Credivalores-Crediservicios S. A.
Financial Statements

For the periods ended December 31, 2022 and 2021

CREDIVALORES -CREDISERVICIOS S. A.
STATEMENT OF FINANCIAL POSITION
ENDED DECEMBER 31, 2022 AND 2021
(Stated in million of Colombian pesos)

	Notes	December 31, 2022	December 31, 2021
Assets			
Cash and cash equivalents	8	273.052	148.514
Financial Assets at fair value measure profit or lost			
Equity Instruments	9	5.698	6.115
Derivatives Instruments	17	98.861	355.167
Loan portfolio	11	381	16.683
Total financial assets at fair value		**104.940**	**377.965**
Financial Assets at amortized cost			
Consumer loans	11	2.005.440	2.034.298
Impairment	11	(372.608)	(318.427)
Total Loan portfolio, net	11	**1.632.832**	**1.715.871**
Accounts receivable, net	12	320.129	436.872
Total Financial Assets at amortized cost		**1.952.961**	**2.152.743**
Investments in Associates and Affiliates	10	14.945	12.369
Current tax assets	22	32.012	22.245
Deferred tax assets, net	22	157.736	43.409
Property and equipment net	13	173	229
Assets for right of use	14	2.021	4.298
Intangible assets other than goodwill, net	15	39.852	44.111
Total assets		**2.577.692**	**2.805.883**
Liabilities and equity			
Liabilities:			
Financial Liabilities at fair value			
Derivative instruments	17	-	316
Total Financial Liabilities at fair value		**-**	**316**
Financial Liabilities At amortized cost			
Financial obligations	18	2.534.228	2.417.239
Other Lease Liabilities	14	2.179	4.770
Total Financial Liabilities At amortized cost		**2.536.407**	**2.422.009**
Employee benefits provisions	19	1.053	995
Other provisions	20	3.028	918
Accounts payable	21	51.892	79.065
Current tax liabilities	22	1.698	1.969
Other liabilities	23	40.057	42.000
Total liabilities		**2.634.135**	**2.547.272**
Equity:	24		
Share capital		135.194	135.194
Treasury shares	24	(12.837)	(12.837)
Reserves treasury shares	24	12.837	12.837
Reserves	24	11.038	11.038
Additional paid-in capital		71.169	71.169
Other Comprehensive Income (OCI)	25	(49.470)	(36.874)
Retained earnings		99.995	94.058
IFRS convergence result		(21.910)	(21.910)
Net loss income for the period		(302.459)	5.936
Total equity		**(56.443)**	**258.611**
Total liabilities and equity		**2.577.692**	**2.805.883**

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

CREDIVALORES -CREDISERVICIOS S. A.
STATEMENT OF INCOME
PERIODS ENDED DECEMBER 31, 2022 AND 2021
(Stated in million of Colombian pesos)

	Notes	December 31, 2022	December 31, 2021
Interest Income and similar	26.1	**286.766**	**321.174**
Financial costs interest	18	(491.269)	(235.759)
Exchange rate differences	18	(121.755)	996
Revenue from contracts and other services with customers	26.2	**113.128**	**115.452**
Net Interest		**(213.130)**	**201.863**
Impairment of financial and condonation assets loan portfolio	11	(83.739)	(81.822)
Expense on accounts receivable provisions		(11.298)	(13.860)
Gross Financial Margin		**(308.167)**	**106.181**
Other Expenses			
Employee Benefits		(14.358)	(13.409)
Depreciation and amortization expense	13 – 15	(6.222)	(6.185)
Depreciation right of use assets	14.1	(2.056)	(2.156)
Other	28	(88.880)	(80.004)
Total Other expenses		**(111.516)**	**(101.754)**
Net operating Income		**(419.683)**	**4.427**
Other Income	27	2.122	940
Financial income		7.566	937
Financial Income		**9.688**	**1.877**
Investment valuation at fair value	29	(9)	(44)
Financial expense		**(9)**	**(44)**
Net financial income (expense)		**9.679**	**1.833**
Net Income before income tax		**(410.004)**	**6.260**
Income tax	22	107.545	(324)
Net income for the period		**(302.459)**	**5.936**
Net earnings per share		**(63.211)**	**1.241**

CREDIVALORES -CREDISERVICIOS S. A.
STATEMENT OF OTHER COMPREHENSIVE INCOME
PERIODS ENDED DECEMBER 31, 2022 AND 2021
(Stated in million of Colombian pesos)

	December 31, 2022	December 31, 2021
Net income for the period	**(302.459)**	**5.936**
Other comprehensive income		
Items that may be or are reclassified to profit or loss		
Shares	-	(345)
Unrealized gains (losses) from cash flow hedges:		
Valuation of financial derivatives Forwards	300	3.585
Valuation of financial derivatives Cross Currency Swaps	(40.869)	(54.322)
Valuation of financial derivatives Options	21.190	(54.186)
Income tax	6.782	34.414
Total other comprehensive income for the period	**(12.597)**	**(70.854)**
Total other comprehensive income	**(315.056)**	**(64.919)**

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

CREDIVALORES- CREDISERVICIOS S. A.
STATEMENT OF CHANGES IN EQUITY
PERIODS ENDED DECEMBER 31, 2022 AND 2021
(Stated in million of Colombian pesos)

	Share capital	Additional paid-in capital	Treasury Shares	Reserves	Other Comprehensive Income (OCI)	IFRS convergence result	Retained earnings	Earnings for the period	Total
Balance as of January 01, 2020	**129.638**	**64.725**	**(12.837)**	**18.651**	**33.980**	**(54.848)**	**123.638**	**5.224**	**308.171**
Appropriation of earnings	-	-	-	5.224	-	-	-	(5.224)	-
Capitalization	5.556	6.444							12.000
Increases (decrease) in other comprehensive income	-	-	-	-	(70.854)	-	-	-	(70.854)
Deferred tax application IFRS 9 first time	-	-	-	-	-	-	3.358	-	3.358
Net income for the period	-	-	-	-	-	-	-	5.936	5.936
Balance as of December 31, 2021	**135.194**	**71.169**	**(12.837)**	**23.875**	**(36.874)**	**(54.848)**	**126.996**	**5.936**	**258.611**
Appropriation of earnings	-	-	-	-	-	-	5.936	(5.936)	-
Capitalization	-	-	-	-	-				-
Increases (decrease) in other comprehensive income	-	-	-	-	(12.596)	-	-	-	(12.596)
Net income for the period	-	-	-	-	-	-	-	(302.459)	(302.459)
Balance as of December 31, 2022	**135.194**	**71.169**	**(12.837)**	**23.875**	**(49.470)**	**(54.848)**	**132.932**	**(302.459)**	**(56.443)**

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

CREDIVALORES -CREDISERVICIOS S. A.
STATEMENT OF CASH FLOWS
PERIODS ENDED DECEMBER 31, 2022 AND 2021
(Stated in million of Colombian pesos)

	Notes	December 31, 2022	December 31, 2021
Cash flows from operating activities			
(Loss) Profit after income tax		(302.459)	5.936
Reconciliation of (loss) profit after income tax:			
Depreciation of tangible assets	13	240	405
Depreciation of assets by right of use		2.056	2.156
Amortization of Intangible Assets	15	5.982	5.780
Amortization of expenses paid in advance		5.377	11.117
Increase in Impairment for Credit Portfolio	11	75.368	67.500
Amortization of Transaction Costs Liabilities		31.875	28.308
Increase in forgiveness		8.370	14.322
Impairment Accounts Receivable		11.298	13.860
Portfolio valuation measured at fair value	12	16.302	3.332
Change in investments in associates	10	(2.576)	(1.403)
Interest causation of financial obligations		271.783	208.477
Difference in Exchange Financial Instruments		360.623	303.443
Income tax		(107.545)	324
Cash generated by operations			
Net change in operating assets and liabilities:			
Increase in the portfolio of capital and interest loans		(7.808)	(312.981)
Increase in Accounts Receivable		112.554	(20.312)
Acquisition of Intangible Assets		(2.226)	(2.596)
Increase in prepaid expenses		(12.046)	(3.015)
Loss of intangible assets		121	55
Increase (Decrease) of Accounts Payable		(27.202)	(14.416)
Employee Benefits Increase		58	12
Income tax paid		(10.040)	(7.461)
Increased Provisions	20	2.110	(6.452)
Increase in Other Liabilities		(1.942)	(7.568)
Net cash provided by operating activities		**430.273**	**288.828**
Net change in investment assets**:**			
Increase in investments in FIC'S financial instruments		417	10.478
Acquisition of property and equipment		(184)	(65)
Net cash provided for investment activities		**233**	**10.413**
Net change in operating activities			
Acquisition of financial obligations		895.631	437.638
Result in the maturity settlement of derivatives		292.211	(262.085)
Payment of financial obligations		(1.208.090)	(404.229)
Interest payment financial obligations		(283.350)	(196.258)
Capitalization		-	12.000
Payment of financial leases		(2.370)	(2.093)
Net cash used for financing activities		**(305.968)**	**(415.027)**
Increase (decrease) in cash and cash equivalents		**124.538**	**(115.786)**
Cash and cash equivalents at the beginning of the period		148.514	264.300
Cash and cash equivalents at the end of the period		**273.052**	**148.514**

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. under the figure of a stock corporation.

The Company’s business purpose is to originate consumer loans, including payroll deduction loans, to private individuals or legal entities, using both its own funds and other sources of funding permitted by law. In carrying out these activities, the Company may:

a) Perform risk assessments,
b) Service and manage loans or lines of credit, including but not limiting the collection and registration of these obligations,
c) Purchase and sell loans, securities, and loan portfolios,
d) Borrow funds and enter into transactions allowing the Company to obtain the funds required to perform its corporate purpose,
e) Act as co-signer, guarantor, surety or collateral provider to raise funds in order to finance its activities that may be undertaken, structured or implemented through trust arrangements, and

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

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

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.

(Stated in million of Colombian pesos)

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 December 2021 the Company received 12,000 million of capital injection. The ownership of the Company after these capitalizations 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.	0,0%
Treasury Shares	5,22%
Total	**100,00%**

The authorized capital of the company will be as follows:

Authorized capital	Number of Shares	Nominal value
182.793.801.894	6.469.661	28.254

Ongoing Business

Article 218 of the Commercial Code sets the causes for dissolution of the Company:

The commercial company shall be dissolved for the following reasons:

1) The expiration of the term provided in the contract for its duration, if it is not validly extended before its expiration.
2) The impossibility of developing the social enterprise, for the termination of the same or for the extinction of the thing or things whose exploitation constitutes its object.
3) By reducing the number of associates to less than required by law for their constitution or operation, or by increasing them, exceeding the maximum limit set in the same law.
4) The declaration of bankruptcy of the company.
5) The causes that are specifically and clearly stipulated in the contract.
6) By decision of the associates, adopted in accordance with the laws and the social contract.
7) By decision of the competent authority in the cases expressly provided by law,
8) For other reasons established in the laws, in relation to all or some of the forms of society regulated by this Code.

Article 457 of the Commercial Code indicates the causes for dissolution in the corporation:

The public limited company shall be dissolved:

1) For the reasons indicated in article 218.
1. Repealed by art. 4 of Law 2069 of 2020
2) When ninety-five percent or more of the subscribed shares are owned by a single shareholder.

Likewise, Article 4 of Law 2069 of 2020 establishes:

ARTICLE 4. CAUSE OF DISSOLUTION FOR NON-COMPLIANCE WITH THE ONGOING BUSINESS HYPOTHESIS. Will be cause for the commercial company dissolution the non-compliance with the ongoing business hypothesis at the end of the year, in accordance with the provisions of current regulations.

(…)

PARAGRAPH 1. The references made in any rule relating to the cause of dissolution for losses shall be understood in reference to the present cause. The obligations established in this rule shall also be enforceable to branches of a foreign company.

Finally, the National Government through Act 854 of 2021 issued by the Ministry of Industry and Commerce indicated the financial ratios or criteria to establish patrimonial impairments and insolvency risks.

(…) however, administrators will use at least the following indicators as a baseline:

(Stated in million of Colombian pesos)

INDICATOR	DIMENSION	FORMULA
Negative equity position	Patrimonial detriment	Total Equity < 0
Consecutive losses in two closing periods or in several monthly periods according to the business model	Patrimonial detriment	(Profit for the financial year < 0) and (profit for the previous year < 0)
Net working capital on short-term debts (<0.5)	Insolvency Risk	(Commercial accounts receivable customers + current inventory -Commercial accounts payable) / Current Liabilities
EBIT / Total assets < Liabilities	Insolvency Risk	(Earnings before interest and taxes / Total Assets) < Total Liabilities

Credivalores has evaluated the following items according to the behavior in recent months:

- Economic environment.
- Payment of obligations with third parties: payroll, suppliers, and tax national, district and municipal entities, financial liabilities.
- Financial Forecasts.
- Ability to continue offering business model products.
- Shareholders commitment.

As stated in the conceptual framework, in paragraph 3.9 ongoing business hypothesis, financial statements are normally prepared under the assumption that a reporting entity is in operation and will continue its activity for the foreseeable future. Therefore, it is assumed that the entity does not intend or need to liquidate or cease its business. If such an intention or need would exist, financial statements may have to be prepared on a different basis. If so, the financial statements describe the basis used.

Economic overview

In 2022, different global and local events were presented that had important effects on economic performance. Situations such as the war between Russia and Ukraine impacted the costs of oil and its derivatives, generating cost overruns in energy generation and production globally, due to the increase in the price of raw materials. Likewise, the measures implemented by China to control COVID-19 infections, together with the high uncertainty of investors due to the electoral contests in Colombia, Brazil and other political events in the region, triggered an accelerated escalation in the exchange rates of a large part of the emerging economies.

Additionally, the global economic reactivation generated greater inflationary pressures that had to be tackled by the different central banks through a restrictive monetary policy, where countries such as Colombia suffered significant increases in interest rates, which decreased liquid funds in the economy.

With this global outlook, the economic performance in Colombia was favorable within the region despite having one of the most devalued currencies during 2022, which on average was close to 20%. However, the economy is estimated to have grown close to 9% and the unemployment rate fell to 10.9% in December according to DANE´s[1] statistics, approaching pre-pandemic levels again.

In terms of portfolio performance, this year we witnessed the total reactivation of the economy, which allowed portfolio origination volumes to be brought to pre-pandemic levels. However, the portfolio of the banking sector grew 3.5% in real terms, mainly in consumption mode (5.4%), growing below the level presented in 2021. According to Asobancaria, for 2023 a slowdown in the real growth of the portfolio of 2.1% is expected (consumption growing at 2.3%) due to a slowing down on the country's economic activity, lower household consumption due to high inflation, and new increase in the unemployment and interest rates in the placement of loans.

The financial´s market volatility suffered during the year led to an accelerated increase in interest rates, where the need to contain inflation led the Bank of the Republic to raise reference rates from 3% to 11% during 2022. Likewise, the situation caused the capital market´s activity in new local issues to be diminished.

[1] Colombian Department of Statistics

The rise in funding rates is expected to continue during the first half of 2023, a situation that will limit the possibility for a large part of the population to obtain both consumer and housing loans due to the transfer of this extra cost to placement rates and lower liquidity in the financial sector, forcing financial institutions to be more selective and moderate their credit risk appetite.

The local panorama still shows a high uncertainty facing a year of economic slowdown, where the mining sector has been protagonist by the permanent declarations of the government about the non-granting of new licenses for exploration and exploitation of hydrocarbons, the gradual dismantling of the subsidy to gasoline and the possibility that the capital destined for investment is compromised and limited by the energy transformation policy of the actual government.

The increase in the minimum wage of 16% will allow the growth of the loan portfolio due to the increase in the capacity of payment / indebtedness, where the payroll will have a fundamental role in the entire financial sector due to its growth in a natural way in the lower risk portfolios of. However, 2023 increases in a possible scenario of economic recession leaves a challenging outlook for the productive sector, which will seek to compensate for the effects of the increase in minimum wage, inflation and new tax reform through optimization and efficiency in its operational processes that will allow them to overcome the difficulties that lie ahead in the short term.

