Credivalores Crediservicios S. A.
Financial Statements
By order of liquidity

Interim periods ended September 30, 2019 and December 31, 2018

CREDIVALORES CREDISERVICIOS S. A.
STATEMENT OF FINANCIAL POSITION
BY ORDER OF LIQUIDITY
INTERIM PERIODS ENDED SEPTEMBER 30, 2019 AND DECEMBER 31, 2018
(Stated in millions of Colombian pesos)

	Notes	September 30, 2019	December 31, 2018
Assets			
Cash and cash equivalents	8	149.436	195.058
Financial Assets at fair value through profit or lost			
Equity Instruments	9	13.880	20.034
Derivatives Instruments	15	325.121	164.486
Loan portfolio		18.337	18.337
Total financial assets at fair value		**357.338**	**202.857**
Financial Assets at amortized cost			
Consumer loans		1.352.702	1.299.476
Microcredit loans		5.923	6.461
Impairment		(183.870)	(163.413)
Total Loan portfolio, net	11	**1.174.755**	**1.142.524**
Accounts receivable, net	12	394.398	330.651
Total Financial Assets at amortized cost		**1.569.153**	**1.473.175**
Investments in Associates and Affiliates	10	11.093	10.366
Current tax assets		16.215	12.059
Deferred tax assets, net	20	13.935	14.433
Property, plant and equipment, net	13	1.282	788
Intangible assets other than goodwill, net	14	74.667	77.642
Total assets		**2.193.119**	**1.986.377**
Liabilities and equity			
Liabilities:			
Financial Liabilities at fair value			
Derivative instruments	15	50.545	26.762
Total Financial Liabilities at fair value		**50.545**	**26.762**
Financial Liabilities At amortized cost			
Financial obligations	16	1.695.062	1.564.108
Total Financial Liabilities At amortized cost		**1.695.062**	**1.564.108**
Employee benefits provisions	17	1.351	1.096
Other provisions	18	896	343
Accounts payable	19	67.691	95.897
Current tax liabilities	20	2.948	2.196
Other liabilities	21	60.227	46.299
Total liabilities		**1.878.720**	**1.736.701**
Equity:	22		
Share capital		129.638	123.922
Reserves		5.814	5.814
Additional paid-in capital		64.726	58.442
Other Comprehensive Income (OCI)	23	50.449	1.359
Retained earnings		60.139	52.788
Earnings for the period		3.633	7.351
Total equity		**314.399**	**249.676**
Total liabilities and equity		**2.193.119**	**1.986.377**

Notes accompanying are an integral part of the financial statements.

CREDIVALORES CREDISERVICIOS S. A.
INCOME STATEMENT
INTERIM PERIODS ENDED SEPTEMBER 30, 2019 AND DECEMBER 31, 2018
(Stated in millions of Colombian pesos)

		For the quarter:		For the nine-month period:	
		July 1, 2019 thought September 30, 2019	July 1, 2018 thought September 30, 2018	January 1, 2019 through September 30, 2019	January 1, 2018 through September 30, 2018
	Notes	(In millions of pesos, except Net income per share)		(In millions of pesos, except Net income per share)	
Interest Income and similar	24	**94.501**	**83.676**	**277.135**	**242.360**
Financial costs interest	16	(51.015)	(40.829)	(145.686)	(133.771)
Net Interest and similars		**43.486**	**42.846**	**131.449**	**108.589**
Impairment of financial assets loan portfolio	11	(13.066)	(10.703)	(47.403)	(29.754)
Gross Financial Margin		**30.419**	**32.143**	**80.046**	**78.835**
SG&A					
Employee Benefits	28	(4.020)	(4.314)	(12.103)	(13.687)
Expense for depreciation and amortization	13 y 14	(1.641)	(1.705)	(5.041)	(4.634)
Other	27	(19.699)	(18.052)	(57.127)	(51.949)
Total Other expenses		**(25.360)**	**(24.071)**	**(74.271)**	**(70.270)**
Net operating Income		**5.059**	**8.072**	**9.775**	**8.565**
Other Income recoveries	25	152	0	319	50
Financial income		125	19	305	398
Exchange rate differences		(248)	445	(42)	8.274
Financial Income		**28**	**464**	**582**	**8.722**
Derivative Instrument valuation		(691)	(5.311)	(5.335)	(6.183)
Financial expense		**(691)**	**(5.311)**	**(5.335)**	**(6.183)**
Net Financial income (expense)	29	**(663)**	**(4.846)**	**(4.753)**	**2.539**
Other income	26	**117**	**155**	**1.166**	**646**
Net Income before income tax		**4.513**	**3.381**	**6.187**	**11.750**
Income tax	20	(1.969)	(732)	(2.554)	(1.582)
Net income for the period		**2.544**	**2.650**	**3.633**	**10.167**
Net earnings per share		**549**	**598**	**825**	**2.309**

Notes accompanying are an integral part of the financial statements.

CREDIVALORES CREDISERVICIOS S. A.
STATEMENT OF OTHER COMPREHENSIVE INCOME
INTERIM PERIODS ENDED SEPTEMBER 30, 2019 AND DECEMBER 31, 2018
(Stated in millions of Colombian pesos)

	For the quarter September 30,		For the nine-month period: September 30,	
	2019	**2018**	**2019**	**2018**
Net income for the year	**2.544**	**2.650**	**3.633**	**10.167**
Other comprehensive income				
Items that may be or are reclassified to profit or loss				
Hedging accounting:	21.292	(8.105)	49.090	(17.150)
Unrealized gains (losses) from hedging cash flow				
Valuation financial derivatives Forwards	(95)	1.919	1.837	10.284
Valuation financial derivatives Cross Currency Swap	26.022	4.352	46.733	(47.542)
Valuation financial derivatives Options	(4.635)	(3.606)	520	8.025
Income tax	-	(9.965)	-	12.888
Total other comprehensive income for the period	**21.292**	**(8.105)**	**49.090**	**(17.150)**
Total other comprehensive income	**23.837**	**(5.455)**	**52.723**	**(6.983)**

Notes accompanying are an integral part of the financial statements.

CREDIVALORES CREDISERVICIOS S. A.
STATEMENT OF CHANGES IN EQUITY
INTERIM PERIODS ENDED SEPTEMBER 30, 2019 AND DECEMBER 31, 2018
(Stated in millions of Colombian pesos)

	Share capital	Additional paid-in capital	Reserves	Other Comprehensive Income (OCI)	Retained earnings	Earnings for the period	Total
Balances as of January 1, 2017 before Restatement	**104.989**	**20.842**	**5.814**	**(3.744)**	**44.022**	**14.035**	**185.958**
Restatement of Previous Years (See Note 2)	-	-	-	-	37.812	3.165	40.977
Balance held at January 1, 2017	**104.989**	**20.842**	**5.814**	**(3.744)**	**81.834**	**17.200**	**226.935**
Appropriation of earnings	-	-	-	-	17.200	(17.200)	-
Capitalization	15.910	37.600	-	-	-	-	53.510
Increases (decrease) other	-	-	-	(16.421)	-	-	(16.421)
Year-end net income	-	-	-	-	-	809	809
Balance held at December 31, 2017	**120.899**	**58.442**	**5.814**	**(20.165)**	**99.034**	**809**	**264.833**
Appropriation of earnings	-	-	-	-	809	(809)	-
Increases (decrease) other	3.023	-	-	(17.150)	(47.055)	-	(61.182)
Year-end net income	-	-	-	-	-	10.166	10.166
Balance as of September 30, 2018	**123.922**	**58.442**	**5.814**	**(37.315)**	**52.788**	**10.166**	**213.817**
Balance as of December 31, 2018	**123.922**	**58.442**	**5.814**	**1.359**	**52.788**	**7.351**	**249.676**
Appropriation of earnings	-	-	-	-	7.351	(7.351)	-
Capitalization	5.716	6.285	-	-	-	-	12.000
Increases (decrease) other	-	-	-	49.090	-	-	49.090
Year-end net income	-	-	-	-	-	3.633	3.633
Balance as of September 30, 2019	**129.638**	**64.727**	**5.814**	**50.449**	**60.139**	**3.633**	**314.399**

Notes accompanying are an integral part of the financial statements.

CREDIVALORES CREDISERVICIOS S. A.
STATEMENT OF CASH FLOW
INTERIM PERIODS ENDED SEPTEMBER 30, 2019 AND DECEMBER 31, 2018

(Stated in millions of Colombian pesos)

	Notes	September 30, 2019	September 30, 2018
Cash flows from operating activities			
Net income before taxes		6.187	11.749
Reconciliation of net income before taxes and net cash provided by (used in) operating activities:			
Depreciation of tangible assets	13	405	487
Amortization of intangible assets		13.006	8.312
Deterioration of loan portafolio	11	34.228	26.922
Recovery deterioration for loan portfolio	11	(95)	(544)
Fair value adjustments to derivative financial instruments		(73.351)	36.149
Fair value adjustments to financial assets	10	(727)	843
Income tax	20	(2.554)	(1.582)
Cash generated by operations:			
Income tax paid		(2.907)	(2.510)
Changes in operating assets and liabilities:			
Increase (decrease) in loans		(66.728)	(195.405)
Decrease (increase) in accounts receivables		(63.747)	(93.395)
Increase (decrease) in accounts payable		(3.135)	5.033
Decrease (increase) in employee benefit		255	200
Decrease in provisions		553	1.153
Increase (decrease) in other liabilities		13.929	19.559
Net cash provided by (used in) operating activities		**(144.681)**	**(183.029)**
Cash flows from investing activities:			
Net flow of investments		6.154	2.230
Net flow of property, plant and equipment		(900)	(249)
Acquisition of intangible assets		(9.669)	(1.876)
Net cash used in investing activities		**(4.415)**	**105**
Cash flows from financing activities:			
Issuance of financial obligations		526.705	739.683
Payment of financial obligations		(435.229)	(545.267)
Capitalization		12.000	-
Net cash provided by financing activities		**103.476**	**194.416**
(Decrease) Increase in cash and cash equivalents		**(45.620)**	**11.492**
Cash and cash equivalents at beginning of year		195.057	121.948
Cash and cash equivalents at end of year		**149.437**	**133.440**

Notes accompanying are an integral part of the financial statements.

NOTE 1. REPORTING COMPANY

Credivalores Crediservicios S.A., (hereinafter “Credivalores”, the “Company” or “CVCS”), is company registered for business in Bogotá - Colombia, located at Carrera 10 No, 65-98 P 4, and a website at www.credivalores.com.co. The Company was incorporated by means of Public Deed No. 420 dated February 4, 2003 drawn up before the Notary Public No.1 of the Circuit of Cali, Its term of duration is for twenty years as of the date of the aforementioned deed.

The merger of two companies, Crediservicios S.A. and Credivalores S.A. was registered by means of Public Deed No. 4532 of December 12, 2008.

The merger was unanimously approved by the General Meeting of Shareholders of both companies on July 31, 2008, whereby it was determined that Crediservicios S.A. (the surviving company), would continue to legally exist after taking over Credivalores S.A. which would cease to exist (being dissolved but not liquidated), In addition, the equity of Credivalores S.A. was merged with that of Crediservicios S.A. by means of acquiring the assets and assuming the liabilities of both companies, signed by both company’s legal representatives,

This merger agreement was reported to the Colombian Superintendence of Industry and Commerce, which did not report any objections. Credivalores S.A. (the acquired company) was incorporated by means of Public Deed No. 1906 dated May 13, 2003, drawn up before the Notary Public No. 1 of the Circuit of Cali, and duly registered with the Chamber of Commerce of Cali on May 21, 2003, under Registry Number 3501 Book IX. Subsequently, the Company changed its name from Crediservicios S.A. to Credivalores Crediservicios S.A.S by means of the Public Deed No. 529 dated February 27, 2009 drawn up before the Notary Public No. 1 of the Circuit of Cali.

By means of Minutes No. 16 dated February 23, 2010 corresponding to a meeting of the General Meeting of Shareholders, which was duly registered before the Chamber of Commerce on March 19, 2010; the Company became a simplified joint stock company under the name of Credivalores Crediservicios S.A.S. under Registration Number 3074 of Book IX.

By public deed No. 3175 of notary No. 73 of Bogota D.C. as of September 28th, 2019, registered July 9th, 2019 under Number 02484244 Book IX, the company changed its name from CREDIVALORES - CREDISERVICIOS S. A. S. to CREDIVALORES - CREDISERVICIOS S. A.

Its business purpose consists of granting consumer loans, including payroll deduction loans, to private individuals or legal entities, using both its own funds and other financing arrangements permitted by law. In carrying out these activities, the Company may:

a) Perform risk assessments,

b) Service and manage loans or lines of credit, including without being limited to recording and collecting these obligations,

c) Purchase and sell loans, credit instruments, securities, and loan portfolios,

d) Borrow funds and enter into transactions allowing the Company to obtain the funds required to perform its corporate purpose,

e) Act as co-signer, guarantor, surety or collateral provider to raise funds in order to finance its activities that may be undertaken, structured or implemented through trust arrangements, and

Perform any other activities that are required as part of the Company’s normal course of business, such as: (i) acquiring, encumbering, limiting the domain or disposing of fixed assets (ii) acquiring and using trade names, logos, trademarks and other industrial property rights; (iii) investing in existing companies, or creating new ones, providing this conduct, the same or similar business activities as the Company or that should relate in any way to its own corporate purpose; (iv) entering into partnerships or contracts with third parties to carry out its corporate purpose; (v) guaranteeing its own and third-party obligations.

The funds used by the Company for carrying out its business activities shall be lawfully sourced and therefore the Company shall be prohibited from raising money by means of large scale or regular deposits from individuals, pursuant to current legislation. The Company is not under the supervision of the Colombian Superintendence of Finance (Superintendencia Financiera de Colombia) since it is not considered to be a financial institution in accordance with Colombian legislation, nor is it allowed to carry out brokerage of instruments registered with the Colombian National Registry of Securities and Issuers (RNVE).

The Company is prohibited from raising money through large-scale and regular deposits from individuals, complying with the stipulations in the financial and exchange regulations.

CVCS has the following branches nationwide: Aguachica, Armenia, Barrancabermeja, Barranquilla, Bucaramanga, Cali, Cartagena, Cartago, Ciénaga, Cúcuta, El Paso, Florencia, Girardot, Ibagué, La Dorada, La Jagua de Ibirico, Lomas, Magangué, Manizales, Medellín, Mocoa, Montería, Neiva, Palmira, Pasto, Pereira, Popayán, Riohacha, Sahagún, San Andrés, Santa Marta, Sincelejo, Tunja, Valledupar, Villavicencio, and Yopal.

There were no major changes to CVCS's shareholding interest at September 30, 2019 compared to December 31, 2018, however.

NOTE 2. RESTATEMENT OF FINANCIAL STATEMENTS DUE TO CORRECTION IN APPLICATION OF BUSINESS COMBINATION

Credivalores prepares its consolidated financial statements in accordance with the Financial Reporting and Accounting Standards generally accepted in Colombia (NCIF, for the Spanish original), set forth in Decree 2420/2015, as amended by Decrees 2496/2015, 2131/2016, 2170/2017 and 2483/2018. These accounting and financial reporting standards are based on the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), in the versions accepted by Colombia in the aforementioned Decrees.

According to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, restatement is required for omissions or misstatements in the entity's financial statements for one or more prior periods, on which information was available for those periods and the entity could reasonably have been expected to obtain and take into consideration, but for some voluntary or involuntary reason failed to use such information.
Financial statements must be restated if they provide more reliable and relevant information of the effects of transactions, other events or condition that affect the entity's financial position, financial performance or cash flows.
Such errors may include:

a. Mathematical mistakes, including sums, present value calculations, use of financial formulas, etc.
b. Errors in application of accounting policies, applying criteria that differs from the criteria allowed by an IFRS.
c. Failure to notice economic facts that occurred in a period (a change in a tax law that changes the income tax rate)
d. Misinterpretation of economic facts
e. Fraud (including frauds discovered in subsequent periods, but which occurred in a previous reporting period).

According to IAS 8 paragraph 42, the error must be corrected "retrospectively in the first set of financial statements authorized for issue after their discovery by restating the comparative amounts for the prior period(s) presented in which the error occurred; or restating the opening balances of assets, liabilities and equity for the earliest prior period presented."

Background

In 2015 the Company acquired the business unit CREDIUNO-AVANCE for COP 23,800 million. The acquisition was performed at an assigned purchase price, which was effectively paid. Consequently, the owner of the business unit CREDIUNO and CREDIUNO AVANCES is Credivalores Crediservicios S.A. However, at the time of the acquisition, the full amount was recorded to the brand CrediUno Avance, failing to apply IFRS 3 – Business Combinations by not considering the existence of other significant assets whose value could be reliably estimated, but was not recognized at the time and was consequently excluded from recognition and measurement of goodwill or a gain from a bargain purchase, IFRS 3 paragraphs 34 to 36, such as:

a. Databases, intangible assets related to customers [IFRS 3 (2008). EI23- EI31] A customer list includes information on customers, such as their names and contact information. It may also be a database with other information about customers, such as their ordering history and demographic data. Customer lists do not usually arise from contractual or legal rights. However, such lists are often licensed or exchanged. Therefore, a customer list acquired in a business combination may meet the separability criterion.

b. Contracts with exclusivity: IFRS 3 (2008) EI34- EI38] Intangible assets based on contracts represent the value of the rights arising from the contractual agreements.

As a result of such transaction, the Company reinforces its leadership position in population sectors not covered by banking services in Colombia. The combination of the Company's infrastructure with the infrastructure for the Public Services Companies (ESPs, for the original in Spanish) for the product portfolio and the commercial network enabled optimization of product penetration in the mobile and fixed segments for both customer types. Additionally, synergies were achieved in the reduction of operating expenses and lower investment in transmission networks by providing economies of scale in terms of installation and infrastructure expenses, which would otherwise be sometimes duplicated.

(Stated in millions of Colombian pesos)

The CREDIUNO and CREDIUNO AVANCES business unit focuses on placement and management of credit card consumer loans. Their business model has been making successful progress, also supported by the brand, market knowledge and know-how, and a commercial network to promote and operate their services (other intangible assets).

