Credivalores Crediservicios S. A.
Financial Statements

For the periods ended December 31, 2019 and 2018

CREDIVALORES CREDISERVICIOS S. A.
STATEMENT OF FINANCIAL POSITION
ENDED DECEMBER 31, 2019 AND 2018

(Stated in millions of Colombian pesos)

	Notes	December 31, 2019	December 31, 2018
Assets			
Cash and cash equivalents	9	163.851	195.058
Financial Assets at fair value through profit or lost			
Equity Instruments	10	8.715	20.034
Derivatives Instruments	16	210.830	182.372
Loan portfolio	12	19.324	18.337
Total financial assets at fair value		**238.869**	**220.743**
Financial Assets at amortized cost			
Consumer loans		1.424.958	1.299.476
Microcredit loans		5.863	6.461
Impairment	12	(192.847)	(163.413)
Total Loan portfolio, net	12	**1.237.974**	**1.142.524**
Accounts receivable, net	13	386.189	330.651
Total Financial Assets at amortized cost		**1.624.163**	**1.473.175**
Investments in Associates and Affiliates	11	10.963	10.366
Current tax assets	21	13.542	12.059
Deferred tax assets, net	21	11.053	14.432
Property, plant and equipment	14	1.159	788
Assets for right of use	14	5.902	-
Intangible assets other than goodwill, net	15	53.892	59.756
Total assets		**2.123.394**	**1.986.377**
Liabilities and equity			
Liabilities:			
Financial Liabilities at fair value			
Derivative instruments	16	32.188	26.762
Total Financial Liabilities at fair value		**32.188**	**26.762**
Financial Liabilities At amortized cost			
Financial obligations	17	1.637.320	1.564.108
Other Lease Liabilities	17	6.258	-
Total Financial Liabilities At amortized cost		**1.643.578**	**1.564.108**
Employee benefits provisions	18	1.105	1.096
Other provisions	19	476	343
Accounts payable	20	100.273	95.897
Current tax liabilities	21	1.244	2.196
Other liabilities	22	61.833	46.299
Total liabilities		**1.840.697**	**1.736.701**
Equity:	23		
Share capital		129.638	123.922
Treasury shares	23	(12.837)	(12.837)
Reserves treasury shares	23	12.837	12.837
Reserves	23	5.814	5.814
Additional paid-in capital		64.726	58.442
Other Comprehensive Income (OCI)	24	13.727	(2,241)
Retained earnings		63.740	56,388
Net Income for the period		5.052	7.352
Total equity		**282.697**	**249.677**
Total liabilities and equity		**2.123.394**	**1.986.377**

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

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

	Notes	January 1, 2019 through December 31, 2019	January 1, 2018 through December 31, 2018
		(In millions of pesos, except Net income per share)	
Interest Income and similar	25.1	**275.186**	**241.414**
Financial costs interest	17	(191.824)	(182.112)
Revenue from contracts with customers	25.2	97.003	100.299
Net Interest		**180.365**	**159.601**
Impairment of financial assets loan portfolio	12	(63.321)	(47.432)
Expense on accounts receivable provisions		(6.495)	(6.114)
Gross Financial Margin		**110.549**	**106.055**
Other Expenses			
Employee Benefits		(15.953)	(17.623)
Depreciation and amortization expense	14 – 15	(6.774)	(7.409)
Depreciation of right of use assets		(1.694)	-
Other	27	(76.871)	(72.607)
Total Other expenses		**(101.292)**	**(97.639)**
Net operating Income		**9.257**	**8.416**
Other Income	26	2.357	451
Financial income		478	467
Exchange rate differences		412	8.638
Financial Income		**3.247**	**9.556**
Derivative instrument valuation		(4.240)	(6.039)
Financial expense		**(4.240)**	**(6.039)**
Net financial income (expense)	28	**(993)**	**3.517**
Net Income before income tax		**8.264**	**11.933**
Income tax		(3.212)	(4.581)
Net income for the period		**5.052**	**7.352**
Net earnings per share		**1.189**	**1.773**

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

	December 31,	
	2019	**2018**
Net income for the period	**5.052**	**7.352**
Other comprehensive income		
Items that may be or are reclassified to profit or loss		
Shares	525	(761)
Unrealized gains (losses) from cash flow hedges:		
Valuation of financial derivatives Forwards	2.817	10.670
Valuation of financial derivatives Cross Currency Swaps	9.997	11.815
Valuation of financial derivatives Options	8392	(3.379)
Income tax	(5.763)	(421)
Total other comprehensive income for the period	**15.968**	**17.924**
Total other comprehensive income	**21.020**	**25.275**

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

CREDIVALORES CREDISERVICIOS S. A.
STATEMENT OF CHANGES IN EQUITY
PERIODS ENDED DECEMBER 31, 2019 AND 2018
(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, 2017 before Restatement	**104.989**	**20.842**	**(12.837)**	**18.651**	**(3.744)**	**44.022**	**17.200**	**189.123**
Restatement of Previous Years (See Note 2)	-	-	-	-	-	27.296	-	27.296
Balance as of January 1, 2017	**104.989**	**20.842**	**(12.837)**	**18.651**	**(3.744)**	**71.318**	**17.200**	**216.419**
Appropriation of earnings	-	-	-	-	-	17.200	(17.200)	-
Capitalization	15.910	37.600	-	-	-	-	-	53.510
Increases (decrease) in other comprehensive income	-	-	-	-	(16.421)	-	-	(16.421)
Net income for the period	-	-	-	-	-	-	809	809
Balance December 31, 2017	**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 as of 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	-	-	-	-	15.968	-	-	15.968
Net income for the period	-	-	-	-	-	-	5.052	5.052
Balance as of December 31, 2019	**129.638**	**64.726**	**(12.837)**	**18.651**	**13.727**	**63.740**	**5.052**	**282.697**

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

CREDIVALORES CREDISERVICIOS S. A.
STATEMENT OF CASH FLOWS
PERIODS ENDED DECEMBER 31, 2019 AND 2018

(Stated in millions of Colombian pesos)

	Notes	December 31, 2019	December 31, 2018
Cash flows from operating activities			
Net income before taxes		8.264	11.933
Reconciliation of net income before taxes and net cash provided by (used in) operating activities:			
Depreciation of tangible assets	15	422	388
Depreciation right of use assets		1.694	-
Amortization of intangible assets	16	11.831	12.026
Amortization of Call premium options	17.2	5.502	4.603
Allowance for impairment of loan portfolio	12	45.301	47.975
Recovery of impairments for loan portfolio	12	-	(543)
Impairment Accounts Receivable		6.495	6.114
Fair value adjustments to derivative financial instruments		11.584	(138.754)
Portfolio valuation measured at fair value	12	(987)	(1.272)
Fair value adjustments to financial assets	11	(597)	(40)
Property, plant and equipment adjusments		-	1.327
Accrued interest		-	150.938
Income tax		3.212	4.581
Changes in operating assets and liabilities:			
Increase (decrease) in loans		(140.266)	(184.340)
Decrease (increase) in accounts receivables	13	(60.887)	(153.254)
Increase (decrease) in accounts payable		4.452	35.452
Decrease (increase) in employee benefit		9	(58)
Decrease in provisions	19	133	41
Increase (decrease) in other liabilities		15.534	39.315
Payable tax		(11.341)	(6.921)
Net cash provided by (used in) operating activities		**(99.644)**	**(170.489)**
Cash flows from investing activities:			
Net flow of investments in financial instruments	10	10.794	27.551
Net flow of property, plant and equipment		(794)	(1.590)
Increase in Lease Liabilities		6.258	-
Net flow of right of use assets	15	(7.597)	-
Acquisition of intangible assets		(10.950)	(31.409)
Net cash used in investing activities		**(2.289)**	**(5.448)**
Cash flows from financing activities:			
Acquisition of financial obligations	17	597.156	927.162
Payment of financial obligations	17	(532.928)	(678.696)
Payment premium call options		(5.502)	(2.442)
Capitalization		12.000	3.023
Net cash provided by financing activities		**70.726**	**249.047**
(Decrease) Increase in cash and cash equivalents		**(31.207)**	**73.110**
Cash and cash equivalents at beginning of year		195.058	121.948
Cash and cash equivalents at end of year		**163.851**	**195.058**

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 changed its name from CREDIVALORES - CREDISERVICIOS S. A. S. to CREDIVALORES - CREDISERVICIOS S. A. and its social reason to Sociedad Anonima.

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.

(Stated in millions of Colombian pesos)

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

it allowed to carry out brokerage of instruments registered with the Colombian National Registry of Securities and Issuers (RNVE).

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

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

In 2015 the Company acquired the business unit CrediUno- Avance for 23,800 million pesos. The acquisition was performed at an assigned purchase price, which was effectively paid.

However, at the time of the acquisition, the full amount of the acquisition was recorded to the brand CrediUno-Avance as the only asset affected, failing to apply IFRS 3 – Business Combinations, by not considering the existence of other significant assets, whose value could be reliably estimated, but was not recognized at the time and was consequently excluded from recognition and measurement of goodwill or a gain from a bargain purchase, IFRS 3 paragraphs 34 to 36.

As of the date of issuance of the 2015 financial statements, we had not finalized the calculation of the fair value of the amount paid, the assets and the liabilities related to this transaction. The full transfer took place in 2016, omitting the adjustment in other assets in the amount of 38,751 million pesos within the period according to IFRS No. 3 - Business Combinations.

During the measurement period (2016), the Company failed to recognize the adjustment on the amount related to the acquisition of this business unit, which had been provisionally recorded, as if the business combination had been completed on the acquisition date. Due to the above, and according to the provisions of paragraph 50 of

(Stated in millions of Colombian pesos)

IFRS 3: "*After the measurement period ends, the acquirer shall revise the accounting for a business combination only to correct an error in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*.", the Company decided to perform the procedures required to establish the fair values, perform any relevant adjustments and restate the financial statements.

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

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

Item	**Value**	**Amortization 2016**	**End balance 2016**	**Amortization 2017**	**End balance 2017**	**Amortization December 2018**	**End balance December 2018**
Exclusivity contracts	16.044	182	15.862	240	15.622	311	15,311
Databases	22.707	757	21.950	757	21.193	757	20.436
Total	**38.751**	**939**	**37.812**	**997**	**36.815**	**1.068**	**35.747**

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

Statement of Financial Position

	Previously reported balance January 1, 2017	Adjustment made	Restated balances January 1, 2017	Movement 2017	Adjustment made in 2017	Restated balances December 31, 2017	Movement 2018	Adjustment made in 2018	Restated balances December 31, 2018
Intangible assets other than goodwill, net	24.037	37.812	61.849	(2.671)	(997)	58.181	(2.325)	3.322	59.178
Assets Deferred taxes	13.982	(10.516)	3.466	(940)	-	2.526	23.723	-	26.249
Total restated assets balances	**38.019**	**27.296**	**65.315**	**(3.611)**	**(997)**	**60.707**	**21.398**	**3.322**	**85.427**
Retained amings from previous periods	44.022	(27.296)	71.318	(17.200)	-	88.518	(45.249)	(997)	42.272
Current period arnings	-	-	-	1.806	(997)	809	6.837	2.521	10.167
Total restated balances in equity	**44.022**	**(27.296)**	**71.318**	**(15.394)**	**(997)**	**89.327**	**(38.412)**	**1.524**	**52.439**
Income Statement									
Depreciation and amortization expenses				2.671	997	3.668	5.671	(1.524)	4.147
Pre-tax income (loss)				3.027	(997)	2.030	10.225	1.524	11.749
Current period net income				1.806	(997)	809	8.643	1.524	10.167

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

3.1 Basis of Presentation

The interim financial statements as of December 31, 2019 and December 31, 2018 and for the three and nine month periods ended December 31, 2019 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, 2018, 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 November 22, 2019.

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

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 with the exception of 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.

3.2 Changes in accounting policies

LEASINGS- IFRS 16

Under the new IFRS 16, a lease is a contract, or part of a contract, that grants the right to use an asset (underlying asset) for a period of time in exchange for a consideration. To be a lease, a contract must grant the right to use an identified asset, which can be a distinguishable portion of another asset. A contract grants the right to control the use of an identifiable asset if, throughout the period of use, the customer has the right to:

- Obtain substantially all economic benefits, and
- Direct the use and purpose of the identifiable asset.

Lease contracts in Credivalores are made with different assets, such as leases for premises, offices.

Credivalores has leases for offices and premises in several cities in Colombia, where customers are served in general. The improvements, locative arrangements, remodeling are in charge of CREDIVALORES. Lease contracts have a one-year term with an extension clause without a purchase option. Before the end of the contract compliance time, the entity evaluates whether it continues with the lease or cancels it, with prior evaluation of the effectiveness of the office, income received, customer acquisition, if it is authorized to continue with the office open to the contract is extended for another year.

