



Banco Finandina

Management Report 2021





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Carlos Vegalara Franco
President

GRI 102-23



Orlando Forero Gómez
General Manager

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MESSAGE FROM THE GENERAL MANAGER

GRI 102-14, 102-15

After successfully overcoming the various adversities caused in 2020 by the Covid-19 virus pandemic, Banco Finandina BIC achieved outstanding results in all its lines of business. The Bank consolidated its leadership in automobile financing with 9% of the total potential market, being one of the three leading entities in this segment. Additionally, the consolidation of the Digital Bank exceeded the growth expectations through the sale of financial products 100% from the Bank's digital platforms without in-person processing, signatures, or physical papers. This approach allowed the Bank to show a business growth much higher than the industry average, which currently represents 60% of the total business done and 37% of the total portfolio balance. Aspects that added to the consolidation of the sustainability strategy generated outstanding results, as shown below:

At the beginning of the year 2021, Finandina, by mandate of its shareholders, became the first "**BIC**" banking entity in Latin America, declaring in its bylaws the commitments established by Law 1901 of 2018, thus adopting the principles that recognize companies as benefit societies of collective interest in five dimensions: business model, corporate governance, labor, environmental, and community practices.

Banco Finandina BIC continued to promote the development of its triple impact financial business model with a sustainable purpose, being a reference and pioneer in the financial sector in this area. The results obtained are more than satisfactory. The Bank, after having measured its carbon footprint in 2020, a process that was duly certified under the ISO 14064 standard, and after advancing different initiatives to mitigate and neutralize emissions from its operation, obtained the certification as a **Carbon Neutral** company by the international certifier Bureau Veritas. It also joined the national carbon neutral program led by the Ministry of Environment and Sustainable Development and the United Nations Global Compact, being admitted in July 2021.

Sustainable performance indicators have also been executed on the goals defined by the Sustainability Committee and the Board of Directors. In the dimension of collaborators, the achievement of the **Great Place to Work** distinction stands out, collecting different actions that promote the human team's wellbeing, equity, and diversity. Within the strategic definitions of triple impact, inclusion and diversity were promoted within collaborators; thus, hiring women represents 64% of staffing, and of these, 35% are heads of household. In the leadership team, women participate with more than 59% in management positions. For Banco Finandina BIC the development of skills and abilities of their teams is vital. For this reason, it allocated substantial resources to support the training of employees, generating more than 2,679 hours of training and granting more than 121 aid and educational scholarships, among other actions. Hence, Banco Finandina BIC has established itself as an employer brand generating more than 500 jobs and supporting the economic development of the Sabana Norte (northern savannah) region, representing 71% of all employees belonging to General Management.

In the social dimension, Banco Finandina BIC supported the community with donations of more than 300 million pesos in social impact programs administered by the Food Bank and through permanent support to the Research Unit of Los Andes University. Regarding the environment, the Bank completed the replacement of 100% of halogen lighting for LED technology and continued to encourage the non-use of paper and toner for printing documents. As a result, more than 60% of the business managed monthly **is done non-face-to-face and digital** (paperless), thus mitigating the generation of CO2 by avoiding the unnecessary journey of people, consumption of sheets of paper, and utilities. Additionally, the Bank has promoted green products, such as sustainable transport lines. Just in the financing lines with electric and hybrid energy, growth of 188% was attained for 2020, which added to the placement of last generation units, represented more than 12,000 loans for models of these characteristics, featuring efficient technologies of consumption of fossil fuels with less incidence in the generation of carbon footprint for mobility. Digital and non-face-to-face products already represent 65% of disbursements in number. Flexidigital savings accounts, which are opened in minutes, without in-person processing, and completely paperless, have enabled more than 45,000 Colombians to obtain the product, who during 2021, made more than 143,000 free transactions at ATMs in all networks in the country, without handling fees; thus, contributing to generate more investment capacity and the inclusion of people.

Regarding the economic and financial performance, Banco Finandina BIC managed to register unprecedented loan disbursements for more than 2.8 trillion pesos (114% higher than 2020 and 29% compared to 2019), distributed in 120,000 loans mainly granted to individuals, of which 60% were non-face-to-face. With this, the credit portfolio represented 90% of the assets for over 2.6 trillion pesos and grew by 27%. The portfolio quality presented a favorable performance and was located at over 4.65% under the traditional default modality and 9% by risk indicator qualified in BCD and E. The atomized and high-quality level of shareholders' equity is highlighted as being at over 358 billion pesos, where the profits of the exercise contributed more than 28 billion pesos (77% higher than 2020), with a solvency level of 22%. These indicators reflect the Bank's better performance compared to the average observed by the banking industry.

The business plan foreseen for 2022 maintains its vocation in the materialization of smart, commercial, and already mature efficiencies, which, in terms of digital and non-face-to-face experience, translate into the realization of efficient products and services for the customer with rates reflecting the optimization in costs. Likewise, developing new service functionalities will allow customers to complete the self-management cycle, freeing them from unproductive time and being consistent with the carbon footprint mitigation model by avoiding journeys. In addition, the Bank will issue its first green bonds in the capital market, with which it intends to strengthen the development of the sustainable transport product.

These satisfactory results were possible thanks to the proactive attitude of all our employees, to whom we would like to express our special thanks.

Cordially yours,

ORLANDO FORERO GOMEZ
General Manager





JOINT REPORT OF THE BOARD OF DIRECTORS, THE PRESIDENT, AND THE GENERAL MANAGER

GRI 102-14, 120-15

Chia, January 25, 2022

Dear Shareholders:

We are pleased to present the Management Report, the Financial Statements, and the Proposed Profit Distribution for the year 2021.

Environmental Analysis

The world economy would have reached a growth of 5%¹ in 2021, substantially above what was observed in 2019, the year before the pandemic's start. This significant recovery has had to contend with several obstacles, including continued resurgences of infection due to low percentages of the vaccinated population against Covid-19, facility closures and mobility restrictions, and historically high inflationary pressures, especially in developed countries. Governments in most parts of the world have maintained fiscal stimuli to increase employment, improve productivity, and ensure competitiveness, mainly in the most critical segments, such as manufacturing, tourism, food, and energy supply. Growth in economic activity in the United States of America is expected to reach 6%, while in Europe, it is expected to reach 4%.

Most emerging economies have reportedly been lagging in their performance, failing to reach pre-pandemic levels. In low-income countries, high inflation rates, currency devaluation, declines in common activities such as tourism, and shortages of manufacturing inputs are reversing some of the advances gained in reducing inequality, poverty and improving employment. Growth in China would be above 8%, whereas developing economies would have achieved aggregate growth of 6%, and the Latin American and Caribbean regions 5%.

In Colombia, the growth of the Gross Domestic Product is expected to register the best performance in the last 50 years and reach 10%, being one of the countries with the highest variation in the world and the best in Latin America. The sanitary measures adopted by the Government have guaranteed vaccination percentages higher than those recorded in other countries, which has reduced infection and mortality. Hence, this has been a determining factor in the reactivation of the economy, allowing the return to work sites and the operation of tourist, social, and general wellbeing activities.

¹Source: Growth Report published by the World Bank www.bancomundial.org

In addition, subsidies granted to low-income families, as well as support for companies with specific vulnerabilities, coupled with a scenario of low-interest rates for most of the year, boosted the economy and mitigated the effects of the pandemic. As a result, most sectors of the economy experienced positive results that decreased the unemployment rate, which stood at over 11% and boosted the aforementioned economic performance.

Colombia was no stranger to the inflationary impact. Thus, the consumer price index variation was 5.6%, growing 400 basis points compared to the previous year. The Central Bank increased the reference interest rate by 125 basis points, which at the end of the year was 3% and is expected to reach 4.5% in 2022 to contain inflation within the 4% target set by the Colombian Central Bank.

Fitch Ratings and Standard & Poor's maintained Colombia's credit rating at BB+, improving the country's outlook to stable. Meanwhile, Moody's has maintained the investment-grade rating at Baa2 and also changed its outlook from negative to stable. These notes reaffirm the confidence of economic agents in the country, which will facilitate the materialization of investments and programs that could encourage the Government to revive the economy and improve the population's wellbeing.

The results of the banking sector were satisfactory. According to Asobancaria estimates, during 2021, the real annual growth of the total portfolio of the financial sector would have been 4%², increasing 200 basis points compared to the previous year, while the consumer portfolio would have increased by 7%. Disbursements of new loans quickly reached pre-pandemic levels and grew by 20% compared to 2019. Additionally, the performance of portfolio quality indicators was the best in the last five years: the NPL ratio is expected to be 4% (5% in 2020), while the risk rating indicator would close at 9% (12% in 2020); the quality of the consumer portfolio would be at 4% (6% in 2020) and by rating at 8% (12% in 2020). Banks maintained adequate portfolio provisions to mitigate future impacts, with coverage on overdue balances reaching 166% of their value in arrears and 72% by rating. The sector's profits are expected to consolidate at 14 trillion pesos, with a recovery of 34% compared to the levels observed in 2019. The actual return on equity would be 13%, with solvency levels of 20% reflecting a solid and resilient financial system.

Despite the shortage that limited the dynamics of the last months of the year, the automotive market was not oblivious to the optimal economic performance and reached the commercialization of more than 250,000 new units (186,000 in 2020 and 265,000 in 2019). Likewise, it set a record in the registration of used vehicles, reaching 710,000 title transfers³. These figures represent an automotive market of 960,000 vehicles, higher than 2019. The percentage of financed new vehicles, part of the target market of Banco Finandina BIC, remained at 58% and 10% for used vehicles, which represented a potential total of 215,000 financeable units.

Bank Performance

Banco Finandina BIC amply complied with the business plan defined by the Board for 2021. In the midst of uncertainty over the implementation of the vaccination plan and the restrictions that remained throughout the first half of the year, aggravated by the negative impact caused by the strikes and demonstrations during the first months of the year, the Bank leveraged its competitive advantages in the genera-

²Source: Asobancaria: Asobancaria

³Source: Information provided by RUNT, motorcycles, or machinery are not included.



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tion of vehicle financing businesses, as well as in digital and non-face-to-face businesses, which recorded historical figures. Thus, during the year, the Entity disbursed 2.8 trillion pesos, widely exceeding the 2.2 trillion made in 2019, quickly recovering from the effects of the confinements of 2020 and growing the generation of new credits by 114%. The digital business reached 0.9 trillion pesos in disbursements, representing 38% of the volume and 55% of the number of loans given, equivalent to 68,000 contracts.

The development of new functionalities, and technological, administrative, and commercial capabilities, allowed us to promote the self-management of customers. They rated the quality of service and customer service channels with the best marks according to the results of the surveys in the Apple App Store and Google Play Store and in the records that are consolidated in the mobile application, the website, and the different evaluations developed to measure the level of user satisfaction.

The Bank maintained its strategic operating focus on the placement of consumer loans, which grew 27% in 2021 and recorded a total portfolio balance of more than 2.6 trillion pesos, of which 40% corresponds to non-face-to-face business, mostly with individuals, represented in all segments of the economy and with a balance atomized in more than 150,000 customers.

With the above results, the Entity maintains a healthy balance structure, with a greater ratio of assets in the portfolio (90%) and well above the industry average (63%). Two thirds of the balance are indexed to the Reference Banking Interest (IBR), a situation that mitigates the risk before increases in reference rates, which is foreseen to occur in 2022 and thus face market adversities with greater flexibility and success.

Banco Finandina BIC presented an outstanding result in its digital strategy, generating more than 6 million individual visits to the public site, and serving more than 3.5 million users, representing a growth of 35% in the period. Furthermore, the optimization of digital advertising and a solid value offer transformed more than 260,000 prospects into customers for acquiring credit cards, consumer credit, vehicle loans, and savings accounts. In this way, the Bank grew 76% in the number of savings accounts, 70% in the number of credit cards, and 60% in free investment credits, facts consolidating a portfolio of digital products "instantly." Likewise, for the traditional products of vehicles, CDs, and payroll deductions, non-face-to-face channels and functionalities have been developed to achieve an effective digital and telephone attention model. These actions generate a healthy portfolio diversification and increase administrative efficiency, improving the client experience and reducing acquisition and maintenance costs, significantly contributing to the profitability and optimization of the portfolio quality indicators.