When this transaction was recognized, the calculation of the fair value of the consideration paid, assets and liabilities required for recognition had not been finalized as of the date on which the 2015 financial statements were issued. The full transfer took place in 2016, but an adjustment in other assets in the amount of COP 38,751 was not made within the measurement period established by IFRS standard No. 3 - Business Combinations.

During the measurement period (2016), the Company failed to recognize the adjustment of the amount provisionally recorded, as if the business combination had been completed as of the acquisition date. Due to the above, application is given to the provisions of paragraph 50 of IFRS 3: “After the measurement period ends, the acquirer shall revise the accounting for a business combination only to correct an error in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.” The Company has decided to perform the procedures required to establish the fair values, perform any relevant adjustments and restate the financial statements.

Consequently, on the basis of the provisional values, which will be assessed for 2017 by an independent expert, appropriate retrospective adjustments will be recorded on the provisional amounts recorded on the acquisition date, in order to reflect the new information obtained on facts and circumstances that existed as of the date of the acquisition and which, if they had been known, would have affected the measurements of the amounts recognized on such date.

The following are the Assets that were recognized and their respective amortizations:

Item	**Value**	**Amortization 2016**	**End balance 2016**	**Amortization 2017**	**End balance 2017**	**Amortization September 2018**	**End balance September 2018**
Exclusivity contracts	16,044	182	15,862	240	15,622	233	15,389
Databases	22,707	757	21,950	757	21,193	568	20.625
Total	**38,751**	**939**	**37,812**	**997**	**36,815**	**801**	**36,014**

The following is a breakdown of the accounts affected by the retrospective application of the accounting change described earlier in the statement of financial position at January 1, 2017 and December 31, 2017 and in the Statement of Comprehensive Income as of December 31, 2017 and September 30, 2018:

Statement of Financial Position

	Previously reported balance January 1, 2017	Adjunstment made	Restated balances January 1, 2017	Movement 2017	Adjustment made in 2017	Restated balances December 31, 2017	Movement 2018	Adjustment made in 2018	Restated balances september 30, 2018
Intangible assets other than goodwill, net	24,037	37,813	61,850	-2,671	-997	58,182	-2,325	1,524	57,381
Total restated assets balances	**24,037**	**37,813**	**61,850**	**-2,671**	**-997**	**58,182**	**-2,325**	**1,524**	**57,381**
Retained amings from previous periods	61,222	37,812	99,034			99,034	-45,249	-997	52,788
Current period arnings			0	1,806	-997	809	6,836	2,521	10,166
Total restated balances in equity	**61,222**	**37,812**	**99,034**	**1,806**	**-997**	**99,843**	**-38,413**	**1,524**	**62,954**
				Income Statement					
Depreciation and amortization expenses				2,671	997	3,668	5,671	-1,524	4,147
Pre-tax income (loss)				3,027	-997	2,030	10,225	1,524	11,749
Current period net income				1,806	-997	809	8,642	1,524	10,166

NOTE 3. BASIS FOR PREPARATION OF THE INTERIM FINANCIAL STATEMENTS AND SUMMARY OF THE MAIN ACCOUNTING POLICIES

3.1 Compliance Statement

The Financial Statements of Credivalores Crediservicios S.A. have been prepared in line with the Financial Reporting and Accounting Standards accepted in Colombia FRAS COL established by Law 1314 of 2009, regulated by Regulatory Decree 2420 of 2015, modified by Decree 2496 of 2015. These Financial Reporting and Accounting Standards correspond to the International Financial Reporting Standards (IFRS), officially translated and authorized by the International Accounting Standards Board (IASB) on December 31, 2012.

Law 1314 of July 13, 2009 regulated the financial reporting, accounting and data security standards and principles accepted in Colombia and identified competent authorities, established the procedure for issuing the standards and determined the entities responsible for monitoring compliance. This law was regulated by means of the following decrees:

a) 2784 of December 28, 2012
b) 1851 of August 29, 2013
c) 3023 of December 27, 2013
d) 2267 of November 11, 2014

At January 1, 2016, the regulatory framework contained in the appendix to Decree 2784 of December 28, 2012 and Decree 3023 of December 27, 2013 was repealed and Decree 2615 of December 17, 2014 applies. Said decree contains the International Financial Reporting and Accounting Standards effective at December 31, 2013 and their corresponding amendments issued by the International Accounting Standards Board (IASB).

Credivalores Crediservicios S.A. reports comparative information from the immediately previous period for all values included in the current period's financial statements and includes comparative explanations when necessary to ensure the current period’s financial statements are understandable.

3.2 Basis of Measurement

The financial statements have been prepared using the historical cost method except in the case of assets and liabilities held in the form of financial instruments, which are measured at fair value and/or at amortized cost as appropriate.

Items included in the Company’s financial statements are stated in the currency of the primary economic environment in which the Company operates (Colombian pesos). All figures are stated in millions of pesos and have been rounded to the nearest unit. Transactions in foreign currencies are converted to the functional currency using the exchange rate applicable on the date of the transaction. Assets and liabilities denominated in foreign currency on the closing date of the Statement of Financial Position are converted to the functional currency using the exchange rate applicable on said date.

NOTE 4. JUDGMENTS AND CRITICAL ACCOUNTING ESTIMATES IN THE APPLICATION OF ACCOUNTING POLICIES

Preparing financial statements in accordance to the IFRAS-COL requires Management to make certain estimates and assumptions that affect the amount of assets, liabilities, income and expenses reported during the period.

Credivalores Crediservicios S.A. will disclose the nature and amounts of changes in accounting estimates that are significant and that affect the current period or that are expected to any impact in future periods. Information about the effect on future periods will not be disclosed if estimating the effect is impractical.

4.1 Financial Assets Business Model

Credivalores Crediservicios S.A.’s business model is based on granting consumer loans quickly through innovative products to middle or low income segments that are not served by the traditional financial system.

The Company has developed a diversified platform with collection channels designed to minimize the risk of default and optimize the quality of its loan portfolio (minimize NPL), including: payroll deduction loans (discounted from payroll payments), credit card (collecting via public utilities bills), and financing for insurance policy premiums (revocable insurance where the insurer returns the portion of the premium that was not used in case of default).

The business model focuses on building alliances and agreements for origination and distribution of each one of our products, thus guaranteeing growth. The company has more than 720 agreements with employers that can issue payroll loans, exclusive agreements with public utility companies for invoicing and collecting via credit card, and alliances with third parties and i nsurers for the origination of the Credipoliza product.

The risk management systems are similar to those implemented by other Colombian financial entities and they take characteristics of the target market into consideration. These systems have been adjusted according to the experience and knowledge acquired over more than 14 years in the market.

Credivalores Crediservicios S.A. seeks to maintain various sources of funding on the local and international level from banking and capital markets.

This business model produces a portfolio of diversified products with limited geographic concentration and by loan amount.

The entity applies meaningful judgements to determine its business model to manage financial assets and to evaluate if the financial assets comply with the conditions established in the business model so they can be classified at fair value or at amortized cost. According to the aforementioned, some financial assets have been classified in investments at fair value and others at amortized cost. According to the business model the financial assets at amortized cost can be sold only in limited circumstances, such as when there are infrequent transactions, adjustments are made to the maturity structure of its assets and liabilities, when it is necessary to finance significant capital disbursements and when there are seasonal liquidity need s.

Investments in equity instruments at fair value have been classified with adjustments through profit or loss, taking into account that they are strategic investments for the company and, are expected to be sold in the near future.

Financial Assets at fair value

According to its business model the Company has determined that Tucredito payroll deduction loans will be measured at fair value when they meet the following conditions:

1. Maximum term of 90 days as of the date of origination.

2. Highest rating based on its compliance score.

Financial Assets at amortized cost (*)

The loan portfolio is classified at amortized cost when it meets the following criteria: Credivalores Crediservicios S.A. business model is to hold these assets with the purpose of collecting their cash flows on specified dates, as per their contractual terms, and the contractual terms of the financial asset give rise on specified dates, to cash flows that consist of payments of prin cipal and interest on the outstanding amount owed.

NOTE 5. SUMMARY OF THE MAIN ACCOUNTING POLICIES

The following are the significant accounting policies applied by Credivalores in the preparation of these financial statement s.

5.1 Materiality

The economic facts are presented in accordance with their relative importance or materiality.

For disclosure purposes, a transaction, event or operation is material when, because of its amount or nature, or knowledge or lack of knowledge thereof, and considering the circumstances surrounding it, it affects the decisions that may be made or the assessments that users can carry out in regards of the accounting information.

Upon preparing and presenting these financial statements, the materiality of the amounts recorded is determined in terms of total assets, current and non-current assets, total liabilities, current and non-current liabilities, equity or income for the year as appropriate.

As per the assessment of materiality, Management considers as material any entry, transaction or event for which the value is equal to or greater than the percentage that results from the application of the following table and any others deemed necessary because of their nature:

Item	Percentage of fair value
Asset	0.5%
Liability	0.5%
Equity	0.5%
Revenue	0.5%
Expenses	0.5%

5.2.1 Functional and reporting currency

These financial statements are presented in Colombian pesos, which is the functional and reporting currency of Credivalores.

Items included in the Company's financial statements are stated in the currency of the primary economic environment in which the Company operates (Colombian pesos). All figures are stated in millions of Colombian Pesos and have been rounded to the nearest unit.

5.2.2 Transactions and Balances in Foreign Currency

Foreign currency transactions are recorded at the Company's functional currency at the exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currency are translated into the functional currency using the prevailing exchange rate at the reporting date of the statement of financial position. Non-monetary assets and liabilities denominated in foreign currencies in terms of historical costs are measured using the exchange rate at the transaction date. Financial instruments measured at fair value are translated using the exchange rate from the date the fair value was determined.

As of September 30th, 2019 and December 31st, 2018, the (COP/USD) exchange rates certified by the Superintendence of Finance were 3,477.45 and 3,249.75 per U.S. $1 respectively.

5.3 Financial Instruments

Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of an entity and a financial liability or an equity instrument of another entity.

Date of recognition of financial instruments

Assets and financial liabilities are recognized in the statement of financial situation when the company becomes a party of the contractual provisions of the instrument.

5.3.1 Financial Assets

The Company classifies its financial assets into equity instruments, trading instruments, amortized cost investment instruments, credit instruments and accounts receivable.

At the time of initial recognition a financial instrument is measured at fair value plus any direct attributable transaction costs, which are not included if the instrument is classified at fair value through changes in profit or loss. Typically, the fair value at the initial time of recognition is the price of the transaction itself, that is, the amount to be paid or received.

CVCS recognizes loans and accounts receivable, trading and investment securities and other assets or liabilities on their effective dates.

Purchases and sales of financial assets that are regularly carried out are recognized on the transaction date or on the date on which the Company is required to purchase or sell the asset.

Subsequently, the Company measures its financial instruments at fair value or amortized cost based on the established business model and the contractual terms of the corresponding financial asset or liability.

i. Amortized cost

Amortized cost is the cost of acquiring a financial asset or a liability plus or minus any capital repayments, cumulative amortizations (calculated using the effective interest rate method) with regard to any difference between the initial amount and the value repaid at maturity and minus any reduction for impairment.

ii. Fair value

Fair value is the amount to be received should the asset be sold or the amount to be paid for transferring a liability as part of a transaction between market participants on the date on which the measurement is made. The most objective and commonplace definition of fair value is the price that would be paid in an active, deep and transparent market ("listed price" or "market pri ce").

When such values are available CVCS determines the fair value of an instrument using the prices listed on an active market for that specific instrument. A market is considered active if listed prices are readily and regularly available and represent real transactions that are performed regularly on a stand-alone basis.

Should no active market exist for a specific financial instrument CVCS determines its fair value using valuation techniques. These valuation techniques include using recent market transactions between knowledgeable, willing parties carried out on an arm's length basis, should these exist, as well as the fair values of other financial instruments that are substantially the same, discounted cash flows and pricing models.
The valuation technique chosen makes use, to the maximum extent possible, of information obtained directly from the market, using the least amount of data estimated by CVCS, incorporating all those factors that would normally be considered by market participants for setting the price of such financial instruments and is consistent with generally accepted pricing methodologies.

Fair value estimates obtained from financial models are adjusted to consider other factors such as uncertainty on its risk or the liquidity model. Adjustments are included when CVCS believes that another market player uses these same estimates when determining the price of a transaction (See note 6).

5.3.1.1 Financial Assets at Fair Value

Credivalores Crediservicios S. A., in line with its business model, classifies its products according to the risk inherent in its portfolio. In general, its line of credit Tucredito (payroll deduction loans) is measured at fair value, given that its marke t niche is focused on placing "top-rated" loans.

Classification of "Tucredito" line of credit, based on the corresponding business model			
	Tucredito portfolio segment	**Measurement**	**Valuation**
1	Performing loans subject to sale	Fair value	Market price.
2	Best rated loans with terms of less than a year (originated loans less than 90 days prior)	Amortized cost	(Indexed rate equivalent to amortized cost).
3	Performing loans with terms of more than one year (originated loans with terms of more than 90 days)	Amortized cost	(Indexed rate equivalent to amortized cost).
4	Past due loans	Amortized cost	Incurred loss model based on the expected loss.

The policy established by the Company for measuring its loan portfolio, per the business model classification, is:

In line with its business model the Company has decided to measure the loans comprising the "Tucredito" line of credit at fair value based on the historical trading average since its loans are not impaired (and which, from their origination, are the be st-rated 0 - 90 day loans) and since the Company has the possibility of selling them in the short term because of their excellent rating.

Unsold lines of credit, which were initially measured at fair value but which after 90 days of origination were impaired, wil l later be measured based on an indexed rate, which converts the amortized cost rate into an amount equivalent to their fair value.

5.3.1.2 Financial assets at amortized cost

Financial assets are classified at amortized cost only if the asset is kept within a business model whose objective is to maintain it to collect contractual cash flows and the contractual terms of the value give rise at specific dates to cash flows that ar e only payments of cash. capital and interest on the outstanding principal capital; Interest income is recognized using the effective interest rate method.

The effective interest method is a method used to calculate the amortized cost of an asset and allocate the income or cost in interest during the relevant period. The effective interest rate is the discount rate at which the present value of estimated future cash payments or those received over the expected life of the financial instrument, or, as appropriate, in a shorter period of time, is equal to the net book value in the beginning. To calculate the effective interest rate, the Company estimates the cash flows taking into account all the contractual terms of the financial instrument, including the transaction costs and the premiums granted minus the commissions and discounts, but without considering the future credit losses.

5.4 Impairment

Under the guidelines of the accounting standard IFRS 9, Credivalores was changing its model of impairment loss incurred to expected loss, which is set based on a classification of operations in three stages:

- Stage 1-assets without significant deterioration or in normal situation.
- Stage 2-assets with a significant increase.
- Stage 3-assets with objective evidence of impairment.

The fundamental concept of the new model is based on an approach of dual measurement, depending on the Stage of the financial instrument classification: for Stage 1 damage is equal to the credit losses expected at 12 months, to stage 2 and 3 is equal to the credit losses expected lifetime. The following figure outlines the criteria of the standard.

For loss lifetime of the asset is used the same methodology of credit loss expected for a year, but instead of covering only the first year, calculated on the expected life of the contract including extension of the instrument options.

For the calculation of the expected loss of clearance and credit card products Credivalores has decided to use the depreciation Granular approach, considering the following aspects:

- The exhibition and the corresponding risk parameters are calculated individually for each period.
- Intended that the exhibition and the corresponding risk parameters are consistent within each period but may vary between periods.
- The estimate of the EL is individual per period.
- 12 months EL and EL calculations in life, are made by adding the individual EL for each respective risk horizon (one year, lifetime).
- Fixed according to its amortization payment frequency: monthly, quarterly, semi-annual, annual, among others.
- The amortization approach granular capture the dynamic behavior of the parameters of risk in a high granularity (more detailed).

5.4.1 Impairment of non-financial assets

At each presentation date, Credivalores Crediservicios S.A. it reviews the carrying amounts of its property, plants and equipment and its intangible assets, in order to determine if there are indications of impairment and if there are any, the recoverable amount of the assets is estimated (whichever is greater between fair value and cost less the costs of disposal and the value of use). If the carrying amount exceeds the recoverable value, an adjustment is made so that the carrying amount decreases to the recoverable value, modifying the future depreciation charges in accordance with the remaining useful life

5.5 Accounts Receivable

Credivalores recognizes accounts receivable such as interest, commissions other than premiums from loan portfolio purchases, insurance and taxes.

For the initial measurement Credivalores will recognize an account receivable at fair value. Transaction costs directly attributable to the transaction will be directly recognized in the income accounts.

In the case of long-term (greater than one year) financial assets without explicit financing (contractually defined) the initially recognized value will be the future value discounted at the reference market rate for similar accounts receivable (amount, term) at the transaction date. Subsequently, long-term (greater than one year) financial assets without explicit financing (contractually defined) will be measured at amortized cost using the effective interest rate method. Short-term financial assets will not be subject to discounting.

In addition, interest must be recognized at a higher value in the account receivable.
The effective interest rate will be the rate corresponding to the market rate (where applicable) at the time the financing begins. If there is no market rate with similar characteristics the average internal lending rate will be used.

5.6 Leases

5.6.1 Assets acquired under leases

In their initial recognition, assets acquired under leases are classified as capital or operating leases.

Lease contracts classified as capital leases appear in the statement of financial position as property, plant and equipment for the Company's own use or as investment properties, as applicable. These are initially recorded as an asset and or a liability simultaneously at the lesser of the fair value of the asset leased or the present value of the minimum lease payments. The present value of the minimum lease payments is determined using the interest rate implicit in the lease contract or, in its absence, an average interest rate used by the Company on the market. Any direct costs associated with taking the lease are added to the amount recognized as an asset.

Subsequent to the initial recognition, these are recorded in the same way as the property, plant and equipment for the Company's own use or investment properties account where they were initially recorded. The amount recorded as a liability is included in the financial liabilities account and is recorded in the same way.

Payments made under operating lease agreements are recognized in the income accounts on a straight-line basis during the term of lease. The lease incentives received are recognized as an integral component of the total lease expense over its term .

5.7 Property and Equipment

Property, plant and equipment for the Company's own use include the assets, whether property or under finance lease agreements, held by the Company for its current or future use and which are expected to be used for more than one reporting period.
They are recorded in the statement of financial position at cost of acquisition plus the costs incurred in preparing these for use, less accumulated depreciation and, if applicable, estimated impairment losses resulting from comparing the net book value of each item with their corresponding recoverable amounts.