Finally, we see that the financial sector will continue to be one of the sectors that will mark the growth of the country's total GDP, which is projected between 0.7% and 1% by 2023, being a strategic ally for the government in the control and collection of taxes, as well as a natural facilitator in the dispersion of resources associated with government social programs that will operate during de year aimed at vulnerable population.

Payment of obligations with third parties: payroll, suppliers, and fiscal entities of national, district and municipal order, financial obligations.

Credivalores, has been complying with the payment of the different obligations resulting from the operation and business in progress such as: payroll, suppliers, national, district and municipal tax obligations and financial obligations.

In several scenarios that we have consulted from other entities economic research , the normal scenario they contemplate for this year is a Foreign Exchange Rate of COP4,850 per USD1, this being the value that the company currently assumed and that was reflected in the result of its Financial Statements as of December 2022. On the other hand, the company is managing alternatives and hedging strategies through international intermediaries given that the local market does not have the capacity to close these positions or exchange rate exposures.

Ability to continue offering business model products.

Credivalores structured two additional collateralized lines for a payroll portfolio closing COP350.000 million: i) with Coomeva for COP50,000 million and ii) Alianza for COP300,000 million, which will start operating in the first half of 2023.

Shareholder commitment

During 2022, arrangements were made to add a new shareholder to the company, as well as the negotiation of all contractual terms and documentation. Once this documentation is signed, it is estimated that the shareholder is making the capitalization at the beginning of 2023.

There are important uncertainties related to events and conditions that may generate significant doubts about the ability of Credivalores to continue as an ongoing business, such as the behavior of the Exchange Rate, however, the Management and Shareholders based on the related information conclude that the ongoing business hypothesis continues to be appropriate. Therefore, Credivalores will prepare the financial statements and other reports as stipulated by regulation. Likewise, it will maintain monitoring and reporting to the market any changes that may affect its situation and may lead to a non performing situation.

Additionally, Credivalores has an authorized amount to issue bonds in dollars and available credit lines.

NOTE 2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

The financial statements of the company Credivalores Crediservicios S.A., have been prepared in accordance with the accounting and financial reporting standards accepted in Colombia, based on International Financial Reporting Standards (IFRS), together with their interpretations, conceptual framework, the conclusion rationale and the application guides authorized and issued by the International Accounting Standards Board (IASB) published in Spanish until 2018), excluding IFRS 17 on Insurance Contracts; and other legal provisions defined by government surveillance entities that may differ in some aspects from those established by other State control bodies), established in Law 1314 of 2009, regulated by Single Regulatory Decree 2420 of 2015 modified by Decree 2496 of 2015. They have been prepared based on historical cost.

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.

The financial statements were authorized for issuance by the Board of Directors in accordance with minute 251 on February 28, 2023. They can be modified and must be approved by the Shareholders.

NOTE 3. 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.

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

The financial statements, the significant judgments made by the administration in the application of the accounting policies of Credivalores and the main sources of estimation were the same as those applied to the financial statements for the year ended December 31, 2022.

3.1 IFRS 9 – FINANCIAL INSTRUMENTS

Credivalores applies IFRS 9 - Financial instruments as of January 1, 2018, according to the following models.

3.1.1 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 expected credit loss model considers the prospective nature of loss tolerances for instruments, based on 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 calculation

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 inputs that are not controlled by the Company, such as macroeconomic factors. To this end, the Company has developed a statistical model for the projection of PDs through neural networks in a univariate way.:

1. Search for possible associations with macroeconomic variables: From the collection of information on macroeconomic variables that were considered, we went through the Principal Components Analysis (PCA) method and the Stepwise method (STW) to find the possible associations of macroeconomic variables with each of the PD of the products, these were considered our explanatory variables.

2. Univariate projections: We project the PD and the macroeconomic variables associated, we do this in a univariate way through neural networks, in some macroeconomic variables we use classic methods such as ARIMA models. The argument of selection of the best model to make the projections of each series is the lowest value found with the root of the mean square error both in training and in the validation set (test), it is also important to highlight that models chosen are those where there is coherence in the projections .

The projected PD is considered as the PD of our BASE scenario, and this is precisely the target variable in multivariate scenarios. The fundamental argument for the PD to be projected in a univariate way is that by doing so we are doing it only with the information that the series keeps, that is, although we know that a series is the reflection of other variables, in principle we look for the information that only it gives us, to later observe how it is affected by macroeconomic variables.

3. Generation of scenarios: For Forward Looking models we must generate two scenarios in our projections of macroeconomic variables, one optimistic and one pessimistic. To achieve this, we rely on descriptive measures of each of the series, in this case the projected scenarios are given by the standard deviations that are needed to reach quartiles 25% and 75% of each of the macroeconomic series, understanding these points as critical values for both an optimistic and pessimistic scenario.

4. Multivariate adjustment: With the macroeconomic variables projected in the BASE scenario, a multivariate neural network is adjusted, understanding that the variables associated with each of the products are the explanatory variables and the response variable, that is, the PD is our explained variable. The best fit that is determined by the smallest root of the mean square error is our chosen neural network model. With this model and with the optimistic and pessimistic projections of the associated macroeconomic variables, we proceed to project each of the optimistic and pessimistic scenarios in a multivariate way.

3.2 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.

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

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.

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.

<u>Financial Assets at fair value</u>

According to its business model the Company has determined that TuCrédito 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:

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.

3.3 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 based on variable payment terms. Variable payment terms are used for a variety of reasons, including minimizing the fixed costs base for newly established offices. Variable lease payments that depend on profits are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

Lease terms

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

3.4 Seasonal nature of income and expenses.

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

3.5 Income tax

The Company evaluates the recognition of liabilities due to discrepancies that may arise with the tax authorities on the basis of additional tax estimates that must be cancelled. The amounts provided for the payment of income tax are estimated by the administration based on its interpretation of current tax regulations and the possibility of payment.

Actual liabilities may differ from the amounts provisioned resulting in a negative effect on the Company's results and net position. When the final tax result of these situations is different from the amounts that were initially recorded, the differences impact the current income tax and deferred assets and liabilities in the period in which this fact is determined.

The Company evaluates the recoverability of deferred tax assets based on estimates of future tax results and the ability to generate sufficient results during periods in which such deferred taxes are deductible. Deferred tax liabilities are recorded according to estimates made of net assets that will not be tax-deductible in the future.

NOTE 4. SUMMARY OF THE MAIN ACCOUNTING POLICIES

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

4.1 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%

4.2.1 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.

4.2.2 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, 2022, and 2021, the (COP/USD) exchange rates certified by the Superintendence of Finance were 4.810,20 and 3.981,16 per U.S. $1 respectively.

4.3 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.

4.4 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.

4.4.1 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) about any difference between the initial amount and the value repaid at maturity and minus any reduction for impairment.

Effective rate

The effective interest rate is a method that allows calculating the amortized cost of financial assets over the financing period.

This method consists of discounting the future value of the financial asset with the reference market rate for accounts receivable of similar characteristics (amount, term), at the date of commencement of the operation.

Additionally, interest must be recognized as a higher value of the obligation.

ii. Fair value

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

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

Should no active market exist for a specific financial instrument CVCS determines its fair value using valuation techniques. These valuation techniques include using recent market transactions between knowledgeable, willing parties carried out on an arm's length basis, should these exist, as well as the fair values of other financial instruments that are substantially the same, discounted cash flows and pricing models.

The valuation technique chosen makes use, to the maximum extent possible, of information obtained directly from the market, using the least amount of data estimated by CVCS, incorporating all those factors that would normally be considered by market participants for setting the price of such financial instruments and is consistent with generally accepted pricing methodologies.

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

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

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

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

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

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

4.4.2 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.

4.4.2.1 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).

(Stated in million of Colombian pesos)

4	Past due loans	Amortized cost	Incurred loss model based on the expected loss.

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.

4.4.2.2 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. 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	56,40%
	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	7,10%
Crediuno	Amortized cost	Portfolio	Equivalent indexed rate	Credit card	36,49%

4.4.3 Impairment

Under the guidelines of IFRS 9, in 2019 Credivalores adjusted its impairment model of loss incurred to expected loss, in line with said standard, which is established 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).

4.4.4 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.

4.5 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.

4.5.1 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, if the significant influence continues.

Investments in Associates are those in which the Company has direct or indirect control; that is, when all 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.

Investments available for sale

Available-for-sale investments are securities and, in general, any type of investment that is not classified as negotiable investments or as investments to hold until maturity, with respect to which there is a serious purpose and the legal, contractual, financial and operational capacity to hold them for at least one (1) year from the day they were classified in that category.

4.6 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.

4.6.1 Impairment of accounts receivable

Accounts receivable other than credit portfolios are classified and impairment losses are periodically assessed in accordance with the simplified approach set out in IFRS 9.

4.7 Leases

4.7.1 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.

4.8 Property and Equipment

Property 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

(Stated in million of Colombian pesos)

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.

4.9. 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

4.10. 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 based on the Colombian prevailing Tax laws. Management periodically assesses positions taken in its tax returns about situations in which the applicable tax regulations are subject to interpretations and establish provisions when appropriate based on 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.

Due to the enactment of Law 2155 of 2021, resulting from the estimation of the future reversal of the deferred tax as of January 1, 2022, an increase in the income tax rate from 30% to 35% was identified, as mentioned in note 22. The Company adjusted the corresponding tax-deferred balances expected to reverse beginning in 2022, using the 35% income tax rate. In line with Decree 1311 of October 20, 2021, which authorizes an alternative accounting treatment for this impact on the item of retained earnings in equity. The Company opted for this alternative and recognized COP3 billions of the tax deferred adjustments for changes in the income tax rate directly on equity against retained earnings.

Comentado [NVB1]: Se ajustó para indicar que son billones de pesos pero si no lo son por favor omitir

With Law 2277 of December 13, 2022, a tax reform was adopted, this provision introduces some modifications in terms of income tax, however, for the general income rate it is maintained at 35% for national companies and their assimilated, permanent establishments of foreign entities and foreign legal entities with or without residence in the country obliged to file the annual tax return on the Income and complementary, taking for the year 2022 this rate for the calculation of the deferred tax.

4.11 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.

4.12 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.

4.12.1 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.

The exchange difference in the right valued in USD of the derivative financial instruments, forward, cross currency swap, coupon only swap and CALL options is offset by the difference in exchange of the hedged items, these are the bonds issued and notes in USD re denominated with the TCRM (Representative Market Exchange Rate) at the end of each month.

The variation in the valuation curves is recorded as another comprehensive result (ORI) in equity until the maturity of the derivative, that is, the fair value will have two effects; one to the results and the other to the ORI. Hedging effectiveness is measured retrospectively using the hypothetical derivative method.

4.12.2 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.

4.13 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.

4.13.1 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.

4.14 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.

4.14.1 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.

4.14.2 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).

4.15 Revenues

The income recognized under IFRS 9, from ordinary activities, among which are interest, commissions, portfolio sale are the increases in economic benefits during the period, which are generated in the performance of ordinary activities and / or other income of Credivalores that increase the equity.

Revenue will be recognized:

- To the extent that the services are provided and/or risks and benefits associated with the goods sold are transferred. When the service is provided during the same period, the degree of progress must not be recorded and instead 100% of the income will be recognized in that period.
- When the generation of economic benefits associated with the activity is likely.
- When it is possible to reliably determine the value of the same.
- The value of income is normally determined, by agreement between the Company and the third party. They will be measured at the fair value of the counterparty, received or to be received, taking into account the amount of any discount, bonus or rebate that the Company may grant.

Under IFRS 15, Credivalores uses the following approach to determine the classification, recognition and measurement of income from ordinary activities:

1. Identify contracts with customers.
2. Identifies performance obligations associated with contracts.
3. Determine the transaction price.
4. Assigns the transaction price to each identified performance obligation.
5. Recognizes revenue to the extent that Credivalores satisfies performance obligations by transferring control of the goods to the customer or providing to the satisfaction of the services promised.

According to the previous Credivalores applies IFRS 9 for all income from ordinary activities.

4.15.1 Revenues from interest and commissions

Interest income, portfolio sales, guarantees:

Interest income and items assimilated to it are recognized in the accounts based on their accrual period, by application of the effective rate method.

The effective interest rate is the rate that accurately discounts estimated future cash payments or those received over the expected life of the financial instrument or a shorter period, in the net carrying value of the financial asset or financial liability. The calculation takes into account all contractual conditions of the financial instrument (for example, prepaid options) and includes incremental fees or costs that are directly attributable to the instrument and are an integral part of the IRR, but not future credit losses.

Credit card fees or deposits, including credit card exchange fees and quarterly handling fees are recognized when the performance obligations associated with the customer contract are met.
Income from collateral and portfolio sales is recognized when the stages for the recognition of operating income are met, that is, when performance obligations related to the transfer of assets are satisfied. The following tables describe the different activities that the Company develops and the commission income it generates.

(Stated in million of Colombian pesos)

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.	

4.15.2 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:

4.15.2.1 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.

4.16 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 5 - NEW FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

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

In accordance with what is indicated in Decree 938 of 2021, the rules issued applicable as of January 1, 2023 are listed below. The impact of these amendments and interpretations is in the process of being evaluated by the administration of Credivalores; however, they are not expected to have a significant impact on the Financial Statements.

Modling of the Technical Annex of Financial Information for Group 1. Amend International Accounting Standards 1, 16, 37, 39 Y41, and International Financial Reporting Standards 1,3,4,7,9 and 16 of the Technical Annex to the Financial Reporting Standards for Group 1, provided for in the "Compilatory and Updated Technical Annex 1 - 2019, of the Financial Reporting Standards, Group 1" of Decree 2270 of 2019, compiled in the Single Regulatory Decree on Accounting, Financial Reporting and Information Assurance Standards, Decree 2420 of 2015, with the annex called "Technical Annex 2021, of the financial reporting standards, group 1", which is an integral part of the Decree.

IAS 1. Classifications of Liabilities as Current or Non-Current. Paragraphs 72A, 75A, 76A, 768 and 139U are incorporated; paragraph 1390 is deleted and paragraphs 69, 73, 74 and 76 are amended. The requirement to classify a liability as current is modified, by establishing that a liability is classified as current when it does not have the right at the end of the reporting period to postpone the liquidation of the liability for at least twelve months following the date of the reporting period

IFRS 9, IFRS 7 and Accounting IAS 39. Reform of the Reference Interest Rate. Paragraphs 6.8.1 to 6.8.12 of IFRS 9 are added with respect to temporary exceptions to the application of specific hedge accounting requirements. Paragraphs 1 02A to 1 02N and 108G are incorporated, with respect to the temporary exceptions to the application of the specific requirements of IAS39 coverage accounting. Paragraphs 24H on uncertainty arising from the reform of the reference interest rate, 44DE and 44DF of IFRS 7 are incorporated.

IFRS 3. Reference to the Conceptual Framework. Modifications are made to the references to align them with the conceptual framework issued by IASB in 2018 and incorporated into Colombian legislation, in this sense the identifiable assets acquired and the liabilities assumed in a business combination, on the date of transaction, will correspond to those that meet the definition of assets and liabilities described in the conceptual framework. Paragraphs 21 A, 21 B and 21 C are incorporated with respect to exceptions to the principle of recognition for contingent liabilities and liabilities within the scope of IAS 37 and IFRIC 21. Paragraph 23A is incorporated to define a contingent asset, and to clarify that the acquirer in a business combination will not recognize a contingent asset on the date of acquisition.

Reform of the reference interest rate Phase 2, IFRS 9. Paragraphs 5.4.5 to 5.49 Changes in the basis for the determination of contractual cash flows as a result of the reform of the reference interest rate (measurement of amortized cost) are added, 6.8.13 Completion of the application of the temporary exception in hedge accounting, 6.9.1 to 6.9.13 Additional temporary exceptions arising from the reform of the reference interest rate, 7.1.10 Effective Date, and 7.2.43 to 7.2.46 Transition for Reference Interest Rate Reform Phase 2 of IFRS 9.

