\$ 57,664,733</u>	<u>\$ 22,569,434</u>	<u>\$ 1,803,553</u>	<u>63.32</u>

63.3%

Entity	Credit risk rating	Investment commitments	Contingency	Historic cost	Redemption in Units	Inverted	Market value	Valuation	Allowance	Implemented %	
							\$	USD			
In foreign currency:											
MGM Sustainable	1	<u>USD 4,000</u>	<u>USD 3,637</u>	<u>USD 363</u>	<u>USD -</u>	<u>USD 363</u>	<u>\$ 565,049</u>	<u>USD 236</u>	<u>USD (127)</u>	<u>\$ 11,301</u>	<u>9.08</u>
Total Private Equity Funds in \$							<u>\$ 58,229,782</u>				

### *Investments available for sale in participatory certificates*

Entity	Credit Risk Rating	2015					
		Capital	% Part.	Adjusted Cost	Equity value	Valuation	Allowance
Latin American Export Bank (Banco Latinoamericano de Exportaciones S.A.)	A	USD 363,291	0.0134	\$ 11,014,588	\$ 40,128,360	\$ 29,113,772	-
Leasing Bancoldex S.A. <sup>(2)</sup>	A	\$ 43,197,325	0.8655	37,023,138	45,747,801	8,724,663	-
Colombian Foreign Trade Fiduciary (Fiduciaria Colombiana de Comercio Exterior)	A	32,892,116	0.8917	29,759,784	45,309,193	15,549,409	-
National Guarantee Fund (Fondo Nacional de Garantías S.A.) <sup>(4)</sup>	A	370,444,890	0.2573	101,587,144	110,530,859	8,943,714	-
Financial Information Center (Centro de Información Financiera S.A.) - CIFI S.A. <sup>(5)</sup>	A	9,977,130	0.0050	121,003	224,510	103,507	-
Segurexpo of Colombia S.A.	D	38,731,225	0.4963	<u>20,994,544</u>	9,546,357	-	<u>12,596,726</u>
				<u>\$ 200,500,201</u>		<u>\$ 62,435,065</u>	<u>\$ 12,596,726</u>

- (1) The bank received cash dividends from the Latin American Export Bank S.A. - BLADEX. for \$ 1,988,340 during the year 2015.
- (2) The bank received stock dividends from Leasing Bancóldex S.A. for a value of \$ 4,769,742 during 2015.
- (3) The bank received stock dividends from Fiduciaria Colombiana de Comercio Exterior S.A. for \$ 1,422,837, and \$ 1,422,837, in cash during 2015.
- (4) The bank provided cash dividends to the National Guarantee Fund S.A. for \$ 1,596,396 during the year 2015.
- (5) The bank received stock dividends from the Financial Information Centre S.A. - CIFI S.A. for \$ 37,139 and in cash \$ 25,813 during 2015.

Entity	Credit Risk Rating	2014					
		Capital	% Part.	Adjusted Cost	Equity Value	Valuation	Allowance
Latin American Export Bank (Banco Latinoamericano de Exportaciones S.A.)	A	USD 363,291	1.3448	\$ 8,367,110	\$ 35,181,758	\$ 26,814,648	-
Leasing Bancoldex S.A. <sup>(2)</sup>	A	\$ 37,686,636	86.5544	32,253,396	42,718,084	10,464,688	-
Colombian Foreign Trade Fiduciary (Fiduciaria Colombiana de Comercio Exterior)	A	31,296,528	89.1731	28,336,947	36,312,598	7,975,651	-
National Guarantee Fund (Fondo Nacional de Garantías S.A.) <sup>(4)</sup>	A	370,444,890	25.7296	101,587,144	112,147,315	10,560,170	-
Centro de Información Financiera S.A. - CIFI S.A. <sup>(5)</sup>	A	8,273,170	0.0500	83,824	167,636	83,812	-
Segurexpo of Colombia S.A.	D	38,731,225	49.6341	<u>20,994,544</u>	10,249,759	-	<u>12,596,726</u>
				<u>\$ 191,622,965</u>		<u>\$ 55,898,969</u>	<u>\$ 12,596,726</u>

- (1) Bancóldex received cash dividends from the Latin American Export Bank S.A. - BLADEX. for \$ 1,336,025 during the year 2014.
- (2) The bank received stock dividends from Leasing Bancóldex S.A. for \$ 7,325,972 during 2014.
- (3) The bank received stock dividends from Fiduciaria Colombiana de Comercio Exterior S.A. for \$ 3,520,906, during 2014.
- (4) RiskBancóldex received cash dividends from the National Guarantee Fund S.A. for \$ 5,398,425 during 2014.

- 
- (5) Bancóldex received stock dividends from the Financial Information Centre S.A. - CIFI S.A. for \$ 53,824 and in cash for \$ 35,933 during the year 2014.

In Bancóldex, on December 31, 2015, the rights to re-purchase negotiable securities for \$80,724,500 were provided as a guarantee to support liquidity operations.

As of December 31 of 2015 and 2014, the rights to re-purchase securities available for sale were provided as a guarantee to support operations with the Central Chamber Clearing House for \$63,405,590 and \$52,868,945 respectively.

The movement of the investment provisions for debt and participatory securities is as follows:

	2015	2014
Balance at the beginning of the period	\$ 14,411,580	\$ 14,036,777
Constitutions (charges to results)	226,305	459,301
Reclamations (loans to results)	<u>(69,941)</u>	<u>(84,498)</u>
Balance at the end of the period	<u>\$ 14,567,944</u>	<u>\$ 14,411,580</u>

### ***Qualitative information***

*Objective of the Treasury's business* - The principal objective of the Treasury is to provide liquidity to finance the investment portfolio in conditions that allow for contributions to the profitability and financial sustainability of Bancóldex with resources from both internal and external capital markets and optimal conditions involving prices, interest and opportunity. In this way the Treasury manages the Bank's cash flow, following short, medium and long-term strategies defined by its administration. All of these actions are framed within the norms established by the Financial Superintendence, the Bank of the Republic and the guidelines established by the Bank's Executive Board.

On the other hand, the Treasury operates the Bank's trading position with certain treasury products in both Colombian Pesos and foreign currency, seeking to generate profitability that contributes to financial sustainability, acting within the framework of policies, limits and attributions previously approved by the Executive Board

*Risk Management of the Investment Portfolio* – The Bank has defined policies and mechanisms for the measuring, monitoring and control of risks for the product portfolio from the Treasury. Different areas from the entity participate in all of the Treasury processes and the roles of *front*, *middle* and *back office* are defined in the Bank's organizational structure.

The Executive Board, as the main party responsible for the Bank's risk management approves participation in new markets and in the negotiation of new products, following evaluation of the financial risks, legal aspects and operational processes, among others.

As a mechanism to facilitate that the Treasury products are negotiated in favorable conditions in terms of profitability and risk, the Bank carried out permanent monitoring of the markets in which it operates to carry out a technical and fundamental analysis. On the other hand, the level of exposure to market risks is determined in terms of the Value at Risk (VaR). Based on this value the limits of *stop loss* are identified (maximum loss tolerated in a period of time) and *stock loss* (maximum tolerated loss that is accumulated monthly) for each type of operation.

The Bank has tools and reports that allow for the daily identification of market risk for the consolidated portfolio and for each of the products that is negotiated.

*Maximum, minimum and average totals of the investment portfolio –*

	2015			2014		
	Maximum Amount	Minimum Amount	Average Amount	Maximum Amount	Minimum Amount	Average Amount
Investments to maintain until maturity	\$ -	\$ -	\$ -	\$ 22,922,803	\$ -	\$ 18,016,631
Available for sale	301,940,408	93,342,381	202,966,670	248,345,660	134,024,600	224,976,113
Negotiable	733,154,331	238,852,728	487,837,130	574,029,927	321,642,376	444,380,070

## 6. CREDIT PORTFOLIO

The details from the credit portfolio include the following:

	2015	2014
<b>Housing:</b>		
Ordinary Loans	<u>\$ 4,637,196</u>	<u>\$ 2,509,205</u>
	4,637,196	2,509,205
<b>Consumption:</b>		
Ordinary loans	<u>621,215</u>	<u>359,677</u>
	621,215	359,677
<b>Commercial:</b>		
Ordinary Loans	5,494,405,285	5,165,539,286
Discounts	<u>69,723,736</u>	<u>42,566,960</u>
	5,564,129,021	5,208,106,246
Total Gross Portfolio	5,569,387,432	5,210,975,128
Minus: Allowances	<u>(222,775,498)</u>	<u>(208,442,204)</u>
Total net portfolio	<u>\$ 5,346,611,934</u>	<u>\$ 5,002,532,924</u>

As of December 2015, and as a result of the adoption of the External Memo 032 of the Financial Superintendence of Colombia, the Bank modified its Provisions Framework, which is based on the guidelines established in Chapter II of the External Memo 100 of

1995 issued by the same entity for the administration of credit risk in each of the portfolios.  
(See Bullet Point e. of the main accounting policies).

The result from evaluating the portfolio is the following

	2015						
	Capital	Interest	Other Concepts	Guarantees	Allowances		
					Capital	Interest	Other Concepts
Housing Loans							
A - Normal	\$ 4,571,535	\$ 7,368	\$ 1,305	\$ 13,065,131	\$ 45,715	\$ 74	\$ 13
C - Appreciable	<u>65,661</u>	<u>1,884</u>	<u>50</u>	<u>-</u>	<u>6,566</u>	<u>188</u>	<u>5</u>
	<u>4,637,196</u>	<u>9,252</u>	<u>1,355</u>	<u>13,065,131</u>	<u>52,281</u>	<u>262</u>	<u>18</u>
Consumption Loans Suitable Guarantee							
A - Normal	<u>196,565</u>	<u>-</u>	<u>-</u>	<u>697,549</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>196,565</u>	<u>-</u>	<u>-</u>	<u>697,549</u>	<u>-</u>	<u>-</u>	<u>-</u>
Consumption Loans Other Guarantees							
A - Normal	<u>424,650</u>	<u>322</u>	<u>78</u>	<u>-</u>	<u>16,426</u>	<u>9</u>	<u>1</u>
	<u>424,650</u>	<u>322</u>	<u>78</u>	<u>-</u>	<u>16,426</u>	<u>9</u>	<u>1</u>
Commercial Loans Suitable Guarantee							
A - Normal	<u>40,610,929</u>	<u>-</u>	<u>-</u>	<u>9,687,972</u>	<u>199,253</u>	<u>-</u>	<u>-</u>
	<u>40,610,929</u>	<u>-</u>	<u>-</u>	<u>9,687,972</u>	<u>199,253</u>	<u>-</u>	<u>-</u>
Commercial Loans Other Guarantees							
A - Normal	5,468,581,494	28,250,245	-	314,963,577	113,242,305	530,375	-
B - Acceptable	21,293,305	333,399	-	1,148,245	613,846	14,610	-
C - Appreciable	5,994,804	58,170	-	-	629,332	7,596	-
D - Significant	14,551,771	151,494	-	-	8,003,474	83,322	-
E - Unrecoverable	<u>13,096,718</u>	<u>343,230</u>	<u>436,066</u>	<u>-</u>	<u>13,096,718</u>	<u>343,229</u>	<u>315,719</u>
	<u>5,523,518,092</u>	<u>29,136,538</u>	<u>436,066</u>	<u>316,111,822</u>	<u>135,585,675</u>	<u>979,132</u>	<u>315,719</u>
General Allowance (*)							
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,921,863</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,569,387,432</u>	<u>\$ 29,146,112</u>	<u>\$ 437,499</u>	<u>\$ 339,562,474</u>	<u>\$ 222,775,498</u>	<u>\$ 979,403</u>	<u>\$ 315,738</u>

(\*) At the Extraordinary Shareholders Meeting on December 22nd, 2015, reclassifying the general provision to make an individual provision that requires the application of models was approved, which was the result of the implementation of External Memo 032 from 2014. Likewise, it may be used to compensate the requirements of individual provisions generated by debtor defaults from the commercial portfolio. Inasmuch as the recovery of that portfolio is recorded, the provision shall be paid back to the general provision

2014

	Capital	Interest	Other Concepts	Guarantees	Allowances		
					Capital	Interest	Other Concepts
Housing Loans							
A - Normal	\$ 2,505,699	\$ 2,886	\$ 473	\$ 7,887,201	\$ 25,057	\$ 29	\$ 5
B - Acceptable	303	3	6	-	10	-	-
E - Unrecoverable	<u>3,203</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,203</u>	<u>-</u>	<u>-</u>
	<u>2,509,205</u>	<u>2,889</u>	<u>479</u>	<u>7,887,201</u>	<u>28,270</u>	<u>29</u>	<u>5</u>
Consumption Loans Suitable Guarantee							
A - Normal	<u>106,121</u>	<u>-</u>	<u>-</u>	<u>321,777</u>	<u>1,061</u>	<u>-</u>	<u>-</u>
	<u>106,121</u>	<u>-</u>	<u>-</u>	<u>321,777</u>	<u>1,061</u>	<u>-</u>	<u>-</u>
Consumption Loans Other Guarantees							
A - Normal	<u>253,556</u>	<u>199</u>	<u>288</u>	<u>-</u>	<u>2,536</u>	<u>2</u>	<u>3</u>
	<u>253,556</u>	<u>199</u>	<u>288</u>	<u>-</u>	<u>2,536</u>	<u>2</u>	<u>3</u>
Commercial Loans Suitable Guarantee							
A - Normal	<u>27,014,249</u>	<u>-</u>	<u>-</u>	<u>10,454,757</u>	<u>270,142</u>	<u>-</u>	<u>-</u>
	<u>27,014,249</u>	<u>-</u>	<u>-</u>	<u>10,454,757</u>	<u>270,142</u>	<u>-</u>	<u>-</u>
Commercial Loans Other Guarantees							
A - Normal	5,181,091,052	23,548,685	715	428,816,478	51,810,911	235,487	-
B - Acceptable	<u>945</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>30</u>	<u>-</u>	<u>-</u>
	<u>5,181,091,997</u>	<u>23,548,689</u>	<u>715</u>	<u>428,816,478</u>	<u>51,810,941</u>	<u>235,487</u>	<u>-</u>
General allowance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,329,254</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,210,975,128</u>	<u>\$ 23,551,777</u>	<u>\$ 1,482</u>	<u>\$ 447,480,213</u>	<u>\$ 208,442,204</u>	<u>\$ 235,518</u>	<u>\$ 8</u>

The movement of the portfolio provisions is the following:

	2015	2014
Balance at the beginning of the period	\$ 208,442,204	\$ 198,719,380
Constitutions (charges to results)	135,853,635	40,822,149
Penalties	-	(19,960)
Reclamations (loans to results)	<u>(121,520,341)</u>	<u>(31,079,365)</u>
Balance and the end of the period	<u>\$ 222,775,498</u>	<u>\$ 208,442,204</u>

As of December 31, 2015 and 2014, individual and overall provisions under Chapter II, Annexes 1, 3, 5 and 6 of the Basic Accounting Memo of the Financial Superintendence of Colombia were recorded. Also, 100% of the loan portfolio was evaluated.