They are subsequently measured at cost less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis for the estimated useful life of the asset. The annual depreciation rates for each asset category are:

Type of asset	Total useful life	Residual value	Depreciation method
Furniture	3 to 10 years	Zero	Straight line
Vehicles	Between 5 and 10 years of age	Up to 10%	Straight line
Office equipment	3 to 10 years	Zero	Straight line
Computer and communication equipment	3 to 7 years	Zero	Straight line

5.8. Intangible assets

Credivalores intangible assets correspond primarily to computer software, licenses, trademarks and insurance. Intangible assets are initially measured at cost of acquisition and subsequently at cost less any depreciation accumulated over their estimated useful life or any accumulated impairment loss. The Company analyzes whether there are external or internal signs of impairment to an intangible asset; any impairment losses or subsequent reversals are recognized in the income accounts for the period.

The following table shows the residual values, useful lives and depreciation methods for each type of asset:

(Stated in millions of Colombian pesos)

Type of asset	Useful life	Residual value	Depreciation method
Software	1 to 3 years	Zero	Straight line
Licenses	1 to 3 years	Zero	Straight line
Trademarks	1 to 10 years	Zero	Straight line
Exclusive contracts	1 to 15 years	Zero	Gradient according to Income Associated with contracts
Databases	30 years	Zero	Straight line

5.9. Income taxes

Income tax expense includes current and deferred taxes. Tax expenses are recognized in the profit or loss, except for items recognized in "Other Comprehensive Income" OCI or directly in equity.

Deferred taxes are recognized based on temporary differences arising between the tax bases of assets and liabilities and the carrying amounts in the financial statements that result in amounts that are either deductible or taxable upon determining tax profits or losses corresponding to future periods when the carrying amount of the asset is recovered or liabilities are paid or settled. However, deferred tax liabilities are not recognized if they derive from the initial recognition of goodwill; nor are deferred taxes recorded if the initial recognition of an asset or liability occurs in a transaction that is not a business combination and that affects either accounting nor taxable profit or loss. Deferred tax is determined using enacted or substantively enacted tax rates at the reporting date.

Current income tax is calculated on the basis of the Colombian prevailing Tax laws. Management periodically assesses positions taken in its tax returns with regard to situations in which the applicable tax regulations are subject to interpretations and establish provisions when appropriate on the basis of amounts expected to be paid to the tax authorities.
Deferred tax assets are only recognized to the extent that it is probable that future taxable income is expected to be available to offset temporary differences.

Deferred tax liabilities arise from taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legal right to offset current deferred taxes against current tax liabilities, and when deferred tax assets and liabilities are related to taxes levied by the same tax authority on a single entity or different entities when there is an intention to offset the balances on a net basis.

5.9.1 Non income tax (levies)

Levies are recognized as liabilities when the Company has performed the activities on which taxes must be paid, according to legislation currently in effect.

Pursuant to the above, a wealth tax was created by the Colombian Congress in late 2014, which is calculated over the equity of companies in Colombia, determined under fiscal rules as of January 1, 2014, for every year since 2015 through 2017, and is recognized on an annual basis as a liability when incurred and charged to profit or loss.

5.10 Financial liabilities

A financial liability is any contractual obligation of the Company to deliver cash or another financial asset to another entity or person, to exchange financial assets or liabilities under conditions that are potentially unfavorable to the Company or a contract that will or may be settled using the Company's own equity instruments. Financial liabilities are initially recorded at their transaction value, which, unless otherwise determined is similar to their fair value less transaction costs directly attributable to issuance. Subsequently, these financial liabilities are measured at amortized cost and their returns are recognized applying the effective interest rate method determined initially and charged to the income accounts as financial expenses.

Financial liabilities are only released from the statement of financial position when the obligations they generated or acquired are extinguished through either cancellation or renewed placement.

5.11 Derivative financial instruments and hedge accounting

Beginning January 2016, Credivalores adopted Hedge Accounting, and thus the impact in the Company's financial statements of derivatives used for hedging purposes will be aligned to their accounting treatment in derivatives items (that is, payment of principal and interest of debt in foreign currency).

Credivalores mitigates foreign exchange risk of its indebtedness in foreign currency –mostly from the Notes issued under its Euro Commercial Paper Program– using financial instruments like non-delivery and delivery forwards with local financial institutions rated "AA-" or higher.

The Company aims to hedge the next interest payment due together with the principal of the Notes until their maturity, in tranches during the four weeks following the closing of the Note. Subject to a joint decision of the treasury and international funding areas, a portion of the principal maybe left unhedged, but this should be hedged in a timely manner.

5.11.1 Fair-value hedge accounting

Fair value hedging: hedging exposure to changes in the fair value of recognized assets, liabilities, or firm commitments, or of an identified portion of such assets, liabilities or firm commitments which maybe attributed to a particular risk and may affect the income for the period.

Changes in the forward contract debt due to exchange-rate differences are offset by changes in the forward contract price associated with the change in the market rate (TRM). The forward points will be recorded in Other Comprehensive Income (OCI) until the maturity date. That is, the fair value will have an effect on both income accounts and on OCI.

5.11.2 Cash-flow hedge accounting

Cash-flow hedging: hedging of exposure to changes in cash flows that: (i) are attributed to a particular risk associated with an asset or liability (such as all or some of the future interest payments of a variable-rate loan), or to a highly probable forecast transaction, and; (ii) may affect the income for the period.

The net effect of market-value changes on coupon transactions will be recorded in Other Comprehensive Income (OCI); when the forward matures it will be recorded in the income accounts on the date when the coupon hedged is paid off.

5.12 Provisions and contingent liabilities

The provisions for legal claims are recognized when the company has a present legal or assumed obligation because of past events, is likely to require an outflow of resources to settle the obligation, and the amount has been estimated reliably. Provisions for restructuring include sanctions by cancellation of leases and payments for dismissal of employees.

When there is a similar number of obligations, the likelihood that an outflow of cash is required is determined by considering all types of obligations. A provision is recognized even if the likelihood of the outflow of cash with respect to any item included in the same type of obligations maybe non-material.

Provisions are measured at the present value of the expected disbursements to settle the obligation using a discount rate before taxes that reflects current market assessments of time value of money and the specific risks of the obligation. The increase in the provision due to the time elapse is recognized as a financial expense.

5.13 Revenues

5.13.1 Revenues from interest and commissions

Revenues from ordinary activities are increases in economic benefits during a period that are generated through performance of ordinary activities and/or other revenues of CREDIVALORES that increase equity.

Revenues are recognized:

- When services have been provided and/or when the risks and benefits associated with the sold goods have been transferred. When the service is provided within the same reporting period, it is not necessary to record the level of progress, and instead 100% of the revenues are recorded in the same period.
- When it is probable that economic benefits associated with the activity will be received.
- When it is possible to reliably establish their amount.
- The value of revenues is normally determined by means of an agreement between the Company and a third party. They are measured at the fair value of the consideration received or receivable, taking into account any discount, bonus or rebate provided by the Company.

As set forth in IFRS 15, Credivalores uses the following approach to establish the classification, recognition and measurement of revenues from ordinary activities:

1. Identify the contracts with customers.
2. Identify the performance obligations associated with the contracts.
3. Establish the transaction price.
4. Assign the transaction price to each performance obligation identified.
5. Recognize revenues when Credivalores satisfies the performance obligations by means of transfer to the client of control over the goods and the services or the supply to satisfaction of the promised services.

5.13.2 Revenues from ordinary activities

Revenue from ordinary activities shall be measured at the fair value of the consideration received or to be received, and represent amounts to be collected for goods delivered, net of discounts and returns.

The Company recognizes revenues when the amount can be measured reliably, when future economic benefits will probably flow to the Company, and when specific criteria have been met for each activity, as described below:

5.14 Net earnings per share

To determine net earnings per share the Company divides the net income from the period attributable to shareholders, or controlling interest, between the weighted average common and preferred shares. Diluted net earnings per share is determined in the same way over net earnings, but the weighted average of outstanding shares is adjusted considering the potential diluting effect of stock options.

NOTE 6 - ESTIMATIONS OF FAIR VALUE

The Company may employ internally developed models for financial instruments that do not have active markets. Said models are mostly based on generally standardized valuation methods and techniques. Valuation models are primarily used to assess equity instruments not listed on the stock exchange, derivatives, debt securities and other debt instruments for which markets were or have been inactive during the financial period. Some components of these models may not be observable in the market and are estimated from assumptions.

The output of a model is always an estimate or approximate value that cannot be determined accurately, and valuation techniques used may not fully reflect all the factors relative to CVCS positions, therefore the valuations are adjusted if necessary to include additional factors, such as country risk, liquidity risks and counterparty risks.

Fair value hierarchy has the following levels:

- Level 1 entries are unadjusted prices quoted in active markets for assets or liabilities identical to those the entity can access on the measurement date.

- Level 2 entries are entries other than the quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 entries cannot be observed for the asset or liability.

The fair value hierarchy in which the fair value measurement is fully classified is determined from the lowest level entry that is significant for fully measuring the fair value. For that, an entry's importance is evaluated with regard to the fair value measurement in its totality. Financial instruments quoted in markets considered inactive but valued in accordance with quoted market prices, quotes from price providers or alternative price sources supported by observable entries, are classified in Level 2.

A fair value measurement that uses observable entries requiring significant adjustments based on unobservable entries is a Level 3 measurement. The evaluation of a particular entry's importance in measuring the fair value in its totality requires an opinion, considering specific factors of the asset or liability.

The determination of what constitutes "observable" requires a significant opinion from CVCS. The Company considers observable data that market data that is already available, distributed or updated regularly by the price provider, is reliable and verifiable, has no property rights, and is provided by independent sources that participate actively in the reference market.

(Stated in millions of Colombian pesos)

6.1 Fair Value Measurement on a Recurring Basis

Level 2 input data elements include: the prices quoted for similar assets or liabilities at active markets; the quoted prices for assets or liabilities that are identical or similar in markets which are not active; input data other than quoted prices that are observable for the asset or liability and input data corroborated by the market. According to the above, Credivalores values derivative financial instruments with input data from fair value level 2.

The following table analyzes assets and liabilities (by class) within the fair value hierarchy, measured at fair value as of September 30, 2019 and December 31, 2018, on a recurring basis.

	September 30, 2019	December 31, 2018
ASSETS	**Level 2**	**Level 2**
Investments in equity instruments	13.880	20.034
Hedging derivatives		
Currency forward	25.491	13.518
Options	94.153	52.774
Cross Currency Swap	205.477	98.194
Consumer		
Payroll deduction loans	18.337	18.337
Total fair value recurring assets	**357.338**	**202.857**
LIABILITIES		
Hedging derivatives		
Trading Forwards	50.545	26.762
Total fair value recurring liabilities	**50.545**	**26.762**

6.2 Fair value determination

The methodology applicable to instruments for Credivalores is:

6.2.1 **Forward valuation:** The derivative's fair value comes from an internal model. This model takes the exchange rate on the day after the valuation closed and forecasts it to a future value with the devaluation curve through maturity date. After this the new forward market rate is compared with the agreed forward rate and the difference is stated in a present value with the IBR curve to calculate the derivative's fair value.

6.2.2 **Swap Valuation:** the reasonable value of the derivative comes from an internal model. The valuations of the Interest Rate Swaps (IRS) and the Cross Currency Swaps (CCS) are performed assuming a long and a short position on a bond; including in each case the principal of the operation. For the projection and discount of the cash flows we use current rates, to calculate the reasonable value of the derivative financial instrument.

6.2.3 **Option Valuation:** The reasonable value of the derivative comes from an internal model. The valuation of an option on its expiry date is the maximum between the premium and the difference between the exercise price and the spot price. For the projection and discount of the cash flows we use the current rates, to calculate the reasonable value of the derivative financial instrument.

6.2.4 **Loan portfolio valuations:** Because these instruments don’t have an active market, the Company has developed methodologies that employ market information for certain cases of unobservable data. The methodology seeks to maximize the use of observable data to arrive at the closest approximation of an initial price for assets and liabilities without an ample market.

The Company has implemented the following methodology to determine its loan portfolio´s Fair Value:

I. Discount Rate: Determined by product considering the market´s appetite for such product, as well as the default risk involved
II. The model was built based on the following factors:

a. Projected cash flow according to weighted term to maturity for each product, using:

Current Balance
Average term to maturity

Weighted average Rate

b. Calculate Present value of cash flows projected as per described in a) discounted at the discount rate as per described in 1)

c. Present Value determined as per described in b) represents the porfolio´s fair value

6.2.5 Equity instruments: CVCS has equity investments in Agrocañas, representing less than 20% of the company equity and that in mutual funds. In general, the company is not listed on any public securities market, and therefore its fair value is determined using the adjusted net asset value method. For mutual funds fair value is determined through valuation of investment portfolios managed by the Trust, which are subject to an active securities market.

Credivalores defined Level 3 financial instruments as those not traded in an active market, the following table provides information about valuation techniques and significant unobservable inputs when measuring assets and liabilities at recurrent fair value.

	Valuation technique	Significant inputs (1)
ASSETS		
Loan portfolio valuations		
Tucredito payroll deduction loans	Discounted cash flow	- Current Balance - Average term to maturity - Weighted average Rate
Equity Instruments	Adjusted net asset value	- Unit value

6.2.6 Derivative financial instruments

Credivalores defined Level 2 financial instruments as those not traded in an active market, the following table provides information about valuation techniques and significant unobservable inputs when measuring assets and liabilities at recurrent fair value

	Valuation technique	Significant inputs (1)
ASSETS		
Trading Derivatives Currency Forward Debt securities Forward	Discounted cash flow	- Underlying asset price Currency curve by Underlying asset - Forward Exchange rates curve of the operation’s currency - Implicit curves of Exchange rates forwards - Implicit volatilities matrixes and curves
LIABILITIES **Derivatives held for trading** Currency Forward Debt securities Forward	Discounted cash flow	- Underlying asset price - Currency curve by Underlying asset - Forward Exchange rates curve of the operation’s currency - Implicit curves of Exchange rates forwards - Implicit volatilities matrixes and curves

(Stated in millions of Colombian pesos)

6.3 Determination of fair value of financial assets and liabilities recorded at amortized cost.

Below are the Company's assets and liabilities at fair value and their carrying amount:

	September 30, 2019		December 31, 2018	
Fair value	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Fair Value Estimate**
Assets				
Loan Portfolio (Gross)				
Consumer	1.279.105	1.303.679	1.299.476	1.334.225
Microcredit	6.325	6.441	6.461	6.573
Total	**1.285.430**	**1.310.120**	**1.305.937**	**1.340.798**
Liability				
Financial obligations	1.695.063	1.739.552	1.564.633	1.622.911
Total	**1.695.063**	**1.739.552**	**1.564.633**	**1.622.911**

NOTE 7. RISK MANAGEMENT

CVCS manages risk pursuant to the applicable regulations in each country and CVCS's internal policies.

Objective and general guidelines

CVCS´s objective is to maximize returns for its investors, through proper risk management. The guiding principles of risk management of CVCS are as follows:

a) Make risk management a part of every institutional process.
b) Specialization in consumer product niches.
c) Extensive use of continuously updated scoring models to ensure quality growth of consumer loans

7.1 Governance Structure

Board of Directors

The Board of Directors has the following functions and responsibilities:

- Establishing and supervising the Company's risk management structure.
- Approving the policies, processes, and methodologies for granting, monitoring, and recovering the Company's loans, in order to identify, measure, and control the risks it faces.
- Approving exposures and limits to the different types of risks.
- Drawing attention to the responsibilities and duties assigned to positions and areas responsible for managing the different types of risks in order to develop a culture of risk control.
- Evaluating the recommendations and corrective measures proposed for the risk management processes.
- Approving the internal controls, as well as evaluating the reports and the management of the area responsible for these controls.
- Requesting loan portfolio reports from Management whenever required for due examination.

Risk Committee

The Risk Committee's responsibilities are:

- The Risk Committee must periodically monitor the Company's main risk indicators and anticipate risky situations that could potentially cause a loss of value in CVCS' assets.

- Regularly reviewing the Company's risk management policies and systems to ensure that these reflect any cha nge in market conditions as well as CVCS' own activities.

- Propose to the Board of Directors changes or adjustments to current policies and methodologies to mitigate the target risk level.

- The Risk Committee meets on a monthly basis and is comprised of the following Senior Management executives:

  - Chairman
  - Risk Manager
  - Chief Collections Officer
  - Chief Operating Officer
  - Chief Credit Officer
  - Director of Analytics and Strategy Models
  - Commercial Managers

The Committee enjoys the support of outside experts and specialized consultants who advise on the decisions to be made by the body.

Risk Management Department

- Periodically presenting to the Risk Committee on the progress of the different risk indicators and conducting the analyses necessary for understanding and taking actions that mitigate and control the risk levels.
- Managing and controlling compliance with policies and processes approved for risk management.

- Regularly reviewing the Company's risk management policies and systems to ensure that these reflect any change in market conditions as well as CVCS' own activities.

- Proposing to the Risk Committee methodologies and adjustments to risk management policies.

- Developing methodologies and models that enable risk identification, measurement, control and monitoring

Internal Auditing

- Verifying the application of risk management in accordance with the stipulations of the Comprehensive Risk Management manual.

- Reporting to the Audit Committee and making recommendations on the findings of the risk management process.

Financial Risk Management

The Company (CVCS) is exposed to the following risks related to the use of financial instruments:

- Credit Risk
- Market Risk
- Liquidity Risk
- Operating Risk
- Money-Laundering Risk

7.2 Credit Risk

The Company's Credit Risk Management System considers the nature of each portfolio product, adjusting its methodologies, processes and policies to these characteristics to achieve the target risk set for each product.

The credit risk management model is based on four stages:

(Stated in millions of Colombian pesos)

- Identification and Measurement: for adequate risk measurement and identification CVCS uses statistical models to identify the risk factors, accurately profile its current and potential clients and determine the level of risk to which they are exposed.

- Policies and Processes: based on the characteristics of each product and the risk profile identified for each client risk management devises distinct processes and policies that adapt to each level of risk seeking to mitigate exposure to the potential risk in a precise manner.

- Control and Monitoring: this process aims to ensure compliance with the policies and processes established, as well as to monitor the progress of the portfolio risk indicators so as to take timely actions in response to any deviation from the expected indicators.

