Credivalores Crediservicios S. A.
Interim Condensed Financial Statements

For the periods ended September 30, 2020 and December 31, 2019

CREDIVALORES CREDISERVICIOS S. A.
INTERIM STATEMENT OF FINANCIAL POSITION
ENDED SEPTEMBER 30, 2020 (UNAUDITED), AND DECEMBER 31, 2019

(Stated in millions of Colombian pesos)

	Notes	September 30, 2020	December 31, 2019
Assets			
Cash and cash equivalents	6	233.624	163.851
Financial Assets at fair value through profit or lost			
Equity Instruments	7	13.254	8.715
Derivatives Instruments	13	446.665	210.830
Loan portfolio	9	19.324	19.324
Total financial assets at fair value		**479.243**	**238.869**
Financial Assets at amortized cost			
Consumer loans		1.612.137	1.424.958
Microcredit loans		5.805	5.863
Impairment	9	(248.125)	(192.847)
Total Loan portfolio, net	9	**1.369.817**	**1.237.974**
Accounts receivable, net	10	429.476	386.189
Total Financial Assets at amortized cost		**1.799.293**	**1.624.163**
Investments in Associates and Affiliates	8	12.931	10.963
Current tax assets		17.449	13.542
Deferred tax assets, net		10.768	11.053
Property, plant and equipment	11	687	1.159
Assets for right of use	11	7.449	5.902
Intangible assets other than goodwill, net	12	51.765	53.892
Total assets		**2.613.209**	**2.123.394**
Liabilities and equity			
Liabilities:			
Financial Liabilities at fair value			
Derivative instruments	13	-	32.188
Total Financial Liabilities at fair value		**-**	**32.188**
Financial Liabilities At amortized cost			
Financial obligations	14	2.126.311	1.637.320
Other Lease Liabilities	14	8.136	6.258
Total Financial Liabilities At amortized cost		**2.134.447**	**1.643.578**
Employee benefits provisions	15	1.182	1.105
Other provisions	16	857	476
Accounts payable	17	118.920	100.273
Current tax liabilities		10.986	1.244
Other liabilities	19	45.285	61.833
Total liabilities		**2.311.677**	**1.840.697**
Equity:	20		
Share capital		129.638	129.638
Treasury shares	20	(12.837)	(12.837)
Reserves Treasury shares	20	12.837	12.837
Reserves	20	5.814	5.814
Additional paid-in capital		64.726	64.726
Other Comprehensive Income (OCI)	21	30.274	13.727
Retained earnings		68.790	63.740
Net Income for the period		2.290	5.052
Total equity		**301.532**	**282.697**
Total liabilities and equity		**2.613.209**	**2.123.394**

The accompanying notes are an integral part of the financial statements.

CREDIVALORES CREDISERVICIOS S. A.
INTERIM STATEMENT OF INCOME
INTERIM PERIODS ENDED SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019 (UNAUDITED)

(Stated in millions of Colombian pesos)

		For the three-months period:		**For the nine-months period:**	
		July 1, 2020 through September 30, 2020	**July 1, 2019 through September 30, 2019**	**January 1, 2020 through September 30, 2020**	**January 1, 2019 through September 30, 2019**
	Notes	(In millions of pesos, except Net income per share)		(In millions of pesos, except Net income per share)	
Interest Income and similar	22.1	79.121	**75.217**	211.176	**206.274**
Financial costs interest	14	(63.364)	(51.495)	(143.894)	(146.166)
Revenue from contracts with customers	22.2	20.646	23.735	62.263	73.495
Net Interest		**36.403**	**47.457**	**129.545**	**133.603**
Impairment of financial assets loan portfolio	9	(25.896)	(13.066)	(74.385)	(47.403)
Expense on accounts receivable provisions		-	(2.268)	(73)	(2.268)
Gross Financial Margin		**10.507**	**32.123**	**55.087**	**83.932**
Other Expenses					
Employee Benefits		(3.195)	(4.020)	(10.349)	(12.103)
Depreciation and amortization expense	11 - 12	(1.457)	(1.641)	(4.417)	(5.041)
Depreciation for right of use assets		(849)	(1.217)	(1.705)	(1.217)
Other	24	(13.320)	(18.279)	(47.416)	(55.705)
Total Other expenses		**(18.821)**	**(25.157)**	**(63.887)**	**(74.066)**
Net operating Income		**(8.314)**	**6.966**	**(8.800)**	**9.866**
Other Income	23	123	259	723	1.190
Financial income		524	125	3.117	305
Exchange rate differences		(227)	(35.014)	4.021	(42)
Financial Income		**420**	**(34.630)**	**7.861**	**1.453**
Derivative instrument valuation		4.364	31.973	4.714	(5.335)
Financial expense		4.364	31.973	4.714	(5.335)
Net financial income (expense)	25	**4.784**	**(2.657)**	**12.576**	**(3.882)**
Net Income before income tax		(3.530)	4.309	3.776	5.984
Income tax		1.286	(1.878)	(1.486)	(2.464)
Net income for the period		**(2.244)**	**2.431**	**2.290**	**3.520**
Net earnings per share		**(489)**	**529**	**499**	**790**

Accompanying notes are an integral part of the financial statements.

CREDIVALORES CREDISERVICIOS S. A.
INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME
SIX MONTHS PERIODS ENDED SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019 (UNAUDITED)
(Stated in millions of Colombian pesos)

	For the three-month period September 30,		For the nine-month period September 30,	
	2020	**2019**	**2020**	**2019**
Net income for the period	**(2.244)**	**2.431**	**2.290**	**3.520**
Other comprehensive income				
Unrealized gains (losses) from cash flow hedges:				
Valuation of financial derivatives Forwards	308	(95)	5.141	1.837
Valuation of financial derivatives Cross Currency Swaps	(16.926)	26.022	121.381	46.733
Valuation of financial derivatives Options	(5.810)	(4.635)	(102.887)	520
Income tax	6.729	(14.075)	(7.090)	(14.074)
Total other comprehensive income for the period	**(15.699)**	**7.217**	**16.545**	**35.016**
Total other comprehensive income	**(17.943)**	**9.648**	**18.835**	**38.536**

The accompanying notes are an integral part of the financial statements.

CREDIVALORES CREDISERVICIOS S. A.
INTERIM STATEMENT OF CHANGES IN EQUITY
PERIODS ENDED SEPTEMBER 30, 2020 (UNAUDITED), AND DECEMBER 31, 2019
(Stated in millions of Colombian pesos)

		Share capital	Additional paid-in capital	Treasury Shares	Reserves	Other Comprehensive Income (OCI)	Retained earnings	Earnings for the period	Total
Balance as of January 1, 2018	**$**	**120.899**	**58.442**	**(12.837)**	**18.651**	**(20.165)**	**88.518**	**809**	**254.317**
Appropriation of earnings		-	-	-	-	-	809	(809)	-
Capitalization		3.023	-	-	-	-	-	-	3.023
Change in accounting policies as of January 01, 2018		-	-	-	-	-	(47.055)	-	(47.055)
Increases (decrease) in other comprehensive income		-	-	-	-	17.924	14.116	-	32.040
Net income for the period		-	-	-	-	-	-	7.352	7.352
Balance December 31, 2018	**$**	**123.922**	**58.442**	**(12.837)**	**18.651**	**(2.241)**	**56.388**	**7.352**	**249.677**
Appropriation of earnings		-	-	-	-	-	7.352	(7.352)	-
Capitalization		5.716	6.284	-	-	-	-	-	12.000
Increases (decrease) in other comprehensive income		-	-	-	-	27.797	-	-	27.797
Net income for the period		-	-	-	-	-	-	1.089	1.089
Balance September 30, 2019	**$**	**129.638**	**65.726**	**(12.837)**	**18.651**	**25.556**	**63.740**	**1.089**	**290.563**
Balance December 31, 2019	**$**	**129.638**	**64.726**	**(12.837)**	**18.651**	**13.727**	**63.740**	**5.052**	**282.697**
Appropriation of earnings		-	-	-	-	-	5.052	(5.052)	-
Capitalization		-	-	-	-	-	-	-	-
Increases (decrease) in other comprehensive income		-	-	-	-	16.545	-	-	16.545
Net income for the period		-	-	-	-	-	-	2.290	2.290
Balance September 30, 2020	**$**	**129.638**	**64.726**	**(12.837)**	**18.651**	**30.272**	**68.792**	**2.290**	**301.532**

The accompanying notes are an integral part of the financial statements.

(Stated in millions of Colombian pesos)

	Notes	September 30, 2020	September 30, 2019
Cash flows from operating activities			
Net income before taxes		3.776	5.984
Reconciliation of net income before taxes and net cash provided by (used in) operating activities:			
Depreciation of tangible assets	11	495	405
Depreciation right of use assets		1.705	1.217
Amortization of intangible assets	12	7.362	8.775
Amortization of Call premium options	13.2	16.883	3.868
Allowance for impairment of loan portfolio	9	67.215	37.746
Increase in condonations		-	13.176
Recovery of impairments for loan portfolio		-	(95)
Impairment Accounts Receivable		-	2.268
Fair value adjustments to derivative financial instruments		(395.580)	(73.351)
Portfolio valuation measured at fair value		-	(2.338)
Fair value adjustments to financial assets	8	(1.968)	(727)
Income tax		(2.458)	2.464
Cash generated by trades			
Income tax paid		-	(5.461)
Changes in operating assets and liabilities:			
Increase (decrease) in loans		(192.342)	(76.392)
Decrease (increase) in accounts receivables		(50.001)	(67.265)
Increase (decrease) in accounts payable		39.696	(3.135)
Payable tax		-	(7.926)
Decrease (increase) in employee benefit		77	255
Decrease in provisions	16	381	553
Increase (decrease) in other liabilities		(16.549)	13.936
Net cash provided by (used in) operating activities		**(521.308)**	**(143.738)**
Cash flows from investing activities:			
Net flow of investments in financial instruments		(4.539)	6.154
Net flow of property, plant and equipment		(23)	(899)
Increase in Lease Liabilities		1.878	6.379
Net flow of right of use assets		(3.251)	(7.324)
Acquisition of intangible assets		(5.236)	(9.669)
Net cash used in investing activities		**(11.171)**	**(5.359)**
Cash flows from financing activities:			
Acquisition of financial obligations		2.003.628	526.705
Payment of financial obligations		(1.332.221)	(430.208)
Payment premium call options		(69.158)	(5.022)
Capitalization		-	12.000
Net cash provided by financing activities		**602.249**	**103.475**
(Decrease) Increase in cash and cash equivalents		**69.770**	**(45.622)**
Cash and cash equivalents at beginning of year		163.852	195.058
Cash and cash equivalents at end of year		**233.622**	**149.436**

The accompanying notes are an integral part of the financial statements.

NOTE 1. REPORTING COMPANY

Credivalores Crediservicios S.A., (hereinafter “Credivalores”, the “Company” or “CVCS”), is a stock company registered for business in Bogotá - Colombia, located at Carrera 7 No, 76-35 P 7, 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 Public Notary No.1 of the Circuit of Cali. The term of duration of the Company is 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, as agreed on 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 to the aforementioned process. Credivalores S.A. (the acquired company) was incorporated by means of Public Deed No. 1906 dated May 13, 2003, drawn up before the Public Notary 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, becoming a simplified stock corporation, by means of the Public Deed No. 529 dated February 27, 2009 drawn up before the Public Notary No. 1 of the Circuit of Cali.

By means of Minutes No. 16 dated February 23, 2010 of the General Meeting of Shareholders, duly registered before the Chamber of Commerce on March 19, 2010; the Company became a simplified joint stock company with 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 completed a legal corporate transformation from a simplified stock company (Sociedad por Acciones Simplificada) to become a stock company (Sociedad Anónima).

The Company’s business purpose is to originate consumer loans, including payroll deduction loans, to private individuals or legal entities, using both its own funds and other sources of funding 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 but not limiting the collection and registration of these obligations,

c) Purchase and sell loans, 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 that these companies have 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).

(Stated in millions of Colombian pesos)

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.

Credivalores 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.

In September 2019, a 12,000 million capitalization was completed. The ownership of the Company after this capitalization is as follows:

Shareholders	**Ownership**
Crediholding S.A.S.	34,24%
Lacrot Inversiones 2014, S.L.U	36,43%
Acon Colombia Consumer Finance Holdings, S.L.	19,90%
Acon Consumer Finance Holdings II, S.L.	4,21%
Direcciones de Negocio S.A.S.	0,01%
Treasury Shares	5,21%
Total	**100,00%**

NOTE 2. BASIS FOR PREPARATION OF THE INTERIM FINANCIAL STATEMENTS AND SUMMARY OF THE MAIN ACCOUNTING POLICIES

2.1 Basis of Presentation

The interim financial statements as of September 30, 2020 and December 31, 2019 and for the three months periods ended September 30, 2020 and 2018 have been prepared in accordance with IAS 34 "Intermediate Financial Information". The interim financial statements should be read in conjunction with the annual financial statements on December 31, 2019, which were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the Standards Council International Accounting (IASB). They do not include all the information required for a complete set of financial statements according to IFRS. However, notes have been included to explain the events and transactions that are important for understanding changes in the Company's financial situation and performance since the last financial statements.

These interim financial statements were authorized by the Company's Management on October 28, 2020.

The Financial Statements of Credivalores have been prepared in line with the Financial Reporting and Accounting Standards accepted in Colombia FRAS - IFRS 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, 2016.

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

(Stated in millions of Colombian pesos)

Decree 2615 dated December 17, 2014 came into effect on January 1, 2016. Decree 2615 contains the international accounting and financial reporting standards in force as of December 31, 2013 and their corresponding amendments issued by the International Accounting Standards Board IASB in force today. With this, the regulatory technical framework contained in the annex to Decree 2784 dated December 28, 2012 and Decree 3023 dated December 27, 2013 was revoked.

Credivalores 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.