The following is the maturity of the loan portfolio according to their future capital and interest flows:

0 – 30 days	\$ 231,101,748	\$ 280,340,273
31 – 60 days	239,436,319	212,210,338
61 – 90 days	301,931,657	377,198,511
91 – 180 days	805,203,642	922,439,962
181 – 360 days	1,279,793,437	961,695,036
More than 360 days	3,286,538,323	2,914,435,454

The following is the detail of the portfolio per type of client as of the 31<sup>st</sup> of December 2015 and 2014:

2015				
Type of client	Pesos	Foreign currency expressed in pesos	Capital total	Individual allowance
Local financial intermediary	\$ 3,753,795,666	\$ 1,109,716,897	\$ 4,863,512,563	\$ 122,285,812
Foreign financial intermediary	-	705,874,869	705,874,869	13,567,823
Exporter	-	-	-	-
	<u>3,753,795,666</u>	<u>1,815,591,766</u>	<u>5,569,387,432</u>	<u>135,853,635</u>
General allowance				<u>86,921,863</u>
	<u>\$ 3,753,795,666</u>	<u>\$ 1,815,591,766</u>	<u>\$ 5,569,387,432</u>	<u>\$ 222,775,498</u>

2014				
Type of client	Pesos	Foreign currency expressed in pesos	Total capital	Individual allowance
Local financial intermediary	\$ 3,752,388,223	\$ 889,144,942	\$ 4,641,533,165	\$ 46,418,530
Foreign financial intermediary	-	568,937,957	568,937,957	5,689,380
Exporter	-	<u>504,006</u>	<u>504,006</u>	<u>5,040</u>
	<u>3,752,388,223</u>	<u>1,458,586,905</u>	<u>5,210,975,128</u>	<u>52,112,950</u>
General allowance				<u>156,329,254</u>
	<u>\$ 3,752,388,223</u>	<u>\$ 1,458,586,905</u>	<u>\$ 5,210,975,128</u>	<u>\$ 208,442,204</u>

The following is the detail of the portfolio by geographic zone as of the 31<sup>st</sup> of December 2015 and 2014:

Geographic Zone	2015			2014		
	Pesos	Foreign currency expressed in pesos	Total Capital	Pesos	Foreign currency expressed in pesos	Total Capital
Antioquia and Cho	\$ 560,137,728	\$ 40,148,313	\$ 600,286,041	\$ 486,791,333	\$ 84,981,401	\$ 571,772,734
Bogotá D.C.	1,180,709,391	137,730,417	1,318,439,808	1,324,158,676	154,485,848	1,478,644,524
Central (1)	297,248,693	3,319,160	300,567,853	300,128,387	6,285,428	306,413,815
Atlantic Coast	384,463,648	401,731,597	786,195,245	355,075,211	226,004,464	581,079,675
Coffee Zone	221,803,661	6,926,132	228,729,793	164,402,773	15,793,743	180,196,516
West (2)	577,982,010	66,149,227	644,131,237	580,532,849	66,184,842	646,717,691
Santander	444,134,600	2,773,682	446,908,282	463,430,078	5,818,329	469,248,407
South East (3)	87,315,935	-	87,315,935	77,868,916	-	77,868,916
Outside the country	-	1,156,813,238	1,156,813,238	-	899,032,850	899,032,850
	<u>3,753,795,666</u>	<u>1,815,591,766</u>	<u>5,569,387,432</u>	<u>3,752,388,223</u>	<u>1,458,586,905</u>	<u>5,210,975,128</u>
<b>Individual allowance</b>			135,853,635			52,112,950
<b>General allowance</b>			86,921,863			156,329,254
	<u>\$ 3,753,795,666</u>	<u>\$ 1,815,591,766</u>	<u>\$ 5,346,611,934</u>	<u>\$ 3,752,388,223</u>	<u>\$ 1,458,586,905</u>	<u>\$ 5,002,532,924</u>

- (1) The Central Region refers to the Departments of Boyacá, Cundinamarca, Huila, Meta y Tolima
- (2) The Western Region refers to the Departments of Cauca, Nariño y Valle
- (3) The South-Eastern Region refers to the Departments of Amazonas, Arauca, Casanare, Putumayo y Guaviare..

## 7. BANK ACCEPTANCES, ACCOUNTING OPERATIONS AND DERIVATIVES

The details of the Bank's assets in the area of bank acceptances, accounting operations and derivatives is the following:

	2015	2014
Bank acceptances on term	\$ 4,708,141	\$ 113,048
Futures speculation forward contracts	<u>72,745,970</u>	<u>112,848,465</u>
	<u>\$ 77,454,111</u>	<u>\$ 112,961,513</u>

The detail in the Bank's liabilities of bank acceptances and derivatives is the following:

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Bank acceptances on term	\$ 4,708,141	\$ 113,048
Futures speculation forward contracts	<u>57,363,171</u>	<u>135,352,457</u>
	<u>\$ 62,071,312</u>	<u>\$ 135,465,505</u>

The bank acceptances were evaluated as a total, receiving a classification of Category “A”.

The details of the derivative operations are the following:

	2015		2014	
	Balance	Average balances	Balance	Average balances
- Futures speculation forward contracts				
Asset position				
Rights to purchase foreign currency	\$ 1,126,486,747	\$ 1,553,567,687	\$ 964,927,831	\$ 927,170,630
Rights to sell foreign currency	457,147,688	588,885,181	19,440,325	655,860,553
Obligations to purchase foreign currency	(1,071,624,173)	(1,466,915,862)	(852,405,508)	(892,470,768)
Obligations to sell foreign currency	<u>(439,264,292)</u>	(575,017,409)	<u>(19,114,183)</u>	(643,379,181)
Total forward contracts in asset position	<u>\$ 72,745,970</u>		<u>\$ 112,848,465</u>	
Liability position				
Rights to purchase foreign currency	\$ 564,063,212	\$ 624,124,963	\$ 23,923,460	\$ 749,939,552
Rights to sell foreign currency	840,069,704	1,277,927,252	932,693,395	921,319,679
Obligations to purchase foreign currency	(583,385,356)	(639,635,059)	(24,190,405)	(767,211,567)
Obligations to sell foreign currency	<u>(878,110,731)</u>	(1,378,186,656)	<u>(1,067,778,907)</u>	(962,895,148)
Total forward contracts in liability	<u>\$ (57,363,171)</u>		<u>\$ (135,352,457)</u>	
- Futures speculation forward contracts				
Rights to purchase foreign currency	\$ 796,799,010	\$ 1,003,713,003	\$ 598,486,690	\$ 717,736,031
Rights to sell foreign currency	1,195,046,540	1,336,112,288	632,309,595	914,261,874
Obligations to purchase foreign currency	(796,799,010)	(1,003,713,003)	(598,486,690)	(717,736,031)
Obligations to sell foreign currency	<u>(1,195,046,540)</u>	(1,336,112,288)	<u>(632,309,595)</u>	(914,261,874)
Total Future Speculations Contracts	<u>\$ -</u>		<u>\$ -</u>	

The following is the details of the average monthly performance of the Bank in its derivative operations

	2015	2014	Variation %
Futures speculation forward contracts			
Foreign currency purchases	\$ (651,706,246)	\$ (330,810,200)	
Foreign currency sales	569,010,542	353,193,719	
Loss (Profit) Futures speculation forward contracts	(82,695,704)	22,383,519	(469.45)
Futures speculation forward contracts			
Foreign currency purchases	(282,893,115)	(189,223,139)	
Foreign currency sales	383,050,312	211,042,013	
Loss (Profit) Futures speculation forward contracts	100,157,197	21,818,874	359.04

At the close of December 31, 2015 and 2014, the average term of forward purchases was 56 and 59 days and forward sales were at 67 and 73 days respectively, include OTC contracts and those negotiated by CRCC. There are no charges, restrictions or encumbrances of legal or financial nature on derivatives.

The following is the maturation of acceptances and derivatives according to their future capital and interest flows:

	2015	2014
0 – 30 days	\$ 19,279,155	\$ (12,510,285)
31 – 60 days	(7,054,640)	14,311,735
61 – 90 days	1,060,940	(10,179,757)
91 – 180 days	(53,356,870)	(21,352,830)
181 – 360 days	(13,649,893)	(6,069,280)

### ***Qualitative Information -***

*Objective of the derivatives* – Bancóldex can perform derivative transactions in order to hedge the financial risks of the different positions of the balance or to generate profitability, framed in the *trading forward* business, in order to contribute to financial sustainability, as long as it complies with the established risk management guidelines and follows the policies established by the Board for such operations.

At the close of December 31, 2015 and 2014, Bancóldex did not have derivative financial instruments for hedging or have flows of financial instruments in currencies different to the Colombian peso.

*Risk management of derivatives transactions* - The Bank has policies for using derivative financial instruments. The risks involved with these types of operations are consistent with the overall business strategy and are reflected in a structure that includes defined limits based on a risk profile defined by the Bank, the utilities budget established for each business unit and the structure of the balance sheet.

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The peso - dollar forward currency transactions are covered through the close of the forward or reverse operation or through the purchase / sale of currency in the spot market, with the objective of mitigating the risk involved in the exchange rate. With the goal of reducing interest rate risk, operations are performed with a maximum deadline of 360 days.

In addition, forward currency operations have different limits to control exposure to risk. The maximum open position limit at the end of the day, with the goal of having a proper fit between the positions, either with contracts or with positions in the spot market.

The Bank limits credit exposure to counterparts to mitigate concentration risk.

The Bank limits Value at Risk (VaR) to limit the maximum exposure to market risks.

Bancóldex uses tools and reports that monitor and control the level of business risks on a daily basis, quantifying the contribution of each risk factor and / or position in the Bank's results and including monitoring the actual risk losses assumed by the Bank's activities. The Bank also has regulations for negotiations by the operator, which are assigned to the different hierarchical levels of the Treasury.

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## 8. ACCOUNTS PAYABLE

The details of accounts payable are the following:

	2015	2014
Interest:		
Interbank funds sold and repurchase agreements	\$ 445,091	\$ 3,436
Loan Portfolio (nota 6)	<u>29,146,112</u>	<u>23,551,777</u>
	29,591,203	23,555,213
More:		
Commissions	68,589	14,671
Dividends and participations	1,596,396	-
Payments to client account (note 6)	437,499	1,482
Advances for contracts and providers	546,800	522,500
Staff advances	1,454	8,541
Missing funds	257,570	-
Employee agreements	30,781	52,366
Purchasing goods	-	91,107
Wellbeing	464,935	484,171
Ex-official debtors	130,099	71,201
Administrative Services Debtors	19,435	9,109
Investment program for the Bank of Opportunities	1,645	193,114
Settlement of derivative actions	2,785,280	5,007,630
Reimbursable Expenses for Autonomous Equities	52,257	1,641,721
Miscellaneous	<u>21,861</u>	<u>39,346</u>
	6,414,601	8,136,959
	<u>36,005,804</u>	<u>31,692,172</u>
Minus accounts receivable allowances		
Loan portfolio (note 6)	(1,295,141)	(235,526)
Others	<u>(522,500)</u>	<u>-</u>
	<u>(1,817,641)</u>	<u>(235,526)</u>
	<u>\$ 34,188,163</u>	<u>\$ 31,456,646</u>

The movement of the accounts payable provisions is the following:

	2015	2014
Balance at the beginning of the period	\$ 235,526	\$ 243,817
Constitutions (charges to results)	1,817,641	158,894
Penalties	-	(1,993)
Reclamations (credits to results)	<u>(235,526)</u>	<u>(165,192)</u>
Balance at the end of the period	<u>\$ 1,817,641</u>	<u>\$ 235,526</u>

## 9. PROPERTY AND EQUIPMENT

	2015	2014
Lands	\$ 339,484	\$ 339,484
Buildings	5,318,590	5,318,590
Equipment, furniture and office fixtures	5,659,550	5,273,052
Computer Equipment	4,634,973	4,999,468
Vehicles	<u>505,003</u>	<u>680,913</u>
	16,457,600	16,611,507
Minus: Accumulated depreciation	<u>(12,876,209)</u>	<u>(12,469,135)</u>
	<u>\$ 3,581,391</u>	<u>\$ 4,142,372</u>

Bancóldex has registered its valuations using methods of recognized technical value for property equipment, as well as art and cultural goods, the service was provided in November and December 2014 by Luis Fernando Maguin Hennessey, (Architect P.U.J.)

The total depreciation charged to operations was \$ 965,196 and \$ 1,713,674, for the periods ended December 31 2015 and 2014 respectively.

Property and equipment are duly secured and are free of conditions or limitations. They are in good condition because the Bank carries out timely maintenance and repairs.

## 10. OTHER ASSETS

The details of the other assets are the following:

	2015	2014
Permanent contributions <sup>(1)</sup>	\$ 92,218	\$ 92,218
Expenses paid in advance <sup>(2)</sup>	656,935	645,367
Deferred charges <sup>(3)</sup>	31,430,035	25,540,913
Deferred payment letters of credit	466,133	34,143
Loans to employees <sup>(4)</sup>	14,257,716	15,267,298
Security deposits <sup>(5)</sup>	11,895,516	7,188,524
Art and cultural property	111,059	111,059
Condition of goods delivered	63,339	63,339
Trust rights	-	3,812
Others <sup>(6)</sup>	<u>17,845,691</u>	<u>11,000</u>
	76,818,642	48,957,673
Minus:		
Employee loan allowances	(161,472)	(152,673)
Other allowances	<u>-</u>	<u>(2,566,855)</u>
	<u>(161,472)</u>	<u>(2,719,528)</u>
	<u>\$ 76,657,170</u>	<u>\$ 46,238,145</u>

(1) The permanent contributions correspond to the Bank's investments in the Ejecutivos and El Nogal Clubs.