- Estimation of Provisions: risk management includes determination of risk coverage to allow absorption of the losses which may arise due to non-compliance with the credit obligations. Estimation of CVCS provisions are based on statistical models of expected losses for its main products. Payroll deduction loans and cards. For financing insurance policies transition matrices are used.

These processes are documented in the Credit Risk Management System Manual which also defines the target market, credit assessment criteria, collateral, collection management, organizational structure and information management.

7.2.1 Credit Risk Exposure

CVCS have exposures to credit risk, consisting of the risk of incurring in a financial loss as a result of the failure of the debtor to meet its payment obligations on a timely and complete manner. Exposure to credit risk of CVCS is also incurred as a result of credit activities and transactions with counterparties.

The maximum exposure to credit risk of CVCS, according to IFRS 7, is reflected in the carrying value of financial assets the in the statement of financial position of CVCS as of September 30, 2019 and December 31, 2018 as follows:

	September 30, 2019	December 31, 2018
Cash and cash equivalents	149.436	195.058
Financial instruments net	357.338	202.431
Loan portfolios		
Consumer loans	1.352.702	1.299.476
Microcredit portfolio	5.923	6.461
Accounts receivable, net	394.398	330.651
Total financial assets with credit risk	**2.259.797**	**2.034.077**
Off-balance-sheet credit risk at nominal value		
Unpaid approved credits	410.606	455.058
Total exposure to off-balance-sheet credit risk	**410.606**	**455.058**
Total maximum exposure to credit risk	**2.670.403**	**2.489.561**

7.2.2 Mitigation of Credit Risk, Collaterals and Other Credit Risk Improvements

The exposure to credit risk is reduced by collaterals and other credit enhancements, which reduce credit risk. The existence of guarantees can be a necessary measure but not a determinant for the approval of a credit. Credit risk policies of CVCS require an evaluation of the debtor's payment capacity based on the debtor´s ability to generate the resources needed for the timely and complete payment of its obligations.

Policies to prevent excessive credit-risk concentration

In order to prevent excessive concentrations of credit risk at an individual, economic group, cities or economic sectors level, CVCS maintains updated indices to limit concentration of risk to an individual level or to an economic sector. The exposure limit by a CVCS to an individual client or economic group depends on the risk profile of the client, the nature of the risk of the debtor.

As of September 2019, the Credivalores Crediservicios S.A. portfolio is comprised of 47.8% payroll deduction loans; 43.7% credit cards; 8.1% insurance-policy financing; and 0.4% microcredit loans.

Our products are targeted primarily at individuals with medium-to-low earnings who have limited access to Colombia's traditional financial system.

Important characteristics of the current portfolio:

- The 25 largest debtors account for 0.80% of the portfolio, and the largest single client, 0.14%.
- 42% of the entire portfolio is comprised of public-sector employees and retirees.
- Average credit (portfolio/client total) COP 2.5 million

Another noteworthy characteristic is the portfolio's geographical diversity: Valle del Cauca accounts for the largest share with 19.8% of the total followed by Bogota at 13.2%.

Payroll deduction loans are very low-risk consumer loan products that operate through payroll discounts. This means that the loan installments are paid directly and automatically by companies without having to depend on clients' willingness to pay. 56% of our portfolio is made up of retirees (life pension) while 31.2% are public-sector employees (teachers, government employees, servicemen and women) - sectors marked by high job stability.

The segments to which payroll deduction loans are targeted include:

1. Retirees: individuals who, having met the requirements stipulated by the social security provisions are formally entitled to receive a fixed monthly life income.
2. Employees: individuals employed by a public or private company who receive regular remuneration as compensation for their services.

The credit card product, Crediuno, operates in agreement with public-sector companies allowing charges through public utility bills. This scheme ensures that clients prioritize their card payments by associating them with potential public-utility cutoffs. This characteristic minimizes late payments as compared with traditional cards.

The card is aimed at employees, retirees or low-income contractors. To manage this segment of clients, who generally have a low level of financial education; Credivalores Crediservicios S.A. developed the maximum installment concept, whereby the system automatically controls the term for which client consumer is deferred to ensure that the client never pays an installment beyond a defined value. This minimizes client defaults associated with inability to pay. In addition, public utility companies share client payment histories allowing CVCS to develop robust risk models that extend to the un-banked population segment.

The Credipoliza target market consists of individuals or companies seeking to acquire an insurance policy paid by monthly installments. The main characteristic of this product from a risk perspective is the ability to cancel the policy, which CVCS can request if a client defaults on any of their payments, activating the reimbursement of the remaining balance by the insurer directly to CVCS.

All personal loans offered out by the Company include life insurance, whereby, upon death or permanent disability the insurance company is forced to pay Credivalores the remaining balance of the debt, and, if applicable, the outstanding amounts to the beneficiaries.

7.2.3 Monitoring and Control Process

The Company has an information system in place that provides daily indicators on the loan portfolio status so as to allow proper monitoring and timely decision-making.

The credit approval processes are connected to an engine managed by the risk area, which allows real-time adjustments to policy parameters so as to take immediate action where required in loan origination.

Each month the Risk Committee meets to evaluate the development of each product portfolio, analyzing the performance of each yield and applying corrective measures to credit processes or policies where necessary.

(Stated in millions of Colombian pesos)

As of September 30, 2019

Status	Tu Crédito	CrediUno	CrediPóliza	Microcredit	Total managed portfolio	On balance sheet Portfolio
CURRENT	812.209	361.719	56.589	44	1.230.561	934.876
1-30	7.960	13.038	4.416	18	25.433	22.981
31-60	8.590	7.980	1.808	8	18.386	15.176
61-90	4.399	6.255	373	10	11.036	9.723
91 A 180	6.832	12.245	1.034	20	20.131	18.691
181 A 360	13.397	31.674	2.932	42	48.044	46.647
> A 360	56.915	72.209	3.502	4.179	136.805	126.897
Totals	**910.302**	**505.120**	**70.653**	**4.321**	**1.490.397**	**1.174.991**

As of December 31, 2018

Status	Tu Crédito	CrediUno	CrediPóliza	Microcredit	Total managed portfolio	On balance sheet Portfolio
CURRENT	699.156	376.137	84.043	114	1.159.450	940.027
1-30	5.318	14.886	5.107	75	25.386	23.568
31-60	4.231	15.804	3.192	36	23.263	21.800
61-90	4.477	9.968	1.463	33	15.941	14.812
91 A 180	10.574	19.576	1.986	51	32.187	31.114
181 A 360	14.110	16.910	2.364	79	33.463	32.047
> A 360	47.534	50.403	3.460	4.392	105.790	96.837
Totals	**785.400**	**503.684**	**101.615**	**4.780**	**1.395.480**	**1.160.205**

7.3 Credit worthiness

The following is a breakdown of banks and other financial institutions that hold our savings and checking account deposits.

Entity	Type of Account	September 30, 2019	December 31, 2018
Banco de Bogotá	Checking	1.708	3.849
Bancolombia	Checking	7.411	4.489
Banco GNB Sudameris Colombia	Checking	-	87
Red Multibanca Colpatria	Savings	123	266
Banco BBVA	Checking	264	314
Banco De Occidente	Checking	100	31
Bancomeva	Checking	9	61
Banco Santander	Checking	362	1.979
Available in Free-standing Trusts		5.130	7.745
		15.107	**18.821**

The following is a breakdown of creditworthiness as determined by independent credit rating agencies of all those major financial institutions in which the Bank holds cash:

Long-term debt ratings are based on the following scale:

Item	Financial Institution	Long-term Rating	Short-term Rating	Description
1	Banco BBVA	AAA	From BRC 1+ to BRC 2+	AAA is the highest rating awarded, indicating that the entity has an extremely robust capacity to safeguard its capital and limit its exposure to the risk of loss due to credit-related factors.
2	Banco de Bogotá	AAA		
3	Banco Colpatria	AAA		
4	Banco de Occidente	AAA		
5	Banco Corpbanca	AAA		

(Stated in millions of Colombian pesos)

6	Bancolombia	AAA		
7	Banco Santander	AAA		
8	GNB Sudameris	AA+		An AA rating indicates that the capacity of either the issuer or issue to meet its financial obligations is very strong. However, issuers or issues that are awarded this rating may be more vulnerable to adverse events compared to those rated in the highest category.

Cash and cash equivalents are held with banks and financial institutions through free-standing trust funds, which have ratings between AA- and AAA BCR + 1 from BRC Standard and Poor's.

The Company takes into account the credit ratings awarded to financial institutions with which it conducts treasury operations in the form of fiduciary assignments such as deposits or investments at sight which classify as cash equivalents. In order to establish a minimum margin risk exposure and ensure optimal resource management through periodic evaluations and measurements of the Company's exposure.

7.4 Market Risk

The Company has been able to meet its liquidity needs acquiring working capital and lines of credit from local, foreign and multilateral entities This implies the need for follow-up when exposed to variable interest rates (financial obligations indexed to local and/or foreign variable rates such as: DTF, IBR, UVR, LIBOR, PRIME, etc.), and to exchange-rate fluctuations due to devaluation or revaluation in the local currency (USD, EUR, etc.).

CVCS participates actively in the money, foreign exchange and capital markets, seeking to meet the needs of its clients in accordance with the policies and risk levels established. As such, it manages different financial-asset portfolios within the permitted risk levels and limits.

Market risk arises from the open positions of CVCS's investment portfolios in debt securities, derivatives and equity instruments recorded at fair value, due to adverse changes in risk factors such as interest rates and exchange rates of foreign currencies.

For analysis purposes, market risk has been broken down into price risk and/or interest and exchange-rate risk of financial obligations in the periods of capital-payment amortization, the point at which the risk materialized.

As of September 31, 2019 and December 31, 2018, CVCS had the following financial assets and liabilities at fair value subject to trade risk:

Financial assets and liabilities at fair value exposed to trading risk held:	**September 30, 2019**	**December 31, 2018**
Equity Securities	13.880	20.034
Derivatives instruments	325.121	164.486
Loan Portfolio	18.337	18.337
Total	**357.338**	**202.857**
Financial liabilities	50.545	26.762
Total	**50.545**	**26.762**
Net Position	**407.883**	**229.619**

(Stated in millions of Colombian pesos)

Methodology used to measure risk

Market risks are quantified through value at risk standard models.

The company uses the standard model for the measurement, control and management of market risk of interest rates and exchange rates at which the entity is exposed.

There are two scenarios under which CVCS is exposed to market risks:

Interest rates

CVCS's financial obligations are exposed to this risk when financing is acquired at variable indexed rates that may be subject to volatilities and may affect the Company's financial margin.

Sensitivity Analysis

Taking into account CVCS exposure to changes in the reference interest rate, a sensitivity analysis of the impact on financial obligations is included given the possible effect on the variable indexed interest rates in the first quarter of 2019. The following methodology was devised for the analysis:

1. Two scenarios were evaluated whereby indexed rates are affected by 20 BPS (increasing and decreasing indexed rates), which affect the future flows of CVCS financial obligations indexed to the variable rate. Debt repayment is implicit in these scenarios, given their contractual frequency, taking them to maturity.

2. The flows corresponding to interest payment (accrual) were evaluated using equivalent rates.

3. The present value of the monthly interest payment was calculated, using as reference the 6-month IBR EAR at September 30, 2019 (4.251%).

4. Finally, the results of each scenario were compared to the base scenario, which corresponds to the projections of interest flows using the rates at September 30, 2019 as reference.

The results are set out below:

Scenarios	Interests
Effect of 20 BPS decrease in variable rate	302.443
Effect of 20 BPS increase in variable rate	(301.549)
Total Scenarios	**(894)**

Interest Rate and Exchange Rate

Rate and devaluation effect scenario (variable rate and foreign currency obligations)	Interests
Effect of revaluation and decrease, 15 BPS, variable rate	302.443
Effect of devaluation and increase, 15 BPS, variable rate	303.336
Total Scenarios	**893**

Exchange rate

CVCS financial obligations are exposed to exchange rate risk when the present value of the liability positions presents volatilities due to the devaluation or revaluation of the funding acquired in another currency. This risk materializes at the moment when the payment corresponding to the amortization of principal and interest is made, due to trading in the currencies to be paid and recognition of the exchange rate difference.

Sensitivity Analysis

Taking into account CVCS exposure to changes in the USD/ exchange rate, a sensitivity analysis of the impact on financial obligations is included given the possible effects of changes in the exchange rate in the first quarter of 2019. The following methodology was used for the analysis:

(Stated in millions of Colombian pesos)

1. Two scenarios were evaluated in which the exchange spot rate is adjusted by 0.60% daily volatility (forward curve projected Bloomberg´s spots prices), generating revaluation and devaluation effect on the TRM September 30, 2019.

2. The amortization of principal and payment of interest on financial obligations are implicit in these scenarios, given their contractual periodicity and taking them to maturity.

3. The flows corresponding to interest payment (accrual) were evaluated using equivalent rates.

4. The present value of the monthly interest payment was calculated, using as reference the 6-month IBR EAR at September 30, 2019 (4.283%).

5. Finally, we compared the results of each scenario with the base scenario, which corresponds to the projected flows for payment of capital and interest using as reference the rates at September 30, 2019.

The results are set out below:

Item	Total Debt
Initial Scenario (Balance at December 31, 2018)	1.580.864
Scenario 1 (Effect of revaluation)	1.571.279
Scenario 2 (Effect of revaluation)	1.590.449
Difference Scenario 1 vs. Initial Scenario	**(9.585)**
Difference Scenario 2 vs. Initial Scenario	**9.585**

(1) Volatility obtained from the daily average for the previous three years, including the first nine months of 2019.

7.5 Liquidity Risk

The liquidity Risk is represented by the potential event of being unable to meet the expected outgoing cash flows on a timely and efficient manner, without affecting the normal course of business or the company´s financial position. Liquidity risk is related with having insufficient liquid assets and therefore having to incur in unusual or extra funding costs.

The company funding is based on short and medium term Bank loans as well as bonds and commercial notes issued in the international capital markets. These funds are mainly used to leverage new loan origination according to its business model. On the other hand, the Company's capacity to build to sell positions in financial instruments (liquidity or loans) could be affected either by lack of market liquidity or because of sudden changes in interest rates and asset prices.

According to the Company´s funding model the liquidity risk includes among others, the ability to get short, medium and long term lines of credit, that allow to keep low liquidity assets (such as loan portfolio) and face short term unexpected stress situations.

In order to deploy a correct asset and liability management and assure the liquidity needed to operate the business the Company has set the following guidelines to control the liquidity risk: i) In the short term, cash flow associated to loan portfolio and liquid assets, short term financial liabilities, and off statement of financial positions in different time frames, allowing a permanent liquidity monitoring ii) for the long term assets and liabilities, the Company analyses its funding sources as well as the breakdown by type of source and those that are specifically associated to specific products.

CVCS keeps at least 1.5 x its operating expenses in liquid assets statement of financial position liquidity has the following components:

- Inflows: incoming funds associated to loan portfolio, and interest income associated to liquid assets

- Outflows: Outgoing flows related to i) operating expenses ii) new loan origination and iii) financial liabilities´ principal and interest

- Liquidity GAP: Difference between inflows and outflows according to:

(Stated in millions of Colombian pesos)

- Monthly cash flow associated to assets (liquid assets, loan portfolio)
- Monthly projected cash flow related to financial liabilities and operating expenses

The Company determines its liquidity gap based on to the above mentioned variables, and makes permanent follow up, as well as making any necessary adjustments according to the following ranges:

- ✓ 1 to 3 Months
- ✓ 3 to 6 Months
- ✓ 6 to 12 Months
- ✓ 12 Months +

Liquidity Risk Management

The company identifies its exposure to liquidity risk according to the markets where it operates, its products and services offered to its customers. For such purpose the Company has analyzed the processes associated to treasury in order to design controls and strategies to reduce the impact.

Liquidity position

Determine the minimum amount of liquid assets (cash and cash equivalents, short term liquid investments), in order to avoid any lacks that may affect the capacity to the outflows. It is calculated and monitored on a weekly basis on financial committee, considering cash flow projections for 7 and 15 days:

a) Green: liquid Assets / outflows >= 105%
b) Yellow: liquid Assets / outflows between 100 and 104%
c) Red: liquid Assets / outflows <100%

In case there are any yellow or green situations, the financial committee define any actions to be taken in order to assure the necessary coverage.

The liquidity level results at December 31, 2018 are set out below:

Item	**Liquidity level September, 2019**
7 Days	182%
15 Days	126%
30 Days	128%

As of September 30, 2019, the liquidity level in the 7 and 15 day bands is above the upper limit defined in the Company's liquidity manual, constituting a green flag scenario and indicating that CVCS has sufficient resources to operate normally.

Also, as is good practice, a third band is monitored, which allows for controlling of the liquidity level projected to 30 days. As of September 30, 2019, a green band scenario is recorded, indicating that CVCS has ample liquidity to support its needs for normal operation.

Exposure to liquidity Risk

The Company monitors its liquidity position in order to determine how likely a liquidity stress can happen.
The following is a breakdown by range of time f the Liquid Assets and LRI (Liquidity Risk Indicator) for the time slot specified as of September 30, 2019 and December 31, 2018.