Accounting policies adopted for the preparation of separate interim financial statements are consistent with those of previous years except for changes submitted by the adoption and implementation of IFRS 16 "Leases".

Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including substantial fixed payments), minus any lease incentives receivable
- Variable lease payment based on an index or rate
- Amounts that the tenant is expected to pay under residual value guarantees
- The exercise price of a purchase option if the tenant is reasonably sure to exercise that option, and
- Payments of fines for terminating the lease, if the condition of the lease reflects that the tenant exercised that option.

Lease payments are deducted using the implied interest rate on the lease, if such rate can be determined, or the incremental indebtedness rate.

Right of Use Assets are cost-measured and include the following:

- The amount of the initial measurement of the lease liability
- Any lease payments made on or before the start date
- Any direct initial costs, and
- Restoration costs

Payments associated with short-term leases and low-value asset leases are recognized under the linear method as an expense in the income statement. Short term leases have a term of 12 months or less. Low-value assets include computer equipment and small items in office furniture.

NOTE 3. JUDGMENTS AND CRITICAL ACCOUNTING ESTIMATES IN THE APPLICATION OF ACCOUNTING POLICIES

The preparation of the interim financial statements requires management to make judgments, estimates and assumptions that affect the implementation of accounting policies and reported amounts of assets and liabilities, and income and expenses.

3.1 Leases IFRS 16

Notes to the financial statements

- **Statement of Financial Position**

	September 30, 2020	January 1, 2019
Assets		
Current assets		
Property, plant and equipment – Right of use	7.449	5.902
Deferred tax assets	213	114
Current liabilities		
Other liabilities		
Current	3.390	757
Non-current	4.746	5.501
	(474)	**(242)**

(Stated in millions of Colombian pesos)

- **Statement of income**

	September 30, 2020
Depreciation charge of right-of-use assets	1.705
Interest expense (included in finance cost)	500
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	10
Expense relating to leases of low-value assets that are not short-term leases (included in administrative expenses)	126
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	828
	3.169

The total cash outflow for leases at September 30, 2020 was 3.168.

Health Emergency Impact

- **Legislative Decree 579 of April 15, 2020**

With this legislative decree, the national government sought to mitigate the negative economic consequences arising from the health emergency caused by COVID-19 that affected the income of thousands of citizens, resulting in non-compliance with their periodic obligations, such as the payment of the lease fee.

In the first title of the legislative decree, the new provisions relating to the lease of properties with housing and commercial purposes were enshrined, referring mainly to issues related to the suspension of eviction actions, adjustment to the lease fee, special stipulations against the payment of lease fees and the extension of contracts.

For further understanding, each measure is detailed below:

1. Suspension of eviction actions: any eviction action provided by judicial or administrative authority aimed at the restitution of properties occupied by tenants, could not be carried out between 15 April and 30 September 2020.
2. Adjustment to the lease fee: the value of the lease fee is generally increased every 12 months in accordance with Article 20 of Law 820 of 2003 or as agreed in the contract.

This legislative decree indicated that the payment for the annual adjustment to be made effective between 15 April and 30 September 2020 was postponed by the end of July 1, 2020, and that the value should be distributed in each of the monthly payments until the end of the contract.

3. Special stipulations regarding the payment of lease fees: the parties were required to reach a agreement on the conditions for the payment of lease fees incurred between 15 April and 30 September 2020, considering that this agreement may not include:

1. Default interest.
2. Penalties.
3. Compensation.
4. Sanctions.

The Health Emergency presented in Credivalores below details the offices where discounts were filed (1):

CIUDAD	VALOR ARRIENDO PROM MES	VALOR ARRIENDO ABR - DIC	DESCUENTO PROM MES	OBSERVACIONES	DESCUENTO AÑO
ARMENIA	4	32	2	50% SOLO ABRIL	2
BARRANCABERMEJA	3	24	0	10% HASTA DICIEMBRE	2
BARRANQUILLA	10	93	5	50% HASTA DICIEMBRE	31
BOGOTÁ- CLAUSTRO	43	387	7	18% HASTA DICIEMBRE	44
BUCARAMANGA	9	84	3	27% HASTA DICIEMBRE	15
CARTAGENA	8	71	2	25% HASTA DICIEMBRE	12
CUCUTA	7	59	2	25% HASTA DICIEMBRE	9
IBAGUE	8	74	1	8% HASTA DICIEMBRE	4
MONTERIA	10	89	5	52% HASTA DICIEMBRE	31
NEIVA	4	40	2	48% HASTA DICIEMBRE	13
PEREIRA	2	20	1	50% ABRIL, MAYO JUNIO	3
SINCELEJO	4	37	0	10% HASTA DICIEMBRE	2
VALLEDUPAR	13	118	5	35% HASTA DICIEMBRE	28
VILLAVICENCIO	6	57	2	37% HASTA DICIEMBRE	14
ÉXITO	32	285	12	30% EN ABRIL	12
TOTAL	**163**	**1,470**	**49**		**222**

(1) Values expressed in millions of pesos.

And the following offices were closed (2):

City	Leases	Delivery date
Bogotá	9,2	August 30
Bogotá	10,5	May 30
Bogotá	5,9	May 30
Bogotá	0,5	April 30
Medellín	3,1	May 30
Barranquilla	1,8	July 31
Cartagena	7,3	July 15
Ciénaga	1,3	May 30
Santa Marta	2,4	July 30

(2) Values expressed in pesos

3.2 Financial asset business model

Credivalores performs an assessment of the objective of a business model in which an asset is maintained at the portfolio level because this better reflects the way the business is managed, and information is provided to management. The information considered includes:

- The policies and objectives envisaged for the portfolio and the actual implementation of them. In particular, if management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of financial assets with the duration of liabilities that finance those assets, or making cash flows through the sale of the assets;

- How portfolio performance is evaluated and reported to the management of Credivalores;

1. Risks that affect the performance of the business model (and financial assets held within that business model) and how they are managed; And

- The frequency, volume and timing of sales of financial assets in previous periods, the reasons for such sales, and their expectations for future sales activity. However, information on sales activity is not considered in isolation, but as part of an overall assessment of how Credivalores' stated objective for financial asset management is achieved and how cash flows are conducted.

Assessment of whether contractual cash flows are only capital and interest payments (SPPI).

For the purposes of this assessment, the 'principal' is defined as the fair value of the financial asset in the initial recognition. 'Interest' is defined as a consideration for the temporary value of the money and for the credit risk associated with the principal amount outstanding over a given period of time and for other risks and basic costs of loans (e.g. liquidity risk and administrative costs), as well as the profit margin.

When assessing whether contractual cash flows are only capital and interest payments, Credivalores considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows in such a way that it does not meet this condition.

The business model of Credivalores Crediservicios S.A. is based on the rapid granting of consumer loans 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 delinquency), including: payroll deduction loans (deducted from payroll payments), credit card (collected through utility bills) and financing for insurance policy premiums (revocable insurance where the insurer returns the part of the premium that was not used in the event of a default).).

The business model focuses on the construction of alliances and agreements for the origination and distribution of each of our products, thus guaranteeing growth. The company has more than 720 agreements with employers that can issue payroll loans, exclusive agreements with utilities for billing and collection through credit cards, and partnerships with third parties and insurers for the origination of the Credipoliza Product. Risk management systems are similar to those implemented by other Colombian financial institutions and take into account the characteristics of the target market. These systems have been adjusted according to the experience and knowledge gained over more than 14 years in the market.

Credivalores Crediservicios S.A. seeks to maintain various sources of financing locally and internationally from the banking and capital markets.

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

The entity applies significant judgments to determine its business model for managing financial assets and to assess whether financial assets meet the conditions set out in the business model so that they can be classified at fair value or at amortized cost. According to the above, some financial assets have been classified into investments at fair value and others at amortized cost. According to the business model, financial assets at amortized cost can only be sold in limited circumstances, such as infrequent transactions, adjustments are made to the maturity structure of their assets and liabilities, when significant capital outlays need to be financed and where there are seasonal liquidity needs.

Investments in equity instruments at fair value have been classified with adjustments through gains or losses, considering that they are strategic investments for the company and, 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 from date of origin.

2. The highest score based on your compliance score.

Financial assets at amortized cost (*)

The loan portfolio is classified at amortized cost when it meets the following criteria: The business model of Credivalores Crediservicios S.A. is to maintain these assets in order to collect your cash flows on specific dates, according to your contractual conditions, and the contractual terms of the financial asset result in cash flows consisting of capital payments and interest on the amount due.

3.2 Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Variable lease payments

Some property leases contain variable payment terms that are linked to profit generated from a specific office. For individual offices, up to 100% of lease payments are on the basis of variable payment terms. Variable payment terms are used for a variety of reasons, including minimizing the fixed costs base for newly established offices. Variable lease payments that depend on profits are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

Lease terms

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The evaluation is reviewed if a significant event or a significant change in the circumstances affecting this evaluation occurs.

3.4 Seasonal nature of income and expenses.

The nature of the most important operations of Credivalores Crediservicios S. A is mainly related to traditional activities that are not significantly affected by seasonal factors.

NOTE 4 - 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 Credivalores 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.

(Stated in millions of Colombian pesos)

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 Credivalores. 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.

4.1 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, 2020 and December 31, 2019, on a recurring basis.

	September 30, 2020	**December 31, 2019**
ASSETS	**Level 2**	**Level 2**
Investments in equity instruments	13.254	8.715
Hedging derivatives		
Currency forward	22.147	10.771
Options	127.928	68.543
Cross Currency Swap	296.590	114.633
Consumer		
Payroll deduction loans	19.324	19.324
Total fair value recurring assets	**479.243**	**221.986**
LIABILITIES		
Hedging derivatives		
Options	-	32.188
Total fair value recurring liabilities	**-**	**32.188**

4.2 Fair value determination

The methodology applicable to instruments for Credivalores is:

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

4.2.2 **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.

4.2.3 **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.

4.2.4 **Loan portfolio valuations:** Because these instruments do not 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 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 flows according to weighted average life 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 previously described.

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

4.2.5 Equity instruments: Credivalores 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		- Current Balance - Average term to maturity
Equity Instruments	Adjusted net asset value	- Weighted average Rate - Unit value

4.2.6 Derivative financial instruments

Derivative financial instruments and hedge accounting:

A derivative is a financial instrument in which value changes respond to changes in one or more variables denominated as an “underlying” (a specific interest rate, the price of a financial instrument, a listed commodity, a foreign currency exchange rate, etc.), that has an initial net investment smaller than would be required for other instruments that have a similar response to the mentioned variable and that is settled in a future date.

Credivalores trades in financial markets, forward contracts, future contracts, swaps and options that fulfil the definition of a derivative.

Financial assets and liabilities from transactions with derivatives are generally not offset in the statement of financial position. However, when there is a legal and exercisable right to offset the recognized values and Credivalores intends to be settle them on a net basis or to realize the assets and settle the liability simultaneously, derivatives are presented as net values in the statement of financial position.

Derivative transactions are initially recognized at fair value. Subsequent changes in the fair value are recognized in profit or loss, unless the derivative instrument is designated as a hedging instrument and, in this case, the accounting criteria will depend on the nature of the hedged item, as described below.
At the beginning of the hedging transaction, Credivalores formally documents the relationship existing between the hedging instrument and the hedged item, including the risk management objective and strategy in undertaking the hedging relationship. It also documents its assessment, both initially as well as on a recurring basis, of whether the hedging relationship is highly effective in offsetting the changes in fair value or cash flows of the hedged items.

For fair value hedge of assets or liabilities and firm commitments, changes in the fair value of the derivative instrument are recognized in profit or loss, as well as any other change in the fair value of the asset, liability or firm commitment attributable to the hedge risk.

(Stated in millions of Colombian pesos)

For cash flow hedge of a particular risk associated with a recognized asset or liability or a projected highly probable transaction, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income. The gain or loss relating to the portion that is not effective for hedging or that does not relate to the hedged risk is immediately recognized in profit or loss.

The values accumulated in other comprehensive income are transferred to profit or loss in the same period in which the hedged item is recognized in profit or loss.

Hedging of net investments in a foreign operation is recognized similarly to cash flow hedging: the effective portion of changes in fair value of the hedging instrument is recognized in other comprehensive income, and the ineffective portion of the changes in fair value of the derivative is recognized in profit or loss. The hedging instrument's gains or losses accumulated in equity will be recognized in profit or loss when the net investment in foreign operations is sold in whole or proportionally, if partially disposed of.

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 derivative 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

4.3 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 book value:

	September 30, 2020		December 31, 2019	
Fair value	**Book Value**	**Fair Value Estimate**	**Book Value**	**Fair Value Estimate**
Assets				
Loan Portfolio (Gross)				
Consumer	1.609.389	1.687.336	1.424.958	1.433.358
Microcredit	5.805	5.997	5.863	6.053
Total	**1.615.194**	**1.693.333**	**1.430.821**	**1.439.411**

(Stated in millions of Colombian pesos)

Liability				
Financial obligations	2.134.447	2.216.642	1.643.577	1.689.025
Total	**2.134.447**	**2.216.642**	**1.643.577**	**1.689.025**

The book value corresponds to the value at amortized cost. The fair value estimate does not include transaction costs.

4.4 Financial Instruments

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) about 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 price").

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).

The Company´s business model includes payroll loans at fair value with changes in profit and losses, whereby the loans originated within the 90 days prior to the date of the financial statements are valued at fair value. In order to estimate the fair value of these loans, which could be sold to financial institutions at a market price, the Company evaluates the lending rate of these loans within the reference market to evaluate the rate at which other financial institutions considered as peers and comparable to the Company will be willing to invest their resources and hold the payroll loans within their balance sheet.