For those lease contracts that are extendable and even the administration of Credivalores is not certain at what time or term it will extend them, Credivalores will review the following variables:

• Duration of the commercial life of the company according to the chamber of commerce.
• At least 3 years budget must be made.

The average of these two variables is 5 years, this would be the variable with which the term of the lease will be projected.

The International Accounting Standards Board (IASB), issued IFRS 16 with effective date January 1, 2019.

IFRS 16 substitutes existing standards for the accounting of leases, including IAS 17 leases, CINIIF 4 Determining if a contract includes a lease, SIC 15 Incentives in operating leases and SIC 27 Evaluation of the substance of transactions that involve the legal form of a lease.

IFRS 16 introduces a sole accounting model for lease contracts in the statement of financial situation for the lessees. A lessee recognizes a right of use asset, representing the right as an asset and a liability related to the obligation to make the payments of the lease. There are optional exemptions for short-term leases and low value assets. The accounting treatment of the lease agreements for the lessors remains like the current accounting standards, under which the lessor classifies the lease contracts as financial lease or operating lease.

The lessee should also reevaluate the liability under the occurrence of certain events (i.e. a change in the leasing term, a change in future rent payments as a result of a change in the index used or the rate used to determine such payments). The lessee will generally recognize the amount related to the adjustment in the liability as an adjustment in the right of use asset.

Lessor's accounting under IFRS 16 does not include material modifications compared to IAS 17. Lessors will classify all their assets using the same classification principles as of IFRS 7, between financial and operative leases.

IFRS 16 also requires tenants and landlords to include more extensive disclosures than those required under IAS 17. This standard is included in annex 1.3 of Decree 2420 of 2015, by means of Decree 2170 of 2017, in effect January 1, 2019.

In the case of IFRS 16 with obligatory compliance as of January 1, 2019, the Company completed an initial evaluation of the impact on the financial statements. The process for implementation is detailed below:

1. Establishment of a procedure to define a leasing contract.
2. Approval of the evaluation matrix for a leasing: for the definition of a leasing Credivalores will opt for applying option (a) of paragraph C3 of IFRS 6, which resulted in 36 leasing contracts , mainly related to real state.
3. Definition of the rate to discount the flows: It is determined based on the incremental indebtedness rate with the market conditions in which the company is to acquire a financing loan with respect offered by the counterparties, according to their level of credit line and risk level.
4. Lease term definition: for leases that are extendable over time the Company will use a 5-year term for the projection.
5. Short-term assets: short-term assets with right of use will be those with a term under 12 months and will have the accounting treatment of an operating lease.
6. Low value assets: will be defined as those contracts with amounts below 0.5% of the total assets of the Company.

For the purpose of determining a low value asset under steps 6, Credivalores will recognize the associated leasing payments as a straight-line expense during the term of the lease.

Result:

Out of the fifty-eight (58) lease contracts analyzed under the policy, the following were the results as of January 1, 2019:

- Nineteen (19) are considered low value assets.
- Four (4) short term contracts.
- Five (5) there is no use of the identified asset.
- Thirty (30) apply for the lease policy.

7. Presentation of the financial information of leasing contracts: Credivalores will apply IFRS 16, option (b), paragraph C5, retroactively, as follows: “Retroactively with the recognition of the effect on the initial application date of the standard, according to paragraphs C7 through C13, if a lessee decides to apply option (b), there is no need to re express the comparative information, in its lieu the initial application effect will be recognized as an adjustment in the opening balance of the retained earnings or another account in the shareholders’ equity”.

8. Record the contract as a right of use asset and a lease liability:

The registration of the Credivalores liability shall apply option (a) and for the asset by right of use will apply option (b) literal (ii) within paragraph 8:

a. Credivalores will use option (a) to register the liability and option (b), numeral (ii) in paragraph 8 for the registration of the right of use asset. On the date of application, the Company will recognize a liability related to a lease contract for the leases previously classified as operative using IAS 17. This liability will be measured using the present value of the pending leasing payments, discounted using the incremental borrowing rate of the Company on the initial application date.

b. The right of use asset will be measured in the same amount as the liability of the leasing, adjusted for any payment in advance or accumulated payments related to the leasing contract recognized in the statements of financial situation before the initial application date.

On adoption of IFRS 16, the group recognized lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of January 1,

(Stated in millions of Colombian pesos)

2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 10.06%. The rate was known through a quotation process for financial credits for assets and term similar to Credivalores considerations

For leases previously classified as finance leases the entity recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognized as adjustments to the related right-of-use assets immediately after the date of initial application.

	January 1, 2019
Operating lease commitments disclosed as at 31 December 2018	**8.440**
Discounted using the lessee's incremental borrowing rate of at the date of initial application **10.06%**	14.097
(Less): short-term leases not recognized as a liability	(5.790)
(Less): low-value leases not recognized as a liability	(984)
Lease liabilities recognized as at January 1, 2019	**7.323**

The right of use assets was measured for an amount equal to the lease liability. Property, plant and equipment increased by $ 7.323 on January 1, 2019.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as of January 1, 2019
- Accounting for operating leases with a remaining lease term of less than 12 months as of January 1, 2019 as short-term leases
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Notes to the financial statements

- **Statement of Financial Position**

	December 31, 2019	January 1, 2019
Assets		
Current assets		
Property, plant and equipment – Right of use	5.902	7.323
Defferred tax assets	2.003	-
Current liabilities		
Other liabilities		
Current	757	1.860
Non-current	5.501	5.463
Defferred tax liabilities	1.889	-
	(242)	**-**

(Stated in millions of Colombian pesos)

- **Statement of income**

	December 31, 2019
Depreciation charge of right-of-use assets	1.694
Interest expense (included in finance cost)	650
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	65
Expense relating to leases of low-value assets that are not short-term leases (included in administrative expenses)	511
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	2.016
	4.936

The total cash outflow for leases in 2019 was 4.265.

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

The preparation of the 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.

The financial statements, the significant judgments made by the administration in the application of the accounting policies of Credivalores and the main sources of uncertainty estimation were the same as those applied to the financial statements for the year ended December 31, 2018. Except for the judgments and estimates related to the adoption and implementation of IFRS 16, as described below:

4.1 IFRS 9 – FINANCIAL INSTRUMENTS

IFRS 9 - financial instruments in lieu of the IAS 39 - financial instruments: recognition and measurement for the annual periods subsequent to January 1, 2018.

The company did not restate comparative information for 2017 for those financial instruments under the scope of IFRS 9. Therefore, comparative information for 2017 is reported according to IAS 39 and is not comparable to the information presented for 2018. The differences arising from the adoption of IFRS 9 – financial instruments have been recognized directly in earnings accumulated to 1 January 2018.

4.1.1 IMPAIRMENT MODEL

IFRS 9 – financial instruments, pose significant changes in the assessment of the impairment of financial instruments and, therefore, its associated risk. In particular, the standard proposes a new approach that pursues the identification of the significant increase of the risk of credit (SIRC) in an instrument before the identification of objective evidence of impairment (OEI).

From the above, the company has advanced in the construction of quantitative and qualitative criteria to identify the significant increase in the credit risk of an instrument. Although a quantitative criterion as the main principle is used to evaluate the (SIRC), qualitative criteria have also been developed in case that it is not possible to apply the quantitative criterion or that it cannot be used for specific financial assets.

Impairment related requirements are applied to financial assets measured at amortized cost and fair value with changes in other comprehensive income (FVOCI) whose business model remains to collect (contractual cash flows) and sell.

The model of credit losses changes from a model of credit losses incurred to a model of expected credit losses, which considers the prospective nature of the tolerances of loss for instruments, based on the expectations of future behavior.

For the calculation of the expected loss of payroll and Credit Card products Credivalores has decided to use the Granular Amortization approach, considering the following aspects:

- Exposure and corresponding risk parameters are calculated individually for each period.
- Exposure and corresponding risk parameters are intended to be constant within each period, but may vary between periods of time.
- The calculation of the EP is individual by period.
- Calculations of PE12m and PE in life are performed by adding the individual PEs for each respective risk horizon (one-year, whole life).
- Frequency of payment fixed according to its depreciation: monthly, quarterly, semi-annual, annual, among others.
- The granular depreciation approach captures the dynamic behaviors of risk parameters at high granularity (more detailed).

Main sources of uncertainty

The central concept of impairment under the new IFRS 9 impairment model is based on a dual measurement approach that takes into consideration the current level of expected impairment of each loan, compared to initial recognition, and requires recognition of impairment over the difference between expected credit losses in 12 months, if no significant changes in risk have occurred since initial recognition; otherwise, a credit loss amount is recognized over the expected life of the financial instrument.

This model is complemented with stress analysis and scenarios with variables that are not controlled by the Company, such as macroeconomic factors. To this end, the Company has developed a non-lineal statistical model (log–log model) that associates the level of overdue payments of the loan portfolio of Credivalores products with a set of available macroeconomic variables. The model indicates that the macroeconomic variables most closely correlated with performance of the Credivalores portfolio are the unemployment rate, the maximum allowable interest rate, the change in the CPI and the change in GDP.

The resulting model enables us to incorporate forecasts on the expected future behavior of these macroeconomic variables in order to calculate expected loan portfolio losses. Such effect has been quantified and included in the provisions recorded by the Company. It also enables performing sensitivity analysis on the performance of these variables, in face of uncertainty, on the performance of our portfolio. This information is presented below:

Sensitivity analysis under two assumed scenarios:

- Pessimistic scenario: All the macroeconomic variables that are correlated with the portfolio move in a negative direction by one standard deviation.
- Optimistic scenario: All the macroeconomic variables that are correlated with the portfolio move in a positive direction by one standard deviation.

4.2 Financial Assets Business Model

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

- The expected policies and objectives for the portfolio and the actual application of them In particular whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

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

- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and

- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and its expectations about future sale activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how Credivalores stated objective for managing the financial assets is achieved and how cash flows are realized.

Assessment whether contractual cash flows are solely payments of principal and interest (SPPI).

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

In assessing whether the contractual cash flows are solely payments of principal and interest, 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 such that it would not meet this condition.

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

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

The business model focuses on building alliances and agreements for origination and distribution of each one of our products, thus guaranteeing growth. The company has more than 720 agreements with employers that can issue payroll loans, exclusive agreements with public utility companies for invoicing and collecting via credit card, and alliances with third parties and insurers for the origination of the Credipoliza product.
The risk management systems are similar to those implemented by other Colombian financial entities and they take characteristics of the target market into consideration. These systems have been adjusted according to the experience and knowledge acquired over more than 14 years in the market.

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

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

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

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

Financial Assets at fair value

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

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

2. Highest rating based on its compliance score.

Financial Assets at amortized cost (*)

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

4.3 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.

4.4 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 5. SUMMARY OF THE MAIN ACCOUNTING POLICIES

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

5.1 Materiality

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

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

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

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

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

5.2.1 Functional and reporting currency

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

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

5.2.2 Transactions and Balances in Foreign Currency

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

As of December 31, 2019, and 2018, the (COP/USD) exchange rates certified by the Superintendence of Finance were 3,277.14 and 3,249.75 per U.S. $1 respectively.

5.3 Cash and cash equivalents

Represent the Company's high liquidity assets such as: bank account balances, remittances in transit and Time Deposits. Moreover, cash is recorded for petty-cash purposes.

Credit balances in transactions with a particular entity constitute obligations to that entity and, as such, must be reflected as a liability under bank loans and other financial obligations and/or checking account overdrafts. However, they are part of the Company's liquidity management. In the above-mentioned circumstances, such overdrafts are included as a component of cash and cash equivalents.

Investments in money market funds with positions in short term liquid assets, with maturity shorter than three months will also be classified as cash and cash equivalents. In this case, the risk of price changes is insignificant and positions are held support short-term cash requirements rather than for investment or similar purposes.

Bank expenses and financial interests are recorded at the value reported in the corresponding bank statements. Daily financial returns are reported at the rate negotiated with the respective financial entity with adjustments made in relation to the nominal value reported in the statement at the close of each month.

5.4 Financial Instruments

Financial instruments

A financial instrument is a contract that results in a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of recognition of financial instruments

Financial assets and liabilities are recognized in the financial statement when the Company becomes part of the contractual provisions of the **instrument.**

5.4.1 Financial Assets

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

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

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

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

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

i. Amortized cost

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

ii. Fair value

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

5.4.2 Initial measurement of financial instruments

Financial assets and liabilities are initially measured at fair value, transaction costs that are directly attributable to the acquisition or issuance of financial assets and liabilities are aggregated or deducted from the fair value of them. For financial assets and liabilities measured at fair value with changes in results (FVPL), transaction costs directly attributable to the acquisition are immediately recognized in results.

