

Credivalores Crediservicios S. A.
Interim Condensed Financial Statements

For the periods ended September 30, 2021 and December 31, 2020

CREDIVALORES CREDISERVICIOS S. A.
STATEMENT OF FINANCIAL POSITION INTERIM
ENDED SEPTEMBER 30, 2021 AND DECEMBER 31, 2020

(Stated in millions of Colombian pesos)

	Notes	September 30, 2021	December 31, 2020
Assets			
Cash and cash equivalents	6	224.487	264.299
Financial Assets at fair value through profit or lost			
Equity Instruments	7	6.294	16.938
Derivatives Instruments	15	308.376	243.444
Loan portfolio	9	20.067	20.015
Total financial assets at fair value		334.737	280.397
Financial Assets at amortized cost			
Consumer loans	9	1.922.849	1.747.034
Microcredit loans	9	-	5.772
Impairment	9	(304.854)	(266.972)
Total Loan portfolio, net		1.617.995	1.485.834
Accounts receivable, net	10	447.066	429.297
Total Financial Assets at amortized cost		2.065.061	1.915.131
Investments in Associates and Affiliates	8	12.181	10.966
Current tax assets		18.621	14.858
Deferred tax assets, net		27.835	5.961
Property, plant and equipment	11	300	575
Assets for right of use	12	4.849	6.020
Intangible assets other than goodwill, net	13	46.763	55.452
Total assets		2.734.834	2.553.659
Liabilities and equity			
Liabilities:			
Financial Liabilities at fair value			
Derivative instruments	15	2.674	16.791
Total Financial Liabilities at fair value		2.674	16.791
Financial Liabilities At amortized cost			
Financial obligations	16	2.280.528	2.008.973
Other Lease Liabilities	16	5.333	6.429
Total Financial Liabilities At amortized cost		2.285.861	2.015.402
Employee benefits provisions	17	1.183	983
Other provisions	18	5.436	7.370
Accounts payable	19	118.364	153.330
Current tax liabilities	20	2.273	2.043
Other liabilities	21	53.287	49.568
Total liabilities		2.469.078	2.245.487
Equity:			
Share capital		129.638	129.638
Treasury shares	22	(12.837)	(12.837)
Reserves treasury shares	22	12.837	12.837
Reserves	22	11.038	5.814
Additional paid-in capital		64.726	64.726
Other Comprehensive Income (OCI)	23	(14.227)	33.980
Retained earnings		93.052	90.700
IFRS convergence result		(21.910)	(21.910)
Net Income for the period		3.439	5.224
Total equity		265.756	308.172
Total liabilities and equity		2.734.834	2.553.659

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

CREDIVALORES CREDISERVICIOS S. A.
STATEMENT OF INCOME INTERIM
PERIODS ENDED SEPTEMBER 30, 2021 AND 2020

(Stated in millions of Colombian pesos)

	Notes	For the quarter		For the nine months	
		July 01 to September 30, 2021	July 01 to September 30, 2020	January 01 to September 30, 2021	January 01 to September 30, 2020
Interest Income and similar	24.1	80.176	79.121	238.715	211.176
Financial costs interest	16	(57.825)	(58.960)	(172.000)	(139.098)
Revenue from contracts with customers	24.2	30.637	20.646	85.546	62.263
Net Interest		52.988	40.807	152.261	134.341
Impairment of financial assets loan portfolio	9	(24.112)	(25.896)	(71.826)	(74.386)
Expense on accounts receivable provisions		(1.736)	-	(1.777)	(73)
Gross Financial Margin		27.140	14.911	78.658	59.882
Other Expenses					
Employee Benefits		(3.466)	(3.195)	(10.329)	(10.349)
Depreciation and amortization expense	11 – 13	(1.559)	(1.457)	(4.600)	(4.417)
Depreciation right of use assets	12.1	(541)	(849)	(1.628)	(1.705)
Other	26	(20.165)	(13.320)	(58.065)	(47.412)
Total Other expenses		(25.731)	(18.821)	(74.622)	(63.883)
Net operating Income		1.409	(3.910)	4.036	(4.001)
Other Income	25	203	123	694	723
Financial income		305	524	742	3.117
Exchange rate differences	27	860	(227)	837	4.018
Financial Income		1.368	420	2.273	7.858
Valuation of investments at fair value	27	(16)	(41)	(39)	(81)
Financial expense		(16)	(41)	(39)	(81)
Net financial income (expense)		1.352	379	2.234	7.777
Net Income before income tax		2.761	(3.531)	6.270	3.776
Income tax	20	(1.152)	1.286	(2.831)	(1.486)
Net income for the period		1.609	(2.245)	3.439	2.290
Net earnings per share		351	(489)	750	552

CREDIVALORES CREDISERVICIOS S. A.
STATEMENT OF OTHER COMPREHENSIVE INCOME INTERIM
PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(Stated in millions of Colombian pesos)

	For the quarter		For the nine months	
	July 01 to September 30, 2021	July 01 to September 30, 2020	January 01 to September 30, 2021	January 01 to September 30, 2020
Net income for the period	1.609	9.635	3.439	2.290
Other comprehensive income				
Items that may be or are reclassified to profit or loss				
Unrealized gains (losses) from cash flow hedges:				
Valuation of financial derivatives Forwards	207	308	2.787	5.141
Valuation of financial derivatives Cross Currency Swaps	(13.416)	(16.926)	(43.235)	121.382
Valuation of financial derivatives Options	(2.946)	(5.810)	(30.111)	(102.887)
Income tax	6.031	6.728	22.353	(7.090)
Total other comprehensive income for the period	(10.124)	(15.699)	(48.206)	16.546
Total other comprehensive income	(8.515)	(17.944)	(44.767)	18.836

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

CREDIVALORES CREDISERVICIOS S. A.
STATEMENT OF CHANGES IN EQUITY INTERIM
PERIODS ENDED SEPTEMBER 30, 2021 AND DECEMBER 31, 2020
(Stated in millions 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 December 31, 2019	129.638	64.726	(12.837)	18.651	13.727	(21.910)	85.650	5.052	282.697
Appropriation of earnings	-	-	-	-	-	-	5.052	(5.052)	-
Increases (decrease) in other comprehensive income	-	-	-	-	32.243	-	-	-	32.243
Net income for the period	-	-	-	-	-	-	-	4.535	4.535
Balance as of December 31, 2020	129.638	64.726	(12.837)	18.651	45.970	(21.910)	90.702	4.535	319.475
Balance as of December 31, 2020	129.638	64.726	(12.837)	18.651	33.980	(21.910)	90.700	5.224	308.172
Appropriation of earnings	-	-	-	5.224	-	-	-	(5.224)	-
Increases (decrease) in other comprehensive income	-	-	-	-	(48.207)	-	-	-	(48.207)
Deferred tax application IFRS 9 first time	-	-	-	-	-	-	2.352	-	2.352
Net income for the period	-	-	-	-	-	-	-	3.439	3.439
Balance as of September 30, 2021	129.638	64.726	(12.837)	23.875	(14.227)	(21.910)	93.052	3.439	265.756

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

CREDIVALORES CREDISERVICIOS S. A.
STATEMENT OF CASH FLOWS INTERIM
PERIODS ENDED SEPTEMBER 30, 2021 AND 2020

(Stated in millions of Colombian pesos)

	Notes	September 30, 2021	September 30, 2020
Cash flows from operating activities			
Net income before taxes		3.439	2.290
Reconciliation of net income before taxes and net cash provided by (used in) operating activities:			
Depreciation of tangible assets	11	297	495
Depreciation of assets for rights of use		1.628	1.705
Amortization of intangible assets	13	13.003	7.362
Amortization of Call premium options	15.2	-	16.883
Allowance for impairment of loan portfolio	10	51.103	60.500
Impairment Accounts Receivable		10.301	6.715
Portfolio valuation measured at fair value	10	(52)	-
Fair value adjustments to financial assets	8	(1.215)	(1.968)
Income tax		2.831	1.486
Cash generated by trades			
Income tax paid		(3.533)	(2.458)
Changes in operating assets and liabilities:			
Increase (decrease) in loans		(183.386)	(192.705)
Decrease (increase) in accounts receivables		(27.949)	(50.001)
Acquisition of Intangible Assets		(4.358)	(4.873)
Downs of intangible assets		44	-
Increase (decrease) in accounts payable		(34.965)	18.646
Decrease (increase) in employee benefit		200	77
Decrease in provisions	18	(1.934)	381
Increase (decrease) in other liabilities		3.717	(16.549)
Net cash provided by (used in) operating activities		(170.829)	(152.014)
Cash flows from investing activities:			
Net flow of investments in financial instruments		10.644	(4.539)
Net flow of property, plant and equipment		(23)	(23)
Net cash used in investing activities		10.621	(4.562)
Cash flows from financing activities:			
Acquisition of financial obligations		877.877	2.001.538
Payment due on derivatives		(178.354)	(262.383)
Payment of financial obligations		(577.575)	(1.442.275)
Payment premium call options		-	(69.158)
Capitalization		-	-
Pay financial leases		(1.553)	(1.374)
Net cash provided by financing activities		120.396	226.348
(Decrease) Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year		264.299	163.851
Cash and cash equivalents at end of year		224.487	233.623

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

CREDIVALORES CREDISERVICIOS S. A.
DISCLOSURES TO THE FINANCIAL STATEMENTS INTERIM
ENDED SEPTEMBER 30, 2021 AND DECEMBER 31, 2020

(Stated in millions of Colombian pesos)

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 June 28th, 2019, registered July 9th, 2019 under Number 02484244 Book IX, the company changed its name from CREDIVALORES - CREDISERVICIOS S. A. S. to CREDIVALORES - CREDISERVICIOS S. A. and its social reason to Sociedad Anonima.

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

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

Perform any other activities that are required as part of the Company’s normal course of business, such as: (i) acquiring, encumbering, limiting the domain or disposing of fixed assets (ii) acquiring and using trade names, logos, trademarks and other industrial property rights; (iii) investing in existing companies, or creating new ones, providing that these companies have the same or similar business activities as the Company or that should relate

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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.

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

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

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

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

2.1 Basis of Presentation

Interim financial statements as of September 30, 2021 and September 31, 2020 have been prepared in accordance with IAS 34 "Intermediate Financial Information". Intermediate financial statements should be read in accordance with the annual financial statements as of December 31, 2020, which were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Council (IASB). They do not include all the information required for a full set of IFRS financial statements. However, notes have been included to explain the events and transactions that are important for understanding changes in the Company's financial situation and performance since the last financial statements.

The Financial Statements of Credivalores have been prepared in line with the Financial Reporting and Accounting Standards accepted in Colombia FRAS - IFRS established by Law 1314 of 2009, regulated by Regulatory Decree 2420 of 2015, modified by Decree 2496 of 2015. These Financial Reporting and Accounting Standards correspond to the International Financial Reporting Standards (IFRS), officially translated and authorized by the International Accounting Standards Board (IASB) on September 30, 2016.

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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 September 30, 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.