IAS 39: Paragraph 102M Completion of the application of the temporary exception in hedge accounting, paragraphs 1020 to 102Z3 Additional temporary exceptions arising from the reform of the reference interest rate and 108H to 1 08K are added Effective date and transition, and new headings are added. Amendment to IFRS 7: Add paragraphs 241, 24J Additional disclosure information related to the reform of the reference interest rate, 44GG and 44HH Effective date and transition, and add new headings, Amendment to IFRS 4: Add paragraphs 20R and 20S Changes in the basis for the determination of contractual cash flows as a result of the reform of the reference, and paragraphs 50 and 51 Effective date and transition, and new headings are added. Amendment to IFRS 16: Paragraphs 104 to 106 Temporary exception arising from the reform of the reference interest rate are amended, and paragraphs C20C and C20D Reform of the reference interest rate phase 2 are added

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.

Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Cost of Fulfilling a Contract

The purpose of this amendment was published in May 2020, specifying the costs that an entity includes in determining the "cost of performance" of a contract for the purpose of assessing whether a contract is onerous; clarifies that direct contract fulfillment costs include both the incremental costs of fulfilling a contract and an allocation of other costs that relate directly to contract compliance. Before recognizing a provision separated by an onerous contract, for an onerous contract, the entity must recognize impairment losses on the assets used to fulfill the contract.

The Company does not expect significant impacts from this modification, in any case it is evaluating the impact that these could have on the financial statements.

Reform of the benchmark interest rate

After the financial crisis, reform and replacement of benchmark interest rates, such as LIBOR GBP and other interbank rates (IBOR), has become a priority for global regulators. There is now uncertainty about the timing and precise nature of these changes. In order to transition existing contracts and agreements that refer to LIBOR, adjustments to time differences and credit differences may be necessary to allow the two benchmark rates to be economically equivalent in the transition

Changes made to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures provide certain alternatives in relation to the reform of the benchmark interest rate. Alternatives relate to hedging accounting and have the effect that reforms generally should not cause hedge accounting to end. However, any coverage ineffability must continue to be recorded in the results state. Given the widespread nature of hedges involving interbank fee-based contracts (IBRs), alternatives will affect companies in all industries.

Accounting policies related to hedging accounting should be updated to reflect alternatives. Fair value disclosures may also be affected by transfers between levels of fair value hierarchy as markets become more or less liquid.

The Company does not expect significant impacts from this modification, in any case it is evaluating the impact that these could have on the financial statements.

Annual improvements to IFRS Standards cycle 2018–2020

The following improvements were completed in May 2020:

- IFRS 9 Financial instruments: clarifies which commissions should be included in the 10% test for de-payments in financial liability accounts.
- IFRS 16 Leases: Amends illustrative example 13 of the standard to remove the illustration of landlord payments related to improvements in leased property, to eliminate any confusion about the treatment of lease incentives.

The Company does not expect significant impacts from this modification, in any case it is evaluating the impact that these could have on the financial statements.

Conceptual Framework

The IASB has issued a revised Conceptual Framework to be used in decisions to establish rules with immediate effect. Key changes include:

- Increase the importance of management in the purpose of financial information
- Restoring prudence as a component of neutrality
- Define an entity that reports, which can be a legal entity or a part of an entity
- Review the definitions of an asset and a liability
- Eliminate the probability threshold for recognition and add guides on account de-down
- Add guides on different measurement bases
- Indicate that profit or loss is the main performance indicator and that, in principle, income and expenditure on other comprehensive income should be recycled when this improves the relevance or faithful representation of financial statements.

No changes will be made to any of the current accounting rules. However, entities that rely on the Framework to determine their accounting policies for transactions, events or conditions that are not otherwise covered by accounting rules should apply the revised Framework as of January 1, 2020. These entities should consider whether their accounting policies remain appropriate under the revised Framework.

NOTE 6 - ESTIMATIONS OF FAIR VALUE

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

(Stated in million of Colombian pesos)

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.

6.1 Fair Value Measurement on a Recurring Basis

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

The following table analyzes assets and liabilities (by class) within the fair value hierarchy, measured at fair value as of December 31, 2022 and December 31, 2021, on a recurring basis.

	December 31, 2022	December 31, 2021
ASSETS	**Level 2**	**Level 2**
Investments in equity instruments	5.698	6.115
Hedging derivatives		
Currency forward	5.120	8.013
Options	96.836	138.380
Cross Currency Swap	(10.146)	208.774
Prima Call	7.051	
Consumer		
Payroll deduction loans	381	16.683
Total fair value recurring assets	**104.940**	**377.965**
LIABILITIES		
Derivative of speculation		
Forward	-	316
Total fair value recurring liabilities	**-**	**316**

6.2 Fair value determination

The methodology applicable to instruments for Credivalores is:

6.2.1 **Forward valuation:** The derivative's fair value comes from an internal model. This model takes the exchange rate on the day after the valuation 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.

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

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

6.2.4 **Loan portfolio valuations:** Because these instruments 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.

6.2.5 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

6.2.6 Derivative financial instruments

Derivative financial instruments and hedge accounting:

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

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

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

Derivative transactions are initially recognized at fair value. Subsequent changes in the fair value are recognized in profit or loss, unless the derivative instrument is designated as a hedging instrument and, in this case, the accounting criteria will depend on the nature of the hedged item, as described below.

(Stated in million of Colombian pesos)

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

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

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

	December 31, 2022		December 31, 2021	
Fair value	**Book Value**	**Fair Value Estimate**	**Book Value**	**Fair Value Estimate**
Assets				
Loan Portfolio (Gross)				
Consumer	2.005.440	1.727.703	2.034.298	2.028.584
Total	**2.005.440**	**1.727.703**	**2.034.298**	**2.028.584**

(Stated in million of Colombian pesos)

Liability				
Financial obligations	2.534.228	2.527.648	2.417.239	2.406.962
Total	**2.534.228**	**2.527.648**	**2.417.239**	**2.406.962**

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

6.4 Financial Instruments

Financial Assets

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

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

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.

6.4.1 Loans and receivables portfolio

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

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

6.4.1.1 Financial Assets at Fair Value

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

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

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

In line with its business model the Company has decided to measure the loans comprising the "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.

6.4.1.2 Financial assets at amortized cost

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

The effective interest method is a method used to calculate the amortized cost of an asset and allocate the income or cost in interest during the relevant period. The effective interest rate is the discount rate at which the present value of estimated future cash payments or those received over the expected life of the financial instrument, or, as appropriate, in a shorter period, is equal to the net book value in the beginning.

To calculate the effective interest rate, the Company estimates the cash flows considering all the contractual terms of the financial instrument, including the transaction costs and the premiums granted minus the commissions and discounts, but without considering the future credit losses.

NOTE 7. 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

7.1 Governance structure

Board

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

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

(Stated in million of Colombian pesos)

- 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.

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 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, 2022. There have been no changes to the risk management department or any risk management policies since December 31, 2022. 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, 2022.

7.2 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, 2022, 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, 2022 and December 31, 2021 as follows:

	December 31, 2022	**December 31, 2021**
Cash and cash equivalents	273.052	148.514
Financial instruments net	104.559	361.282
Loan portfolios		
Consumer loans	2.005.440	2.034.298
Payroll loans at fair value	381	16.683
Accounts receivable, net	320.129	436.872
Total financial assets with credit risk	**2.703.561**	**2.997.649**
Off-balance-sheet credit risk at nominal value		
Unpaid approved credits	530.529	291.322
Total exposure to off-balance-sheet credit risk	**530.529**	**291.322**
Total maximum exposure to credit risk	**3.234.090**	**3.288.971**

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. PI – Probability of noncompliance

Term structure of PI

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 because 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.

(Stated in million of Colombian pesos)

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 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.

The economic scenarios used as of December 31, 2022 include the following key indicators (among others) for Colombia for the years ending 31 December 2022 and December, 2021[2]:

	2022		
	Scenario A	**Scenario B**	**Scenario C**
Consumer Price Index	116,77	112,08	121,45
Consumer Price Index Full Year Variation	6,66	5,37	7,96
Import Price Index	127,83	124,01	131,66
Economic performance Index	114,85	120,24	109,46
Economic performance Index, data affected by seasonal effect	121,10	124,72	117,47
Economic performance Index, data affected by seasonal effect Full Year Variation	8,66	9,62	7,71
Real Exchange Rate Index (ITCR), according to PPI - Bilateral with the United States	173,15	162,57	183,74
Gross domestic product	243558,25	252441,24	234675,27
Gross Domestic Product Annual Growth Rate	6,46	7,43	5,48
Unemployment rate	9,81	8,13	11,50
Foreign Exchange rate (COP/USD)	4258,73	3867,18	4650,29
Usury rate	32%	31%	34%
Variation of the usury rate	3,17	2,86	3,48
Consumer Price Index	116,12	112,29	119,96
Gross domestic product	241270,98	248310,36	234231,59
Usury rate (Maximum interest rate)	33%	29%	37%
Producer Price Index	182,96	182,88	183,04
Export price index, according to foreign trade	221,01	221,12	220,90
Heavy Construction Price Index	103,47	103,44	103,50

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.

[2] Projections made internally by the planning area.

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.

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. PDI – Loss due to non-compliance

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 are done separately for payroll loans and credit cards to better reflect the fundamental differences in this product and therefore on its LGD.

IV. ED – Exposure at Default

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

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

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

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. Roll Rate Methodology

A method that uses a transition matrix to obtain the customer moratorium. This helps forecast future risk from defaults in a given time. By using this matrix, the behavior is reflected in order to determine in what period of time the accounts will be taken. These statements are determined by the number of overdue payments as defined.

For this model, first of all, the portfolio divided into two bands is evaluated.:

Credit Portfolio other products:

- ✓ Portfolio less than 90 days in arrears.
- ✓ Portfolio greater than 90 days of default.

As part of this evaluation, the Company's Management has designated as a deteriorated portfolio the one with a default greater than 90 days since it is recurrent that in the company's business there are delays, but that these are regularized before 90 days for credit portfolio.

Then the monthly average of the portfolio is determined by age and the average values are weighted according to the rate of loss greater than 90 days in each case.

(Stated in million of Colombian pesos)

To calculate the PE of the impaired portfolio, the balance of the portfolio of each tranche is multiplied by the percentage of expected loss (Migration to greater than 360) determined in the previous step

I. ED – Exposure at default

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

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

Credit Risk Model: Other accounts receivable

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

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

Loss impairment

The table below shows the loss impairment balances as of December 31, 2022:

Loan portfolio		Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loan consumer portfolio		33.101	17.023	322.485	372.609
Total loan portfolio	Ps.	**33.101**	**17.023**	**322.485**	**372.609**
Total loss impairment financial assets at amortized cost	Ps.	33.101	17.023	322.485	372.609
Total loss impairment	**Ps.**	**33.101**	**17.023**	**322.485**	**372.609**

The following table shows the balances of loss allowances as of December 31, 2021:

(1) Credivalores has initially adopted IFRS 15 and IFRS 9 as of 1 January 2018. According to the chosen transition methods, comparative information is not re-established.

Loan portfolio		Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL not credit-impaired	Total
Loan consumer portfolio		56.987	24.604	236.837	318.428
Total loan portfolio	Ps.	**56.987**	**24.604**	**236.837**	**318.428**
Total loss impairment financial assets at amortized cost	Ps.	56.987	24.604	236.837	318.428
Total loss impairment	**Ps.**	**56.987**	**24.604**	**236.837**	**318.428**

The table below shows for loans stage 3 individually assessed for ECL the gross amount and loss impairment balances as of December 31, 2022.

	Gross Amount Registered		Impairment Recognized	
With recognized provision				
Consummer	Ps.	530.628	Ps.	322.485
Total	Ps.	**530.628**	Ps.	**322.485**

(Stated in million of Colombian pesos)

7.2.1 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.

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, 2022

Status	Tu Crédito	CrediUno	CrediPóliza	Total managed portfolio	On balance sheet Portfolio
CURRENT	659.312	629.513	26.759	1.315.585	1.206.606
1-30	11.797	45.830	20	57.646	56.690
31-60	7.505	22.421	32	29.958	29.121
61-90	4.316	16.432	11	20.759	20.732
91 - 180	10.046	24.682	13	34.741	34.684
181 - 360	15.495	36.379	251	52.124	51.802
> 360	105.962	174.624	7.732	288.319	285.903
Total	**814.433**	**949.881**	**34.818**	**1.799.132**	**1.685.538**

As of December 31, 2021

Status	Tu Crédito	CrediUno	CrediPóliza	Total managed portfolio	On balance sheet Portfolio
CURRENT	785.767	719.444	27.762	1.532.973	1.373.758
1-30	13.742	23.864	606	38.212	36.535
31-60	6.774	27.364	473	34.611	33.053
61-90	5.320	8.591	108	14.019	12.946
91 - 180	10.482	25.571	78	36.131	36.023
181 - 360	14.670	33.696	366	48.732	48.491
> 360	85.380	117.470	7.658	210.508	208.343
Total	**922.135**	**956.000**	**37.051**	**1.915.186**	**1.749.149**

The following detail is due to compliance with paragraph 5 requested by the FNG, which indicates the balance of the committed and uncommitted portfolio classified by height of arrears:

As of December 31, 2022

Status	Encumbered Loan Portfolio	Unencumbered Loan Portfolio	Total
CURRENT	977.143	338.442	1.315.585
1-30	17.335	40.311	57.646
31-60	8.581	21.377	29.958
61-90	4.536	16.223	20.759
91 - 180	10.924	23.817	34.741
181 - 360	14.735	37.389	52.124
> 360	113.642	174.677	288.319
Total	**1.146.896**	**652.236**	**1.799.132**

(Stated in million of Colombian pesos)

As of December 31, 2021

Status	Encumbered Loan Portfolio	Unencumbered Loan Portfolio	Total
CURRENT	509.654	1.023.319	1.532.973
1-30	9.336	28.877	38.212
31-60	1.558	33.053	34.611
61-90	1.073	12.946	14.019
91 - 180	109	36.023	36.131
181 - 360	240	48.491	48.732
> 360	2.165	208.343	210.508
Total	**524.135**	**1.391.052**	**1.915.186**

7.3 Credit worthiness

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

Entity	Type of Account	December 31, 2022	December 31, 2021
Banco de Bogotá	Savings/Checking	62	183
Bancolombia	Savings/Checking	9.151	5.794
Red Multibanca Colpatria	Savings	-	28
Banco BBVA	Checking	-	299
Banco De Occidente	Savings/Checking	94	108
Banco Santander	Checking	490	20
JP Morgan	Checking	7	790
Available in Free-standing Trusts	Savings/Checking	234.793	85.957
JP Morgan USD	Deposit	11	3.204
Banco Santander USD	Checking	479	25.137
		245.087	**121.520**

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	Short-term Rating	Rating Entity
1	Banco BBVA	AAA	Fitch Ratings
2	Banco de Bogotá	BB+	Fitch Ratings
3	Banco Colpatria	AAA Y F1+	Fitch Ratings
4	Banco de Occidente	AAA Y F1+	Fitch Ratings
5	Bancolombia	AAA Y F1+	Fitch Ratings
6	Banco Santander	AAA y de BRC 1+	BRC Investor Services S. A. SCV
7	Banco JP Morgan	AAA and F1+	Fitch Ratings

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.

7.4 Market Risk

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

(Stated in million of Colombian pesos)

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

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

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

As of December 31, 2022 and December 31, 2021, 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, 2022**	**December 31, 2021**
Equity Instruments	5.698	6.115
Derivatives instruments	98.861	355.167
Loan Portfolio	381	16.683
Total	**104.940**	**377.965**
Financial liabilities	-	(316)
Total	**-**	**(316)**
Net Position	**104.940**	**377.649**

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 2022. 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 31, 2022 (12.565%).

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 31, 2022 as reference .

(Stated in million of Colombian pesos)

The results are set out below:

Scenarios	Interests
Effect of 20 BPS decrease in variable rate	1.835.128
Effect of 20 BPS increase in variable rate	1.823.399
Total Scenarios	**(11.729)**

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	1.835.128
Effect of devaluation and increase, 15 BPS, variable rate	1.846.857
Total Scenarios	**11.729**

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 2022. 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 31, 2022.
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 31, 2022 (12.565%).
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 31, 2022.