Debt instruments held within a business model aimed at receiving contractual cash flows, whose cash flows are only capital and interest payments on the outstanding principal amount (SPPI), are subsequently measured at the amortized cost; debt instruments that are maintained within a business model whose objective is both to receive

contractual cash flows and to sell debt instruments and which have contractual cash flows that are SPPI, are subsequently measured at fair value through another comprehensive result (FVOCI); all other debt instruments (e.g. debt instruments administered on a fair value basis, or held for sale) and capital investments are subsequently measured in FVPL.

5.4.2.1 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 “Tucredito” line of credit at fair value based on the historical trading average since its loans are not impaired (and which, from their origination, are the 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.

5.4.2.2 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 of time, is equal to the net book value in the beginning. To calculate the effective interest rate, the Company estimates the cash flows taking into account all the contractual terms of the financial instrument, including the transaction costs and the premiums granted minus the commissions and discounts, but without considering the future credit losses.

The Company classifies the following financial instruments at amortized cost:

Credivalores Crediservicios S.A.S. business model					
Product	**Measurement**	**Terms**	**Valuation**	**Features**	**Estimated % of Sales**
Tucredito	Fair value	0-90 days as of date of disbursement	Market price	Current and best rated payroll loans	61,19%
	Amortized cost	> 91 days subsequent to date of disbursement	Equivalent indexed rate	Current and past-due payroll loan portfolio	
Credipoliza	Amortized cost	Portfolio	Equivalent indexed rate	Financing for insurance policies	9,10%
Crediuno	Amortized cost	Portfolio	Equivalent indexed rate	Credit card	29,71%

5.4.3 Impairment

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

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

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

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

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

- The exhibition and the corresponding risk parameters are calculated individually for each period.
- Intended that the exhibition and the corresponding risk parameters are consistent within each period but may vary between periods.
- The estimate of the EL is individual per period.
- 12 months EL and EL calculations in life, are made by adding the individual EL for each respective risk horizon (one year, lifetime).

- Fixed according to its amortization payment frequency: monthly, quarterly, semi-annual, annual, among others.
- The amortization approach granular capture the dynamic behavior of the parameters of risk in a high granularity (more detailed).

5.4.4 Impairment of non-financial assets

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

5.5 Equity Instruments

Investments that do not represent control or a significant influence over the investee.

All equity instruments are measured at fair value. Equity instruments held for sale are measured at fair value through profit and loss.

5.5.1 Investment in associate and affiliates

Investments in companies in which the Company does not have control, but has significant influence are called “Investments in Associates”. Investments in Associates are accounted for under the equity method.

The Company exercises significant influence over another entity if it owns, directly or indirectly, 20% or more of the voting power of the investee, unless it is clearly evidenced that such influence does not exist. They are initially recognized at cost, including costs directly related to the transaction. Subsequently to initial recognition, the consolidated financial statements include the company share of the net assets, net income or loss after income tax, and other comprehensive income of the investee, as long as the significant influence continues.
Investments in Associates are those in which the Company has direct or indirect control; that is, when all of the following conditions are met:

- The Company has control over the entity; mainly, rights granting the Company the means of directing relevant activities that significantly affect the associate returns.
- The Company obtains or is entitled to variable returns from the interests held in the associate.
- The Company can use its power over the associate to influence the amount of income obtained by the former.

The Equity Method is an accounting method in which the investment is recorded initially at cost and then adjusted based on subsequent changes to the acquisition on the part of the investor in the net assets of the investee. Following this method Credivalores recognizes its equity in the associate through other comprehensive income and profit or loss for the period.

5.6 Accounts Receivable

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

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

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

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

5.7 Leases

5.7.1 Assets acquired under leases

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

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

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

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

5.8 Property, Plant and Equipment

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

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

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

Leasehold Improvements

Leasehold improvements are those made to rented property by means of a leasing agreement, as structured and designed to accommodate the entity's normal course of business and are recognized as property and equipment.

5.9. Intangible assets

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

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

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

5.10. Income taxes

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

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

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

Deferred tax liabilities arise from taxable temporary differences.

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

5.11 Financial liabilities

A financial liability is any contractual obligation of the Company to deliver cash or another financial asset to another entity or person, to exchange financial assets or liabilities under conditions that are potentially unfavorable to the Company or a contract that will or may be settled using the Company's own equity instruments. Financial liabilities

are initially recorded at their transaction value, which, unless otherwise determined is similar to their fair value less transaction costs directly attributable to issuance. Subsequently, these financial liabilities are measured at amortized cost and their returns are recognized applying the effective interest rate method determined initially and charged to the income accounts as financial expenses.

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

5.12 Derivative financial instruments and hedge accounting

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

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

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

5.12.1 Fair-value hedge accounting

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

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

5.12.2 Cash-flow hedge accounting

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

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

5.13 Employee Benefits

Benefits for Company employees are short-term and include elements like the following, if they are to be paid in full before twelve months after the end of the annual reporting period in which employees provide related services:

(a) wages, salaries and social security contributions.

(b) paid leave and paid sick leave;
(c) non-monetary benefits to current employees (such as medical care and per diem).

The Company will not need to reclassify an employee benefit to short term if the Company's expectations about the settlement calendar change temporarily. However, if the benefit characteristics change (such as a change from non-cumulative to cumulative benefit), or if a change to the settlement calendar expectations is not temporary, then the Company must determine whether the benefit still meets the definition of short term employee benefits.

When an employee has provided services to the Company during the accounting period the amount (not discounted) of the short-term benefits to be paid for such services will be recognized:

(a) as a liability after deducting any amount already paid. If the amount already paid exceeds the amount not discounting benefits, the Company will recognize this excess as an asset (prepayment of an expense), inasmuch as the prepayment results in a reduction of future payments or a cash reimbursement.
(b) as an expense.

5.13.1 Short term paid leave

The Company will recognize the expected cost of short term employee benefits as paid leave as follows:

a) in the case of paid leave whose rights are accumulating as the employees provide the services that increase their right to paid leave in the future.

b) in the case of non-cumulative paid leave when the leave occurs.

Short term paid leave includes:

(a) Vacation.
(b) Temporary illness or disability.
(c) Maternity or paternity leave.
(d) Jury duty.
(e) Other short-term leave.

5.14 Provisions and contingent liabilities

Lawsuit provisions are recognized when the Company has a current obligation (legal or assumed) derived from past events. A cash outflow is likely to be needed to settle the obligation and the amount has been estimated reliably. Restructuring provisions include lease cancellation payments and employee termination payments.

Where there are a number of similar obligations the likelihood that a cash outflow will be required is determined by considering the class of obligations as a whole. A provision is recognized even if the probability of a cash outlay with regard to any item included in the same class of obligations is immaterial.

Provisions are calculated at the present value of the disbursement expected to be needed to settle the obligation using a pre-tax discount rate that reflects current market measurements of the value of money over time and the specific risks attached to the obligation. An increase in the provision due to the passing of time is recognized as a financial expense.

5.14.1 Contingent Assets

The Company will not recognize any contingent asset. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. However, when the income is virtually certain to be realized then the related asset is not a contingent asset and should be recognized.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise the asset and the related income are recognized in the financial statements of the period when the change occurs.

5.14.2 Contingent Liabilities

The Company will not recognize any contingent liability. Contingent liabilities shall be continually assessed to determine if a cash outflow is likely to include future economic benefits. If it is expected that an outflow of future economic resources will be probable for an item previously dealt with as a contingent liability the corresponding provision is recognized in the financial statements of the period when the change in probability occurs (except in the extremely rare circumstances where no reliable estimate can be made of said amount).

5.15 Revenues

5.15.1 Revenues from interest and commissions

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

Revenues are recognized:

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

Revenue from contracts with customers (other than interest income) policy applicable from January 1, 2018 IFRS 15 establishes a comprehensive framework to determine how much and when income is recognized, it replaced IAS 18, IAS 11 and other policies related to its interpretations, IFRIC 13, IFRIC 18 and SIC 31

- **Contract assets**

A contract asset is Credivalores right to consideration in exchange for goods or services that Credivalores has transferred to a customer when that right is conditional on something other than the passage of time (for example, invoicing or delivery of other elements of the contracts).

Contract costs eligible for capitalization as incremental costs of obtaining a contract are recognized as a contract asset. Contract costs are capitalized when are incurred if Credivalores expects to recover those costs. Contract contracts are amortized on a systematic basis that is consistent with the transfer to the customer of the services when the related revenues are recognized. Contract costs capitalized are impaired if the customer is retired or if the asset’s carrying amount exceeds projected discounted cash flows relating to the contract.

- **Contract liabilities**

Contract liabilities comprise Credivalores obligation to transfer goods or services to a customer for which Credivalores has received consideration from the end customer or the amount is due. Additionally, it includes deferred income relating to goods or services that will be delivered in the future, which are charged to a customer in advance but not yet due.

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

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

Credivalores satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

a) Credivalores performance does not create an asset with an alternate use to Credivalores, and Credivalores has as an enforceable right to payment for performance completed to date.

b) Credivalores performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

c) The customer simultaneously receives and realizes the benefits provided by Credivalores.

For performance obligations where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

When Credivalores satisfies a performance obligation by delivering the promised goods or services it creates a contract asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognized this gives rise to a contract liability.

Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Credivalores recognizes revenue when it transfers control over a good or service to a customer. Revenue is presented net of value added tax (VAT), rebates and discounts and after eliminating intra-group sales.

The following tables show the different activities that the Company carries out:

Type of transaction	Description	IFRS standard
	Commissions	
Financial consultancy fees	Credit study fees	**IFRS 15**
Insurance returns	Insurance sales commissions upon placing loans.	
Chain store commissions	Brokerage and channel (chain store) commissions.	
Collection and handling fees	Fees for collections processes through legal proceedings.	
Internal commission	Internal commission generated by intermediation channels.	
SME commission	Deferred commission on placement of loans under the Micro-Credit line	
FEE	Fee for handling the credit card, advance payments and offsetting through the channels of the Crediuno credit line.	
Brokerage fee	It is the brokerage fee charged in the contract signed with FGA.	**IFRS 15**
	Management fees	
Crediuno	Management and handling fees for the Crediuno line.	**IFRS 15**
Payroll deduction loans	Management fees and disbursement fees for the Payroll credit line.	
Credipoliza	Administration and handling fees for the Credipoliza line.	
Plus life insurance	Management fee on the Plus life insurance policy of the Crediuno line.	

Credivalores often enter into contracts that cover a number of different services. Such contracts might contain components within, and components outside, the scope of IFRS 15. Therefore, Credivalores only applies the guidance in IFRS 15 where it has contracts that are all or partly outside the scope of IFRS 9.

Main revenue streams earned by the Company from contracts with customers are the following:

- *Credit cards: Interchange fees, Annual-quarterly-monthly fees*

There are contracts that create enforceable rights and obligations between Credivalores and the cardholders or merchants under which the Credivalores will provide services, sometimes in exchange for annual and other fees. The following are some of the services that might exist in a contract with a cardholder:

- Payment processing service;
- Insurance where Credivalores is not the insurer;
- Fraud protection; and
- Processing of certain transactions, such as purchases in a foreign currency and cash withdrawals.

The transaction price is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services being provided to the customer. The allocation of the transaction price to each of the separate performance obligations will not necessarily be required where there is more than one performance obligation, but the performance obligations are all satisfied at the same time or evenly over the period.

Performance obligations are fulfilled over time, taking into account that customers receive benefits as time goes on. Because the entity's efforts or resources are expended evenly throughout the performance period, income is recognized on a linear basis during the period defined under the credit card conditions. The costs of plastic or security elements are capitalized as contract signing costs.

- **Commissions:**

Credivalores receive insurance commissions for introducing new clients to third party insurers, where the Credivalores does not underwrite the insurance policy itself. These commissions are usually paid periodically (for example, monthly) to Credivaloress based on the volume of new policies (and/or renewal of existing policies) originating from clients introduced by the Credivalores. The transaction price might include an element of consideration that is variable or contingent on the outcome of future events, such as policy cancellations, which is estimated and included in the transaction price based on the most likely amount and it is included in the transaction price only when it is highly probable that the resolution of the uncertainty will not result in a significant reversal of revenue.

Performance obligations are fulfilled over time, taking into account that customers (insurers) receive benefits as time goes on. Where the commission calculation is made on a monthly basis or in a lower period, the total amount of the commission is recognized in the results when its determination is made. If the settlement of commissions is defined in periods higher than a monthly basis, the expected income to recognize revenues is estimated as time goes on.

Loan commitment fees are within the scope of IFRS 15 where it is unlikely that a specific lending arrangement will be entered into and the loan commitment is not measured at FVTPL. Loan syndication fees received by a Credivalores that arranges a loan and retains no part of the loan package for itself (or retains a part at the same Effective Interest Rate "EIR" for comparable risk as other participants) are within the scope of IFRS 15.