Leases

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

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

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

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

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

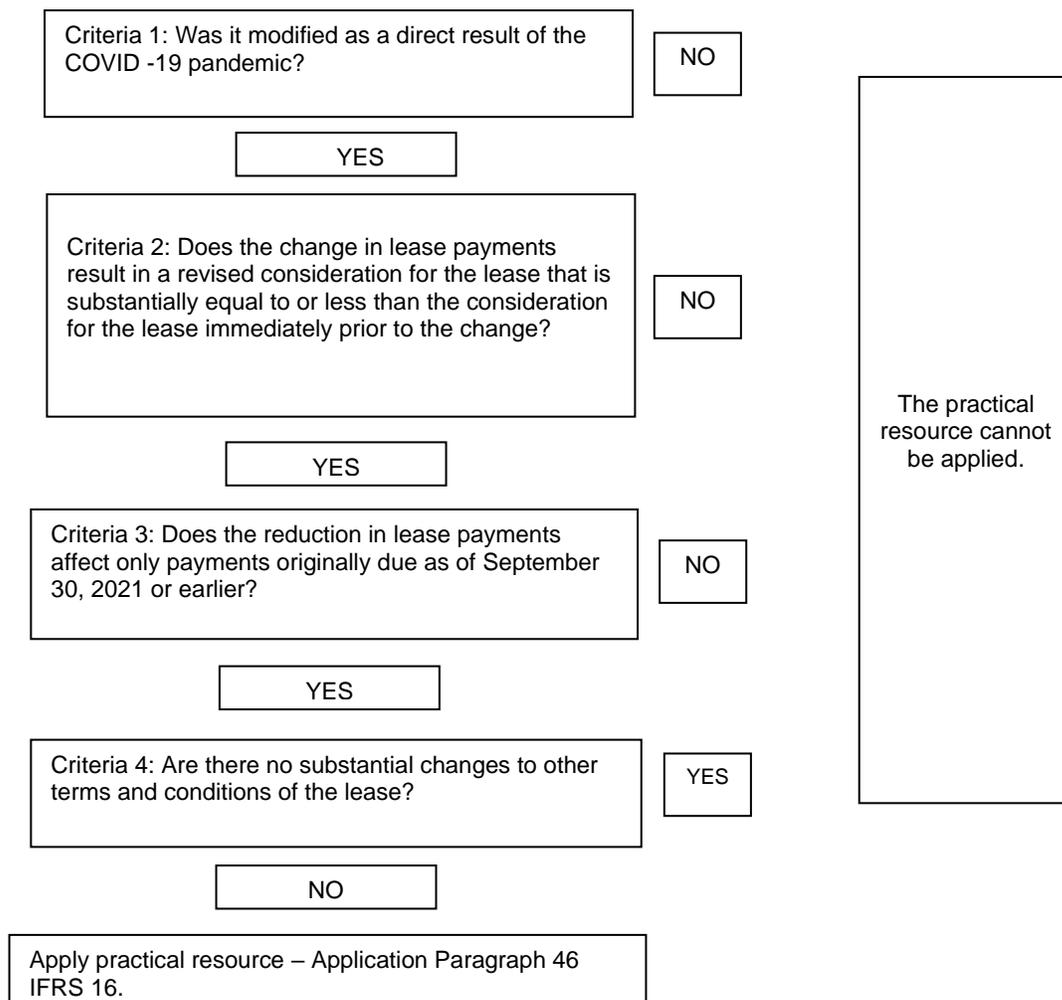
Payments associated with short-term leases and low-value asset leases are recognized under the linear method as an expense in the income statement. Short term leases have a term of 12 months or less. Low-value assets include computer equipment and small items in office furniture.

2.2 Changes in accounting policies

LEASINGS- IFRS 16

In accordance with the provisions of the standard, the leases shall apply paragraph 46, whereas the modifications of the contracts, are contemplated by IFRS 16 so that the company assesses the practical solution. For the application of this:

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The impact from the effects of the COVID -19 pandemic and the application of the practical resource are presented as of September 30, 2021:

- Adjustment by valuation: 383
- Depreciation adjustment: 191
- Adjustment by financial cost: (54)

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.

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The financial statements, the significant judgments made by the administration in the application of the accounting policies of Credivalores and the main sources of uncertainty estimation were the same as those applied to the financial statements for the year ended December 31, 2020.

3.1 IFRS 9 – FINANCIAL INSTRUMENTS

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

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

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 uncertainty

The central concept of impairment under the new IFRS 9 impairment model is based on a dual measurement approach that takes into consideration the current level of expected impairment of each loan, compared to initial recognition, and requires recognition of impairment over the difference between expected credit losses in 12

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months, if no significant changes in risk have occurred since initial recognition; otherwise, a credit loss amount is recognized over the expected life of the financial instrument.

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

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

Sensitivity analysis under two assumed scenarios:

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

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.

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.
DISCLOSURES TO THE FINANCIAL STATEMENTS INTERIM
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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 539 agreements with employers that can issue payroll loans, exclusive agreements with public utility companies for invoicing and collecting via credit card, and alliances with third parties and insurers for the origination of the Credipoliza product.

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

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

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

The entity applies significant judgments to manage the financial assets and evaluate whether they meet the conditions established in the business model, and classify them at fair value or amortized cost. According to the business model, amortized cost financial assets can only be sold in limited circumstances, such as when there are infrequent transactions, adjustments are made to the maturity structure of their assets and liabilities, when it is necessary to finance significant capital outlays or when there are seasonal liquidity needs.

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

Financial Assets at fair value

According to its business model the Company has determined that Tu credit 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:

Credivalores Crediservicios S.A, with in the business model maintains the securities whose objective is to keep them to obtain the cash flows and the contractual terms that they grant, that is, on specific dates it collects the payments of capital and interest on the outstanding amount owed. Its subsequent measurement is made using the effective interest rate method.

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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.

NOTE 4 - ESTIMATIONS OF FAIR VALUE

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

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

Fair value hierarchy has the following levels:

- Level 1 entries are unadjusted prices quoted in active markets for assets or liabilities identical to those the entity can access on the measurement date.
- Level 2 entries are entries other than the quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 entries cannot be observed for the asset or liability.

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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.

4.1 Fair Value Measurement on a Recurring Basis

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

The following table analyzes assets and liabilities (by class) within the fair value hierarchy, measured at fair value as of September 30, 2021 and December 31, 2020, on a recurring basis.

	September 30, 2021	December 31, 2020
	Level 2	Level 2
ASSETS		
Investments in equity instruments	6.294	16.938
Hedging derivatives		
Currency forward	688	7.108
Options	129.470	87.470
Cross Currency Swap	178.218	148.866
Consumer		
Payroll deduction loans	20.067	20.015
Total fair value recurring assets	334.737	280.397
LIABILITIES		
Hedging derivatives		
Forward	2.674	16.791
Total fair value recurring liabilities	2.674	16.791

4.2 Fair value determination

The methodology applicable to instruments for Credivalores is:

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

4.2.2 Swap Valuation: the reasonable value of the derivative comes from an internal model. The valuations of the Interest Rate Swaps (IRS) and the Cross-Currency Swaps (CCS) are performed assuming a long and

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a short position on a bond, including in each case the principal of the operation. For the projection and discount of the cash flows we use current rates, to calculate the reasonable value of the derivative financial instrument.

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

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

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

- I. Discount Rate: Determined by product considering market's appetite for such product, as well as the default risk involved
- II. The model was built based on the following factors:
 - a. Projected cash flows according to weighted average life for each product, using: Current Balance Average term to maturity, weighted average Rate
 - b. Calculate present value of cash flows projected as per described in a) discounted at the discount rate previously described.
 - c. Present value determined as per described in b) represents the loan portfolio's fair value.

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

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

	Valuation technique	Significant inputs (1)
ASSETS		
Equity Instruments	Adjusted net asset value	<ul style="list-style-type: none"> - Current Balance - Average term to maturity - Weighted average Rate - Unit value

4.2.6 Derivative financial instruments

Derivative financial instruments and hedge accounting:

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

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

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

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

At the beginning of the hedging transaction, Credivalores formally documents the relationship existing between the hedging instrument and the hedged item, including the risk management objective and strategy in undertaking the hedging relationship. It also documents its assessment, both initially as well as on a recurring basis, of whether the hedging relationship is highly effective in offsetting the changes in fair value or cash flows of the hedged items.

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

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

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

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

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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.

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

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

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

Fair value	September 30, 2021		December 31, 2020	
	Book Value	Fair Value Estimate	Book Value	Fair Value Estimate
Assets				
Loan Portfolio (Gross)				
Consumer	1.922.849	1.901.157	1.747.353	1.795.341
Microcredit	-	-	5.772	5.964
Total	1.922.849	1.901.157	1.753.125	1.801.305
Liability				
Financial obligations	2.285.861	2.355.017	2.015.402	2.092.655
Total	2.285.861	2.355.017	2.015.402	2.092.655

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

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4.4 Financial Instruments

Financial Assets

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

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

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

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

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

i. Amortized cost

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

ii. Fair value

Fair value is the amount to be received should the asset be sold or the amount to be paid for transferring a liability as part of a transaction between market participants on the date on which the measurement is made. The most

objective and commonplace definition of fair value is the price that would be paid in an active, deep and transparent market ("listed price" or "market price").

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

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

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

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

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

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order to estimate the fair value of these loans, which could be sold to financial institutions at a market price, the Company evaluates the lending rate of these loans within the reference market to evaluate the rate at which other financial institutions considered as peers and comparable to the Company will be willing to invest their resources and hold the payroll loans within their balance sheet.

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

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

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

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

4.4.1 Loans and receivables portfolio

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

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

4.4.1.1 Financial Assets at Fair Value

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

Classification of "Tu crédito" line of credit, based on the corresponding business model			
Item	Tu crédito 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:

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In line with its business model the Company has decided to measure the loans comprising the “Tu credito” line of credit at fair value based on the historical trading average since its loans are not impaired (and which, from their origination, are the best-rated 0 - 90 days 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.

4.4.1.2 Financial assets at amortized cost

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

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

NOTE 5. RISK MANAGEMENT

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

Objective and general guidelines

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

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

5.1 Credit Risk

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

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

During the three and Nine-month period ended September 30, 2021, there were no significant changes in policies and how Credivalores handles credit risk.

The maximum exposure to credit risk of Credivalores, according to IFRS 7, is reflected in the book value of financial assets in the statement of financial position of Credivalores as of September 30, 2021 and December 31, 2020 as follows:

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	September 30, 2021	December 31, 2020
Cash and cash equivalents	224.487	264.299
Financial instruments net	314.670	260.382
Loan portfolios		
Consumer loans	1.922.849	1.747.353
Microcredit portfolio	-	5.772
Payroll loans at fair value	20.067	20.015
Accounts receivable, net	447.066	428.978
Total financial assets with credit risk	2.929.139	2.726.799
Off-balance-sheet credit risk at nominal value		
Unpaid approved credits	341.820	385.960
Total exposure to off-balance-sheet credit risk	341.820	385.960
Total maximum exposure to credit risk	3.270.959	3.112.759

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 (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

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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 months ECL and lifetime ECL measurements.

II. PD – Probability of Default

Term structure of PD

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

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

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

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

To determine the PD the company used statistical models to analyze and select the variables significant in predicting whether clients would reach default during a known period of time that is determined by the stage of the loan. For stage 1 the PD are evaluated for the next 12 months, loans on later stages are evaluated for the remainder of the loan lifetime.

To estimate lifetime probability Credivalores calculates the 12-month PD and for each successive year for the loan lifetime the model estimates the PD conditioned to not having defaulted during previous years.

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

Credivalores approach to incorporating forward-looking information into this assessment is discussed below.

Forward-Looking Information

Credivalores incorporates forward-looking information into its measurement of ECLs. Credivalores formulates a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on forecasts provided by economic experts and considering a forecast of multiple

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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 September 30, 2021 include the following key indicators (among others) for Colombia for the years ending September 30, 2021 and December 31, 2020¹:

	2020-2021		
	Scenario	Scenario	Scenario
	A	B	C
Usury rate	28,0%	27,7%	27,1%
Economic Tracking Indicator	112,83	110,70	108,57
CPI Variation	40%	39%	38%

Credit Risk Rating

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

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

Loan Portfolio

Payroll and Credit card loans

- Information collected internally about the behavior of customers.
- Demographic information of customers.
- Origination information of credits/customer.

III. LGD – Loss Given Default

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

IV. EAD – Exposure at Default

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

¹ Projections made internally by the planning area.