The results are set out below:

Item	Total Debt
Initial Scenario (Balance as of December 31st, 2022)	521.526
Scenario 1 (Effect of revaluation)	520.272
Scenario 2 (Effect of revaluation)	522.777
Difference Scenario 1 vs. Initial Scenario	**(1.253)**
Difference Scenario 2 vs. Initial Scenario	**1.251**

(1) Volatility obtained from the daily average for the previous three years, including 2021.

7.5 Liquidity Risk

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

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

(Stated in million of Colombian pesos)

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%

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 31, 2022 are set out below:

Item	Liquidity level December, 2022
7 Days	3.248%
15 Days	1.690%
30 Days	637%

As of December 31, 2022, 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.

(Stated in million of Colombian pesos)

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 31, 2022, 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, 2022 and December 31, 2021.

	December 31, 2022				
	Subsequent Net Balances Available				
Description	**Liquid Assets Available at the End of the Period (1)**	**From 1 to 7 days (2)**	**From 8 to 15 subsequent days (2)**	**From 16 to 30 subsequent days (2)**	**From 31 to 90 subsequent days (2)**
Cash	2	2	-	-	-
Banco de Bogotá	62	62	-	-	-
Bancolombia S. A.	9.151	9.151	-	-	-
Banco De Occidente	105	105	-	-	-
Bancomeva	-	-		-	-
Banco Santander	490	490	-	-	-
Banco Santander Uruguay	490	490	-	-	-
Alianza Fiduciaria	5.161	5.161		-	-
Credifinanciera	12.021	-	-	12.021	-
Cash at Free-Standing Trusts	234.793	234.793	-	-	-
Collective Investment Funds	988	988	-	-	-
Agrocaña	4.710	-	-	-	4.710
Mutual Funds – Fiduciaria and Valores Bancolombia	6	6	-	-	-
JP Morgan	7	7		-	-
TIDIS	241	-		241	-
Fiducolombia Free-Standing Trusts	10.523	10.523	-	-	-
Inverefectivas	14.945	-	-	-	14.945
Total liquid assets	**293.695**	**261.778**	**-**	**12.262**	**19.655**

(Stated in million of Colombian pesos)

	December 31, 2021				
	Subsequent Net Balances Available				
Description	**Liquid Assets Available at the End of the Period (1)**	**From 1 to 7 days (2)**	**From 8 to 15 subsequent days (2)**	**From 16 to 30 subsequent days (2)**	**From 31 to 90 subsequent days (2)**
Cash	2	2	-	-	-
Banco de Bogotá	183	183	-	-	-
Bancolombia S. A.	5.794	5.794	-	-	-
BBVA Colombia	299	299	-	-	-
Red Multibanca Colpatria S. A.	28	28	-	-	-
Banco De Occidente	108	108	-	-	-
Banco Santander	20	20	-	-	-
Banco Santander Uruguay	28.341	28.341	-	-	-
Alianza Fiduciaria	4.398	4.398		-	-
Credifinanciera	22.202	-	-	22.202	-
Cash at Free-Standing Trusts	85.984	85.984	-	-	-
Collective Investment Funds	1.406	1.406	-	-	-
Agrocaña	4.710	-	-	-	4.710
Mutual Funds – Fiduciaria and Valores Bancolombia	190	190	-	-	-
JP Morgan	790	790			
TIDIS	167	-		167	-
Fiducolombia Free-Standing Trusts	8	8	-	-	-
Inverefectivas	12.369	-	-	-	12.369
Total liquid assets	**166.998**	**127.551**	**-**	**22.369**	**17.079**

(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, considering 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 considered:

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

(Stated in million of Colombian pesos)

Lower limit: 5%; cannot be below the lower limit more than three times in a year

Exposure Limit Indicator 1 Dec-22	
Net Liquidity	273,052
Assets (Credivalores + Free-standing Trust) (Portfolio)	1,632,832
Indicator 1	**16,7%**

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

Lower limit: 5%; cannot be below the lower limit more than three times in a year

Exposure Limit Indicator 1 Dec-22	
Net Liquidity	273,052
Liabilities (Credivalores + Free-standing Trust)	2,359,861
Indicator 2	**11,6%**

In the three-month period ended December 31, 2022, there were no significant changes in liquidity risk or in the way CVCS manages this risk. However, the second indicator is less than 5%, because CV will use all the cash to disburse and grow the portfolio. We expect it to increase above 5% in the first quarter.

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, 2022

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	273.052	-	-	-	273.052
Equity Instruments at fair value	988	-	-	4.710	5.698
Investments in Associates and Affiliates	-	-	-	14.945	14.945
Financial Assets at amortized cost (*)	78.674	395.468	479.663	1.396.714	2.350.519
Total assets	**352.714**	**395.468**	**479.663**	**1.416.369**	**2.644.214**

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 (*)	52.301	381.775	341.562	2.356.437	3.132.075
Total Liabilities	**52.301**	**381.775**	**341.562**	**2.356.437**	**3.132.075**

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

December 31, 2021

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	148.514	-	-	-	148.514
Equity Instruments at fair value	1.405	-	-	4.710	6.115
Investments in Associates and Affiliates	-	-	-	12.369	12.369
Financial Assets at amortized cost (*)	81.731	410.091	495.635	1.386.610	2.374.066
Total assets	**231.650**	**410.091**	**495.635**	**1.403.689**	**2.541.065**

(Stated in million of Colombian pesos)

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 (*)	34.584	221.166	996.751	1.464.172	2.716.673
Financial Liabilities at fair value Derivatives instruments	-	-	133	183	316
Total Liabilities	**34.584**	**221.166**	**996.884**	**1.464.355**	**2.716.989**

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

NOTE 8. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalent balances encompass the following as of December 31, 2022 and December 31, 2021:

	December 31, 2022	December 31, 2021
Cash	2	2
Banks	245.087	121.520
Mutual funds (8.1)	15.701	4.623
Term Deposit (8.2)	12.021	22.202
TIDIS	241	167
	273.052	**148.514**

As of December 31, 2022, and December 31, 2021, there were no restrictions on bank accounts.

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

	December 31, 2022	December 31, 2021
Fiduciaria Bancolombia – Renta Liquidez	6	190
Alianza Fiduciaria – Collective Investment Fund	5.161	4.399
Fiduciaria Bancolombia - Progression	-	27
Fiduciaria Banco de occidente	11	-
Sub-Total	**5.178**	**4.616**

The average profitability with cut to December 2022 is 16.07% and for 2021 it was 4.35%.

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

Manager	Dec-21	Dec-20	Rating Agency
Fiduciaria Bancolombia	AAA	AAA	Fitch Ratings
Fiduciaria la Previsora	AAA	AAA	BRC Investor Services S. A. SCV
Fiduciaria la Occidente	AAA	AAA	BRC Investor Services S. A. SCV

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.

(Stated in million of Colombian pesos)

8.2 Certificates of Deposit (CDs)

As of December 31, 2022, Credivalores had Certificates of Full Deposit at Banco Santander, as detailed below:

Institution	Initial Date	Maturity Date	Term (months)	Nominal value	Annual effective interest rate	Nominal rate	Total Balance
Santander Bank	23/08/2022	23/02/2023	6	6.500	14.61%	13.71%	6.517
Santander Bank	23/08/2022	23/02/2023	6	5.500	14.61%	13.71%	5.504
Total				**12.000**			**12.021**

The long-term rating for Santander Bank is AAA.

NOTE 9. FINANCIAL INSTRUMENTS

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

	December 31, 2022	December 31, 2021
Collective Investment Funds (9.1)	988	1.405
Equity instruments (9.2)	4.710	4.710
	5.698	**6.115**

9.1 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 2022	Annual Return 2021	As of December 31, 2022	As of December 31, 2021
BTG Pactual I Z Class	Closed	5.000.000	2.000.000	40,5056%	71.255%	903	1.085
BTG Pactual II Z Class	Closed	5.000.000	2.000.000	0,00000%	32.995%	-	244
Fiduciaria Popular	At sight	200.000	200.000	14,039%	3.158%	21	16
Open Portfolio BTG	Open	-	-	16,1680%	3.158%	64	60
TOTAL						**988**	**1.405**

9.2 Equity instruments

	December 31, 2022	December 31, 2021
Agrocaña Shares	4.710	4.710
	4.710	**4.710**

The Company owns 5.03% of Agrocañas S.A. share capital, with 3,300 outstanding shares as of December 31, 2022. These are not listed on the stock exchange and are therefore measured at fair value with changes to equity.

NOTE 10. INVESTMENTS IN ASSOCIATES

The detail of the investments in associates is as follows:

	December 31, 2022	December 31, 2021
Inverefectivas S.A (a)	14.945	12.369
	14.945	**12.369**

(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. 106,97 expressed using the TRM of 4.810,20 as of January 01, 2023.

(Stated in million of Colombian pesos)

	December 31, 2022		December 31, 2021	
	Share of ownership interest	**Book value**	**Share of ownership interest**	**Book Value**
Associates				
Inverefectivas S.A.	25%	14.945	25%	12.369
		14.945		**12.369**

The movement of investments in the associates account is shown below for the nine months ended December 31, 2022 and December 31, 2021:

	December 31	
Associate	**2022**	**2021**
Balance at the beginning of the period	**12.369**	**10.966**
Adjustments for exchange rate differences	2.377	1.573
Adjustment for valuation method of participation	199	(170)
Period-end balance	**14.945**	**12.369**

NOTE 11. LOAN PORTFOLIO, NET

Financial assets at amortized cost on the statement of financial position are classified as consumer portfolio and microcredit. Following is a description of the portfolio of Credivalores as of December 31, 2022 and December 31, 2021:

	December 31, 2022	**December 31, 2021**
Consumer	2.005.440	2.034.298
Impairment	(372.608)	(318.427)
Total financial assets at amortized cost	**1.632.832**	**1.715.871**
TuCredito payroll deduction loans at fair value	381	16.683
Total financial assets at fair value	**381**	**16.683**
Total loan portfolio, net	**1.633.213**	**1.732.554**

The Financial Position Statement includes a net portfolio held in Free-standing trusts totaling 1.053.196 as of December 31, 2022 and 358.097 as of December 31, 2021. 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, 2022 and December 31, 2021.

	December 31,	
	2022	**2021**
Initial Balance	318.427	266.972
Impairment of the period charged against to profit or loss	75.368	67.500
Write-offs	(21.187)	(16.045)
Closing balance	**372.608**	**318.427**

Expenditure on provisions and write-offs of loan portfolio

	December 31, 2022	**December 31, 2021**
Expenditure for the provisions period	75.369	67.500
Forgiveness	8.370	14.322
Total	**83.739**	**81.822**

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

(Stated in million of Colombian pesos)

As of December 31, 2022

Type	Principal	Transaction costs	Accrued Interest	Commissions	Impairment	Total
Consumer loans	1.685.538	100.528	205.775	13.599	(372.608)	**1.632.832**
Total financial assets at amortized cost	**1.685.538**	**100.528**	**205.775**	**13.599**	**(372.608)**	**1.632.832**

At December 31, 2021

Type	Principal	Transaction costs	Accrued Interest	Commissions	Impairment	Total
Consumer loans	1.749.149	129.621	145.298	10.230	(318.427)	**1.715.871**
Total financial assets at amortized cost	**1.749.149**	**129.621**	**145.298**	**10.230**	**(318.427)**	**1.715.871**

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

December 31, 2022

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Consumer	262.821	674.343	326.079	742.197	2.005.440
Total Gross Loan Portfolio	**262.821**	**674.343**	**326.079**	**742.197**	**2.005.440**

December 31, 2021

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Consumer	290.753	704.337	245.326	793.882	2.034.298
Total Gross Loan Portfolio	**290.753**	**704.337**	**245.326**	**793.882**	**2.034.298**

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

December 31, 2022

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Consumer	206.685	571.451	289.703	617.699	1.685.538
Total Principal Only Loan Portfolio	**206.685**	**571.451**	**289.703**	**617.699**	**1.685.538**

December 31, 2021

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Consumer	223.620	612.807	219.836	692.886	1.749.149
Total Principal Only Loan Portfolio	**223.620**	**612.807**	**219.836**	**692.886**	**1.749.149**

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, 2022		
Type	**Principal Loan**	**Sold**	**Total**
Consumer	1.685.538	113.594	1.799.132
Total Financial Assets at amortized cost	**1.685.538**	**113.594**	**1.799.132**

(Stated in million of Colombian pesos)

	As of December 31, 2022		
Type	**Principal Loan**	**Sold**	**Total**
Consumer	1.749.149	166.038	1.915.187
Total Financial Assets at amortized cost	**1.749.149**	**166.038**	**1.915.187**

Overdue but not impaired

As of December 31, 2022 and December 31, 2021, a summary of the overdue portfolio by days past due is as follows:

	Consumer	**Total**	**Consumer**	**Total**
Performing loans	1.206.606	1.206.606	1.373.758	1.373.758
Overdue but not impaired	85.811	85.811	69.589	69.589
Non-performing loans under 360 days	107.218	107.218	97.461	97.461
Non-performing loans over 360 days	285.903	285.903	208.341	208.341
	1.685.538	**1.685.538**	**1.749.149**	**1.749.149**

NOTE 12. ACCOUNTS RECEIVABLE, NET

The detailed information of accounts receivables as of December 31, 2022 and December 31, 2021 is as follows:

	December 31, 2022	**December 31, 2021**
Debtors (12.1)	168.909	250.244
Economically Related Parties (12.2)	43.662	92.121
Asficredito	78.156	81.455
Payments on behalf of clients (12.3)	22.559	15.794
Deposits	9.445	-
Prepayments and Advances	1	977
Others accounts receivable	3.793	1.815
Shareholders	1.815	2.373
Employees	-	3
Impairments for doubtful accounts	(8.211)	(7.910)
	320.129	**436.872**

12.1 The balance of the debtors account that as of December 31, 2022 amounts to 168.909 and as of December 31, 2021 amounts to 250.244, mainly corresponds to outstanding portfolio collection balances from the free-standing trusts and utilities and claims of guarantees to FGA.

12.2 The following is the detail with economically related parties:

	December 31, 2022	**December 31, 2021**
Banco Credifinanciera	-	1
Finanza inversiones S.A.S	-	44.156
Ingenio la cabaña S.A.	2.000	-
Inversiones Mad capital S.A.S	9.736	8.894
Activar Valores S.A.S	15.777	22.321
Brestol S.A.S	16.149	16.749
	43.662	**92.121**

The effective interest rates on interest-generating receivables were as follows:

	December 31,	
	2022	**2021**
Loans	DTF + 9.41% and IBR + 8%	DTF + 9.41%

(Stated in million of Colombian pesos)

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

	December 31, 2022	December 31, 2021
Life Insurance Payroll deduction loans	9.928	9.936
Crediuno Insurance	5.976	5.075
Tigo Insurance	374	186
Credipoliza Insurance	582	597
SG Portfolio Insurance	5.699	-
	22.559	**15.794**

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

	December 31, 2022	December 31, 2021
Balance at start of period	(7.910)	(14.629)
Deterioration (1)	(11.298)	(13.860)
Write-off	10.997	20.579
Balance at end of period	**(8.211)**	**(7.910)**

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

12.4.1. Detail Impairment

As of December 31, 2022, the amount of the impairment provision for accounts receivable amounts to $8.211. Changes in the impairment provision of accounts receivable are described in the following table:

Third Party	Impairment	%
Asficredito	7.587	9.7%
Staggered Collective Portfolio	624	1%
Total	**8.211**	

Increases in impairment provision of receivables have been included in the "other expenses" line of the income analysis. Amounts charged to the provision account are usually written off when there is no expectation of receiving additional cash.

The Company does not maintain any guarantee as collection insurance.