Income from performance obligations to provide such services, which are met at a point in time, are recognized when the particular event defined in the contracts occurs (e.g., approval of the syndicated loan). The obligations met over time are recognized during the period of the commitment; if they are received in advance, they are deferred for their periodic amortization; or if they are received upon expiration, they are estimated periodically.

5.15.2 Revenues from ordinary activities

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

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

5.15.2.1 Dividends

Credivalores recognizes dividends when the Company establishes the right to receive them.

When the right to receive them is established investments at fair value are credited to income accounts. For investments in associates, these are recognized using the equity method, deducting the investment amount.

5.16 Net earnings per share

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

NOTE 6 - NEW FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

6.1. New standards, amendments and interpretations included in the accepted accounting principles in Colombia

IFRS 17 "insurance contracts"

The IFRS 17 contracts of insurance establishes principles for the recognition, measurement, presentation and information disclosure issued insurance contracts. It also requires similar principles apply to maintained reinsurance contracts and investment contracts with discretionary participation components. The objective is to ensure that entities provide relevant information in such a way that faithfully represent those contracts to evaluate the impact of contracts within the scope of the IFRS 17 on the financial position, financial performance and the cash flows of an entity.

The IFRS 17 shall apply to annual periods beginning after January 1, 2021. Early application is permitted.

The IFRS 17 repeals the IFRS 4 contracts of insurance which was an interim rule that allowed institutions use a variety of accounting practices for insurance contracts, reflecting the national accounting requirements and variations of those requirements. Previous practices of accounting for insurance permitted according to the IFRS 4 did not properly reflect the true underlying financial situations or the financial performance of insurance contracts.

The key principles of IFRS 17 are that an entity:

a. Identify as insurance contracts those according to which the entity accepts a significant insurance risk from the other party (the holder of the insurance policy), agreeing to compensate the holder of the insurance policy if an uncertain future event occurs (the insured event) that affects you adversely.

b. It will separate the implicit derivatives that are specified, the different investment components and the performance obligations different from the insurance contracts.

c. Divide the contracts into groups that you will recognize and measure.

d. Recognize and measure groups of insurance contracts for: (i) A present value adjusted for the risk of future cash flows (cash flows from compliance), which incorporates all available information on the cash flows from compliance, in a way that is consistent with observable market information; more (if this value is a liability) or less (if this value is an asset), or (ii) An amount that represents the non-accumulated (accrued) gain in the group of contracts (the contractual service margin).

e. It will recognize the profit of a group of insurance contracts throughout the period in which the entity provides the insurance coverage and as the entity releases the risk. If a group of contracts contains or becomes a producer of losses, an entity will immediately recognize such losses.

f. It will present separately the revenue from ordinary activities for insurance, the expenses of the insurance service and the expenses or financial income for insurance.

g. It will disclose information to allow users of financial statements to evaluate the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. To this end, an entity shall disclose quantitative and qualitative information on: (i) the amounts recognized in its financial statements from insurance contracts; (ii) significant judgments and changes in those judgments, made in applying the Standard; and (iii) the nature and extent of the risks of the contracts within the scope of this Standard.

The Company does not expect impacts from this rule, taking into account that it has not identified that it develops insurance contracts, in any case detailed analyzes are being carried out.

IFRIC 23 Uncertainty regarding the Treatment of Income Taxes

IFRIC 23 was issued in May 2017, this Interpretation clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty regarding the treatment of income tax. In this circumstance, an entity recognizes and measures its asset or liability for deferred or current taxes by applying the requirements of IAS 12 based on taxable profit (tax loss), tax bases, unused fiscal losses, unused tax credits and tax rates determined by applying this Interpretation.

The Company will evaluate the potential impacts of this interpretation in its financial statements, without having identified situations that may require changes in the financial statements.

NOTE 7 - 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.

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.

(Stated in millions of Colombian pesos)

7.1 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 December 31, 2019 and December 31, 2018, on a recurring basis.

	December 31, 2019	December 31, 2018
ASSETS	**Level 2**	**Level 2**
Investments in equity instruments	8.715	20.034
Hedging derivatives		
Currency forward	10.771	13.518
Options	68.543	52.774
Cross Currency Swap	114.633	98.194
Consumer		
Payroll deduction loans	19.324	18.337
Total fair value recurring assets	**221.986**	**202.857**
LIABILITIES		
Hedging derivatives		
Options	32.188	26.762
Total fair value recurring liabilities	**32.188**	**26.762**

7.2 Fair value determination

The methodology applicable to instruments for Credivalores is:

7.2.1 **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.

7.2.2 **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.

7.2.3 **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.

7.2.4 **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.

7.2.5 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		
Equity Instruments	Adjusted net asset value	- Current Balance - Average term to maturity - Weighted average Rate - Unit value

7.3 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.

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

(Stated in millions of Colombian pesos)

7.4 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:

	December 31, 2019		December 31, 2018	
Fair value	**Book Value**	**Fair Value Estimate**	**Book Value**	**Fair Value Estimate**
Assets				
Loan Portfolio (Gross)				
Consumer	1.424.958	1.433.358	1.299.476	1.334.225
Microcredit	5.863	6.053	6.461	6.573
Total	**1.430.821**	**1.439.411**	**1.305.937**	**1.340.798**
Liability				
Financial obligations	1.647.584	1.689.025	1.564.633	1.622.911
Total	**1.647.584**	**1.689.025**	**1.564.633**	**1.622.911**

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

7.5 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.

Credivalores 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.

iii. Amortized cost

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

iv. 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.

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.

7.5.1 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)

7.5.1.1 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 Tu credito (payroll deduction loans) is measured at fair value, given that its market niche is focused on placing “top-rated” loans.

Classification of “Tu credito” line of credit, based on the corresponding business model			
Item	**Tu credito 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.

7.5.1.2 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 8. 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

8.1 Governance structure

Board

It is up to the Board of Directors of Credivalores Crediservicios S.A.S.:

1. Establish and oversee the Company's risk management structure
1. Approve the policies, processes and methodologies of granting, monitoring and recovery of the company's credits, in order to identify, measure and control the risks faced by the Company

- Approve exposures and limits to different types of risks.
- Point out the responsibilities and powers assigned to the positions and areas responsible for managing the different types of risk, in order to develop an environment of culture and risk control.
- Evaluate proposals for recommendations and correctives on management processes.
- Approve the internal control system, as well as evaluate the reports and management of the area responsible for such control.
- Request management, when deemed necessary and for evaluation, reports on the credit portfolio.

Risk Committee

The responsibilities of the Risk Committee are:

- Standardize the periodic monitoring of the company's main risk indicators and anticipate risky situations that have the potential to lose the value of CVCS' assets.
- Regularly review risk management policies and systems to reflect changes in market conditions and CVCS activities.
- Proposes to the Board changes or adjustments to existing policies and methodologies to mitigate and control the level of target risk.
- The comity of risk meets monthly and is made up of members invited, within which they are:

- President
- Head of Risks
- Collections Manager
- Director of Financial Planning
- Director of Analytics Models and Strategy
- Director of Operations and Technology
- Commercial Managers

The commit not only has the permanent participation of CV Managers, but experts and external specialists who advise the decisions made by this body.

Risk Headquarters

- Periodically present to committed risks the evolution of the different risk indicators and perform the necessary analyses for understanding and taking actions that mitigate and control the levels of risk.
- Manage and control compliance with approved policies and processes for risk management.
- Regularly review risk management policies and systems to reflect changes in market conditions and CVCS activities.

Propose to the risk committee methodologies and adjustments to risk management policies

- Develop methodologies and models that allow the identification, measurement, control and monitoring of risks.

(Stated in millions of Colombian pesos)

Internal Audit

1. Check the development of risk management in accordance with the comprehensive risk management manual
2. Report to the audit committee and issue recommendations on the findings of the risk management process

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, 2018. There have been no changes to the risk management department or any risk management policies since December 31, 2018. 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, 2018.

8.2 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 December 31, 2019, 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 December 31, 2019 and December 31, 2018 as follows:

	December 31, 2019	**December 31, 2018**
Cash and cash equivalents	163.851	195.058
Financial instruments net	219.154	184.520
Loan portfolios		
Consumer loans	1.424.958	1.299.476
Microcredit portfolio	5.863	6.461
Payroll loans at fair value	19.324	18.337
Accounts receivable, net	390.416	330.651
Total financial assets with credit risk	**2.223.566**	**2.034.503**
Off-balance-sheet credit risk at nominal value		
Unpaid approved credits	495.551	581.434
Total exposure to off-balance-sheet credit risk	**495.551**	**581.434**
Total maximum exposure to credit risk	**2.719.117**	**2.615.937**

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 particular 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, 2018 include the following key indicators (among others) for Colombia for the years ending 31 December 2018 and December, 2019[1]:

	2018			**2019**		
	Scenario A	**Scenario B**	**Scenario C**	**Scenario A**	**Scenario B**	**Scenario C**
Inflation	4,7%	3,6%	2,5%	3.57%	3.50%	3.43%
Interest rates	30,6%	30,2%	29,7%	29.92%	29.88%	29.84%
GDP growth	1,7%	2,5%	3,3%	3.29%	3.30%	3.31%
Unemployment rate	9,4%	9,3%	9,2%	10.91%	10.90%	10.91%

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.

[1] Projections made internally by the planning area.

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.

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.

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.

(Stated in millions of Colombian pesos)

Loss impairment

The table below shows the loss impairment balances as of December 31, 2019:

	December 31, 2019				
		Stage 1	Stage 2	Stage 3	
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Loan portfolio					
Loan consumer portfolio		30,447	29,596	126,866	186,909
Loan microcredit portfolio		3	4	5,931	5,938
Total loan portfolio	Ps.	30,450	29,600	132,797	192,847
Total loss impairment financial assets at amortized cost	Ps.	30,450	29,600	132,797	192,847
Total loss impairment	Ps.	30,450	29,600	132,797	192,847

(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 December 31, 2019.

	December 31, 2019			
	Gross Amount Registered		Impairment Recognized	
With recognized provision				
Consummer	Ps.	200,978	Ps.	126,866
Microcredit		5,873		5,931
Total	Ps.	206,851	Ps.	132,797

8.2.1 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.

(Stated in millions of Colombian pesos)

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 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 A 180	12.002	14.629	999	20	27.649	25.939
181 A 360	9.640	15.996	2.173	15	27.823	26.697
> A 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**

As of December 31, 2018

Status	Tu Crédito	CrediUno	CrediPóliza	Microcredito	Total managed portfolio	On balance sheet Portfolio
CURRENT	699.156	376.137	84.043	114	1.159.450	940.027
1-30	5.318	14.886	5.107	75	25.386	23.568
31-60	4.231	15.804	3.192	36	23.263	21.800
61-90	4.477	9.968	1.463	33	15.941	14.812
91 A 180	10.574	19.576	1.986	51	32.187	31.114
181 A 360	14.110	16.910	2.365	79	33.463	32.047
> A 360	47.534	50.403	3.460	4.392	105.790	96.837
Totals (See Note 10)	**785.400**	**503.684**	**101.616**	**4.780**	**1.395.480**	**1.160.205**

8.3 Credit worthiness

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

Entity	Type of Account	December 31, 2019	December 31, 2018
Banco de Bogotá	Checking	517	3.849
Bancolombia	Checking	12.182	4.489
Banco GNB Sudameris Colombia	Checking	-	87
Red Multibanca Colpatria	Savings	87	266
Banco BBVA	Checking	303	314
Banco De Occidente	Checking	102	31
Bancomeva	Checking	8	61
Banco Santander	Checking	30.614	1.979
Available in Free-standing Trusts	Savings/Checking	9.689	7.745
JP Morgan	Deposit	458	-
		53.960	**18.821**

The following is a breakdown of creditworthiness as determined by independent credit rating agencies of all those major financial institutions in which the 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	From BRC 1+ to BRC 2+	AAA is the highest rating awarded, indicating that the entity has an extremely robust capacity to safeguard its capital and limit its exposure to the risk of loss due to credit-related factors.
2	Banco de Bogotá	AAA		
3	Banco Colpatria	AA		
4	Banco de Occidente	AAA		
5	Banco Corpbanca	AAA		
6	Bancolombia	AAA		
7	Banco Santander	AAA		
8	GNB Sudameris	AA+		An AA rating indicates that the capacity of either the issuer or issue to meet its financial obligations is very strong. However, issuers or issues that are awarded this rating may be more vulnerable to adverse events compared to those rated in the highest category.

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

The Company 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.

8.4 Market Risk

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

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

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

(Stated in millions of Colombian pesos)

As of December 31, 2019 and December 31, 2018, 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:	**December 31, 2019**	**December 31, 2018**
Equity Instruments	8.715	20.034
Derivatives instruments	210.830	164.486
Loan Portfolio	19.324	18.337
Total	**238.869**	**202.857**
Financial liabilities	(32.188)	(26.762)
Total	**(32.188)**	**(26.762)**
Net Position	**206.681**	**176.095**

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 December 31th, 2019 (4.251%).