(2) The detail of prepaid expenses is the following:

	2014	Charges	Amortization	2015
Insurance policies	\$ 139,576	\$ 336,310	\$ 357,650	\$ 118,236
Others	<u>505,791</u>	<u>2,252,037</u>	<u>2,219,129</u>	<u>538,699</u>
	<u>\$ 645,367</u>	<u>\$ 2,588,347</u>	<u>\$ 2,576,779</u>	<u>\$ 656,935</u>

(3) The detail of the deferred charges is the following:

	2014	Charges	Amortization	2015
Computer software programs <sup>(a)</sup>	\$ 5,834,181	\$ 19,001,049	\$ 20,763,349	\$ 4,071,881
Deferred income tax	<u>19,706,732</u>	<u>81,490,897</u>	<u>73,839,475</u>	<u>27,358,154</u>
	<u>\$ 25,540,913</u>	<u>\$ 100,491,946</u>	<u>\$ 94,602,824</u>	<u>\$ 31,430,035</u>

(a) This includes a deferred charge related to the technological modernization project "Orion", which presents a balance of \$ 647,245 and \$ 4,393,933 at December 31, 2015 and 2014, respectively. In May 2015 the Bank proceeded to write-off the related asset in the accounting software based on the provision made last year for an amount of \$ 2,566,854, with prior authorization of the Board, as described in Act 329 of April 2015. In December 2015 some modules of Phase III of the technological modernization project "Orion" were activated, with a value of \$ 1,179,834.

(4) The detail of the credits used is the following:

### Credit for employees

Type	2015			Provisions	
	Capital	Interest	Total	Capital	Interest
Housing Loan					
A - Normal	<u>\$ 12,756,062</u>	<u>\$ 32,236</u>	<u>\$ 12,788,298</u>	<u>\$ 127,561</u>	<u>\$ 322</u>
	<u>12,756,062</u>	<u>32,236</u>	<u>12,788,298</u>	<u>127,561</u>	<u>322</u>
Purchase Loan					
A - Normal	<u>1,078,629</u>	<u>3,528</u>	<u>1,082,157</u>	<u>33,516</u>	<u>73</u>
	<u>1,078,629</u>	<u>3,528</u>	<u>1,082,157</u>	<u>33,516</u>	<u>73</u>
Free Investment Loan					
A - Normal	<u>387,252</u>	<u>9</u>	<u>387,261</u>	<u>-</u>	<u>-</u>
	<u>387,252</u>	<u>9</u>	<u>387,261</u>	<u>-</u>	<u>-</u>
	<u>\$ 14,221,943</u>	<u>\$ 35,773</u>	<u>\$ 14,257,716</u>	<u>\$ 161,077</u>	<u>\$ 395</u>

2014					
Type	Capital	Interest	Total	Provisions	
				Capital	Interest
Housing Loan					
A - Normal	<u>\$ 12,781,663</u>	<u>\$ 24,244</u>	<u>\$ 12,805,907</u>	<u>\$ 128,059</u>	<u>\$ -</u>
	<u>12,781,663</u>	<u>24,244</u>	<u>12,805,907</u>	<u>128,059</u>	<u>-</u>
Purchase Loan					
A - Normal	<u>1,421,068</u>	<u>3,396</u>	<u>1,424,464</u>	<u>24,614</u>	<u>-</u>
	<u>1,421,068</u>	<u>3,396</u>	<u>1,424,464</u>	<u>24,614</u>	<u>-</u>
Free Investment Loan					
A - Normal	<u>1,036,867</u>	<u>60</u>	<u>1,036,927</u>	<u>-</u>	<u>-</u>
	<u>1,036,867</u>	<u>60</u>	<u>1,036,927</u>	<u>-</u>	<u>-</u>
	<u>\$ 15,239,598</u>	<u>\$ 27,700</u>	<u>\$ 15,267,298</u>	<u>\$ 152,673</u>	<u>\$ -</u>

Loans to employees are evaluated using the same criteria and periods as commercial loans.

- (1) As of December 31, 2015 and 2014, guarantee deposits consist of \$ 9,324,560 and \$ 7,117,568 for covering Treasury operations - OTC forwards respectively; as of December 31, 2015, this includes \$ 2,500,500 for next day operations with the Foreign Exchange Clearing House.

- (2) Trust Rights

*Loan Portfolio* - The basic conditions in the process of securing the credit portfolio by the Bank in November 2011, are as follows:

*Objective portfolio securitization* – Securitization of the loan portfolio seeks to obtain resources that allow Bancóldex to offer more credit to Colombian companies and further promote the transformation and growth of the country's real sector.

*Participating agents:*

- Bancóldex as originator and administrator of the portfolio.
- Fiduciaria Colombiana de Comercio Exterior S.A. – Fiducóldex as managing agent.
- Alianza Fiduciaria S.A. as Legal Representative of the title holders.
- Deceval S.A. as administrator of the issue.
- Fitch Ratings Colombia as classifier of the issue.
- Nogal Asesorías Financieras as financial structuring manager.
- Galvis & Asociados as legal structuring manager.
- *Securitized asset* - The underlying securitized assets consists of the direct and rediscount portfolios in pesos of Bancóldex customers (Financial Intermediaries or Colombian Credit Establishments). These credits are

rated "A" according to standards issued by the Financial Superintendence of Colombia and have never defaulted.

- *Amount and term of the securitization* - The global program to issue securities arising from the securitization of the Bancóldex portfolio is \$ 1 billion, which will be placed on the market for a period of 3 years. To date the Bank has carried out the first issue of the amount of \$ 345.7 million.
- *Security mechanisms (Collateral)* - A careful analysis was carried out of the risks associated with the underlying asset and hedging mechanisms and coverage mechanisms were structured to mitigate them:
  - To cover credit risk, the hedging mechanism used is the "Overcollateralization Portfolio" which is an excess contribution to the portfolio at the time of the issue.
  - To cover prepayment risk, a hedging mechanism was generated called a "Commitment to Replace Credits" up to a maximum ceiling that is defined in each issue.
  - To cover liquidity risk, additional resources from the initial cash flow and additional portfolio were contributed to increase the level of liquidity of Autonomous Equity at the beginning of the issue. Assets were delivered to cover this risk have a strict rule for the return of "Excess Liquidity" to the Originator.
- The securitized portfolio ended on May 11, 2015, the date on which all securities issued by the Autonomous Equity TDEX 10-01 were paid, involving the liquidation of the Autonomous Equity.

*Excess liquidity* – To implement the securitization contract for the credit portfolio during 2015, the Autonomous Equity returned to Bancóldex, as originator, excess liquidity of \$ 15,233,851.

- (5) For 2015, the liquidation of income tax and complementary tax generated a balance in favor of the Bank of \$ 17,834,690.

El movimiento de las provisiones de otros activos es el siguiente:

	2015	2014
Balance at the beginning of the period	\$ 2,719,528	\$ 936,273
Constitutions (charges to results) <sup>(1)</sup>	161,472	2,597,756
Penalty <sup>(1)</sup>	(2,566,854)	-
Reclamations (credits to results)	<u>(152,673)</u>	<u>(814,501)</u>
Balance at the end of the period	<u>\$ 161,472</u>	<u>\$ 2,719,528</u>

- (1) In 2014 the constitution of provisions (with a change to income) corresponded to 98.8% of the provision of Phase III of the ORION Treasury Project. In May 2015, the Phase III - ORION Treasury Project asset began to be written off based on the provision constituted from the previous year, for \$ 2,566,854, with prior authorization from the Executive Board, based on Act 329 of April of 2015
- (2) As of the 31st of December 2015, the constitutions and recoveries of provisions correspond 100% to loans to employees.

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## 11. VALUATIONS

El detalle de las valorizaciones es el siguiente:

	2015	2014
Properties and equipment	\$ 28,558,542	\$ 27,411,891
Investments	62,435,066	55,898,969
Art and cultural property	<u>1,359,217</u>	<u>1,359,218</u>
	<u>\$ 92,352,825</u>	<u>\$ 84,670,078</u>

The Bank has registered its valuations in accordance with the valuations that have recognized technical value (See Note 9). These are for the investments, in accordance with the valuation norms that are applicable for the Bank.

## 12. DEPOSITS AND LIABILITIES

The details of the deposits and liabilities are the following:

	2015	2014
<i>Term Deposit Certificates</i>		
Issued for a period equal to or exceeding 12	\$ 258,000,000	\$ -
Issued for a period equal to or exceeding 18 months	<u>2,265,813,975</u>	<u>2,376,823,996</u>
	<u>2,523,813,975</u>	<u>2,376,823,996</u>
Deposits to Savings Account	-	114,993
Special security deposits	5,271,779	1,084,708
Tax collection services	<u>-</u>	<u>69,663</u>
	<u>\$ 2,529,085,754</u>	<u>\$ 2,378,093,360</u>

In 2015, Bancóldex retained its local F1 + and AAA ratings from Fitch Ratings de Colombia S.A for the short and long term, respectively, with a stable outlook.

Meanwhile, BRC Standard & Poor's confirmed the Bank's AAA rating in the long-term and BRC 1+ rating for the short term.

As for the foreign currency rating, the Bank obtained a BBB rating from Fitch Ratings New York with a stable outlook. This is based on the alignment of Bancóldex's risk with sovereign risk and the ability of the national government to provide support to Bancóldex if necessary

The following is the maturing of term deposit certificates in accordance with their flows:

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	2015	2014
0 – 30 days	259,136,943	23,940,700
31 – 60 days	142,799,536	256,116,949
61 – 90 days	28,211,236	262,194,451
91 – 180 days	391,691,634	493,751,187
181 – 360 days	572,283,616	657,779,144
More than 360 days	1,382,497,858	876,180,524

### 13. LIABILITIES IN CURRENCY AND RELATED MARKETS

The details of the liabilities in the currency and related markets is the following:

Entity	Interest rate (%)	2015 Negotiation Deadline	Value	Interest rate (%)	2014 Negotiation Deadline	Value
Purchased interbank funds						
Foreign currency						
Bank	5.53	9.5	<u>\$ 26,000,000</u>	4.35	6	<u>\$ 5,500,000</u>
			<u>26,000,000</u>			<u>5,500,000</u>
Commitments to transfer transactions – Simultaneous						
Legal currency						
Bank	3.34	6	<u>80,804,455</u>			-
			<u>\$ 106,804,455</u>			<u>\$ 5,500,000</u>

## 14. BANKING CREDITS AND OTHER FINANCIAL OBLIGATIONS

E The details of the banking credits and other financial obligations is the following:

	2015			2014		
	Int. Rate. (%)	Value in USD (miles)	Value in Pesos	Int. Rate (%)	Value in USD (miles)	Value in Pesos
In foreign currency						
Short term						
BHF Bank Frankfurt Germany	1.33	1,133	\$ 3,567,982	0.86	2,317	\$ 5,544,478
Toronto Dominion Bank Canada	0.85	9,324	29,365,190	0.88	10,319	24,687,594
Bank Of Montreal Canada	-	-	-	1.00	12,355	29,559,163
The Bank Of Nova Scotia Canada	0.76	5,436	17,121,850	-	-	-
Commerzbank A.G.	1.40	20,000	62,989,400	1.04	13,333	31,899,145
Bank Of Tokyo Mitsubishi N.Y. USA	-	-	-	2.88	233	558,241
State Bank of Chile (Banco del Estado de Chile)	1.14	10,000	31,494,700	0.88	30,000	71,773,800
U	0.80	4,060	12,787,730	-	-	-
Citibank USA	1.47	12,242	38,554,796	0.91	18,637	44,589,093
Interamerican Investment Corp.	1.25	4,095	12,897,561	1.18	8,475	20,275,715
Mizuho Corporate Bank Ltd USA	1.43	50,000	157,473,500	-	-	-
Wells Fargo Bank	1.40	31,550	99,365,779	0.81	9,696	23,198,335
Andina de Fomento) CAF Venezuela	<u>1.00</u>	<u>140,000</u>	<u>440,925,800</u>	<u>0.88</u>	<u>125,700</u>	<u>300,732,222</u>
	<u>1.16</u>	<u>287,840</u>	<u>906,544,288</u>	<u>0.91</u>	<u>231,065</u>	<u>552,817,786</u>
Medium term						
Kingdom of Spain Institute of Official Credit	1.78	16,310	51,369,115	2.15	29,022	69,434,453
Interamerican Investment Corp.	1.55	12,493	39,347,316	-	-	-
Andean Development Corporation CAF	2.29	20,000	62,989,400	-	-	-
Wells Fargo Bank	-	-	-	2.08	20,000	47,849,200
BCO. KFW IPEX BANK GMBH	<u>1.20</u>	<u>1,605</u>	<u>5,054,899</u>	<u>0.94</u>	<u>1,605</u>	<u>3,839,899</u>
	<u>1.91</u>	<u>50,408</u>	<u>158,760,730</u>	<u>2.09</u>	<u>50,627</u>	<u>121,123,552</u>
Long term						
Inter-American Development Bank USA	<u>1.35</u>	<u>306,617</u>	<u>965,679,994</u>	<u>1.01</u>	<u>320,902</u>	<u>767,746,110</u>
	<u>1.35</u>	<u>306,617</u>	<u>965,679,994</u>	<u>1.01</u>	<u>320,902</u>	<u>767,746,110</u>
Total Bank Loans and Other Financial Obligations	<u>1.31</u>	<u>644,865</u>	<u>\$ 2,030,985,012</u>	<u>1.06</u>	<u>602,594</u>	<u>\$ 1,441,687,448</u>

On these balances there is no negative pledge. This kind of guarantee (known under the English name of the clause that contains syndicated loans: negative pledge) is that an individual or commercial entity has an obligation to the creditor to not constitute any kind of mortgage or pledge issues, collateral trusts or any other security or limitation while there are current obligations that favor the creditor and cover their property.