NOTE 13. PROPERTY AND EQUIPMENT

The Company's property, plant and equipment as of December 31, 2022 and December 31, 2021, respectively, are as follows:

	December 31, 2022	December 31, 2021
Transportation equipment	117	117
Office equipment and accessories	1.771	1.614
Computer equipment	388	393
Network and communication equipment	1.761	1.990
Assets in financial lease	4.354	4.384
Subtotal	**8.391**	**8.498**
Accumulated depreciation	(8.218)	(8.269)
Total	**173**	**229**

(Stated in million of Colombian pesos)

The breakdown for equipment movement is shown below:

	December 31, 2021	**Purchases**	**Write-offs**	**December 31, 2022**
Transportation equipment	117	-	-	117
Office equipment and accessories	1.614	157	-	1.771
Electronic equipment	393	3	(8)	388
Network and communication equipment	1.990	24	(253)	1.761
Assets in financial lease	4.384	-	(30)	4.354
	8.498	**184**	**(291)**	**8.391**

	December 31, 2020	**Purchases**	**Write-offs**	**December 31, 2021**
Transportation Equipment	117	-	-	117
Office equipment and accessories	1.781	28	(195)	1.614
Electronic equipment	399	31	(37)	393
Network and communication equipment	2.204	6	(220)	1.990
Machinery, plant and equipment in assembly	49	-	(49)	-
Assets in financial lease	4.865		(481)	4.384
	9.415	**65**	**(982)**	**8.498**

The following is the depreciation movement as of December 31, 2022 and December 31, 2021, respectively:

	December 31, 2021	**Depreciation**	**Write-offs**	**December 31, 2022**
Transport equipment	117	-	-	117
Office equipment and accessories	1.578	65	-	1.643
Electronic equipment	1.374	163	(258)	1.279
Telecommunications equipment	816	12	(2)	826
Assets in financial lease	4.384	-	(31)	4.353
	8.269	**240**	**(291)**	**8.218**

	December 31, 2020	**Depreciation**	**Write-offs**	**December 31, 2021**
Transport equipment	117	-	-	117
Office equipment and accessories	1.720	54	(196)	1.578
Electronic equipment	1.227	299	(152)	1.374
Telecommunications equipment	912	52	(148)	816
Assets in financial lease	4.865	-	(481)	4.384
	8.841	**405**	**(977)**	**8.269**

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, 2022 and December 31, 2021, 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.

NOTE 14. PROPERTIES BY RIGHT OF USE

Below is the plant and equipment properties that the Company has as of December 31,2022 and December 31, 2021, respectively:

(Stated in million of Colombian pesos)

	December 31, 2022	December 31, 2021
Assets		
Properties, Plant and Equipment (Right of Use)	2.021	4.298
Deferred tax asset	55	166
Liabilities		
Other financial liabilities - lease of use		
Currents	(934)	(2.044)
Non-current	(1.245)	(2.726)
Net	**(103)**	**(306)**

Properties and equipment include rights to use leases, in which the Company is the tenant, whose values are shown below:

	Rights of use Premises and Offices	Total
As of December 31, 2020		
Cost	9.296	9.296
Accumulated Depreciation	(3.276)	(3.276)
Net cost	**6.020**	**6.020**
As of December 31, 2021		
Balance at the beginning of the year	6.020	6.020
Additions	434	434
Retreats	-	-
Transfers	-	-
Depreciation charge	(2.156)	(2.156)
Balance at the end of the year	**4.298**	**4.298**
As of December 31, 2021		
Cost	9.696	9.696
Accumulated Depreciation	(5.398)	(5.398)
Net cost	**4.298**	**4.298**
As of December 31, 2022		
Balance at the beginning of the year	4.298	4.298
Additions	-	-
Retreats	(221)	(221)
Transfers	-	-
Depreciation charge	(2.056)	(2.056)
Balance at the end of the year	**2.021**	**2.021**
As of December 31, 2022		
Cost	9.251	9.251
Accumulated Depreciation	(7.229)	(7.229)
Net cost	**2.021**	**2.021**

The maturities of financial leases range from 3 to 5 years.

In relation to the rights of use recorded in the property, plant and equipment accounts, financial leasing liabilities have been recorded which are included in other financial liabilities and which as of December 31, 2022, have the following balances:

Lease liabilities	December 31, 2022	December 31, 2021
As December 31, 2021	**4.770**	**6.429**
Additions	-	434
Payments	(2.370)	(2.093)
Withdraws	(221)	-
As December 31, 2022*	**2.179**	**4.770**

(Stated in million of Colombian pesos)

- The net variation for 2021 corresponds to 566.

14.1Statement of Results

	December 31, 2022
Depreciation fee - usage asset	2.056
Interest expense on lease liabilities	221
Variable lease expenses	858
	3.135

Total cash outings for leases as of December 31, 2022 were 3.491

Variable Leases

Credivalores determined variable leases, based on the landlord's preponderance in the disposal and use of the asset, in this classification are the points of sale located in the chain warehouses.

NOTE 15. INTANGIBLE ASSETS

Below we present the company's other intangible assets as of December 31, 2022 and December 31, 2021, respectively:

December 31, 2022

	Initial Balance	Additions	Amortization	Closing Balance
Software Licenses	1.334	2.225	2.118	1.441
Acquired Trademarks	9.520	-	2.380	7.140
Database	18.166	-	757	17.409
Contracts	13.781	-	727	13.054
Other	866	4.995	5.377	484
Total	**43.667**	**7.220**	**11.359**	**39.528**

December 31, 2021

	Initial Balance	Additions	Amortization	Closing Balance
Software Licenses	1.261	2.098	2.025	1.334
Acquired Trademarks	11.900	-	2.380	9.520
Database	18.923	-	757	18.166
Contracts	14.399	-	618	13.781
Other	8.469	3.514	11.117	866
Total	**54.952**	**5.612**	**16.897**	**43.667**

Disputed rights, the variation corresponds to the collection of the portfolio included in this item:

	December 31, 2022	December 31, 2021
Disputed rights	324	444
Total	**324**	**444**

The movement of amortization expenses for the period was as follows:

	December 31, 2022	December 31, 2021
Depreciation of brands	2.380	2.380
Amortization of exclusivity contracts, databases and licenses	3.602	3.400
Subtotal	**5.982**	**5.780**
Consultancies, free-standing trusts commissions, contributions	1.277	1.443

(Stated in million of Colombian pesos)

Investors	3.307	1.825
Fees	375	1.347
Insurance	418	6.502
Total	**5.377**	**11.117**

Based on the end of 2018 and 10-year projections adjusted to the performance of the business unit up to that date, the intangibles were prepared in the evaluation and valuation of intangibles through the construction of discounted cash flow projections.

By obtaining the value of the discounted projections, the flow was evaluated in an aggregate manner, and then the tangible assets on the balance sheet were deducted from the total business value, to identify the residual value against the estimated market value of the business. The difference that was obtained in the values, according to the economic and accounting literature, gave rise to the residual value of the intangibles. It was concluded that the updated projections for the base year 2022 remain within the range initially estimated in 2018 of the Base Scenario, considering results obtained at the end of 2018 to 2021 and the future commercial expectations of placement and collection, and in accordance with the dynamics of growth, margin contribution and efficiency in expenses.

Therefore, the conclusion of the Appraiser should not generate an adjustment in the initially estimated valuation, nor should an adjustment for impairment in the registered value of CREDIUNO's intangibles be included, since it is evident that the estimated results in 2018 remained in the lower range of projection even with the effects of the pandemic, and it is expected that by meeting the economic reactivation due to the cash needs of customers in the short and medium term, it would bring rewards in terms of projected profits of the operation within the estimated and initially projected range, considering the new growth curves and efficiency in commission income along with the reduction in expenses, thus preserving the operating margins initially estimated for valuation.

NOTE 16. CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that have not yet expired and have also not suffered impairment losses is assessed on the basis of ratings given by external bodies or if they do not exist on the basis of internal categorizations defined on the basis of counterpart characteristics:

	December 31,	
	2022	**2021**
Cash and cash equivalents		
AAA	245.087	121.492
AA	-	28
Total cash and cash equivalents	**245.087**	**121.520**

	December 31,	
	2022	**2021**
Equity instruments (shares)		
Fair value financial assets through the other comprehensive results		
Financial sector	5.698	6.115
Total equity instruments	**5.698**	**6.115**

	December 31,	
	2022	**2021**
Debt instruments		
Financial assets at fair value through the statement of return		
AAA	12.021	22.202
Total debt instruments	**12.021**	**22.202**

(Stated in million of Colombian pesos)

NOTE 17. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

	December 31, 2022	December 31, 2021
ASSETS		
Prima Call	7.051	-
Hedge forward contracts (17.1)	5.120	8.013
Hedge Options (17.2)	(10.146)	138.380
Hedge Swaps (17.3)	96.836	208.774
Total	**98.861**	**355.167**
LIABILITY		
Forward speculation	-	316
Total	**-**	**316**

Credivalores holds derivative financial instruments to hedge foreign currency risk exposure.

Hedging Operations

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

Credivalores has developed a hedging policy against financial risks to mitigate the effects that these risks may have on the income statement. In development of this policy, the main objective to minimize the effects of the exchange rate on the liabilities in foreign currency that the company currently has. To achieve this objective CVCS has contracted different types of derivatives such as: Exchange Rate Forward, Cross Currency Swap, Cupon Only Swap and Options. The Management constantly monitors the results of this strategy and its effectiveness to adopt timely actions and corrective measures in favor of results. Effectiveness is measured retrospectively using the hypothetical derivative method. Equally, the methodologies for valuation at market prices have been adopted in accordance with the practices used by the Colombian financial system and international practices, with sources of information from price providers accepted by national regulators.

In accordance with the guidelines of this policy, the following is the list of derivative instruments implemented and in force as of September 2022 to hedge foreign currency risks and interest rate risks of financial obligations denominated in foreign currency (Notes due 2025 and credits):

Cross Currency Swaps

Theoretical Hedging				Annual Interest Rate			
Credivalores pays	**Credivalores receives USD**	**Credivalores pays COP**	**Delivery**	**Effective Date**	**Maturity Date**	**Credivalores receivers**	**Credivalores pays**
Coupon Only Swap	100.000.000	341.600.000.000	Non-Delivery	7/02/2020	7/02/2025	8,88%	IBR+ 8,54%
Coupon Only Swap	50.000.000	170.750.000.000	Non-Delivery	7/02/2020	7/02/2025	8,88%	IBR+ 3,32%
Coupon Only Swap	50.000.000	170.750.000.000	Non-Delivery	7/02/2020	7/02/2025	8,88%	IBR+ 4,995%
Coupon Only Swap	40.000.000	160.660.000.000	Non-Delivery	1/06/2022	31/05/2025	9.5% + SOFR	IBR + 4.56%
Coupon Only Swap	29.388.476	135.993.995.022	Non-Delivery	7/07/2022	31/05/2025	9.5% + SOFR	IBR + 3.9%
Coupon Only Swap	18.325.152	78.706.527.453	Non-Delivery	18/07/2022	31/05/2025	9.5% + SOFR	IBR + 3.69%

Operaciones de Cobertura Vigentes

(Stated in million of Colombian pesos)

Type of instrument	Position of Credivalores	Type of Option	Amount covered in USD	Effective date	Due date	Strike Price COP	Compliance
Call Option	Seller	European	50.000.000	7-feb-25	7-feb-25	4.000,00	Non-Delivery
Call Option	Buyer	European	50.000.000	7-feb-25	7-feb-25	3.415,00	Non-Delivery
Call Option	Seller	European	100.000.000	7-feb-25	7-feb-25	4.000,00	Non-Delivery
Call Option	Buyer	European	100.000.000	7-feb-25	7-feb-25	3.415,00	Non-Delivery
Call Option	Seller	European	18.000.000	7-feb-25	7-feb-25	4.000,00	Non-Delivery
Call Option	Buyer	European	18.000.000	7-feb-25	7-feb-25	3.415,00	Non-Delivery
Call Option	Seller	European	3.333.333	11-jul-24	11-jul-24	4.516,50	Non-Delivery
Call Option	Buyer	European	3.333.333	11-jul-24	11-jul-24	4.016,50	Non-Delivery
Call Option	Seller	European	3.333.333	13-ago-24	13-ago-24	4.516,50	Non-Delivery
Call Option	Buyer	European	3.333.333	13-ago-24	13-ago-24	4.016,50	Non-Delivery
Call Option	Seller	European	3.333.333	12-sep-24	12-sep-24	4.516,50	Non-Delivery
Call Option	Buyer	European	3.333.333	12-sep-24	12-sep-24	4.016,50	Non-Delivery
Call Option	Seller	European	3.333.333	10-oct-24	10-oct-24	4.516,50	Non-Delivery
Call Option	Buyer	European	3.333.333	10-oct-24	10-oct-24	4.016,50	Non-Delivery
Call Option	Seller	European	3.333.333	13-nov-24	13-nov-24	4.516,50	Non-Delivery
Call Option	Buyer	European	3.333.333	13-nov-24	13-nov-24	4.016,50	Non-Delivery
Call Option	Seller	European	3.333.333	12-dic-24	12-dic-24	4.516,50	Non-Delivery
Call Option	Buyer	European	3.333.333	12-dic-24	12-dic-24	4.016,50	Non-Delivery
Call Option	Seller	European	3.333.333	13-ene-25	13-ene-25	4.516,50	Non-Delivery
Call Option	Buyer	European	3.333.333	13-ene-25	13-ene-25	4.016,50	Non-Delivery
Call Option	Seller	European	3.333.333	13-feb-25	13-feb-25	4.516,50	Non-Delivery
Call Option	Buyer	European	3.333.333	13-feb-25	13-feb-25	4.016,50	Non-Delivery
Call Option	Seller	European	3.333.333	13-mar-25	13-mar-25	4.516,50	Non-Delivery
Call Option	Buyer	European	3.333.333	13-mar-25	13-mar-25	4.016,50	Non-Delivery
Call Option	Seller	European	3.333.333	11-abr-25	11-abr-25	4.516,50	Non-Delivery
Call Option	Buyer	European	3.333.333	11-abr-25	11-abr-25	4.016,50	Non-Delivery
Call Option	Seller	European	3.333.333	13-may-25	13-may-25	4.516,50	Non-Delivery
Call Option	Buyer	European	3.333.333	13-may-25	13-may-25	4.016,50	Non-Delivery
Call Option	Seller	European	3.333.333	12-jun-25	12-jun-25	4.516,50	Non-Delivery
Call Option	Buyer	European	3.333.333	12-jun-25	12-jun-25	4.016,50	Non-Delivery
Call Option	Seller	European	2.449.040	11-jul-24	11-jul-24	5.127,46	Non-Delivery
Call Option	Buyer	European	2.449.040	11-jul-24	11-jul-24	4.627,46	Non-Delivery
Call Option	Seller	European	2.449.040	13-ago-24	13-ago-24	5.127,46	Non-Delivery
Call Option	Buyer	European	2.449.040	13-ago-24	13-ago-24	4.627,46	Non-Delivery
Call Option	Seller	European	2.449.040	12-sep-24	12-sep-24	5.127,46	Non-Delivery
Call Option	Buyer	European	2.449.040	12-sep-24	12-sep-24	4.627,46	Non-Delivery
Call Option	Seller	European	2.449.040	10-oct-24	10-oct-24	5.127,46	Non-Delivery
Call Option	Buyer	European	2.449.040	10-oct-24	10-oct-24	4.627,46	Non-Delivery
Call Option	Seller	European	2.449.040	13-nov-24	13-nov-24	5.127,46	Non-Delivery
Call Option	Buyer	European	2.449.040	13-nov-24	13-nov-24	4.627,46	Non-Delivery
Call Option	Seller	European	2.449.040	12-dic-24	12-dic-24	5.127,46	Non-Delivery
Call Option	Buyer	European	2.449.040	12-dic-24	12-dic-24	4.627,46	Non-Delivery
Call Option	Seller	European	2.449.040	13-ene-25	13-ene-25	5.127,46	Non-Delivery
Call Option	Buyer	European	2.449.040	13-ene-25	13-ene-25	4.627,46	Non-Delivery
Call Option	Seller	European	2.449.040	13-feb-25	13-feb-25	5.127,46	Non-Delivery
Call Option	Buyer	European	2.449.040	13-feb-25	13-feb-25	4.627,46	Non-Delivery
Call Option	Seller	European	2.449.040	13-mar-25	13-mar-25	5.127,46	Non-Delivery
Call Option	Buyer	European	2.449.040	13-mar-25	13-mar-25	4.627,46	Non-Delivery
Call Option	Seller	European	2.449.040	11-abr-25	11-abr-25	5.127,46	Non-Delivery
Call Option	Buyer	European	2.449.040	11-abr-25	11-abr-25	4.627,46	Non-Delivery
Call Option	Seller	European	2.449.040	13-may-25	13-may-25	5.127,46	Non-Delivery
Call Option	Buyer	European	2.449.040	13-may-25	13-may-25	4.627,46	Non-Delivery
Call Option	Seller	European	2.449.040	12-jun-25	12-jun-25	5.127,46	Non-Delivery
Call Option	Buyer	European	2.449.040	12-jun-25	12-jun-25	4.627,46	Non-Delivery
Call Option	Seller	European	1.527.096	11-jul-24	11-jul-24	4.795,00	Non-Delivery
Call Option	Buyer	European	1.527.096	11-jul-24	11-jul-24	4.295,00	Non-Delivery
Call Option	Seller	European	1.527.096	13-ago-24	13-ago-24	4.795,00	Non-Delivery
Call Option	Buyer	European	1.527.096	13-ago-24	13-ago-24	4.295,00	Non-Delivery
Call Option	Seller	European	1.527.096	12-sep-24	12-sep-24	4.795,00	Non-Delivery
Call Option	Buyer	European	1.527.096	12-sep-24	12-sep-24	4.295,00	Non-Delivery
Call Option	Seller	European	1.527.096	10-oct-24	10-oct-24	4.795,00	Non-Delivery
Call Option	Buyer	European	1.527.096	10-oct-24	10-oct-24	4.295,00	Non-Delivery
Call Option	Seller	European	1.527.096	13-nov-24	13-nov-24	4.795,00	Non-Delivery
Call Option	Buyer	European	1.527.096	13-nov-24	13-nov-24	4.295,00	Non-Delivery
Call Option	Seller	European	1.527.096	12-dic-24	12-dic-24	4.795,00	Non-Delivery
Call Option	Buyer	European	1.527.096	12-dic-24	12-dic-24	4.295,00	Non-Delivery
Call Option	Seller	European	1.527.096	13-ene-25	13-ene-25	4.795,00	Non-Delivery
Call Option	Buyer	European	1.527.096	13-ene-25	13-ene-25	4.295,00	Non-Delivery
Call Option	Seller	European	1.527.096	13-feb-25	13-feb-25	4.795,00	Non-Delivery