4. Finally, the results of each scenario were compared to the base scenario, which corresponds to the projections of interest flows using the rates as of December 31th, 2019 as reference .

The results are set out below:

Scenarios	**Interests**
Effect of 20 BPS decrease in variable rate	(304.934)
Effect of 20 BPS increase in variable rate	304.067
Total Scenarios	**(867)**

(Stated in millions of Colombian pesos)

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	(304.934)
Effect of devaluation and increase, 15 BPS, variable rate	305.800
Total Scenarios	**866**

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 December 31th, 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 December 31th, 2019 (4.283%).

5. Finally, we compared the results of each scenario with the base scenario, which corresponds to the projected flows for payment of capital and interest using as reference the rates as of December 31th, 2019.

The results are set out below:

Item	Total Debt
Initial Scenario (Balance as of December 31st, 2018)	1.522.915
Scenario 1 (Effect of revaluation)	1.513.787
Scenario 2 (Effect of revaluation)	1.532.043
Difference Scenario 1 vs. Initial Scenario	**(9.128)**
Difference Scenario 2 vs. Initial Scenario	**9.128**

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

8.5 Liquidity Risk

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

The company funding is based on short and medium term bank loans as well as bonds and commercial notes issued in the international capital markets. These funds are mainly used to leverage new loan origination according to 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:

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

(Stated in millions of Colombian pesos)

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 December 31th, 2019 are set out below:

Item	Liquidity level December, 2019
7 Days	464%
15 Days	163%
30 Days	130%

As of December 31th, 2019, the liquidity level in the 7 and 15 day bands is above the upper limit defined in the Company's liquidity manual, constituting a green flag scenario and indicating that 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 December 31th, 2019, 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 December 31 , 2019 and December 31, 2018.

(Stated in millions of Colombian pesos)

	December 31, 2019				
	Subsequent Net Balances Available				
Description	**Liquid Assets Available at the End of the Period (1)**	**From 1 to 7 days (2)**	**From 8 to 15 subsequen t days (2)**	**From 16 to 30 subsequent days (2)**	**From 31 to 90 subsequen t 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	-	-	-
Banco Santander Uruguay	30.997	30.997	-	-	-
Alianza Fiduciaria	8.546	8.546			
Credifinanciera	12.066	-	-	12.066	12.066
Cash at Free-Standing Trusts	10.832	10.832	-	-	-
Collective Investment Funds	4.028	4.028	-	-	-
Agrocaña	4.686	-	-	-	-
Mutual Funds – Fiduciaria and Valores Bancolombia	1.837	1.837	-	-	-
Fiducolombia Free-Standing Trusts	84.807	84.807	-	-	-
Inverefectivas	10.963	-	-	-	-
Total liquid assets	**183.530**	**155.815**	**-**	**12.066**	**12.066**

	December 31, 2018				
	Subsequent Net Balances Available				
Description	**Liquid Assets Available at the End of the Period (1)**	**From 1 to 7 days (2)**	**From 8 to 15 subsequen t days (2)**	**From 16 to 30 subsequent days (2)**	**From 31 to 90 subsequent days (2)**
Cash	25	25	-	-	-
Banco de Bogotá	3.851	3.851	-	-	-
Bancolombia S.A.	4.482	4.482	-	-	-
Banco GNB Sudameris Colombia	87	87	-	-	-
BBVA Colombia	314	314	-	-	-
Red Multibanca Colpatria S.A.	266	266	-	-	-
Banco De Occidente	31	31	-	-	-
Bancoomeva	61	61	-	-	-
Banco Santander	1.979	1.979	-	-	-
Alianza Fiduciaria	179	179	-	-	-
Credifinanciera	14.960	-	-	14.960	-
Cash at Free-standing Trusts	7.798	7.798	-	-	-
Collective Investment Funds	15.364	-	15.364	-	-
Agrocaña	4.671	-	-	-	4.671
Valores Bancolombia	6.129	6.129	-	-	-
Scotiabank	11.433	-	-	11.433	-
Fiducolombia Free-standing	143.456	143.456	-	-	-
Inverefectivas	10.366	-	-	-	10.366
Total liquid assets	**225.459**	**168.658**	**15.364**	**26.393**	**15.037**

(Stated in millions of Colombian pesos)

(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:

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 Sept-19	
Net Liquidity	163.851
Assets (Credivalores + Free-standing Trust) (Portfolio)	1.430.821
Indicator 1	**11,5%**

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 Sept-19	
Net Liquidity	163.851
Liabilities (Credivalores + Free-standing Trust)	1.460.839
Indicator 2	**11,2%**

(Stated in millions of Colombian pesos)

In the three-month period ended December 31, 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.

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	- -	- -	- -	10.963	10.963
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	278.940	1.532.572	2.009.939
Financial Liabilities at fair value Derivatives instruments	-	2.715	2.715	29.473	32.188
Total Liabilities	**33.013**	**281.654**	**281.654**	**1.562.046**	**2.042.127**

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

December 31, 2018

Assets	Less than one month	From one to six months	From six to twelve months	More than one year	Total
Cash due from banks and equivalents	195.058	-	-	-	195.058
Equity Instruments at fair value	15.363	-	-	4.671	20.034
Investments in Associates and Affiliates	-	-	-	10.366	10.366
Financial Assets at amortized cost (*)	60.807	306.649	373.710	863.100	1.604.266
Derivatives Instruments				164,486	164,486
Total assets	**271.228**	**306.649**	**373.710**	**1.042.972**	**1.994.210**

Liabilities	Less than one month	From one to six months	From six to twelve months	More than one year	Total
Financial Liabilities At amortized cost (*)	63.380	146.009	156.557	1.647.302	2.013.248
Financial Liabilities at fair value - Derivatives instruments	-	-	-	26.763	26.763
Total Liabilities	**63.380**	**146.009**	**156.557**	**1.674.065**	**2.040.011**

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

(Stated in millions of Colombian pesos)

NOTE 9. 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 December 31, 2019 and December 31, 2018:

	December 31, 2019	December 31, 2018
Cash	18	25
Banks	53.960	18.821
Mutual funds (9.1)	97.807	149.819
Term Deposit (9.2)	12.066	14.960
Time Deposit	-	11.433
	163.851	**195.058**

As of December 31, 2019 and December 31, 2018, there were no restrictions on bank accounts.

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

	December 31, 2019	December 31, 2018
Fiduciaria Bancolombia – Renta Liquidez	1.837	6.129
Alianza Fiduciaria - FIC	8.546	179
Fiduciaria Bogotá - Encargo Bogotá	-	2
Fiduciaria Bancolombia - Credinvest	1.119	53
Fiduciaria Bancolombia - Factoring	15.207	26.230
Fiduciaria Bancolombia - Economic rights	14	-
Fiduciaria Bancolombia - Progression	9	-
Sub-Total	**26.732**	**32.593**

Entity	December 31, 2019	December 31, 2018
Fiduciaria Bancolombia - Collective Investment Funds Participation	71.075	117.226
Sub-Total	**71.075**	**117.226**
Collective investment funds	**97.807**	**149.819**

(Stated in millions of Colombian pesos)

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

Manager	Dec-19	Dec-18	Rating Agency
Fiduciaria Bancolombia	AAA/F1 +(col)	S1/AAA(col)	Fitch Ratings Colombia S. A. S.
Fiduciaria GNB Sudameris_Servitrusts	F-AAA	F-AAA	Value and Risk Rating S.AS Credivalores (2016 - 2017) BRC Standard & Poor´s (2015)
Fiduciaria la Previsora	AAA	S1/AAA(col)	Fitch Ratings Colombia S. A. S. CVCS
Fiduciaria Popular	AAA	FAAA/2	Value and Risk Rating S.A. Sociedad Calificadora de Valores
Alianza Fiduciaria	AAA	S1/AAAF	Value and Risk Rating S. A. S. CVCS (2019)
Fiduciaria Bogotá	AAA	FAAA/2/BRC1+	BRC Standard & Poor's

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.

9.2 CDT deposit certificates

As of December 31, 2019, Credivalores had two Certificate of Full Deposit (CDT) in Banco Santander. Which are detailed below

Number ID	Date	Payment date	Term	Nominal value	Annual effective interest rate	Nominal rate	Total Balance Sept, 2019
040004877	22-08-2019	22-08-2021	24	6.500	5.30%	5.17%	6.536
040004877	23-08-2019	23-08-2021	24	5.500	5.30%	5.17%	5.530
Total				**12.000**			**12.066**

NOTE 10. FINANCIAL INSTRUMENTS

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

	December 31, 2019	December 31, 2018
Equity instruments (10.1)	4.028	15.364
Shares instruments (10.2)	4.686	4.670
Derivative instruments (Note 16)	193.947	164.486
	202.661	**184.520**

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

10.1 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

Issuer	Type of Fund	Minimum Investment	Minimum Balance	Annual Return 2019	Annual Return 2018	As of December 31, 2019	As of December 31, 2018

BTG Pactual I Z Class	Closed	5.000.000	2.000.000	58.21%	146.53%	1.792	6.104
BTG Pactual II Z Class	Closed	5.000.000	2.000.000	96.81%	126.45%	763	2.398
Fiduciaria Popular	At sight	200.000	200.000	3.98%	3.86%	649	650
Open Portfolio BTG	Abierto	-	-	5.01%	4.50%	824	6.212
TOTAL						**4.028**	**15.364**

10.2 Equity instruments

	December 31, 2019	December 31, 2018
Agrocaña Shares	4.686	4.670
	4.686	**4.670**

The Company owns 5.03% of Agrocañas S.A. share capital, with 3,300 outstanding shares as of December 31, 2019. These are not listed on the stock exchange and are therefore measured at fair value with changes to equity.

NOTE 11. INVESTMENTS IN ASSOCIATES

The detail of the investments in associates is as follows:

	December 31, 2019	December 31, 2018
Inverefectivas S.A (a)	10.963	10.366
	10.963	**10.366**

(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 3.277,14 as of December 31th, 2019.

	December 31, 2019		December 31, 2018	
	Share of ownership interest	**Book value**	**Share of ownership interest**	**Book Value**
Associates				
Inverefectivas S.A.	25%	10.963	25%	10.366
		10.963		**10.366**

The movement of investments in the associates account is shown below for the nine months ended December 31, 2019 and December 31, 2018:

	December 31	
Associate	**2019**	**2018**
Balance at the beginning of the period	**10.366**	**37.485**
Participation in Other Comprehensive income	-	30
Increment (Decrement)		(27.190)
Adjustments for exchange rate differences	597	41
Period-end balance	**10.963**	**10.366**

NOTE 12. LOAN PORTFOLIO, NET

(Stated in millions of Colombian pesos)

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 December 31, 2019 and December 31, 2018:

	December 31, 2019	December 31, 2018
Consumer	1.424.958	1.299.476
Microcredit	5.863	6.461
Impairment	(192.847)	(163.413)
Total financial assets at amortized cost	**1.237.974**	**1.142.524**
TuCrédito payroll deduction loans at fair value	19.324	18.337
	19.324	**18.337**
Total loan portfolio, net	**1.257.298**	**1.160.861**

The Financial Position Statement includes a net portfolio held in Free-standing trusts totaling 251.748 as of December 31, 2019 and 231.931 as of December 31, 2018. 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 nine months ended December 31, 2019 and December 31, 2018.

	December 31, 2019	
	2019	2018
Initial Balance	163.413	128.080
Adoption IFRS 9 to the company estate	-	47.055
Impairment of the period charged against to profit or loss	45.299	47.975
Recovered provisions	-	(543)
Write-offs	(15.865)	(59.154)
Closing balance	**192.847**	**163.413**

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

As of 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**

At December 31, 2018

(Stated in millions of Colombian pesos)

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

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

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**

December 31, 2018

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Consumer	351.279	369.853	255.468	322.876	1.299.476
Microcredit	5.635	769	57	-	6.461
Total Gross Loan Portfolio	**356.914**	**370.622**	**255.525**	**322.876**	**1.305.937**

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

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	210.334	1.247.579
Microcredit	4.231	35	-	-	4.266
Total Principal Only Loan Portfolio	**205.777**	**360.150**	**210.334**	**210.334**	**1.251.845**

December 31, 2018

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

(Stated in millions of Colombian pesos)

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 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**

	As of December 31, 2018		
Type	**Principal Loan**	**Sold**	**Total**
Consumer	1.155.425	235.275	1.390.700
Microcredit	4.780	-	4.780
Total Financial Assets at amortized cost	**1.160.205**	**235.275**	**1.395.480**

Overdue but not impaired

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

	As of December 31, 2019			As of December 31, 2018		
	Consumer	**Microcredit**	**Total**	**Consumer**	**Microcredit**	**Total**
Performing loans	1.050.170	28	1.050.198	939.913	114	940.027
Overdue but not impaired	42.322	23	42.345	45.256	111	45.367
Non-performing loans under 360 days	65.503	39	65.542	77.810	163	77.973
Non-performing loans over 360 days	89.584	4.176	93.760	92.446	4.392	96.838
	1.247.579	**4.266**	**1.251.845**	**1.155.425**	**4.780**	**1.160.205**

NOTE 13. ACCOUNTS RECEIVABLE, NET

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

	December 31, 2019	**December 31, 2018**
Debtors (13.1)	250.145	223.812
Asficredito	70.513	47.490
Economically Related Parties (13.2)	66.650	64.605
Shareholders	1.815	1.815
Prepayments and Advances	968	285
Payments on behalf of clients (13.3)	9.411	2.082
Employees	51	5
Others accounts receivable	1.427	-
Impairments for doubtful accounts (13.4)	(14.791)	(9.443)
	386.189	**330.651**

13.1 The balance of the debtors account that as of December 31, 2019 amounts to $250.145 and as of December 31, 2018 amounts to $223,812, mainly corresponds to outstanding portfolio collection balances from the free-standing trusts to Credivalores.