(Stated in millions of Colombian pesos)

	September 30, 2019				
	Subsequent Net Balances Available				
Description	**Liquid Assets Available at the End of the Period (1)**	**From 1 to 7 days (2)**	**From 8 to 15 subsequent days (2)**	**From 16 to 30 subsequent days (2)**	**From 31 to 90 subsequent days (2)**
Cash	19	19	-	-	-
Banco de Bogotá	1.708	1.708	-	-	-
Bancolombia S. A.	22.425	22.425	-	-	-
Banco GNB Sudameris Colombia	-	-	-	-	-
BBVA Colombia	264	264	-	-	-
Red Multibanca Colpatria S. A.	123	123	-	-	-
Banco De Occidente	100	100	-	-	-
Bancoomeva	9	9	-	-	-
Banco Santander	362	362	-	-	-
Banco Santander Uruguay	4.877	4.877	-	-	-
Alianza Fiduciaria	4	4	-	-	-
Credifinanciera	12.065	-	-	12.065	-
Cash at Free-Standing Trusts	6.342	6.342	-	-	-
Collective Investment Funds	9.209	-	9.209	-	-
Agrocaña	4.671	-	-	-	4.671
Valores Bancolombia	5.891	5.891	-	-	-
Fiducolombia Free-Standing Trusts	95.256	95.256	-	-	-
Inverefectivas	11.093	-	-	-	11.093
Total liquid assets	**174.417**	**137.379**	**9.209**	**12.065**	**15.763**

	December 31, 2018				
	Subsequent Net Balances Available				
Description	**Liquid Assets Available at the End of the Period (1)**	**From 1 to 7 days (2)**	**From 8 to 15 subsequent days (2)**	**From 16 to 30 subsequent days (2)**	**From 31 to 90 subsequen t days (2)**
Cash	25	25	-	-	-
Banco de Bogotá	3.851	3.851	-	-	-
Bancolombia S.A.	4.489	4.489	-	-	-
Banco GNB Sudameris Colombia	87	87	-	-	-
BBVA Colombia	314	314	-	-	-
Red Multibanca Colpatria S.A.	266	266	-	-	-
Banco De Occidente	31	31	-	-	-
Bancoomeva	61	61	-	-	-
Banco Santander	1.979	1.979	-	-	-
Alianza Fiduciaria	179	179	-	-	-
Credifinanciera	14.960	-	-	14.960	-
Cash at Free-standing Trusts	7.798	7.798	-	-	-
Collective Investment Funds	15.363	-	15.363	-	-
Agrocaña	4.671	-	-	-	4.671
Valores Bancolombia	6.129	6.129	-	-	-
Scotiabank	11.433	-	-	11.433	-
Fiducolombia Free-standing	143.456	143.456	-	-	-
Inverefectivas	10.366	-	-	-	10.366
Total liquid assets	**225.458**	**168.665**	**15.364**	**26.393**	**15.037**

(1) Liquid assets correspond to the sum of existing assets at the close of each period, which can quickly be converted to cash. In calculating liquid assets, all the listed investments, without exception, are computed at their fair exchange value on the date of the valuation (fair value).

(Stated in millions of Colombian pesos)

(2) The balance corresponds to the residual value of the Company's liquid assets on days after closing the specific period. This balance is calculated as the difference between liquid assets and liquidity requirements. In turn, the liquidity requirement is the difference between the contractual revenue flows and contractual and non-contractual outflows in accordance with the Liquidity Risk Indicator (LRI) methodology.

Measurement of exposure to liquidity risk

Measuring the likelihood of the Company running out of liquid resources for its normal operation under normal market conditions requires the use of the tools described above: balance sheet liquidity, liquidity gap, and cash flow projection, to thereby quantify the degree of stress that the company's cash flow can bear to fulfill its normal operations without having to acquire additional resources.

Limit of liquidity risk exposure

Maximum exposure to liquidity risk is identified as the average time taken by the Company to carry out the liquidity financial operations (Guaranteed Loans, Portfolio Sales, Working Capital Loans, etc.) and generate the cash available for new loan origination.

The maximum exposure to liquidity risk is calculated weekly by the financial committee, taking into account projections for bands of 7 days, and 15 to 30 days.

In addition, to analyze the short- and medium-term liquidity requirements, the following indicators are taken into account:

1) Net Liquidity/CVCS + Free-standing Trust, where Net Liquidity is the sum of available cash and investments less long-term investments.

Lower limit: 8%; cannot be below the lower limit more than three times in a year

Exposure Limit Indicator 1	Jun-19
Net Liquidity	149.444
Assets (CVCS + Free-standing Trust) (Portfolio)	1.361.578
Indicator 1	**11,0%**

2) Net Liquidity/Liabilities (Free-standing Trust + CVCS)

Lower limit: 10%; cannot be below the lower limit more than three times in a year

Exposure Limit Indicator 1	Jun-19
Net Liquidity	149.444
Liabilities (CVCS + Free-standing Trust)	1.420.486
Indicator 2	**10,5%**

In the three-month period ended September 30, 2019 there were no significant changes in the liquidity risk or in the manner in which CVCS manages this risk.

CVCS has performed an analysis of the consolidated maturities of financial assets and liabilities both derivatives and non-derivatives, showing the following remaining contractual maturities.

September 30, 2019

Assets	Less than one month	From one to six months	From six to twelve months	More than one year	Total
Cash due from banks and Central Bank	149.445	-	-	-	149.445
Equity Instruments at fair value	9.209	-	-	4.671	13.880
Investments in Associates and Affiliates	- -	- -	- -	11.093	10.226

(Stated in millions of Colombian pesos)

Financial Assets at amortized cost	58.918	296.414	358.413	990.205	1.703.949
Total assets	**217.572**	**296.414**	**358.413**	**1.005.968**	**1.878.367**

Liabilities	Less than one month	From one to six months	From six to twelve months	More than one year	Total
Financial Liabilities at amortized cost	45.273	197.510	291.098	1.601.544	2.135.425
Financial Liabilities at fair value Derivatives instruments	-	-	4.423	46.122	50.545
Total Liabilities	**45.273**	**197.510**	**295.521**	**1.647.666**	**2.185970**

December 31, 2018

Assets	Less than one month	From one to six months	From six to twelve months	More than one year	Total
Cash due from banks and Central Bank	195.058	-	-	-	195.058
Equity Instruments at fair value	15.363	-	-	4.671	20.034
Investments in Associates and Affiliates	-	-	-	10.366	10.366
Financial Assets at amortized cost	60.807	306.649	373.710	863.100	1.604.266
Total assets	**271.228**	**306.649**	**373.710**	**878.137**	**1.829.724**

Liabilities	Less than one month	From one to six months	From six to twelve months	More than one year	Total
Financial Liabilities At amortized cost	63.380	146.009	156.557	1.647.302	2.013.247
Financial Liabilities at fair value - Derivatives instruments	-	-	-	26.763	26.763
Total Liabilities	**63.380**	**146.009**	**156.557**	**1.674.065**	**2.040.010**

7.6 Risk of money laundering

Self-control and risk management system for money laundering and terrorist financing

Credivalores – Crediservicios S.A., as an entity monitored by the Superintendence of Companies manages the System of Self-Control and Risk Management of Money Laundering and Terrorist Financing – SAGRLAFT, as indicated in Chapter X of the Basic Legal Circular updated by External Circular 100-000006 of 2016, adopting policies, controls and procedures with a risk management-based approach and with the aim of preventing the realization of risk of money laundering and with the aim of preventing the realization of risk Financing of Terrorism through its services and products, for which the e ntity has established actions aimed at customer knowledge, due diligence, analysis of counterparty operations, reports of suspicious operations to the UIAF and training in LA/FT prevention issues to the Company's collaborators.

The SAGRLAFT Manual and Code of Ethics approved by the Board of Directors set out the procedures and rules of conduct on the implementation of LA/FT policies, elements, stages and risk prevention and control measures; these are mandatory compliance by all employees.

In order to measure the level of LA/FT risk to which the entity is exposed, the methodology for identification, measurement, control and monitoring is established, which as a result generates the risk profile in a consolidated and individual manner by risk factors (counterparties, products, distribution channels and jurisdictions) and associated risks (operational, legal, reputational and contagion); the risk profile obtained is within the acceptance levels defined by the Board of Directors

The supervisory bodies, such as the Internal Audit and the Fiscal Review, monitor the annual implementation of SAGRLAFT in accordance with standard work and good practice. In addition, the designated Compliance Officer, through the SAGRLAFT

(Stated in millions of Colombian pesos)

Committee and its quarterly report to the Board of Directors, presents the evaluation and analysis of the efficiency and effectiveness of the system and its respective improvements, including the evolution of the risk profile of the entity.

The SAGRLAFT employed has a preventive and risk management approach LA/FT, which allows the continuous improvement of the system, creating in the organizational culture and in the collaborators, awareness and awareness so that the entity is not used as a means or channel to give appearance of legality to assets from illicit activities or for the channeling of resources for terrorist purposes.

NOTE 8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash balances and demand deposits with original maturities of 90 days or less from the date of acquisition, which are subject to an insignificant risk of changes to their fair value and that are used by the CVCS to handle short-term commitments.

Cash and cash equivalent balances encompass the following as of September 30, 2019 and December 31, 2018:

	September 30, 2019	**December 31, 2018**
Cash	19	25
Banks	19.982	18.821
Mutual funds and joint portfolio (8.1)	117.370	149.819
Certificates of Deposit	12.065	14.960
Time Deposit	-	11.433
	149.436	**195.058**

As at September 30, 2019 and December 31, 2018, there were no restrictions on bank accounts.

8.1 Following is a breakdown of positions in money market funds (trust rights) by CVCS and the Free Standing Trust:

	September 30, 2019	**December 31, 2018**
Valores Bancolombia	5.891	6.129
Renta Fija Plus	15.007	-
Alianza Fiduciaria S1	4	179
Trust at Banco de Bogotá	-	2
Credinvest	1.156	53
Investments Factoring Free-Standing Trust	-	26.230
Economic rights	20	-
Progression	30	-
Sub-Total	**22.108**	**32.593**

Entity	**September 30, 2019**	**December 31, 2018**
Collective Investment Funds Participation	95.262	117.226
Sub-Total	**95.262**	**117.226**
Total 8.1	**117.370**	**149.819**

The following is the credit rating of the fund managers of Free Standing Trusts:

Manager	**September 2019**	**Dec-18**	**Rating Agency**
Fiduciaria Bancolombia	S1/AAA(col)	S1/AAA(col)	Fitch Ratings Colombia S.A.S CVCS
Fiduciaria GNB Sudameris_Servitrusts	F-AAA	F-AAA	Value and Risk Rating S.AS CVCS (2016 - 2017) BRC Standard & Poor´s (2015)

Fiduciaria la Previsora	FAAA/2+	S1/AAA(col)	Fitch Ratings Colombia S.A.S CVCS
Fiduciaria Popular	F-AAA VrR 2- 1+	FAAA/2	BRC Standard & Poor´s (2017-2016-2015) - BRC Investor Services S.A.S CVCS (2014)

Cash equivalents correspond to mutual and money market funds where the Company and the Free Standing Trust have a direct ownership of shares and rights. These funds invest in short term paper and offer a slightly higher yield than a savings account, and are classified as cash equivalents since the companycan withdraw and deposit funds at any time, as funds are at sight.

NOTE 9. FINANCIAL INSTRUMENTS

9.1 AT FAIR VALUE THROUGH PROFIT OR LOSS

The balance of investments measured at fair value is comprised of:

	September 30, 2019	December 31, 2018
Equity instruments (9.1)	9.209	15.364
Derivative instruments (Note 15)	325.121	164.486
	334.330	**179.850**

9.1 Equity instruments

Investments at fair value correspond to shares in money market funds that offer easy access to resources at low risk, held in trusts which are rated from AA- to AAA by local rating agencies BRC Standard and Poor's and/or Fitch Ratings Colombia

Issuer	Type of Fund	Minimum Investme nt	Minimum Balance	Annual Return 2019	Annual Return 2018	As of September 30, 2019	As of December 31, 2018
BTG Pactual I Z Class	Closed	5.000.000	2.000.000	58.21%	146.53%	2.105	6.104
BTG Pactual II Z Class	Closed	5.000.000	2.000.000	96.81%	126.45%	881	2.398
Fiduciaria Popular	At sight	200.000	200.000	3.98%	3.86%	8	650
Open Portfolio BTG						2.987	6.212
TOTAL						**5.981**	**15.364**

9.2 Heritage instruments

	September 30, 2019	December 31, 2018
Agrocaña Shares (Note 10)	4.671	4.671
	4.671	**4.671**

The Companyowns 5.03% of Agrocañas S.A. share capital, with 3,300 outstanding shares as of September 30, 2019. These are not listed on the stock exchange, and are therefore measured at cost.

NOTE 10. INVESTMENTS IN ASSOCIATES

The detail of the investments in associates is as follows:

	September 30, 2019	December 31, 2018
Inverefectivas S.A (a)	11.093	10.366
	11.093	**10.366**

CVCS owns 25% the Inverefectivas S.A. share capital. This companywas established under Panamanian legislation and has 4000 shares, with an intrinsic value of FIX 3.174,79 as of September 30, 2019.

(Stated in millions of Colombian pesos)

	September 30, 2019		December 31, 2018	
	Share of ownership interest	**Book value**	**Share of ownership interest**	**Book Value**
Associates				
Inverefectivas S,A	25%	11.093	25%	10.366
		11.093		**10.366**

The movement of investments in associates accounts is shown below for the years ended September 30 de 2019 and December 31, 2018:

	September 30	
Associate	**2019**	**2018**
Balance at the beginning of the year	**10.366**	**37.485**
Participation in Other comprehensive income	-	(805)
Adjustments for exchange differences	727	(38)
Year-end balance	**11.093**	**36.642**

NOTE 11. LOAN PORTFOLIO, NET

Financial assets at amortized cost on the statement of financial position are classified as consumer portfolio and microcredit, Following is a description of the portfolio of CVCS at September 30, 2019 and December 31, 2018:

	September 30, 2019	**December 31, 2018**
Consumer	1.355.655	1.299.476
Microcredit	5.923	6.461
Impairment	(183.870)	(163.413)
Total financial assets at amortized cost	**1.177.708**	**1.142.524**
TuCrédito payroll deduction loans at fair value	18.337	18.337
	18.337	**18.337**

The Financial Position Statement includes portfolio held in Free-standing trusts net totaling 238.455 at September 30, 2019 and 231.931 at December 31, 2018. CVCS classified portfolio by product in accordance with the height of default.

The movement of the provision for the impairment of financial assets by loan portfolio is provided below for the periods ended September 30, 2019 and December 31, 2018

	September 30, 2019	
	2019	**2018**
Initial Balance	163.413	128.080
Adopting IFRS 9	-	47.055
Allowance of the period charged against to profit or loss	34.228	26.922
Recovered provisions	(95)	(544)
Write-offs	(13.675)	(37.898)
Closing balance	**183.870**	**163.614**

Here is a breakdown of the Loans Portfolio on Balance Sheet with all components:

At September 30, 2019

(Stated in millions of Colombian pesos)

Modality	Capital	Transaction costs	Interest Accrued	Commissions	Impairment	Total
Consumer loans	1.170.660	69.437	101.643	10.977	(178.001)	**1.174.717**
Microcredit	4.321	6	1.579	0	(5.869)	**38**
Total financial assets at amortized cost	**1.174.982**	**69.443**	**103.222**	**10.978**	**(183.870)**	**1.174.755**

At December 31, 2018

Modality	Capital	Transaction costs	Interest Accrued	Commissions	Impairment	Total
Consumer loans	1.155.425	42.955	91.531	9.526	(157.177)	**1.142.260**
Microcredit	4.780	38	1.681	1	(6.236)	**264**
Total financial assets at amortized cost	**1.160.205**	**42.993**	**93.212**	**9.527**	**(163.413)**	**1.142.524**

The distribution of maturities of CVCS gross loans portfolio is as follows:

September 30, 2019

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
Consumer	241.224	420.404	244.077	413.584	1.318.290
Microcredit	5.854	73	3	-	5.930
Total Gross Loan Portfolio	**247.079**	**420.477**	**244.080**	**412.584**	**1.324.220**

December 31, 2018

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
Consumer	351.279	369.853	255.468	322.876	1.299.476
Microcredit	5.635	769	57	-	6.461
Total Gross Loan Portfolio	**356.914**	**354.128**	**255.525**	**322.876**	**1.305.937**

The distribution of maturities of CVCS capital loans portfolio is as follows:

September 30, 2019

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
Consumer	209.607	361.038	218.993	381.032	1.170.670
Microcredit	4.255	64	2	-	4.321
Total Gross Loan Portfolio	**213.862**	**361.102**	**218.996**	**381.032**	**1.174.991**

December 31, 2018

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
Consumer	312.886	306.164	233.801	302.574	1.155.425
Microcredit	4.190	537	53	-	4.780
Total Gross Loan Portfolio	**317.076**	**306.701**	**233.854**	**302.574**	**1.160.205**

(Stated in millions of Colombian pesos)

Below is the breakdown of CVCS Managed Loan Portfolio that includes the loan portfolio on balance sheet and the portfolio that was sold but is still managed by the Company:

	At September 30, 2019		
Modality	**Loan Capital**	**Sold**	**Total**
Consumer	1.170.670	315.406	1.486.075
Microcredit	4.321	-	4.321
Total Financial Assets at amortized cost	**1.174.991**	**315.406**	**1.490.397**

	At December 31, 2018		
Modality	**Loan Capital**	**Sold**	**Total**
Consumer	1.155.425	235.275	1.390.699
Microcredit	4.780	-	4.781
Total Financial Assets at amortized cost	**1.160.205**	**235.275**	**1.395.480**

Arrears but not impaired

As of September 30, 2019 and December 31, 2018, a summary of the overdue portfolio by days past due is as follows:

	At September 30, 2019			At December 31, 2018		
	Consumer	**Microcredit**	**Total**	**Consumer**	**Microcredit**	**Total**
Non expired loans	934.832	44	**934.876**	939.913	114	**940.027**
Arrears but not impaired	38.131	27	**38.157**	45.256	111	**45.367**
Non-performing loans under 360	74.990	71	**75.061**	77.810	163	**77.973**
Non-performing loans over 360	122.717	4.179	**126.897**	92.446	4.392	**96.838**
	1.170.670	**4.321**	**1.174.991**	**1.155.425**	**4.780**	**1.160.205**

NOTE 12. ACCOUNTS RECEIVABLE, NET

The detailed information of accounts receivables as of September 30, 2019 and December 31, 2018 is as follows:

	September 30, 2019	**December 31, 2018**
Debtors (12.1)	323.390	271.301
Related economic (12.2)	66.228	64.605
From Partners and Shareholders	1.815	1.815
Prepayments and Advances	1.346	285
Payment by client account (12.3)	10.086	2.082
Employee	10	6
Others accounts receivable	965	-
Allowance for doubtful accounts (12.4)	(9.443)	(9.443)
	394.398	**330.651**

12.1 The balance for other accounts receivable of 306.426 million at September 30, 2019 and 271.301 at December 31, 2018 million correspond primarily to loan collection balances from the Free-standing Trusts pending transfer to CVCS.