Call Option	Buyer	European	1.527.096	13-feb-25	13-feb-25	4.295,00	Non-Delivery
Call Option	Seller	European	1.527.096	13-mar-25	13-mar-25	4.795,00	Non-Delivery
Call Option	Buyer	European	1.527.096	13-mar-25	13-mar-25	4.295,00	Non-Delivery
Call Option	Seller	European	1.527.096	11-abr-25	11-abr-25	4.795,00	Non-Delivery
Call Option	Buyer	European	1.527.096	11-abr-25	11-abr-25	4.295,00	Non-Delivery
Call Option	Seller	European	1.527.096	13-may-25	13-may-25	4.795,00	Non-Delivery
Call Option	Buyer	European	1.527.096	13-may-25	13-may-25	4.295,00	Non-Delivery
Call Option	Seller	European	1.527.096	12-jun-25	12-jun-25	4.795,00	Non-Delivery
Call Option	Buyer	European	1.527.096	12-jun-25	12-jun-25	4.295,00	Non-Delivery

17.1 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, 2022		**December 31, 2021**	
ASSETS	**Nominal Amount USD**	**Fair Value**	**Nominal Amount USD**	**Fair Value**
Forward Contracts for Hedging				
Purchase of foreign currency	7	5.120	59	8.013
Total forward contracts for hedging – assets	**7**	**5.120**	**59**	**8.013**

Stated in USD expressed in million

17.2 Derivate Financial Instruments Options

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

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

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

	Fair value			
	December 31, 2022		**December 31, 2021**	
ASSETS	**Nominal Amount USD**	**Fair Value**	**Nominal Amount USD**	**Fair Value**
Call spread premium option	23	96.836	35	138.380
Total forward contracts for hedging – assets	**23**	**96.836**	**35**	**138.380**

Options Contracts for Hedging

Transactions in derivative instruments with options cover the debt position (equity only) of the disbursements of the PA Credivalores O'Connor and Gramercy credit for an aggregate face value of US 87,713,627.

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 derivative financial instruments, to cover the foreign currency risk exposure until maturity, which corresponds to the expiration of the Notes that are being covered by this instrument. 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 carried out.

(Stated in million of Colombian pesos)

17.3 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, 2022		December 31, 2021	
ASSETS	**Nominal Amount USD**	**Fair Value**	**Nominal Amount USD**	**Fair Value**
Hedging Contracts Cross Currency Swaps (a)	-	-	48	191.802
Hedging Contracts Coupon Only Swap (b)	(2)	(10.146)	4	16.972
Total forward contracts for hedging – assets	**(2)**	**(10.146)**	**52**	**208.774**

a. Cross currency swap hedging contracts

In 2022, coverage with CCS was cancelled.

b. Coupon only swaps hedging contracts

The derivative trading through a coupon only swaps cover interest payments on Notes 144 A/Reg S due 2025 issued on February 7, 2020, with a coupon of 8.875% for an original face value of US$200,000,000. With respect to Notes 144 A / Reg S maturing in 2025 and coupon of 8.875%, in June 2020 the number of coupons covered at maturity with coupon only swaps was adjusted after completing a repurchase operation in the secondary market of these Notes for US32,000,000 principal.

In addition, coupon only swaps cover interest until maturity of PA Credivalores UBS O'Connor and Gramercy credit disbursements with a nominal value of US 87,713,627.

The balance of the account registers negative balance because the valuation of this derivative financial instrument is showing a loss at the end of 2022.

NOTE 18. FINANCIAL OBLIGATIONS

Below, we present the balances of financial obligations as of December 31, 2022 and December 31, 2021

	December 31, 2022	December 31, 2021
144 A / Reg S Bonds	1.289.134	1.720.458
ECP Program Notes	192.408	298.587
Ordinary Local Bonds- FNG Partial Guarantee	95.940	52.900
Financial obligations in autonomous assets	901.280	252.296
Promissory notes national banks	48.919	82.721
Transaction costs	(53.924)	(61.792)
	2.473.757	**2.345.170**

The balances of Credivalores' financial obligations and the Autonomous Assets of which he is trusting at court December 31, 2022 and December 31, 2021, correspond to obligations incurred with financial institutions in the country and obligations in the foreign capital market and financial leasing. Short-term credit obligations are cancelled between December 2022 and 2021 and credits that have a maturity after December 2022, respectively, are considered long-term:

a) Short-term financial obligations.

Entity	December 31, 2022	Interest rate	Maturity	December 31, 2021	Interest rate	Maturity
Banco de Bogotá	5.512	IBR+4.15%	2023	271	IBR+1.25%	2022
Banco de Occidente	10.309	IBR+2.86%	2022-2023	10.271	IBR+2.5%	2022
Bancolombia	6.831	IBR+9.79%	2023	9.995	IBR+7.95%	2022
JP Morgan Colombia	-			36.500	10%EA	2022

(Stated in million of Colombian pesos)

Coltefinanciera	1.065	14.68%EA	2023	-		
Total National Entities	**23.717**			**57.037**		
ECP Program Notes	192.408	10.63%NA	2023	199.058	8,5%EA	2022
Total ECP Program Notes	**192.408**			**199.058**		

Entity	December 31, 2022	Interest rate	Maturity	December 31, 2021	Interest rate	Maturity
9.75% Bonds due July 2022 (144 A/Reg. S Bonds)	-			379.464	9.75%EA	2022
Reopening of 9.75% Bonds due July 2022 (144 A/Reg. S)	-			274.043	9.75%EA	2022
Total International Bonds	**-**			**653.507**		

Entity	December 31, 2022	Maturity	Expiration	December 31, 2021	Interest rate	Maturity
Free-standing Trust Crediuno IFC	6.956	DTF + 5.5%	2023	-		
TotalFree-standing Trusts	**6.956**			**-**		

Total short-term obligations	**223.081**			**909.602**		

Credivalores has short-term financial obligations, during the periods ended December 31, 2022 and December 31, 2021 for a value of 223,081 and 909,602, respectively. The measurement of liabilities financial instruments of financial obligations are valued at low amortized cost as established by IFRS 9.

b) Long-term obligations

The Company had long-term financial obligations during the periods ended December 31, 2022 and December 31 2020 totaling 2.304.567 and 1.497.360, respectively. Associated costs incurred in the acquisition of loans are classified as transaction costs pending IFP amortization for the periods ended December 31, 2022 and December 31, 2021, valued at 53.924 and 61.792, respectively. The measurement of financial liability instruments for financial obligations is valued at amortized cost, as per IFRS 9.

The total balance of financial obligations for the periods ended December 31, 2022 and December 31, 2021 is 2.473.724 and 2.345.170 respectively, which will be paid off as described above.

Entity	December 31, 2022	Interest rate	Maturity	December 31, 2021	Interest rate	Maturity
Banco de Bogotá	-			5.210	IBR+5.5%	2023
Bancolombia	26.267	IBR+10.50%	2024	20.475	IBR+7.65%	2023
Total National Entity	**26.267**			**25.685**		
ECP Program Notes	-			99.529	8,75%EA	2023
Total ECP Program Notes	**-**			**99.529**		

Entity	December 31, 2022	Interest rate	Maturity	December 31, 2021	Interest rate	Maturity
Free-standing Trust Syndicated Loan TuCrédito	253.004	IBR + 5.5%	2024al2027	252.296	DTF-IBR+5.5%	2023 to 2025
Free-standing Trust Syndicated Loan Payroll	169.939	IBR+8%	2027	-		
Free-standing Trust UBS O'Connor	421.920	SOFR+9,5%	2025	-		
Free-standing Trust Systemgroup	48.363	15% EA	2025	-		
Total Trusts	**893.226**			**252.296**		

Entity	December 31, 2022	Interest rate	Maturity	December 31, 2021	Interest rate	Maturity
8.875% Bonds due February 2025 (144 A/Reg. S Bonds)	1.289.134	8,875% NS	2025	1.066.951	8,875% EA	2025
Domestic Bonds Guaranteed by the FNG	95.940	9,1% NS	2024	52.900	9,1%EA	2024

(Stated in million of Colombian pesos)

Total Bonds	**1.385.074**			**1.119.851**		
Total long-term obligations	**2.304.566**			**1.497.361**		
Transaction costs	(53.924)			(61.793)		
Total financial obligations	**2.473.724**			**2.345.170**		

- The item for rights of use for the periods ended December 30, 2022 and December 31, 2021 correspond to 2,179 and 4,770 respectively

On August 26, 2021, CV issued the first tranche of its inaugural domestic bond issuance of ordinary bonds with a partial guarantee from the FNG in the Colombian debt capital market.

The total amount of the issuance, authorized by the Financial Superintendence of Colombia in September 2021, is $160,000 million pesos and in August 2021 the Company placed the first tranche of bonds for an amount of $52,900 billion pesos with a 3-year term an a 9.10% coupon.

The placement of the first tranch had an over-demand of 1.51 for the amount initially offered, which was 35,000 million pesos. Subsequently, on September 23, 2022, Credivalores placed the second tranch of the issuance of ordinary bonds with partial guarantee of the FNG for an amount of 43,040 million pesos maintaining the same maturity date and coupon of the issuance of the first lot. Therefore, at the end of September 2022, the total balance of ordinary bonds with partial guarantee of the FNG issued by Credivalores was 95.940 million.

The issuance of ordinary bonds of Credivalores has an irrevocable partial guarantee from the FNG that covers 70% of the principal and interest and was rated 'AA (col)' by Fitch Ratings Colombia.

The resources from the placement of the first and second tranches of Credivalores ordinary bond issuance allowed the company to support the growth of its operation in Colombia by financing the disbursements of the payroll and credit card loans.

For the last quarter of 2022, the company constituted a trust with Systemgroup for 48,363 million for the maintenance of its operation and in turn to meet the expiration of the October 2022 note.

On January 31, 2022, Credivalores closed a credit line committed to Citibank Colombia for an amount of 290,000 million pesos, which was structured through a trust without recourse to Credivalores. This line is backed by a payroll portfolio, with an initial revolving period of 24 months and subsequent amortization of the capital depending on the portfolio, to achieve a half-life of the facility of around 5.6 years. At the end of December 2022, 169,939,000 million pesos of the total committed amount of this facility had been disbursed.

The resources of this loan were used to finance the growth of the portfolio and to meet the maturity of the bonds in dollars with a coupon of 9.75% in July 2022.

Obligations stated in foreign currency.

Entity	**Nominal Value as of December 31, 2022**		**Nominal as of Value December 31, 2021**	
ECP Program Notes (a)	75	192.408	75	298.587
144 A/ Reg S Bonds (b)	268	1.289.134	432	1.720.458
Total	**USD 343**	**COP 1.481.542**	**USD 507**	**COP 2.019.045**

- Interests

Listed below:

	December 31, 2022	**December 31, 2021**
Bank interests	199	1.382
Bank Interests Free-standing Trust	2.114	722
Foreign currency interest foreign currency interest	4.513	3.253
Bonus coupon	45.327	65.104
Coupon ordinary bonds issued locally	2.952	1.608
Interest banks another Free-standing Trust	559	-
Foreign currency interest Free-standing Trust	4.839	-
	60.502	**72.069**

(a) Euro Commercial Paper Program Notes

(Stated in million of Colombian pesos)

The Euro Commercial Paper Program (ECP Program) has a US$150,000,000 maximum outstanding amount.

In April 2021 CV issued a new note under the ECP Program due October 28, 2022 for an amount of US$50,000,000 and a coupon of 8.50% with quarterly interest payments. In that same month, a US$40,000,000 note with a coupon of 8.25% issued in April 2018 matured. In September 2021 CV issued a new US$25,000,000 note with a maturity in March 2023 and a coupon of 8.75%. In that same month, a US$20,000,000 note issued in June 2020 with a coupon of 8.50% matured. The resources of the last issue made in October 2022 were allocated to the growth of the company's loan portfolio and general uses.

As a result of amortization principal and issuance of new notes under the ECP Program, the total outstanding balance as of December 31, 2022, is US$40,000,000.

(b) Notas 144A / Reg S

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.

In addition, on February 14th, 2018, Credivalores reopened these Notes for an additional amount of US$75,000,000, bringing the total issued to US$325,000,000, taking into account the original issue. The Notes were reopened with a yield of 8.625% and a price of 104.079%. The proceeds of the reopening were used to refinance existing uncollateralized debt and the surpluses were used for the company's general purposes.

Subsequently, on January 17, 2020, CVCS launched a Tender Offer and a Consent Solicitation for all or a portion of the principal of the 144A/Reg S Notes due July 2022 and coupon of 9.75%. The repurchase offer would be contingent on the condition of a new bond issue in the international market that would allow obtaining the resources to carry out the repurchase and the request for the elimination of covenants would materialize if more than 51% of the principal of the current Notes were repurchased. The repurchase offer was launched at a price of US$1,055 per US$1,000 of principal of these Notes applicable during the Early Tender Time extending through January 31, 2020 and at a price of US$1,005 per US$1,000 principal of the Notes applicable in the final maturity period of the repurchase offer which ran through February 14, 2020. During the early participation period , US$154,035,000 of the principal of the Notes maturing in 2022 was repurchased and then in the final maturity period, an additional US$650,000 of the principal of these notes was received. The principal repurchases of the Notes maturing 2022 in the repurchase offer corresponded to 47.6% of the US325,000,000 current as of December 31, 2019.

Once the early repurchase period concluded, CVCS decided to conduct a new issuance of ordinary notes under the 144A/Reg S format in the international capital market with a maturity date on February 7th, 2025, for an amount of US300,000,000 with a coupon of 8.875% and yield of 9%. The new Notes pay interest due semi-annually on February 7 and August 7 of each year, beginning August 7, 2020. The proceeds from this issue were used to repurchase the Notes under the repurchase offer referred to above, to refinance existing debt under the ECP Program and the surplus to company's general-purpose. Once the fulfillment of this debt management operation was carried out on February 7, 2020, the new current principal of the Notes with a coupon of 9.75% and maturity in 2022 is US164,150,000.