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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. Transition between stages

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

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

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

II. PD – Probability of default

To determine the PD the company used statistical models to analyze and select the variables significant in predicting whether clients would reach default during a known period of time that is determined by the stage of the loan. For stage 1 the PD are evaluated for the next 12 months, loans on later stages are evaluated for the remainder of the loan lifetime.

To estimate lifetime probability Credivalores calculates the 12-month PD and for each successive year for the loan lifetime the model estimates the PD conditioned to not having defaulted during previous years.

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

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

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

The reason for choosing this hierarchy is to avoid discretion at the time of assigning a rating. National credit rating corporations can be used only if international credit ratings are not available, and the translation condition to the S&P rating scale must be followed as well.

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For financial assets classified as stage 1, PD correspond to the probability of default for the next 12 months established in accordance to “Cumulative Default Rates by Rating Modifiers” for both sovereign and corporate issuers, expressed at an annual basis. In order to avoid an empty value of impairment as a consequence of a PD equal to zero, methodology allows PD increase from 0% to 0.01%. If the remaining life of the assets is less than 12 months, the resulting PD will correspond to the weighted 12 months-PD with the remaining life of the financial asset.

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

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

Forward-Looking Information

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

III. LGD – Loss given default

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

IV. EAD – Exposure at default

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

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

Credit Risk Model: Other accounts receivable

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

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

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Loss impairment

The table below shows the loss impairment balances as of September 30, 2021:

	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loan portfolio				
Loan consumer portfolio	63.917	24.653	216.284	304.853
Total loan portfolio	Ps. 63.917	24.653	216.284	304.853
Total loss impairment financial assets at amortized cost	Ps. 63.917	24.653	216.284	304.853
Total loss impairment	Ps. 63.917	24.653	216.284	304.853

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

The table below shows for loans stage 3 individually assessed for ECL the gross amount and loss impairment balances as of September 30, 2021.

	Gross Amount Registered	Impairment Recognized
With recognized provision		
Consumer	Ps. 354.866	Ps. 216.284
Total	Ps. 354.866	Ps. 216.284

5.1.1 Monitoring and Control Process

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

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

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

As of September 30, 2021

Status	Tu Crédito	CrediUno	CrediPóliza	Microcredito	Total managed portfolio	On balance sheet Portfolio
CURRENT	777.911	684.671	29.382	-	1.491.964	1.300.989
1-30	8.183	26.104	652	-	34.939	32.948
31-60	5.953	33.377	245	-	39.575	37.894
61-90	5.068	6.291	15	-	11.374	10.544
91 - 180	10.110	20.171	164	-	30.445	30.149
181 - 360	17.609	43.465	310	-	61.384	60.994
> 360	86.972	91.851	7.617	-	186.440	174.648
Totals	911.806	905.930	38.385	-	1.856.121	1.648.166

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As of December 31, 2020

Status	Tu Crédito	CrediUno	CrediPóliza	Microcredito	Total managed portfolio	On balance sheet Portfolio
CURRENT	807.326	572.052	49.344	-	1.428.721	1.224.357
1-30	7.145	34.922	4.843	-	46.910	45.289
31-60	8.399	17.518	1.204	-	27.120	25.989
61-90	4.032	25.397	187	-	29.616	29.423
91 - 180	13.341	12.957	539	-	26.837	26.578
181 - 360	9.806	6.369	496	13	16.685	16.120
> 360	74.888	76.510	7.223	4.163	162.785	151.115
Totals	924.937	745.725	63.836	4.176	1.738.674	1.518.871

The following detail is due to compliance with the literal e and clause 5 requested by the FNG:

As of September 30, 2021

Status	Committed Portfolio	Uncommitted Portfolio	Total
CURRENT	777.911	684.671	1.462.582
1-30	8.183	26.104	34.286
31-60	5.953	33.377	39.330
61-90	5.068	6.291	11.360
91 a 180	10.110	20.171	30.282
181 a 360	17.609	43.465	61.075
> a 360	86.972	91.851	178.823
Totals	911.806	905.931	1.817.737

As of December 31, 2020

Status	Committed Portfolio	Uncommitted Portfolio	Total
CURRENT	496.100	929.180	1.425.281
1-30	2.922	47.427	50.348
31-60	1.631	25.489	27.120
61-90	330	29.285	29.616
91 a 180	290	26.547	26.837
181 a 360	565	16.120	16.685
> a 360	11.670	151.115	162.785
Totals	513.508	1.225.164	1.738.672

5.2 Credit worthiness

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

Entity	Type of Account	September 30, 2021	December 31, 2020
Banco de Bogotá	Checking	2.762	1.211
Bancolombia	Checking	2.878	8.660
Red Multibanca Colpatría	Savings	49	104
Banco BBVA	Checking	85	211
Banco De Occidente	Checking	2	138
Banco Santander	Checking	97.078	384
Available in Free-standing Trusts	Savings/Checking	91.028	6.032
JP Morgan	Deposit	3.071	2.771
		196.953	19.511

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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	Qualifying Entity
1	Banco BBVA	AAA (col) y F1+(col)	Fitch Ratings
2	Banco de Bogotá	AAA	BRC Investor Services S, A, SCV
3	Banco Colpatria	AAA y BRC 1+	BRC Investor Services S, A, SCV
4	Banco de Occidente	AAA y de BRC 1+	BRC Investor Services S, A, SCV
5	Bancolombia	AAA y de BRC 1+	BRC Investor Services S, A, SCV
6	Banco Santander	AAA y de BRC 1+	BRC Investor Services S, A, SCV
7	GNB Sudameris	AA+	BRC Investor Services S, A, SCV

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

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

5.3 Market Risk

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

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

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

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

As of September 30, 2021 and December 31, 2020, Credivalores had the following financial assets and liabilities at fair value subject to trading risk:

Financial assets and liabilities at fair value exposed to trading risk held:	September 30, 2021	December 31, 2020
Equity Instruments	6.294	16.938
Derivatives instruments	308.376	243.444
Loan Portfolio	20.067	20.015
Total	334.737	280.397
Financial liabilities	(2.674)	(16.791)
Total	(2.674)	(16.791)

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Net Position	332.063	263.606
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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 2021. The following methodology was defined for the analysis:

1. Two scenarios were evaluated whereby indexed rates are affected by 20 BPS (increasing and decreasing indexed rates), which affect the future flows of Credivalores financial obligations indexed to the variable rate. Debt repayment is implicit in these scenarios, given their contractual frequency, taking them to maturity.
2. The flows corresponding to interest payment (accrual) were evaluated using equivalent rates.
3. The present value of the monthly interest payment was calculated, using as reference the 6-month IBR rate on an annual basis as of September 30, 2021 (2.993%).
4. Finally, the results of each scenario were compared to the base scenario, which corresponds to the projections of interest flows using the rates as of September 30, 2021 as reference.

The results are set out below:

Scenarios	Interests
Effect of 20 BPS decrease in variable rate	(351.381)
Effect of 20 BPS increase in variable rate	350.347
Total Scenarios	(1.034)

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	(351.381)
Effect of devaluation and increase, 15 BPS, variable rate	352.414
Total Scenarios	1.033

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

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materializes now 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 2021. The following methodology was used for the analysis:

1. Two scenarios were evaluated in which the exchange spot rate is adjusted by 0.60% daily volatility (spots prices projected using Bloomberg's curve), generating revaluation and devaluation effect on the TRM as of September 30, 2021.
2. The amortization of principal and payment of interest on financial obligations are implicit in these scenarios, given their contractual periodicity and taking them to maturity.
3. The flows corresponding to interest payment (accrual) were evaluated using equivalent rates.
4. The present value of the monthly interest payment was calculated, using as reference the 6-month IBR rate on an annual basis as of September 30, 2021 (2.993%).
5. Finally, we compared the results of each scenario with the base scenario, which corresponds to the projected flows for payment of capital and interest using as reference the rates as of September 30, 2021.

The results are set out below:

Item	Total Debt
Initial Scenario (Balance as of September 30st, 2021)	2.169.954
Scenario 1 (Effect of revaluation)	2.156.527
Scenario 2 (Effect of revaluation)	2.183.380
Difference Scenario 1 vs. Initial Scenario	(13.427)
Difference Scenario 2 vs. Initial Scenario	13.426

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

5.4 Liquidity Risk

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

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

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

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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 \geq 105%
- b) Yellow: liquid assets / outflows between 100 and 104%
- c) Red: liquid assets / outflows $<$ 100%

In case there are any yellow or green situations, the Financial Committee defines any actions to be taken in order to assure the sufficient procurement of cash to operate on a normal basis.

The liquidity level results as of September 30, 2021 are set out below:

Item	Liquidity level Sept, 2021
7 Days	508%
15 Days	260%
30 Days	165%

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As of September 30, 2021, the liquidity level in the 7 and 15 days bands is above the upper limit defined in the Company's liquidity manual, constituting a green flag scenario and indicating that Credivalores has sufficient resources to operate normally.

Also, as is good practice, a third band is monitored, which allows for controlling of the liquidity level projected to 30 days. As of September 30, 2021, a green band scenario is recorded, indicating that Credivalores has ample liquidity to support its needs for normal operation.

Exposure to liquidity Risk

The Company monitors its liquidity position in order to determine how likely a liquidity stress can happen.

The following is a breakdown by time range for the Liquid Assets and the LRI (Liquidity Risk Indicator) for September 30, 2021 and December 31, 2020.

Description	September 30, 2021				
	Subsequent Net Balances Available				
	Liquid Assets Available at the End of the Period (1)	From 1 to 7 days (2)	From 8 to 15 subsequent days (2)	From 16 to 30 subsequent days (2)	From 31 to 90 subsequent days (2)
Cash	2	2	-	-	-
Banco de Bogotá	2.762	2.762	-	-	-
Bancolombia S. A.	2.879	2.879	-	-	-
BBVA Colombia	85	85	-	-	-
Red Multibanca Colpatría S. A.	49	49	-	-	-
Banco de Occidente	2	2	-	-	-
Banco Santander	157	157	-	-	-
Banco Santander Uruguay	99.991	99.991	-	-	-
Alianza Fiduciaria	3.578	3.578	-	-	-
Credifinanciera	22.049	-	-	22.049	-
Cash at Free-Standing Trusts	91.056	91.056	-	-	-
Collective Investment Funds	1.590	1.590	-	-	-
Agrocañas	4.704	-	-	-	4.704
Mutual Funds – Fiduciaria and Valores Bancolombia	2	2	-	-	-
TIDIS	1.869	-	-	1.869	-
Fiducolombia Free-Standing Trusts	6	6	-	-	-
Inverefectivas	12.181	-	-	-	12.181
Total liquid assets	242.962	202.159	-	23.918	16.885

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Description	December 31, 2020				
	Subsequent Net Balances Available				
	Liquid Assets Available at the End of the Period (1)	From 1 to 7 days (2)	From 8 to 15 subsequent days (2)	From 16 to 30 subsequent days (2)	From 31 to 90 subsequent days (2)
Cash	18	18	-	-	-
Banco de Bogotá	1.211	1.211	-	-	-
Bancolombia S. A.	8.660	8.660	-	-	-
BBVA Colombia	211	211	-	-	-
Red Multibanca Colpatría S. A.	104	104	-	-	-
Banco de Occidente	138	138	-	-	-
Banco Santander	72	72	-	-	-
Banco Santander Uruguay	3.082	3.082	-	-	-
Alianza Fiduciaria	95.956	95.956	-	-	-
Credifinanciera	32.564	-	-	32.564	-
Cash at Free-Standing Trusts	7.171	7.171	-	-	-
Collective Investment Funds	12.232	12.232	-	-	-
Agrocañas	4.705	-	-	-	4.075
Mutual Funds – Fiduciaria and Valores Bancolombia	3.534	3.534	-	-	-
TIDIS	124	-	-	124	-
Fiducolombia Free-Standing Trusts	111.455	111.455	-	-	-
Inverefectivas	10.966	-	-	-	10.966
Total liquid assets	292.203	243.844	-	32.688	15.671

- (1) Liquid assets correspond to the sum of existing assets at the close of each period, which can be quickly converted to cash. In calculating liquid assets, all the listed investments, without exception, are computed at their fair exchange value on the date of the valuation (fair value).
- (2) The balance corresponds to the residual value of the Company's liquid assets on days after closing the specific period. This balance is calculated as the difference between liquid assets and liquidity requirements. In turn, the liquidity requirement is the difference between the contractual revenue flows and contractual and non-contractual outflows in accordance with the Liquidity Risk Indicator (LRI) methodology.