The following is the maturity of bank loans and other obligations according to their future capital and interest flows:

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	<b>2015</b>	<b>2014</b>
0 – 30 days	\$ 31,717,041	\$ 13,101,892
31 – 60 days	28,387,913	21,130,410
61 – 90 days	77,584,507	73,542,132
91 – 180 days	729,492,882	343,159,169
181 – 360 days	228,499,194	107,859,360
More than 360 days	1,225,055,266	883,711,128

## **15. ACCOUNTS PAYABLE**

The details of the accounts payable are the following:

	<b>2015</b>	<b>2014</b>
Interest	\$ 19,067,227	\$ 15,276,585
Commissions and fees	595,379	2,474
Dividends	174,318	120,567
Sales tax to be paid	183,853	159,332
Promise to purchase	500	-
Providers	1,583,757	1,322,469
Occupational withholdings and contributions	2,385,940	2,551,706
Miscellaneous	<u>8,250,068</u>	<u>6,306,157</u>
	<u><u>\$ 32,241,042</u></u>	<u><u>\$ 25,739,290</u></u>

## **16. INVESTMENT SECURITIES IN CIRCULATION**

The details of the investment securities in circulation are as follows:

	<b>2015</b>	<b>2014</b>
Ordinary bonds equal to or exceeding 18 months	<u>\$ 500,000,000</u>	<u>\$ 706,700,000</u>
	<u><u>\$ 500,000,000</u></u>	<u><u>\$ 706,700,000</u></u>

In terms of the bonds, there are no guarantees given.

The conditions for the bonds are the following:

Issuance	Issuance amount	Lots	Placement date	Date issued	Maturity date <sup>(1)</sup>	Interest rate
Fifth Issuance	400,000	Lot 1	sep 19, 07	sep 19, 07	dic 19, 11	Indexed to DTF – IPC – IBR
		Lot 2	nov 14, 07			
Sixth Issuance	600,000	Lot 1	abr 22, 08	abr 22, 08	ene 22, 12	
		Lot 2	feb 12, 09			
Seventh issuance	1,000,000	Lot 1	ago 12, 09	ago 12, 09	may 12, 13	
		Lot 2	may 12, 10			
		Lot 3	may 12, 11			
Eighth Issuance	300,000	Lot 1	mar 7, 12	mar 7, 12	mar 7, 15	
Ninth issuance	700,000	Lot 1	sep 6, 12	sep 6, 12	sep 6, 22	
	3.000.000					

(1) Corresponds to the final date of expiration of the sets for each issuing.

The following is the maturation of the securities in circulation in accordance with their future capital and interest flows:

	2015	2014
61 – 90 days	\$ 11,960,889	\$ 119,055,432
91 – 180 days	12,226,800	10,986,600
181 – 360 days	24,320,645	120,362,945
More than 360 days	703,521,486	695,523,915

## 17. OTHER LIABILITIES

The details of the other liabilities are the following:

	2015	2014
Consolidated Labor Obligations <sup>(1)</sup>	\$ 4,414,459	\$ 4,403,426
Anticipated revenues <sup>(2)</sup>	103,245,519	96,147,684
Deferred payments	-	1,359
Deferred payment letters of credit	466,133	34,143
Deferred income tax	13,503,434	15,087,696
Surpluses Funds	280	213
Miscellaneous	<u>34,717,904</u>	<u>49,054,848</u>
	<u>\$ 156,347,729</u>	<u>\$ 164,729,369</u>

(1) All of the labor obligations contracted by the Bank are covered under Laws 50 of 1990 and 100 of 1993.

- (2) These balances mainly correspond to the resources received by Ministries, Departmental Governments and Municipal Councils for the financing of areas with differential rates, as well as Banking Operations Commissions received from Special Programs administered by the Bank. The detail of the expected income is the following:

	<b>2014</b>	<b>Charges</b>	<b>Depreciation</b>	<b>2015</b>
Interest	\$ 91,864,392	\$ 66,571,408	\$ 56,044,147	\$ 102,391,653
Commissions	<u>4,283,292</u>	<u>2,447,330</u>	<u>5,876,756</u>	<u>853,866</u>
	<u>\$ 96,147,684</u>	<u>\$ 69,018,738</u>	<u>\$ 61,920,903</u>	<u>\$ 103,245,519</u>

## 18. ESTIMATED LIABILITIES ADN PROVISIONS

The details of estimated liabilities and provisions is the following:

	<b>2015</b>	<b>2014</b>
Income tax and complementary taxes <sup>(1)</sup>	\$ -	\$ 16,284,119
Industry and Commerce Tax	862,970	823,600
Labor lawsuits <sup>(2)</sup>	344,710	232,644
Services	3,520	15,619
Fees	202,845	249,092
Water and sewer systems	420	695
Electric power	29,550	33,050
Phone service	15,100	20,685
Computer equipment maintenance	-	803
General services	24,497	37,625
Data transmission	30,000	37,169
Commissions	90,289	105,500
Leases	39,354	62,274
Others	<u>277,520</u>	<u>600,335</u>
	<u>\$ 1,920,775</u>	<u>\$ 18,503,210</u>

- (1) For the period of 2015 there are no liabilities to be paid for income tax, because the liquidation at the end of the year produces a balance in the Bank's favor, which is registered in the group of other assets.
- (2) There are no provisions resulting from contingencies of probable losses from litigation, except three business ordinary processes currently under way against Bancóldex, with the sum of these processes amounting to \$ 344.710 and \$ 232.644, for the periods ended 31st of December 2015 and 2014, respectively.

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## 19. EQUITY

The details of equity include the following:

	2015	2014
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	<u>2,993,357</u>	<u>2,993,357</u>
	<u>\$ 1,062,556,872</u>	<u>\$ 1,062,556,872</u>

The number of shares subscribed and paid for are the following:

	2015	2014
Ministry of Commerce, Industry and Tourism ( Class "A" Shares ) Ordinary	\$ 976,143,335	\$ 976,143,335
Ministry of Finance and Public Credit ( Class "A" Shares ) Ordinary	83,420,180	83,420,180
Private Investors ( Class "B" shares ) Ordinary	2,080,683	2,080,683
Private Investors ( Class "C" shares ) Privileged	<u>912,674</u>	<u>912,674</u>
	<u>\$ 1,062,556,872</u>	<u>\$ 1,062,556,872</u>

In Bancóldex, Series C, preferential shares possess a minimum, annual, preferential dividend that is equivalent to 3.5% of the equity value of the shares at the beginning of the year with a charge on the profits that the General Assembly calculates it should be charged on. Said minimum, preferential dividend will apply, in principle, for eight (8) years, after which the bank will compare the average value of the shares registered at the Banco de Valores de Bogotá, Medellín y Occidente for twelve (12) months prior to the comparison of the average equity value of shares in the same period.

If the average value on the Stock Exchange is equal to or greater than 110% of the average equity value, this privilege shall be terminated and as a consequence, the minimum, preferential dividend shall be suspended; if the opposite is true, the privilege shall be extended for another five (5) years, after which the bank shall once again compare the average value using the same method. If the average value at the Colombian Stock

Exchange continues to be less than 110% of the average equity value, this privilege shall be extended for another year (1), after which it shall be terminated.

Termination of these privileges, whenever this may occur, will allow these shares to become regular shares and will lead to the substitution of securities. If the General Assembly acknowledges a dividend that is higher than the minimum preferential value, then it shall take precedence over the latter.

In order to reconcile the privilege embedded in previous paragraphs, Bancóldex shall proceed according to the following formula:

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Minimum, preferential dividend = Equity value of the shares at the beginning of the year N x 3.5%.

*Whereby:*

The equity value of the shares at the beginning of the year N = Total equity on the 31st of December of year N – 1 / Total current shares

The General Shareholders Assembly of Bancóldex has instructed the payment of the minimum preferential dividend, funded by liquid profits from the same period. Therefore, the payment dates for the preferential dividend correspond to the dates defined by the assembly, notwithstanding Section 2 of Article 381 in the Code of Commerce. Payment dates are defined by this establishment and if Bancóldex does not generate profits in its activities or they are insufficient to cover said payment. The total or partial unpaid dividend shall be accrued and funded by liquid profits from the following period. If there are no liquid profits or they are insufficient in the following period, they will be accrued to be paid in successive periods.

The General Shareholders Assembly of Bancóldex decided that the privilege should be renewed for a five-year term and then once more, in a regular meeting on the 31st of August 2002. At the meeting held on the 31st of March 2008, the General Shareholders Assembly of Bancóldex decided that the listed value on the Colombian Stock Exchange was to be zero (o) and that the privilege should continue for another 5 years, taking into account that the list value is merely a reference used to understand whether the privilege should be renewed or not, for five years in principle and then for three successive, two-year periods. Given the expiration of this privilege, the General Shareholders Assembly of Bancóldex approved the renewal of the privilege for another five years on the 22nd of March 2013.

## 20. OTHER OPERATIONAL INCOME

Details regarding other operational income are as follows:

	2015	2014
Recovery of allowances		
Loan Portfolio <sup>(1)</sup>	\$ 121,520,341	\$ 31,079,365
Accounts Receivable	235,526	165,192
Cables, charges, telephones	96,291	75,524
Portfolio and loan prepayments	-	3,618,168
F.N.G. Premium reimbursement	230,054	325,631
Others	<u>246,522</u>	<u>61,767</u>
	<u>\$ 122,328,734</u>	<u>\$ 35,325,647</u>

(1) The variation in revenue from recoveries of provisions in the credit portfolio, is caused mainly by accounting movements in the implementation of the new model for provisions in compliance with External Memo 032 of 2014, in which the recovery of individual provisions was carried out to a value of \$ 52,112,950 and general provisions for a value of \$ 69,407,391. The expenditure was incurred by the generation of provisions based on defined models.

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## 21. OTHER OPERATIONAL COSTS

Details of other operational costs are as follows

	2015	2014
Fees <sup>(1)</sup>	\$ 5,775,798	\$ 3,901,286
Taxes <sup>(2)</sup>	34,121,880	13,198,119
Leases	2,695,101	2,237,089
Contributions and affiliations	1,765,481	1,914,311
Insurance policies	430,243	489,883
Maintenance and repairs	2,879,696	2,612,416
Renovations and installation of offices <sup>(3)</sup>	539,326	1,753,540
Cleaning and security services	705,540	700,281
Temporary Services	863,961	1,160,100
Publicity and marketing	883,766	1,472,378
Public Relations	54,280	87,318
Public Services	700,313	735,428
Travel expenditures	767,551	1,113,479
Transport	845,547	1,074,365
Supplies and stationery	67,417	82,010
Photocopying service	2,791	5,839
Photo scanning service	151,125	144,919
Subscriptions and registrations	100,775	126,034
Source books	2,487	2,690
Work lunches	103,981	163,865
Cafeteria supplies	99,844	107,869
Cleaning supplies	77,608	65,859
Legal and notary needs	9,968	5,541
Messaging and mail charges	201,840	245,921
Transferring telex data, Tas, SWIFT	1,509,817	1,384,713
Building administration costs	1,137,214	1,119,873
Minor appliances	18,373	10,469
Social welfare	1,659,997	2,218,892
Commercial Information	450,449	404,796
Storing and safeguarding magnetic files	73,187	98,441
Bancoldex Contact Centre	523,976	545,483
Stock market registrations	52,195	78,200
Alternative service for contingency process	117,536	121,644
Institutional Notices and Announcements	53,382	64,574
Business Training Events and Refreshments and Strategic Planning <sup>(4)</sup>	921,358	118,262
Other minor costs	110,085	197,740
	<u>\$ 60,473,888</u>	<u>\$ 39,763,627</u>

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- (1) The increase mainly results from 2014 for the payment of \$ 1,801,984 to Temenos USA INC for the implementation of new software and the final payment for installation services, as shown in Appendix 1 for Contract 2008076.
  - (2) The increase in tax expenses arises from the payment of Wealth Tax for 2015 (Law 1739 of 2014). In 2014 there was no causation estate tax (now known as Wealth Tax) because the expense was recognized for accounting purposes in 2012.
  - (3) In 2014 the adaptation and remodeling of offices in Bogota and Barranquilla were carried out, as well as expenses related to the offices for the Integrated Service Centers in the cities of Neiva, Ibagué and Armenia.
  - (4) The main challenge for the Bank in 2014 was the definition of its new corporate strategy, which set the direction of the Bank for the coming years, formulating a proposal for bold value with unique choices and a clear focus to generate greater impact on business growth. To achieve this, the bank hired a team of expert consultants in the area of strategy, so that together with the Bank's management they could design the organization's corporate strategy, taking into account the synergies that can be generated between Bancóldex, its subsidiaries and the special programs it manages.

## 22. NON-OPERATIONAL INCOME

Details of non-operational income are as follows

	2015	2014
Profit for sale of goods received in payment	\$ -	\$ 16,964
Profit for sale of property and equipment	600	12,570
Leases for good	806,877	695,979
Reimbursement of provisions		
Penalized goods	180,286	75,323
Good received in payment	-	622,693
Investments	69,941	84,498
Other allowances	4,517,264	2,130,366
Others assets	152,673	814,501
Reimbursements	94,128	157,056
Other reclamations		
Expenses from previous periods	142,249	429,350
Conditional discount for providers	28,121	11,234
Miscellaneous		
Revenue for good received in payment	-	114,209
Reimbursement of expenses	-	5,869
Credit portfolio interest from previous periods	-	2,645
Reimbursement for securitized portfolio liquidity surplus <sup>(1)</sup>	15,233,851	2,409,959
Others	<u>201,518</u>	<u>225,143</u>
	<u>\$ 21,427,508</u>	<u>\$ 7,808,359</u>

- (1) During 2015, in the implementation of the securitization of the credit portfolio, Autonomous Equity returned to Bancóldex, as originator, liquidity excesses from the securitized portfolio of \$15,233,851. (See Note 10 Number 6)

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## 23. NON-OPERATIONAL COSTS

Details of non-operational costs are as follows:

	2015	2014
Loss on sale of goods received in payment <sup>(1)</sup>	\$ -	\$ 292,693
Loss due to problem in operational risk	-	543
Fines, penalties, lawsuits and compensation <sup>(2)</sup>	12,517	247,021
Expenses for goods received in payment	-	6,763
Reversed revenue from previous periods	1,291	7,728
Expenses from previous periods	71,599	12,719
Assumed withholdings	316,157	325,816
Non-deductible expenses	-	62,579
Miscellaneous	<u>3,103</u>	<u>17,881</u>
	<u>\$ 404,667</u>	<u>\$ 973,743</u>

(1) Corresponds to the loss generated by the sale of the La Candelaria land in the month of November 2014.