After the repurchase operations in the secondary market carried out in 2020 and 2022, the amount of outstanding principal of the Notes with a coupon of 9.75% and maturity in 2022 was US$155,952,000, which was paid in full on July 27, 2022 to investors along with the corresponding interest.

Below are the payments of the coupons of the issuance of 144A/Reg S notes with coupon 9.75% and 8.875% and maturity in 2022 and 2025 since its issuance:

Principal	Coupon	First Coupon Payment – 27/01/2018	Second Coupon	Third Coupon Payment - 27/01/2019	Fourth Coupon Payment - 27/07/2019	Fifth Coupon Payment - 27/01/2020

			Payment - 27/07/2018			
250.000.000	9,75%	12.187.500	12.187.500	12.187.500	12.187.500	12.187.500
75.000.000	9,75%	-	3.656.250	3.656.250	3.656.250	3.656.250
	Total in USD	**12.187.500**	**15.843.750**	**15.843.750**	**15.843.750**	**15.843.750**
	FX Rate	2.805,40	2.882,84	3.160,52	3.213,09	3.353,76
	Total in Million Pesos	**34.190.812.500**	**45.674.996.250**	**50.074.488.750**	**50.907.394.688**	**53.136.135.000**

Principal	Coupon	Sixth Coupon Payment - 27/07/2020	Seven Coupon Payment - 27/01/2021	Eight Coupon Payment – 27/07/2021	Nineth Coupon Payment – 27/01/2022
95.315.000	9,75%	4.646.606	4.646.606	4.646.606	4.646.606
75.000.000	9,75%	3.656.250	-	-	-
68.835.000	9,75%	-	3.355.706	3.355.706	3.355.706
	Total in USD	**8.302.856**	**8.002.313**	**8.002.313**	**8.002.213**
	FX Rate	3.660,15	3.591,48	3.904,17	3.947,83
	Total in Million Pesos	**30.389.698.303**	**28.740.147.093**	**31.242.390.345**	**31.591.376.548**

Principal	Coupon	First Coupon Payment - 07/08/2020	Second Coupon Payment - 07/02/2021	Third Coupon Payment - 07/08/2021	Fourth Coupon Payment - 27/02/2022
268.000.000	8,875%	11.892.500	11.892.500	11.892.500	11.892.500
	Total in USD	**11.892.500**	**11.892.500**	**11.892.500**	**11.892.500**
	FX Rate	3.775,95	3.543,28	3.949,33	3.962,68
	Total in Million Pesos	**44.905.485.375**	**42.138.457.400**	**46.967.407.025**	**47.126.171.900**

In accordance with the "Description of the notes" due in 2025 and "Offering memorandum", the Company may redeem the Notes, in whole or in part, at any time from February 7, 2023, at the redemption prices stipulated in the Offering Memorandum, plus any additional amounts due and accrued and unpaid interest, until the redemption date. It is also possible to redeem notes before February 7, 2023, in whole or in part, at a price equal to 100% of their principal amount plus a make-all premium, in addition to any additional amounts then due plus accrued and unpaid interests, until the redemption date.

In addition, at any time through February 7, 2023, CVCS may redeem up to 35% of the Notes using proceeds from stock sales or equity offerings at a redemption price of 108.875% of its principal amount, plus any additional amounts then due plus accrued and unpaid interest, until the redemption date. In addition, in the event of certain changes in the tax treatment of withholding tax in Colombia in connection with interest payments on the Notes, CVCS may redeem them, in full, but not in part, at a price of 100% of their principal amount, in addition to any additional amounts then due plus accrued and unpaid interest, until the redemption date. In the event of a change of control in the entity, unless the Company has elected to redeem the Notes, each holder thereof shall have the right to demand that the entity repurchase all or any part of such holder's Notes at 101% of the total principal amount of the repurchased Notes, in addition to any amounts then due plus accrued and unpaid interest, up to the date of repurchase.

Notes due 2025 will be forward-looking and unsecured obligations and (i) will have the same priority in terms of right to payment as all other existing and future debt obligations of the Company (subject to certain obligations whereby they are given preferential treatment under Colombia's insolvency laws); (ii) have a higher payment priority than the Company's existing and future subordinated debt obligations, if any; (iii) be subordinated, as to the right to payment, to all existing and future unsecured debt obligations of the Company, to the extent of the value of the assets securing such indebtedness, including any debts, liabilities and Equity; and (iv) be structurally subordinate to all existing and future payment obligations and commercial accounts payable of any of our non-guarantor subsidiaries. The notes shall not be entitled to any redemption funds.

The principal and coupons of the Notes maturing in February 2025 were hedged to pesos using cross currency swaps and call spreads at maturity of the instrument.

During April and May 2020, Credivalores carried out repurchase operations of Notes 144 A / Reg S maturing in 2025 and coupon of 8.875% in the secondary market through a broker for a total amount of US32,000,000 of principal. The entire amount repurchased from these Notes in April and May was cancelled at the end of September 2020. As a result, as of December 31, 2022, the new current number of Notes 144 A/Reg S due in 2025 and coupon of 8.875% is US$268,000,000.

Covenants

(Stated in million of Colombian pesos)

The Notes 144A/Reg S due 2025 prospect contains certain restrictive covenants, which among other things, limit our ability to (i) take additional debt, (ii) make dividend payments, redeem capital and make certain investments, (iii) transfer and sell assets, (iv) enter into any type of agreement that could limit the ability of subsidiaries to pay dividends or make capital distributions, (v) create collateral or pledge assets, (vi) consolidate, merge or sell assets and (vii) transact with affiliates. The "Indenture" contract governing the Notes contains traditional default events.

At the end of December 2022, there was an incompliance in the financial covenants related to Notes 144 A / Reg S maturing in 2025, however, they are expected to be corrected during the first half of 2023.

(a) Free-standing Trust Credivalores O'Connor y Gramercy

On May 13, 2022, Credivalores signed a new credit line committed for US$100 million with two international funds (O'Connor UBS and Gramercy), structured through a trust, which will be backed by the credit card product portfolio as credit collateral. The line has a term of 36 months with an availability period of 12 months from its signature and amortization of capital from month 24 from signature, to achieve an average life of the facility of around 2.54 years. Each of the disbursements of this credit will be covered in Colombian pesos through operations with derivative financial instruments at maturity. At the end of December 2022, US$87,713,627 million of this facility had been disbursed, which were covered in Colombian pesos through derivative financial instruments.

All the resources obtained through this loan will be used to meet the maturity of the bonds in dollars with a coupon of 9.75% in July 2022.

- **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, 2022, and December 31, 2021:

	December 31, 2022	**December 31, 2021**
Free-standing trusts	82.431	20.318
Local banks	8.901	5.387
Finance Leasing	27.048	23.443
Foreign currency obligation	189.681	(1.432)
Financial cost Derivatives	144.315	157.554
Issuance of bonds	6.670	1.608
Amortization Transaction costs	31.875	28.307
Interest for liabilities for lease and finance lease agreements	348	574
Total	**491.269**	**235.759**

	December 31, 2022	**December 31, 2021**
Difference instead	121.755	(996)
Total	**121.755**	**(996)**

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 19. EMPLOYEE BENEFITS

(Stated in million of Colombian pesos)

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, 2022, and December 31, 2021:

	December 31,	
	2022	2021
Interest on severance pay	40	42
Severance pays	354	367
Holidays	659	586

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

The company within its compensation policies has no post-employment benefits.

NOTE 20. OTHER PROVISIONS

Credivalores provisions as of December 31, 2022, and December 31, 2021, respectively are provided below.

	December 31, 2022	December 31, 2021
Litigations subject to executive proceedings	801	705
Other provisions (a)	2.227	213
	3.028	**918**

a) The third-party balance of other provisions is detailed below:

	December 31, 2022	December 31, 2021
Axesnet S. A. S.	-	29
Sertisoft S. A. S.	-	12
Bancolombia	-	1
Emergia customer care colombia S. A. S.	-	171
Rangel Chema Clemencia del Carmen	1	-
Colombiana de comercio S. A.	2	-
Pwc contadores y auditors	32	-
Recuperadora y normalizadora integral	106	-
Experian colombia sa	146	-
Econtact col S. A. S.	192	-
Americas business process services S. A.	260	-
Atento colombia S. A.	276	-
Activar valores S. A. S.	1.213	-
	2.227	**213**

The movement of legal and other provisions are provided below for the periods ended December 31, 2022, and December 31, 2021:

	Legal provisions	Other provisions	Total Provisions
Balance held on December 31, 2021	**705**	**213**	**918**
Increase in provisions during the period	96	2.013	2.109
Utilization	-	-	-
Balance held on December 31, 2022	**801**	**2.226**	**3.027**

	Legal provisions	Other provisions	Total provisions
Balance held as of December 31, 2020	**199**	**7.171**	**7.370**
Recovered provisions	506	(6.957)	(6.452)
Balance held as of December 31, 2021	**705**	**213**	**918**
Recovered provisions	96	2.013	2.109

(Stated in million of Colombian pesos)

Balance held as of December 31, 2022	**801**	**2.226**	**3.027**

Provisions correspond mainly to labor, civil and administrative processes filed by third parties against Credivalores, on which provisions were recognized as of December 31, 2022, in an amount of 801 and 2021, 705 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 amount provisions because of the outflows applicable to each proceeding. The expected time of resolution is uncertain since each proceeding is taking place in different instances.

NOTE 21. ACCOUNTS PAYABLE

Below, we detail the balance of accounts payable has Credivalores December 31, 2022, and December 31, 2021, respectively:

	December 31, 2022	**December 31, 2021**
Leases	3	2
Suppliers	25	23
Commission and fees	523	5.204
Withholdings and labor contributions	1.013	1.282
Other accounts payable (21.2)	32.946	27.612
Costs and expenses payable (21.1)	17.350	44.943
	51.860	**79.065**

21.1 Costs and expenses payable

	December 31, 2022	**December 31, 2021**
Services	177	2.153
Others (21.1.1)	17.173	42.787
Financial expenses	-	3
	17.350	**44.943**

21.1.1 Other

	December 31, 2022	**December 31, 2021**
Technical service providers	11.135	7.763
Call option premiums	3.050	34.941
Fiduciary services	2.980	83
Representation and public relations expenses	8	-
	17.173	**42.787**

21.2 Other accounts payable

	December 31, 2022	**December 31, 2021**
Third party administrative payments	-	49
MC Pending collection to apply	9	-
Visa C1 disbursement agreement	17	-
Crediuno Disbursements	46	158
Against Visa vrol positions	116	4
Different	122	232
TIGO Withdrawal	1.440	1.184
Account payable free-standing trusts	1.596	2.263
Credipoliza Withdrawals	1.644	1.979
Payroll Loan Disbursement CDS	2.223	4.584
Crediuno Refunds	2.855	2.378
Collection in favor of third parties	9.408	4.932
Payroll Loan CDS Refund	13.470	9.849
	32.946	**27.612**

NOTE 22. CURRENT AND DEFERRED TAX LIABILITIES

(Stated in million of Colombian pesos)

22.1 Components of current tax asset:

Current tax assets for the years ended December 31, 2022, and December 31, 2021 is as follows:

	December 31, 2022	December 31, 2021
Income tax advance	32.000	22.224
Industry and Commerce Tax	12	21
Total current tax assets	**32.012**	**22.245**

22.2 Components of current tax liabilities

Current tax liabilities for the years ended December 31, 2022, and December 31, 2021 is as follows:

	December 31,	
	2022	2021
Industry and Commerce Tax	1.322	1.812
VAT	376	157
	1.698	**1.969**

22.3 Components of income tax expense

Income tax expense for the years ended December 31, 2022, and December 31, 2021 is as follows:

	December 31,	
	2022	2021
Income Tax	-	-
Subtotal - taxes from the current period	**-**	**-**
Net deferred tax from the period	**(107.545)**	**324**

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, 2022, and December 31, 2021, other comprehensive income was recognized in equity.

22.4 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 2022 and 2021, respectively, among others, are as follows:

- With the Social Investment Law, enacted on September 14, law 2155 of 2021; which establish the income tax was increased by 35% beginning on 2022. In this way, the gradual reduction of the tariff, which is contemplated in art. 240 of the Tax Statute.

- The income tax rate for the year 2021 was 31%, law 2010 of 2019.

- Excess presumptive income can be offset in the following 5 fiscal periods and tax losses may be offset with ordinary net income obtained in the following 12 fiscal periods.

- In accordance with article 188 of the National Tax Statute, as of fiscal year 2021, the percentage of presumptive income is zero (0%) of the liquid assets of the last day of the immediately preceding taxable year.

- As of the fiscal year 2022, 100% of the industry and commerce tax and notices and boards cannot be taken as a tax discount on income tax, that is, it continues to apply the discount of 50% of the industry and commerce tax actually paid.

- With Law 2277 of December 13, 2022, a tax reform was adopted, this provision introduces some modifications in terms of income tax, however, for the general income rate it is maintained at 35% for national companies and their assimilated, permanent establishments of foreign entities and foreign legal entities with or without residence in the country obliged to file the annual tax return on the Rent and complementary.

(Stated in million of Colombian pesos)

- A minimum tax is established for residents in Colombia, setting an additional tax in case the adjusted income tax with some adjustments is less than 15% of the accounting profit before taxes with certain adjustments. Thus, taxpayers must: - Determine the clear tax account of the Colombian taxpayer, or the group´s clear tax account in case it is part of a business group.

- Determine the clear profit of the Colombian taxpayer or group as a part of a business group, and, -Determine the adjusted tax rate of Colombian taxpayer or group as a part of a business group. If the effective rate (Deputy/purified profit tax) is less than 15%, the tax to be added by the taxpayer or group must be calculated in case it is part of a business group.

- Continues as a deductible 100% of taxes, fees and contributions actually paid in the taxable year, which are causally related to the generation of income (except income tax); 50% of the tax on financial movements (GMF) will be deductible, regardless of whether or not it has a causal relationship with the income-generating activity.

The Company performed the conciliation of the effective rate in accordance with IAS 12, the following is the detail between the total Company's income tax expense calculated at the current tax rates and the tax expense (income) recorded in the results of the period for the year 2022 with a rate of 26% and for 2021 of 5%, as detailed below:

	2022	**2021**
Earnings (loss) before tax	(410.004)	6.261
Income Tax rate	**35%**	**31%**
Income Tax	(143.501)	1.941
More (less) tax impact on:		
Non-deductible expense	7.471	5.269
Exchange rate differences	28.462	(6.907)
Non-deductible tax	3	10
Presumptive interest	20	11
Total income tax provisions charged to income	**(107.545)**	**324**
Effective rate	**26%**	**5%**

22.5 Deferred Tax

Differences between the book value of assets and liabilities and their tax bases result in temporary differences in deferred, calculated and recorded taxes in the periods ended December 31, 2022, and December 31, 2021, based on the tax rates in force for the years in which such temporary differences will be reversed.

In the determination of the calculation will be made with the rate of 35% of income tax and complementary, according to the measurement of expenses for deferred tax, taking into account Decree 1311 of 2021 the difference in the equity is recognized the value of the deferred tax derived from the change of the rate corresponding to 5%, only this effect for the taxable year 2021.