Measurement of exposure to liquidity risk

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

Limit of liquidity risk exposure

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

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

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

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

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

Exposure Limit	
Indicator 1 September-21	
Net Liquidity	224.487
Assets (Credivalores + Free-standing Trust) (Portfolio)	1.922.849
Indicator 1	11.7%

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

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

Exposure Limit	
Indicator 1 September-21	
Net Liquidity	224.487
Liabilities (Credivalores + Free-standing Trust)	1.974.826
Indicator 2	11.4%

In the three-month period ended September 30, 2021 there were no significant changes in the liquidity risk or in the manner in which Credivalores manages this risk.

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

September 30, 2021

Assets	Less than one month	From one to Nine months	From Nine to twelve months	More than one year	Total
Cash due from banks and equivalents	224.487	-	-	-	230.680
Equity Instruments at fair value	1.590	-	-	4.704	6.491
Investments in Associates and Affiliates	-	-	-	12.181	11.975
Financial Assets at amortized cost (*)	78.051	390.623	469.765	1.304.282	2.070.265
Total assets	304.128	390.623	469.765	1.321.167	2.319.412
Liabilities	Less than one month	From one to Nine months	From Nine to twelve months	More than one year	Total
Financial Liabilities at amortized cost (*)	33.972	222.165	777.427	1.654.658	2.688.222
Financial Liabilities at fair value	-	-	865	1.809	2.674
Derivatives instruments	-	-	-	-	-
Total Liabilities	33.972	222.165	778.292	1.656.467	2.690.896

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

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Assets	Less than one month	From one to Nine months	From Nine to twelve months	More than one year	Total
Cash due from banks and equivalents	264.300	-	-	-	264.300
Equity Instruments at fair value	12.232	-	-	4.705	16.938
Investments in Associates and Affiliates	-	-	-	10.966	10.966
Financial Assets at amortized cost (*)	68.717	345.265	418.373	1.242.029	2.074.384
Total assets	345.250	345.265	418.373	1.257.700	2.366.588
Liabilities	Less than one month	From one to Nine months	From Nine to twelve months	More than one year	Total
Financial Liabilities At amortized cost (*)	37.336	374.928	257.189	1.884.033	2.553.486
Financial Liabilities at fair value - Derivatives instruments	-	1.821	662	14.308	16.791
Total Liabilities	37.336	376.749	257.851	1.898.341	2.570.277

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

NOTE 6. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalent balances encompass the following as of September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
Cash	2	18
Banks	196.953	19.511
Mutual funds (6.1)	3.614	212.082
Term Deposit (6.2)	23.918	32.688
	224.487	264.299

As of September 30, 2021, and December 31, 2020, there were no restrictions on bank accounts.

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

	September 30, 2021	December 31, 2020
Fiduciaria Bancolombia – Renta Liquidez	2	3.526
Alianza Fiduciaria - FIC	3.579	95.956
Fiduciaria Bancolombia - Credinvest	-	1.119
Fiduciaria Bancolombia - Progression	27	20
Ownership	-	7
Sub-Total	3.608	100.628

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Entity	September 30, 2021	December 31, 2020
Fiduciaria Bancolombia - Collective Investment Funds Participation	6	111.454
Sub-Total	6	111.454
Collective investment funds	3.614	212.082

The average profitability with cut to September 2021 is 4.35% and for 2020 it was 3.57%.

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

Manager	Sept-21	Dec-20	Rating Agency
Fiduciaria Bancolombia	S3/AAAf (col)	S3/AAA f(col)	Fitch Ratings – Bogotá – 27 Julio 2020
Fiduciaria GNB Sudameris_Servitrustrs	F-AAA VrM 1+	F-AAA	Value and Risk Rating S,A, Sociedad Qualificator de Valores
Fiduciaria la Previsora	AAA - Stable	AAA+(col)	Value and Risk Rating S,A, Sociedad Qualificator de Valores
Fiduciaria Popular	AAA - Stable	F-AA VrM 1+	Value and Risk Rating S,A, Sociedad Qualificator de Valores

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

6.2 CDT deposit certificates

As of September 30, 2021, Credivalores had Certificates of Full Deposit (CDT) at Banco Santander and Banco Credifinanciera. Which are detailed below:

Number ID	Date	Payment date	Term	Nominal value	Annual effective interest rate	Nominal rate	Total Balance Jun, 2021
Santander Bank	22/08/2019	22/08/2021	24	6.500	2,75%	2,72%	6.518
Santander Bank	23/08/2019	23/08/2021	24	5.500	2,75%	2,72%	5.515
Credifinanciera Bank	08/09/2021	11/01//2022	4	10.000	2,80%	2,76%	10.016
Total				22.000			22.049

NOTE 7. FINANCIAL INSTRUMENTS

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

	September 30, 2021	December 31, 2020
Equity instruments (7.1)	1.590	12.234
Shares instruments (7.2)	4.704	4.704
	6.294	16.938

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7.1 At fair value with changes in results

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

Issuer	Type of Fund	Minimum Investment	Minimum Balance	Annual Return September 2021	Annual Return 2020	As of September 30, 2021	As of December 31, 2020
BTG Pactual I Z Class	Closed	5.000.000	2.000.000	84.089%	0.5%	1.296	1.519
BTG Pactual II Z Class	Closed	5.000.000	2.000.000	7.271%	0.5%	414	561
Collective Investment Fund	At sight	200.000	200.000	-0.034%	5.839%	17	17
Open Portfolio BTG	Abierto	-	-	2.062%	0.750%	60	10.137
TOTAL						1.787	12.234

7.2 Equity instruments

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Agrocañas Shares	4.704	4.704
	4.704	4.704

The Company owns 5.03% of Agrocañas S.A. share capital, with 3,300 outstanding shares as of September 30, 2021. These are not listed on the stock exchange and are therefore measured at fair value with changes to equity.

NOTE 8. INVESTMENTS IN ASSOCIATES

The detail of the investments in associates is as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Inverefectivas S.A (a)	12.181	10.966
	12.181	10.966

(a) Credivalores holds a 25% ownership in Inverefectivas S.A. This Company was incorporated in accordance with the legislation of Panama, and has 4,000 shares issued, of which Credivalores owns 1,000 shares with an intrinsic value of FIX 3.345,21 expressed using the TRM of 3.812,77 as of October 01, 2021.

	<u>September 30, 2021</u>		<u>December 31, 2020</u>	
	<u>Share of ownership interest</u>	<u>Book value</u>	<u>Share of ownership interest</u>	<u>Book Value</u>
Associates				
Inverefectivas S.A.	25%	12.181	25%	10.966
		12.181		10.966

The movement of investments in the associates account is shown below for the quarter ended September 30, 2021 and December 31, 2020:

	<u>September 30, 2020</u>	<u>December 31, 2020</u>
Associate		
Balance at the beginning of the period	10.966	10.963
Adjustments for exchange rate differences	1.215	3
Period-end balance	12.181	10.966

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NOTE 9. LOAN PORTFOLIO, NET

Financial assets at amortized cost on the statement of financial position are classified as consumer portfolio and microcredit. Following is a description of the portfolio of Credivalores as of September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
Consumer	1.922.849	1.747.034
Microcredit	-	5.772
Impairment	(304.854)	(266.972)
Total financial assets at amortized cost	1.617.995	1.485.834
TuCrédito payroll deduction loans at fair value	20.067	20.015
	20.067	20.015
Total loan portfolio, net	1.638.062	1.505.849

The Financial Position Statement includes a net portfolio held in Free-standing trusts totaling 288.260 as of September 30, 2021 and 293.707 as of December 31, 2020. 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 quarter ended September 30, 2021 and 2020.

	September 30,	
	2021	2020
Initial Balance	266.972	192.847
Impairment of the period charged against to profit or loss	46.627	16.626
Write-offs	(8.745)	(1.731)
Closing balance	304.854	207.742

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

As of September 30, 2021

Type	Principal	Transaction costs	Accrued Interest	Commissions	Impairment	Total
Consumer loans	1.648.167	125.756	138.502	10.424	(304.854)	1.617.995
Microcredit	-	-	-	-	-	-
Total financial assets at amortized cost	1.648.167	125.756	138.502	10.424	(304.854)	1.617.995

At December 31, 2020

Type	Principal	Transaction costs	Accrued Interest	Commissions	Impairment	Total
Consumer loans	1.514.693	108.675	115.850	7.752	(261.136)	1.485.834
Microcredit	4.178	-	1.594	65	(5.837)	-
Total financial assets at amortized cost	1.518.871	108.675	117.444	7.817	(266.973)	1.485.834

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

September 30, 2021

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Consumer	271.869	690.305	235.761	719.701	1.917.636
Microcredit	-	-	-	-	-
Total Gross Loan Portfolio	271.869	690.305	235.761	719.701	1.917.636

December 31, 2020

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Consumer	254.992	579.171	218.030	646.458	1.698.651
Microcredit	5.829	8	-	-	5.837
Total Gross Loan Portfolio	260.821	579.179	218.030	646.458	1.704.488

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

September 30, 2021

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Consumer	210.263	600.870	209.897	627.137	1.648.167
Microcredit	-	-	-	-	-
Total Principal Only Loan Portfolio	210.263	600.870	209.897	627.137	1.648.167

December 31, 2020

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Consumer	212.410	513.280	197.302	591.701	1.514.693
Microcredit	4.171	7	-	-	4.178
Total Principal Only Loan Portfolio	216.581	513.287	197.302	591.701	1.518.871

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:

Type	September 30, 2021		
	Principal Loan	Sold	Total
Consumer	1.648.167	207.956	1.856.122
Microcredit	-	-	-
Total Financial Assets at amortized cost	1.648.167	207.956	1.856.122

Type	December 31, 2020		
	Principal Loan	Sold	Total
Consumer	1.514.693	219.802	1.734.495
Microcredit	4.178	-	4.178
Total Financial Assets at amortized cost	1.518.871	219.802	1.738.673

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Overdue but not impaired

As of September 30, 2021, and December 31, 2020, a summary of the overdue portfolio by days past due is as follows:

	As of September 30, 2021		
	Consumer	Microcredit	Total
Performing loans	1.300.989	-	1.300.989
Overdue but not impaired	70.842	-	70.842
Non-performing loans under 360 days	101.687	-	101.687
Non-performing loans over 360 days	174.649	-	174.649
	1.648.167	-	1.648.167

	As of December 31, 2020		
	Consumer	Microcredit	Total
Performing loans	1.224.357	-	1.224.357
Overdue but not impaired	71.278	-	71.278
Non-performing loans under 360 days	72.107	14	72.121
Non-performing loans over 360 days	146.951	4.164	151.115
	1.514.693	4.178	1.518.871

NOTE 10. ACCOUNTS RECEIVABLE, NET

The detailed information of accounts receivables as of September 30, 2021 and December 31, 2020 is as follows:

	September 30, 2021	December 31, 2020
Debtors (10.1)	260.199	240.893
Asfiredito	102.367	100.725
Economically Related Parties (10.2)	78.633	82.755
Shareholders	15.818	13.214
Prepayments and Advances	1.972	3.071
Payments on behalf of clients (10.3)	1.815	1.815
Employees	2.439	1.451
Others accounts receivable	8	2
Impairments for doubtful accounts (10.4)	(16.185)	(14.629)
	447.066	429.297

10.1 The balance of the debtors account that as of September 30, 2021 amounts to 260.199 and as of December 31, 2020 amounts to 240.893, mainly corresponds to outstanding portfolio collection balances from the free-standing trusts to Credivalores.