Considering the results from the evaluation of the rates, the Company evaluates four variables to obtain the value of the adjusted rate applicable to the transactions to sell loan portfolio, according to internal criteria:

- **i)** The multiplier, which compares the Company's rate to the market rate.
- **ii)** The value of the premium paid in these businesses, which results from discounting the future values of a loan originated at Credivalores' lending rate using the market rate.
- **iii)** The rate is adjusted by the transaction cost associated to the loan portfolio.
- **iv)** The cash flows associated to the insurance policies applicable to the loan are also valued.

The methodology followed by the Company, uses the last three months reports from the Financial Superintendence as the source of information to determine the interest rate to discount the cash flows and complete the valuation of the final selling price of the loan portfolio.

The Company has determined that the fair value of the loan portfolio registered in its financial statements is type 3, since most of the criteria is internal.

4.4.1 Loans and receivables portfolio

The Company classifies its financial assets into the following measurement categories, based on their corresponding business model:

Classification of Financial Assets:			
Measurement	**Terms**	**Features**	**Valuation**
Fair value	0-90 days from origination	Current and best rated loans	Market price Tucredito
Amortized cost	0 days from origination onwards	Current and past-due portfolio	Incurred loss model (equivalent indexed rate)

4.4.1.1 Financial Assets at Fair Value

Credivalores Crediservicios S. A. S., 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 market niche is focused on placing "top-rated" loans.

Classification of "Tucredito" line of credit, based on the corresponding business model			
Item	**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 "Tu credito" 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 best-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, will later be measured based on an indexed rate, which converts the amortized cost rate into an amount equivalent to their fair value.

44**.4.1.2 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 are 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, is equal to the net book value in the beginning. To calculate the effective interest rate, the Company estimates the cash flows considering 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.

NOTE 5. RISK MANAGEMENT

Credivalores manages risk pursuant to the applicable regulations in the country and Credivalores internal policies.

Objective and general guidelines

Credivalores objective is to maximize returns for its investors, through proper risk management. The guiding principles of risk management of Credivalores 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

Financial Risk Management

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

- Credit Risk
- Market Risk
- Liquidity Risk
- Operating Risk

The interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; these financial statements should be read in conjunction with Credivalores annual financial statements as of December 31, 2019. There have been no changes to the risk management department or any risk management policies since December 31, 2019. There are no significant changes related to risk objectives, the corporate structure of the risk function and risk strategies in general compared to what was revealed in the last set of financial statements as of December 31, 2019.

5.1 Credit Risk

Credit risk is the risk of financial loss faced by Credivalores Crediservicios S.A., if a client or counterparty in a financial instrument does not meet its contractual obligations and originates mainly from the receivables to customers and the Company's investment instruments.

The business model of Credivalores Crediservicios S.A, in its portfolio of credits differs from the rating of its products according to the inherent risk of its portfolio.

During the three and six-month period ended September 30, 2020, there were no significant changes in policies and how Credivalores handles credit risk.

The maximum exposure to credit risk of Credivalores, according to IFRS 7, is reflected in the book value of financial assets in the statement of financial position of Credivalores as of September 30, 2020 and December 31, 2019 as follows:

(Stated in millions of Colombian pesos)

	September 30, 2020	December 31, 2019
Cash and cash equivalents	233.624	163.851
Financial instruments net	459.919	219.545
Loan portfolios		
Consumer loans	1.612.137	1.424.958
Microcredit portfolio	5.805	5.863
Payroll loans at fair value	19.324	19.324
Accounts receivable, net	429.476	386.189
Total financial assets with credit risk	**2.760.285**	**2.219.730**
Off-balance-sheet credit risk at nominal value		
Unpaid approved credits	432.548	495.551
Total exposure to off-balance-sheet credit risk	**432.548**	**495.551**
Total maximum exposure to credit risk	**3.192.833**	**2.715.281**

Credit Risk Model: Loans

I. Transitions between stages

A financial asset is classified as a low credit risk asset based on the debtor's payment habits.

The first step in the methodology consist in evaluating a significant increase in credit risk by comparing the current status against a previous status of stage recognition of the loan.

If the financial asset loses its low credit risk condition or if changes in external environment results in a review of the condition, then this probably shows a significant increase in credit risk. Consequently, the financial asset will be analyzed to determine if there is a significant increase of credit risk (stage 2) or if the asset should be classified as stage 3.

Significant Increase in Credit Risk

When determining whether the credit risk (i.e. risk of default) of a financial instrument has increased significantly since initial recognition, Credivalores considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on Credivalores historical experience, expert credit assessment and forward-looking information.

The following criteria is used to determine if a significant increase in credit risk has occurred:

- Comparison of the remaining lifetime probability of default (PD) at the reporting date with the lifetime PD at initial recognition of the exposure.

- Qualitative aspects such as the rebuttable presumption of the norm and restructuring agreements are also considered.

- Qualitative criteria from analysts is also considered based on expert and supportable information.

Credivalores has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk of a financial instrument has increased significantly since initial recognition. The framework is aligned with Credivalores internal credit risk management process.

The criteria for determining whether credit risk has increased significantly will vary by portfolio and will include a backstop based on delinquency.

In certain instances, using its expert credit judgement and, where possible relevant historical experience, Credivalores may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis. As a backstop, and as required by IFRS 9, Credivalores will presumptively consider that a significant increase in credit risk occurs no later than when an asset is more than 60 days past due.

Credivalores will monitor the effectiveness of the criteria used in identifying significant increases in credit risk through regular reviews to confirm that:

- The criteria are useful in identifying significant increases in credit risk before an exposure is in default;
- The criteria do not align with the point in time when an asset becomes over 60 days past due;
- The average time between the identification of a significant increase in credit risk and default appears reasonable;
- Exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and there is no unwarranted volatility in loss impairment from transfers between 12-month ECL and lifetime ECL measurements.

II. PD – Probability of Default

Term structure of PD

Credit risk grades are the primary input in the determination of the term structure of PD for exposures. Credivalores collects performance and default information about its credit risk exposures analyzed by type of product and borrower, and by credit risk grade. For some portfolios, information purchased from external credit reference agencies may also be used.

Credivalores employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of the relation between changes in default rates as well as an in-depth analysis of the impact of certain other factors on the risk of default.

For stage 1 the PD estimates the probability that the credit will default in the next 12 months, while the PD in stage 2 is the result of the probabilities for the remaining life of the credit. The probability in Stage 3 is defined as 100%.

To determine the PD the company used statistical models to analyze and select the variables significant in predicting whether clients would reach default during a known period of time that is determined by the stage of the loan. For stage 1 the PD are evaluated for the next 12 months, loans on later stages are evaluated for the remainder of the loan lifetime.
To estimate lifetime probability Credivalores calculates the 12-month PD and for each successive year for the loan lifetime the model estimates the PD conditioned to not having defaulted during previous years.

Credivalores uses behavioral demographic and origination variables to estimate PD modeling them with a logistic regression that is periodically monitored to ensure its predictive capabilities and its stability. This monitoring for payroll loans and credit card models showed adequate predictive capabilities as well as stability regarding its inputs distributions (PSI). There was also a test run on average observed PD by rating of the last 2 years that ensure the actual events that are being predicted have not vary its behavior significantly and therefore concluding the models provide an adequate and reasonable prediction of PDs by rating.
Credivalores approach to incorporating forward-looking information into this assessment is discussed below.

Forward-Looking Information

Credivalores incorporates forward-looking information into its measurement of ECLs. Credivalores formulates a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on forecasts provided by economic experts and considering a forecast of multiple variables. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

The base case represents a most-likely outcome. It is aligned with information used by Credivalores for other purposes, such as strategic planning and budgeting. The other scenarios for Colombia represent more optimistic and more pessimistic outcomes.

Credivalores has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

(Stated in millions of Colombian pesos)

The economic scenarios used as of December 31, 2019 include the following key indicators (among others) for Colombia for the years ending 31 December 2019 and September, 2020[1]:

	2019 - 2020		
	Scenario A	**Scenario B**	**Scenario C**
Inflation	3,504%	3,500%	3,496%
Interest rates	29,310%	29,280%	29,250%
GDP growth	3,294%	3,300%	3,306%
Unemployment rate	10,901%	10,900%	10,899%

Credit Risk Rating

Credivalores allocates each exposure to a credit risk grade based on a variety of data intended to be predictive of the probability of default and applying experienced credit judgment. Credivalores uses these grades with the purpose identifying significant increases in credit risk. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower and product.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

Loan Portfolio

Payroll and Credit card loans
- Information collected internally about the behavior of customers. - Demographic information of customers. - Origination information of credits/customer.

III. LGD – Loss Given Default

LGD is a measure of the potential loss if a default scenario occurs. To establish the LGD, Credivalores methodology uses historical information to measure the recoveries of loans that reach the default stage at present value. This allows Credivalores to have an adequate estimate of the losses it will incur when credits reach default stage. These calculations is done separately for payroll loans and credit cards to better reflect the fundamental differences in this product and therefore on its LGD.

IV. EAD – Exposure at Default

EAD represents the amount owed from a counterparty at the time of a possible default. For stage 2 Credivalores incorporates in the analysis of the exposure at default the probability of payments and increase or decrease in exposure during the lifetime of the credit.

These probabilities are estimated using the historical information collected by the company and are grouped by type of product. The probabilities are constantly reviewed in order to accurately estimate them and calibrate them.

For payroll loans EAD will correspond to the full valuation of the assets at amortized cost. For credit cards, EAD will take into account the unused credit line when available as well the expected amortization, which allows to have a reliable estimate of the credit exposition at default.

[1] Projections made internally by the financial planning department.

V. Simplified Model

Credivalores uses a simplified roll rate model to estimate ECL of remnants of portfolio loans that represent less than 5% of balance sheet loans and that are consistently lowering its portfolio share.

I. Transition between stages

A financial asset is classified as a low credit risk asset based on the debtors' payment habits.

The first step in the methodology consist in evaluating a significant increase in credit risk by comparing the current status against a previous status of stage recognition of the loan.

If the financial asset loses its low credit risk condition or if changes in external environment results in a review of the condition, then this probably shows a significant increase in credit risk. Consequently, the financial asset will be analyzed to determine if there is a significant increase of credit risk (stage 2) or if the asset should be classified as stage 3.

II. PD – Probability of default

To determine the PD the company used statistical models to analyze and select the variables significant in predicting whether clients would reach default during a known period of time that is determined by the stage of the loan. For stage 1 the PD are evaluated for the next 12 months, loans on later stages are evaluated for the remainder of the loan lifetime.
To estimate lifetime probability Credivalores calculates the 12-month PD and for each successive year for the loan lifetime the model estimates the PD conditioned to not having defaulted during previous years.

Credivalores uses behavioral demographic and origination variables to estimate PD modeling them with a logistic regression that is periodically monitored to ensure its predictive capabilities and its stability. This monitoring for payroll loans and credit card models showed adequate predictive capabilities as well as stability regarding its inputs distributions (PSI). There was also a test run on average observed PD by rating of the last 2 years that ensure the actual events that are being predicted have not vary its behavior significantly and therefore concluding the models provide an adequate and reasonable prediction of PDs by rating.

PD depends of the external credit rating of the issuance, issuer or counterparty. Credit rating information is published by international credit rating corporations, such as Standard & Poor's, Moody's and Fitch Ratings, or national credit rating corporations, such as Fitch Ratings Colombia S.A. or BRC. In any case, international ratings have priority over national ratings.

Credit ratings from S&P have priority over other rating corporations. If the issuance, issuer or counterparty is not rated by S&P, credit ratings from Moody's or Fitch Ratings can be used but they must be translated to the S&P rating scale. The order of priority in credit rating corporations is as follows: S&P in first place, Moody's in second place and Fitch Ratings in the third one.

The reason for choosing this hierarchy is to avoid discretion at the time of assigning a rating. National credit rating corporations can be used only if international credit ratings are not available, and the translation condition to the S&P rating scale must be followed as well.
For financial assets classified as stage 1, PD correspond to the probability of default for the next 12 months established in accordance to "Cumulative Default Rates by Rating Modifiers" for both sovereign and corporate issuers, expressed at an annual basis. In order to avoid an empty value of impairment as a consequence of a PD equal to zero, methodology allows PD increase from 0% to 0.01%. If the remaining life of the assets is less than 12 months, the resulting PD will correspond to the weighted 12 months-PD with the remaining life of the financial asset.

For financial assets classified as stage 2, lifetime PD must be used and computed using the "Cumulative Default Rates by Rating Modifiers" for both sovereign and corporate issuers, expressed at an annual basis and according to the term of each flow.

For financial assets classified as stage 3, lifetime PD will equal 100% for any issuance, issuer or counterparty.

Forward-Looking Information

Credivalores incorporates forward-looking information into its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL. This information will directly affect the PD and the stage classification.

(Stated in millions of Colombian pesos)

III. LGD – Loss given default

LGD is a measure of the potential loss if a default scenario occurs. To establish the LGD, Credivalores methodology uses historical information to measure the recoveries of loans that reach the default stage at present value. This allows Credivalores to have an adequate estimate of the losses it will incur when credits reach default stage. This calculation is done separately for payroll loans and credit cards to better reflect the fundamental differences in this product and therefore on its LGD.

IV. EAD – Exposure at default

EAD represents the amount owed from a counterparty at the time of a possible default.

For payroll loans EAD will correspond to the full valuation of the assets at amortized cost. For credit cards, EAD will take into account the unused credit line when available as well the expected amortization, which allows to have a reliable estimate of the credit exposition at default.

Credit Risk Model: Other accounts receivable

Credivalores uses the simplified approach where Credivalores uses an impairment matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small amounts.

Loss rates are calculated using a ‘roll rate’ method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics like type of product purchased.