The work on user experience has been fundamental in the development of the strategy and presented excellent adoption indicators, both in the Mobile Application and in the web portal. These sites registered an increase in their use of more than 84%, ensuring a wide and diverse number of options to avoid going to a bank office and with the necessary certainty to promote its use from the comfort of our customers' homes or workplaces. At the end of 2021, the development of "Finanfast," an innovative tool that transforms a simple "chat" with the client into a real digital form for the linking and disbursement of consumer loans and cards, as if they were having an informal interaction, was completed. This modern technology is one of the most important user experience breakthroughs of 2021 because it creates a new standard in the market, where approval occurs digitally online, immediately, and with an automatic disbursement without the intervention of people in the process, except when human advice is required by the user, empowering the customer to fully self-manage at any time.

In 2021, more than 90 functionalities were implemented in the digital channels (App and Digital Banking), improving the user's experience and introducing new services to provide better customer information and personalization of products. Customer participation in the initial phases of design, development, and pre-launch of products, services, and functions is remarkable. Through technological tools and the monitoring of comments and satisfaction surveys conducted on specific transactions, it is possible to integrate the user into the management cycle and collect their expectations to make adjustments to the final developments and achieve greater assertiveness, closeness, and acceptance of the tools available.

In the traditional vehicle financing business, additional channels were enabled to offer financial services to customers at home, by telephone, or from the mobile application, in addition to the development of new origination models and offering more than 150 commercial plans tailored to different consumers and with the flexibility and adaptation for each segment of the economy. Likewise, the commercial offer was made available on different online platforms, generating publicity and promotions for potential customers, strengthening the service experience through improvements in the platforms and origination services, and consolidating the response times to the customer as one of the most agile options in the market. Moreover, commercial alliances and strategies designed with the most representative operators in the sector allowed Banco Finandina BIC to record the most important figure in disbursements for automotive credit, exceeding 1.1 trillion pesos, of which 20% corresponds to non-face-to-face business and online advice.

Thus, the Bank closed with a market share of 8% in the financing of new vehicles and 13% in used vehicles, which represented a growth of 200 basis points in each modality, consolidating Banco Finandina BIC as one of the leaders with a 9% share in the total car financing market in Colombia. The balance of the automotive portfolio stood at 1.7 trillion pesos, growing 14%, representing 63% of the total portfolio (71% in 2020) which, in line with the strategic vision, is being adjusted to make room for new personal banking businesses. The evolution of the placement of loans for sustainable mobility is particularly noteworthy. In fact, in 2021, more than 280 loans were given for hybrid and electric vehicles, which, added to the more than 12,000 financed units of recent, low-emission models, contribute to halting global warming.

Prestamás Digital, the free investment credit line, achieved 74% growth over the previous year. This product reaped the fruits of the digital strategy, which is mature and stable. More than 500 billion pesos were disbursed to 28,000 Colombians in 2021, mainly through non-face-to-face and digital channels. The balance of this portfolio stood at 521 billion pesos (298 billion in 2020), representing 20% of the total portfolio at the close of 2021 (14%, the previous year).

Payroll-deduction loans grew 69% and recorded a balance of 210 billion pesos, 8% of the total portfolio (6% in 2020). The strategy to promote this business also included diversification in traditional origination channels, with a non-face-to-face and more digital offer, which, together with conventional lines, recorded disbursements of 260 billion pesos, growing 169% compared to 2020.

The credit card business presented an outstanding performance, growing 44%, with a balance of over 100,000 credit cards. A total of 326 billion pesos in purchases were invoiced, 73% higher than the previous year. The portfolio balance stood at 167 billion pesos and represented 6% of the total portfolio. This result comes from consolidating current alliances with important vehicle distributors, brands, dealers, and those made in 2020.



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with Club Atlético Nacional (a Colombian soccer club), and in 2021 with Compensar and Samsung, as well as the integration of a unique offer in the market in secure and efficient functionalities for the purchase and use of plastics. This versatility includes more than 25 functionalities available to customers, which allow, among other things, to perform monetary and service transactions in seconds, such as blocking, unblocking, freezing, re-differing, designing, sharing money, buying digitally, using QR codes to purchase in stores with the mobile application, etc.

The above achievements allowed the Bank to continue its business diversification plan successfully. Thus, at the end of 2021, the portfolio of the new business lines (Credit Card, Prestamás, and Libranza) grew 66% and totaled 897 billion pesos in balance (540 billion in 2020), also increasing its share in Assets, which already represents 37% of the total consumer portfolio.

The Bank's conservative credit portfolio management policies and the evolution and robustness of the origination and credit and portfolio management algorithms allowed maintaining indicators of delinquency quality with better performance than those recorded in the banking industry average. Thus, at the closing of 2021, the total portfolio index by delinquency stood at 4.65%, even decreasing compared to 2020, where it was 5.4%, with provision coverage of 190%. In addition, the portfolio indicator by risk level stood at 9%, with provision protection of 98% of the balance. These figures contrast positively with the banking averages, which recorded an index of 9% per rating and provision coverage of only 72%.

The commercial dynamics of sales of credit lines were accompanied by a successful funding strategy of the Bank. Total liabilities grew 30% with respect to the previous year, resulting in a balance of over 2.4 trillion pesos. The portfolio remained highly diversified in instruments, segments, and customers, with an adequate term structure and a price mix that reduced the financial cost by 22%.

Checking and savings accounts represent 5% of the funding, where the growth of the savings section stands out. It consolidated over 110 billion pesos, a level 49% higher than that observed at the previous year's close. Likewise, accompanied by a greater diversification, given the successful marketing strategy of the digital transactional savings account, the number of products was increased by 57%, represented in more than 44,000 accounts. This increase was achieved by marketing Flexidigital savings accounts, a product that can be opened in minutes and has a disruptive value offer, with no handling fees and no costs for withdrawals at any ATM in the country. Additionally, online transfers were implemented through "Transfiya," an ACH service allowing instant transactions at no cost between accounts using the users' cell phone numbers, as well as the payment of utilities and bills in more than 2,000 active businesses, thus strengthening the added value of this product.

Market confidence and an adequate commercial strategy allowed growth in CDs equivalent to 38%, maintaining one of the best diversification indicators of the industry. Captures of greater value (higher than 6,500 SMLV (current minimum monthly wages)) only represent 22% of the total product, whereas, in the banking industry, these represent 61%. It is important to highlight the growth of funding for more than one year, which represents 53% of term certificates of deposit, as well as its adequate atomization of channels and segments. Certificates of Deposit represent 65% of the fund, with policies guaranteeing stability and diversification. 88% of the CDs are in the form of term deposit certificates. 88% of CDs are issued for more than 180 days, a relationship that mitigates liquidity risk and maintains historical renewal indicators of 80% of their maturities.

The Bank boosted funding through rediscount lines and credits with development entities such as Bancoldex and Finagro, which grew 46% and reached a balance of 241 billion pesos. At the same time, the International Finance Corporation (IFC), a subsidiary of the World Bank, maintained a 5-year credit for

168 billion pesos. As a whole, these instruments are long-term, with rates that mitigate market risk and protect the Bank's financial margin. These sources grew 22% and reached a final balance of 409 billion pesos, representing 18% of funding.

In April, the Bank successfully placed its 18th bond issue, raising 200 billion pesos. These papers were oversubscribed by investors by 3.8 times the amount offered, being the highest observed in recent years. Through this issue, Banco Finandina BIC once again ratifies investors' confidence in its good performance.

Shareholders' equity grew 6% and reached \$358 billion, high-quality capital under the terms of the Basel banking agreement, mostly represented in legal reserves, which guarantees a robust structure. This circumstance allowed increasing the Total and Basic Solvency indicators by 22% (15% in 2020), a figure representing the backing available to savers and investors and well above the legal limit. This performance corroborates the soundness and prudent Management that has characterized Banco Finandina BIC throughout its history. The Bank's Gross Profit was sufficient to increase the level of provisions well above historical values and protect Banco Finandina BIC from the rigors of the pandemic. It also served to fund high liquid asset values on the Statement of Financial Position and delivered a net income of 28 billion pesos, growing 78% over 2020.

The above results led BRC. Standard & Poor's to maintain Banco Finandina BIC's debt rating at BRC 1+, the best rating for the debt of 1 year or less, which it has maintained since 2006; and assigned the AA+ rating for the fifteenth consecutive year, which is the second-best long-term investment rating.

Consistent with its sustainability vision, the Bank became a Collective Interest Company - BIC in early 2021, becoming the first banking entity in Latin America to adopt this triple impact commitment to society, the community, and the environment. Likewise, it was certified as a "zero-emissions entity" (carbon neutral), obtaining the validation of the Bureau Veritas certifier. This internationally-recognized Entity also validated the carbon footprint measurement procedures.

Banco Finandina BIC was recognized for its social commitment and adoption of the BIC category by being nominated by the Banking Association and the EAN in the annual recognition of sustainable initiatives. It was also recognized by the prestigious Portfolio Awards 2021 among the three entities with the greatest impact on Digital Transformation, alongside important organizations such as Grupo Nutresa, Bavaria, and Ecopetrol. Banco Finandina BIC has been concerned for several years about reducing its carbon footprint by automating processes, minimizing the use of paper and inks, the placement of non-face-to-face and digital products (which already represent more than 55% of disbursements in units), all of which allowed it to reduce the average number of sheets of paper used per credit operation. In this way, it was able to reduce sheets of paper from 1.2 to 0.54 per business in an environment framed by the maturation of sustainable actions, where the outstanding financing of environmentally friendly vehicles, such as electric and hybrid vehicles, increased their placement compared to the previous year by 188%.

In the social field, we continued to promote hiring women (more than 63% of the workforce), and new jobs were created in rural areas. The Company develops a virtual operation model and offers its workers collaborative spaces that generate wellbeing, promote productivity, and are designed to generate savings in basic necessities such as electricity and water. In 2021 Banco Finandina BIC obtained the Great Place to Work certification, endorsed by Icontec, as a result of the survey applied to all employees, who rated it as a great place to work, positioning the brand as an employment benchmark in the country.



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During the year, the Bank presented a legal and administrative situation of normality in its operations and harmony in its relationship with its collaborators. Likewise, the Company complied with all laws and regulations on the circulation of invoices, intellectual property, and copyrights. Likewise, the satisfactory compliance with the statements contained in this Report and the Financial Statements was verified, as well as the operability of the controls established for mitigating the risks that mainly affect the Company's operation.

The Notes to the Financial Statements disclose in detail the provisions of numeral 3 of Article 446 of the Code of Commerce and the transactions entered into with shareholders and administrators. Likewise, a study is presented on the levels, criteria, procedures, and policies of exposure to risks associated with the business, among them Liquidity, Market, Operating, Credit, Consumer Service, Money Laundering, and Financing of Terrorism. Management verified its execution and the analysis of compliance with the obligations arising from External Circular letters 052 of 2007 and 042 of 2012 from the Superintendence of Finance of Colombia. Likewise, the study considered the economic effects derived from the application of the aforementioned risk policies. The disclosures mentioned above are a comprehensive part of this Report. Subsequent to the fiscal year's closing, no significant events deserve to be highlighted.

Plans for 2022

According to projections by expert analysts, the economy is expected to grow by 4% in 2022. The economy's dynamism will depend largely on the progress in the plans to contain the virus and the rapid process of vaccination of the population. Inflationary pressures will continue in the year's first half, leading the Central Bank to introduce additional rate increases to 4.5%.

Greater dynamics will accompany this scenario in the automotive market, where the International Motor Show is projected to be held again. By 2022, the marketing of new vehicles would exceed 265,000 units. A greater dynamic of the used business is expected given the limited inventories, a situation that would generate growth opportunities and an improvement in the level of placements for Banco Finandina BIC

The Bank plans to continue developing its digital strategy, with which it expects to grow its overall business, promoting the competitive advantages built on its value offer in Flexidigital savings accounts, Prestamás consumer loans, and instant credit cards. With this, it is expected that by 2022, Banco Digital will be recognized as a Digital Bank, allowing it to grow in the number of customers and total volume, maintaining the profitability and profits observed in 2021.