12.2 The following is the detail with third parties with economic ties:

	September 30, 2019	**December 31, 2018**
Finanza inversiones S.A.S	26.850	24.674
Brestol S.A.S	21.462	22.440
Agroindustriales del Cauca	8.600	8.600

(Stated in millions of Colombian pesos)

Inversiones Mad capital S.A.S	8.207	7.552
Sferika S.A.S	340	514
Asficor S.A.S	276	276
Agro el arado S.A	146	202
Seinjet Neirus David	200	201
Inversiones Dana S.A.	146	146
	66.228	**64.605**

12.3 The following is a breakdown of payments by client account:

	September 30, 2019	December 31, 2018
Life Insurance Payroll deduction loans	7.141	813
Crediuno Insurance	2.789	1.097
Tigo Insurance	156	172
	10.086	**2.082**

12.4 The movement in the provision for impairment of other accounts receivable is provided below:

	September 30, 2019	December 31, 2018
Balance at start of period	(9.443)	(3.329)
Provision charged to income accounts	-	(6.114)
Balance at end of period (13.4.1)	**(9.433)**	**(9.443)**

12.4.1. Detail Impairment

Below is a breakdown of the provisioned items applying simplified approach (IFRS 9) to September 30, 2019:

Third Party	Impairment	%
Metroagua	263	100,0%
Asficor SAS	276	100,0%
Mad Capital S.A.	286	100,0%
Sferika SAS	449	87,3%
Servitrust GNB Sudameris S.A.	808	100,0%
Inversiones MAD Capital SAS	1.198	100,0%
Agrointegrales del Cauca	5.662	65,8%
Below 250 million	503	91,5%
Total	**9.443**	

NOTE 13. PROPERTY AND EQUIPMENT

The Company's property, plant and equipment at September 30, 2019 and December 31, 2018, respectively, are as follows:

	September 30, 2019	December 31, 2018
Transport Equipment	117	117
Office equipment and Accessories	1.758	1.740
Computer equipment	374	316
Network and communication equipment	1.988	1.679
Machinery, plant and equipment in assembly	49	49
Goods received on finance lease agreements	4.966	4.966
Subtotal	**9.766**	**8.867**

(Stated in millions of Colombian pesos)

Accumulated depreciation	(8.484)	(8.079)
Total	**1.282**	**788**

The breakdown for equipment movement is shown below:

	December 31, 2018	Purchases	September 30, 2019
Transport Equipment	117	-	117
Office equipment and Accessories	1.740	98	1.838
Electronic equipment	316	58	374
Network and communication equipment	1.679	743	2.422
Machinery, plant and equipment in assembly	49	-	49
Goods received on finance lease agreements	4.966	-	4.966
	8.867	**899**	**9.766**

	December 31, 2017	Purchases	Adjustment	December 31, 2018
Transport Equipment	117	-	-	117
Office equipment and Accessories	1.565	21	154	1.740
Electronic equipment	1.010	98	(792)	316
Network and communication equipment	663	1.378	(362)	1.679
Machinery, plant and equipment in assembly	371	5	(327)	49
Goods received on finance lease agreements	4.878	88	-	4.966
	8.604	**1.590**	**(1.327)**	**8.867**

The following is the depreciation movement as of September 30, 2019 and December 31, 2018, respectively:

	December 31, 2018	Depreciation	September 30, 2019
Transport equipment	117	-	117
Office equipment and Accessories	1.653	59	1.712
Electronic equipment	830	132	962
Telecommunications equipment	562	184	746
Goods on Finance Lease Agreements	4.917	30	4.947
	8.079	**405**	**8.484**

	December 31, 2017	Depreciation	September 30, 2018
Office equipment and Accessories	1.640	85	1.725
Electronic equipment	1.047	50	1.097
Telecommunications equipment	285	81	366
Goods on Finance Lease Agreements	4.719	113	4.832
	7.691	**329**	**8.020**

All equipment of CVCS is duly protected with current insurance policies. To protect its property and equipment, the Company took out insurance policies with Beckley International Insurance Colombia and Chubb de Colombia at September 30, 2019 and December 31, 2018, which cover the risks of theft, fire, lightning strikes, explosions, earthquakes, strikes, revolts, etc.

Property and equipment include the values of furniture, computer equipment and improvements to rented property, which are used in the Company's normal course of business.

(Stated in millions of Colombian pesos)

The Company's own property and equipment as listed above, are not in any way encumbered neither have they been delivered as collateral to guarantee any kind of obligation. The Company has also taken out insurance policies to protect these assets.

Finance Lease Agreements:

Assets under finance lease agreements were acquired with Leasing Bancolombia S.A. A total of 4 lease agreements are in effect with the Colombian institutions named above.

Correspond to rights to goods received as part of finance lease agreements, which are entered into for period of three (3) years and correspond to structured cabling, licenses, computer equipment and vehicles.

	Cost	Accumulated depreciation	Carrying amount
Computing equipment	3.701	(3.684)	17
Vehicles	1.265	(1.262)	3
Balance as of December 2018	**4.966**	**4.946**	**20**

	Cost	Accumulated depreciation	Carrying amount
Computing equipment	2.416	(2.416)	-
Vehicles	2.550	(2.501)	49
Balance as of December 2018	**4.966**	**4.917**	**49**

The following is a summary of the minimum payments due in the coming years for finance lease assets at September 30, 2019 and December 31, 2018:

	September 30, 2019	December 31, 2018
Less than one year	17	39
More than one year, less than five	3	10
Total	**20**	**49**

NOTE 14. OTHER INTANGIBLE ASSETS

Other intangible assets that are acquired by CVCS and have a defined useful life are measured at cost less their accumulated amortization and accumulated impairment losses.

OVERVIEW OF VALUATION

As indicated earlier, in 2015 the Company acquired the business unit CREDIUNO and CREDIUNO AVANCES, which were used to develop the Company's commercial activities, focusing on the origination, placement and management of credit card consumer loans. Initially, in its financial statements the Company recorded the cost paid for the brand in the amount of COP 23,800 million. However, on further analysis it was found that given the nature of the transaction additional assets had been acquired, initially recognized as exclusivity contracts with Public Services Companies (ESP, for the original in Spanish) and access to customer databases that enable the Company to continue developing the credit card business through the Crediuno product. Consequently, in 2018 Credivalores decided to perform a new valuation in order to update the values of the acquired assets and to restate its financial statements, as if such recognition had been made initially as defined in IAS 8.

i. General aspects of the valuation analysis

Valuation was performed of the identified intangible assets of exclusivity contracts with sponsors and databases by means of forecasts of discounted cash flows. Based on the values obtained from the discounted forecasts, cash flows were assessed in the aggregate, and then tangible assets were discounted from the total valuation of the business (including the carrying valu e assigned to the brand), in order to identify the residual value compared to the estimated fair value of the business.

The difference obtained is the residual value of the intangible assets, which was distributed as follows:

- It was assigned based on the principle of proportionality of revenues, in order to establish a specific value for each main sponsor exclusivity contract, and

- The residual value was assigned to the database, given that this asset enables the development of the business, profiling and growth of the business unit's financial products.

The following is a description of the parameters and methodologies used to obtain the results that are displayed further below.

ii. Application of the discounted cash flow methodology

This methodology recognizes the value of an asset based on the expected future economic benefits to be obtained. Such benefits may include revenues, savings, royalties and/or gains in asset disposal. The indicative values are derived from discounting the business unit's expected cash flows (pre-tax earnings) and depends on the parameters of the applicable business model.

For the effects of the analysis, a scenario of direct origination was used based on the historic performance of the business unit, since it already had an operating performance history, and it was adjusted to the Company's model, which had been developed under its guidance since late 2015 up to the date of this report. Additionally, adjustments were made to the commercial and growth outlooks provided by the Company, validating them against references in the financial services segment in emerging markets in Damodaran.

Income and profits Credivalores & CREDIUNO	2016	2017	2018
Total income Credivalores ($MM)	$ 269,013	$ 289,865	$ 340,948
Total income CREDIUNO ($MM)	$ 122,801	$ 161,075	$ 176,758
Proportion CREDIUNO (Income)	46%	56%	52%

Note: Financial Management, Credivalores (2019). Amounts in millions of pesos.

Based on the above parameters and variables, the forecasts and discounted cash flows of each period were developed for the CREDIUNO business unit acquired by the Company. The adjusted value of reference for each period is obtained based on the analysis of each year of reference (2015-2018) and disaggregation of the carrying values of the assets.

iii. Summary of results and recommendations derived from the valuation

The estimated value was established as a result of the valuation exercise of the database and exclusivity contracts with sponsors, based on market standards of reference, and serves as reference to manage the acquired assets associated with the CREDIUNO brand and which may be used as reference to perform accounting adjustments of equity analysis of the Company at fair value within a realistic business scenario at fair market prices.

Following the forecast of cash flows, their discounting to present value for each period of the study, and its breakdown into tangible and intangible assets based on the principle of proportionality of revenues for the business unit CREDIUNO, thereby determining the intangible assets of the acquired business, the following results were obtained for each year:

(Stated in millions of Colombian pesos)

Value components of CREDIUNO	Dic 2015	Dic 2016	Dic 2017	Dic 2018
Market value CREDIUNO (with 10% value final)	$ 168,218	$ 165,452	$ 178,138	$ 187,754
Social capital (Proportion)	$ 105,668	$ 105,453	$ 121,406	$ 124,331
Balance of intangibles (trademark with amortization)	$ 23,800	$ 21,420	$ 19,040	$ 16,660
Residual value of other intangibles	$ 38,750	$ 38,579	$ 37,692	$ 46,763
Exclusivity contracts (for proportionality punished with WACC)	$ 16,043	$ 14,125	$ 12,641	$ 14,930
EMSA	$ 4,879	$ 3,858	$ 3,255	$ 3,414
EMCALI	$ 5,228	$ 4,502	$ 3,824	$ 4,646
EPSA	$ 2,642	$ 2,460	$ 2,309	$ 2,730
EBSA	$ 1,799	$ 1,777	$ 1,695	$ 1,981
AMB	$ 1,495	$ 1,528	$ 1,558	$ 2,159
Intangible balance (databases)	$ 22,707	$ 24,454	$ 25,051	$ 31,833

In the future, the Company will perform periodic valuations, as is normally performed with other types of assets, in order to update the financial reports – and their tax effects - in terms of possible adjustments for impairment or valuation, particularly under the framework of the applicable IFRS provisions.

From the perspective of amortization, given that the contracts enable extensions and that they are not renewed, it is suggested that they be amortized over 10 years, and in the event they are not renewed, the remaining balance must be deducted. Also, for the database intangible asset, it would initially be an asset with indeterminate life, as it is the foundation for business operations and business analytics. Based on the age profile of customers (e.g. between 30 and 40 years old on average), and on the life expectancy in Colombia of 74 (according to the World Bank and Dane), the database asset could be amortized over 30 or 40 years.

For the effects of restatement at December 31, 2017 the assets were incorporated starting in December 2015, as follows: Exclusivity contracts for COP 16,044 and databases for COP 22,700. The former will be amortized as a function of the expected growth of revenues associated with the business unit over the next 15 years. The latter have a useful life of 30 years.

	September 30, 2019	**December 31, 2018**
Software licenses	1.363	1.332
Technology and insurance projects	1.124	2.944
Litigious Rights	570	570
Call Option Premium	18.517	17.886
Other	3.343	2.497
Sub Total	24.917	**25.229**
Contracts	15.007	15.311
Data Bases	19.869	20.437
Trademarks Acquired (1)	14.875	16.665
Sub Total	49.751	52.413
	74.667	**77.642**

(1) The amortization expenses for the quarter was as follows:

	September 30, 2019	**September 30, 2018**
Amortization	4.635	5.671

The aforementioned intangible assets do not carry any restrictions as to the ownership of their inherent rights.

As for the Company's intangible asset accounts, based on the corresponding assessment, no signs of impairment were detected which could have otherwise led to recognizing an expense.

NOTE 15. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

(Stated in millions of Colombian pesos)

Movements for hedge accounting and investments in derivatives are provided below:

	September 30, 2019	December 31, 2018
ASSETS		
Hedging forward contracts (15.1)	25.491	13.518
Hedging Options (15.2)	94.153	52.774
Hedging Swaps (15.3)	205.477	98.194
Sub-Total	**325.121**	**164.486**
LIABILITY		
Hedging Negotiation (15.1)	50.545	26.762
Sub-Total	**50.545**	**26.762**

CVCS maintains the derivative financial instrument to cover exposure to risk in foreign currency.

Operations of Hedging

Credivalores activities are exposed to financial risks including: liquidity risk, foreign currency risk and interest rate risk. Therefore, the Administration and the Board of Directors have approved and applied a policy of financial risk management to mitigate the negative effects of the uncertainty and the volatility of the financial markets in the financial results of the company. The financial risk management policy sets out the use of a wide variety of financial derivatives to cover the risks inherent in fluctuations in the exchange rate and the interest rate of the financial obligations in currency other than weights Colombians in the financial statements of the company.

CVCS used a Cross Currency Swap on the principal and interest payments of notes with a coupon of 9.75% issued in July 2017 for an amount of US$ 250.000.000, and a Coupon Only Swap and a Call Spread, which corresponds to a combination of positions on options to cover payments of interest and principal of the reopening of the notes by US$ 75.000.000 held in February 2018. The options are derivative contracts through which the buyer acquires the right to buy or sell an underlying asset at a price established, on a date and specific periods strike or a financial asset. Under the option contract, buyer pa ys the premium for acquiring a right to exercise the option and the seller receives the premium, acquiring an obligation with the buyer of the option.

According to the guidelines of this policy, the following is the list of derivative instruments implemented September 2018 to cover foreign exchange risks and the risks of interest rate of the outstanding notes expiring in July 2022:

	2018 - 2019						
	Theoretical Hedging			Annual Interest Rate			
Type of Instrument	**Credivalores receives**	**Credivalores pays**	**Liquidation**	**Effective Date**	**Maturity Date**	**Credivalores receives**	**Credivalores pays**
Cross Currency Swap	USD 135.000.000	COP 375.722.550.000	Non-Delivery	27/01/2018	27/07/2022	9,75%	IBR+ 8,89%
Cross Currency Swap	USD 15.000.000	COP 41.746.950.000	Non-Delivery	27/01/2018	27/07/2022	9,75%	IBR+ 8,89%
Cross Currency Swap	USD 100.000.000	COP 304.096.970.083	Non-Delivery	27/01/2018	27/07/2022	9,75%	IBR+ 8,86%

2018							
Type of Instrument	**Credivalores' Position**	**Type of Option**	**Hedged amount USD**	**Effective Date**	**Maturity Date**	**Strike Price**	**Delivery**
Call option	Buyer	European	US$ 37.500.000	22-Mar-18	25-Jul-22	COP$ 2.849,01	Non-Delivery
Call option	Buyer	European	US$ 37.500.000	22-Mar-18	25-Jul-22	COP$ 2.849,01	Non-Delivery
Call option	Seller	European	US$ 37.500.000	22-Mar-18	25-Jul-22	COP$ 3.500,00	Non-Delivery
Call option	Seller	European	US$ 37.500.000	22-Mar-18	25-Jul-22	COP$ 3.500,00	Non-Delivery
Call option	Seller	European	US$ 75.000.000	13-Sept-19	25-Jul-22	COP$ 3.750,00	Non-Delivery

15.1 Forward Contracts for Hedging

The portfolio of derivative transactions presents assets valued according to the policy implemented and the fair value and cash flow valuation.

- **Fair-value hedge accounting**

	Fair value			
	September 30, 2019		**December 31, 2018**	
ASSETS	**Nominal Amount USD**	**Fair Value**	**Nominal Amount USD**	**Fair Value**
Forward Contracts for Hedging				
Purchase of foreign currency	69	25.491	69	13.518
Total forward contracts for hedging - assets	**69**	**25.491**	**69**	**13.518**

- Stated in USD expressed in millions

- **Liabilities at fair value hedge accounting**

	September 30, 2019		**December 31, 2018**	
LIABILITIES	**Nominal Amount USD**	**Fair Value**	**Nominal Amount USD**	**Fair Value**
Forward Contracts for Hedging				
Purchase of foreign currency	-	-	-	-
Total forward contracts for hedging – liabilities	**-**	**-**	**-**	**-**

15.2 Derivate Financial Instruments Options

The activities carried out by CVCS generated significant positions in the derivatives portfolio, performing transactions for hedging purposes where the underlying are exchange rates and interest rates. Options are contracts between two parties, one of them has the right but not the obligation, to carry out an operation of purchase or sale according to previously agreed terms.

The company closed operations with options as derivative financial instruments to manage and mitigate the fluctuations in the fair value of the debt in the P&L. The options are measured through cash flow coverage.

Detail of derivative with options financial instruments and their accounting is as follows:

	September 30, 2019	**December 31, 2018**
ASSETS		
Premium Call Spread option	94.153	52.774
Sub Total	**94.153**	**52.774**
LIABILITIES		
Premium Call Spread option	50.545	26.762
Sub Total	**50.545**	**26.762**

Is the derivative financial instrument to cover exposure to risk in foreign currency until maturity.

(1) Options Contracts for Hedging

Derivatives with options hedge the principal amount of the reopening of the 144 A / Reg S Notes for US$75,000,000 carried out on February 14, 2018. These financial instruments are valued under the methodology and market value provided by the counterparties, the type of measurement is cash flow.

The company will maintain the options until maturity, to hedge the exposure to risk in foreign currency, in line with maturity of the Notes hedged. The objective and strategy of the Administration is to analyze and evaluate the appropriate method for the valuation of financial instruments, depending on the type of operation and negotiation performed.

(Stated in millions of Colombian pesos)

15.3 Derivate Financial Instruments Cross Currency Swap

Credivalores - Crediservicios S.A., executed operations with derivative financial instruments to manage and mitigate the fluctuations in the fair value of the debt position in the P&L. The cross currency swaps in place hedge the exposure to the risk of exchange rate, which is measured at market (fair value hedging) value, which is measured as a cash flow hedge.

Derivative financial instruments through cross currency swaps and its hedge accounting is the following:

	September 30, 2019	December 31, 2018
LIABILITIES		
Hedging Contracts Cross Currency Swaps (a)	186.302	87.049
Hedging Contracts Coupon Only Swap (b)	19.175	11.571
Sub-Total	**205.477**	**98.620**

CVCS will keep the cross currency swaps, to hedge the exposure to foreign currency and interest rate risk until maturity, in line with the maturity of the Note hedged.

a. Hedging Contracts Cross Currency Swaps

Derivatives through Cross Currency Swaps operations hedge the debt (principal and interests) of the 144 A / Reg S Notes issued on July 27, 2018 with a nominal value of US 250,000,000 and a coupon of 9.75%.