Loss impairment

The table below shows the loss impairment balances as of September 30, 2020:

		Stage 1	Stage 2	Stage 3	
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Loan porfolio					
Loan consumer porfolio		35.768	28.944	177.552	242.264
Loan microloans porfolio		-	-	5.862	5.862
Total loan porfolio	Ps.	35.768	28.944	183.414	248.126
Total loss impairment financial assets at amortized cost	Ps.	35.768	28.944	183.414	248.126
Total loss impairment	Ps.	**35.768**	**28.944**	**183.414**	**248.126**

(1) Credivalores has initially adopted IFRS 15 and IFRS 9 as of January 1, 2018. According to the transition methods chosen, comparative information is not restated. See Note 2.

The table below shows for loans stage 3 individually assessed for ECL the gross amount and loss impairment balances as of September 30, 2020.

(Stated in millions of Colombian pesos)

	Gross Amount Registered		Impairment Recognized	
With recognized provision				
Consummer	Ps.	286.754	Ps.	177.552
Microloans		5.868		5.862
Total	Ps.	**292.622**	Ps.	**183.414**

5.1.1 Monitoring and Control Process

The Company has an information system in place that provides daily indicators on the loan portfolio status 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 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.

As of September 30, 2020

Status	Tu Crédito	CrediUno	CrediPóliza	Microcredito	Total managed portfolio	On balance sheet Portfolio
CURRENT	776.066	558.575	51.771	-	1.386.410	1.153.762
1-30	12.806	22.706	5.185	1	40.697	39.903
31-60	13.058	17.550	1.211	1	31.820	28.978
61-90	7.238	1.957	443	-	9.639	8.448
91- 180	4.921	1.853	1.438	1	8.214	7.586
181-360	15.238	16.059	601	31	31.930	31.247
> 360	66.754	67.751	7.142	4.170	145.817	134.422
Totals (see Note 10)	**896.081**	**686.451**	**67.791**	**4.204**	**1.654.527**	**1.404.347**

As of December 31, 2019

Status	Tu Crédito	CrediUno	CrediPóliza	Microcredito	Total managed portfolio	On balance sheet Portfolio
CURRENT	844.030	470.313	54.888	28	1.369.260	1.050.198
1-30	13.443	12.238	5.376	13	31.070	28.737
31-60	4.389	9.601	1.071	10	15.070	13.608
61-90	5.747	8.302	343	4	14.397	12.906
91-180	12.002	14.629	999	20	27.649	25.939
181- 360	9.640	15.996	2.173	15	27.823	26.697
> 360	48.573	46.305	4.829	4.176	103.883	93.759
Totals (See Note 10)	**937.823**	**577.384**	**69.679**	**4.266**	**1.589.153**	**1.251.845**

(Stated in millions of Colombian pesos)

5.2 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, 2020	December 31, 2019
Banco de Bogotá	Checking	1.597	517
Bancolombia	Checking	28.897	12.182
Red Multibanca Colpatria	Savings	46	87
Banco BBVA	Checking	88	303
Banco De Occidente	Checking	102	102
Bancomeva	Checking	-	8
Banco Santander	Checking	6.152	30.614
Available in Free-standing Trusts	Savings/Checking	2.546	9.689
JP Morgan	Deposit	3.122	458
		42.550	**53.960**

The following is a breakdown of creditworthiness as determined by independent credit rating agencies of all those major financial institutions in which the Company 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	AAA (col) y F1+(col)	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	AAA	
3	Banco Colpatria	AAA	AAA y AA+	
4	Banco de Occidente	AAA	AAA y de BRC 1+	
5	Banco Corpbanca	AAA		
6	Bancolombia	AAA	AAA (col) y F1+(col)	
7	Banco Santander	AAA	AA+	
8	GNB Sudameris	AA+	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 considers 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.

5.3 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.).

(Stated in millions of Colombian pesos)

Credivalores 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 Credivalores 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 30, 2020 and December 31, 2019, Credivalores had the following financial assets and liabilities at fair value subject to trading risk:

Financial assets and liabilities at fair value exposed to trading risk held:	**September 30, 2020**	**December 31, 2019**
Equity Instruments	13.254	8.715
Derivatives instruments	446.665	210.830
Loan Portfolio	19.324	19.324
Total	**479.243**	**238.869**
Financial liabilities	-	(32.188)
Total	**-**	**(32.188)**
Net Position	**479.243**	**206.681**

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 Credivalores is exposed to market risks:

Interest rates

Credivalores 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 Credivalores 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 third quarter of 2019. The following methodology was defined 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 Credivalores 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 rate on an annual basis as of September 30st, 2020 (1.736%).

4. Finally, the results of each scenario were compared to the base scenario, which corresponds to the projections of interest flows using the rates as of September 30th, 2020 as reference .

(Stated in millions of Colombian pesos)

The results are set out below:

Scenarios	**Interests**
Effect of 20 BPS decrease in variable rate	(232.387)
Effect of 20 BPS increase in variable rate	231.812
Total Scenarios	**(575)**

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	(232.387)
Effect of devaluation and increase, 15 BPS, variable rate	231.812
Total Scenarios	**574**

Exchange rate

Credivalores 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

Considering Credivalores 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 third quarter of 2019. The following methodology was used for the analysis:

1. Two scenarios were evaluated in which the exchange spot rate is adjusted by 0.60% daily volatility (spots prices projected using Bloomberg's curve), generating revaluation and devaluation effect on the TRM as of September 30th, 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 rate on an annual basis as of September 30th, 2020 (1.736%).

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 as of September 30th, 2020.

The results are set out below:

Item	**Total Debt**
Initial Scenario (Balance as of December 31st, 2018)	1.384.521
Scenario 1 (Effect of revaluation)	1.375.894
Scenario 2 (Effect of revaluation)	1.393.149
Difference Scenario 1 vs. Initial Scenario	**(8.627)**
Difference Scenario 2 vs. Initial Scenario	**8.627**

(1) Volatility obtained from the daily average for the previous three years, including the first three months of 2020.

5.4 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 Credivalores' business model. On the other hand, the Company's capacity to create positions regarding financial instruments available for sale (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, 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 flows associated to loan portfolio and liquid assets, short -term financial liabilities, and off balance financial positions in different time frames, allowing a permanent monitoring of the liquidity gap, 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.

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

- Inflows: Incoming flows 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) ´ principal and interest from financial liabilities.
- Liquidity GAP: Difference between inflows and outflows according to:
    - Monthly cash flows associated to assets (liquid assets, loan portfolio).
    - Monthly projected cash flows 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 and the 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. The Financial Committee calculates and monitors the liquidity position on a weekly basis, considering cash flow projections for 7 and 15 days:

(Stated in millions of Colombian pesos)

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 defines any actions to be taken in order to assure the sufficient procurement of cash to operate on a normal basis.
The liquidity level results as of September 30st, 2019 are set out below:

Item	**Liquidity level March, 2019**
7 Days	503%
15 Days	351%
30 Days	227%

As of September 30st, 2020, 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 Credivalores 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 30th, 2020, a green band scenario is recorded, indicating that Credivalores 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 time range for the Liquid Assets and the LRI (Liquidity Risk Indicator) for September 30th, 2020 and December 31, 2019.

	September 30, 2020				
	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	18	18	-	-	-
Banco de Bogotá	1.597	1.597	-	-	-
Bancolombia S. A.	28.897	28.897	-	-	-
BBVA Colombia	88	88	-	-	-
Red Multibanca Colpatria S. A.	46	46	-	-	-
Banco De Occidente	102	102	-	-	-
Banco Santander	31	31	-	-	-
Banco Santander Uruguay	9.243	9.243	-	-	-
Alianza Fiduciaria	29.041	29.041	-	-	-
Credifinanciera	32.276	-	-	32.276	-
Cash at Free-Standing Trusts	3.705	3.705	-	-	-
Collective Investment Funds	8.567	8.567	-	-	-
Agrocaña	4.687	-	-	-	4.687
Mutual Funds – Fiduciaria and Valores Bancolombia	10.475	10.475	-	-	-
TIDIS	226	-	-	226	
Fiducolombia Free-Standing Trusts	117.878	117.878	-	-	-
Inverefectivas	12.931	-	-	-	12.931
Total liquid assets	**259.808**	**209.688**	**-**	**32.502**	**17.618**

(Stated in millions of Colombian pesos)

Description	December 31, 2019				
	Subsequent Net Balances Available				
	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	18	18	-	-	-
Banco de Bogotá	517	517	-	-	-
Bancolombia S.A.	13.657	13.657	-	-	-
Banco GNB Sudameris Colombia	-	-	-	-	-
BBVA Colombia	303	303	-	-	-
Red Multibanca Colpatria S.A.	87	87	-	-	-
Banco De Occidente	102	102	-	-	-
Bancoomeva	9	9	-	-	-
Banco Santander	75	75	-	-	-
Alianza Fiduciaria	30.997	30.997	-	-	-
Credifinanciera	8.546	8.546			
Cash at Free-standing Trusts	12.066	-	-	12.066	-
Collective Investment Funds	10.832	10.832	-	-	-
Agrocaña	4.028	4.028	-	-	-
Valores Bancolombia	4.686	-	-	-	4.686
Scotiabank	1.837	1.837	-	-	-
Fiducolombia Free-standing	84.807	84.807	-	-	-
Inverefectivas	10.963	-	-	-	10.963
Total liquid assets	**183.530**	**155.815**	**-**	**12.066**	**15.649**

(1) Liquid assets correspond to the sum of existing assets at the close of each period, which can be quickly 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).

(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:

(Stated in millions of Colombian pesos)

1) Net Liquidity/Credivalores + 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 March-20	
Net Liquidity	233.624
Assets (Credivalores + Free-standing Trust) (Portfolio)	1.617.942
Indicator 1	**14.4%**

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

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

Exposure Limit Indicator 1 March-20	
Net Liquidity	233.624
Liabilities (Credivalores + Free-standing Trust)	1.247.628
Indicator 2	**18.7%**

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

Credivalores 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, 2020

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 equivalents	233.623	-	-	-	233.623
Equity Instruments at fair value	8.567	-	-	4.687	13.254
Investments in Associates and Affiliates	-	-	-	12.931	12.566
Financial Assets at amortized cost (*)	60.818	303.800	364.032	1.302.033	2.030.683
Total assets	**303.008**	**303.800**	**364.032**	**1.319.651**	**2.290.491**

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 (*)	48.135	186.492	465.739	2.012.819	2.713.185
Financial Liabilities at fair value Derivatives instruments	-	-	-	-	-
Total Liabilities	**48.135**	**186.492**	**465.739**	**2.012.819**	**2.713.185**

(*) This disclosure includes the calculation of projected interest.

(Stated in millions of Colombian pesos)

December 31, 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 equivalents	163.851	-	-	-	163.851
Equity Instruments at fair value	4.028	-	-	4.686	8.714
Investments in Associates and Affiliates	-	-	-	10.366	10.366
Financial Assets at amortized cost (*)	60.434	301.163	356.477	1.068.680	1.786.754
Total assets	**228.313**	**301.163**	**356.477**	**1.084.329**	**1.970.282**

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 (*)	33.013	278.940	165.414	1.532.572	2.009.939
Financial Liabilities at fair value - Derivatives instruments	-	2.715	-	29.473	32.188
Total Liabilities	**33.013**	**281.654**	**165.414**	**1.562.046**	**2.042.127**

(*) This disclosure includes the calculation of projected interest.

NOTE 6. 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 Credivalores to handle short-term commitments.

Cash and cash equivalent balances encompass the following as of September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
Cash	18	18
Banks	42.550	53.960
Mutual funds (6.1)	158.554	97.807
Term Deposit (6.2)	32.502	12.066
	233.624	**163.851**

As of September 30, 2020 and December 31, 2019, there were no restrictions on bank accounts.

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

	September 30, 2020	December 31, 2019
Fiduciaria Bancolombia – Renta Liquidez	10.468	1.837
Alianza Fiduciaria - FIC	29.041	8.546
Fiduciaria Bancolombia - Credinvest	1.148	1.119
Fiduciaria Bancolombia - Factoring	-	15.207
Fiduciaria Bancolombia - Economic rights	-	14
Fiduciaria Bancolombia - Progression	11	9
Entitle	8	-
Sub-Total	**40.676**	**26.732**

(Stated in millions of Colombian pesos)

Entity	September 30, 2020	December 31, 2019
Fiduciaria Bancolombia - Collective Investment Funds Participation	117.878	71.075
Sub-Total	117.878	**71.075**
Collective investment funds	**158.554**	**97.807**

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

Manager	September 2020	Dec-19	Rating Agency
Fiduciaria Bancolombia	S3/AAA(col)	S1/AAA(col)	Fitch Ratings – Bogotá – 16 Junio 2020
Fiduciaria GNB Sudameris_Servitrusts	F-AAA	F-AAA	Value and Risk Rating S,A, Sociedad Calificadora de Valores el 8 Abril 2020
Fiduciaria la Previsora	AAA+(col)	S1/AAA(col)	Fitch Ratings - 24 enero 2020
Fiduciaria Popular	F-AA VrM 1+	FAAA/2	Value and Risk Rating S,A, Sociedad Calificadora de Valores el 15 Mayo 2020

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 company can withdraw and deposit funds at any time, as funds are at sight.

6.2 CDT deposit certificates

As of September 30, 2020, Credivalores had two Certificate of Full Deposit (CDT) in Banco Santander, Banco Credifinanciera and one in Banco Colpatria. Which are detailed below

ID Number	Date	Payment date	Term	Nominal value	Annual effective interest rate	Nominal rate	Total Balance March, 2020
BANCO CREDIFINANCIERA	13/04/2020	13/01/2021	6	10.149	5,43%	5,30%	10.218
BANCO CREDIFINANCIERA	7/04/2020	04/02/2021	6	10.000	4,97%	4,86%	10.029
BANCO SANTANDER	22/08/2019	20/11/2020	3	6.500	2,30%	2,28%	6.516
BANCO SANTANDER	23/08/2019	21/11/2020	3	5.500	2,30%	2,28%	5.513
Total				**32.149**			**32.276**

NOTE 7. FINANCIAL INSTRUMENTS

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

	September 30, 2020	December 31, 2019
Equity instruments (7.1)	8.568	4.028
Shares instruments (7.2)	4.686	4.686
	13.254	**8.714**

(*) Additionally, see note 10 "Payroll Loans TuCrédito at Fair Value".