(2) In 2014, corresponds to the payment of compensation due to a lawsuit brought against the Bank.

## 24. INCOME AND COMPLEMENTARY TAX AND CREE

The details of the conciliation between accounting and fiscal rubrics is the following:

	2015	2014
Profit before tax on income and CREE	\$ 37,033,307	\$ 96,792,558
More or less line items that increase (reduce) the tax profit:		
Wealth tax	17,787,750	-
Adjustment for valuation not carried out in derivatives	21,184,449	24,549,811
Adjustment for valuation not carried out for Equity Funds	4,360,900	(4,262,849)
Difference in investment in ME shares	(2,647,478)	-
Non-deductible allowances that are a permanent difference - General	(68,884,891)	7,303,220
Non-deductible allowances that are a temporary difference - Accrued	156,113	3,735,598
Higher amortization for accounting software	(2,477,597)	9,910,386
Higher tax revenue due to investments	3,708,530	11,153,761
Investment allowance	338,371	459,301
Dividends and participations	(9,273,844)	(16,335,060)
Allowance Reimbursement	(4,587,204)	(7,632,416)
Interest for alleged shareholders	111,300	100,000
Others	4,906,974	4,392,448
Ordinary liquid assets or (loss)	<u>\$ 1,716,680</u>	<u>\$ 130,166,758</u>
	<b>2015</b>	<b>2014</b>
Liquid assets or (loss)	1,716,680	130,166,758
Presumptive applicable tax	46,686,975	44,503,259
Estimated tax basis for income security	<u>46,686,975</u>	<u>130,166,758</u>
Estimated tax basis for CREE security	<u>\$ 46,686,975</u>	<u>\$ 130,066,758</u>
Estimated tax based for CREE SURCHARGE security	<u>\$ 45,886,975</u>	<u>\$ 130,066,758</u>
Taxable occasional revenue - selling property owned for more than two	<u>\$ -</u>	<u>\$ (292,142)</u>
25% current tax on income security (on an estimated tax basis)	\$ 11,671,744	\$ 32,541,690
9% income tax for CREE equity	4,201,828	11,706,008
5% Income tax surcharge for CREE equity	2,294,348	-
Deferred tax	<u>(9,235,683)</u>	<u>(12,335,215)</u>
Total income tax and CREE expense	<u>\$ 8,932,237</u>	<u>\$ 31,912,483</u>

The difference between the estimated income securities and CREE tax base and tax base estimated by way of the CREE surcharge is because for purposes of determining the latter, this is reduced by \$ 800.000 in accordance with the provisions of Article 22 of Law 1739 of 2014.

The effective income tax rate for the years 2015 and 2014 was 24.12% and 32.97%, respectively. The decrease in the rate is because for 2015, effective income tax is determined by the presumptive income system.

The income statements for the years 2011 to 2014 are within the classification band of firm.

The following are the items that result in the deferred tax:

	2015	2014
Industry and Commerce Allowance	\$ (23,984)	\$ (80,784)
Accrued expenses	259,004	324,731
Loss in derivatives valuation	(8,852,703)	(10,241,555)
Amortization Software	<u>966,263</u>	<u>(4,063,258)</u>
Total deferred tax receivable	<u>(7,651,421)</u>	<u>(14,060,867)</u>
Valuation of investment portfolio	(1,125,707)	(2,756,171)
Valuation of Equity Fund returns	(1,517,547)	4,481,823
Difference in ME investments	<u>1,058,991</u>	<u>-</u>
Total deferred tax to pay	<u>(1,584,263)</u>	<u>1,725,652</u>
Deferred net tax	<u>\$ (9,235,683)</u>	<u>\$ (12,335,215)</u>

As of the 31st of December 2015 and 2014 the accounting assets deferred from the fiscal assets in the following manner:

Accounting Equity	\$ 1,386,103,589	\$ 1,429,469,854
<i>More or less line items that increase (reduce) the equity for tax purposes:</i>		
Adjustments in taxes for assets, liabilities and readjustments to fixed assets	286,766	298,461
Estimated liabilities and allowances	88,502,168	161,115,200
Elimination of valuation effect for derivatives	(15,382,799)	22,503,992
Deferred software charge for tax effect	7,432,790	9,910,386
Accounting valuation of property and equipment	(28,558,542)	(27,411,891)
Valuation of art and cultural goods	(1,359,218)	(1,359,218)
Deferred tax receivable and payable	<u>(13,854,720)</u>	<u>(4,619,036)</u>
Equity tax	<u>\$ 1,423,170,034</u>	<u>\$ 1,589,907,748</u>

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## 25. CONTINGENT ACCOUNTS

The details of the contingents accounts is the following

### *Debtors –*

	2015	2014
Securities used as collateral - Simultaneous <sup>(1)</sup>	\$ 80,724,500	\$ -
Credit portfolio interest	1,553	-
Ongoing lawsuits <sup>(2)</sup>	<u>6,972,889</u>	<u>6,693,994</u>
	<u>\$ 87,698,942</u>	<u>\$ 6,693,994</u>

(1) For 2015 this corresponds to the securities provided to guarantee simultaneous operations.

(2) The Bank's records of civil processes as of the 31st of December 2015 and 2014.

### *Payable –*

	2015	2014
Banking guarantees	\$ 108,317,251	\$ 174,503,739
Letters of credit	4,730,871	14,918,889
Approved credits that have not been disbursed	2,853,030	2,612,507
Other contingencies - creditors - lawsuits <sup>(1)</sup>	100,000	100,000
Commitments with private equity funds	68,174,310	37,841,405
Others	<u>465</u>	<u>465</u>
	<u>\$ 184,175,927</u>	<u>\$ 229,977,005</u>

(1) The Bank's records of both civil and labor processes as of the 31st of December 2015 and 2014.

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## 26. MEMORANDA ACCOUNTS

The details of the Memoranda Accounts are the following:

	2015	2014
Debtors:		
Assets and securities delivered in guarantee	\$ 63,405,590	\$ 52,868,945
Remittances and other effects sent for payment	24,645,598	4,759,373
Penalized assets	86,185,410	79,319,028
Unused credits	3,239,023,139	2,221,298,689
Amortized investment securities	2,400,000,000	4,257,046,410
Asset adjustment for inflation	6,301,362	6,301,362
Distribution of subscribed and paid capital	1,062,556,872	1,062,556,872
Credits of affiliates and subsidiaries	132,495,249	88,265,535
Completely depreciated property and equipment	10,499,908	10,055,520
Difference between tax and accounting costs for non-	6,273,094,403	6,273,094,403
Negotiable investments - debt securities	421,998,948	386,234,870
Investments available for sale - debt securities	358,571,056	277,494,485
Reciprocal asset transactions with subordinates	86,025,727	78,360,549
Reciprocal transactions that affected the expenditure	5,400,540	327,227
Value assigned to assets in a trust	1,308	3,812
Adjustment in assets due to inflation	9,235,571	9,247,249
Private Equity Funds	62,851,390	58,229,782
Completely amortized software, programs and applications	21,095,837	20,898,763
Tax depreciation expense	1,667,945	14,254,559
Framework contract with DECEVAL	1,823,381,024	1,611,771,004
Special programs <sup>(1)</sup>	300,217,863	323,210,552
Others	<u>195,329,877</u>	<u>202,990,805</u>
	<u>\$ 16,583,984,617</u>	<u>\$ 17,038,589,794</u>

(1) Includes the assets and expenses of the program: Bank of Opportunities Investment Bank and the Autonomous Equity Program of Productive Transformation and the Entrepreneurial Management Growth Unit.

	2015	2014
Creditors:		
Assets and securities received in custody	\$ 76	\$ 67
Assets and securities received in loan or future guarantee	-	164,465
Guarantees remaining to pay	2,970,010	2,074,804
Assets and securities received in eligible guarantee	56,415,577	51,957,597
Assets and securities received in guarantee - others	316,111,822	429,847,101
Adjustments to equity for inflation	895,894,056	895,894,056
Capitalization for equity revaluation	895,893,321	895,893,321
Returns on fixed income negotiable investments Returns on	46,050,884	58,669,672
Difference between tax and accounting value for equity	1,529,121,827	1,529,121,827
Housing Credit Risk	4,647,804	2,512,573
Consumption Credit Rating Suitable Guarantee	196,809	106,607
Consumption Credit Rating Others Guarantees	424,807	253,558
Commercial Credit Rating Suitable Guarantee	40,610,929	27,016,741
Commercial Credit Rating Other Guarantees	5,552,970,348	5,204,645,586
Reciprocal transactions that affect revenue with subordinates	14,496,596	15,496,754
Adjustment for equity inflation	450,359,455	450,359,455
Special programs <sup>(1)</sup>	300,217,863	323,210,552
Inter-American Development Bank Loans	67,301,035	-
Colciencias	2,000,000	2,000,000
Aprogresar	67,221,328	31,186,198
Others	<u>24,376,047</u>	<u>23,053,441</u>
	<u>\$ 10,267,280,594</u>	<u>\$ 9,943,464,375</u>

(1) This includes the liabilities, equity and income from the following programs: Bank of Opportunities Investment Program and the Autonomous Equity Program: the Productive Transformation Program and the Entrepreneurial Growth Management Unit.

## 27. TRANSACTIONS WITH RELATED PARTIES

Related parties include shareholders holding 10% or more of the Bank's capital, directors and members of the Board, shareholders who own less than 10% of the capital and representing parties that own more than 5% of technical equity. Below are the items from the financial statements that include balances or transactions with related parties:

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**Operations with shareholders –**

	<b>2015</b>	<b>2014</b>
<b>ASSET</b>		
Investments		
Ministry of Finance and Public Credit	<u>\$ 612,017,824</u>	<u>\$ 583,729,505</u>
	<u><u>\$ 612,017,824</u></u>	<u><u>\$ 583,729,505</u></u>
<b>LIABILITY</b>		
Anticipated Revenue Received		
Ministry of Commerce, Industry and Tourism	\$ 85,219,136	\$ 85,502,398
Deferred Income Tax		
Ministry of Finance and Public Credit	13,503,434	15,087,696
Other liabilities		
Ministry of Commerce, Industry and Tourism	6,570,715	10,081,258
Estimated Liabilities and Provisions		
Ministry of Finance and Public Credit	-	<u>16,284,119</u>
	<u><u>\$ 105,293,285</u></u>	<u><u>\$ 126,955,471</u></u>
<b>EQUITY</b>		
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
Investment evaluation		
Ministry of Finance and Public Credit	<u>7,427,597</u>	<u>11,050,011</u>
	<u><u>\$ 1,066,991,112</u></u>	<u><u>\$ 1,070,613,526</u></u>
<b>REVENUE</b>		
Other revenue		
Ministry of Commerce, Industry and Tourism	47,516,119	45,031,400
Evaluation of investments and other		
Revenue		
Ministry of Finance and Public Credit	<u>28,619,083</u>	<u>47,117,633</u>
	<u><u>\$ 76,135,202</u></u>	<u><u>\$ 92,149,033</u></u>
<b>EXPENDITURES</b>		
Interest paid		
Ministry of Finance and Public Credit	\$ 631,927	\$ 26,481
Commissions		
Ministry of Finance and Public Credit	1,503,694	4,028,329
Others (Interest for interbank liabilities, loss in valuation)		
Ministry of Finance and Public Credit	4,635,897	3,869,981
Taxes		
Ministry of Finance and Public Credit	20,628,474	2,776,695
Income tax expenditures		
Ministry of Finance and Public Credit	<u>8,932,237</u>	<u>31,912,483</u>
	<u><u>\$ 36,332,228</u></u>	<u><u>\$ 42,613,969</u></u>

The balances with shareholders correspond to investments that the Bank has made in TES Treasury Securities, issued by the Ministry of Finance and Public Credit, which are acquired in the open market and are valued at market prices. The average TES market rate was 7.61% at the end of December 2015.

Between the Bank and the aforementioned shareholders, there were no free or compensated services, interest-free loans or any in-kind loans or operations with characteristics that differ from those made with third parties.

**Operations with Administrators - Administrators are considered** the President, Vice Presidents, Managers and Comptroller of the Bank.

	2015	2014
<b>ASSET</b>		
Accounts Receivable		
Interest receivable	\$ 1,983	\$ 1,039
Others	14,027	26,000
Loans		
Loans	739,344	1,153,095
Provisions		
Loans	(9,734)	(11,531)
Interest	<u>(23)</u>	<u>(10)</u>
	<u>\$ 745,597</u>	<u>\$ 1,168,593</u>
<b>LIABILITY</b>		
Accounts receivable		
Wellbeing	\$ 111	\$ -
Other liabilities		
Vacations	<u>323,697</u>	<u>206,826</u>
	<u>\$ 323,808</u>	<u>\$ 206,826</u>
<b>REVENUE</b>		
Portfolio revenue		
Interest for loans	\$ 25,345	\$ 15,887
Revenue - Miscellaneous		
Commissions	-	52
Other revenue	400	-
Non-operating revenue		
Parking leases	1,200	1,900
Reclamations	3,990	3,191
Profit from furniture sales	-	450
Others	<u>6,525</u>	<u>200</u>
	<u>\$ 37,460</u>	<u>\$ 21,680</u>
	<b>2015</b>	<b>2014</b>
<b>EXPENDITURES</b>		
Staff expenditures		
Staff expenditures	\$ 3,124,924	\$ 4,258,122
Others	66,673	240,693
Provisions	9,757	463
Non-operating expenses		
Assumed withholdings	<u>31,628</u>	<u>54,854</u>
	<u>\$ 3,232,982</u>	<u>\$ 4,554,131</u>

The assets refer to housing, vehicle and free investment loans, accounts receivable thereon, granted in accordance with the prevailing repayment and interest rate conditions covered by the internal regulations for housing, vehicle and free investment loans for employees of the bank.