10.2 The following is the detail with economically related parties:

	September 30, 2021	December 31, 2020
Inversiones Dana S.A.	-	-
Mad Capital S.A.	-	-
Banco Credifinanciera	1	73
Banco Davivienda	6	146

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Agro el arado S.A	146	221
Ingenio la cabaña S.A.	2.970	2.000
Agros industriales del Cauca	8.600	8.600
Inversiones Mad capital S.A.S	8.894	8.601
Brestol S.A.S	16.749	18.771
Activar Valores S.A.S	31.157	30.575
Finanza inversiones S.A.S	33.844	31.738
	<u>102.367</u>	<u>100.725</u>

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

	September 30,	
	2021	2020
Loans	DTF + 9.41%	DTF + 9.41%

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

	September 30,	December 31,
	2021	2020
Life Insurance Payroll deduction loans	10.378	9.182
Crediuno Insurance	4.668	3.387
Tigo Insurance	192	184
Credipoliza Insurance	580	461
	<u>15.818</u>	<u>13.214</u>

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

	September 30,	December 31,
	2021	2020
Balance at start of period	(14.408)	(14.454)
Provision charged to income statement (1)	(1.777)	(175)
Balance at end of period	<u>(16.185)</u>	<u>(14.629)</u>

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

10.4.1. Detail Impairment

As of September 30, 2021, the amount of the impairment provision for accounts receivable amounts to 16.185. Changes in the impairment provision of accounts receivable are described in the following table:

	Third Party	Impairment	%
	Mad Capital S. A.	83	60.0%
	Colombia Móvil	146	100.0%
	Agroindustriales del Cauca	8.600	100.0%
	Asf crédito	7.356	9.4%
	Total	<u>16.185</u>	

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.

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NOTE 11. PROPERTY AND EQUIPMENT

The Company's property and equipment as of September 30, 2021 and December 31, 2020, respectively, are as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Transportation equipment	117	117
Office equipment and accessories	1.748	1.782
Computer equipment	397	399
Network and communication equipment	2.116	2.205
Machinery, plant and equipment in assembly	-	49
Goods received on finance lease agreements	4.859	4.865
Subtotal	9.237	9.417
Accumulated depreciation	(8.937)	(8.842)
Total	300	575

The breakdown for equipment movement is shown below:

	<u>December 31, 2020</u>	<u>Additions</u>	<u>Lows</u>	<u>September 30, 2021</u>
Transportation equipment	117	-	-	117
Office equipment and accessories	1.781	13	(46)	1.748
Electronic equipment	399	-	(2)	397
Network and communication equipment	2.205	10	(99)	2.116
Machinery, plant and equipment in assembly	49	-	(49)	-
Goods received on finance lease agreements	4.865	-	(6)	4.859
	9.416	23	(202)	9.237

	<u>Dec 31, 2019</u>	<u>Additions</u>	<u>Lows</u>	<u>Sept 30, 2020</u>	<u>Additions</u>	<u>Lows</u>	<u>Dec 31, 2020</u>
Transport equipment	117	-	-	117	-	-	117
Office equipment and accessories	1.861	3	-	1.750	1	(85)	1.782
electronic equipment	405	-	(6)	337	1	(4)	398
Networking and communication team	2.262	-	(3)	1.679	15	(72)	2.205
Machinery, plant and equipment in assembly	49	-	-	49	-	-	49
Leasing leased property	4.966	-	(8)	4.966	-	(93)	4.865
	9.660	3	(17)	8.898	17	(254)	9.416

(*) The adjustments correspond to the unification of useful life of assets according to the established policy.

The following is the depreciation movement as of September 30, 2021 and December 31, 2020, respectively:

	<u>December 31, 2020</u>	<u>Depreciation</u>	<u>Lows</u>	<u>September 30, 2021</u>
Transport equipment	117	-	-	117
Office equipment and accessories	1.721	32	(46)	1.707
Electronic equipment	1.227	225	(101)	1.351
Telecommunications equipment	912	40	(49)	903
Assets in financial lease	4.865	-	(6)	4.859
	8.842	297	(202)	8.937

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All equipment of Credivalores is duly protected with current insurance policies. To protect its property and equipment, the Company took out insurance policies with Beckley International Insurance Colombia and Chubb de Colombia as of September 30, 2021 and December 31, 2020, 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 12. PROPERTIES BY RIGHT OF USE

Below is the plant and equipment properties that the Company has as of September 30, 2021 and December 31, 2020, respectively:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Assets		
Properties, Plant and Equipment (Right of Use)	4.849	6.020
Deferred tax asset	150	127
Liabilities		
Other financial liabilities - lease of use		
Currents	2.286	(2.143)
Non-current	3.047	(4.286)
Net	<u>(334)</u>	<u>(282)</u>

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

	<u>Rights of use Premises and Offices</u>	<u>Total</u>
As of December 31, 2019		
Cost	7.597	7.597
Accumulated Depreciation	(1.694)	(1.694)
Net cost	<u>5.903</u>	<u>5.903</u>
As of December 31, 2020		
Balance at the beginning of the year	5.903	5.903
Additions	3.958	3.958
Retreats	(1.887)	(1.887)
Depreciation charge	(1.954)	(1.954)
Balance at the end of the year	<u>6.020</u>	<u>6.020</u>
As of September 30, 2021		
Cost	9.296	9.296
Accumulated Depreciation	(3.276)	(3.276)
Net cost	<u>6.020</u>	<u>6.020</u>
Quarter completed at 30 Sept 2021		
Balance at the beginning of the year	6.020	6.020
Additions	457	457
Depreciation charge	(1.628)	(1.628)

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Balance at the end of the Period	4.849	4.849
As of September 30, 2021		
Cost	9.719	9.719
Accumulated Depreciation	(4.870)	(4.870)
Net cost	<u>4.849</u>	<u>4.849</u>

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 September 30, 2021 have the following balances:

	September 30, 2021	December 31, 2020
Lease liabilities		
As December 31, 2020	<u>6.429</u>	<u>6.258</u>
Currents	457	3.958
Pay	(1.553)	(1.900)
Non-current	-	(1.887)
As September 30*	<u>5.333</u>	<u>6.429</u>

- Net variation for the third quarter corresponds to 566.

12.1 Statement of Results

	September 30, 2021
Depreciation fee - usage asset	1.628
Low-value lease expenses	455
Variable lease expenses	568
	<u>2.651</u>

Total cash outings for leases as of September 30, 2021, were 2.780.

Incorporation of Assets

According to paragraph 53 (f) below, the incorporation of assets for rights of use is detailed:

NIT	THIRD	RECOGNIZED ACTIVE	RECOGNIZED PASSIVE
36159666	Buendia de Borrero Angela Maria	24	26
900580320	Walter Velasco S.A.S.	33	35
900230082	Inmobiliaria e Inversiones de la Sabana S.A.	24	27
816008634	Cabal Villegas & Cia S En C	24	26
4982796	Melo Rodriguez Marco Luis	24	26
9084609	Otero Forbes Neil Antonio	54	60
20676313	Rosalba Vasquez	56	55
22923999	Rangel Chema Clemencia Del Carmen	53	58
29105464	Diaz Solarte Yolanda	13	14
30343240	Velez Zuleta Clara Amelia	35	39
37213421	Izquierdo de Pava Leonor	22	23
39095588	Florez Molina Librada Maria	25	28
800002756	Parqueadero Asomejias Ltda	17	19
815000077	Rojas & Rojas Inmobiliaria Cia Ltda	17	21
	TOTAL	421	457

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Variable Leases

Credivalores determined variable leases, based on landlord preponderance in disposal and use of the asset, this classification finds the outlets located in chain warehouses.

Health Emergency Impact - COVID 19

During the first quarter of 2021, no discounts have been made on leases recognized under IFRS 16, nor have there been any changes to contracts in addition to what emerged in 2020.

NOTE 13. OTHER INTANGIBLE ASSETS

Below are the company's other intangible assets as of September 30, 2021 and December 31, 2020, respectively:

	September 30, 2021	December 31, 2020
Litigious rights	456	500
Sub Total	456	500
Software Licenses	1.493	1.261
Technology and insurance projects	1.338	6.127
Other	1.070	2.341
Sub Total	3.901	9.729
Contracts	13.936	14.399
Databases	18.355	18.923
Acquired brands (1)	10.115	11.901
Sub total	42.406	45.223
Total	46.763	55.452

The movement of amortization expenses for the period was as follows

	September 30, 2021	December 31, 2020
Depreciation of brands	1.785	2.380
Amortization of exclusivity contracts, databases and licenses	2.518	2.987
Subtotal	4.303	5.367
Consultancies, PA's commissions, contributions	2.274	1.529
Investors	-	2.366
Honorarium	1.138	1.471
Insurance	5.288	713
Total	8.700	6.079

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

By obtaining the value of the discounted projections, the flow was evaluated in aggregate form, and then tangible balance sheet assets were deducted from the total business value, to identify the residual value against the estimated market value of the business. The difference in securities, according to the economic and accounting literature, resulted in the residual value of intangibles.

It is concluded that the updated projections for the 2020 base year remain within the range initially estimated in 2018 of the Base Scenario, considering results obtained at cut from 2018 to 2020 and future commercial expectations of placement and collection, and in accordance with growth dynamics, margin contribution and cost efficiency.

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Therefore, the Appraiser's conclusion should not lead to an adjustment in the initially estimated valuation, nor should an impairment adjustment be included in the recorded value of CREDIUNO intangibles, as it is shown that the estimated results

In 2018 remained in the lower projection range even with the effects by the pandemic, and it is hoped that by addressing the economic revival for customers' cash needs in the short and medium term, it would bring rewards in terms of projected operating profits within the initially estimated and projected range, considering the new growth and efficiency curves in commission revenue along with the reduction in expenditures, thus preserving the initially estimated operating margins for valuation.