7.1 At fair value with changes in results

Investments at fair value correspond to equity participations 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.

(Stated in millions of Colombian pesos)

Issuer	Type of Fund	Minimum Investment	Minimum Balance	Annual Return March 2020	Annual Return 2019	As of September 30, 2020	As of December 31, 2019
BTG Pactual I Z Class	Closed	5.000.000	2.000.000	0,500%	58.21%	1.762	1.792
BTG Pactual II Z Class	Closed	5.000.000	2.000.000	0.500%	96.81%	690	763
Fiduciaria Popular	Money Market	200.000	200.000	3.98%	3.98%	17	649
Open Portfolio BTG		-	-	5.01%	5.01%	6.099	824
TOTAL						**8.568**	**4.028**

7.2 Equity instruments

	September 30, 2020	December 31, 2019
Agrocaña Shares	4.686	4.686
	4.686	4.686

The Company owns 5.03% of Agrocañas S.A. share capital, with 3,300 outstanding shares as of September 30, 2020. These are not listed on the stock exchange and are therefore measured at fair value with changes to equity.

NOTE 8. INVESTMENTS IN ASSOCIATES

The detail of the investments in associates is as follows:

	September 30, 2020	December 31, 2019
Inverefectivas S.A (a)	12.931	10.963
	12.931	**10.963**

(a) Credivalores holds a 25% ownership in Inverefectivas S.A. This Company was incorporated in accordance with the legislation of Panama, and has 4,000 shares issued, of which Credivalores owns 1,000 shares with an intrinsic value of FIX 3.345,21 expressed using the TRM of 3.865,47 applicable on July 1st, 2020.

	September 30, 2020		December 31, 2019	
	Share of ownership interest	**Book value**	**Share of ownership interest**	**Book Value**
Associates				
Inverefectivas S.A.	25%	12.931	25%	10.366
		12.931		**10.366**

The movement of investments in the associates account is shown below for the three months ended September 30, 2020 and December 31, 2019:

	September 30	
Associate	**2020**	**2019**
Balance at the beginning of the period	**10.963**	**10.366**
Participation in Other Comprehensive income	-	-
Adjustments for exchange rate differences	1.968	597
Period-end balance	**12.931**	**10.963**

(Stated in millions of Colombian pesos)

NOTE 9. 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 Credivalores as of September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
Consumer	1.612.137	1.424.958
Microcredit	5.805	5.863
Impairment	(248.125)	(192.847)
Total financial assets at amortized cost	**1.369.817**	**1.237.974**
TuCrédito payroll deduction loans at fair value	19.324	19.324
	19.324	**19.324**
Total loan portfolio, net	**1.389.141**	**1.257.298**

The Financial Position Statement includes a net portfolio held in Free-standing trusts totaling 273.988 as of September 30, 2020 and 251.748 as of December 31, 2019. Credivalores classified portfolio by product in accordance with the days of default.

The movement of the provision for the impairment of financial assets by loan portfolio is provided below for the three months ended September 30, 2020 and December 31, 2019.

	September 30, 2020	December 31, 2019
Initial Balance	192.847	163.413
Impairment of the period charged against to profit or loss	60.500	45.299
Write-offs	(5.222)	(15.865)
Closing balance	**248.125**	**192.847**

Below we present a breakdown of the loan portfolio in the balance sheet with all components:

As of September 30, 2020

Type	Principal	Transaction costs	Accrued Interest	Commissions	Impairment	Total
Consumer loans	1.400.141	94.037	109.831	8.064	(242.263)	1.369.810
Microcredit	4.206	-	1.599	65	(5.863)	7
Total financial assets at amortized cost	**1.404.347**	**94.037**	**111.430**	**8.129**	**(248.126)**	**1.369.817**

At December 31, 2019

Type	Principal	Transaction costs	Accrued Interest	Commissions	Impairment	Total
Consumer loans	1.247.579	78.331	91.021	7.960	(186.909)	**1.237.982**
Microcredit	4.266	2	1.597	65	(5.938)	**(8)**
Total financial assets at amortized cost	**1.251.845**	**78.333**	**92.618**	**8.025**	**(192.847)**	**1.237.974**

The distribution of maturities of Credivalores gross loan portfolio is the following:

(Stated in millions of Colombian pesos)

September 30, 2020

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Consumer	249.699	619.140	229.708	595.746	1.694.293
Microcredit	8.112	24	-	-	8.136
Total Gross Loan Portfolio	**257.811**	**619.164**	**229.708**	**595.746**	**1.702.429**

December 31, 2019

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Consumer	240.207	421.879	240.925	521.947	1.424.958
Microcredit	5.827	36	-	-	5.863
Total Gross Loan Portfolio	**246.034**	**421.915**	**240.925**	**521.947**	**1.430.821**

The distribution of maturities of Credivalores principal only loan portfolio is the following:

September 30, 2020

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Consumer	191.978	509.437	192.857	505.869	1.400.141
Microcredit	4.192	14	-	-	4.206
Total Principal Only Loan Portfolio	**196.170**	**509.451**	**192.857**	**505.869**	**1.404.347**

December 31, 2019

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Consumer	201.546	360.115	210.334	475.584	1.247.579
Microcredit	4.231	35	-	-	4.266
Total Principal Only Loan Portfolio	**205.777**	**360.150**	**210.334**	**475.584**	**1.251.845**

Below is the breakdown of Credivalores managed loan portfolio, which includes the loan portfolio on balance and the portfolio sold but still managed by the Company:

	As of September 30, 2020		
Type	**Principal Loan**	**Sold**	**Total**
Consumer	1.400.141	250.181	1.650.322
Microcredit	4.205	-	4.205
Total Financial Assets at amortized cost	**1.404.346**	**250.181**	**1.654.527**

	As of December 31, 2019		
Type	**Principal Loan**	**Sold**	**Total**
Consumer	1.247.579	337.309	1.584.888
Microcredit	4.266	-	4.266
Total Financial Assets at amortized cost	**1.251.845**	**337.309**	**1.589.154**

(Stated in millions of Colombian pesos)

Overdue but not impaired

As of September 30, 2020 and December 31, 2019, a summary of the overdue portfolio by days past due is as follows:

	As of September 30, 2020			As of December 31, 2019		
	Consumer	**Microcredit**	**Total**	**Consumer**	**Microcredit**	**Total**
Performing loans	1.153.762	-	1.153.762	1.050.170	28	1.050.198
Overdue but not impaired	68.879	2	68.881	42.322	23	42.345
Non-performing loans under 360 days	47.248	33	47.281	65.503	39	65.542
Non-performing loans over 360 days	130.252	4.171	134.423	89.584	4.176	93.760
	1.400.141	**4.206**	**1.404.347**	**1.247.579**	**4.266**	**1.251.845**

NOTE 10. ACCOUNTS RECEIVABLE, NET

The detailed information of accounts receivables as of September 30, 2020 and December 31, 2019 is as follows:

	September 30, 2020	**December 31, 2019**
Debtors (10.1)	250.981	250.145
Asficredito	85.431	70.513
Economically Related Parties (10.2)	88.205	66.650
Shareholders	1.815	1.815
Prepayments and Advances	3.531	968
Payments on behalf of clients (10.3)	12.315	9.411
Employees	5	51
Others accounts receivable	1.984	1.427
Impairments for doubtful accounts (10.4)	(14.791)	(14.791)
	429.476	**386.189**

10.1 The balance of the debtors account that as of September 30, 2020 amounts to 263.048 and as of December 31, 2019 amounts to 250.145, mainly corresponds to outstanding portfolio collection balances from the free-standing trusts to Credivalores.

10.2 The following is the detail with economically related parties:

	September 30, 2020	**December 31, 2019**
Finanza inversiones S. A. S.	29.253	27.709
Brestol S. A. S.	19.721	21.462
Sferika S. A. S.	19.737	-
Agroindustriales del Cauca	8.600	8.600
Inversiones Mad capital S. A. S.	8.388	8.122
Ingenio la cabaña S.A.	2.000	-
Asficor S. A. S.	65	243
Mad Capital S.A.	146	221
Agro el arado S. A.	221	147
Inversiones Dana S. A.	73	146
	88.205	**66.650**

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

	September 30, 2020	**December 31, 2019**
Life Insurance Payroll deduction loans	8.756	6.643
Crediuno Insurance	2.985	2.335
Tigo Insurance	165	152

(Stated in millions of Colombian pesos)

Credipoliza Insurance	409	281
	12.315	**9.411**

10.4 The change in the provision for impairment of other accounts receivable is provided below:

	September 30, 2020	December 31, 2019
Balance at the beginning of period	(14.791)	(9.443)
Provision charged to income statement (1)	73	(6.495)
Write-off	(73)	1.147
Balance at the end of period	**(14.791)**	**(14.791)**

(1) The impairment analysis of other receivables is performed annually as of December 31st of each year.

10.4.1. Detail Impairment

Below is a breakdown of the provisioned items applying the simplified approach under IFRS 9 as of September 30, 2020:

Third Party	Impairment	%
Metroagua	263	100.0%
Asesorías financieras Corporativa Asficor SAS	243	100.0%
Mad Capital S. A.	221	100.0%
Agroindustriales del Cauca	8.600	100.0%
Asficrédito	5.464	7.75%
Total	**14.791**	

NOTE 11. PROPERTY AND EQUIPMENT

The Company's property, plant and equipment as of September 30, 2020 and December 31, 2019, respectively, are as follows:

	September 30, 2020	December 31, 2019
Transportation equipment	117	117
Office equipment and accessories	1.866	1.861
Computer equipment	399	405
Network and communication equipment	2.265	2.262
Machinery, plant and equipment in assembly	49	49
Goods received on finance lease agreements	4.958	4.966
Subtotal	**9.654**	**9.660**
Accrued depreciation	(8.967)	(8.501)
Total	**687**	**1.159**

The Company's assets for right of use as of September 30, 2020 and December 31, 2019, respectively, are as follows:

Assets for right of use	10.602	7.597
Accumulated depreciation	(3.153)	(1.695)
Total	**7.449**	**5.902**

The breakdown for equipment movement is shown below:

(Stated in millions of Colombian pesos)

	December 31, 2019	Additions	Drop	September 30, 2020
Transportation equipment	117	-	-	117
Office equipment and accessories	1.861	5	-	1.866
Electronic equipment	405	-	(6)	399
Network and communication equipment	2.262	18	(15)	2.265
Machinery, plant and equipment in assembly	49	-	-	49
Goods received on finance lease agreements	4.966	-	(8)	4.958
	9.660	**23**	**(29)**	**9.654**

	December 31, 2018	Purchases	September 30, 2019	Purchases	Drop	December 31, 2019
Transportation Equipment	117	-	117	-	-	117
Office equipment and accessories	1.740	18	1.758	105	(2)	1.861
Electronic equipment	316	58	374	33	(2)	405
Network and communication equipment	1.679	309	1.988	495	(221)	2.262
Machinery, plant and equipment in assembly	49	-	49	-	-	49
Goods received on finance lease agreements	4.966	-	4.966	-	-	4.966
	8.867	**385**	**9.252**	**633**	**(225)**	**9.660**

The following is the depreciation movement as of September 30, 2020 and December 31, 2019, respectively:

	December 31, 2019	Depreciation	Drop	September 30, 2020
Transportation equipment	117	-	-	117
Office equipment and accessories	1.755	38	-	1.793
Electronic equipment	945	276	(20)	1.201
Telecommunications equipment	727	172	(1)	898
Goods on finance lease agreements	4.957	9	(8)	4.958
	8.501	**495**	**(29)**	**8.967**

All equipment of Credivalores 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 as of September 30, 2020 and December 31, 2019, 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.

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.

Financial Leasing Contracts:

Assets under leases were acquired with Leasing Bancolombia S.A. A total of 4 leases are in force with the Colombian institutions mentioned above.

It corresponds to the rights of goods received as part of the lease agreements, which are concluded for a period of three (3) years and correspond to structured wiring, licenses, computer equipment and vehicles.

	Value	Depreciation	Amount in books
Computer equipment	2.083	(2.083)	-
Vehicles	2.099	(2.099)	-
Total a September 2020	**4.182**	**4.182**	**-**

(Stated in millions of Colombian pesos)

	Value	Depreciation	Amount in books
Computer equipment	2.091	(2.091)	-
Vehicles	2.099	(2.090)	9
Total a December 2019	**4.190**	**4.181**	**9**

The following is a summary of the minimum payments due in the coming years for leasing assets as of September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
Less than a year	-	7
Older than one year, under 5 years old	-	2
Total	**-**	**9**

NOTE 12. OTHER INTANGIBLE ASSETS

Below is the company's other intangible assets as of September 30, 2020 and December 31, 2019, respectively:

	September 30, 2020	December 31, 2019
Litigious Rights	570	570
Sub Total	**570**	**570**
Software licenses	1.298	1.011
Technology and insurance projects	836	1.398
Other	2.928	2.047
Sub Total	**5.062**	**4.456**
Contracts	14.526	14.907
Data Bases	19.112	19.679
Trademarks Acquired (1)	12.495	14.280
Sub Total	46.133	48.866
	51.765	**53.892**

	Initial Balance	Accrued amortization	Carrying amount
Trademarks Acquired (1)	14.280	(1.785)	12.495
Balance as of March 2020	**14.280**	**(1.785)**	**12.495**

The amortization expenses for the quarter were as follows:

	September 30, 2020	September 30, 2019
Amortization brands	1.785	2.385
Amortization of exclusivity contracts, databases and licenses	2.137	3.760
Sub-total Amortization Expense	**3.922**	**6.145**
Advice, free-standing trust's commissions, contributions	1.955	3.117
Investor Performance	969	1.455
Facilities' Remodeling	-	203
Insurance	516	911
Total expense	**7.362**	**11.832**

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

(Stated in millions of Colombian pesos)

In assessing internal and external evidence indicating an impairment of assets, the expected revenue was identified as being in line with the estimated projection for March 2020, where interest income has been higher than the estimate, associated with the strategies retention of customers and product characteristics, which has led to a higher portfolio balance caused.