(Stated in millions of Colombian pesos)

13.2 The following is the detail with economically related parties:

	December 31, 2019	December 31, 2018
Finanza inversiones S.A.S	27.709	24.674
Brestol S.A.S	21.462	22.440
Agroindustriales del Cauca	8.600	8.600
Inversiones Mad Capital S.A.S	8.122	7.552
Asficor S.A.S.	243	276
Mad Capital S.A.	221	-
Agro el Arado S.A	147	202
Inversiones Dana S.A.	146	146
Seinjet Neirus David	-	201
Sferika S.A.S.	-	514
	66.650	**64.605**

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

	December 31, 2019	December 31, 2018
Life Insurance Payroll deduction loans	6.643	813
Crediuno Insurance	2.335	1.097
Tigo Insurance	152	172
Credipoliza Insurance	281	-
	9.411	**2.082**

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

	December 31, 2019	December 31, 2018
Balance at start of period	(9.443)	(3.329)
Provision charged to income statement (1)	(6.495)	(6.114)
Write-offs	1.147	-
Balance at end of period	**(14.791)**	**(9.443)**

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

13.4.1. Detail Impairment

Below is a breakdown of the provisioned items applying the simplified approach under IFRS 9 as of December 31, 2019:

Third Party	Impairment	%
Metroagua	263	100,0%
Asficor SAS	243	100,0%
Mad Capital S.A.	221	100,0%
Agrointegrales del Cauca	8.600	100,0%
Asficredito	5.464	7,75%
Total	**14.791**	

NOTE 14. PROPERTY AND EQUIPMENT

(Stated in millions of Colombian pesos)

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

	December 31, 2019	December 31, 2018
Transportation equipment	117	117
Office equipment and accessories	1.861	1.740
Computer equipment	405	316
Network and communication equipment	2.262	1.679
Machinery, plant and equipment in assembly	49	49
Goods received on finance lease agreements	4.966	4.966
Subtotal	**9.660**	**8.867**
Accumulated depreciation	(8.501)	(8.079)
Total	**1.159**	**788**

The Company's assets for right of use as of December 31, 2019 and December 31, 2018, respectively, are as follows:

Assets for right of use	7.597	-
Accumulated depreciation	(1.695)	-
Total	**5.902**	**-**

The breakdown for equipment movement is shown below:

	December 31, 2018	Additions	Lows	December 31, 2019
Transportation equipment	117	-	-	117
Office equipment and accessories	1.740	123	(2)	1.861
Electronic equipment	316	91	(2)	405
Network and communication equipment	1.679	804	(221)	2.262
Machinery, plant and equipment in assembly	49	-	-	49
Goods received on finance lease agreements	4.966	-	-	4.966
	8.867	**1.018**	**(225)**	**9.660**

	December 31, 2017	Purchases	Adjustment (*)	December 31, 2018
Transportation Equipment	117	-	-	117
Office equipment and accessories	1.565	21	154	1.740
Electronic equipment	1.010	(231)	(463)	316
Network and communication equipment	663	707	309	1.679
Machinery, plant and equipment in assembly	371	(322)	-	49
Goods received on finance lease agreements	4.878	88	-	4.966
	8.604	**263**	**-**	**8.867**

(*) The adjustments correspond to the unification of useful life of assets according to the established policy.
The following is the depreciation movement as of December 31, 2019 and December 31, 2018, respectively:

(Stated in millions of Colombian pesos)

	December 31, 2018	Depreciation	Lows	December 31, 2019
Transportation equipment	117	-	-	117
Office equipment and accessories	1.653	104	(2)	1.755
Electronic equipment	830	246	(131)	945
Telecommunications equipment	562	257	(92)	727
Goods on finance lease agreements	4.917	40	-	4.957
Subtotal	**8.079**	**647**	**(225)**	**8.501**

	December 31, 2017	Depreciation	Lows	December 31, 2018
Office equipment and accessories	1.640	153	(140)	1.653
Electronic equipment	1.047	106	(290)	863
Telecommunications equipment	285	67	294	646
Goods on finance lease agreements	4.719	198	-	4.917
	7.691	**524**	**(136)**	**8.079**

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 December 31, 2019 and December 31, 2018, which cover the risks of theft, fire, lightning strikes, explosions, earthquakes, strikes, revolts, etc.

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

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

Finance Lease Agreements:

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

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

(Stated in millions of Colombian pesos)

	Cost	**Accumulated depreciation**	**Carrying amount**
Computing equipment	2.091	(2.091)	-
Vehicles	2.099	(2.090)	9
Balance as of December 2019	**4.190**	**4.181**	**9**

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

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

	December 31, 2019	**December 31, 2018**
Less than one year	7	39
More than one year, less than five	2	10
Total	**9**	**49**

NOTE 15. OTHER INTANGIBLE ASSETS

Below is the company's other intangible assets as of December 31, 2019 and December 31, 2018, respectively:

	December 31, 2019	**December 31, 2018**
Litigious Rights	570	570
Sub Total	**570**	**570**
Software licenses	1.011	1.332
Technology and insurance projects	1.398	2.944
Other	2.047	2.497
Sub Total	**4.456**	**7.343**
Contracts	14.907	15.311
Data Bases	19.679	20.437
Trademarks Acquired (1)	14.280	16.665
Sub Total	48.866	**52.413**
	53.892	**59.756**

	Initial Balance	**Accumulated amortization**	**Carrying amount**
Trademarks Acquired (1)	16.665	(2.385)	14.280
Balance as of December 2019	**16.665**	**(2.385)**	**14.280**

The amortization expenses for the quarter were as follows:

(Stated in millions of Colombian pesos)

	December 31, 2019	December 31, 2018
Amortization brands	2.385	6.630
Amortization of exclusivity contracts, databases and licenses	3.760	1.119
Sub-total Amortization Expense	**6.145**	**7.749**
Advice, free-standing trust's commissions, contributions	3.117	1.379
Investor Performance	1.455	1.615
Facilities' Remodeling	203	321
Insurance	911	535
Air Passages	-	427
Total expense	**11.831**	**12.026**

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

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 December 2019, 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. It is also noted that the income of advance commissions in August is very close to the estimate, so all revenue is expected to be met at the end of 2019.

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 16. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

	December 31, 2019	December 31, 2018
ASSETS		
Hedge forward contracts (16.1)	10.771	13.092
Hedge Options (16.2)	68.543	52.774
Hedge Swaps (16.3)	114.633	98.620
Sub-Total	**193.947**	**164.486**
Call Premium	16.883	17.886
Total	**210.830**	**182.886**
LIABILITY		
Hedge Negotiation (16.1)	32.188	26.762
Sub-Total	**32.188**	**26.762**

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

Hedging Operations

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

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

	2018 – 2019						
	Theoretical Hedging			**Annual Interest Rate**			
Type of Instrument	**Credivalores receives**	**Credivalores pays**	**Liquidation**	**Effective Date**	**Maturity Date**	**CVCS receives**	**CVCS pays**
Cross Currency Swap	USD 135.000.000	COP 375.722.550.000	Non-Delivery	27/01/2018	27/07/2022	9,75%	IBR+ 8,89%
Cross Currency Swap	USD 15.000.000	COP 41.746.950.000	Non-Delivery	27/01/2018	27/07/2022	9,75%	IBR+ 8,89%
Cross Currency Swap	USD 100.000.000	COP 304.096.970.083	Non-Delivery	27/01/2018	27/07/2022	9,75%	IBR+ 8,86%
Total	**USD 250.000.000**						

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

16.1 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			
	December 31, 2019		**December 31, 2018**	
ASSETS	**Nominal Amount USD**	**Fair Value**	**Nominal Amount USD**	**Fair Value**
Forward Contracts for Hedging				
Purchase of foreign currency	69	10.771	69	13.092
Total forward contracts for hedging – assets	**69**	**10.771**	**69**	**13.092**

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

16.2 Derivate Financial Instruments Options

(Stated in millions of Colombian pesos)

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			
	December 31, 2019		December 31, 2018	
ASSETS	**Nominal Amount USD**	**Fair Value**	**Nominal Amount USD**	**Fair Value**
Call spread premium option	75	68.543	75	52.774
Total forward contracts for hedging – assets	**75**	**68.543**	**75**	**52.774**

	Fair value			
	December 31, 2019		December 31, 2018	
LIABILITIES	**Nominal Amount USD**	**Fair Value**	**Nominal Amount USD**	**Fair Value**
Call spread premium option	75	32.188	75	26,762
Total forward contracts for hedging – Liabilities	**75**	**32.188**	**75**	**26,762**

Options Contracts for Hedging

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

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

Call Premium

The premium Call option is the payment to lock the right to the option contract at the beginning of the operation with the counterparties Nomura and JP Morgan. 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.

(Stated in millions of Colombian pesos)

Below call premium movement:

	December 31, 2019	December 31, 2018
Balance at start of period	17.886	-
Agreed Premium	4.499	22.489
Call premium amortization	(5.502)	(4.603)
Total	**16.883**	**17.886**

16.3 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			
	December 31, 2019		**December 31, 2018**	
ASSETS	**Nominal Amount USD**	**Fair Value**	**Nominal Amount USD**	**Fair Value**
Hedging Contracts Cross Currency Swaps (a)	250	103.071	250	87.049
Hedging Contracts Coupon Only Swap (b)	75	11.562	75	11.571
Total forward contracts for hedging – assets	**325**	**114.633**	**325**	**98.620**

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 Note hedged.

NOTE 17. FINANCIAL OBLIGATIONS

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

	December 31, 2019	December 31, 2018
Issuance of bonds	1.065.071	1.056.169
Foreign banks	294.943	243.731
Financial obligations in free standing trusts	230.678	209.252
Promissory notes – Local banks	92.278	113.550
Finance lease agreements	12	189
Other financial obligations	6	20
Transaction cost	6.258	(58.803)
Other Lease Liabilities	(45.668)	-
	1.643.578	**1.564.108**

The balances of the financial obligations of Credivalores and the free-standing trusts in which it acts as trustor as of December 31, 2019 and December 31, 2018, correspond to obligations entered into with Colombian financial institutions, the international capital market and financial leasing. Short-term obligations are those that mature between October 2019 and 2020 and long-term loans are those with maturities after October 2020:

a) Short-term financial obligations.