NOTE 14. 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 based on ratings given by external bodies or if they do not exist on the basis of internal categorizations defined on the basis of counterparty characteristics:

	September 30,	
	2021	2020
Cash and cash equivalents		
AAA	196.904	42.504
AA	49	46
Total cash and cash equivalents	196.953	42.550

	September 30,	
	2021	2020
Equity instruments (shares)		
Fair value financial assets through the other comprehensive results		
Financial sector	6.294	13.254
Total equity instruments	6.294	13.254

	September 30,	
	2021	2020
Debt instruments		
Financial assets at fair value through the statement of return		
AAA	22.049	32.276
Total debt instruments	22.049	32.276

NOTE 15. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

	September 30, 2021	December 31, 2020
ASSETS		
Hedge forward contracts (15.1)	688	7.108
Hedge Options (15.2)	129.470	87.470
Hedge Swaps (15.3)	178.218	148.866
Total	308.376	243.444
LIABILITY		
Forward Coverage (15.1)	2.674	16.791
Sub-Total	2.674	16.791

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

Hedging Operations

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

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

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

Cross Currency Swaps

	Theoretical Hedging			Annual Interest Rate			
	Credivalores receives USD	Credivalores pays COP	Delivery	Effective Date	Maturity Date	Credivalores receivers	Credivalores pays
Credivalores pays							
Principal and Coupon	95.315.000	265.274.035.950	Non-Delivery	27/01/2018	27/07/2022	9,75%	IBR+ 8,89%
Coupon	68.835.000	196.111.603.350	Non-Delivery	27/01/2018	27/07/2022	9,75%	IBR+ 5,12%
Principal and Coupon	100.000.000	341.600.000.000	Non-Delivery	7/02/2020	7/02/2025	8,875%	IBR+ 8,54%
Coupon	68.000.000	232.288.000.000	Non-Delivery	7/02/2020	7/02/2025	8,875%	IBR+ 5,10%
Coupon	50.000.000	170.750.000.000	Non-Delivery	7/02/2020	7/02/2025	8,875%	IBR+ 5,15%
Coupon	50.000.000	170.750.000.000	Non-Delivery	7/02/2020	7/02/2025	8,875%	IBR+ 4,995%

Type of Instrument	Credivalores' Position	Type of Option	Hedged amount USD	Effective Date	Maturity Date	Strike Price COP	Delivery
Call Option	Buyer	European	US \$ 37.500.000	22-mar-18	25-jul-22	COP \$ 2.849,01	Non - Delivery
Call Option	Buyer	European	US \$ 31.335.000	22-mar-18	25-jul-22	COP \$ 2.849,01	Non - Delivery
Call Option	Buyer	European	US \$ 68.835.000	13-sep-19	25-jul-22	COP \$ 3.500,00	Non - Delivery
Call Option	Buyer	European	US \$ 68.835.000	31-mar-20	25-jul-22	COP \$ 3.750,00	Non - Delivery
Call Option	Buyer	European	US \$ 18.000.000	7-feb-20	7-feb-25	COP \$ 3.415,00	Non - Delivery
Call Option	Buyer	European	US \$ 50.000.000	7-feb-20	7-feb-25	COP \$ 3.415,00	Non - Delivery
Call Option	Buyer	European	US\$100.000.000	7-feb-20	7-feb-25	COP \$ 3.415,00	Non - Delivery
Call Option	Buyer	European	US \$168.000.000	27-mar-20	7-feb-25	COP \$ 4.000,00	Non - Delivery
Call Option	Seller	European	US \$ 37.500.000	22-mar-18	25-jul-22	COP \$ 3.500,00	Non - Delivery

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Call Option	Seller	European	US \$ 31.335.000	22-mar-18	25-jul-22	COP \$ 3.500,00	Non - Delivery
Call Option	Seller	European	US \$ 68.835.000	13-sep-19	25-jul-22	COP \$ 3.750,00	Non - Delivery
Call Option	Seller	European	US \$ 68.835.000	31-mar-20	25-jul-22	COP \$ 4.300,00	Non - Delivery
Call Option	Seller	European	US \$ 18.000.000	7-feb-20	7-feb-25	COP \$ 4.000,00	Non - Delivery
Call Option	Seller	European	US \$ 50.000.000	7-feb-20	7-feb-25	COP \$ 4.000,00	Non - Delivery
Call Option	Seller	European	US \$100.000.000	7-feb-20	7-feb-25	COP \$ 4.000,00	Non - Delivery
Call Option	Seller	European	US \$168.000.000	27-mar-20	7-feb-25	COP \$ 4.500,00	Non - Delivery

15.1 Forward Contracts for Hedging

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

• **Fair-value hedge accounting**

ASSETS	Fair value			
	September 30, 2021		December 31, 2020	
	Nominal Amount USD	Fair Value	Nominal Amount USD	Fair Value
Forward Contracts for Hedging				
Purchase of foreign currency	7	688	21	7.108
Total forward contracts for hedging – assets	7	688	21	7.108

Stated in USD expressed in millions

Liabilities	Fair value			
	September 30, 2021		December 31, 2020	
	Nominal Amount USD	Fair Value	Nominal Amount USD	Fair Value
Forward coverage contracts				
Buying foreign currency	28	2.674	47	16.791
Total forward derivatives of passive hedging	28	2.674	47	16.791

15.2 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:

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ASSETS	Fair value			
	September 30, 2021		December 31, 2020	
	Nominal Amount		Nominal Amount	
	USD	Fair Value	USD	Fair Value
Call spread premium option	237	129.470	243	87.470
Total forward contracts for hedging – assets	237	129.470	243	87.470

Options Contracts for Hedging

Trading derivative instruments with options covers the debt (capital only) position of the 144 A/Reg S ratio with a coupon of 9.75% and 8.875% with maturity in 2022 and 20 25 and issued on February 14, 2018 and February 07, 2020 for a face value of US\$ 75,000,000 and US\$ 168,000,000. These financial instruments are valued under the methodology and market value provided by 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.

15.3 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:

ASSETS	Fair value			
	September 30, 2021		December 31, 2020	
	Nominal Amount		Nominal Amount	
	USD	Fair Value	USD	Fair Value
Hedging Contracts Cross Currency Swaps (a)	195	162.695	195	92.808
Hedging Contracts Coupon Only Swap (b)	235	15.523	243	56.058
Total forward contracts for hedging – assets	430	178.218	438	148.866

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

a. Cross currency swap hedging contracts

Trading derivative instruments through cross currency swaps covers the debt (capital and interest) position of Notes 144 A/Reg S issued on July 27, 2018 due in 2022 for a face value of US\$ 250,000,000 with a coupon rate of 9.75% and Notes 144 A/Reg S issued on February 7, 2020 due in 2025 for a face value of US\$100,000,000 with a coupon rate of 8,875%. With respect to Notes 144 A/Reg S due in 2022 and coupon of 9.75%, in February 2020 the amount of principal and coupons covered at maturity with coupon only swaps was adjusted after a repurchase transaction ("Tender Offer") of these Notes was completed for US\$154,685,000 principal.

b. Coupon only swaps hedging contracts

The derivatives transaction through a coupon only swaps cover interest payments from the reopening of Notes 144 A/ Reg S due in 2022 made on February 14, 2018 with coupon of 9.75% for a face value US\$75.000,000 and

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Notes 144 A /Reg S due in 2025 made on February 7, 2020 with coupon of 8,875% for a face value of US\$200,000,000. With respect to Notes 144 A/Reg S due in 2025 and coupon of 8.875%, in September 2020 the number of coupons covered at maturity with coupon only swaps was adjusted after a repurchase trade on the secondary market of these Notes was completed for US\$32,000,000 principal.

NOTE 16. FINANCIAL OBLIGATIONS

Below, we present the balances of financial obligations as of September 30, 2021 and December 31, 2020

	September 30, 2021	December 31, 2020
144 A / Reg S Notes	1.647.689	1.483.355
ECP Program Notes	285.958	257.438
Local Ordinary Bonds- FNG Partial Guarantee	52.900	294.674
National banks promissory notes	276.192	50.760
Transaction Costs	86.946	-
Other lease liabilities	(69.157)	-
	2.280.528	2.015.402

The balances of the financial obligations of Credivalores and the Special Purpose Vehicles, in which Credivalores is the settlor, at the end of September 30, 2021 and December 31, 2020, correspond to obligations contracted with financial institutions in the country and obligations in the international capital market. Short-term obligations are considered credits that must be canceled between the period October 2021 to October 2022 and long-term credits that have a maturity after October 2022, respectively, are considered long-term obligations:

a) Short-term financial obligations.

Entity	September 30, 2021	Interest rate	Maturity	December 31, 2020	Interest rate	Maturity
Banco de Bogotá	4.109	IBR + 3.78%	2022	1.969	IBR + 4.3%	2021
Banco de Occidente	10.677	IBR + 2.5%	2022	10.000	IBR + 3.7%	2021
Bancolombia	9.995	IBR + 7.95%	2021	10.000	IBR + 7.9%	2021
Banco Santander	-			2.875	IBR + 6%	2021
JP Morgan Colombia	36.500	10% EA	2022			
Total National Entities	61.281			24.844		
ECP Program Notes				257.438	8.4% EA	2021
Total Foreign Entities				257.438		
Total national and foreign entities	61.281			282.282		

Entity	September 30, 2021	Interest rate	Maturity	December 31, 2020	Interest rate	Maturity
144 A/Reg. S Notes 9.75% coupon due 2022	363.414	9.75% EA	2022			
Reopening of 144 A/Reg. S Notes 9.75% coupon due 2022	262.452	9.75% EA	2022			
Total Bond Issuances	625.866					

Entity	September 30, 2021	Interest rate	Maturity	December 31, 2020	Interest rate	Maturity
SPV Crediuno IFC	-	-	-	2.329	12.4% EA	2021
Total SPVs	-	-	-	2.329		

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Total short-term obligations	687.147			284.611		
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Credivalores had short-term financial obligations during the periods ended September 30, 2021 and December 31, 2020 totaling 301.089 and 284.611, respectively. The measurement of financial liability instruments for financial obligations is valued at amortized cost, as per IFRS 9.

On August 26, 2021 Credivalores signed a loan agreement with JP Morgan Colombia S.A. for a short-term loan of \$36.5 billion pesos due February 2022. Under the loan agreement signed, Credivalores pledged a security interest in all its rights, and interest in the general intangibles in the assets relating to the mark-to-market arising from the liquidation of the hedging transactions outstanding with JP Morgan Chase Bank N.A. under the ISDA Master Agreement signed between the two parties on December 13, 2017 in the same amount of the aforementioned loan.

b) Long-term obligations

The Company had long-term financial obligations during the periods ended September 30, 2021 and December 31, 2020 totaling 1.888.215 and 1.805.901, respectively. Associated costs incurred in the acquisition of loans are classified as transaction costs pending IFP amortization for the periods ended September 30, 2021 and December 31, 2020, valued at 70.434 and 77.253, respectively. The measurement of financial liability instruments for financial obligations is valued at amortized cost, as per NIIF 9.

The total balance of financial obligations for the periods ended September 30, 2021 and December 31, 2020 2.285.932 and 2.015.402 respectively, which will be paid off as described above.

Entity	September 30, 2021	Interest rate	Maturity	December 31, 2020	Interest rate	Maturity
Banco de Bogotá	1.778	IBR+5.5%	2022	5.148	IBR+6.3 %	2022
Bancolombia	23.887	IBR+7.65%	2023	20.767	IBR + 7.7%	2022
Total Entidad Nacional	25.665			25.915		
ECP Program Notes	285.958	8.6%EA	2022y2023			
Total Foreign Entities	285.958					

Entity	September 30, 2021	Interest rate	Expiration	December 31, 2020	Interest rate	Expiration
SPV TuCrédito Syndicated Loan	276.192	DTF - IBR + 5.5%	2023 al 2025	292.345	DTF - IBR + 5.5%	2023 y 2025
Total SPVs	276.192			292.345		

Entity	September 30, 2021	Interest rate	Expiration	December 31, 2020	Interest rate	Expiration
144 A/Reg. S Notes 9.75% coupon due 2022				306.007	9,75% EA	2022
Reopening 144 A/Reg. S Notes 9.75% coupon due 2022				257.438	9.75% EA	2022
144 A/Reg. S Notes 8.875% coupon due 2025	1.021.823	8,875% EA	2025	919.910	8,875% EA	2025
Domestic Bonds – Partial Guarantee from National Guarantees Fund (FNG in Spanish)	52.900	9,1% EA	2024			
Total bonds issued	1.074.723			1.483.355		

Total long-term obligations	1.662.538			1.801.615		
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Cost of transaction by amortize IFP	(69.157)			(77.253)		
Total financial obligations	2.280.528			2.008.973		

On August 26, 2021, CVCS accessed the domestic capital market pricing the first tranche of its debut bond issuance partially guaranteed by the FNG among institutional investors.

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The total amount of the domestic bond issuance, authorized by the Colombian Financial Superintendence in June 2021, is \$160 billion pesos and the first tranche totaled \$52.9 billion pesos with a 3-year tenor and a 9.1% coupon. The transaction was 1.51x oversubscribed since the Company offered \$35 billion pesos to the market.

The domestic bond issuance has a partial irrevocable guarantee from the FNG for 70% on the principal and interests of the bonds and was rated 'AA (col)' by Fitch Ratings Colombia.

The proceeds of the first tranche of the bond issuance will support the growth of Credivalores' operation in Colombia providing payroll and consumer loans to the low and middle-income part of the population using digital channels.