The first green bond issue in the market is planned, which would finance close to 200 billion in eligible sustainable transportation projects. In turn, about 300 photovoltaic solar panels will be installed, which would supply about 40% of the needs of the operation of the Bank's general Management with clean energy, thereby contributing to the reduction of carbon footprint and maintaining the leadership and vocation as a BIC entity, in positively impacting the care and preservation of the environment, society, and the community.

In this way, Banco Finandina BIC has managed to focus its growth strategy through the generation of the triple impact, with a purpose of common benefit in the center of the business model, generating sustainable profitability in the long term, with a tangible social commitment and a people-based organizational structure, and the alignment of its operations towards the respect and preservation of the environment.

Banco Finandina BIC aims to link sustainability performance with financing needs, offering benefits for the Bank and all its stakeholders. Environment, Society, and Good Corporate Governance (ESG) criteria have been part of the Bank's DNA and philosophy for several years. It is now time to continue implementing the action plans outlined for each axis of triple impact for the benefit of all stakeholders.

These satisfactory results were possible thanks to the proactive attitude of all our collaborators, to whom we express our special thanks and count on to continue our efforts to facilitate people's progress through the development of a different kind of banking.

**From the Shareholders,
The Board of Directors, President, and General Manager**



BOARD OF DIRECTORS REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE WORK CONDUCTED BY THE AUDIT AND RISK COMMITTEES AND ON THE FUNCTIONING OF THE INTERNAL CONTROL SYSTEM - ICS IN 2021

GRI 102-11

Following the provisions of the Basic Legal Circular Letter of the Financial Superintendence of Colombia - SFC and other regulatory provisions related to the ICS, during the year 2021, the Audit and Risk Committees complied with the functions assigned to them, especially the internal control structure of the Company and the reports submitted by the control bodies were evaluated. The exposure levels of the different risks were monitored, and the Business Continuity Plan and the results of the tests performed on it were reviewed. The adjustments implemented to the Risk Appetite Framework - RAF were evaluated, including the internal liquidity model, as well as the changes implemented in the risk segmentation under the new Sarlaft methodology issued by the National Government. In the Credit Risk area, the information of the harvests was analyzed, the Financial Statements were studied and analyzed, the Statutory Auditor's Report and its Work Plan was evaluated; the proposals of the Statutory Auditor considered by the Shareholders' Meeting were analyzed, the Audit Plan was approved, and a budget of \$537 million for its operation was approved; the functions and activities of the Internal Audit - IA were supervised, and it was established that its function is performed with independence; likewise, the reports submitted by the IA on the effectiveness of the Internal Control System - ICS were studied and analyzed. The process used by the Internal Audit to evaluate the effectiveness of the ICS consisted of validating the establishment of policies, procedures, documentation, approvals, disclosure, and training related to the elements of the ICS.

During the period, there were no sanctions by the supervisory entities or material findings by the Bank's control bodies, which, however, made recommendations to Management regarding the results of their evaluation and auditing processes. They were taken into account and are being mostly implemented, except for those that were not accepted and have been reviewed jointly with Management.

The results of these analyses were satisfactory, and it was concluded that Banco Finandina BIC has adequate risk management mechanisms. Likewise, it was established that the Bank has internal control tools that allow it to reasonably protect its assets and that operations and transactions are being

adequately authorized and recorded according to legal standards, that there is transparency in the financial information and that it is appropriately disclosed, and that there are instruments to verify that the financial statements reflect the Company's situation and the value of its assets.

EDUARDO BEHRENTZ
Chairman of the Risk Committee

JORGE HERNAN CARDENAS S
Chairman of the Audit Committee

This Report was submitted to the consideration of the Directors at the Board of Directors' Meeting held on January 25, 2022, and was accepted as theirs for presentation to the next General Shareholders' Meeting.

ADRIANA LUCIA RUEDA APONTE
Secretary General



REPORT OF THE STATUTORY AUDITOR

Dear Shareholders
Banco Finandina S.A. BIC:

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Banco Finandina S.A. BIC (the Bank), which comprise the statement of financial position as of December 31, 2021, and the statements of income and other comprehensive income, changes in equity, and cash flows for the year then ended, and the related notes, which comprise the significant accounting policies and other explanatory information.

In my opinion, the financial statements referred to above, prepared in accordance with information fairly extracted from the books and attached to this Report, present fairly, in all material respects, the financial position of the Bank as of December 31, 2021, the results of its operations, and its cash flows for the year then ended following Colombian Accounting and Financial Reporting Standards, applied on a basis consistent with that of the preceding year.

Basis for opinion

I conducted my audit under International Standards on Auditing accepted in Colombia (ISAs). My responsibilities by those standards are described in the section "Responsibilities of the statutory auditor in connection with the audit of the financial statements" of my Report. I am independent with respect to the Bank, following the Code of Ethics for Accounting Professionals issued by the International Ethics Standards Board for Accountants (IESBA Code) included in the Information Assurance Standards accepted in Colombia, together with the ethical requirements that are relevant to my audit of the financial statements established in Colombia. I have complied with my other ethical responsibilities in accordance with these requirements and the IESBA Code mentioned above. I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit issues

I have determined that there are no key audit matters to communicate in my Report.

Other issues

The financial statements as of and for the year ended December 31, 2020, are presented solely for comparative purposes, were audited by another public accountant of KPMG SAS, who, in his Report, dated February 5, 2021, expressed an unqualified opinion thereon.

Other information

Management is responsible for the other information. The other information presented in the annual Report to the Annual General Meeting of Shareholders comprises the reports of the Board of Directors to the Annual General Meeting of Shareholders on the work of the Audit, Risk, Internal Control, Financial Performance, and Sustainability Committees, but does not include the financial statements and my corresponding audit report, nor the management report (Joint Report of the Board of Directors, the Chairman and the Chief Executive Officer), which I report on in the Other Legal and Regulatory Requirements section, in accordance with the provisions of Article 38 of Law 222 of 1995.

My opinion on the financial statements does not cover the other information, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether there is a material inconsistency between that information and the financial statements or my knowledge obtained in the audit or otherwise appears to be a material misstatement. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibility of Management and those charged with governance for the Bank's financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Accounting and Financial Reporting Standards accepted in Colombia. This responsibility includes: designing, implementing, and maintaining such internal control as Management deems it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, Management is responsible for assessing the Bank's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting unless Management intends to liquidate the Bank or cease operations, or there is no more realistic alternative than to proceed in one of these ways.

Those charged with corporate governance oversee the Bank's financial reporting process.

Responsibilities of the Statutory Auditor in connection with the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements taken as a whole are free from material misstatement due to fraud or error and to express an opinion on whether the financial statements are free from material misstatement.



Management Report 2021

Reasonable assurance means a high level of certainty but is not a guarantee that an audit conducted under ISAs will always detect a material misstatement when it exists. Misstatements can arise due to fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted following ISAs, I exercise professional judgment and maintain professional skepticism during the audit. Also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one arising from error because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the avoidance or override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- I conclude on the appropriateness of Management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may indicate significant doubt about the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I draw attention in my Report to the disclosure that describes this situation in the financial statements or, if such disclosure is inadequate, I modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my Report. However, future events or conditions may cause the Bank to cease to operate as a going concern.
- I evaluate the overall presentation, structure, and content of the financial statements, including disclosures, and whether the financial statements present the underlying transactions and events to achieve a fair presentation.

I communicate to those charged with governance of the Bank, among other matters, the planned scope, timing of the audit, and significant audit findings, including any serious deficiencies in internal control that I identify during my audit.

Report on other legal and regulatory requirements

1. Based on the result of my tests, in my concept during 2021:

- a) The Bank's accounts have been kept in accordance with legal regulations and accounting techniques.
- b) The operations recorded in the books are under the bylaws and the decisions of the Shareholders' Meeting.
- c) Correspondence, account vouchers, minutes books, and share registry books are properly kept and maintained.

d) Compliance has been made with the regulations and instructions from the Superintendence of Finance of Colombia related to the adequate administration and provision of goods received in payment and with the implementation and impact on the statement of financial position and on the statement of results and other comprehensive income of the applicable risk administration systems.

e) There is concordance between the accompanying financial statements and the management report prepared by the directors, including the Management's acknowledgment of the free circulation of invoices issued by vendors or suppliers.

f) The information in the self-assessment statements of contributions to the comprehensive social security system, particularly those related to members and their contribution base income, has been taken from the accounting records and supports. The Bank is not in arrears for contributions to the comprehensive social security system.

To comply with the requirements of articles 1.2.1.2. and 1.2.1.5. of the Sole Regulatory Decree 2420 of 2015, in the development of the responsibilities of the Statutory Auditor contained in paragraphs 1 and 3 of Article 209 of the Code of Commerce, related to the evaluation of whether the acts of the Company's administrators are in accordance with the bylaws and the orders or instructions of the Shareholders' Meeting and whether there are and are adequate measures of internal control, conservation, and custody of the Company's assets or those of third parties in its possession, I issued a separate report dated February 18, 2022.

2. I have followed up on the responses to the recommendation letters to the Bank's Management, and there are no matters of material importance outstanding that would affect my opinion.



Julio César Otálora Bernal
Statutory Auditor of Banco Finandina S.A. BIC
T.P. 129588-T
Member of KPMG S.A.S.

February 18, 2022



ABOUT THIS REPORT

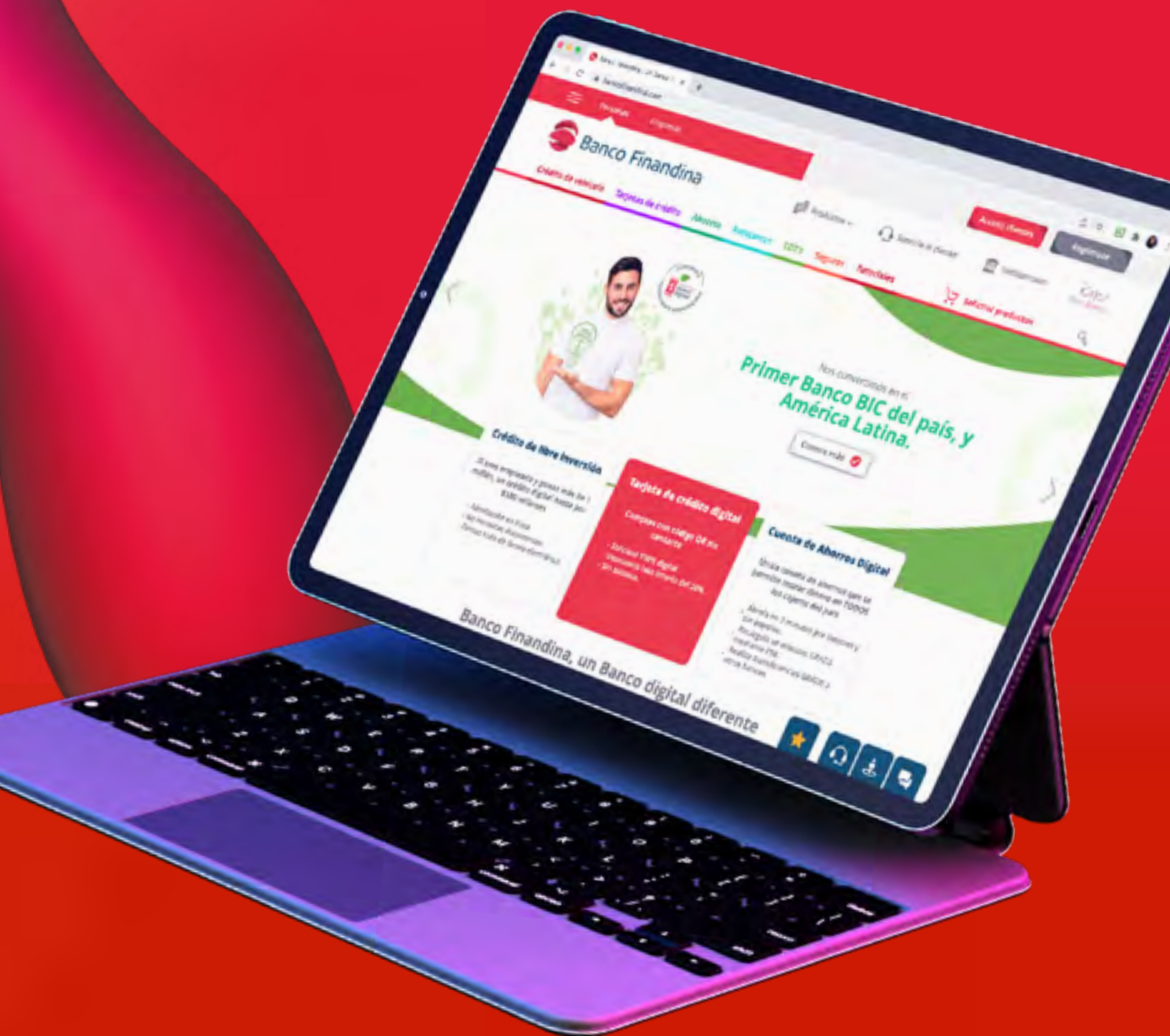
GRI 102-1, 102-50, 102-53, 102-54

Banco Finandina BIC presents below its Sustainable Management Report, with information on financial, social, and environmental performance for the fiscal year 2021. The information corresponds to the Company's operations in Colombia.