(Stated in millions of Colombian pesos)

Entity	**December 31, 2019**	**Interest rate**	**Maturity**	**December 31, 2018**	**Interest rate**	**Maturity**
National entity						
Banco de Bogotá	2.938	IBR + 5.3%	2019	6.947	IBR + 6.5%	2019
Banco Colpatria	25.417	9.9% EA	2019	58.050	IBR + 9.2%	2019
Banco De Occidente	9.950	IBR + 4.3%	2019	10.000	IBR + 4.25%	2019
Bancolombia	16.125	DTF + 7.4%	2019	4.861	DTF + 7.5%	2019
Bancoomeva			2019	2.000	DTF + 8%	2019
Banco Santander			2019	6.667	IBR + 6.5%	2019
Total National Entity	**54.430**			**88.525**		
Foreign Entity						
ECP Program Notes	114.700	8.3% EA	2020			
Foreign Entity	114.700					
Finance lease agreements						
Leasing Bancolombia	12	8,4% EA	2019 y 2020	90	8,42% EA	2019
Total Financial Finance lease agreements	**12**			**90**		
Other lease liabilities				-		
Total other lease liabilities				**-**		
Overdraft	**6**			**20**		
Autonomous Assets						
PA Crediuno IFC	6.222	11.11%EA	2020 y 2021			
Total Autonomous Assets	**6.222**					
Total Short-term obligations	**175.370**			**88.635**		

Credivalores had short-term financial obligations during the periods ended December 31, 2019 and December 31, 2018 totaling 175.370 and 88.635, respectively. The measurement of financial liability instruments for financial obligations is valued at amortized cost, as per IFRS 9.

b) Long-term obligations

Long-term obligations

Entity	**December 31, 2019**	**Interest rate**	**Maturity**	**December 31, 2018**	**Interest rate**	**Maturity**
National entity						
Banco de Bogotá	9.391	IBR+6,3 %	2020	5.627	IBR+6,5 %	2020
Bancolombia	18.682	IBR + 6.9%	2021 y 2022	19.398	IBR + 6.85%	2019
Banco Santander	9.775	IBR + 6%	2021			
Total National Entity	**37.848**			**25.025**		
Foreign Entity						
ECP Program Notes	180.243	8,4% EA	2021	243.731	8,25% EA	2020 y 2021
	180.243			**243.731**		
Free-standing trusts						
CrediUno IFC	11.646	12.2% EA	2020 y 2021	35.581	11,91% EA	2020 y 2021
Syndicated Loan TuCrédito	212.810	DTF + 5,5%	2023 y 2024	173.670	DTF + 5,5%	2023 y 2028
Total Free-standing trusts	**224.456**			**209.251**		
Finance lease agreements						
Leasing Bancolombia	-			100	8,42% EA	2019 y 2020
Other lease liabilities	6.258			-		
Total Financial Leasing	**6.258**			**100**		

(Stated in millions of Colombian pesos)

International Bonds 144 A/Reg. S	819.285	9,75% EA	2022	812.437	9,75% EA	2022
International Bonds 144 A/Reg. S Retap	245.786	9,75% EA	2022	243.731	9,75% EA	2022
Total International bonds	**1.065.071**			**1.056.169**		
Total obligations	**1.513.876**			**1.534.276**		
Cost of Transaction to be Amortized IFP	(45.668)			(58.803)		
Total financial obligations	**1.643.578**			**1.564.108**		

The Company had long-term financial obligations during the periods ended December 31, 2019 and December 31 2018 totaling 1.513.876 and 1.534.276, respectively. Associated costs incurred in the acquisition of loans are classified as transaction costs pending IFP amortization for the periods ended December 31, 2019 and December 31, 2018, valued at 44.490 and 58.803, respectively. The measurement of financial liability instruments for financial obligations is valued at amortized cost, as per NIIF 9.

The total balance of financial obligations for the periods ended December 31, 2019 and December 31, 2018 is 1.643.578 and 1.564.108 respectively, which will be paid off as described above.

Obligations stated in foreign currency

Entity	Nominal Value as of December 31, 2019		Nominal as of Value December 31, 2018	
ECP Program Notes (a)	75	294.943	75	243.731
International Finance Corporation (IFC)	9	17.868	12	35.581
Issuance of bonds 144 A/ Reg S (b)	325	1.065.071	325	1.056.169
Total	**USD 409**	**COP 1.377.882**	**USD 412**	**COP 1.335.481**

(a) Euro Commercial Paper Program Notes

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

Later, on April 19, 2018 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%.

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

These optional redemptions and the new issuance of notes under the ECP Program, resulted in new a balance of this Program of US$75,000,000 as of December 31, 2019.

(b) Issuance of bonds

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

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

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

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

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

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

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

Principal	Coupon	First Coupon Payment – 27/01/2018	Second Coupon Payment - 27/07/2018	Third Coupon Payment - 27/01/2019	Fourth Coupon Payment - 27/07/2019
250.000.000	9,75%	12.187.500	12.187.500	12.187.500	12.187.500
75.000.000	9,75%		3.656.250	3.656.250	3.656.250
	Total in USD	**12.187.500**	**15.843.750**	**15.843.750**	**15.843.750**
	FX Rate	2.805,40	2.882,84	3.160,52	3.213,09
	Total in Millions Pesos	**34.190.812.500**	**45.674.996.250**	**50.074.488.750**	**50.907.394.688**

Covenants

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

In addition, in December 2012 the company signed an index loan to pesos 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 15% by December 31, 2019, a equity-to-equity ratio (not less than 12%) for 2018 13% and 14% by December 31, 2019, an exposure ratio to economic group (no more than 7%) for 2018 of 0.3% and 0.3% for December 31, 2019, exposure ratio to related parties (no more than 12%) for 2018 of 0.73% and 0.63% by December 31, 2019, fixed assets on equity (no more than 35%) for 2018 of 0.32% and 0.40% by December 31, 2019, an aggregate disinterest ratio of exchange rate (no higher than 25%) for 2018 of 3.90% and 3.62% by December 31, 2019, an aggregate interest rate risk ratio (not less than -10% and not more than 10%) for 2018 of -1.90% and -1.50% for December 31, 2019 and a liquidity ratio (not less than 8%) 10.60% and 8.94% by December 31, 2019.

During 2018 and as of December 31, 2019 Credivalores complied with the covenants set forth above.

- **IFP Financial Cost**

The funds received from loans acquired from financial institutions are used for portfolio origination and to handle various lines of working capital, which helps to maintain a degree of liquidity for the Company. The loans are represented by promissory notes wherein both parties establish the payment conditions, including maximum amount, amount, interest rate and duration. The financial cost of financial obligations for the periods ended December 31, 2019 and December 31, 2018:

	December 31, 2019	December 31, 2018
Free-standing trusts	21.115	19.136
Local banks	11.194	9.377
Finance Leasing	17	43
Foreign currency obligation	20.557	19.035
Financial cost Derivatives	21.114	21.155
Issuance of bonds	101.607	94.805
Amortization Transaction costs	15.5707	18.561

(Stated in millions of Colombian pesos)

Interest for liabilities for lease and finance lease agreements	650	-
Total	**191.824**	**182.112**

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 18. EMPLOYEE BENEFITS

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

Below is a breakdown of employee benefit payments as of December 31, 2018 and December 31, 2017:

	December 31,	
	2019	**2018**
Holidays	603	650
Severance pay	451	380
Interest on severance pay	51	43
Salaries	-	23
	1.105	**1.096**

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

NOTE 19. OTHER PROVISIONS

Credivalores provisions at December 31, 2019 and December 31, 2018, respectively are provided below.

	December 31, 2019	**December 31, 2018**
Litigations subject to executive proceedings	226	108
Other provisions	250	235
	476	**343**

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

	Legal provisions	**Other provisions**	**Total provisions**
Balance held at December 31, 2018	**108**	**235**	**343**
Increase in provisions during the period	118	15	133
Balance held at December 31, 2019	**226**	**(*) 250**	**476**

(Stated in millions of Colombian pesos)

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

(*) As of December 31, 2019, other provisions are made up of the following:

	December 31, 2019	December 31, 2018
Fees	64	134
Others	186	101
	250	**235**

Provisions correspond mainly to labor, civil and administrative processes filed by third parties against Credivalores, on which provisions were recognized as of December 31, 2018 in an amount of 84 and were increased to 87 as of the third quarter of 2019, 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 20. ACCOUNTS PAYABLE

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

	December 31, 2019	December 31, 2018
Commissions and fees	3.998	3.326
Costs and expenses payable (20.1)	75.671	78.704
Leases	5	18
Suppliers	95	53
Withholdings and labor contributions	733	571
Other accounts payable (20.2)	19.771	13.225
	100.273	**95.897**

20.1 Costs and expenses payable

	December 31, 2019	December 31, 2018
Financial expenses	49.992	50.067
Others	19.272	23.319
Services	6.407	5.280
Travel expenses	-	38
	75.671	**78.704**

20.2 Other accounts payable

(Stated in millions of Colombian pesos)

	December 31, 2019	December 31, 2018
Collection in favor of third parties	2.806	1.612
Disbursements Payroll Loans	6.223	5.327
Disbursements Credipoliza	5.196	4.850
Disbursements Crediuno	937	752
Disbursements Visa	1.722	532
Disbursements PA	1.840	-
Disbursements Tu credito	143	-
Disbursements Tigo	843	152
Others	61	-
	19.771	**13.225**

NOTE 21. CURRENT AND DEFERRED TAX LIABILITIES

21.1 Components of current tax asset:

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

	December 31, 2019	December 31, 2018
Income tax advance	13.537	12.043
Advance other taxes	5	16
Total current tax assets	**13.542**	**12.059**

21.2 Components of current tax liabilities

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

	December 31,	
	2019	**2018**
Tax on industry and Commerce	1.189	1.684
Sales tax	55	512
	1.244	**2.196**

21.3 Components of income tax expense

Income tax expense for the years ended December 31, 2019 and December 31, 2018 is as follows:

	December 31,	
	2019	**2018**
Income Tax	5.596	2.792
Subtotal - taxes from the current period	**5.596**	**2.792**
Net deferred tax from the period	(2.384)	1.789
Total	**3.212**	**4.581**

In accordance with the IAS 12, current and deferred taxes are recognized as income or expense in the income statement, except to the extent that they arise from a transaction or event recognized outside profit or loss in other comprehensive income (OCI), in equity. Therefore, in the periods ended December 31, 2019 and December 31, 2018, other comprehensive income was recognized in equity.

(Stated in millions of Colombian pesos)

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

The tax provisions in force in Colombia for income and ancillary taxes applicable in 2019 and 2018, respectively, among others, are as follows:

1. Law 1819 of 2016 states that tax revenues for the year 2018 are taxed at a rate of 33% and the 1943 Act of 2018 states that tax revenues for the year 2019 are taxed at a rate of 33%.

- Law 1819 of 2016 creates an additional surcharge to income tax. This tax is calculated from the income tax base minus $800,000, with a rate of 4% for the year 2018.

- Under the Economic Growth Act 2010 of 2019, the income tax rate for the years 2020, 2021, 2022 and following is 32%, 31% and 30%, respectively.

- Economic Growth Act 2010 2019 reduces presumptive income to 0.5% of liquid assets on the last day of the taxable year immediately preceding 2020, and to 0% from 2021 and following.

- The Economic Growth Act 2010 of 2019 maintains the possibility of taking as tax discount on income tax 50% of the industry and trade tax notices and boards actually paid in the taxable year or period, which from the year 2022 will be 100%. For the year 2018 and 2019 this tax has the treatment of deduction in income tax.

- The occasional earnings tax is taxed at the rate of 10%.

Excess presumptive income can be compensated in the following 5 taxable periods.

The Company reconciled the total effective rate without deferred tax, which was 39% for 2019 and 38% for 2018, as detailed below:

	2019	**2018**
Earnings (loss) before tax	8.264	11.933
Income Tax rate	33%	37%
Income Tax	**2.727**	**4.415**
More (less) tax impact on:		
Non-deductible expense	777	1.216
Exchange rate differences	(323)	(2.159)
Non-deductible tax	4	1.075
Presumptive interest	27	40
Others	-	(6)
Total income tax provisions charged to income	**3.212**	**4.581**
Effective rate	**39%**	**38%**

21.5 Deferred Tax

Differences between the carrying amount of assets and liabilities and the tax bases thereof give rise to temporary differences that generate deferred taxes, calculated and recorded in the periods ended December 31, 2019 and December 31, 2018, based on the tax rates in force for the years in which said temporary differences are to be reversed.

Year ended December 31, 2019

(Stated in millions of Colombian pesos)

	Balance held at December 31, 2018	Income (Expense) in income statement	Unrealized income (expense) in OCI	Balance as of December 31, 2019
Deferred tax assets				
Difference between accounting and excess of presumptive income	1.988	(1.988)	-	-
Difference between accounting and tax bases – loans	4.582	4.725	-	9.307
Adoption IFRS 9	14.117	-	-	14.117
Adoption IFRS 16	-	114	-	114
Differences between accounting and tax depreciation	218	19	-	237
Subtotal	**20.905**	**2.870**	**-**	**23.775**
Deferred tax liability				
Valuation of financial instruments	-	-	5.190	5.190
Intangibles	-	1.075	-	1.075
Impairment of financial instruments	6.052	132	-	6.184
Shares valuation	421	(721)	573	273
Subtotal	**6.473**	**486**	**5.763**	**12.722**
Net Total	**14.432**	**2.384**	**(5.763)**	**11.053**

Year ended December 31, 2018

	Balance held at December 31, 2017	Income (Expense) in income statement	Unrealized income (expense) in OCI	Retained earnings	Balance as of December 31, 2018
Deferred tax assets					
Difference between accounting and excess of presumptive income	2.526	(538)	-	-	1.988
Difference between accounting and tax bases – loans	-	4.582	-	-	4.582
Adoption IFRS 9	-	-	-	14.117	14.117
Differences between accounting and tax depreciation	-	218	-	-	218
Subtotal	**2.526**	**4.262**	**-**	**14.117**	**20.905**
Deferred tax liability					
Reasonable Value Cost	-	-	-	-	-
Difference between accounting and tax bases – loans	-	6.052	-	-	6.052
Shares valuation	-	-	421	-	421
Subtotal	**-**	**6.052**	**421**	**-**	**6.473**
Net Total	**2.526**	**(1.790)**	**(421)**	**14.117**	**14.432**

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

(Stated in millions of Colombian pesos)

The deferred tax is recognized based on the differences between the book values of the assets and liabilities in the financial statements and their corresponding social bases (known as temporary differences).