Obligations stated in foreign currency

Entity	Nominal Value as of		Nominal as of Value	
	March 31, 2021		December 31, 2020	
ECP Program Notes (a)	75	285.958	75	257.438
International Finance Corporation (IFC)	-	-	1	2.329
144 A/ Reg S Bonds (b)	432	1.647.688	432	1.483.355
Total	USD 507	COP 1.933.646	USD 508	COP 1.743.122

(a) Euro Commercial Paper Program Notes

The Euro Commercial Paper Program ("ECP Program") has a total approved amount of US\$150,000,000.

In April 2021 CVCS issued a new note under the ECP Program due October 28, 2022 in the amount of US\$50,000,000 and an 8.50% coupon with quarterly payments. In that same month, a note for US\$40,000,000 with an 8.25% coupon issued in April 2018 expired. In September 2021 CVCS issued another note for US\$25,000,000 with maturity in March 2023 and coupon of 8.75%. In the same month, a note for US\$20,000,000 issued in June 2020 with a coupon of 8.50% was expired.

As a result of early redemptions, capital maturities and new issuances under the ECP Program, the total balance under the ECP Program as of September 30, 2021 is US\$75,000,000.

(b) 144A / Reg S Bonds

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

According to the "Description of the Notes" of the Offering Memorandum, the Company may redeem the Notes, in whole or in part, at any time on or after July 27, 2020, at the applicable redemption prices set forth in the Offering Memorandum, plus any additional amounts then due and accrued and unpaid interest to, but excluding, the date of redemption. Prior to July 27, 2020, we may also redeem the notes, in whole or in part, at a redemption price equal to 100% of their principal amount plus a "make-whole" premium, plus any additional amounts then due and accrued and unpaid interest to, but excluding, the date of redemption. In addition, at any time on or prior to July 27, 2020, Credivalores may redeem up to 35% of the Notes using the proceeds of certain equity offerings at a redemption price equal to 109.750% of their principal amount, plus any additional amounts then due and accrued and unpaid interest to, but excluding, the date of redemption. In addition, in the event of certain changes in the

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Colombian withholding tax treatment relating to payments of interest on the Notes, Credivalores may redeem the Notes, in whole but not in part, at 100% of their principal amount, plus any additional amounts then due and accrued and unpaid interest to, but excluding, the date of redemption. If a change in control occurs with respect to us, unless the Company has exercised the option to redeem the Notes, each holder of the Notes will have the right to require us to repurchase all or any part of that holder's Notes at 101% of the aggregate principal amount of Notes repurchased, plus any additional amounts then due and accrued and unpaid interest to, but excluding, the date of repurchase.

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

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

The Notes were not and will not be registered in the Colombian National Register of Securities and Issuers (or the "RNVE"), therefore, they will not be offered to the public in the Republic of Colombia ("Colombia"). Notes will not be listed on the Colombian Stock Exchange. The Notes may be offered to persons in Colombia through private placement. The offer is not subject to review or authorization by the Financial Superintendency of Colombia.

In addition, on February 14, 2018 Credivalores reopened these Notes for an additional amount of US\$75,000,000, bringing the total issued to US\$ 325,000,000, considering the original issue. The Notes were reopened with a yield of 8.625% and a price of 104.079%. Reopening resources were used to refinance existing non-collateralized indebtedness and surpluses were used for the company's general purposes.

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

Principal	Coupon	First Coupon Payment - 27/01/2018	Second Coupon Payment - 27/07/2018	Third Coupon Payment - 27/01/2019	Fourth Coupon Payment - 27/07/2019	Fifth Coupon Payment - 27/01/2020
250.000.000	9,75%	12.187.500	12.187.500	12.187.500	12.187.500	12.187.500
75.000.000	9,75%		3.656.250	3.656.250	3.656.250	3.656.250
	Total in USD	12.187.500	15.843.750	15.843.750	15.843.750	15.843.750
	FX Rate	2.805,40	2.882,84	3.160,52	3.213,09	3.213,09
	Total in Million Pesos	34.190.812.500	45.674.996.250	50.074.488.750	50.907.394.688	50.907.394.688
Principal	Coupon	Nineth Coupon Payment - 27/07/2020	Seventh Coupon Payment - 27/01/2021			
95.315.000	9,75%	4.646.606	4.646.606			
68.835.000	9,75%	3.656.250	3.355.706			
	Total in USD	8.302.856	8.002.313			
	FX Rate	3.660,15	3.591,48			
	Total in Million Pesos	30.389.699.303	28.740.145.298			

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

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

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

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

The Notes due in 2025 will be future and unsecured obligations and (i) will have the same priority as to the right of payment as all other existing and future debt obligations of the Company (subject to certain obligations under which they are given preferential treatment in accordance with Colombia's insolvency laws); (ii) shall have a higher payment priority than the Company's existing and future subordinated debt obligations, if any; (iii) shall be subject, as regards the right of payment, to all existing and future indebtedness obligations, without guarantee, of the Company, to the extent of the value of the assets guaranteeing such indebtedness, including any debt, liabilities

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and autonomous assets; and (iv) shall be structurally subordinate to all existing and future payment obligations and to the commercial payable accounts of any of our non-guarantor subsidiaries. Notes shall not be entitled to any depreciation fund.

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

During April and May 2020, Credivalores engaged in Open Market Repurchases ("OMR") of the 8.875% Notes due 2025 through a broker. The total principal amount of the 8.875% Notes due 2025 repurchased through OMRs reached US\$32,000,000 and the Notes repurchased were cancelled on September 30, 2021. Consequently, as of September 30, 2020, the new outstanding amount of the 8.875% Notes due 2025 was US\$268,000,000.

For the month of December 2020, Credivalores carried out a repurchase of the 144 A / Reg S Retap Notes with maturity in 2022 and coupon of 9.75% in the secondary market through a broker for a total amount of US\$6,165,000 principal. The amount repurchased from the Note in December was cancelled at the end of January 2021. The new current number of Notes 144 A / Reg S Retap with maturity in 2022 and coupon of 9.75% is US\$68,835,000.

Covenants

The prospectus for Notes 144A/Reg S due 2022 contains certain restrictive covenants, which among other things, limit our ability to (i) incur additional debt, (ii) make dividend payments, redeem capital and make some investments, (iii) transfer and sell assets, (iv) sign any type of agreement that could limit the ability of subsidiaries to pay dividends or make capital distributions, (v) create collateral or pledge the assets, (vi) conduct a consolidation, merger or sale of assets and (vii) transact with affiliates. The "Indenture" contract that governs the Notes contains traditional default events.

These same covenants and conditions of the Indenture were reflected in the documentation of Notes 144 A / Reg S due in 2025 for US \$ 300,000,000, which at the end of September 2021 had a current amount of US \$ 268,000,000.

During the year 2020 and as of September 30, 2021 CVCS complied with the covenants related to Notes 144 A / Reg S due in 2022 and 2025. Since the credit indexed to pesos with the IFC was fully amortized in January 2021, the covenants stated above were not in force at the end of September 2021.

• **IFP Financial Cost**

The funds received from loans acquired from financial institutions are used for portfolio origination and to handle various lines of working capital, which helps to maintain a degree of liquidity for the Company. The loans are represented by promissory notes wherein both parties establish the payment conditions, including maximum amount, amount, interest rate and duration. The financial cost of financial obligations for the periods ended September 30, 2021 and December 31, 2020:

	September 30, 2021	September 30, 2020
Autonomous assets	15.006	13.594
Local banks	3.408	5.758
Financial leasing	-	2
External currency obligation	17.134	19.077
Financial Cost Derivatives	(2.331)	11.150
Issuance of Foreign Bonds	116.944	63.289
Local Bond Issuance	443	-
Amortization transaction costs	20.940	25.728
Interest on lease liabilities	456	500
Total	172.000	139.098

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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 17. EMPLOYEE BENEFITS

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

Below is a breakdown of employee benefit payments as of September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
Interest on severance pay	26	48
Pension funds	109	-
Salary	67	-
Primes	106	-
Severance pays	297	407
Holidays	578	528
	1.183	983

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 18. OTHER PROVISIONS

Credivalores provisions on September 30, 2021 and December 31, 2020, respectively are provided below.

	September 30, 2020	December 31, 2020
Litigations subject to executive proceedings	199	199
Other provisions	5.237	7.171
	5.436	7.370

The movement of legal and other provisions are provided below for the periods ended September 30, 2021 and December 31, 2020:

	Legal provisions	Other provisions	Total provisions
Balance held at December 31, 2020	199	7.171	7.370
Increase in provisions during the period	-	(1.934)	(1.934)
Balance held at September 30, 2021	199	5.237	5.237
	226	250	476
Balance held at December 31, 2019	226	250	476
Recovered provisions	(27)	6.921	6.894
Balance held at December 31, 2020	199	7.171	7.370
Recovered provisions	-	(1.934)	(1.934)

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Balance held at September 30, 2021	199	5.237	5.436
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Provisions correspond mainly to labor, civil and administrative processes filed by third parties against Credivalores, on which provisions were recognized as of December 31, 2020 in an amount of 64 it is not possible to determine a disbursement schedule for these provisions due to the diversity of processes in different instances.

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

NOTE 19. ACCOUNTS PAYABLE

Below, we detail the balance of accounts payable has Credivalores September 30, 2021 and December 31, 2020, respectively:

	September 30, 2021	December 31, 2020
Leases	-	4
Suppliers	3	32
Commission and fees	1.983	1.813
Withholdings and labor contributions	1.697	5.623
Other accounts payable (19.2)	41.369	28.410
Costs and expenses payable (19.1)	73.312	117.448
	118.364	153.330

19.1 Costs and expenses payable

	September 30, 2021	December 31, 2020
Services	2.062	1.708
Others	41.992	55.890
Financial expenses	29.258	59.850
	73.312	117.448

19.2 Other accounts payable

	September 30, 2021	December 31, 2020
Disbursements Credipoliza	-	3.817
Tigo Disbursements	-	112
Account payable PA	2	2.177
Transient	9	-
Third party administrative payments	30	69
Crediuno Disbursements	34	-
Against Visa vrol positions	79	-
Different	121	121
Portfolio your credit	143	143
TIGO Withdrawal	1.183	72
CXP Book Buybacks	1.283	379
Credipoliza Withdrawals	1.959	1.083
Crediuno Withdrawals	3.299	1.645
Collection in favor of third parties	4.467	1.741
Visa C1 disbursement agreement	5.739	3.217
Libranza CDS Refund	8.669	5.715
Disbursement Libranza CDS	14.352	8.116
	41.369	28.408

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NOTE 20. CURRENT AND DEFERRED TAX LIABILITIES

The expense of current and deferred income tax will be recognized in each of the intermediate accounting periods, on the best estimate of the tax rate expected for the annual accounting period.

The amounts calculated for the tax expense in this interim accounting period may need to be adjusted in later periods provided that the estimates for the annual period change by then. When calculating the effective tax rate for the periods with a cut-off date of September 30, 2021 and September 30, 2020, it was 45% and 39% respectively, presenting an increase of 6% mainly due to an increase in non-deductible expenses.

According to article 188 of the National Tax Statute, from taxable year 2021 the percentage of presumptive income is zero (0%) of the liquid assets of the last day of the immediately preceding taxable year. Credivalores for this period provisioned 45% of the tax, in relation to the profit of the year.