This Report was prepared in accordance with the principles of content and quality of the Global Reporting Initiative (GRI.) Essential Standards. The financial information is presented under Colombian Financial Reporting Standards (NCIF) and is attached as an annex to this Report.

In order to verify the reliability of the information, this publication was reviewed and approved by the Board of Directors and duly verified by an independent third party (KPMG who acts as Statutory Auditor), whose Report concludes that it reasonably complies with the reality of the financial and non-financial situation of the Company as of December 31, 2021.

The digital version of the Report can be found on the Company's website www.bancofinandina.com. Likewise, for any questions or additional information, please send us your concerns or comments to the e-mail atencionalinversionista@bancofinandina.com.





MATERIALITY ANALYSIS

GRI 102-21, 102-29, 102-31, 102-34, 102-40, 102-42, 102-43, 102-44, 102-46, 102-47,

To identify the prevailing trends in sustainability related to the generation of a triple Environmental, Social and Corporate Governance (ESG) impact, which has the greatest potential effect on its ability to generate value in the short, medium, and long term, Banco Finandina BIC designed and implemented its first materiality analysis during 2021. For this process, the opinions and priorities of its most relevant stakeholders, global risks, and emerging global financial sector issues were considered as a source to focus its strategy on those action fronts and generate real value in the three impact axes.

Thus, in 2021 Banco Finandina BIC identified the issues that affect the creation of each of **its businesses' economic, social, and environmental** value to ensure that stakeholders' needs are truly satisfied while businesses develop with the generation of value in the short, medium and long term.

In the case of Banco Finandina BIC it was determined that the relevant stakeholders to be surveyed about their main inclinations and interests in sustainability were made up of customers, employees, suppliers, first and second-line management teams, and corporate governance bodies. Thus a survey was deployed to know their expectations, whose results showed the priority issues to be included in the organization's strategic planning.

This dialogue tool was implemented to identify the importance that the organization and its stakeholders attach to Environmental, Social and Good Corporate Governance (ESG) criteria and is a key input for the definition and adjustment of corporate strategy and the Bank's Management of its value chain. With the implementation of this tool, Banco Finandina BIC defined the aspirational roadmap in terms of sustainability, guaranteeing long-term profitability, mitigating risks, taking advantage of market opportunities, strengthening its reputation, and its relationship with stakeholders.

The identification of the aforementioned issues resulted in the following materiality matrix, which summarizes the most relevant issues for stakeholders, taking into account the risks and impacts identified:

ASG MATERIAL ISSUES

Good Governance and Profitability



Profitable growth.



Evaluation of suppliers with ESG criteria.



Innovation and digital transformation.

People



Compliance with human rights.



Quality employment, training and professional development.



Customer experience and quality services.



Social impact on communities.

Sustainable planet



Carbon footprint management.



Environmental impact of operations.



Financing for sustainable mobility.

GRI 102-12

BIC COLLECTIVE BENEFIT AND INTEREST COMPANY

In 2021 the Bank adopted the category of Collective Benefit and Interest company - BIC acquiring the name of Banco Finandina BIC, modifying its bylaws to incorporate its commitment to the generation of triple environmental, social, and good corporate governance impact in the social contract, thus becoming the first banking entity in Latin America to adopt this commitment to society, the community, and the environment. The Bank incorporated in its work plans the execution and measurement of the activities voluntarily included in the catalog foreseen in the law and which were included in the bylaws. In this respect, the existence of a purchasing policy that encourages the contracting of national suppliers and preferably with sustainability policies stands out, as well as corporate volunteer programs to accompany small and medium-sized companies that want to become BIC companies. Furthermore, the Bank foresees partnerships for the promotion of female leadership, a policy of educational incentives for collaborators, and the progress of the training program for dismissed workers. The commitment to implement actions to mitigate the impact of carbon footprint, such as converting offices to a 100% LED lighting program, measurement, monitoring, and inventory of tons of CO².

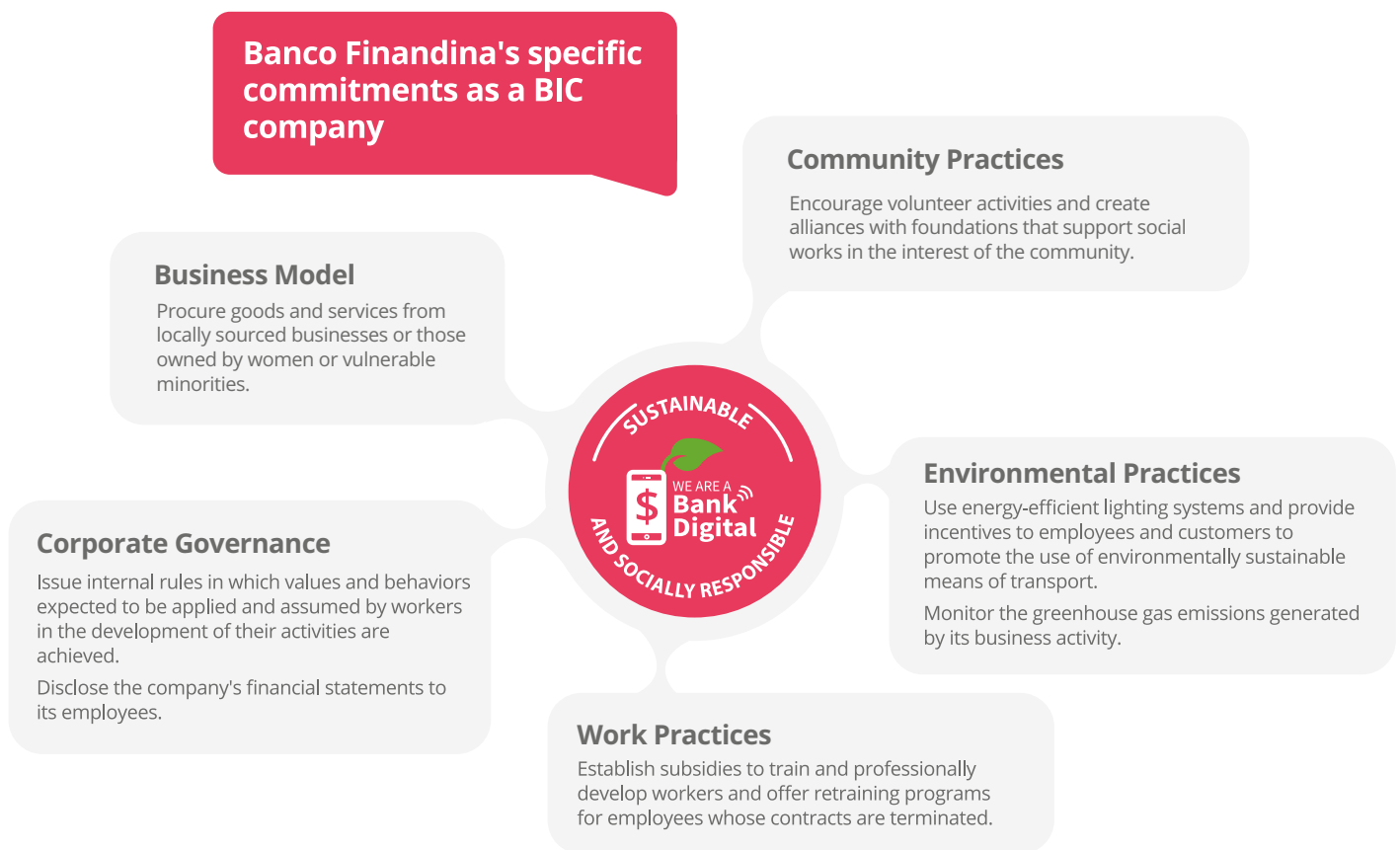


Management Report 2021

All these actions were accompanied by management indicators that ensure compliance with the commitments undertaken within the bylaws and in developing the purpose of materializing the triple impact.

Banco Finandina BIC has as a fundamental pillar the Management of sustainability as an integral part of the vision and mission of the Company. To this end, the Bank declares its responsibility in generating value from a model of impact, which ensures proper Management of the business model and its corporate governance, as well as the implementation of practices generating labor, environmental and social benefits in general.

In line with the “sustainability route” as the basis of the corporate strategy, the following are the commitments assumed by the organization to acquire the status of a Collective Benefit and Interest company:



Within the framework of the general Management for the fulfillment of the commitments in the five dimensions, the Bank advanced the following initiatives:

<h3>Business Model</h3> <p>Procure goods or services from businesses that are locally sourced or owned by women and vulnerable minorities.</p> <p>Supplier policy mandating compliance with sustainable action requirements</p>	<h3>Community Practices</h3> <p>Encourage volunteer activities and create alliances with foundations that support social works in the community's interest</p> <p>Corporate Volunteering, Partnership with Fundación Origenes to structure a project on gender equity</p>	<h3>Work Actions</h3> <p>Establish grants for the training and professional development of its workers and offer retraining programs for employees whose contracts are terminated in the community's interest</p> <p>Educational incentive policy approved and being implemented. Retirement training program in the process of implementation</p>
<h3>Environmental practices</h3> <p>Use energy-efficient lighting systems and provide incentives to employees and customers to promote the use of environmentally sustainable means of transport Monitor the greenhouse gas emissions generated by its business activity.</p> <p>LED lighting in General Management. The Greenhouse Gas Inventory has been executed, and compensation actions are underway.</p>	<h3>Corporate Governance</h3> <p>To issue internal rules in which values and behaviors that are expected to be applied and assumed by the workers in the development of their activities are included</p> <p>Disclose the Company's financial statements to its employees</p> <p>Modifying and disseminating the Bank's Mission, Vision, Values, and Purpose, including sustainability postulates.</p>	

In developing its Sustainability strategy, the Bank defined the **lines of action to ensure** that corporate performance generates impacts on commitments and relevant issues. The Sustainability Report follows the principles of content and quality of the **Global Reporting Initiative (GRI)** Standards in the essential modality present the principal disclosures on management performance reported through three main chapters, including the following specific content of compliance with the commitments associated with the BIC business condition:



Management Report 2021

Chapters		Good governance and profitability						
Lines of action	Contents	List of BIC commitments						
		1	2	3	4	5	6	7
Financial Performance	Responsible productivity practices to generate value in the business, towards the environment and to benefit multiple stakeholders.						✓	✓
Innovation and technology	Use of technologies to achieve greater efficiency and optimization of operational processes and ensure the security and protection of information.						✓	
Corporate governance and risk management	Practices to provide an adequate system of control and management of non-financial risks in the supply chain.						✓	
Chapters		Sustainable Planet						
Lines of action	Contents	List of BIC commitments						
		1	2	3	4	5	6	7
Climate change	Practices to reduce greenhouse gas emissions and initiatives for adaptation and mitigation to the effects of climate change.				✓	✓	✓	
Resource management and circular economy	Practices to prevent, mitigate, correct and/or offset environmental impacts of operations.					✓	✓	
Sustainable cities	Lines in the portfolio to consolidate a green investment portfolio promoting sustainable mobility.				✓		✓	
Chapters		People						
Lines of action	Contents	List of BIC commitments						
		1	2	3	4	5	6	7
Human Rights	Responsible productivity practices to generate value in the business, towards the environment and to benefit multiple stakeholders.			✓			✓	
Collaboration	Use of technologies to achieve greater efficiency and optimization of operational processes and ensure the security and protection of information.			✓			✓	
Customers	Practices to provide an adequate system of control and management of non-financial risks in the supply chain.						✓	
Communities	Implement initiatives, programs or projects to contribute to the development of communities and support with solutions to their needs including initiatives with suppliers.	✓	✓				✓	

Summary of principal commitments:

1

Procure goods or services from businesses that are locally sourced or owned by women and vulnerable.