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 13. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

	September 30, 2020	**December 31, 2019**
ASSETS		
Hedge forward contracts (13.1)	22.147	10.771
Hedge Options (13.2)	127.928	68.543
Call Premium (13.2)	296.590	114.633
Hedge Swaps (13.3)	**446.665**	**193.947**
Sub-Total	-	16.883
	446.665	**210.830**
LIABILITY		
Hedge Negotiation (13.1)	-	32.188
Sub-Total	**-**	**32.188**

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

Hedging Operations

Credivalores activities are exposed to financial risks including liquidity risk, foreign currency risk and interest rate risks. Therefore, the administration and the Board of Directors have approved and implemented a financial risk management policy to mitigate the negative effects of financial market uncertainty and volatility on the company's financial performance. The financial risk management policy establishes the use of a wide variety of financial derivatives to cover the risks inherent in exchange rate fluctuations and the interest rate of financial obligations in currencies other than Colombian Pesos in the company's financial statements.

Credivalores used a Cross Currency Swap on principal and interest payments from the 9.75% Coupon Notes issued in July 2017 maturing in 2022 in the amount of $250,000,000 and a Coupon Only Swap and a Call Spread, which corresponds to a combination of options positions, to cover interest payments and the principal of the reopening of the Notes for US$75,000,000 held in February 2018. Subsequently, the Company executed several hedging operations to hedge the FX risk on the 8.875% Notes issued on February 7, 2020 and due in 2025, including a Cross Currency Swap on the principal and interests at maturity on US$100,000,000, a coupon only swap for US$200,000,000 to hedge interest payments at maturity and a call spread on the principal for US$200,000,000. Options are derivatives contracts through which the buyer acquires the right to buy or sell a financial asset or an underlying asset at a set strike price, at a specific date and periods. Under the option contract, the buyer pays the premium by acquiring a right to exercise the option and the seller receives the premium, acquiring an obligation to the buyer of the option.

In accordance with the guidelines of this policy, the following is the list of derivative instruments implemented and outstanding as of September 2020 to hedge the foreign currency and interest rate risks on the Notes maturing in 2022 and 2025:

(Stated in millions of Colombian pesos)

Cross Currency Swaps

Theoretical Hedging				Annual Interest Rate			
Credivalores pays	**Credivalores receives USD**	**Credivalores pays COP**	**Delivery**	**Effective Date**	**Maturity Date**	**Credivalores receivers**	**Credivalores pays**
Principal and Coupon	95.315.000	265.274.035.950	Non-Delivery	27/01/2018	27/07/2022	9,75%	IBR+ 8,89%
Coupon	75.000.000	213.675.750.000	Non-Delivery	27/01/2018	27/07/2022	9,75%	IBR+ 5,12%
Principal and Coupon	100.000.000	341.600.000.000	Non-Delivery	7/02/2020	7/02/2025	8,875%	IBR+ 8,54%
Coupon	68.000.000	232.288.000.000	Non-Delivery	7/02/2020	7/02/2025	8,875%	IBR+ 5,10%
Coupon	50.000.000	170.750.000.000	Non-Delivery	7/02/2020	7/02/2025	8,875%	IBR+ 5,15%
Coupon	50.000.000	170.750.000.000	Non-Delivery	7/02/2020	7/02/2025	8,875%	IBR+ 4,995%

Call Spreads

Type of Instrument	Credivalores' Position	Type of Option	Hedged amount USD	Effective Date	Maturity Date	Strike Price COP	Delivery
Call Option	Buyer	European	37.500.000	22-mar-18	25-jul-22	$ 2.849,01	Non - Delivery
Call Option	Buyer	European	37.500.000	22-mar-18	25-jul-22	$ 2.849,01	Non - Delivery
Call Option	Seller	European	37.500.000	22-mar-18	25-jul-22	$ 3.500,01	Non - Delivery
Call Option	Seller	European	37.500.000	22-mar-18	25-jul-22	$ 3.500,01	Non - Delivery
Call Option	Buyer	European	75.000.000	13-sep-19	25-jul-22	$ 3.500,00	Non - Delivery
Call Option	Seller	European	75.000.000	13-sep-19	25-jul-22	$ 3.750,00	Non - Delivery
Call Option	Buyer	European	75.000.000	31-mar-20	25-jul-22	$ 3.750,00	Non - Delivery
Call Option	Seller	European	75.000.000	31-mar-20	25-jul-22	$ 4.300,0	Non - Delivery
Call Option	Buyer	European	18.000.000	7-feb-20	7-feb-25	$ 3.415,000	Non - Delivery
Call Option	Seller	European	18.000.000	7-feb-20	7-feb-25	$ 4.000,00	Non - Delivery
Call Option	Buyer	European	50.000.000	7-feb-20	7-feb-25	$ 3.415,000	Non - Delivery
Call Option	Seller	European	50.000.000	7-feb-20	7-feb-25	$ 4.000,00	Non - Delivery
Call Option	Buyer	European	100.000.000	7-feb-20	7-feb-25	$ 3.415,000	Non - Delivery
Call Option	Seller	European	100.000.000	7-feb-20	7-feb-25	$ 4.000,00	Non - Delivery
Call Option	Buyer	European	168.000.000	27-mar-20	7-feb-25	$ 4.000,00	Non - Delivery
Call Option	Seller	European	168.000.000	27-mar-20	7-feb-25	$ 4.500,00	Non - Delivery

13.1 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, 2020		**December 31, 2019**	
ASSETS	**Nominal Amount USD**	**Fair Value**	**Nominal Amount USD**	**Fair Value**
Forward Contracts for Hedging				
Purchase of foreign currency	70	22.147	75	10.771
Total forward contracts for hedging – assets	**70**	**22.147**	**75**	**10.771**

Stated in USD expressed in millions

- For this cut the result of the valuation of derivative financial instruments does not generate loss, therefore no liability is recorded for these valuations

13.2 Derivate Financial Instruments Options

The activities carried out by Credivalores generated significant positions in the derivatives portfolio, performing transactions for hedging purposes where the underlying assets 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:

	Fair value			
	September 30, 2020		**December 31, 2019**	
ASSETS	**Nominal Amount USD**	**Fair Value**	**Nominal Amount USD**	**Fair Value**
Call spread premium option	243	127.928	75	68.543
Total forward contracts for hedging – assets	**243**	**127.928**	**75**	**68.543**

	Fair value			
	September 30, 2020		**December 31, 2019**	
LIABILITIES	**Nominal Amount USD**	**Fair Value**	**Nominal Amount USD**	**Fair Value**
Call spread premium option	-	-	75	32.188
Total forward contracts for hedging – Liabilities	**-**	**-**	**75**	**32.188**

Options Contracts for Hedging

Derivatives with options hedge the principal amount of the reopening of the 144 A / Reg S Notes due 2022 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)

Call Premium

The premium Call option is the payment to lock the right to the option contract at the beginning of the operation with three counterparties. Premium Calls have the same expiration dates as bond flows and the amortization is registered in the company's results at the end of each period.

Below call premium movement:

	September 30, 2020	December 31, 2019
Balance at the beginning of the period	16.883	17.886
Agreed Premium	-	4.499
Call premium amortization	(16.883)	(5.502)
Total	**-**	**16.883**

13.3 Derivate Financial Instruments Cross Currency Swap

Credivalores, 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:

	Fair value			
	September 30, 2020		**December 31, 2019**	
ASSETS	**Nominal Amount USD**	**Fair Value**	**Nominal Amount USD**	**Fair Value**
Hedging Contracts Cross Currency Swaps (a)	195	208.087	250	103.071
Hedging Contracts Coupon Only Swap (b)	243	88.503	75	11.562
Total forward contracts for hedging – assets	**438**	**296.590**	**325**	**114.633**

Credivalores 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 Notes hedged.

a. Cross currency swap hedging contracts

The Company used cross currency swaps to hedge the principal and interests on the 9.75% Notes issued on July 27, 2018 and due in 2022 for an amount of US$ 250,000,000 % and the 8.875% Notes issued on February 7, 2020 and due 2025 for an amount of US$100,000,000.

Regarding the 9.75% Notes due 2022, in February 2020 the Company adjusted the principal and interests of these Notes hedged through cross currency swaps after completing a Tender Offer which resulted in the early redemption of US$154,685,000 of principal of these Notes.

b. Coupon only swaps hedging contracts

The coupon only swaps were used to hedge interest payments on the reopening amount of the 9.75% Notes due in 2022 carried out on February 14, 2018 for an amount of US$75,000,000 and on the 8.875% Notes due 2025 issued on February 7, 2020 for an amount of US$200,000,000.

(Stated in millions of Colombian pesos)

Regarding the 8.875% Notes due 2025, in September 2020 the Company adjusted the interests of these Notes hedged through coupon only swaps after completing Open Market Repurchases for US$32,000,000 of principal of these Notes during April and May 2020.

NOTE 14. FINANCIAL OBLIGATIONS

Below, we present the balances of financial obligations as of September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
International 144A / Reg S Notes	1.694.294	1.065.071
ECP Program Notes	289.910	294.943
Financial obligations in free standing trusts	161.094	230.678
Promissory notes – Local banks	63.201	92.278
Finance lease agreements	5	12
Other financial obligations	2	6
Transaction cost	8.136	6.258
Other Lease Liabilities	(82.195)	(45.668)
	2.134.447	**1.643.578**

The balances of the financial obligations of Credivalores and the free-standing trusts in which it acts as trustor as of September 30, 2020 and December 31, 2019, correspond to obligations entered into with Colombian financial institutions, the international capital market and financial leasing. Short-term obligations are those that mature between September 2020 and 2021 and long-term loans are those with maturities after September 2021:

a) Short-term financial obligations.

Entity	September 30, 2020	Interest rate	Maturity	December 31, 2019	Interest rate	Maturity
National entity						
Banco de Bogotá	8.864	IBR + 5.3%	2020–2021	2.938	IBR + 5.3%	2020
Banco Colpatria	5.854	9.8% EA	2020	25.417	9.9% EA	2020
Banco De Occidente	10.000	IBR + 3.7%	2020	9.950	IBR + 4.3%	2020
Bancolombia	10.000	IBR + 7.6%	2020	16.125	DTF + 7.4%	2020
Banco Santander	4.600	IBR + 6%	2021	-		
Total National Entity	**39.318**			**54.430**		
Foreign Entity						
ECP Program Notes	289.910	8.4% EA	2020-2021	114.700	8.3% EA	2020
Foreign Entity	**289.910**			**114.700**		
Finance lease agreements						
Leasing Bancolombia	5	8.42% EA	2020	12	8.4% EA	2020
Total Financial Finance lease agreements	**5**			**12**		
Overdraft	**2**			**6**		
Autonomous Assets						
PA Crediuno IFC	4.659	12.4%EA	2020-2021	6.222	11.11%EA	2020
Total Autonomous Assets	**4.659**			**6.222**		

(Stated in millions of Colombian pesos)

Total Short-term obligations	**333.894**	**175.370**

Credivalores had short-term financial obligations during the periods ended September 30, 2020 and December 31, 2019 totaling 333.894 and 175.370, respectively. The measurement of financial liability instruments for financial obligations is valued at amortized cost, as per IFRS 9.

b) Long-term obligations

The Company had long-term financial obligations during the periods ended September 30, 2020 and December 31, 2019 totaling 1.882.749 and 1.513.876, respectively. Associated costs incurred in the acquisition of loans are classified as transaction costs pending IFP amortization for the periods ended September 30, 2020 and December 31, 2019, valued at 86.742 and 45.668, 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, 2020 and December 31, 2019 is 2.092.501 and 1.643.578 respectively, which will be paid off as described above.

Long-term obligations

Entity	**September 30, 2020**	**Interest rate**	**Maturity**	**December 31, 2019**	**Interest rate**	**Maturity**
National entity						
Banco de Bogotá			2021	9.391	IBR+ 6.3%	2021
Bancolombia	23.883	IBR + 7.6%	2021-2022	18.682	IBR + 6.9%	2021-2022
Banco Santander				9.775	IBR + 6%	2021
Total National Entity	**23.883**			**37.848**		
Foreign Entity						
ECP Program Notes	-		2021	180.243	8.4% EA	2021
Foreign Entity	**-**			**180.243**		
Free-standing trusts						
CrediUno IFC	-			11.646	12.2% EA	2021
Syndicated Loan TuCrédito	156.436	DTF + 5.5%	2023	212.810	DTF + 5.5%	2023 y 2024
Total Free-standing trusts	**156.436**			**224.456**		
Finance lease agreements						
Other lease liabilities	8.136	8.42% EA	2021-2022	6.258		
Total Financial Leasing	**8.136**			**6.258**		
Bonds						
9.75% 144 A/Reg. S Notes due 2022	368.438	9.75% EA	2022	819.285	9.75% EA	2022
Reopening of 9.75% 144 A/Reg. S Notes due 2022	289.910	9.75% EA	2022	245.786	9.75% EA	2022
8.875% 144 A/Reg. S Notes due 2025	1.035.946	8.875% EA	2025	-		
Total International Notes	**1.694.294**			**1.065.071**		
Total obligations	**1.882.749**			**1.513.876**		
Transaction Cost for Amortizing IFP	(82.195)			(45.668)		
Total Financial Obligations	**2.134.448**			**1.643.578**		

(Stated in millions of Colombian pesos)

Obligations stated in foreign currency

Entity	Nominal Value as of September 30, 2020		Nominal as of Value December 31, 2019	
ECP Program Notes (a)	75	289.910	90	294.943
International Finance Corporation (IFC)	3	4.659	6	17.868
144 A/ Reg S Notes (b)	438	1.694.293	325	1.065.071
Total	**USD 516**	**COP 1.988.862**	**USD 421**	**COP 1.377.882**

(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 Credivalores 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%.