	December 31,	
	2022	**2021**
Assets deferred taxes	162.450	53.324
Liabilities deferred taxes	(4.714)	(9.915)
Deferred taxes assets (liabilities), net	**157.736**	**43.409**

The net movement of deferred taxes during the period is as follows:

	December 31,	
	2022	**2021**
Balances as of January 1	**43.409**	**5.961**
Charge (credit) to the statement of results	107.544	(324)
Charge (credit) to the other comprehensive results	6.783	34.413
Position (credit) to utilities the accumulated surplus	-	3.359
Balance as of December 31	**157.736**	**43.409**

CREDIVALORES -CREDISERVICIOS S. A.
STATEMENT OF CASH FLOWS
PERIODS ENDED DECEMBER 31, 2022 AND 2021
(Stated in million of Colombian pesos)

The movements of deferred taxes assets and liabilities during the period, without regard to the compensation of balances referred to the same tax authority, have been as follows:

	Portfolio Provision	IFRS 9 Adoption	IFRS 16 Adoption	Depreciation Fixed Assets	Provision Expenses	Valuation of Financial Instruments	Financial Instruments	Tax Loss	Total
Deferred taxes assets									
Balance as of January 1, 2021	13.839	14.117	127	245	33	-	-	-	28.361
Charge (credit) to income statement	(1.561)	-	15	(58)	30	-	95	1.409	(70)
Charge (credit) to other comprehensive results	-	-	-	-	-	20.318	-	-	20.318
Charge (credit) to utilities or accumulated surpluses	2.047	2.352	24	31	11	-	16	234	4.715
Balance as of December 31, 2021	**14.325**	**16.469**	**166**	**218**	**74**	**20.318**	**111**	**1.643**	**53.324**
Charge (credit) to income statement	(9.884)		(111)	(83)	138		(111)	112.394	102.343
Charge (credit) to other comprehensive results	-	-	-	-	-	6.783	-	-	6.783
Charge (credit) to utilities or accumulated surpluses	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2022	**4.441**	**16.469**	**55**	**135**	**212**	**27.101**	**-**	**114.037**	**162.450**

	Valuation of Financial Instruments	Intangibles	Impairment Financial Instruments	Shares	Available in Foreign Currency	Total
Deferred taxes liabilities						
Balance as of January 1, 2021	14.062	1.859	6.205	274	-	22.400
Charge (credit) to income statement		750	(1.199)	175	529	255
Charge (credit) to other comprehensive results	(14.062)	-	-	(34)	-	(14.096)
Charge (credit) to utilities or accumulated surpluses	-	435	833		88	1.356
Balance as of December 31, 2021	**-**	**3.044**	**5.839**	**415**	**617**	**9.915**
Charge (credit) to income statement		837	(5.706)	259	(591)	(5.202)
Charge (credit) to other comprehensive results	-	-	-	-	-	-
Charge (credit) to utilities or accumulated surpluses	-	-	-	-	-	-
Balance as of December 31, 2022	**-**	**3.881**	**133**	**674**	**26**	**4.714**

(Stated in million of Colombian pesos)

Deferred tax assets outstanding assets are recognized to the extent that the corresponding tax benefit is likely to be made through future tax benefits. The Company has recognized all deferred tax assets and liabilities.

22.6 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 2022			December 2021		
	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	(19.379)	6.782	(12.597)	(104.924)	34.380	(70.544)
Shares	-	-	-	(344)	34	(310)
	(19.379)	**6.782**	**(12.597)**	**(105.268)**	**34.414**	**(70.854)**

22.7 Tax uncertainties

Income tax and supplementary returns that are open for review by the Tax Authorities are as follows:

Period	Declaration	Date presentation	Amount	Observations
2019	Rent			No oversight by the DIAN.
2020	Rent			No oversight by the DIAN .
2021	Rent			No oversight by the DIAN .

Of the above statements, the Tax Authority has not initiated review processes for the taxable years 2019, 2020 and 2021.

No comments and/or adjustments are expected from the process of reviewing income tax and supplementary returns by the tax authorities.

Performing deferred taxes assets

In future periods, it is expected to continue generating taxable net income against which to recover the values recognized as deferred taxes assets. Estimation of future fiscal results is based primarily on tax projections.

22.8 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 on January 1, 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, 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.

(Stated in million of Colombian pesos)

NOTE 23. OTHER LIABILITIES

Below the detail of other liabilities:

	December 31, 2022	December 31, 2021
Credit card guarantee	-	912
Commission commercial force	7	16
Checks pending collection	18	754
Collection to be applied SG	103	-
Collections of managed loan portfolios	5.963	6.973
Collections pending application	13.251	18.243
Values received for third parties (23.1)	20.715	15.102
	40.057	**42.000**

23.1 Values received for third parties

Below the detail of other Values received for third parties

	December 31, 2022	December 31, 2021
Retailers collections	-	22
Voluntary and mandatory insurance collections	499	2.584
FGA guarantees' collections	3.327	12.496
Free-standing trusts collections	16.889	-
	20.715	**15.102**

NOTE 24. 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, 2022, and December 31, 2021 Credivalores authorized and paid in capital is **135.194** represented in **4.784.954** shares, each of a nominal value of 28.254; respectively.

Credivalores-Crediservicios S.A.

Shareholder	December 31, 2022 Number of shares	%	December 31, 2021 Number of shares	%
Acon Consumer Finance Holdings S de RL	954.197	19.94%	954.197	19.94%
Crediholding S.A.S.	1.642.120	34.32%	1.642.120	34.32%
Lacrot Inversiones 2014 SLU	1.747.109	36.51%	1.747.109	36.51%
Acon Consumer Finance Holdings II S L	201.887	4.22%	201.887	4.22%
Direcciones de Negocio S.A.S.	1	0.00%	1	0.00%
Treasury shares	239.640	5.01%	239.640	5.01%
Total	**4.784.954**	**100%**	**4.784.954**	**100%**

(Stated in million of Colombian pesos)

	December 31, 2022	December 31, 2021
Number of authorized shares	6.469.661	6.469.661
Subscribed and paid shares	4.784.954	4.784.954
Nominal value	28.254	28.254
Subscribed and paid capital (nominal value)	135.194	135.194
Paid-in capital	71.170	71.170
Total capital plus premium	**206.364**	**206.364**

According to minutes 64 held on December 13, 2021, capitalization is made by 196,654 shares for a total value of $61,021 per share, of which $28,254 corresponds to the nominal value and $32,767 to the premium in placement of shares.

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

	December 31, 2022	December 31, 2021
Ordinary shares (a)	2.278.169	2.278.169
Preferred shares (a)	2.506.785	2.506.785
Repurchased treasury shares	239.640	239.640
Total earnings per share	**(63.211)**	**1.241**

(a) The value of the shares as of December 31, 2022, and December 2020 correspond to the total number of outstanding shares held by Credivalores, 4.784.954.

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.

December 31, 2022

	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	954.197	19.94%
Crediholding S.A.S	-	-	-	-	1.571.073	1.642.120	34.32%
Lacrot Inversiones 2014 S.L.U.	-	923.665	563.119	-	184.736	1.747.109	36.51%
Treasury Shares	-	-	-	239.640	-	239.640	5.01%
Acon Consumer Finance Holdings II, S.L.	-	184.167	-	-	8.986	201.887	4.22%
Direcciones de Negocio S.A.S.					1	1	0.00%
Total	**835.834**	**1.107.832**	**563.119**	**239.640**	**1.841.875**	**4.784.954**	**100.00%**

December 31, 2021

	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	954.197	19.94%
Crediholding S.A.S	-	-	-	-	1.571.073	1.642.120	34.32%
Lacrot Inversiones 2014 S.L.U.	-	923.665	563.119	-	184.736	1.747.109	36.51%
Treasury Shares	-	-	-	239.640	-	239.640	5.01%
Acon Consumer Finance Holdings II, S.L.	-	184.167	-	-	8.986	201.887	4.22%
Direcciones de Negocio S.A.S.					1	1	0.00%
Total	**835.834**	**1.107.832**	**563.119**	**239.640**	**1.841.875**	**4.784.954**	**100.00%**

Treasury shares

	December 31, 2022	December 31, 2021
Treasury Shares Reserve	12.837	12.837
(Treasury Shares)	(12.837)	(12.837)

(Stated in million of Colombian pesos)

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, 2022, and December 31, 2021 were comprised of the following:

	December 31, 2022	**December 31, 2021**
Legal reserve	11.017	11.017
Reserve to repurchased treasury shares	12.837	12.837
Occasional reserves	21	21
Total Reserves	**23.875**	**23.875**

Legal reserve

The Company is obliged to appropriate as a legal reserve 10% of its annual net profits, until the balance of the reserve is equivalent to 50% of the subscribed capital. The reserve is not distributable prior to the liquidation of the Company but may be used to absorb or reduce losses. Appropriations made more than the 50% are freely available by the general assembly.

In accordance with the decision taken at the general assembly, held on April 20, 2021, it was decreed that the profits of the year 2020 will be used to increase the reserve by $5,224.

Other reservations

The other appropriate reserves directly from the accumulated profits can be considered as reserves of free availability by the General Meeting of Shareholders.

NOTE 25. OTHER COMPREHENSIVE INCOME (OCI)

We present the detail below:

	December 31, 2022	**December 31, 2021**
Tax	27.004	20.223
Income tax OCI	**27.004**	**20.223**
Other comprehensive income	**(76.475)**	**(57.097)**
Shares	955	955
Financial instruments	**(77.430)**	**(58.052)**
Financial instruments Forward	(161)	(461)
Financial instruments Cross Currency Swap	-	18.902
Financial instruments Options	(60.195)	(81.386)
Financial instruments Coupon Only swap	(17.074)	4.893
Total	**(49.471)**	**(36.874)**

NOTE 26. REVENUE

Below, is a detail of revenue for the three and nine-months ended December 31, 2022, and 2021:

	December 31, 2022	**December 31, 2021**
Interests	286.838	321.286
Interest expense	(72)	(112)
Subtotal Interests (26.1)	**286.766**	**321.174**
Revenue from customer contracts (26.2)	113.128	115.452
	399.894	**436.626**

(Stated in million of Colombian pesos)

26.1 Interest

	December 31, 2022	December 31, 2021
CrediUno interest	74.894	107.929
CrediPóliza interest	24	1.576
TuCrédito loan interest	26.407	43.709
Tigo loan interest	6.446	10.803
SG Free-standing Trusts loan interest	343	-
TuCrédito transaction costs	(39.715)	(21.926)
CrediPóliza transaction costs	(4)	(83)
CrediUno transaction costs	(13.794)	(12.096)
Fair value TuCrédito	(16.302)	(3.332)
Sub-total Consumer loans	**38.299**	**126.580**
CrediPóliza late payment interest	153	355
TuCrédito late payment interest	1.307	1.293
SG Free-standing Trusts late payment interest	139	-
Consumer loan defaults	**1.599**	**1.648**
Joint operation interest	1.386	-
Subtotal Joint operation interest	**1.386**	**-**
Financial returns	4.432	3.691
BTG Pactual Financial returns	9.831	22.993
Current interests, Free-standing Trust	124.501	53.002
Income from FGA Alliance	14.520	33.170
Other income, Free-standing Trust	5.044	360
Current interests left off-balance	61.232	21.732
Premium for portfolio sale	25.922	57.998
Sub-total Other	**245.482**	**192.946**
Total Interests	**286.766**	**321.174**

26.2 Revenue from customer contracts

	December 31, 2022	December 31, 2021
Department store income and credit card channels income	-	2
Internal commission	195	377
Returned commission	287	286
Administration fee - life insurance plus	1.889	2.048
Shared financial consultancy fees	2.381	1.667
Financial Consultancy – Returns from Debtor life insurance	4.236	4.122
Brokerage Commission	8.208	7.813
Financial Consultancy- Returns Voluntary insurance policies	11.523	1.497
Collection fees	18.995	14.289
Administration fee – credit card	65.414	83.351
	113.128	**115.452**

NOTE 27. OTHER INCOME

At the end of each period, movements corresponded to:

	December 31, 2022	December 31, 2021
Recoveries from Loan portfolio	1.461	649
Recoveries from previous exercises	593	223
Sickness Leave	54	10
Other	13	23
Tax refund	1	5
Other income recoveries	-	19
Refund insurance	-	11
	2.122	**940**

(Stated in million of Colombian pesos)

NOTE 28. OTHER EXPENSES

At the end of each period, movements corresponded to:

	December 31, 2022	December 31, 2021
Fees	27.524	27.223
Tax	16.919	12.194
Electronic data processing	9.884	10.149
Commissions	7.978	3.269
Technical assistance	4.049	4.990
Yields Invertors	4.018	3.158
Public services	3.959	3.645
Leases	2.840	2.424
Other	2.483	3.529
Transport	2.279	2.159
Publicity and advertising	1.918	1.215
Janitorial and Security services	904	839
Fines, penalties and awards	815	659
Insurance	763	1.466
Check risk central	552	803
Office supplies	495	402
maintenance and repairs	480	1.148
Travel expenses	434	180
Cost of representation	271	112
Legal expense	158	241
Temporary Services	82	161
Adaptation and installation	70	17
Publicity and advertising	4	6
Donations	-	15
	88.880	**80.004**

NOTE 29. NET FINANCIAL INCOME

Below is the detail of financial (net) costs, for the periods for three and nine months ended December 31, 2022, and 2021:

	December 31, 2022	December 31, 2021
Financial performances (29.1)	7.566	937
Financial income (29.2)	2.122	940
Total Financial Income	**9.688**	**1.877**
Forwards valuation (29.3)	(9)	(44)
Total Financial Expense	**(9)**	**(44)**
Net Financial Income (expense)	**9.679**	**1.833**

29.1 Corresponds to the returns generated by investments in financial institutions in which Credivalores has invested its resources.
29.2 Mainly corresponds to recovery of expenses of previous years and recovery of punished portfolio.
29.3 Corresponds to the valuation of fixed-rate investments at fair value.

NOTE 30. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

a. Commitments

Credit commitments

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

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

(Stated in million of Colombian pesos)

The following is a breakdown of unused lines of credit commitments and guarantees on December 31, 2022 and December 31, 2021:

	December 31, 2022	December 31, 2021
Unpaid approved credits	**530.529**	**291.322**

NOTE 31. RELATED PARTIES

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

The Company's related parties are as follows:

1. Shareholders with interests, a controlling stake or a joint stake of the Company, or significant influence over Credivalores.
2. Members of the Board of Directors: Members of the Board of Directors (principals and alternates, along with their related parts).
3. Key management personnel include the Company CEO and other C-level Officers, who are those who participate in the planning, direction and control of the Company.
4. Affiliates: Companies in which Credivalores has significant influence, which is generally considered to be a share between 30% and 50% of their capital.

The most representative balances as of December 31, 2022, and December 31, 2021 with related parties are included in the following charts, with headings for definitions of the related parties recorded in the previous sections.

	Members of the Board of Directors (a) December 2022	Members of the Board of Directors (a) December 2021
Accounts payable	112	39
Operating expenses	206	202

	December 2022		December 2021	
	Accounts receivable	Accounts Payable	Accounts receivable	Accounts Payable
Shareholders				
Lacrot Inversiones 2014 S.L.U.	-	57	-	57
Crediholding S. A. S.	1.815	-	1.815	-
Accounts Receivable and Other Transactions				
Ingenio la Cabaña S. A.	2.393	-	-	-
Inversiones Mad Capital S. A.	9.736	-	9.001	-
Finanza Inversiones S. A. S.	-	2.325	71.890	-
Banco Credifinanciera	497	6.825	11.436	6.942
Asficrédito	70.569	-	73.546	-
Stock Investments				
Agrocañas	4.710	-	4.710	-
Inverefectivas S.	14.945	-	14.945	-
Total	**104.665**	**9.208**	**187.343**	**6.999**

(Stated in million of Colombian pesos)

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

	December 31,	
Item	**2022**	**2021**
Salaries	3.798	3.507
Short-term employee benefits	344	222
Total	**4.142**	**3.729**

a. Members of the Board of Directors (principals and alternates, along with their related parts) as of December 31, 2022:

Directors

No.	Director	Alternate
1	Jose Miguel Knoell Ferrada	Cristiano Mathias Boccia
2	Maria Patricia Moreno Moyano	Liliana Arango Salazar
3	Vacant	Marcelo Jimenez
4	Rony Doron Seinjet	Vacant
5	Vacant	Vacant
6	Gustavo Adrián Ferraro	Carlos Manuel Ramon
7	Juan Camilo Ocampo	Vacant

Legal Representatives

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

32. SUBJECT MATTER THAT QUALIFIES INTERNAL CONTROL

In accordance with the company´s statutes , the audit committee must be held quarterly and due to the resignation of two (2) members of this, it was not carried out in the last quarter of the year of 2022.

The administration will constantly maintain offers to interest parties to reduce times in case of unexpected resignations and to fill the vacancies in less time.

33. SUBSEQUENT EVENTS

At the date of approval of the report, there are no known economic situations or events that may affect the figures and information presented here.