- **Hedge accounting to Cash Flow accounting Assets**

	September 30, 2019	December 31, 2018
ASSETS		
Hedging Contracts Cross Currency Swaps	186.302	87.049
Sub-Total	**186.302**	**87.049**

b. Hedging Contracts Coupon Only Swap

Derivatives through a Coupon Only Swap operation hedge the interest payments of the reopening of the 144 A / Reg S Notes completed on February 14, 2018, with a nominal value of US 75,000,000.

- **Hedge accounting to Cash Flow accounting Assets**

	September 30, 2019	December 31, 2018
ASSETS		
Hedging contracts coupon only swaps	19.175	11.571
Sub-Total	**19.175**	**11.571**

NOTE 16. FINANCIAL OBLIGATIONS

Below, we present the balances of financial obligations as of September 30, 2019 and December 31, 2018

	September 30, 2019	December 31, 2018
Issuance of bonds	1.130.171	1.056.169
Foreign banks	260.809	243.731
Financial obligations in free standing trusts	231.938	209.252
Promissory notes – Local banks	116.612	113.550
Finance lease agreements	22	189
Other financial obligations	-	20
Transaction cost	(44.490)	(58.803)
	1.695.062	**1.564.108**

(Stated in millions of Colombian pesos)

The balance of Credivalores Crediservicios S.A. financial obligations and of the Free-standing Trusts at September 30, 2019 and December 31, 2018 correspond to obligations contracted with financial entities in Colombia and obligations in capital markets abroad, finance lease agreements, third parties and shareholders. Short-term obligations are loans that must be paid before December 2019 - 2020 and long-term obligations are loans that become due after April 2020.

a) Short-term financial obligations.

Entity	September 30, 2019	Interest rate	Maturity	December 31, 2018	Interest rate	Maturity
National entity						
Banco de Bogotá	3.442	IBR + 4.8%	2019	6.947	IBR + 6.5%	2019
Banco Colpatria	50.400	9.9% EA	2019	58.050	IBR + 9.2%	2019
Banco De Occidente	10.000	IBR + 4.3%	2019	10.000	IBR + 4.25%	2019
Bancolombia	12.000	DTF + 6.95%	2019	4.861	DTF + 7.5%	2019
Bancoomeva			2019	2.000	DTF + 8%	2019
Banco Santander			2019	6.667	IBR + 6.5%	2019
Total National Entity	**75.842**			**88.525**		
Foreign Entity						
ECP Program Notes						
	121.711	8.3% EA	2020			
Foreign Entity	**121.711**					
Finance lease agreements						
Leasing Bancolombia	21	8,42% EA	2019 y 2020	90	8,42% EA	2019
Total Financial Leasing Financiero	**21**			**90**		
Overdraft	**-**			**20**		
Autonomous Assets						
PA Crediuno IFC	8.353	11.11%EA	2020 y 2021			
Total Autonomous Assets	**8.353**					
Total Short-term obligations	**205.927**			**88.635**		

CVCS had short-term financial obligations during the periods ended September 30, 2019 and December 31, 2018 totaling 195.179 and 88.635, respectively. The measurement of financial liability instruments for financial obligations is valued at amortized cost, as per NIIF 9.

b) Long-term obligations

Long-term obligations

Entity	September 30, 2019	Interest rate	Maturity	December 31, 2018	Interest rate	Maturity
National entity						
Banco de Bogotá	8.397	IBR+6,5 %	2020	5.627	IBR+6,5 %	2020
Bancolombia	20.873	IBR + 6.9%	2021 y 2022	19.398	IBR + 6.85%	2019
Banco Santander	11.500	IBR + 6%	2021			
Total National Entity	**40.770**			**25.025**		
Foreign Entity						
ECP Program Notes	139.098	8,3% EA	2021	243.731	8,25% EA	2020 y 2021
	139.098			**243.731**		
Free-standing trusts						

PA CrediUno IFC	13.976	11,91% EA	2020 y 2021	35.581	11,91% EA	2020 y 2021
PA TuCrédito Sindicado	209.609	DTF + 5,5%	2023 y 2024	173.670	DTF + 5,5%	2023 y 2028
Total Free-standing trusts	**223.585**			**209.251**		
Finance lease agreements						
Leasing Bancolombia	-			100	8,42% EA	2019 y 2020
Total Financial Leasing	**-**			**100**		
International Bonds 144 A/Reg. S	869.363	9,75% EA	2022	812.437	9,75% EA	2022
International Bonds 144 A/Reg. S Retap	260.809	9,75% EA	2022	243.731	9,75% EA	2022
Total International bonds	**1.130.172**			**1.056.169**		
Total obligations	**1.533.625**			**1.534.276**		
Cost of Transaction to be Amortized IFP	(44.490)			(58.803)		
Total financial obligations	**1.695.063**			**1.564.108**		

The Company had long-term financial obligations during the periods ended September 30, 2019 and December 31 2018 totaling 1.533.625 and 1.534.276, respectively. Associated costs incurred in the acquisition of loans are classified as transaction costs pending IFP amortization for the periods ended September 30, 2019 and December 31, 2018, valued at 44.490 and 58.803, respectively. The measurement of financial liability instruments for financial obligations is valued at amortized cost, as per NIIF 9.

The total balance of financial obligations for the periods ended September 30, 2019 and December 31, 2018 is 1.695.063 and 1.564.108 respectively, which will be paid off as described above.

Obligations stated in foreign currency

Entity	**Nominal Value September 30, 2019**		**Nominal Value December 31, 2018**	
ECP Program Notes (a)	75	260.809	75	243.731
International Finance Corporation (IFC)	9	22.329	12	35.581
Issuance of bonds 144 A/ Reg S (b)	325	1.130.172	325	1.056.169
Total	**USD**	**1.413.310**	**USD**	**1.335.481**

(a) Euro Commercial Paper Program Notes

Pursuant to Item 8 of the Pricing Term Sheet dated March 17, 2017, in connection with Tranche X issued under our US$150,000,000 Euro Commercial Paper Program (“ECP Program”), Credivalores decided to exercise the right of optional redemption at par of US$55,000,000 of principal of these notes on March 22, 2018 using the proceeds of the reopening of the 9.75% Notes due July 2022.

Later, on April 19, 2018 CVCS issued a new note under the ECP Program for US$40,000,000 due on April 19, 2021 with a coupon rate of 8.25%.

In addition, CVCS decided to exercise the right of optional redemption at par of US$12,000,000 outstanding of Tranc he X on September 22, 2018 using additional resources from the reopening of the 9.75% Notes due July 2022.

These optional redemptions and the new issuance of notes under the ECP Program, resulted in new a balance of this Program of US$75,000,000 as of September 30, 2019.

(b) Issuance of bonds

(Stated in millions of Colombian pesos)

On July 27, 2017 Credivalores issued its inaugural senior unsecured 144A / Reg S notes (the "Notes") due July 27, 2022 for US$250,000,000 with a coupon of 9.75% and a yield of 10.0%. The Notes are payable semi-annually in arrears on January 27 and July 27 of each year, beginning on January 27, 2018. The proceeds from this issuance were used to refinance existing indebtedness, including mostly secured debt, and the remainder, if any, for general corporate purposes.

According to the "Description of the Notes" of the Offering Memorandum, the Company may redeem the Notes, in whole or in part, at any time on or after July 27, 2020, at the applicable redemption prices set forth in the Offering Memorandum, plus any additional amounts then due and accrued and unpaid interest to, but excluding, the date of redemption. Prior to July 27, 2020, we may also redeem the notes, in whole or in part, at a redemption price equal to 100% of their principal amount plus a "make-whole" premium, plus any additional amounts then due and accrued and unpaid interest to, but excluding, the date of redemption. In addition, at any time on or prior to July 27, 2020, Credivalores may redeem up to 35% of the Notes using the proceeds of certain equity offerings at a redemption price equal to 109.750% of their principal amount, plus any additional amounts then due and accrued and unpaid interest to, but excluding, the date of redemption. In addition, in the event of certain changes in the Colombian withholding tax treatment relating to payments of interest on the Notes, Credivalores may redeem the Notes, in whole but not in part, at 100% of their principal amount, plus any additional amounts then due and accrued and unpaid interest to, but excluding, the date of redemption. If a change in control occurs with respect to us, unless the Company has exercised the option to redeem the Notes, each holder of the Notes will have the right to require us to repurchase all or any part of that holder's Notes at 101% of the aggregate principal amount of Notes repurchased, plus any additional amounts then due and accrued and unpaid interest to, but excluding, the date of repurchase.

The Notes will be senior unsecured general obligations and will (i) rank equally in right of payment with all of the Company's other existing and future senior indebtedness (subject to certain obligations for which preferential treatment is given under Colombian insolvency laws); (ii) rank senior in right of payment to the Company's existing and future subordinated indebtedness, if any; (iii) be effectively subordinated in right of payment to all of the Company's existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness, including all indebtedness and other liabilities of any free-standing trusts (patrimonies autonomous); and (iv) be structurally subordinated to all existing and future indebtedness and trade payables of any of our subsidiaries that are not guarantors. The notes will not be entitled to any sinking fund.

No public market currently exists for the Notes. The Notes have been registered in Singapore Exchange Securities Trading Limited (the "SGX-ST").

The Notes have not been and will not be registered with the Colombian National Registry of Securities and Issuers (Registro Nacional de Valores y Emisores, or "RNVE"), maintained by the Colombian Superintendence of Finance (Superintendencia Financiera de Colombia, or "SFC") and therefore may not be publicly offered in the Republic of Colombia ("Colombia"). The Notes will not be listed on the Colombian Stock Exchange (Bolsa de Valores de Colombia). The Notes may be offered to persons in Colombia in a private placement. The offering was not subject to review or authorization by the SFC.

Furthermore, on February 14, 2018 Credivalores reopened these Notes for an additional amount of US$75,000,000, taking the total issued amount to US$325,000,000. The Notes were issued at a yield of 8.625% and a price of 104.079%. The proceeds from this issuance will be used to refinance existing unsecured indebtedness, and the remainder, if any, for general corporate purposes.

Following we present past coupons payments of the 144A / Reg S notes, since its issuance:

Principal	Coupon	First Coupon Payment – 27/01/2018	Second Coupon Payment - 27/07/2018	Third Coupon Payment - 27/01/2019	Fourth Coupon Payment - 27/07/2019
250.000.000	9,75%	12.187.500	12.187.500	12.187.500	12.187.500
75.000.000	9,75%		3.656.250	3.656.250	3.656.250
	Total in USD	**12.187.500**	**15.843.750**	**15.843.750**	**15.843.750**
	FX Rate	2.805,40	2.882,84	3.160,52	3.213,09
	Total in Pesos	**34.190.812.500**	**35.134.612.500**	**38.518.837.500**	**50.907.394.688**

c) Covenants

(Stated in millions of Colombian pesos)

The Offering Memorandum of the 144A / Reg S Notes contains certain restrictive covenants, which among other things, limit our ability to (i) incur in additional debt, (ii) make dividend payments, redeem capital and make certain investments, (iii) transfer and sell assets, (iv) sign any type of agreement which could limit the ability of the subsidiaries to pay dividends or make capital distributions, (v) create guarantees or pledge assets, (vi) consolidate, merge or sell assets, and (vii) engage in transactions with affiliates. The Indenture which rules the Notes contains certain customary events of default.

In addition, in December 2012 the Company signed a peso indexed loan with the IFC for an amount of US$25,000,000, which was then amended in May 2015 to increase the amount up to US$45,000,000. This facility includes certain covenants, such as: risk weighted solvency ratio, a ratio of equity to assets, a ratio of exposition to a specific economic group, a ratio of exposition to related parties, a ratio of fixed assets to equity, a ratio of aggregate foreign currency exposition, a ratio of aggregate interest rate risk and a liquidity risk ratio.

During 2018 and as of September 30, 2019 CVCS complied with the covenants set forth above.

- **IFP Financial Cost**

The funds received from loans acquired from financial institutions are used for portfolio origination and to handle various lines of working capital, which helps to maintain a degree of liquidity for the Company. The loans are represented by promissory notes wherein both parties establish the payment conditions, including limit, amount, interest rate and duration. The financial cost of financial obligations for periods ended September 30, 2019 and September 30, 2018:

	September 30, 2019	September 30, 2018
Free-standing trusts	15.283	13.273
Local banks	8.514	7.113
Finance lease agreements	17	33
Foreign currency obligation	15.116	14.068
Third Parties	15.582	17.944
Issuance of bonds	76.069	66.877
Amortization Transaction costs	15.105	14.463
Total	**145.686**	**133.771**

The financial obligations and Free-standing Trusts of Credivalores Crediservicios S.A. that are recognized in local and foreign currencies will be recognized at the start of operation at their amortized value, net of costs incurred in the transaction which are attributable at the time of issuance. The difference between funds received (net of transaction costs) and the redemption value is recognized in the Income Statement for the corresponding period, using the effective interest method.

NOTE 17. EMPLOYEE BENEFITS

Under Colombian labor law and based on labor conventions employees are entitled to short-term benefits such as: wages, holidays, statutory bonuses, severance payment, and interest on severance pay.

Below is a breakdown of employee benefit payments as of September 30, 2019 and December 31, 2018:

	September 30, 2019	December 31, 2018
Short-term benefits (a)	1.351	1.096
	1.351	**1.096**

a. The breakdown of employee benefit payments at September 30, 2019 and September 30, 2018 is as follows:

	September 30, 2019	September 30, 2018

Holidays	653	650
Pension Fund Contribution	125	-
Bonus	127	-
Severance pay	347	380
Interest on severance pay	69	23
Salaries	30	43
	1.351	**1.096**

The current component of employee benefits must be paid within the twelve months following the reporting period.

The company does not have long-term benefits within its compensation policies.

NOTE 18. OTHER PROVISIONS

CVCS's provisions at September 30, 2019 and December 31, 2018, respectively are provided below.

	September 30, 2019	December 31, 2018
Litigations subject to executive proceedings	87	108
Other provisions	809	235
	896	**343**

The movement of legal and other provisions are provided below for the periods ended September 30, 2019 and December 31 2018:

	Legal provisions	Other provisions	Total provisions
Balance held at December 31, 2018	**108**	**235**	**343**
Increase in provisions during the period	(21)	574	553
Balance held at September 30, 2019	**87**	**809**	**896**

	Legal provisions	Other provisions	Total provisions
Balance held at December 31, 2017	**84**	**218**	**302**
Recovered provisions	24	17	41
Balance held at December 31, 2018	**108**	**235**	**343**

Provisions correspond mainly to labor, civil and administrative processes filed by third parties instead of CVCS, on which the forecasts as of December 31, 2016 were recognized for 84 and increased according to the probability of occurrence for 2019 to 302 For these It is not possible to determine a disbursement schedule due to the diversity of processes in different instances.

However, the CVCS does not expect significant changes to the amounts provided for as a consequence of the outflows applicable to each proceeding. The expected time of resolution is uncertain since each proceeding is taking place in different instances.

NOTE 19. ACCOUNTS PAYABLE

Below, we detail the balance of accounts payable has CVCS 30 September 2019 and December 31, 2018, respectively:

	September 30, 2019	December 31, 2018
Commissions and fees	1.849	3.326
Costs and expenses to pay	49.517	78.704

(Stated in millions of Colombian pesos)

Leases	-	18
Suppliers	-	53
Withholdings and labor contributions	889	571
Other accounts payable (19.1)	15.436	13.225
	67.691	**95.897**

19.1 Other accounts payable

	September 30, 2019	December 31, 2018
Collection in favor of third parties	2.368	1.612
Disbursements Payroll Loans	9.910	5.327
Disbursements Credipoliza	1.491	4.850
Disbursements Crediuno	442	752
Disbursements Visa	617	532
Disbursements Tu credito	468	-
Disbursements Tigo	73	152
Others	67	-
	15.436	**13.225**

NOTE 20. CURRENT AND DEFERRED TAX LIABILITIES

20.1 Components of current tax liabilities

Current tax liabilities for the years ended September 30, 2019 and December 31, 2018 is as follows:

	September 30, 2019	December 31, 2018
Income tax	2.057	-
Tax on industry and Commerce	804	1.684
Sales tax	87	512
	2.948	**2.196**

20.2 Components of income tax expense

Income tax expense for the years ended September 30, 2019 and September 30, 2018 is as follows:

	September 30, 2019	September 30, 2018
Income Tax	2.057	1.901
Subtotal - taxes from the current period	**2.057**	**1.901**
Net deferred tax from the period	162	(318)
Deferred Tax Adjustment Excess Presumptive Income last year	335	-
Total	**2.554**	**1.582**

In accordance with the IAS 12, current and deferred taxes are recognized as income or expense in the income statement, except to the extent that they arise from a transaction or event recognized outside profit or loss in other comprehensive income (OCI), in equity. Therefore, in the periods ended December 31, 2018 and December 31, 2016, other comprehensive income was recognized in equity.

20.3 Reconciliation of the nominal income tax rate and the effective tax rate in Colombia:

The Company reconciled the total effective rate without deferred tax, which was 44% for September 30, 2019 and 15% for September 30, 2018, as detailed below:

	September 30, 2019	September 30, 2018
Earnings (loss) before tax	6.187	10.225

(Stated in millions of Colombian pesos)

Income Tax rate	33%	37%
Income Tax	**2.042**	**3.783**
More (less) tax impact on:		
Non-deductible expense	1.225	941
Valuations of financial instruments	6.737	(13.684)
Utilizations- Provisions	(47)	210
Non-deductible tax	4	5
Fines and sanctions	26	103
Assumed interest	20	31
Adjustment of fixed assets	-	(7)
Reimbursement of Expenses Previous Exercises	(2)	-
Excess of presumptive income	(7.947)	10.518
Deferred tax income (excess)	497	(318)
Total income tax provisions charged to income	**2.554**	**1.582**
Effective rate	**41%**	**15%**

20.4 Deferred Tax

Differences between the carrying amount of assets and liabilities and the tax bases thereof give rise to temporary differences that generate deferred taxes, calculated and recorded in the periods ended September 30, 2019 and September 30, 2018, based on the tax rates in force for the years in which said temporary differences are to be reversed.