Similarly, Credivalores decided to exercise the optional right of redemption for the tenth tranche of Notes under the ECP Program at par for US$ 12,000,000 of principal on September 22, 2018 using resources from the reopening of the 9.75% Notes due 2022.

Subsequently, in December 2019, Credivalores issued a new note under the ECP Program due September 13, 2021 for an amount of US$15,000,000 and a coupon of 8.50% with quarterly payments. The use of proceeds from this issuance will be for loan portfolio growth and general corporate purposes.

In September 2020, Credivalores issued a new note under the ECP Program due September 5th, 2021 for an amount of US$20,000,000 and a coupon of 8.50% with quarterly payments. The use of proceeds from this issuance will be for loan portfolio growth and general corporate purposes.

As a result of early redemptions, amortizations and new issuances under the ECP Program, the total balance under the ECP Program as of September 30, 2020 is US$75,000,000.

(b) Issuance of notes

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.

(Stated in millions of Colombian pesos)

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.

Below we present past coupons payments of the 9.75% 144A / Reg S Notes due 2022 from the issuance date (figures presented below are in US dollars):

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	Fifth Coupon Payment - 27/01/2020
250.000.000	9,75%	12.187.500	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	3.656.250
	Total in USD	**12.187.500**	**15.843.750**	**15.843.750**	**15.843.750**	**15.843.750**
	FX Rate	2.805,40	2.882,84	3.160,52	3.213,09	3.353,76
	Total Millions of Pesos	**34.190.812.500**	**45.674.996.250**	**50.074.488.750**	**50.907.394.688**	**53.136.135.000**

Nota	Cupon	First Coupon Payment - 07/08/2020
280.000.000	8,875%	11.892.500
	USD TOTAL	**11.892.500**
	FX Rate	3.775,95
	Total Millions of Pesos	**44.905.485.375**

On January 17, 2020, CVCS launched a repurchase offer (Tender Offer) and a request to remove covenants ("Consent Solicitation") for all or a portion of the principal of the 9.75% 144A / Reg S Notes due in July 2022. The repurchase offer was contingent on the fulfilment of the condition of a new issuance of bonds in the international capital market. The elimination of covenants would materialize if more than 51% of the principal of the outstanding Notes were tendered. The repurchase offer was launched with an initial price of $1,055 for every $1,000 principal of the 9.75% Notes due 2022 applicable during the early period of participation ("Early Tender Time") that ran until January 31, 2020 and then the price would fall to $1,005 for every $1,000 principal of the Notes during the late tender period that lasted until February 14, 2020. During the early tender period a total of US$154,035,000 of principal were tendered and repurchased and then during the late tender period an additional US$650,000 were tendered and repurchased. The principal amount repurchased on the 9.75% Notes due 2022 Notes accounted for 47.6% of the US$325,000,000 outstanding as of the end of September 30, 2019. Therefore, the covenants applicable under the Description of the Notes ("Description of the Notes") of the Offering Memorandum of the 9.75% Notes due 2022 remain in effect without modification.

Once the early tender period concluded, CVCS launched a new 144A / Reg S Note in the international capital market for a total amount of US$300,000,000, a coupon of 8.875% and yield of 9% and a final maturity on February 7th, 2025. The 8.875% Notes pay interests on a semiannual basis on February 7 and August 7 of each year, starting August 7, 2020. The use of proceeds from this issuance was to repurchase the 9.75% Notes due 2022 tendered under the repurchase offer referred to above, to refinance existing debt under the ECP Program and for general corporate purposes. Once this liability management transaction was completed on February 7, 2020, the new outstanding principal of the 9.75% Notes due 2022 is US$170,315,000.

In accordance with the "Description of the Notes" of the Offering Memorandum of the 8.875% Notes due 2025, the Company may redeem the Notes, in whole or in part, at any time from February 7, 2023, at the redemption prices stipulated in the Offering Memorandum, plus any additional amounts then owed and interest accrued and unpaid, until the date of redemption. It is also possible to redeem the notes before February 7, 2023, in whole or in part, at a price equal to 100% of your capital amount plus a make-whole premium, in addition to any additional amount then owed plus accrued and unpaid interest, up to the date of redemption. In addition, at any time until February 7, 2023, CVCS may redeem up to 35% of the Notes using resources from stock sales or equity offers at a redemption price of 108.875% of its capital amount, plus any additional amount then owed plus accrued and unpaid interest, up to the date of redemption. Moreover, in the event of certain changes in the tax treatment of withholding tax in Colombia in relation to interest payments on the Notes, CVCS may redeem them, in full, but not in part, at a price of 100% of their capital amount, in addition to any additional amount then owed plus interest accrued and unpaid, until the date of redemption. In the event of a change of control in the entity, unless the Company has chosen to redeem the Notes, each holder of the Notes will have the right to require that the Company purchase all or a portion (in minimum principal amounts of US$200,000 and integral multiples of US$1,000 in excess thereof) of the holder's notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon and any Additional Amounts, if any, to, but excluding, the date of purchase.

The Notes due in 2025 will be future and unsecured obligations and (i) will have the same priority as to the right of payment as all other existing and future debt obligations of the Company (subject to certain obligations under which they are given preferential treatment in accordance with Colombia's insolvency laws); (ii) shall have a higher payment priority than the Company's existing and future subordinated debt obligations, if any; (iii) shall be subject, as regards the right of payment, to all existing and future indebtedness obligations, without guarantee, of the Company, to the extent of the value of the assets guaranteeing such indebtedness, including any debt, liabilities and autonomous assets; and (iv) shall be structurally subordinate to all existing and future payment obligations and to the commercial payable accounts of any of our non-guarantor subsidiaries. Notes shall not be entitled to any depreciation fund.

The principal and coupons of the 8.875% Notes due in February 2025 were hedged by using cross currency swaps and call spreads at maturity.

During April and May 2020, Credivalores engaged in Open Market Repurchases ("OMR")of the 8.875% Notes due 2025 through a broker. The total principal amount of the 8.875% Notes due 2025 repurchased through OMRs reached US$32,000,000 and the Notes repurchased were cancelled on September 30th, 2020. Consequently, as of September 30, 2020 the new outstanding amount of the 8.875% Notes due 2025 was US$268.000.000.

Covenants

The Offering Memorandum of the 9.75% 144A / Reg S Notes due 2022 and the 8.875% 144A / Reg S Notes due 2025 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 both Notes contains certain customary events of default.

Additionally, in December 2012 the company signed a peso indexed credit with the IFC amounting to US$25,000,000, which was modified in May 2015 to increase the amount to US$45,000,000. This facility includes several covenants within which the most relevant are: a risk-weighted solvency ratio (not less than 12%) for 2018 of 14% and 12.7% by September 30, 2020, an equity ratio (not less than 12%) for 2018 13% and 11.54% by September 30, 2020, an economic group exposure ratio (not greater than 7%) for 2018 of 0.3% and 0.3% by September 30, 2020, a ratio of exposure to related parties (not more than 12%) for 2018 of 0.73% and 0.60% by September 30, 2020, fixed assets on equity (not more than 35%) for 2018 of 0.32% and 0.23% by September 30, 2020, an aggregate exchange rate risk ratio (not greater than 25%) for 2018 of 3.90% and 4.30% by September 30, 2020, an aggregate interest rate risk ratio (not less than -10% and not more than 10%) for 2018 of -1.90% and -2.70% by September 30 of 2020 and a liquidity ratio (not less than 8%) 10.60% and 9.78% by September 30, 2020.

(Stated in millions of Colombian pesos)

During 2019 and September 30, 2020 Credivalores complied with the covenants set out 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 maximum amount, amount, interest rate and duration. The financial cost of financial obligations for the periods ended September 30, 2020 and September 30, 2019:

	September 30, 2020	September 30, 2019
Free-standing trusts	13.587	15.262
Local banks	5.758	8.514
Leasing financial	2	17
Foreign currency obligation	19.077	15.116
Third Parties	12.902	15.582
Issuance of bonds	66.334	76.069
Amortization of Transaction costs	25.728	15.105
Interest for liabilities for lease and finance lease agreements	500	-
Total	**143.888**	**145.665**

The financial obligations and Free-standing Trusts of Credivalores that are recognized in local and foreign currencies will be recognized at the beginning of the transaction 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 15. EMPLOYEE BENEFITS

According to Colombian labor legislation and based on labor conventions, employees are entitled to short-term benefits such as: wages, vacations, legal premiums and cessation and cessation interest.

The following is a detail of employee benefit provision balances as of September 30, 20 December 2020 and December 31, 2019:

Short-term benefits	September 30, 2020	December 31, 2019
Holiday	503	603
Layoffs	355	451
Premium legal	122	-
Pension fund	109	-
Salary	61	-
Interest on layoffs	32	51
	1.182	**1.105**

Employee benefits on their current part are required to cancel maximum within 12 months after the reporting period.

The company within its compensation policies has no long-term benefits.

NOTE 16. OTHER PROVISIONS

(Stated in millions of Colombian pesos)

Credivalores provisions at September 30, 2020 and December 31, 2019, respectively are provided below.

	September 30, 2020	**December 31, 2019**
Litigations subject to executive proceedings	226	226
Other provisions	631	250
	857	**476**

The movement of legal and other provisions are provided below for the periods ended September 30, 2020 and December 31 2019:

	Legal provisions	**Other provisions**	**Total provisions**
Balance held at December 31, 2019	**226**	**250**	**476**
Increase in provisions during the period	-	381	381
Balance held at September 30, 2020	**226**	**(*) 631**	**857**

	Legal provisions	**Other provisions**	**Total provisions**
Balance held at December 31, 2018	**108**	**235**	**343**
Recovered provisions	118	15	133
Balance held at December 31, 2019	**226**	**250**	**476**
Recovered provisions	-	381	381
Balance held at September 30, 2020	**226**	**631**	**857**

(*) As of September 30, 2020, other provisions are made up of the following:

	September 30, 2020	**September 30, 2019**
Fees	226	87
Others	631	3.832
	857	**3.919**

Provisions correspond mainly to labor, civil and administrative processes filed by third parties against Credivalores, on which provisions were recognized as of December 31, 2019 in an amount of 64 according to the probability of occurrence. It is not possible to determine a disbursement schedule for these provisions due to the diversity of processes in different instances.

However, Credivalores does not expect significant changes to the amounts provisions 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 17. ACCOUNTS PAYABLE

Below, we detail the balance of accounts payable has Credivalores September 30, 2020 and December 31, 2019, respectively:

	September 30, 2020	**December 31, 2019**
Commissions and fees	8.447	3.998
Costs and expenses payable (17.1)	83.518	75.671
Leases	28	5
Suppliers	21	95
Withholdings and labor contributions	1.618	733
Other accounts payable (17.2)	25.288	19.771

(Stated in millions of Colombian pesos)

	118.920	**100.273**

17.1 Costs and expenses payable

	September 30, 2020	December 31, 2019
Financial expenses	28.942	49.992
Others	54.084	19.272
Services	492	6.407
	83.518	**75.671**

17.2 Other accounts payable

	September 30, 2020	December 31, 2019
Disbursements Payroll Loans	12.104	4.234
Payroll Loans Reimbursement	3.763	1.989
Collection in favor of third parties	3.245	2.806
Disbursements Credipoliza	1.787	3.940
Credipoliza Reimbursement	1.530	1.256
Crediuno Reimbursement	1.500	937
Tigo Reimbursement	1.030	843
Disbursements Tu Credito	143	143
Others	122	61
Disbursements PA	57	1.840
Credipoliza	7	-
Disbursements Visa	-	1.722
	25.288	**19.771**

NOTE 18. CURRENT AND DEFERRED TAX LIABILITIES

Expenditure on current and deferred earnings tax shall be recognized in each of the interim accounting periods, on the best estimate of the expected tax rate for the annual accounting period.

The amounts calculated for the expense by tax in this interim accounting period may require adjustments in subsequent periods if the estimates of the annual period change by then. The effective tax rate for periods with a cut-off to September 30, 2020 and September 30, 2019 was 39% and 41% respectively, with a decrease of 2% mainly due to increases in non-deductible expenses and increase in other tax differences such as plant ownership and equipment, portfolio impairment.

Under the Law 2010 of 2019 (“Economic Growth Law”) the presumptive income was reduced to 0.5% of the liquid assets on the last day of the taxable year immediately preceding 2020, and to 0% from 2021 on.

NOTE 19. OTHER LIABILITIES

Below the detail of other liabilities:

	September 30, 2020	December 31, 2019
Collections pending application	22.556	28.285
Values received for third parties (19.1)	14.802	19.620
Bond premium at issuance	2.096	5.141
Collection of managed loan portfolios	4.078	8.252
Checks pending collection	1.730	416
Credit card guarantee	23	119
Total	**45.285**	**61.833**

(Stated in millions of Colombian pesos)

19.1 Values received for third parties

Below the detail of other Values received for third parties

	September 30, 2020	December 31, 2019
Collection of FGA guarantees	10.724	16.041
Voluntary and mandatory insurance collections	3.331	1.388
Free-standing trusts collections	727	2.172
Retailers' collections	20	19
Total Values received for third parties	**14.802**	**19.620**

NOTE 20. EQUITY

Capital

Credivalores objective is to safeguard its capacity to continue as a business enterprise and maintain a financial structure that optimizes the cost of capital and maximizes 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, Credivalores indeed complied with the required minimum capital in the relation of solvency required by legal provisions and mandatory investments.

Authorized, and Paid in Capital

As of March31, 2020 and December 31, 2019 Credivalores 's authorized and paid in capital is **$129.638** and $**123.992** represented in **4.588.300** shares, each of a nominal value of 28.254; respectively.