NOTE 21. OTHER LIABILITIES

Below the detail of other liabilities:

	September 30, 2021	December 31, 2020
Commercial force commission	21	-
Credit card guarantee	943	171
Checks receivable	1.753	1.210
Collections of managed portfolios	11.155	7.201
Values received for third parties (21.1)	14.228	18.382
Collection to be applied	25.187	22.604
Total	53.287	49.568

21.1 Values received for third parties

Below the detail of other Values received for third parties

	September 30, 2021	December 31, 2020
Free-standing trusts collections	-	1.631
Retailers collections	22	21
Voluntary and mandatory insurance collections	4.493	3.023
FGA guarantees' collections (a)	9.713	13.708
Total Values received for third parties	14.228	18.383

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

NOTE 22. 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)

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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 September 30, 2021 and December 31, 2020 Credivalores authorized and paid in capital is **129.638** represented in **4.588.300** shares, each of a nominal value of 28.254; respectively.

Credivalores Crediservicios S.A.				
Shareholder	September 30, 2021 Number of shares	%	December 31, 2020 Number of shares	%
Acon Consumer Finance Holdings S de RL	912.913	19.89%	912.913	19.89%
Crediholding S.A.S.	1.571.073	34.24%	1.571.073	34.24%
Lacrot Inversiones 2014 SLU	1.671.520	36.43%	1.671.520	36.43%
Acon Consumer Finance Holdings II S L	193.153	4.21%	193.153	4.21%
Direcciones de Negocio S.A.S.	1	0.00%	1	0.00%
Treasury shares	239.640	5.22%	239.640	5.22%
Total	4.588.300	100%	4.588.300	100%

	September 30, 2021	December 31, 2020
Number of authorized shares	4.700.000	4.700.000
Subscribed and paid shares	4.588.300	4.588.300
Nominal value	28.254	28.254
Subscribed and paid capital (nominal value)	129.638	129.638
Paid-in capital	64.727	64.727
Total capital plus premium	194.365	194.365

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

	September 30, 2021	September 30, 2020
Ordinary shares (a)	2.081.515	1.532.597
Preferred shares (a)	2.506.785	2.506.785
Repurchased treasury shares	239.640	239.640
Total earnings per share	750	(489)

(a) The value of the shares as of September 30, 2021 and 2020 correspond to the total number of outstanding shares held by Credivalores, 4.588.300.

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

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September 30, 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	912.913	19.90%
Crediholding S.A.S	-	-	-	-	1.571.073	1.571.073	34.24%
Lacrot Inversiones 2014 S.L.U.	-	923.665	563.119	-	184.736	1.671.520	36.43%
Treasury Shares	-	-	-	239.640	-	239.640	5.22%
Acon Consumer Finance Holdings II, S.L.	-	184.167	-	-	8.986	193.153	4.21%
Direcciones de Negocio S.A.S.	-	-	-	-	1	1	0.00%
Total	835.834	1.107.832	563.119	239.640	1.841.875	4.588.300	100.00%

December 31, 2020

Share capital							
Name of Entity	Preference shares A	Preference shares B	Preference shares C	Treasury Shares	Common Shares	Total	%
Acon Consumer Finance Holdings S de R.L.	835.834	-	-	-	77.079	912.913	19.90%
Crediholding S.A.S	-	-	-	-	1.571.073	1.571.073	34.24%
Lacrot Inversiones 2014 S.L.U.	-	923.665	563.119	-	184.736	1.671.520	36.43%
Treasury Shares	-	-	-	239.640	-	239.640	5.22%
Acon Consumer Finance Holdings II, S.L.	-	184.167	-	-	8,986	193.153	4.21%
Direcciones de Negocio S.A.S.	-	-	-	-	1	1	0.00%
Total	835.834	1.107.832	563.119	239.640	1.841.875	4.588.300	100.00%

Treasury shares

	September 30, 2021	December 31, 2020
Treasury Shares Reserve (Treasury Shares)	12.837 (12.837)	12.837 (12.837)
Total	-	-

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

Reserves

Equity reserves as of September 30, 2021 and December 31, 2020 were comprised of the following:

	September 30, 2021	December 31, 2020
Legal reserve (1)	11.017	5.793
Reserve for buyback own shares	12.837	12.837
Occasional bookings	21	21
Total Reserves	23.875	18.651

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

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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, 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 freely available reserves by the General Meeting of Shareholders.

NOTE 23. OTHER COMPREHENSIVE INCOME (OCI)

We present the detail below:

	September 30, 2021	September 30, 2020
Tax	<u>8.161</u>	<u>(14.191)</u>
Income tax OCI	8.161	(14.191)
Other comprehensive income	<u>(22.388)</u>	<u>48.171</u>
Shares	1.300	1.300
Financial instruments	<u>(23.688)</u>	<u>46.871</u>
Financial instruments Forward	(1.363)	(4.046)
Financial instruments Cross Currency Swap	24.007	30.523
Financial instruments Options	(57.312)	(27.200)
Financial instruments Coupon Only swap	10.980	47.594
Total	<u>(14.227)</u>	<u>33.980</u>

NOTE 24. REVENUE

Below, is a detail of revenue for the quarter ended September 30, 2021 and 2020:

	For the quarter ended September 30		For the nine months ended September 30	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Interests	80.203	79.174	238.807	211.358
Interest expense	(27)	(53)	(92)	(182)
Subtotal Interests (24.1)	<u>80.176</u>	<u>79.121</u>	<u>238.715</u>	<u>211.176</u>
Revenue from customer contracts (24.2)	30.637	20.646	85.546	62.263
	<u>110.813</u>	<u>99.767</u>	<u>324.261</u>	<u>273.439</u>

24.1 Interest

	For the quarter ended September 30		For the nine months ended September 30	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
CrediUno interest	28.466	19.128	77.952	51.380
CrediPóliza interest	159	1.530	1.518	4.779
TuCrédito interest	8.563	13.683	28.719	40.669
Tigo interest	3.297	3.138	8.886	7.868
TuCrédito transaction costs	(13.101)	(4.549)	(16.056)	(10.213)
CrediPóliza transaction costs	(11)	(94)	(80)	(237)
CrediUno transaction costs	(3.160)	(2.297)	(8.704)	(6.445)
TuCrédito fair value	(323)	-	52	-
Sub-total Consumer loans	<u>23.890</u>	<u>30.539</u>	<u>92.287</u>	<u>87.801</u>
Microcredit interest	-	-	-	8
Microcredit loans transaction costs	-	-	-	(2)

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Sub-total Microcredit	-	-	-	6
Factoring	-	-	-	35
Subtotal Factoring	-	-	-	35
CrediPóliza late payment interest	45	136	322	419
TuCrédito late payment interest	325	151	899	370
Consumer loan defaults	370	287	1.221	789
Financial returns	745	1.027	2.612	2.933
BTG Pactual financial returns	5.775	8.010	18.792	25.166
Current interests, Free-standing Trust	13.164	12.223	40.037	35.557
Income from FGA Alliance	9.613	6.853	21.749	16.023
Other income, Free-standing Trust	131	867	236	1.031
Write – off	5.228	5.244	15.487	18.368
Other loan interest	21.260	14.071	46.294	23.467
Other	55.916	48.295	145.207	122.545
Total Interests	80.176	79.121	238.715	211.176

24.2 Revenue from customer contracts

	For the quarter ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Administration fee - credit card	22.605	14.412	62.160	43.026
Commission collection fees	3.461	2.372	10.419	6.683
Financial advice - Debtor life insurance	-	-	5.652	4.880
Life-safe management fee plus	2.049	1.334	2.899	2.616
Financial advice - Voluntary insurance policies	1.044	868	1.530	2.184
Shared financial advice	460	687	1.251	1.469
Internal commission	413	436	1.159	971
Commission returned	433	366	264	277
Certifications	103	113	211	154
Income Chain Stores and Credit Card Channels	-	1	1	3
Microcredit MSME Commissions	69	57	-	-
	30.637	20.646	85.546	62.263

NOTE 25. OTHER INCOME

At the end of each period, movements corresponded to:

	For the quarter ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Recovery previous exercises	-	(2)	221	67
Portfolio recovery	-	12	433	405
Others	196	107	16	189
Withdrawal insurance	-	-	11	13
Tax discount	7	6	5	5
Sickness disabilities	-	-	8	28
Reintegration of expenses	-	-	-	16
	203	123	694	723

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NOTE 26. OTHER EXPENSES

At the end of each period, movements corresponded to:

	For the quarter ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Fees	6.835	3.602	20.477	12.327
Taxes	3.329	2.394	8.873	7.715
Electronic data processing	2.434	2.044	6.945	6.682
Public Services	837	911	2.641	2.916
Technical assistance	1.178	866	3.387	2.688
Leases	595	259	1.809	2.298
other	1.192	431	3.461	1.933
commissions	902	547	2.331	1.801
Temporary services	37	356	86	1.651
transport	425	469	1.592	1.629
Returns to investors	754	53	1.842	1.152
Advertising and propaganda	363	279	852	982
Consultation with risk centers	158	305	638	931
insurance	199	212	1.148	671
Toilet and surveillance service	209	233	640	594
Maintenance and repairs	485	110	599	375
Tools and stationery	112	58	321	362
Travel expenses	57	24	141	295
Adaptation and installation	10	54	13	114
Representation expenses	20	48	79	113
Legal	16	13	46	106
Fines and penalties	15	52	125	71
Publications and subscriptions	-	-	5	6
Donations	3	-	13	-
	20.165	13.320	58.065	47.412

NOTE 27. NET FINANCIAL INCOME

Below is the detail of financial (net) costs, for the quarter ended September 30, 2021 and 2020:

	For the quarter ended September 30	
	2021	2020
Financial performances (27.1)	742	3.117
Financial income (27.2)	694	723
Exchange rate differences (27.3)	837	4.018
Total Financial Income	2.273	7.858
Forwards valuation (27.4)	(39)	(81)
Total Financial Expense	(39)	(81)
Net Financial Income (expense)	2.234	7.777

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27.1 Corresponds to the returns generated by investments in financial institutions in which Credivalores has invested its resources.

27.2 Mainly corresponds to recovery of expenses of previous years and recovery of punished portfolio.

27.3 Corresponds to the change in the exchange rate of derivative financial instruments, and of balance sheet accounts in dollars per realization.

27.4 Corresponds to the net result generated by the liquidation of derivative financial instruments because of prepayment by the Bond.

NOTE 28. 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. About 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 most loan extension commitments are contingent once the client can maintain specific credit rating standards. Credivalores monitors the maturity dates of those credit limit commitments because long-term commitments have a higher credit risk than short-term commitments.

The following is a breakdown of unused lines of credit commitments and guarantees on September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
Unpaid approved credits	<u><u>341.820</u></u>	<u><u>385.960</u></u>

NOTE 29. 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 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.

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

The most representative balances as of September 30, 2021 and December 31, 2020 with related parties are included in the following charts, with headings for definitions of the related parties recorded in the previous sections.

	<u>September 30, 2021</u>		<u>December 31, 2020</u>	
	<u>Shareholders</u>	<u>Members of the Board of Directors (a)</u>	<u>Shareholders</u>	<u>Members of the Board of Directors (a)</u>
Accounts receivable	1.815	-	1.815	-
Accounts payable	-	37	-	93
Operating expenses	-	152	-	286

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

Item	<u>September 30,</u>	
	<u>2021</u>	<u>2020</u>
Salaries	2.649	1.549
Short-term employee benefits	171	670
Total	2.820	2.219

- a. Members of the Board of Directors (principals and alternates, along with their related parts) as of September 30, 2021:

Directors

<u>No.</u>	<u>Director</u>	<u>Alternate</u>
1	Jose Miguel Knoell Ferrada	Cristiano Mathias Boccia
2	Maria Patricia Moreno Moyano	Liliana Arango Salazar
3	Lorena Margarita Cardenas Costas	Vacancy
4	Rony Doron Seinjet	Marcelo Jimenez
5	Oscar Forero	Vacancy
6	Gustavo Adrián Ferraro	Carlos Manuel Ramon
7	Juan Camilo Ocampo	Vacancy

Legal Representatives

<u>No.</u>	<u>Representative</u>
Manager	Eliana Andrea Erazo Restrepo
Alternate	Liliana Arango Salazar