2

Encourage volunteer activities and create alliances with foundations that support social works in the community's interest.

3

Establish subsidies to train and professionally develop their workers and offer retraining programs for employees whose contracts are terminated.

4

Use energy-efficient lighting systems and provide incentives to employees and customers to promote the use of environmentally sustainable means of transport.

5

Monitor the greenhouse gas emissions generated by your business activity.

6

Issue internal rules in which values and behaviors expected to be applied and assumed by the workers in the development of their activities are included.

7

Disclose the Company's financial statements to its employees.

According to the above, it is stated that the execution of the above activities was carried out following the commitments to contribute specifically in five dimensions: Business Model, Corporate Governance, Labor Practices, Environmental Practices, and Community Practices, which were implemented and executed under the guidelines established by Management, extensively detailed in the following chapters of this Report.



ASG STRATEGIC PLANNING

To develop the Bank's strategic planning in terms of sustainability, the organization incorporated ESG criteria and the Sustainable Development Goals endorsed by the United Nations, which allowed converting the Company's Management into the international GRI reporting standards. In this regard, using the results of the materiality survey as a basis, the material actions that currently make up the ESG strategy planning axes were prioritized, whereby the groups of management indicators were built. Thus, under the ESG methodology, the execution of the prioritized activities and the generation of impact: People - Planet - Profitability is ensured.



CARBON NEUTRAL" CERTIFICATION

To obtain the "Carbon Neutral" certification, Banco Finandina BIC underwent the stages of corporate inventory of carbon footprint. The inventory was verified by external consultants hired for this purpose, the implementation of some mitigation actions was verified, and the compensation of emissions corresponding to the year 2020 was executed through the investment of CO2 bonds to support the conservation of forests in Antioquia through the REDD+ project "Sustainable Management of Forests applied to Eastern Antioquia under the BancO² scheme". Based on these actions, the "Carbon Neutral" certificate was obtained from the Bureau Veritas Certification Body.

ACCESSION TO THE UN GLOBAL COMPACT

In 2021 Banco Finandina BIC applied to join the United Nations Global Compact as a strategy to align its plans and operations towards universally accepted principles in four dimensions: Human Rights, Labor Standards, Environment, and Anti-Corruption. This adherence operates as another of the Bank's lines of action in the area of sustainability. Furthermore, it reinforces its commitment to the search for the creation of economic, social, and environmental value for its stakeholders.

CORPORATE INFORMATION

ABOUT BANCO FINANDINA BIC:

GRI 102-2, 102-2, 102-3, 102-5, 102-6

Banco Finandina BIC is a private financial institution, established more than 44 years ago by public deed number 791 of March 7, 1977, filed in the notary 1 of Bogota DC, and more than 11 years, under the authorization of conversion of Finance Company operating as a banking institution, with the license granted by Resolutions Nos. 2151 of November 5, 2010, and 0201 of February 10, 2011, by the Banking Superintendence (now Superfinanciera). It operates with its main office in the municipality of Chia, Cundinamarca, and with an on-site presence of 11 offices in Bogota (3), Chia, Cali, Medellin, Villavicencio, Ibaguè, Bucaramanga, Barranquilla, and Pereira, with an online presence throughout the Colombian territory.

Throughout its history, the Bank has built an offer of financial services for Colombians or residents in Colombia, where it has established itself as one of the leading financing entities for the purchase of new and used vehicles to Colombians through the use of technology and information.

With a team of more than 1200 employees, the Bank has developed a digital strategy allowing it to capitalize on efficiencies intelligently. It offers a portfolio of digital products, which are agile, uncomplicated, free of some transactional costs, and seek to free the customer from unnecessary journeys and paperwork. Thus, the Bank offers savings, investment, and credit alternatives through a 100% digital and self-manageable user experience.

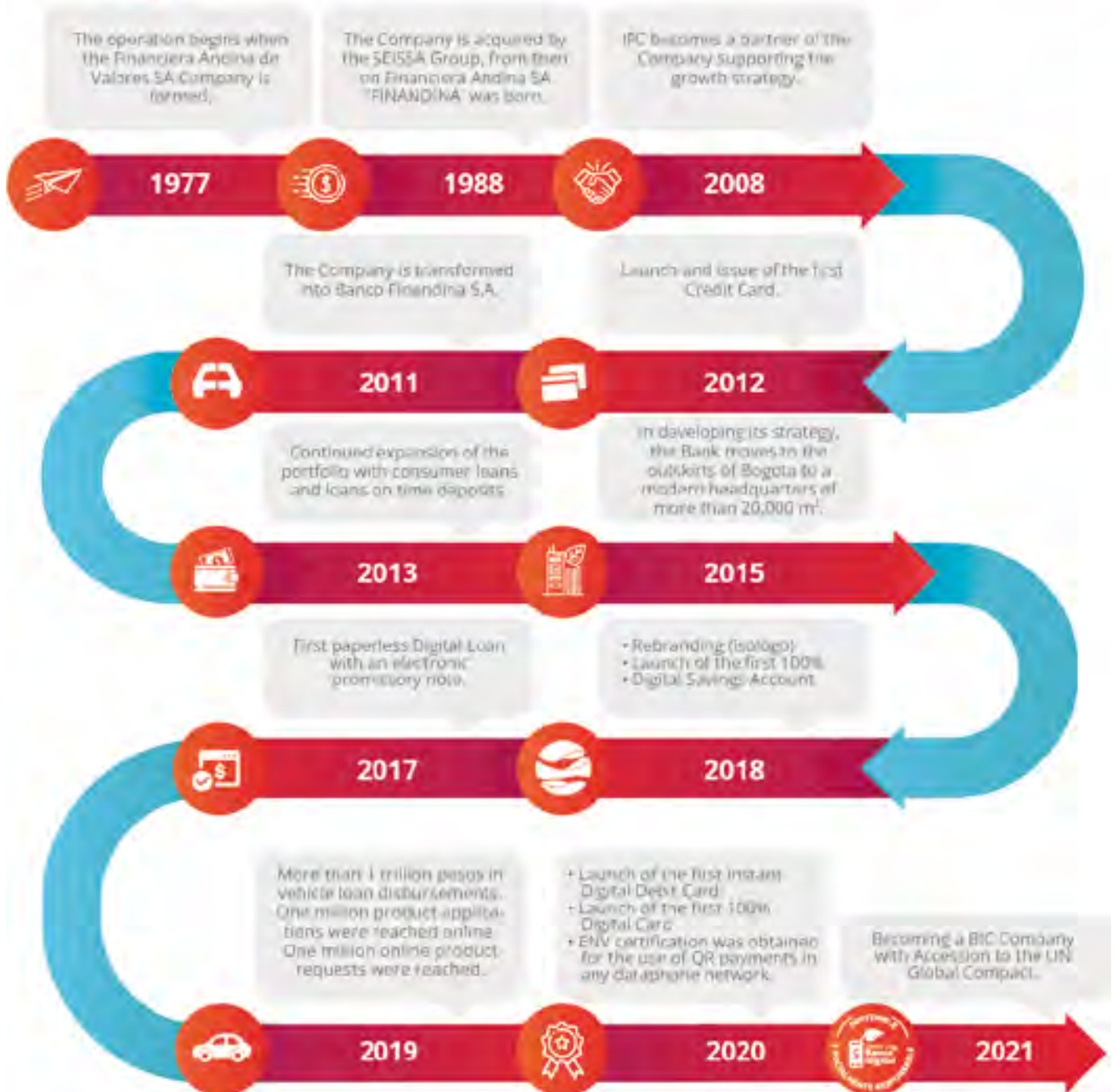
Banco Finandina BIC is a banking entity with a human team that, through technology and information, always offers an agile, easy and safe experience, offering financial solutions differently, with a constant and sustainable growth guaranteed throughout its trajectory and years of experience in the financial sector.





44 years building a sustainability strategy

Leaders in vehicle financing and pioneers in digitalization and triple impact.



GRI 102-3, 102-4, 102-6



Banco Finandina BIC's corporate purpose is to develop all activities authorized by law or authorized in the future to banking establishments, allowing it to capture resources from the public through authorized mechanisms to carry out active credit operations and financial leasing operations concerning all kinds of movable and immovable property.

The Bank is part of the Seissa S.A. business group, Banco Finandina BIC does not have subordinated companies and has not entered into contracts with non-bank correspondents referred to in Decree 2233 of 2006.



SUSTAINABILITY POLICY

GRI 102-11

Banco Finandina BIC has focused on the consolidation of actions materialized in its Sustainability strategy, guidelines that have been established by the General Assembly of Shareholders through the modification of the bylaws to incorporate the principles governing entities with collective benefit and interest (BIC). Additionally, it has formed a committee on the Board specializing in these issues and allocating statutory reserves on profits for donations, and general actions focused on this purpose.

The Sustainability approach is framed by developing the strategic elements stated in the vision, mission, and organizational purpose described below. The conformation of a portfolio of services consistent with the mitigation of environmental impact and the implementation of actions, processes, and corporate decisions focused on fulfilling this purpose, have led Banco Finandina BIC to become the first financial institution in Latin America and Colombia denominated as a company of Collective Benefit and Interest. This premise maintains the continuous Management commitment so that, within the action framework of the business plan foreseen for the following years, the sustainable goals and purposes are consolidated, allowing the Bank to increasingly position itself as a visionary entity in generating positive impacts for the planet, society and the wellbeing of the community.

As an additional part of the development of the sustainable strategy, Management and business indicators were adopted, incorporating the highest standards defined by the Banking Association and its Green Protocol Committee to which Banco Finandina BIC belongs. It incorporated the adoption of the sustainable management tool B Impact Assessment endorsed by the United Nations in 2019, which correlates with the Sustainable Development Goals (SDGs) defined by this organization.

The route of strategic sustainability actions has been endorsed and reviewed by the Board, the Governance and Sustainable Development Committee, as well as by Management. It favors and positively impacts the three measurement dimensions aimed at collaborators, the community, and the environment. The Bank was able to comfortably meet the goals defined in this matter (see chapter evolution of sustainable management indicators), highlighting, among others, the very high level of women who hold management roles in the Bank, amounting to 59% of these positions. The Company also obtained the certification that endorses Banco Finandina BIC as one of the best-qualified companies under the Great-Place-to-Work methodology, which shows employees' satisfaction regarding the quality of work inclusion and training. The mitigation of the impact of carbon footprint is reflected in the certification issued by Burea Veritas, an internationally recognized entity, which endorsed the measurement and the neutralization to zero emissions of operations in 2020. This accomplishment was accompanied by the reduction in the use of paper, printing toner, consumption of utilities, and the benefits additionally generated by promoting non-face-to-face and digital business, representing 70% of the number of disbursed obligations and avoiding unnecessary people mobility in the city. All these measures have allowed positioning the Bank as an environmentally friendly entity.

CORPORATE SUSTAINABILITY GOVERNANCE

In addition to the first level committee managed by the Board (Governance and Sustainable Development Committee), Management established the Sustainability Committee, an entity in charge of promoting actions to ensure compliance with the strategy defined by the Board and Management. It meets periodically and is chaired by the General Manager, with the participation of the Financial and Administrative Management, the Human Resources Management, and the General Secretary's Office. Additionally, the performance of management indicators, actions, and goals of the environmental system are monitored through reports presented to the Board's Procurement and Financial Planning and Risks Committees.