For the quarter ended September 30, 2019

	Balance held at December 31, 2017	Income (Expense) in income statement	Unrealized income (expense) in OCI	Balance as of December 31, 2018
Deferred tax assets				
Difference between accounting and tax bases - loans	1.987	-	-	1.987
Excess presumptive income	-	(335)	-	(335)
Difference between accounting and tax bases	4.582	-		4.582
Impairment to financial assets	14.116	-	-	14.116
Others	218	(162)	-	56
Subtotal	**20.903**	**(497)**	**-**	**20.406**
Deferred tax liability				
Reasonable Value Cost	6.051	-	-	6.051
Impairment of financial assets	420	-	-	420
Subtotal	**6.471**	**-**	**-**	**6.471**
Net Total	**14.432**	**(497)**	**-**	**13.935**

For the quarter ended September 30, 2018

	Balance held at December 31, 2017	Income (Expense) in income statement	Unrealized income (expense) in OCI	Balance as of September 30, 2018
Deferred tax assets				
Industry and commerce tax	2.525	-	-	2.525
Difference between the accounting and tax bases of the portfolio	4.100	(4.100)	-	-
Impairment of financial assets	6.417	(6.417)	-	-
Property, plant and equipment	-	479	-	479
Derivative financial instruments	-	-	27.209	27.600

(Stated in millions of Colombian pesos)

Other	-	-	-	-
Subtotal	**13.042**	**(10.038)**	**27.209**	**30.604**
Deferred tax liability				
Valuations of financial instruments	-	-	(752)	(752)
Goodwill	-	-	(3.603)	(3.603)
Subtotal	**-**		**(4.355)**	**(4.355)**
Net Total	**13.042**	**(10.038)**	**23.245**	**26.249**

The income tax expense represents the sum of current tax payable and deferred tax.

20.5 Effect of current and deferred taxes in each component of other comprehensive income in equity:

The effects of current and deferred taxes in each component of other comprehensive income in equity are as follows:

	September 30, 2019			December 31, 2018		
	Amount before tax	**Deferred tax income (expense)**	**Net**	**Amount before tax**	**Deferred tax income (expense)**	**Net**
Items that may be subsequently reclassified to income						
Effect of changes in fair value on the valuation of derivative financial instruments	**49.090**	**-**	**49.090**	**(29.233)**	**12.888**	**(16.345)**

NOTE 21. OTHER LIABILITIES

Below the detail of other liabilities:

	September 30, 2019	**December 31, 2018**
Raise to apply	31.728	23.839
Values received for third parties	18.334	8.855
Advance payment bonus	5.641	7.139
Collection of managed portfolios	2.884	5.116
Checks pending collection	1.499	984
Credit card guarantee	139	363
Outstanding disbursement	2	2
Total	**60.226**	**46.298**

NOTE 22. EQUITY

Capital

CVCS objective is to safeguard its capacity to continue as a business enterprise and maintain a financial structure that optimizes the cost of capital and maximize returns for shareholders. The Company's capital structure encompasses and includes the subscribed capital, retained earnings and reserves.

Capital management objectives are met by managing the portfolio as authorized by law and maintaining a consistent pace of generating profits from its structural revenue (portfolio interests and returns on investments) which results in institutional strengthening and provides the Company an opportunity to maintain its dividend distribution policy among its shareholders.

For the reporting periods, CVCS indeed complied with the required minimum capital in the relation of solvency required by legal provisions and mandatory investments.

(Stated in millions of Colombian pesos)

Authorized, and Paid in Capital

As of September 30, 2019 and December 31, 2018 CVCS's authorized and paid in capital is **$129.638** and $**123.992** represented in **4.588.300** and **4.385.998** shares, each of a nominal value of 28.254.

Credivalores Crediservicios S.A.

Shareholder	September 30, 2019 Number of shares	%	December 31, 2018 Number of shares	%
Acon Consumer Finance Holdings S de RL	912.913	19.9%	870.987	19.86%
Crediholding S,A,S,	1.571.073	34.24%	1.497.987	34.15%
Lacrot Inversiones 2014 S,L,U	1.671.520	36.43%	1.593.760	36.34%
Acon Consumer Finance Holdings II S, L	193.153	4.21%	184.167	4.20%
Direcciones de Negocio S.A.S.	1	0.00%	-	-
Treasury shares	239.640	5.22%	239.640	5.46%
Total	**4.588.300**	**100%**	**4.385.998**	**100%**

	September 30, 2019	December 31, 2018
Number of authorized shares	4.700.000	4.700.000
Subscribed and paid shares	4.588.300	4.385.998
Nominal value	28.254	28.254
Subscribed and paid capital (nominal value)	129.638	123.992
Paid-in capital	64.727	58.442
Total capital plus premium	**194.365**	**182.364**

Reserves

Of the accounts that comprised the equity reserves as of September 30, 2019 and December 31, 2018 were constituted of the following:

	September 30, 2019	December 31, 2018
Legal reserve (1)	5.793	5.793
Occasional reserves:	21	21
Total Reserves	**5.814**	**5.814**

NET EARNINGS PER SHARE

The following is a breakdown of the basic earnings per share:

	September 30, 2019	September 30, 2018
Ordinary shares (a)	2.081.515	1.532.597
Preferred shares (a)	2.506.785	2.506.785
Repurchased treasury shares	239.640	239.640
Total earnings per share	**825**	**2.309**

(a) The value of the shares at September 30, 2019 December 2018 and 2017 correspond to the total number of outstanding shares held by CVCS, 4.588.300 and 4.385.998 respectively.

(Stated in millions of Colombian pesos)

As per the Company´s bylaws, both common and preferred stock have the same decision power and rights, and the preference of those shares is given by its hierarchy in the payment of dividends at the moment declared by the Assembly and by the preferred right in the reimbursement in case of liquidation.

For the quarter ended September 30, 2019

Share capital							
Name of Entity	**Preference shares A**	**Preference shares B**	**Preference shares C**	**Treasury Shares**	**Common Shares**	**Total**	**%**
Acon Consumer Finance Holdings S de R.L.	835.834	-	-	-	77.079	912.913	19.90%
Crediholding S.A.S	-	-	-	-	1.571.073	1.571.073	34.24%
Lacrot Inversiones 2014 S.L.U.	-	923.665	563.119	-	184.736	1.671.520	36.43%
Treasury Shares	-	-	-	239.640	-	239.640	5.22%
Acon Consumer Finance Holdings II, S.L.	-	184.167	-	-	8.986	193.153	4.21%
Direcciones de Negocio S.A.S.					1	1	0.00%
Total	**835.834**	**1.107.832**	**563.119**	**239.640**	**1.639.573**	**4.588.300**	**100.00%**

For the quarter ended September 30, 2018

Share capital							
Name of Entity	**Preference shares A**	**Preference shares B**	**Preference shares C**	**Treasury Shares**	**Common Shares**	**Total**	**%**
Acon Consumer Finance Holdings S de R.L.	835.834	-	-	-	34.610	870.444	20,34%
Crediholding S.A.S	-	-	-	-	1.497.987	1.497.987	35,01%
Lacrot Inversiones 2014 S.L.U.	-	923.665	563.119	-	-	1.486.784	34,75%
Treasury Shares	-	-	-	239.640	-	239.640	5,60%
Acon Consumer Finance Holdings II, S.L.	-	184.167	-	-	-	184.167	4,30%
Totales	**835.834**	**1.107.832**	**563.119**	**239.640**	**1.532.597**	**4.279.022**	**100%**

NOTE 23. OTHER COMPREHENSIVE INCOME (OCI)

Below is the detail:

	September 30, 2019	**December 31, 2018**
Tax	3.992	3.992
Income tax OCI	**3.992**	**3.992**
Other comprehensive income	**25.164**	**(2.633)**
Shares	1.273	1.273
Financial instruments	**23.891**	**(3.906)**
Financial instruments Forward	10.506	(12.342)
Financial instruments Cross Currency Swap	(40.374)	2.040
Financial instruments Options	2.859	(3.379)
Financial instruments Coupon Only swap	(18.174)	9.775
Total	**50.449**	**1.359**

NOTE 24. REVENUE

Below, is a detail of revenues for the quarters and nine-months ended September 30, 2019 and 2018:

	For the quarter: September 30		**For the nine-months: September 30**	
	2019	**2018**	**2019**	**2018**
Interests (24.1)	70.897	59.296	201.953	169.021
Commissions and fees (24.2)	23.725	24.380	73.200	73.339
Sales portfolio	(120)	-	1.982	-
	94.501	**83.676**	**277.135**	**242.360**

(Stated in millions of Colombian pesos)

24.1 Interest

	For the quarter;		For the nine-months:	
	September 30		September 30	
	2019	2018	2019	2018
CrediUno interest	11.778	16.675	35.601	51.336
CrediPoliza interest	2.517	4.192	8.789	12.337
TuCrédito interest	13.765	14.327	41.148	38.049
Tigo interest	2.277	3.513	6.663	7.340
TuCrédito transaction costs	(1.473)	(1.831)	(5.150)	(4.152)
CrediPoliza transaction costs	(93)	(84)	(266)	(314)
CrediUno transaction costs	(1.522)	741	(4.045)	(5.321)
Sub-total Consumer loans	**27.249**	**37.534**	**82.740**	**99.275**
Microcredit interest	11	42	44	172
Microcredit loans transaction costs	(7)	(31)	(32)	(207)
Sub-total Microcredit	**4**	**12**	**12**	**(35)**
Factoring	-	-	55	-
Subtotal Factoring	**-**	-	**55**	-
CrediUno late payment interest	1	133	848	347
CrediPoliza late payment interest	222	178	495	510
TuCrédito late payment interest	157	75	333	267
Tigo late payment interest	1	65	305	65
Consumer loan defaults	**381**	**451**	**1.981**	**1.189**
CrediYa late payment interest	21	27	79	127
Microcredit loan defaults	**21**	**27**	**79**	**127**
Financial returns	1.333	873	4.127	2.875
BTG pactual financial returns	38	1.443	2.683	8.701
Current interests, Free-standing Trust	12.893	12.887	33.383	36.372
Other income, Free-standing Trust	1.010	657	2.784	1.970
Income for Guarantees and write-off	6.796	1.803	18.762	5.395
Other	21.172	3.609	55.347	13.152
	43.241	**21.272**	**117.086**	**68.465**
Total Interests	**70.897**	**59.296**	**201.953**	**169.021**

24.2 Commissions and fees

	For the quarter:		For the nine-months:	
	September 30		September 30	
	2019	2018	2019	2018
Administration fee – credit card	13.856	15.917	41.054	47.539
Collection fees	3.561	3.365	12.121	9.790
Administration fee - life insurance plus	1.810	1.174	6.480	3.611
Brokerage Commission	1.840	890	4.890	2.804
Financial Consultancy – Returns from Debtor life insurance	905	1.391	3.118	4.171
Financial Consultancy- Returns Voluntary insurance policies	727	622	2.407	2.114
Shared financial consultancy fees	522	551	1.655	2.006
Internal commission	358	368	1.101	1.032
Returned commission	145	95	367	242
Department store income and credit card channels income	2	4	7	16
Microcredit SME's loan fees	-	2	1	13
Other financial consultancy	-	1	-	1
	23.725	**24.380**	**73.200**	**73.339**

(Stated in millions of Colombian pesos)

NOTE 25. OTHER INCOME RECOVERIES

Movements correspond to the cut for each period:

	September 30	
	2019	**2018**
Recovery of portfolio written-off	313	4
Reimbursement of expenses from previous years	6	45
Other income recoveries	-	1
	319	**50**

NOTE 26. OTHER INCOME

At the end of each period, movements corresponded to:

	For the quarter: September 30		For the nine-months September 30	
	2019	**2018**	**2019**	**2018**
Collection charges TuCredito	(175)	74	-	315
Certifications	185	63	295	172
Sickness Leave	24	6	145	13
Recoveries from previous exercises	55	-	632	-
Refund insurance	4	6	14	16
Tax refund	-	-	5	4
FGA claims reimbursed	-	-	-	112
Other	23	6	75	14
	117	**155**	**1.166**	**646**

NOTE 27. OTHER EXPENSES

At the end of each period, movements corresponded to:

	For the quarter: September 30		For the nine-months September 30	
	2019	**2018**	**2019**	**2018**
Fees	6.271	5.904	18.701	17.075
Taxes	2.339	2.161	7.058	7.425
Technical assistance	2.257	2.577	6.710	7.161
Public services	1.240	828	3.383	2.746
Leases	1.146	1.051	3.364	3.068
Temporary Services	1.026	680	3.282	1.584
Electronic data processing	1.082	92	2.436	92
Commissions	581	620	1.872	2.433
Publicity and advertising	577	458	1.445	1.290
Consultation with Credit Bureau	432	859	1.265	2.180
Transport	436	353	1.255	949
Cost of representation	409	376	1.223	823
Returns to investors	407	614	1.081	880
Concierge and security services	211	293	628	655
Travel expenses	189	126	558	548
Office supplies	221	376	545	909
Adaptation and installation	125	302	424	624
Insurance	124	81	487	437
Fines, penalties and awards	136	41	480	312
Publications and subscriptions	402	23	427	135
Maintenance	86	176	401	265

(Stated in millions of Colombian pesos)

Legal expense	2	55	78	280
Donations	3	5	22	11
Other	-	-	2	73
	19.699	**18.052**	**57.127**	**51.955**

NOTE 28. EXPENSE FOR BENEFIT TO EMPLOYEES

	For the quarter: September 30		For the nine-months September 30	
	2019	**2018**	**2019**	**2018**
Salary	1.418	1.290	4.014	4.114
Integral salary	935	1.259	2.934	3.972
Pension contributions	327	296	930	1.259
Others benefit employees	176	75	430	226
Holidays	149	162	447	516
Severance	143	129	388	408
Bonuses	134	220	928	622
Legal Premium	133	126	377	405
Compensation	133	107	212	205
Compensation fund contributions	133	155	409	484
Commissions	84	261	366	749
Health Contributions	66	84	215	286
Transport assistance	61	105	172	319
Extra hours	39	12	60	37
Disabilities	25	10	116	37
Staffing and supply to employees	19	7	26	15
Interest on severance pay	18	17	32	33
Travel Expenses	14	-	25	-
Staff training	12	-	21	-
	4.020	**4.314**	**12.103**	**13.687**

NOTE 29. NET FINANCIAL INCOME

	September 30	
	2019	**2018**
Financial performances	305	398
Financial income	319	50
Exchange rate differences	(42)	8.274
Total Financial Income	**582**	**8.722**
Forwards valuation	(5.335)	(6.183)
Total Financial Expense	**(5.335)**	**(6.183)**
Net Financial Income (expense)	**(4.753)**	**2.539**

NOTE 30. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

a. Commitments

Credit commitments

In the course of ordinary business, CVCS provides loan portfolio as guarantees to its funding sources, in which it irrevocably agrees to pay them in the event the client is unable to meet its obligations, with the same credit risk for loan portfolios.

Loan extension commitments represent unused portions of authorizations to extend credits as loans. With regard to the credit risk on commitments to extend lines of credit, CVCS is potentially exposed to losses in an amount equal to the total unused commitments, if the unused amount were to be withdrawn in its totality; However, the amount of the loss is less than the total amount of the unused commitments because the majority of loan extension commitments are contingent once the client can maintain specific credit rating standards. CVCS monitors the maturity dates of those credit limit commitments because long-term commitments have a higher credit risk than short-term commitments.

(Stated in millions of Colombian pesos)

The following is a breakdown of unused lines of credit commitments and guarantees at September 30, 2019 and December 31, 2018:

	September 30, 2019	December 31, 2018
Unpaid approved credits	**410.606**	**455.058**

Contingent assets

As of September 30, 2019, the Company has a Guarantee with the Fondo de Garantías de Antioquia – FGA, which has a value of $7.988 million in accordance with the agreement's policies.

NOTE 31. RELATED PARTIES

The Company's Board of Directors and Senior Management, in their role as governing bodies, are fully aware of the responsibility related to managing the various risks to which the Company is exposed; likewise, they are fully aware of the Company's processes and business structure so as to be able to provide support and adequate monitoring and follow-up.

The Company's related parties are as follows:

1. Shareholders with interests, a controlling stake or a joint stake of the Company, or significant influence over CVCS.

2. Members of the Board of Directors: Members of the Board of Directors (principals and alternates, along with their related parts).

3. Key management personnel: includes the Company CEO and other C-level Officers, who are those who participate in the planning, direction and control of the Company.

4. Affiliates: Companies in which CVCS has significant influence, which is generally considered to be a share of between 20 and 50% of their capital.

The most representative balances as of September 30, 2019 and December 31, 2018 with related parties are including in the following charts, with headings for definitions of the related parties recorded in the previous sections.

	September 2019		December 2018	
	Shareholders	Members of the Board of Directors (a)	Shareholders	Members of the Board of Directors (a)
Accounts receivable	1.815	-	1.815	-
Accounts payable	-	56	-	42
Operating expenses	-	137	-	247

Compensation received by key management personnel is comprised of the following:

Item	September 30 2019	September 30 2018
Salaries	2.896	3.968
Short-term employee benefits	760	622
Total	**3.656**	**4.590**

a. Members of the Board of Directors (principals and alternates, along with their related parts) as of September 30, 2019:

<u>Directors</u>

No.	Director	Alternate

1	José Miguel Knoell Ferrada	Mathias Boccia Cristiano
2	Juan Carlos Restrepo Acuña	Liliana Arango Salazar
3	Lorena Margarita Cárdenas Costas	Diana Esperanza Montero
4	Rony Doron Seinjet	Andrea Cañón Rincon
5	Caicedo Pachon Maria Marcela	Maria Juliana Pinillos
6	Adrián Gustavo Ferrado	Carlos Manuel Ramón
7	Lawrence Robert Rauch	Maria Patricia Moreno

Legal Representatives

No.	Representative
Manager	Eliana Andrea Erazo Restrepo
Alternate	Liliana Arango Salazar

NOTE 32. EVENTS THAT OCCURRED AFTER THE REPORTED PERIOD

No events occurred after September 30, 2019 and prior the presentation of these financial statements that could significantly affect the Company's income and equity.