***Transactions with subsidiaries -***

	<b>2015</b>	<b>2014</b>
<b>ASSET</b>		
Investments		
Fiducoldex S.A.	\$ 29,759,784	\$ 28,336,947
Leasing Bancoldex S.A.	37,023,138	32,253,396
Letter of credits		
Leasing Bancoldex S.A.	132,495,249	88,265,535
Portfolio provisions		
Leasing Bancoldex S.A.	(5,390,540)	(882,655)
Interest on portfolio		
Leasing Bancoldex S.A.	366,420	214,668
Accounts receivable - Miscellaneous		
Fiducoldex S.A.	7,875	-
Allowance for accounts receivable		
Leasing Bancoldex S.A.	(15,015)	(2,147)
Valuations		
Fiducoldex S.A.	15,549,409	7,975,651
Leasing Bancoldex S.A.	<u>8,724,663</u>	<u>10,464,688</u>
	<u><u>\$ 218,520,983</u></u>	<u><u>\$ 166,626,083</u></u>
<b>EQUITY</b>		
Valuations		
Fiducoldex S.A.	\$ 15,549,409	\$ 7,975,651
Leasing Bancoldex S.A.	<u>8,724,663</u>	<u>10,464,688</u>
	<u><u>\$ 24,274,072</u></u>	<u><u>\$ 18,440,339</u></u>
	<b>2015</b>	<b>2014</b>
<b>REVENUE</b>		
Portfolio revenue		
Leasing Bancoldex S.A.	\$ 5,957,778	\$ 4,416,101
Dividend income		
Fiducoldex S.A.	2,845,674	3,520,906
Leasing Bancoldex S.A.	4,769,742	7,325,972
Recovering provisions		
Leasing Bancoldex S.A.	884,802	202,544
Non-operating income		
Fiducoldex S.A.	8,155	1,127
Leasing Bancoldex S.A.	<u>30,445</u>	<u>30,104</u>
	<u><u>\$ 14,496,596</u></u>	<u><u>\$ 15,496,754</u></u>

	2015	2014
EXPENDITURES		
Leases		
Leasing Bancoldex S.A.	\$ 10,000	\$ -
Allowances		
Leasing Bancoldex S.A.	<u>5,405,555</u>	<u>327,227</u>
	<u>\$ 5,415,555</u>	<u>\$ 327,227</u>

Investments correspond to the participation of 89.17% and 86.55% that the Bank holds in Fiducoldex S.A. and Leasing Bancóldex S.A., respectively.

The loan portfolio corresponds to ordinary loans provided to Leasing Bancóldex, which were provided based on the general conditions prevailing in the market for similar operations. The average weighted rate of the portfolio with Leasing Bancóldex is DTF (E.A.) + 1.42%.

Other revenues mainly come from rental payments and cost-sharing reimbursements received from Fiducoldex and Leasing Bancóldex.

Between the Bank and the aforementioned subsidiaries, there were no free or compensated services, interest-free loans or any in-kind loans or operations with characteristics that differ from those made with third parties.

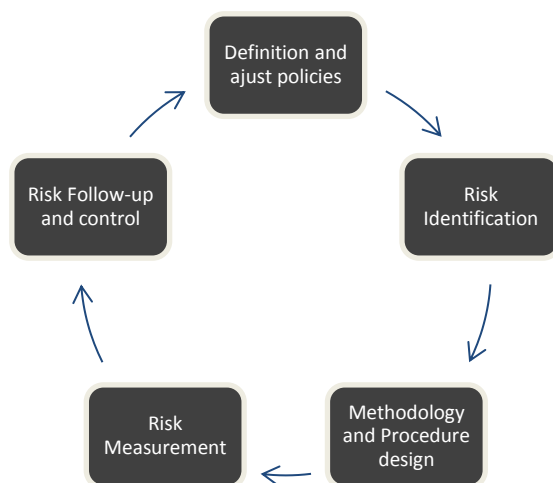
***Operations with members of the board of directors***

	2015	2014
ASSET		
Loans		
Loans	\$ -	\$ 49,715
Provisions		
Loans	<u>-</u>	<u>(497)</u>
	<u>\$ -</u>	<u>\$ 49,217</u>
	2015	2014
LIABILITY		
Accounts receivable		
Accounts receivable	<u>\$ (19,566)</u>	<u>\$ -</u>
	<u>\$ (19,566)</u>	<u>\$ -</u>
INCOME		
Portfolio revenue		
Interest for loans	<u>\$ -</u>	<u>\$ 48</u>
	<u>\$ -</u>	<u>\$ 48</u>
EXPENDITURES		
Fees	<u>\$ 246,786</u>	<u>\$ 258,412</u>
	<u>\$ 246,786</u>	<u>\$ 258,412</u>

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This corresponds to fees paid for attending the meetings of the Board of Directors, the Credit Committee, the GAP Committee, the Audit Committee and the Capital Funds Committees. Between the Bank and members of the Board, there were no free or compensated services, interest-free loans or any in-kind loans or operations with characteristics that differ from those made with third parties.

## 28. RISK MANAGEMENT



### *Integrated Risk Management Processes*

Risk management for Bancóldex is a "cross-cutting" process across the organization and is carried out in a comprehensive way. This includes identifying, monitoring and taking preventive and corrective actions to achieve financial sustainability for the Bank. This is supported by an organizational structure that guarantees the independence of functions between the areas of the *front*, *middle* and *back* offices. This management is implemented through the links between the Credit Risk Management System (SARC), the Market Risk Management System (SARM) the Liquidity Risk Management System (SARL), the Operational Risk Management System (SARO), the Information Security and Business Continuity Management System (ISMS) and the Money Laundering and Financing of Terrorism Management System (SARLAFT). Each of these systems includes policies, methodologies for measuring and monitoring risk, the clear identification of processes and procedures, and others.

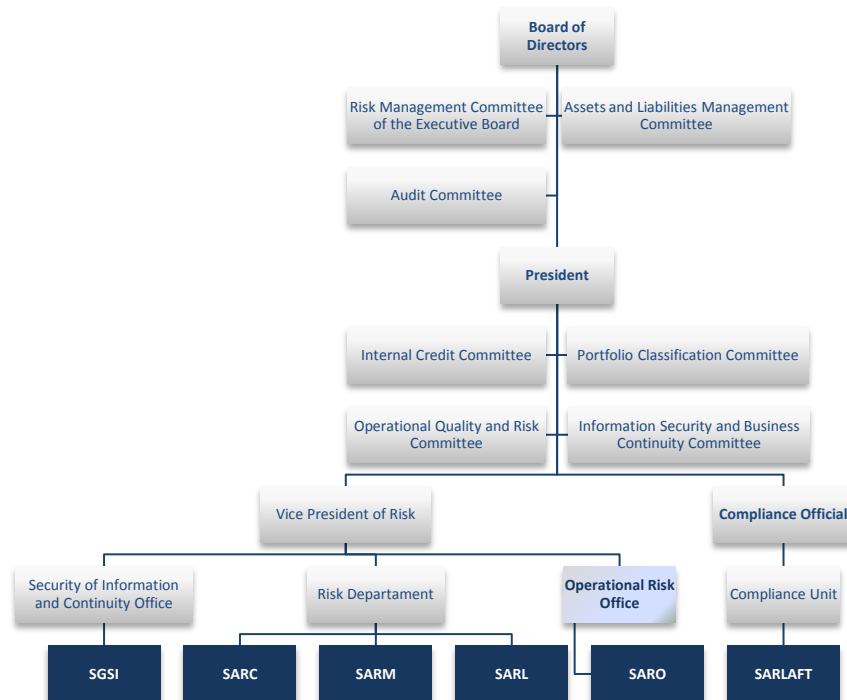
### *Organizational structure of risk management*

The Board is the main body responsible for risk management in Bancóldex and as such, leads the processes and decisions in this matter. The Board approves the general policies of

risk management and the organizational structure that supports monitoring of systems that are both individual and consolidated.

The organizational structure includes committees and dedicated areas that prioritize certain activities related to risk management. There is a clear independence between the areas of *front*, *middle* and *back* offices, as seen in the following graph:

### ***Organizational Structure***



The committees are decision-making entities that support the Board to manage the different risk categories, namely:

Area	Risk Category	Main Functions
Risk Management Committee of the Executive Board	Credit Risk Operational Risk Liquidity Risk Market Risk	<ul style="list-style-type: none"> <li>Analyze policy proposals for credit, market, liquidity and operational risk and recommend these to the Board.</li> <li>Approve credit and partner limits.</li> <li>Approve general guidelines for credit risk management methodologies.</li> <li>Make decisions regarding the operational risk profile of the Bank.</li> <li>Approve contingency and business continuity plans and have the resources necessary for their timely implementation.</li> </ul>

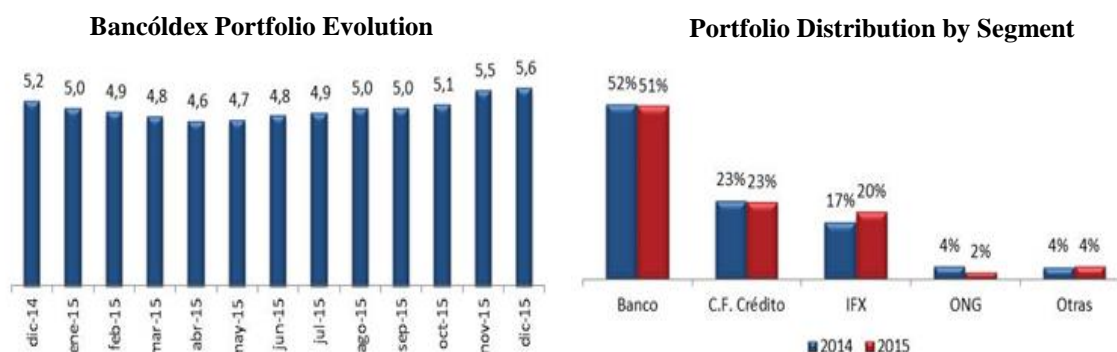
Area	Risk Category	Main Functions
Audit Committee	Credit Risk Operational Risk Liquidity Risk LA/FT Market Risk	<ul style="list-style-type: none"> <li>Analyze the results of the audits conducted regarding processes related to risk management.</li> <li>Carry out monitoring of the levels of exposure to risk, implications for the organization and measures taken to control and mitigate.</li> </ul>
Internal Credit Committee	Credit Risk	<ul style="list-style-type: none"> <li>Approve methodologies for credit risk management.</li> <li>Approve minor credit limits.</li> </ul>
Portfolio Classification Committee	Credit Risk	<ul style="list-style-type: none"> <li>Approve the classifications of debtors for the calculation of provisions.</li> <li>Track the risk profile of debtors.</li> </ul>
Assets and Liabilities Management Committee	Market Risk and Liquidity Risk	<ul style="list-style-type: none"> <li>Approve procedures and methodologies related to market and liquidity risks.</li> <li>Approve placement, uptake and coverage strategies.</li> <li>Monitor the Bank's liquidity situation.</li> </ul>
Operational Quality and Risk Committee	Operational Risk	<ul style="list-style-type: none"> <li>Propose to the Board the strategic direction of the SARO.</li> <li>Monitor the effectiveness and performance of the SARO, the METI, and the Quality Management System, acting as forms of integration and strengthening for these management systems.</li> <li>Recommend and approve for the Board the risk profile measures, methodologies and procedures for managing operational risks.</li> <li>Track the operational risk profile of the Bank.</li> <li>Assess the operational risk events relevant severity and approve mitigation plans.</li> </ul>
Information Security and Business Continuity Committee	Information Security and Continuity	<ul style="list-style-type: none"> <li>Analyze and approve policies on information security and business continuity.</li> <li>Recommend, control and monitor the implementation of the Bank's Information Security Plan.</li> <li>Make decisions on management processes and document management techniques.</li> <li>Guide the Security and Continuity Plan so that it helps achieve the strategic business objectives.</li> </ul>

***Credit Risk Management System (SARC)*** The Bank's credit risk management is aligned with the standards set by the Financial Superintendence of Colombia, with its principles framed in best international practices. This comprises four elements: policies, processes and procedures, methodologies for the granting of credit and monitoring and auditing. The policies and basic rules for handling credit operations also include Treasury operations, particularly for the case of partners that are involved in inter-banking and derivative transactions, among others.

The Bank has methodologies for analyzing credit risk for different sectors that it attends to (establishment of local credit unions, financial intermediaries in foreign countries, microenterprise credit institutions, among others), which are based on the CAMEL methodology and incorporate quantitative, qualitative and evaluation of corporate governance. During 2015, in all segments the Bank continued to strengthen early warning periodic reports and analyses of projections and scenarios.

The Vice President of Risk regularly reports the results of credit risk analyses and evolution of the risk profile to the Board and various committees, covering both the Bank's credit operations as well as those conducted by partners.

The following table illustrates the evolution of credit exposure level and the distribution of the portfolio by segment:



CF: finance companies; IFX: foreign Banks; and others: cooperatives, foundations and corporations

In November 2014, the Financial Superintendence of Colombia issued External Memo 032, through which it amended the scheme of provisions applicable to credit and operations carried out by rediscount entities. The results of the implementation of this Circular is first reflected in the financial statements as of December 31 2015. According to the new regulations, for the constitution of provisions of direct commercial and consumer loans, the rediscount entities must apply the corresponding reference model established in Annexes 3 and 5, respectively, of Chapter II of the Basic Accounting and Financial Memo. Regarding rediscount operations, these entities must design and implement a methodology for calculating provisions. For rediscount operations, the Bank developed a methodology based on an expected loss model that incorporates default and loss parameters and, which is estimated based on the history of the Bank's debtors. It also incorporates procyclical and countercyclical components.

The processes and technology adopted by the Bank allow for the administration of any credit operation stages of granting, monitoring and recovery of loans. Credits are awarded based on global limits (maximum amounts of exposure) resulting from the application of different methodologies.

**Management System Market Risk (MRSA)** Bancóldex manages market risk through identification, measurement, monitoring and control of the range of exposure to the risks associated with interest rates, exchange rates, positions in collective portfolios and share prices. The management of market risk is permanent and results are disseminated through daily, weekly and monthly reports to senior management and all staff in *front*, *middle* and *back* offices. These actions are framed within the guidelines of the Financial Superintendence of Colombia (Chapter XXI of C. E. 100 1995) and is supported by internal

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methodologies to monitor the exposure of different products that are traded by the Treasury of the Bank.