GRI 102-16

Mission;

To provide financial solutions differently and sustainably.

Visión

To be recognized by our customers and our people as a sustainable, agile, approachable, innovative, and transparent Bank.

Purpose

Banco Finandina BIC contributes to people's progress, helping its stakeholders improve their quality of life and enabling opportunities through agile, friendly, and eco-efficient banking, which promotes a more inclusive society.

Purpose Enablers:

1. To operate under the highest standards of corporate governance, ethics, and transparency.
2. To maximize the equity in the long term through innovation and permanent evolution of its financial solutions for the benefit of its clients.
3. To rigorously manage the environmental impact of its business activity.
4. To accompany talent development through training and professional promotion, positively impacting its employees and strengthening their skills to be diligent, reliable, and enthusiastic.
5. To be a facilitator of employability for the structurally unemployed community, promoting a CSR culture through volunteering and fostering partnerships to support initiatives of interest to the region where it operates.



CORPORATE GOVERNANCE

Banco Finandina BIC informed its employees about the modification of the mission, vision, values, and purpose, focused on a sustainability strategy based on the generation of value, shared with its stakeholders through actions that allow being responsible to the environment, society, and the economy. Likewise, it communicated to its workers the financial statements of the Company, as well as different relevant reports, by publishing them on the Entity's web page: <https://www.bancofinandina.com/inversionistas> in which the financial position of the Company and the value of its assets are revealed to improve the coordination and execution of the projects and the different activities conducted in the organization.

Approach

In accordance with the Code of Best Corporate Practices (Country Code) and External Circular 028 from the Financial Superintendence of Colombia (SFC), Corporate Governance and the implementation of the corresponding governance structures within the Financial Institutions have taken on considerable relevance. Nowadays and more than ever, it is clear that these structures are not an end in themselves, culminating with the implementation through different corporate documents of good practices of Corporate Governance, but must be understood as a means that, within the framework of a dynamic and changing process, provides the entities with the necessary tools for adequate management and control. Likewise, monitoring the quality of compliance with the practices implemented represents, without a doubt, the greatest challenge that companies, supervisors, and investors will face in the coming years.

In the year 2021, the important role of corporate governance, a pillar of the Management of Banco Finandina S.A. BIC stands out. In a year of important challenges due to the situation that is still present in our society because of COVID 19, it has maintained transparency and sustainability as central axes of its operation, adjusting to the needs of a financial market that faced the new circumstances of society and the market and implementing, despite this situation, the best practices that have accompanied the constant growth of the Bank. It has adapted to the new circumstances of society and the market with the best practices that have accompanied the constant growth of the Bank through the different tasks related to Corporate Governance, aimed at continuing to generate efficient and sustainable results for our shareholders, customers, collaborators, and other stakeholders.

Thus, the constant commitment to the development of Corporate Governance in the Bank has made visible the responsibilities that a BIC company entails based on standards promoting the growth of the Colombian market, always promoting ethics and trust in its management, and encouraging the commitment to sustainability and transparency.

GRI 102-18, 102-22, 102-24, 102-26, 102-27

Members of the Board

To achieve maximum transparency in its management, the Bank has carried out the election of directors as members of the Board of Directors for the year 2021, in observance of each of the criteria for background and appointment determined in Part I, Title IV, Chapter II of the Basic Legal Circular Letter.

In accordance with the foregoing, the Board of Directors is composed of the following members, including principals and alternates:

Principal Directors:



Armando Enrique Vegalara Rojas:

An economist from Los Andes University, with a B.Phil in Economics from Oxford University. He was the Manager of the Agricultural Machinery Division and Assistant General Manager of Casa Toro S.A., General Manager of Finanzauto S.A., and the President of today's Banco Finandina BIC. He chaired Coinvertir, Corporación Invertir en Colombia. He has served on several boards of directors and currently sits on the Board of Finandina -of which he is the President-, Seissa and Fundación Escuela Nueva. In addition, he chairs the Gabriel Vega Lara Educational Fund (FEGV) and Betainvest - Investment Banking.



Inés Elvira Vegalara Franco:

Business Administrator from the Los Andes University, with a specialization in Finance from the same university and a specialization in Project Evaluation and Financial Analysis from Javeriana University. Financial Advisor in non-profit organizations and PROANDES. She currently serves as Financial Manager, Analysis and Portfolio Management of Pinagro S.C.A. She is a member of the boards of Banco Finandina BIC Grupo Empresarial Seissa and Planeta Amor Foundation. She also works as a consultant in financial and investment matters.



Manuel Rodríguez Becerra:

Professor emeritus of the Los Andes University. He was Colombia's first Minister of Environment, a member of the World Commission on Forests and Sustainable Development, and co-chair of the United Nations Intergovernmental Panel on Forests.

He chairs the National Environmental Forum and was co-founder of Parques Cómo Vamos, the Center for Sustainable Development Goals for Latin America, and the Alliance for the Defense of the Bogota Savannah. He is the author of about twenty books, the most recent being *Nuestro Planeta, Nuestro Futuro* (Our Planet, Our Future)(2020).



Carlos Lleras De La Fuente:



Lawyer, collegiate and consiliary of the Colegio Mayor de Nuestra Señora del Rosario (Rosario University). He has been a professor at different universities and dean of the College of Administration at the Rosario University, Professor Dean and President of Jorge Tadeo Lozano University in Bogota, and Representative in Belgium and France of the Great Colombian Merchant Fleet and Proexport. In addition, he has served as Ambassador of Colombia to the Government of the United States, Director and President of the newspaper El Espectador, Coordinator of the Organization and operation of the National Constituent Assembly of 1991, candidate for the Presidency of the Republic of Colombia in 1994 and 1998, consultant, legal advisor and member of numerous Boards of Directors of organizations in the public and private sectors, including several banks (Colombia, Popular, Cafetero, de la Costa and Banco Finandina BIC) among others.

José Fernando Calderón Piedrahita:



Lawyer and Economist from Los Andes University, with a Masters in Business Administration from Harvard University. He has served as a member of the Financial Institutions Group of the Representative Office of Citibank in Colombia, Associate of the firm Booz Allen & Hamilton Do Brasil, Senior Associate of Booz Allen & Hamilton de Colombia, and Director of Socimer de Colombia SA. He is currently a Consulting Partner of Egon Zehnder S.A.S.

Directores Suplentes:

Jorge Hernán Cárdenas Santamaria:



Industrial Engineer from Los Andes University, Master in Economics from the University of Minnesota, and Master in Management Sciences from MIT. He has been a member of the Board of Directors of FiduBogotá, Interconexión Eléctrica S.A. ESP ISA, Empresa de Telecomunicaciones de Bogotá ETB, Transelca. He has served as Vicepresident of the National University of Colombia, CID. Director College of Economics-Unal, Dean of the College of Management at Los Andes University, among other capacities and positions in public and private sectors. He is currently the Director of Oportunidad Estratégica, a firm dedicated to consulting on strategy and institutional strengthening issues.



Eduardo Behrentz Valencia:

A civil Engineer from Los Andes University, with a Master's degree in Civil and Environmental Engineering from the same university and a PhD in Science and Engineering from the University of California. He has served as a professor at the University of the Andes, Director of the Department of Civil and Environmental Engineering of the same educational institution, and Dean of the Faculty of Engineering. Currently, He serves as Vice-Chancellor of Development and Alumni.



Jorge Andrés Palacio Becerra:

A Bachelor of Science in Industrial Management from Purdue University, M.B.A. from Emory University, and advanced courses for presidents and executives at Harvard Business School, Kellogg, and other institutions. He was Chief Financial Officer, Financial Vicepresident, and President of Avantel. He is currently an independent consultant in strategy and business development.



José Gabriel Liévano Vegalara:

Business Administrator from CESA, he has a specialization in Finance from EAFIT University and a master's degree from American University, as well as complementary studies in financial risks carried out at Risk Management Association and other entities. He worked for over 20 years in the American financial sector in important entities such as Bank of America and Wells Fargo Bank. He is currently a financial consultant and a member of different boards of directors.



Mauricio Salgar Vegalara:

An economist from the Los Andes University, with an MBA from the Massachusetts Institute of Technology, served as Sales Director of Avianca, Planning Manager, Planning Director, and Sales Director of Bavaria. He is a founding partner and Commercial Director of MAS. Developers, a company dedicated to real estate development. He also serves as a financial consultant and member of several board directors.



Management Report 2021

The management approach of the Board of Directors has been framed in loyalty, good faith, and diligence in the performance of its activities. The level of attendance at the meetings was satisfactory since, despite the situation, there was a correct adaptation to virtuality, carrying out some of the meetings of the Board of Directors and the Board Committee in a non-in-person manner, without failing at any time to comply with the bylaws and the Board's regulations.

GRI 102-17, 102-19, 102-20, 102-30, 102-33

In turn, and to guarantee the proper development of each of the tasks assigned to the Board of Directors, the corresponding meetings of the three Committees were held:

Audit Committee:

This Committee is a body that reports to the Board of Directors and is responsible for the evaluation of internal control and its continuous improvement, for which it performs advisory and support functions.

The main function of the Audit Committee is to support the Board of Directors in its supervisory task through the evaluation of the accounting procedures, the relationship with the Statutory Auditor and the internal audit, and in general, the review of the Bank's Internal Control Architecture. In addition, it includes the audit of the risk management system and the functions indicated in the law, particularly those shown in the Basic Legal Circular Letter in force from the Superintendence of Finance of Colombia and its amendments.

Risk Committee:

This Committee is a body reporting to the Board of Directors, whose main function is to assist the Board in fulfilling its oversight responsibilities concerning the Bank's risk management.

Its main function is to promote the adaptation of the Bank's risk management to an advanced model that allows the configuration in each case of a risk profile following the strategic objectives and a follow-up of the degree of adaptation of the risks assumed to this profile.

Corporate Governance and Sustainable Development Committee:

This Committee provides mechanisms that ensure the existence and implementation of elements allowing for a balance between the management of each body and the control of such management through systems of checks and balances. This way, the decisions adopted in each instance are made with an adequate level of understanding and comprehension and in the best interest of the BANK, its shareholders, and creditors, respecting the rights of financial consumers and other stakeholders.

Other Corporate Governance Bodies

For Banco Finandina S.A. BIC the rules of Corporate Governance are integrated by the provisions contained in the national laws in force on the matter, the Bylaws, the Board of Directors Regulations, the Code of Ethics and Conduct, the regulations of the committees of the Board of Directors and the manuals for risk management of the risks to which the Bank is exposed, all of which have been the object of constant observance during the year and have become the pillar of the comprehensive development of its operation.

In accordance with the provisions of the Basic Legal Circular Letter from the Financial Superintendence of Colombia - SFC and other regulatory provisions, during the year 2021, the Audit, Risk and Corporate Governance and Sustainable Development Committees complied with the functions assigned to them in particular, the information delivered by the Committees with respect to the operational risks and the reports submitted to the control bodies was evaluated, the exposure levels of the different risks were followed up, the Business Continuity Plan and all issues related to Cybersecurity were reviewed. With respect to Risk, the Sarlaft segmentation model and the manual modification on the matter were analyzed to accept the recommendations of the inspection visit made by the SFC. The Financial Statements and the opinion of the Statutory Auditor were studied and analyzed, and their Work Plan was evaluated; the proposals of the Statutory Auditor considered by the Shareholders' Meeting were analyzed, and the functions and activities of the Internal Audit - IA were supervised, and it was established that their function was performed with independence.

During the period reported, there were no sanctions by the supervision entities and no material findings by the Bank's control bodies, who, however, made recommendations to the Management with respect to the results of their Sarlaft and audit processes, which have been taken into account and were implemented or are in the process of being implemented.

The Superintendence of Finance has submitted several requests for information regarding the BIC company status, which have been answered satisfactorily. The results of these analyses were satisfactory, and it was concluded that with the modification of the bylaws to acquire the BIC company status, sustainability and best practices of Corporate Governance are encouraged.

It is highlighted that the Bank has adequate risk management mechanisms and internal control tools that allow it to reasonably protect its assets. Operations and transactions are being properly authorized and recorded following legal regulations, there is transparency in the financial information, which is disclosed appropriately, and there are instruments to verify that the Financial Statements reveal the position of the Company and the value of its assets.