Credivalores Crediservicios S.A.

Shareholder	September 30, 2020 Number of shares	%	December 31, 2019 Number of shares	%
Acon Consumer Finance Holdings S de RL	912.913	19.89%	912.913	19.90%
Crediholding S.A.S.	1.571.073	34.24%	1.571.073	34.24%
Lacrot Inversiones 2014 SLU	1.671.520	36.43%	1.671.520	36.43%
Acon Consumer Finance Holdings II S L	193.153	4.21%	193.153	4.21%
Direcciones de Negocio S.A.S.	1	0.00%	1	0.00%
Treasury shares	239.640	5.22%	239.640	5.22%
Total	**4.588.300**	**100%**	**4.588.300**	**100%**

	September 30, 2020	December 31, 2019
Number of authorized shares	4.700.000	4.700.000
Subscribed and paid shares	4.588.300	4.588.300
Nominal value	28.254	28.254
Subscribed and paid capital (nominal value)	129.638	129.638
Paid-in capital	64.727	64.727

(Stated in millions of Colombian pesos)

Total capital plus premium	**194.365**	**194.365**

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

	September 30, 2020	September 30, 2019
Ordinary shares (a)	2.081.515	1.639.573
Preferred shares (a)	2.506.785	2.506.785
Repurchased treasury shares	239.640	239.640
Total earnings per share	**499**	**790**

(a) The value of the shares as of September 30, 2020 and September 30, 2019 correspond to the total number of outstanding shares held by Credivalores, 4.588.300.

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 when declared by the Assembly and by the preferred right in the reimbursement in case of liquidation.

September 30, 2020

	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**	**1.841.875**	**4.588.300**	**100.00%**

December 31, 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**	**1.841.875**	**4.588.300**	**100.00%**

Treasury shares

	September 30, 2020	December 31, 2019
Treasury Shares Reserve	12.837	12.837
(Treasury Shares)	(12.837)	(12.837)
Total	**-**	**-**

The CVCS General Shareholders' Meeting on April 2 of 2014, decided to establish a special reserve in the amount of $ 12,837 for the reacquisition of 239,640 shares. This reserve is in accordance with Articles 396 and 417 of the Commercial Code.

(Stated in millions of Colombian pesos)

Reserves

Equity reserves as of September 30, 2020 and December 31, 2019 were comprised of the following:

	2020	2019
Legal reserve (1)	5.793	5.793
Reserve to repurchased treasury shares	12.837	12.837
Occasional reserves:	21	21
Total Reserves	**18.651**	**18.651**

NOTE 21. OTHER COMPREHENSIVE INCOME (OCI)

We present the detail below:

	September 30, 2020	December 31, 2019
Tax	(12.460)	(5.370)
Income tax OCI	**(12.460)**	**(5.370)**
Other comprehensive income	**42.734**	**19.097**
Shares	1.799	1.798
Financial instruments	**40.935**	**17.298**
Financial instruments Forward	(4.495)	(9.526)
Financial instruments Cross Currency Swap	59.285	11.971
Financial instruments Options	(97.873)	5.013
Financial instruments Coupon Only swap	84.018	9.840
Total	**30.274**	**13.727**

NOTE 22. REVENUE

Below, is a detail of revenue for the nine months ended September 30, 2020 and 2019:

	For the three-months September 30		For the nine-months September 30	
	2020	2019	2020	2019
Interests (22.1)	79.120	75.217	211.175	206.274
Revenue from customer contracts (22.2)	20.646	23.735	62.263	73.495
	99.766	**98.952**	**273.438**	**279.769**

22.1 Interest

	For the three-months September 30		For the nine-months September 30	
	2020	2019	2020	2019
CrediUno interest	19.127	11.778	51.380	35.601
CrediPoliza interest	1.530	2.517	4.779	8.789
TuCrédito interest	13.683	13.765	40.669	41.148
Tigo interest	3.138	2.277	7.868	6.663
TuCrédito transaction costs	(4.549)	(1.473)	(10.213)	(5.150)
CrediPoliza transaction costs	(94)	(93)	(237)	(266)
CrediUno transaction costs	(2.297)	(1.522)	(6.445)	(4.045)
Fair value Libranza	-	2.338	-	2.338
Sub-total Consumer loans	**30.538**	**29.587**	**87.801**	**85.078**
Microcredit interest	1	11	8	44
Microcredit loans transaction costs	(0)	(7)	(2)	(32)
Sub-total Microloans	**1**	**4**	**6**	**12**
Factoring	-	-	35	55
Subtotal Factoring	**-**	**-**	**35**	**55**

(Stated in millions of Colombian pesos)

CrediUno late payment interest	-	1	-	848
CrediPoliza late payment interest	136	222	419	495
TuCrédito late payment interest	151	157	370	333
Tigo late payment interest	-	1	-	305
Consumer loan defaults	**287**	**381**	**789**	**1.981**
CrediYa late payment interest	-	21	-	79
Microloan defaults	**-**	**21**	**-**	**79**
Financial returns	1.027	1.333	2.933	4.127
BTG Pactual financial returns	8.010	11.430	25.166	32.765
Current interests, Free-standing Trust	12.223	12.892	35.557	33.383
Other income, Free-standing Trust	6.853	9.964	16.023	15.986
Income from FGA Alliance	865	1.010	1.066	2.784
Write-offs	5.244	8.778	18.332	20.744
Other loan interest	14.072	(183)	23.468	9.280
Other	**48.294**	**45.223**	**122.544**	**119.069**
Total Interests	**79.120**	**75.217**	**211.175**	**206.274**

22.2 Revenue from customer contracts

	For the three-months September 30,		For the nine-months September 30,	
	2020	**2019**	**2020**	**2019**
Administration fee - credit card	14.412	13.855	43.026	41.053
Commission expenses collections	2.372	3.561	6.683	12.121
Financial advice - debtor life insurance	1.334	1.840	4.880	4.890
Insurance life management fee plus	868	905	2.616	3.118
Shared financial - Voluntary insurance policies	687	727	2.184	2.407
Shared financial advice	436	522	1.469	1.655
Internal commission	366	358	971	1.101
Commission returned	113	145	277	367
Certifications	57	185	154	295
Entry chain warehouses and credit card channels	1	2	3	7
Commission on intermediation activities	-	1.810	-	6.480
Collection Fees TuCrédito	-	(175)	-	1
	20.646	**23.735**	**62.263**	**73.495**

NOTE 23. OTHER INCOME

At the end of each period, movements corresponded to:

	For the three-months September 30		For the nine-months September 30	
	2020	**2019**	**2020**	**2019**
Recovery of portfolio written-off	103	148	405	313
Other	6	23	188	75
Recoveries from previous exercises	10	55	67	632
Refund of expenses	-	24	28	145
Sickness Leave	-	5	17	6
Refund insurance	4	4	13	14
Tax refund	-	-	5	5
	123	**259**	**723**	**1.190**

NOTE 24. OTHER EXPENSES

At the end of each period, movements corresponded to:

For the three-months September 30		For the nine-months September 30	
2020	**2019**	**2020**	**2019**

Fees	3.603	6.271	12.327	18.702
Taxes	2.394	2.339	7.715	7.058
Electronic data processing	2.044	1.082	6.682	2.436
Public Services	911	1.240	2.916	3.383
Technical support	866	2.257	2.688	6.710
Leases	259	(277)	2.298	1.941
Other	430	412	1.937	1.223
Commissions	547	581	1.801	1.872
Temporary services	356	1.026	1.651	3.282
Transport	469	436	1.629	1.255
Investor returns	53	407	1.152	1.081
Advertising and propaganda	279	577	982	1.445
Consultation with risk centers	305	432	931	1.265
Insurance	212	189	671	558
Toilet and surveillance service	233	124	594	487
Maintenance and repairs	110	211	375	628
Useful and stationery	58	125	362	424
Travel expenses	24	221	295	545
Adequacy and installation	54	136	114	480
Representation expenses	48	86	113	401
Legal	13	402	106	427
Fines and penalties	52	2	71	78
Publications and subscriptions	-	3	6	22
Donations	-	-	-	2
	13.320	**18.279**	**47.416**	**55.705**

NOTE 25. NET FINANCIAL INCOME

Below is the detail of financial (net) costs, for the periods for nine months ended September 30, 2020 and 2019:

	September 30	
	2020	**2019**
Financial performances	50.722	305
Financial income	421	318
Exchange rate differences	(227)	(42)
Total Financial Income	**50.916**	**581**
Forwards valuation	4.364	(5.335)
Total Financial Expense	**4.364**	**(5.335)**
Net Financial Income (expense)	**55.280**	**(4.754)**

NOTE 26. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

a. Commitments

Credit commitments

In the course of ordinary business, Credivalores 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, Credivalores 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. Credivalores 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, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
Unpaid approved credits	**438.342**	**495.551**

NOTE 27. 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 Credivalores.
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 include 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 Credivalores has significant influence, which is generally considered to be a share between 20% and 50% of their capital.

The most representative balances as of September 30, 2020 and December 31, 2019 with related parties are included in the following charts, with headings for definitions of the related parties recorded in the previous sections.

	September 2020		December 2019	
	Shareholders	Members of the Board of Directors (a)	Shareholders	Members of the Board of Directors (a)
Accounts receivable	1.815	-	1.815	-
Accounts payable	-	198	-	78
Operating expenses	-	216	-	186

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

	September 30	
Item	2020	2019
Salaries	2.232	1.978
Short-term employee benefits	798	238
Total	**3.030**	**2.216**

a. Members of the Board of Directors (principals and alternates, along with their related parts) as of September 30, 2020:

Directors

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	Maria Marcela Caicedo Pachón	Vacante
6	Adrián Gustavo Ferrado	Carlos Manuel Ramón
7	Juan Camilo Ocampo Lalinde	Maria Patricia Moreno

Legal Representatives

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

NOTE 28. SUBSECUENT EVENTS

COVID-19 Impacts for Credivalores

During the first months of 2020, coronavirus (COVID-19) has been spreading around the world, causing the closure of production and supply chains and disrupting local and international trade, which could cause a global economic slowdown and negatively affect several industries. Authorities around the world, including the Colombian government, have had to take, among other measures, the temporary closure of establishments and the quarantine of people in some areas, meaning that employees, suppliers and customers cannot carry out their activities for an indefinite period of time. This situation could have an adverse material effect on the Company's operating results, financial situation and liquidity, which are being evaluated daily by management to take all measures deemed appropriate to minimize the negative impacts that may arise during the operation in 2020.

The most likely and significant impacts on the industry in which the Company operates are estimated to be in: a) valuation of financial instruments measured at fair value, which in the case of the Company mainly correspond to derivative instruments whose impact would be reflected in Other Comprehensive Results, since they correspond to hedging instruments, b) expected loss models for estimating the provision of credit portfolios, are expected to have an impact on results mainly resulting in the updating of macroeconomic variables used in the calculation such as PIB, exchange rate and unemployment, among others, y c) the quality of the portfolio because of changes in the financial situation of customers that could lead to impairment, for which changes in deadline policies or other reliefs eventually granted to customers can generate impacts on cash flows affecting the valuation of the portfolio.

Inside, Credivalores has designed the following strategies:

Area	Observations
Commercial	1. **Origination:** 1) Payroll: defensive asset given concentration in pensioners and government employees, digital renewals, 2) credit card: telemarketing campaigns for advances, card activation, and new uses , review of impacts in collection channels, 3) Credipoliza: lower commercial affectation expected, telemarketing campaigns for policy renewal using benefits of coverages under current policies. 2. **Origination costs:** resize of commercial force, closing of branches and points of sales of TIGO during national quarantine, suspension of new hirings and reduction of marketing costs.
Operations and Technology	1. **Infrastructure:** broad use of community working tools to coordinate administrative and commercial staff working from home and quick identification of critical suppliers for the continuity of business in alternate locations (call centers, collection networks, new laptops and telephone lines, remote accesses and VPNs, software licenses, etc.). 2. **Operating costs:** resize of operations and IT staff, according to new expectation in originations, postponement/cancellation of projects, digital transformation projects prioritized.
Human Resources / Administration	1. **Total staff:** resize of all areas during national quarantine (March 24th- May 31st), excess capacity went on vacations including staff hired through temporary employment agencies. 2. **Continuity of Business:** given the exemption applicable to the financial services sector under the obligatory national quarantine decree, we developed protocols for our staff working at our offices to guarantee business continuity, including: social distancing, hygiene stations, disinfection of work stations and buildings, mandatory use of masks, work shifts, constant

(Stated in millions of Colombian pesos)

	internal communications regarding self-care, hand wash and obligation to report any symptoms or suspicion of contagion.
Collection and Risks	1. **Financial forbearance measures on demand:** grace periods, extension periods, decrease in fees, etc. 2. **Review of origination policies:** reduction/expansion of quotas, increase scores per segment. 3. **Review key supplier contingency plans:** collection houses, contact centers, 4. **Collection:** preventative and restructuring measures, resizing the area.
Financial and Budget	1. **CV liquidity position:** robust after issuance of notes on Feb-2020, the US$40 MM ECP Program Note due in Apr-2021 will not be prepaid. The Company will meet the US$35 MM ECP program Note maturity on May-2020. 2. **CV funding sources:** local syndicated loan renewal for $310,000 MMCOP (+ $87,000 MMCOP) for payroll loan growth and WK lines for $106,000 MMCOP. A potential $100,000 MMCOP securitization was postponed for the second half of the year. 3. **Construction of scenarios:** comprehensive exercise assuming reduction in origination, loan portfolio, collections, higher impairments, implementation of forbearances, reduction of variable and fixed costs to determine potential impact on P&L and cash flow. Base scenario would become new budget. 4. **Hedge of USD Bonds:** rebalancing of hedging transactions on the US$75 MM principal of the 9.75% bond due 2022 and the US$200 MM principal of the 8.875% bond due 2025.