*Methodologies used for measuring market risk* - The Vice-Presidency of Risk is the area responsible for proposing, developing and ensuring the proper implementation of policies, methodologies, procedures and guidelines approved by the Board and the Board's Risk Management Committee to manage market risk. This area is also responsible for the measurement, analysis and control of risks inherent to the Bank's business, as well as engaging in periodic reviews and assessments of methodologies to value different products that are traded by the Treasury.

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

To identify the level of risk of the Treasury's operations, the Bank uses the methodology of Value at Risk (VaR), a standard established in Chapter XXI of the Basic Accounting and Financial Memo of the Financial Superintendence of Colombia. According to Annex I of this memo, the calculation of the total value of risk for the investment portfolio is the sum of exposure to interest rate, share price and exchange rate risk. This value is calculated daily by the Department of Financial Risk.

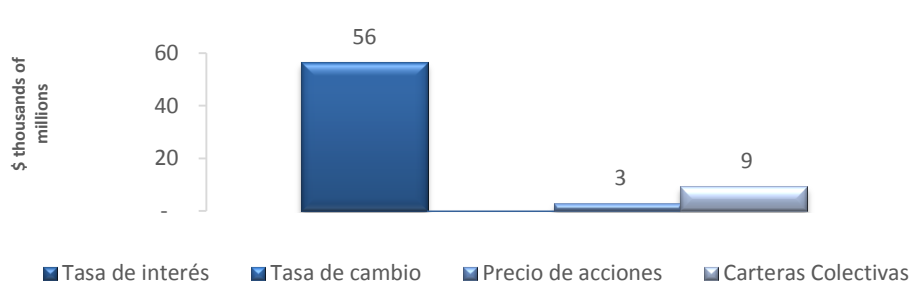
In addition, the Bank uses a methodology to measure the value of internal risk. The results are used as a complementary mechanism for the analysis and risk management of the regulatory model. This internal model allows for the daily monitoring of exposure to market risk of the portfolio of Treasury products, with results of the products being permanently communicated to the Committees and areas that are involved. The results of the evaluation of market risks constitute the starting point for daily negotiations. The calculation of VaR with the internal model is carried out daily, based on market conditions and the risk factors defined in the methodology.

During 2015, the Bank implemented risk the calculation of the risk of the interest rate for the Bank's balance, which is used to estimate the value at risk of the financial margin, due to the exposure to risk, both for the asset and the liability, whether these are fixed or variable interest rates. This methodology will support the evaluation of the financial impact and risk of implementing new business strategies.

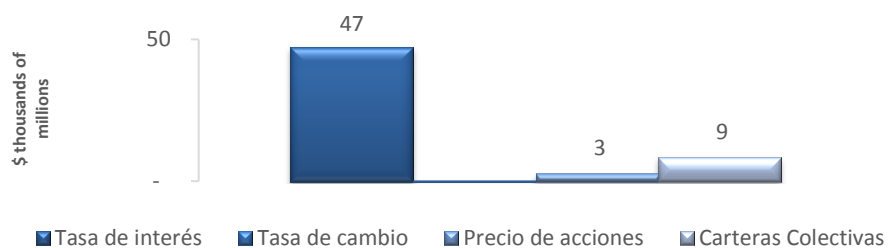
***Regulatory Value at Risk (VaR)*** - As of December 31, 2015 and 2014, the Value at Risk was calculated based on the standard methodology of the Financial Superintendence of Colombia, shown in the following table:

Risk module	2015	2014
Interest rate	\$ 56,472,512	\$ 47,348,538
Exchange rate	59,981	490,100
Share price	2,709,565	2,666,792
Collective portfolios	<u>9,239,154</u>	<u>8,559,778</u>
Total Value at Risk	<u>\$ 68,481,212</u>	<u>\$ 59,065,208</u>

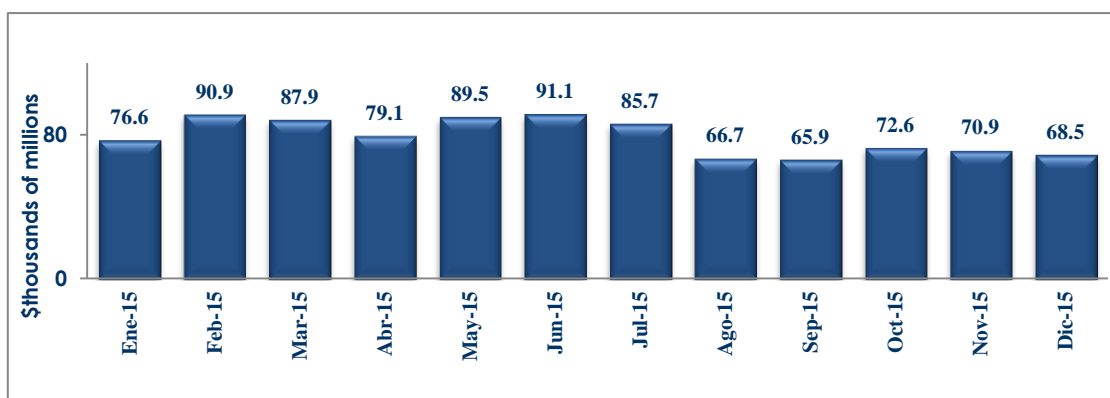
**Value at Risk by Modules 2015**



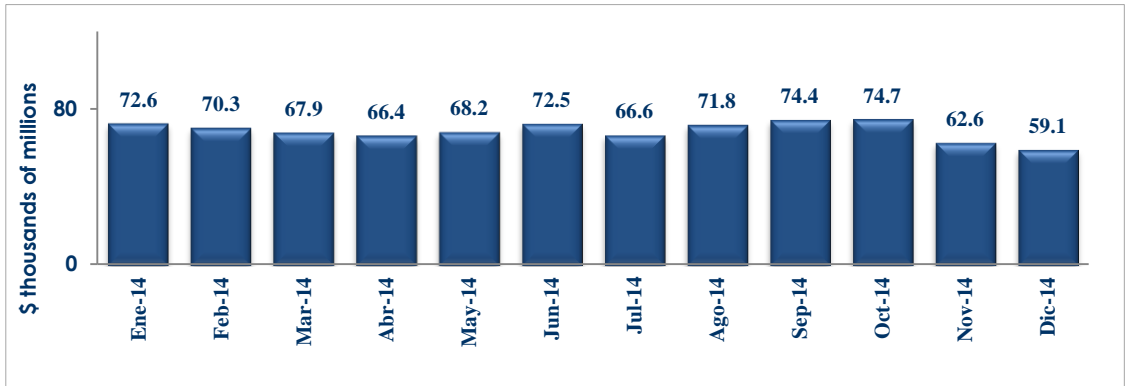
**Value at Risk by Modules 2014**



**Monthly Evolution of Value risk 2015**



### Monthly Evolution of Value risk 2014



*Value at Risk of the Internal Model* – Results of the exposure to market risks:

#### 2015

Investment portfolio	VPN	VaR	Duration Years
Trading	0	0	0
Strategic (includes liquidity and risk chamber)	777,798	4,643	4.79

Figures in \$ millions

Derivatives portfolio	Purchases	Sales	VaR \$ millions
<i>Trading de forward's</i>	795	788	739

Figures in USD millions

#### 2014

Investment portfolio	VPN	VaR	Duration years
Trading	0	0	0
Strategic (includes liquidity and risk chamber)	663,608	3,686	3.58

Figures in \$ millions

Derivatives portfolio	Purchases	Sales	VaR \$ millions
<i>Trading forwards</i>	661	684	500

figures in USD millions

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***Liquidity Risk Management System (SARL)*** is defined as liquidity risk contingency for failing to comply fully, in a timely and efficient manner, with the expected and unexpected, current and future cash flows, without affecting the course of daily operations or the financial condition of the entity.

Through the ***Liquidity Risk Management System (SARL)*** the Bank can identify, measure, monitor and effectively monitor the liquidity risk to which it is exposed through its operations. This system has policies, limits, early warning signs, procedures, an organizational structure, a reporting scheme and a contingency plan in cases where liquidity risk materializes.

To measure liquidity risk, the Bank uses the reference methodology from the Financial Superintendence of Colombia, in which the degree of exposure to this risk is established by calculating the Liquidity Risk Indicator (IRL). In addition, to strengthen the management of liquidity risk, the Bank has an internal model for measuring liquidity early warning indicators and stress scenarios.

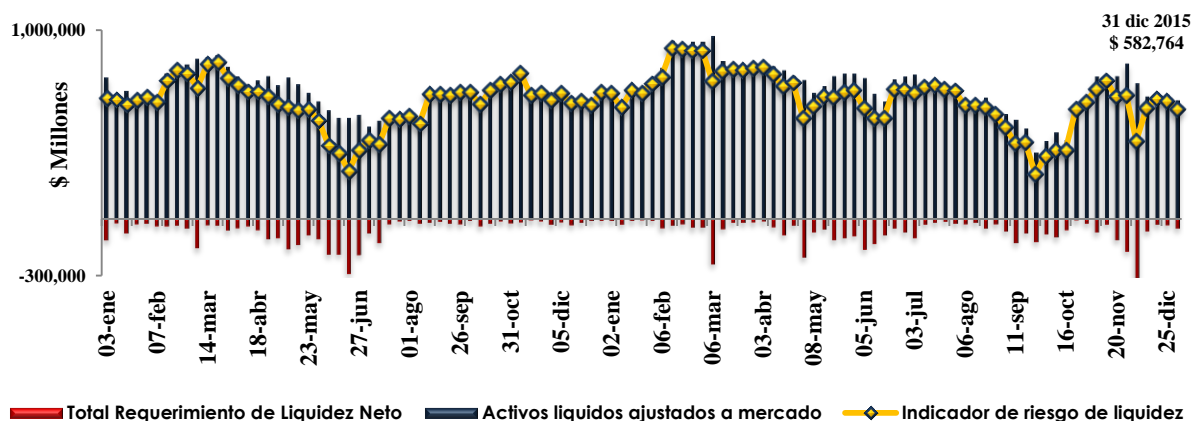
In the case of the reference model, measurement of liquidity risk is carried out through analysis of the mismatches of asset and liability flows, without any adjustment for behavioral factors projected in the following time periods:

- Less than 7 days
- 8 to 15 days
- 16 to 30 days
- 31 to 90 days

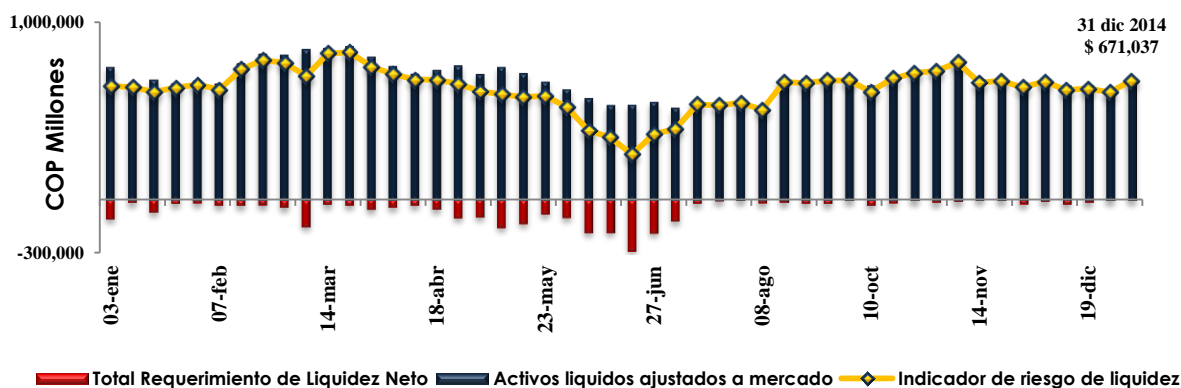
When the Liquidity Risk Indicator IRL to one (1) week is negative, it is considered that Bancóldex be having significant exposure to liquidity risk.

***Results indicator Liquidity Risk (IRL) to seven days*** – As of December 31 2015 and 2014, Bancóldex presented an IRL to seven days of \$ 582,764 and \$ 671.037 million, while the same indicator in the 30 days band yielded a result of \$ 508,756 and \$ 639.585 million respectively. This demonstrates that there is significant value in terms of liquidity risk. The graphs show the evolution of liquid assets and liquidity requirements for 2015 and 2014, as well as the behavior of the IRL.

### Evolution Liquidity Risk Indicator 2015



### Evolution Liquidity Risk Indicator 2014



In 2015 and 2014, liquid assets adjusted for market risk remained on average at \$ 703,990 and \$ 677.106 million, with a maximum level of \$ 967,572 and \$ 866.790 million and a minimum level of \$ 357,103 and \$ 458.226 million, respectively. In addition, the net liquidity requirement remained on average at \$ 65,653 and \$ 59.170 million, with a maximum of \$ 307,284 and \$ 284,947 million and a minimum of \$ 6,555 and \$ 4,998 million respectively.

The internal model, the survival horizon, indicates that by the end of 2015 the liquidity position is adequate, because liquid assets and loan recoveries allow for the coverage of the payment of liabilities, both in the normal scenario and in the different stress scenarios.

**Indicators for the Internal Liquidity Model: Survival Horizon**

Scenario		Level of Stress	Anchoring Level	Result	Alert
Normal	Normal Course of a Business		100%	14 months	12 months
Stress	<ul style="list-style-type: none"> <li>Renewal Index of CDT = 0%</li> <li>Limited access to the estimated anchoring</li> </ul>	Low	80%	11 months	6 months
		Medium	65%	9 months	3 months
		Severe	50%	5 months	1 months

**Operational Risk Management System (SARO)** The risk culture continued to be strengthened through training, self-assessment of risks and controls through risk maps, which were conducted in all of the Bank's processes. This year the technological risks that affected the achievement of the objectives were included, such as the identification of risks of fraud and corruption in the processes. With the self-evaluation of risks and controls through events, the Bank managed to identify new risks, implement new controls and promote technological improvements.

The Office of Operational Risk has been accompanied by the development of new products and the modification of some processes. This has the goal of identifying operational and fraud risks that may arise, and as a result support senior management in decision-making. Some examples are: direct credit in dollars with secured Leasing, Liquidex Plus, IFRS, and others.