Executives of Banco Finandina BIC

The generation of triple impact and the approach of a digital, agile, close business model that empowers the customer has been ensured from the very declaration of the purpose of sustainability and digital banking. These pillars were built by the Bank's management team, a situation that guarantees the strategic alignment for its materialization and the general commitment that involves all business fronts. Management is measured through different reports and control systems, establishing performance goals and early warnings monitored in the different committees developed in the Bank. To this end, Management has established a rigorous schedule of periodic follow-up meetings, the most relevant topics being discussed mainly with the executive team in the management, sustainability, planning, balance sheet, and SARC committees.



Management Report 2021

The Bank's executive team has proven experience in the financial sector, as well as several years of stability in business knowledge, generating strategic synergies in an environment of conservative risk, but of constant innovation, which, given its hierarchical structure, ensures greater fluidity in the implementation of projects and initiatives.



Orlando Forero Gómez
General Manager
Linked since 2012



Hernán Navas Ojeda
Financial and
Administrative Manager
Linked since 1996



Beatriz Cano Rodríguez
Operations Manager
Linked since 2015



Sandra Liliana Corredor
Internal Auditor
Linked since 2007



Besfania Vivas
Human Resources Manager
Linked since 2016



Ana Lucia Pacheco
Telephone Experience
Center Manager
Linked since 2017



Ignacio Herrera López
National Sales Manager
Linked since 2009



Oscar Jiménez
Linked Risk Manager
Linked since 2015



Alexandra Molina
Customer Experience and
Solutions Manager
Linked since 2019



Luis Salguero
Data Science Manager
Linked since 2019



Javier Navarro
Digital Transformation and
Experience Manager
Linked since 2021



Adriana Rueda
Secretary General
Linked since 2020



Felix Acero
Technology Manager
Linked since 2021



BUSINESS LINES

GRI 102-2, 103-1, 103-2, 103-3

The Bank's business focuses on developing personal consumption products, which are especially enabled for those who are salaried or independent, which allows it to have an atomized portfolio, diversified in the different strata and segments of the economy of the country. Banco Finandina BIC has more than 150,000 customers (growing 33% compared to 2020), which represent 2.6 trillion pesos in loans (90% of total assets). That is to say, with an average of 18 million pesos per obligation, a situation that positively weights in the portfolio quality indicators for traditional arrears, equivalent to 4.6%, and a total and basic solvency of 22%, the bank registers levels with better performance than that observed by the average of the banking industry, which recorded, according to figures known at the closing of the year, 4.5 and 20% respectively.

Banco Finandina BIC offers a complete portfolio of products and services, including the financing of transportation solutions (63% of the portfolio), where the placement of resources for the purchase of new vehicles with efficient combustion and environmental impact characteristics and mechanisms predominates, which line has been cataloged as **sustainable transportation**⁴. It includes portfolio balances for more than 1 trillion pesos, distributed in 10,000 **eligible projects** that can be used for **future placements of green bonds**. There is also a special line of financing for recent-model used automobiles with a balance of 0.5 trillion pesos. Support for the productive and agricultural sector (8% of the portfolio) is developed in credit and leasing businesses for commercial vehicles, acquisition of agricultural and yellow machinery, Plan Mayor (Longer financing plan) for dealers, and factoring for companies.

Banco Finandina BIC has been a pioneer in offering financial products where customer self-management predominates, thus not only contributing to mitigating the effects of the spread of the Covid-19 pandemic but also generating an ecosystem consistent with the vision and purpose of sustainability. It has reduced the impact on the carbon footprint by generating digital and non-face-to-face businesses, avoiding journeys and consumption of public services in creating these businesses. The bank's free investment, credit cards, virtual CDs, and Flexidigital savings accounts, products that are opened and enjoyed in minutes, are recognized internationally with awards such as the one achieved in 2018 for the product of free investment loans by Felaban, as well as the Iron Man, awarded in 2019 to digital savings accounts by Fintech of the Americas.

The business diversification strategy towards products other than transport already consolidates 34% of the total credit portfolio (1 trillion pesos), where the free investment product represents 0.5 trillion pesos (20% of the portfolio). Credit cards consolidated an important growth in clients with 100,000 plastics in use, representing a 0.2 trillion portfolio (6% of the portfolio). Payroll deductions, granted under traditional and digital models, mainly in the public sector, are equivalent to 0.25 trillion pesos (8% of the balance).

⁴ Sustainable transport refers to credits granted to finance or refinance the purchase of hybrid, electric, or recent model vehicles whose technology reduces the carbon footprint, compared to traditional references.

Banco Finandina BIC has a wide range of options for savers to fulfill their personal and family dreams through savings accounts that do not require minimum opening balances and do not generate commissions for users. The Bank also offers fixed-term certificates of deposit (CDs), which enjoy the highest standards of credit risk rating granted by BRC Standard and Poor's and higher returns than the banking industry average. Last December, the risk rating agency BRC Standard & Poor's, endorsed, for the 17th consecutive year, the AA+ assignment for long-term credit risk (debts greater than one year) and the best short-term risk rating (less than one year) in BRC1+ for the 15th year. The technical document of this report is available at <https://www.bancofinandina.com/inversionistas/certificaciones/>.

The following is a summary of the available portfolio and the most relevant performance of the products:





FINANCIAL AND SUSTAINABILITY PERFORMANCE

GRI 102-7, 201-1

Evolution of the financial business in numbers:

In the development of its digital strategy, the Bank grew 31% in the number of personal banking customers, as well as in all its business lines, as summarized below:

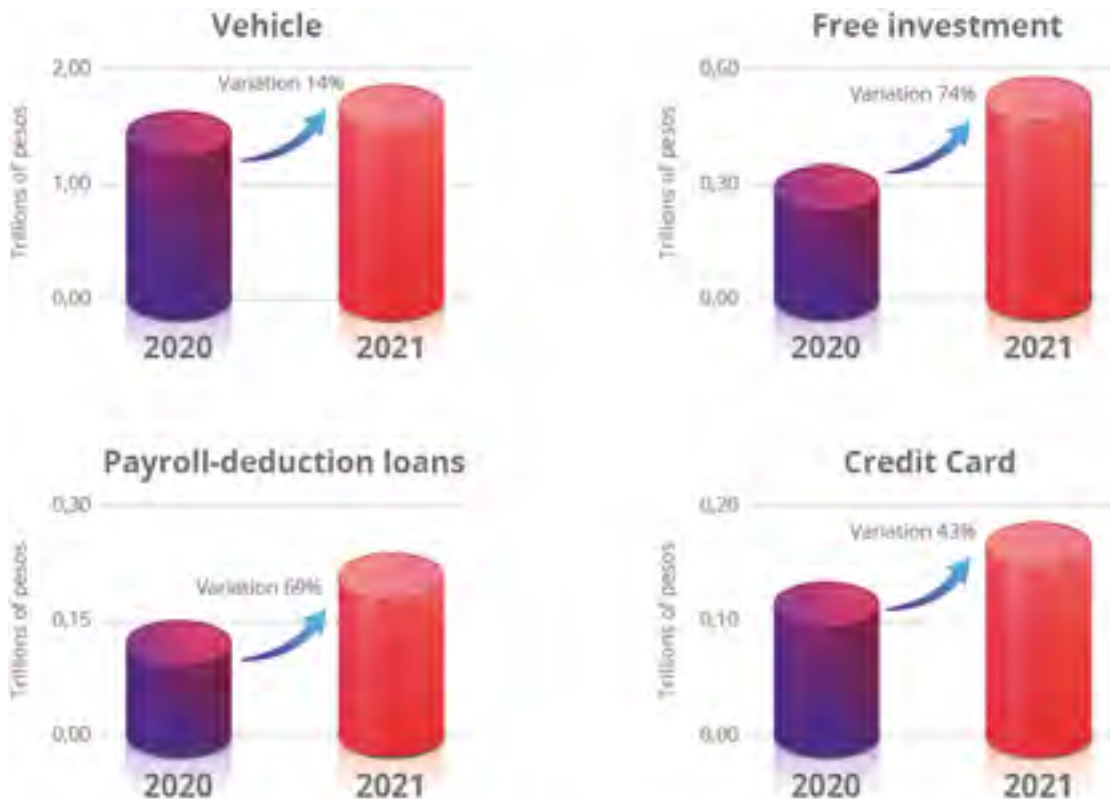
2020	Relevant performance indicators	2021	Growth
122 thousand	Total # of customers	160 thousand	31%
171 thousand	Total # of products	243 thousand	42%
1,40	Total # of products per customer	1,52	8%
115 thousand	Customers registered in channels	125 thousand	9%
56 thousand	Use of web channel + app	79 thousand	41%
49%	% Use of web channels and app	63%	30%
2.2 trillion	Total Assets	2.7 trillion	26%
2.1 trillion	Total Portfolio	2.6 trillion	27%
1.3 trillion	Total Disbursements	2.8 trillion	115%
0.4 trillion	Digital, Non Face-to-Face and CC Disbursements	0.9 trillion	157%
1.5 trillion	Balance Liabilities to the Public (CDs, savings, bonds)	2.0 trillion	34%
1.8 trillion	Total Liabilities	2.4 trillion	30%
0.3 trillion	Shareholders' Equity	0.4 trillion	5%
0.4 trillion	Total Revenues (excluding portfolio recoveries)	0.4 trillion	1%
16,06 million	Profit for the year	28,529 million	78%
29 million	Total Average Volume = (portfolio + CD + savings)/Clients	29 million	-1%
20 million	Average Portfolio Volume = (portfolio)/Clients	22 million	11%

Banco Finandina BIC has strengthened its participation in the credit market in Colombia thanks to its extensive experience in the vehicle business and the digital strengths built in recent years. Thus, strategies to increase productivity and efficiency of sales channels, accompanied by a conservative origination policy and evidenced by the best structure of risks/profiles and evolution of credit harvests, have allowed maintaining a steady portfolio growth during 2021, in line with the foreseen business plan.

Banco Finandina BIC has no unproductive assets on its balance sheet. The credit business represents 88% of total assets, and 9% corresponds to liquidity, which is invested in instruments enjoying high standards of profitability and risk. The Bank has achieved sustainable growth in all its lines of business, especially in products other than vehicles, where the maturity of digital and non-face-to-face competencies, accompanied by a value offer accepted and endorsed by customers, have allowed it to maintain a 34% portfolio consolidation in these lines of business.



A policy of higher risk appetite does not support the Bank's growth. Instead, it is the result of executing the digital strategic plan, which has increased the dynamics and capacity to do business based on digital marketing, especially in exploiting digital assets developed over the last five years.





Management Report 2021

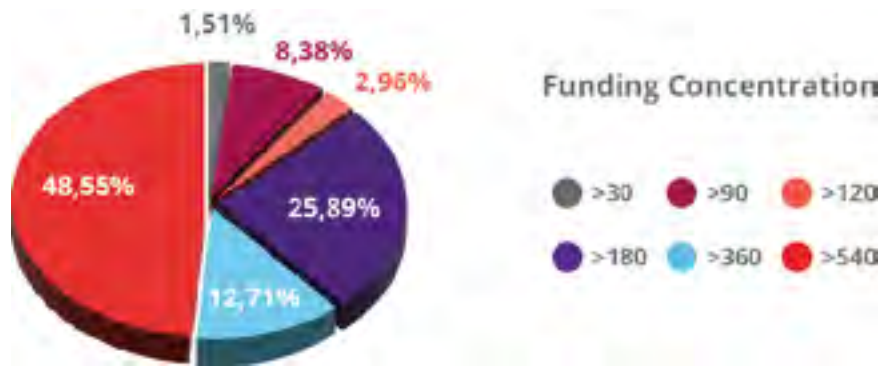
The Credit Card business has presented a favorable result in the reactivation, growing 44% in its balance and reaching a stock of 100,000 active plastics, with an increase of 81%. The billing level of \$338 billion grew 79% annually.