The tax rate applied to calculate the deferred tax is as follows:

Year to reverse temporary differences	Tax	Concept
2020	32%	Tax (2019)
2022	30%	Tax (2022)

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

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

	December 2019			December 2018		
	Amount before tax	Deferred tax income (expense)	Net	Amount before tax	Deferred tax income (expense)	Net
Items that may be subsequently reclassified to income						
Effect of changes in fair value on the valuation of derivative financial instruments	**21.206**	**(5.190)**	**16.016**	**17.584**	**-**	**17.584**
Shares	**525**	**(573)**	**(48)**	**761**	**(421)**	**340**
	21.731	**(5.763)**	**15.968**	**18.345**	**(421)**	**17.924**

21.7 Tax uncertainties

The Company's income tax returns for the fiscal years 2019 and 2018 remain subject to acceptance and review by tax authorities. The Senior Management of Credivalores Crediservicios S.A.S. and its legal counsel believe that the amounts recorded as liabilities in the form of unpaid tax are sufficient to cover any claims that could arise.

21.8 Annual Statement of Assets Held Abroad

Law 1739 of 2014 created an annual declaration of assets held abroad to be submitted by all those paying Income and Ancillary Taxes who are **obliged** to pay tax on (i) their global income; (ii) their equity held both at home and abroad; and (iii) assets held abroad.

The information required in order to identify the taxpayer as stipulated by the corresponding tax regulations is as follows:

- ✓ Discrimination of assets held by the Company abroad at January 1, 2018, the value of which shall exceed 3,580 TVA (Tax Value Units), the value of the taxpayer's equity, the jurisdiction in which the assets are located and the nature and type of asset.

- ✓ Discrimination of assets held by the Company abroad at January 1, 2018, the value of which shall not exceed 3,580 TVA (Tax Value Units) in order to declare these in their aggregate along with the jurisdiction in which the assets are located and the nature and type of asset.

NOTE 22. OTHER LIABILITIES

(Stated in millions of Colombian pesos)

Below the detail of other liabilities:

	December 31, 2019	**December 31, 2018**
Collections pending application	28.285	23.841
Values received for third parties (22.1)	19.620	8.854
Bond premium at issuance	5.141	7.139
Collection of managed loan portfolios	8.252	5.116
Checks pending collection	416	984
Credit card guarantee	119	363
Pending disbursements	-	2
Total	**61.833**	**46.299**

22.1 Values received for third parties

Below the detail of other Values received for third parties

	December 31, 2019	**December 31, 2018**
FGA guarantees' collections (a)	16.041	3.317
Voluntary and mandatory insurance collections	1.388	2.655
Free-standing trusts collections	2.172	1.872
Loan studies collection	-	942
Crediprogreso loan portfolio collection	-	49
Retailers collections	19	19
Total Values received for third parties	**19.620**	**8.854**

(a) This value corresponds to the security claim pending payment to the FGA and to compensate with claims.

NOTE 23. 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 December 31, 2019 and December 31, 2018 Credivalores 's authorized and paid in capital is **$129.638** and $**123.992** represented in **4.588.300** and **4.385.998** shares, each of a nominal value of 28.254; respectively.

(Stated in millions of Colombian pesos)

Credivalores Crediservicios S.A.

Shareholder	December 31, 2019 Number of shares	%	December 31, 2018 Number of shares	%
Acon Consumer Finance Holdings S de RL	912.913	19.89%	870.444	19.86%
Crediholding S.A.S.	1.571.073	34.24%	1.497.987	34.15%
Lacrot Inversiones 2014 SLU	1.671.520	36.43%	1.593.760	36.34%
Acon Consumer Finance Holdings II S L	193.153	4.21%	184.167	4.20%
Direcciones de Negocio S.A.S.	1	0.00%	-	-
Treasury shares	239.640	5.22%	239.640	5.46%
Total	**4.588.300**	**100%**	**4.385.998**	**100%**

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

Below the capitalization movement during the years 2019 and 2018:

	December 31, 2019	December 31, 2018
Subscribed ordinary shares	202.302	106.976
Subscribed preferential shares	-	-
Nominal value	28.254	28.254
Additional share capital	5.716	3.023
Additional disbursed capital	-	-
Total	**5.716**	**3.023**

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

	December 31, 2019	December 31, 2018
Ordinary shares (a)	2.081.515	1.532.597
Preferred shares (a)	2.506.785	2.506.785
Repurchased treasury shares	239.640	239.640
Total earnings per share	**1.189**	**1.773**

(a) The value of the shares as of December 31, 2019 and December 2018 correspond to the total number of outstanding shares held by Credivalores, 4.588.300 and 4.385.998 respectively.

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.

(Stated in millions of Colombian pesos)

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	19.89%
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, 2018

Share capital							
Name of Entity	**Preference shares A**	**Preference shares B**	**Preference shares C**	**Treasury Shares**	**Common Shares**	**Total**	**%**
Acon Consumer Finance Holdings S de R.L.	835.834	-	-	-	34.610	870.444	19,85%
Crediholding S.A.S.	-	-	-	-	1.497.987	1.497.987	34,15%
Lacrot Inversiones 2014 S.L.U.	-	923.665	563.119	-	106.976	1.593.760	36,34%
Treasury Shares	-	-	-	239.640	-	239.640	5,46%
Acon Consumer Finance Holdings II, S.L.	-	184.167	-	-	-	184.167	4,20%
Total	**835.834**	**1.107.832**	**563.119**	**239.640**	**1.639.573**	**4.385.998**	**100,00%**

Treasury shares

	December 31, 2019	**December 31, 2018**
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.

Reserves

Equity reserves as of December 31, 2019 and December 31, 2018 were comprised of the following:

	December 31, 2019	**December 31, 2018**
Legal reserve	5.793	5.793
Reserve to repurchased treasury shares	12.837	12.837
Occasional reserves:	21	21
Total Reserves	**18.651**	**18.651**

(Stated in millions of Colombian pesos)

NOTE 24. OTHER COMPREHENSIVE INCOME (OCI)

We present the detail below:

	December 31, 2019	December 31, 2018
Tax	(5.370)	393
Income tax OCI	**(5.370)**	**393**
Other comprehensive income	**19.097**	**(2.634)**
Shares	1.798	1.273
Financial instruments	**17.298**	**(3.907)**
Financial instruments Forward	(9.526)	(12.343)
Financial instruments Cross Currency Swap	11.971	2.040
Financial instruments Options	5.013	(3.379)
Financial instruments Coupon Only swap	9.840	9.775
Total	**13.727**	**(2.241)**

NOTE 25. REVENUE

Below, is a detail of revenue for the three and nine-months ended December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Interests (25.1)	275.186	241.414
Revenue from customer contracts (25.2)	97.003	100.299
	372.189	**341.713**

25.1 Interest

	December 31, 2019	December 31, 2018
CrediUno interest	48.898	66.419
CrediPoliza interest	10.417	16.271
TuCrédito interest	53.962	51.817
Tigo interest	9.571	10.005
TuCrédito transaction costs	(8.574)	(5.954)
CrediPoliza transaction costs	(324)	(394)
CrediUno transaction costs	(5.818)	(5.548)
TuCrédito fair value	987	1.271
Sub-total Consumer loans	**109.119**	**133.887**
Microcredit interest	58	202
Microcredit loans transaction costs	(35)	(227)
Sub-total Microcredit	**23**	**(25)**
Factoring	278	152
Subtotal Factoring	**278**	**152**
CrediUno late payment interest	849	490
CrediPoliza late payment interest	669	697
TuCrédito late payment interest	480	364
Tigo late payment interest	345	126
Consumer loan defaults	**2.343**	**1.677**
CrediYa late payment interest	92	163
Microcredit loan defaults	**92**	**163**
Financial returns	5.071	3.657
BTG pactual financial returns	43.971	21.164
Current interests, Free-standing Trust	46.039	47.834
Income from FGA Alliance	20.640	7.894

(Stated in millions of Colombian pesos)

Other income, Free-standing Trust	3.435	2.696
Write – off	18.168	11.789
Other loan interest	26.008	10.526
Other	**163.332**	**105.560**
Total Interests	**275.186**	**241.414**

25.2 Revenue from customer contracts

	December 31, 2019	**December 31, 2018**
Administration fee – credit card	56.221	62.912
Collection fees	15.497	14.647
Administration fee - life insurance plus	6.480	5.510
Brokerage Commission	6.738	3.727
Financial Consultancy – Returns from Debtor life insurance	3.965	5.405
Financial Consultancy- Returns Voluntary insurance policies	3.142	2.918
Shared financial consultancy fees	2.365	2.721
Internal commission	1.464	1.411
Certifications	676	248
Returned commission	446	240
Department store income and credit card channels income	8	20
Microcredit SME's loan fees	1	14
Other financial consultancy	-	1
Claims reimbursed Aval FGA	-	112
TuCrédito collection fees	-	413
	97.003	**100.299**

NOTE 26. OTHER INCOME

At the end of each period, movements corresponded to:

	December 31, 2019	**December 31, 2018**
Recovery of portfolio written-off	705	255
Recoveries from previous exercises	632	-
Sickness Leave	161	94
Reimbursement of expenses from previous years	6	49
Refund insurance	19	21
Tax refund	5	4
Other income recoveries	132	6
Other	697	22
	2.357	**451**

(Stated in millions of Colombian pesos)

NOTE 27. OTHER EXPENSES

At the end of each period, movements corresponded to:

	December 31, 2019	December 31, 2018
Fees	25.350	22.263
Taxes	9.654	9.780
Technical assistance	8.640	11.308
Public services	4.537	2.980
Operating leases	4.464	3.699
Temporary Services	3.754	134
Electronic data processing	2.167	2.158
Commissions	2.677	4.190
Publicity and advertising	2.499	2.977
Consultation with Credit Bureau	2.235	1.900
Transport	2.000	1.364
Cost of representation	1.604	2.679
Returns to investors	1.590	1.615
Concierge and security services	880	1.343
Travel expenses	820	766
Office supplies	802	945
Remodeling of facilities	727	537
Insurance	590	449
Fines, penalties and awards	565	446
Publications and subscriptions	514	548
Maintenance	453	110
Legal expenses	295	325
Donations	32	79
Other	22	12
	76.871	**72.607**

NOTE 28. NET FINANCIAL INCOME

Below is the detail of financial (net) costs, for the periods for three and nine months ended December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Financial performances	478	467
Financial income	2.357	451
Exchange rate differences	412	8.638
Total Financial Income	**3.247**	**9.556**
Forwards valuation	(4.240)	(6.039)
Total Financial Expense	**(4.240)**	**(6.039)**
Net Financial Income (expense)	**(993)**	**3.517**

(Stated in millions of Colombian pesos)

NOTE 29. 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.

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

	December 31, 2019	December 31, 2018
Unpaid approved credits	**495.551**	**581.434**

NOTE 30. 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 includes the Company CEO and other C-level Officers, who are those who participate in the planning, direction and control of the Company.

4. Affiliates: Companies in which 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 December 31, 2019 and December 31, 2018 with related parties are included in the following charts, with headings for definitions of the related parties recorded in the previous sections.

(Stated in millions of Colombian pesos)

	December 31, 2019		December 31, 2018	
	Shareholders	**Members of the Board of Directors (a)**	**Shareholders**	**Members of the Board of Directors (a)**
Accounts receivable	1.815	-	1.815	-
Accounts payable	-	78	-	42
Operating expenses	-	186	-	247

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

Item	December 31, 2019	December 31, 2018
Salaries	3.870	5.164
Short-term employee benefits	957	721
Total	**4.827**	**5.885**

a. Members of the Board of Directors (principals and alternates, along with their related parts) as of December 31, 2019:

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	Caicedo Pachón Maria Marcela	Maria Juliana Pinillos
6	Adrián Gustavo Ferrado	Carlos Manuel Ramón
7	Lawrence Robert Rauch	Maria Patricia Moreno

Legal Representatives

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

NOTE 31. SUBSECUENT EVENTS

Between January and February 2020 Credivalores carried out a tender offer on the 9.75% bonds due 2022, which was financed through the issuance a new dollar denominated bond due 2025. The tender and new issue resulted in the modification of hedging instruments used to mitigate the foreign currency and cash flow risks, which are currently in place on the principal and interests of the 9.75% bond due 2022.