In terms of the management of operational risk events during 2015, 425 events were reported, a figure that demonstrates an increase of 16% compared to 2014. This behavior was caused, among other factors, by events that affected the whole of the organization, such as failures in outsourced services and human errors in processing due to the high level of manual input and instability of some applications, which were resolved in a timely manner.

According to current regulations, operational risk events are classified into types A, B and C; losses due to operational risks in events classified as "Type A" were \$ 13.8 million during 2015, with a recovery of \$ 1.6 million in the same period, for a net result of \$ 12.2 million. The events showed the following distribution:

Events	2015		2014	
	Number	Participation	Number	Participation
Type A	6	1%	12	3%
Type B	408	96%	337	92%
Type C	11	3%	17	5%
<b>TOTAL</b>	<b>425</b>		<b>366</b>	

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The institutional operational risk map was prepared using different perspectives which reflects the operational risk profile that is under what the Bank has established as an acceptable level of risk.

***Information Security and Business Continuity System (SGSI for its initials in Spanish).***

The structure of the ISMS in Bancóldex is designed to ensure compliance with Memo 052 of 2007 issued by the Financial Superintendence of Colombia. This system uses the ISO / IEC 27001-27002 standard as a point of reference, which provides best practices in information security management.

*Information Security* - In 2015 the Bank's different areas classified the information security of their processes, based on the criteria contained in Law 1712 of 2014. The Office of Information Security and Business Continuity, following approval from the related Committee, suggested that minimum security checks be implemented in accordance with this classification. These security checks were shared with those responsible for the processes to facilitate implementation and monitoring of this activity.

Risk maps of the processes related to Information Security and Business Continuity were unified, which is why the Bank now has integrated maps that also reflect the management of events reported during the year. This creates the best possible picture of the Bank's operational reality in terms of risk and also continues the strengthening of the Bank's controls.

It is expected that in 2016, once the Bank's new business strategy has been defined, the SGSI will be adjusted as necessary.

*Business Continuity* – During 2015 the test exercises program was strengthened as part of the Bank's Business Continuity Plan (PCN for its initials in Spanish). This showed a need to direct efforts to implement the Bank's Disaster Recovery Plan (DRP) for the scenarios covered by the Plan. It is expected that in the second half of 2016 the new BIA (Business Impact Analysis) of the Bank's fundamental processes and some autonomous equity are analyzed and implemented of the critical processes of the Bank and some pension trusts to be able to implement the DRP after it is adjusted to the new needs following a disaster.

Operational areas made significant progress in terms of operational plans for the provision of assistance during contingency situations and it is expected that with the changes resulting from international accounting standards in 2016, Bank staff specifically review the Tax Management and Accounting Management Plans.

Finally, it is important to take into account that the events involving operational risk and incidents relating to Information Security and Business Continuity are treated using an accounting-based approach, as established by the Operational Risk Management System.

***Risk Management for Money Laundering and Financing of Terrorism System (SARLAFT for its initials in Spanish)*** During 2015, the Bank continued to implement and maintain its SARLAFT system to prevent and mitigate the risks of money laundering and the financing of terrorism (ML / FT) in the operations that it carried out, not just in the

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banking business but also in the services and activities that form part of special programs in the institution's role as a Development Bank. The following actions were undertaken: the risk profile was monitored for client, product and legal risk factors, associated risks and the Bank's consolidated risks, both inherent as well as residual risks, maintaining the level of residual risk within the low level approved by the Board.

The SARLAFT Manual was updated, strengthening the process of gaining knowledge of clients regarding the implementation of projects from special programs and the responsibilities of the *front* area regarding knowledge of customers, suppliers and partners. The manual includes the checks that the Bank should make for all clients in relation to the Fiscal Responsibility Newsletter issued by the Comptroller General of the Republic. Adjustments were made in the ML / FT risk assessment model in assessing the impact of risks and the criteria for evaluating risk factors (customer, product, legal and channel) with new criteria. Finally, the Bank's forms were adjusted to support management of the SARLAFT system, incorporating recommendations from the Bank's audits and international standards in order to better contribute to mitigating the risks of ML / FT in the Bank's operations.

Regarding the technological tools that support the work of preventing the risk of ML / FT, the Bank continued to strengthen its BPM UltimUS system with the implementation of Phase 2, which centralizes the flow between the processes of registering and updating client information, incorporating other types of customers such as local financial institutions that are both supervised and not supervised by the Financial Superintendence of Colombia and foreign financial institutions. The Bank also included scaling flows in the system that improve the analysis of aberrations and unusual information as well as for the review of the SARLAFT and FATCA certifications.

Similarly, the Bank continued the training, socialization and updating of skills of Bank staff regarding appropriate knowledge and sharing information with customers, partners and other targeted entities for the prevention and mitigation of the risk of ML / FT in the Bank's operations. In addition, staff prepared timely internal reports related to this area, including reports from the Compliance Officer, the Internal Comptroller and the Tax Auditor, the Audit Committee, the Board of Directors and external reports provided to the Financial Information and Analysis Unit (UIAF). Similarly, staff dedicated time to meet the specific requirements related to the SARLAFT system with the different competent authorities.

System for Compliance with FATCA (Foreign Account Tax Compliant Act) - The Bank maintained its FFI (Foreign Financial Institution) status with the IRS (Internal Revenue Service) in the United States and has retained its GIIN (Global Intermediary Identification Number): 7AFXBH.99999.SL.170.

The System Manual for compliance with FATCA was updated, based on the regulations issued by the DIAN and the due diligence required by FATCA was achieved with all of the financial institutions involved in the Bank's activities and operations. In addition, the information requirements related to FATCA from other national and foreign financial institutions were met.

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The Bank defined functional requirements and the necessary procedures for the implementation of new products, based on the obligations for FATCA and the CRS (Common Reporting Standard) issued by the OECD (Organization for Economic Cooperation and Development).

### ***Corporate Governance -***

*Board of Directors and Senior Management* - The Board of Directors is permanently informed about the Bank's processes and business. After the General Assembly of Shareholders, the Board is the Bank's highest governing body and designs the institution's general risk policies. Based on these, the Board established a delegation scheme for the approval of operations in the Risk Management Committee, the Assets and Liabilities Management Committee, the Internal Credit Committee and in the Bank's Senior Management.

*Policies and division of labor* - The Board of Directors issues policies for all business activities.

*Reports to the Board of Directors* – The following reports are periodically presented to the Board and the Risk Management Committee: reports related to the situation of the loans provided by the Bank; monitoring of the financial situation of various debtors (financial intermediaries, countries, etc.); progress reports on the Credit Risk Management System (SARC), the Market Risk Management System (SARM), the Operational Risk Management System (SARO), the Liquidity Risk Management System (SARL), the Money Laundering and Financing of Terrorism Risk Management System (SARLAFT); reviews of policies and methodologies for assessing credit, market and liquidity and operational risk; reports on compliance with risk limits, and others. The Bank's exposure to risk is regularly reported to the Board.

In addition to Bancóldex's risk management systems, reports are also presented to the Board of related to the Financial Conglomerate Risk Management.

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

*Technological Infrastructure* - All of the Bank's areas have appropriate technological infrastructure and support. The area for risk control and management also have adequate technological infrastructure to obtain the information necessary for risk analysis and to monitor current operations.

*Methodologies for risk measurement* - To identify the different types of risk, the Bank has methodologies and measurement systems in place that allow for the identification of exposure to risks inherent in the Bank's activities, as mentioned in the Risk Management section. These are documented in the respective manuals.

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The Vice-Presidency of Risk is the specialist area for identifying, monitoring and controlling the risks that are inherent in the different types of businesses. The Vice Presidency of Risk is responsible for the evaluation of credit risk, market risk, liquidity risk, operational risk and country risk is. The Legal Vice Presidency - General Secretariat carries out the evaluation of legal risk.

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

*Human Resources* - Bancóldex is committed to hiring qualified staff with extensive professional experience, so that it can generate added value in its work. Additionally, the Bank has designed a system of human resources management based on the competency model that seeks to optimize the programs involving selection, training, development and evaluation of staff. With this model, the Bank has set itself the challenge of achieving permanent effectiveness in its management.

*Verification of operations* - The Bank has mechanisms to verify the operations that are carried out, such as agreements to record phone calls for Treasury operations and the filing of written communications with counterparts where conditions are set for each negotiation. In addition, to comply with the operational requirements, funds are received or transferred funds through systems that provide a high degree of safety such as the Sebra system used by the Banco de la República of Colombia, SWIFT, Deceval (administers and custody instruments dematerialized uptake) and DCV (administered custody and fixed income securities).

Every month, the Bank publishes placement rates of the loan portfolio in national newspapers and also through external newsletters that highlight the financial terms of the different credit lines and requirements for access.

Through the Bank's website ([www.bancoldex.com](http://www.bancoldex.com)), Bancóldex credit users can obtain information on the operations related to their credit, and they can also find the current financial conditions for different credit lines.

The Bank has transactional systems that record lending and deposit operations on the dates that they occur, ensuring timeliness and accuracy of accounting records.

*Audits* - The main management body for the Internal Control System (ICS) is the Audit Committee, which has ensured the proper functioning of Bancóldex's SCI and Systems Risk Management, performing its functions in accordance with the Internal Regulations and other norms, both for government entities in general and for financial institutions in particular.

In fulfilling its responsibilities, the Audit Committee has provided support and acted as a permanent communication channel with the Board to make decisions regarding the Internal Control System and to contribute to its continuous improvement.

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During 2015 the Audit Committee held four (4) meetings, staying informed of the results of audits, the monitoring of improvement plans and the strengths, weaknesses and effectiveness of the Bank's internal control procedures.

Through the work and reports of the results presented by the Internal Comptroller and the Tax Auditor, the Audit Committee monitored the development and implementation of the various Risk Management Systems that are applicable to the Bank. In compliance with the Basic Legal Memo of the Financial Superintendence of Colombia, the Audit Committee continued the monitoring of the Bank's comprehensive risk management to receive consolidated reports on the different management systems. This includes reports on operational (SARO), market (SARM), liquidity (SARL), credit (SARC), money laundering and terrorist financing (SARLAFT) and Information Security (ISMS).

This Committee received the results of the assessment by the Internal Comptroller and the audit of the Financial Consumer Care System (SAC) system created by the Bank with an assistance scheme that is appropriate for the Bank's circumstances, volume and business, as established by the Financial Superintendence of Colombia.

The Comptroller of the Bank adopted the International Standards for the Professional Practice of Internal Auditing and Code of Ethics as points of reference. In accordance with these rules, the Bank is governed under the principles of independence, objectivity and authority and its main objective is "Provide assurance and consulting services, independently and objectively, that are designed to add value and improve the Bank's operations, evaluating and advising the internal control, risk management and corporate governance system in order to support the organization in achieving its goals. "

The Bank's Internal Control Model, together with the quality management system, have allowed the organization to focus on the continuous improvement of the elements of these systems. This approach is consistent with progress in other management systems that are applicable to the Bank, showing favorable results in the assessments of progress and operations carried out by different external control entities. The Risk Management systems are based on the norms established by the Financial Superintendence of Colombia and the Internal Control System is regulated by this entity in Part I, Title I, Chapter IV of the Basic Legal Memo (External Memo 029 of 2014).

The Internal Comptroller of the Bank was aware of the operations that the Bank carried out during 2015; audits were performed based on the Annual Audit Plan which was approved by the Board's Audit Committee in accordance with the terms stated in the Basic Legal Memo of the Financial Superintendence of Colombia (Part I, Title I, Chapter IV - System Internal Control).

In addition, the appropriate authorities were informed of the impacts and risks of the situations observed and the relevant recommendations were presented in accordance with what was established in the regulations in order to: comply with the limits; conditions for

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the closure of operations; the relationship between market conditions and the terms of transactions; and parameters and minimum requirements for the different Risk Management Systems that are applicable to the Bank.

Among the aforementioned observations, there were no situations that had a systemic or significant effect on the internal control system, institutional objectives or disclosure of financial information. Information on the audit results is available from the Bank's Document System and its consultation is subject to relevant authorizations.

Reports by the Tax Auditor for the indicated period were submitted to and documented by the Audit Committee sessions that were held during the year.

### ***Legal Controls –***

During the 2015 and 2014 periods, the Bank complied with all of the legal requirements established for its operation.

## **29. OTHER ISSUES**

### ***International Financial Reporting Standards (IFRS) –***

According to Act 2784 of 2012, issued by the Ministry of Trade, Industry and Tourism as well as Resolution 743 of 2013, issued by the General Comptroller of the Nation, Bancóldex belong to a group of financial entities with special status. Their transition period will begin on the 1st of January 2015 and their initial income statements shall be issued under the new normative framework in 2016. The Financial Superintendent of Colombia issued External Memo 038 on the 26th of December 2013, in which it established that those who prepare financial information and are registered public accountants must follow the timetable and other guidelines established by the General Comptroller of the Nation. Therefore, the timetable in Resolution 743 is applicable to Bancóldex as follows:

- Mandatory preparatory period from the 1st of January 2014 to December 31st, 2014
- Transition period from the 1st of January 2015 to the 31st of December 2015
- First application period from the 1st of January 2016 to the 31st of December 2016, in other words, that the Bank will present the first comparative financial results under the new normative framework by the 31st of December 2016.

Bancóldex, in coordination with its affiliates, began to work on compliance with International Financial Reporting Standards in 2012. Due to the different types of businesses operated by the Bank and its affiliates, the challenge to implement the IFRS is big. It is a project that impacts all of the organization and implies a profound change in the technological applications of credit, capture and fixed assets used by the Bank to organize its financial information as established in accounting policies.

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In 2015, Bancóldex completed the transition period. This meant that the Bank is prepared in the following areas:

- Accounting policies and technical memoranda adjusted in the items that require increased precision to avoid erroneous interpretations.
- Implementation and delivery of the application that carries out the calculations required for the presentation of figures that adhere to IFRS for portfolio products, financial obligations, issuing of results and capturing of funds.
- Delivery of the SISA IFRS application that administers the fixed assets using international norms.
- Training for staff from different areas in the International Financial Reporting Standards.
- Presentation of the Opening Financial Position with the Financial Superintendence of Colombia. On August 31st 2015 the Opening Financial Position was presented for the financial statements that are separate to the Bank while on September 29 2015 the Opening Financial Position was presented by the Fiscal Auditor.