With respect to liabilities, the Bank, amid favorable market conditions, has been able to capture resources without greater pressure and with interest rates in line with market conditions, trying to lengthen the debt term and not concentrating resources on a few clients. This situation has allowed it to protect liquidity and maintain its market participation of 0.3% in the balance of CDs plus savings. Moreover, for April, the placement of Bonds for 200 billion was made available in the market, in line with the Bank's business plan, which investors demanded by 3.8 times over the initial amount offered.

The adequate funding strategy that the Bank maintains is noteworthy. It has given priority to the growth of low concentration and risk businesses through the Offices and Investments Network, maintaining a renewal of more than 80% of the contractual maturities and dynamizing the balances of savings accounts held at levels higher than 100 billion pesos. The Treasury, on the other hand, shall maintain the year 2022 without more significant funding pressures. This is due to the strategy carried out in 2021 to capture long-term resources. The monthly contractual levels of maturities of CDs and Treasury bonds are, in fact, in nominal proportion, lower than those historically observed.





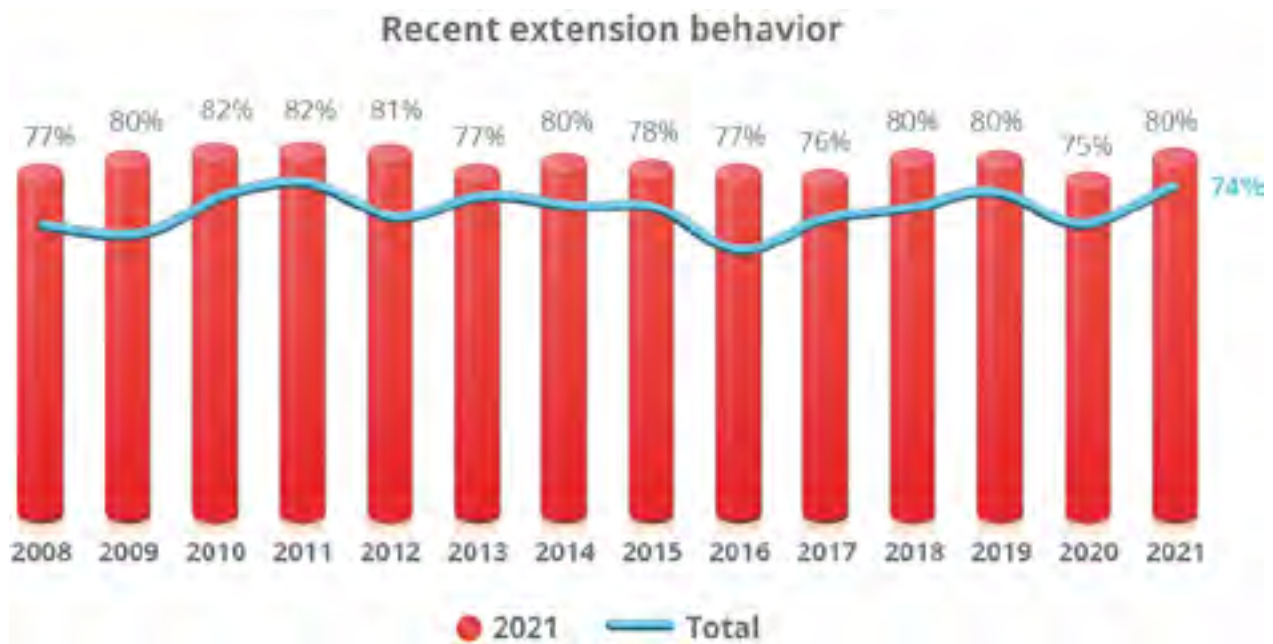
Evolution of Funding





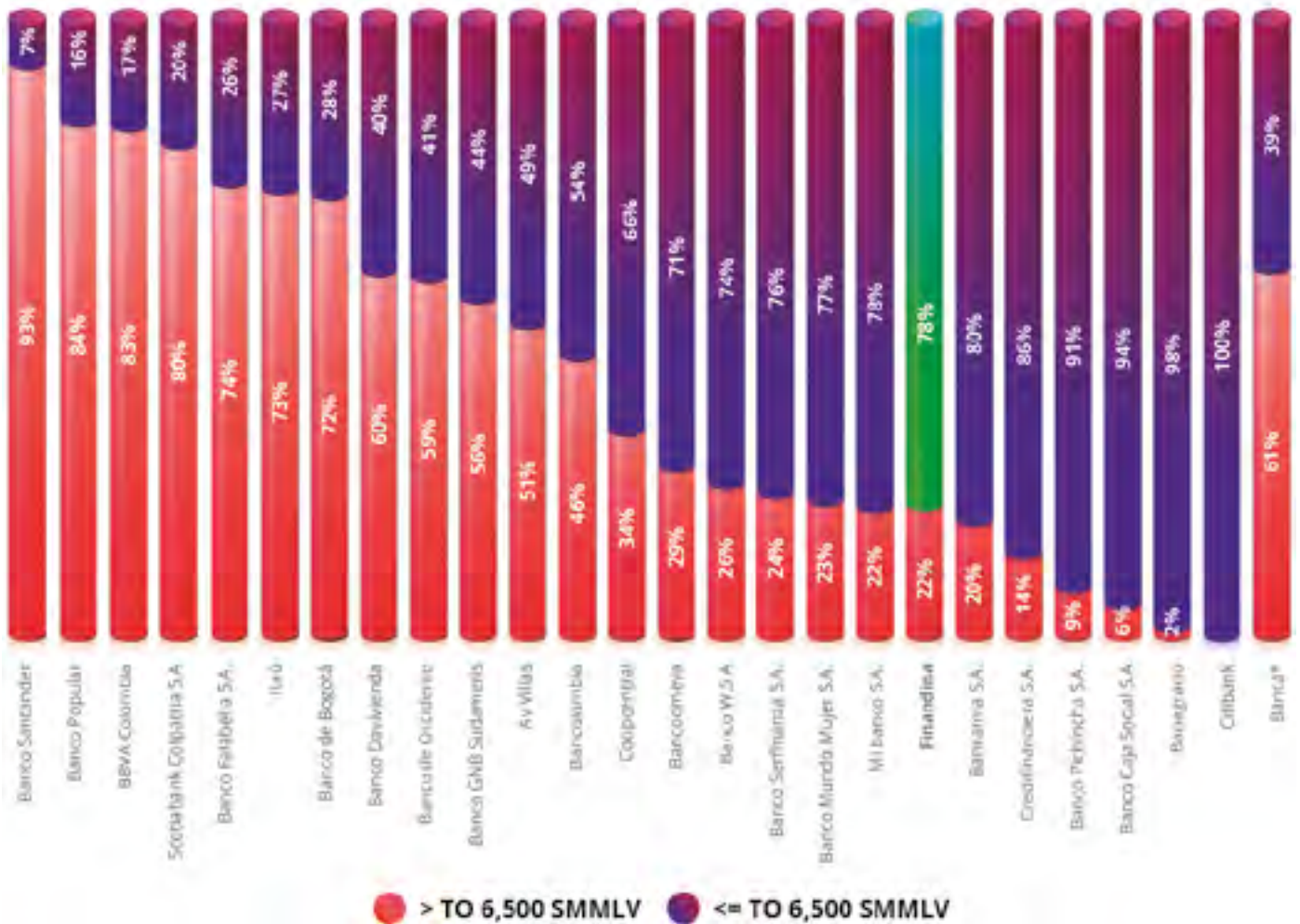
Management Report 2021

The Bank has managed to maintain its liability turnover indicators at levels above historical averages.



Adequate fundraising strategies allow Banco Finandina BIC to have an atomized product that is not concentrated in a few clients, allowing it to maintain high renewal indicators. Only 20% of its fundraising is concentrated in obligations with amounts higher than 6,500 SMMLV.

CDs term distribution



The development of the digital channel for opening Flexidigitales savings accounts in just a few minutes has allowed for a 238% increase in debit card customers in the last year, who also have a comprehensive and innovative service offer, with no handling fees and free withdrawals at all ATMs in the country.

Savings account balance (Millions of pesos)

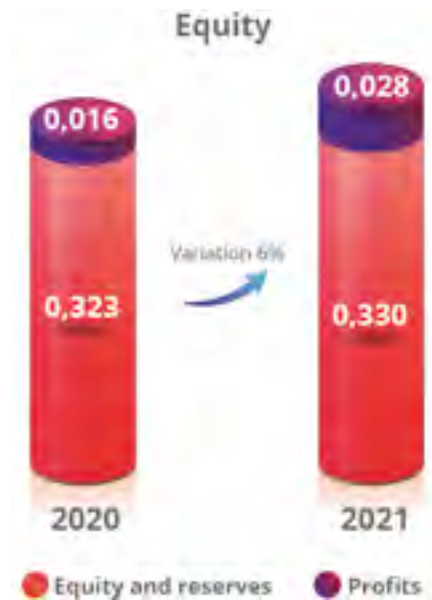


Number of savings accounts



Debit Cards





For Banco Finandina BIC, the evolution in the digital environment must go beyond providing a traditional service. The Bank is committed to providing an excellent experience that positions the brand as a benchmark in the sector, preferred by customers and partners, earning their loyalty and recognition, and understanding that growth is given thanks to the renewal of digital assets positively impacting the user's experience.

BRC STANDARD & POOR'S, Ratified in December 2021 the risk rating of Banco Finandina BIC.

Support and confidence are the words that best define us in the market, as confirmed for 17 consecutive years by BRC Standard and Poor's, which awarded us BCR1+, the highest rating for short-term debt (less than one year) in force since 2006. At the same time, we maintained our AA+ rating, the second-best risk rating for long-term debt (more than one year) in force since 2004.

These certifications allow us to give our clients total peace of mind with their investments.



ACHIEVEMENTS 2021

During a year of post-pandemic economic recovery, Banco Finandina BIC focused its efforts on consolidating its digital ecosystem and more products and services designed to empower the customer for self-management. It was also a year in which they achieved record figures in business management and several milestones in its sustainability strategy, in addition to obtaining various market recognitions.



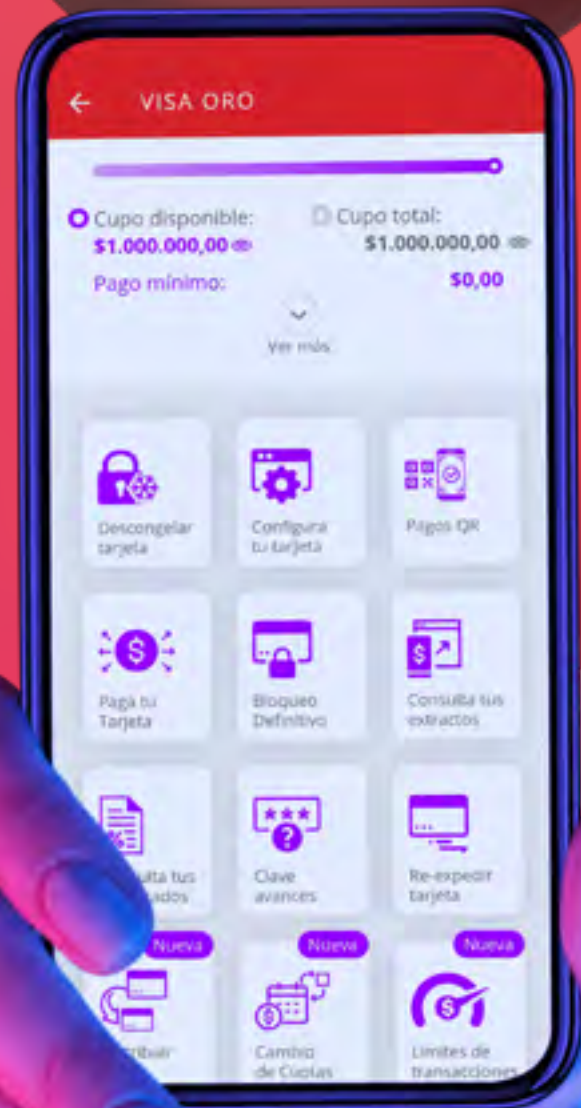


More features, better user experience.

The Bank strengthened its digital platforms, improving the customer experience by developing more than 90 new functions for the app and the web portal, with design improvements that resulted in a friendly and easy user experience for customers.

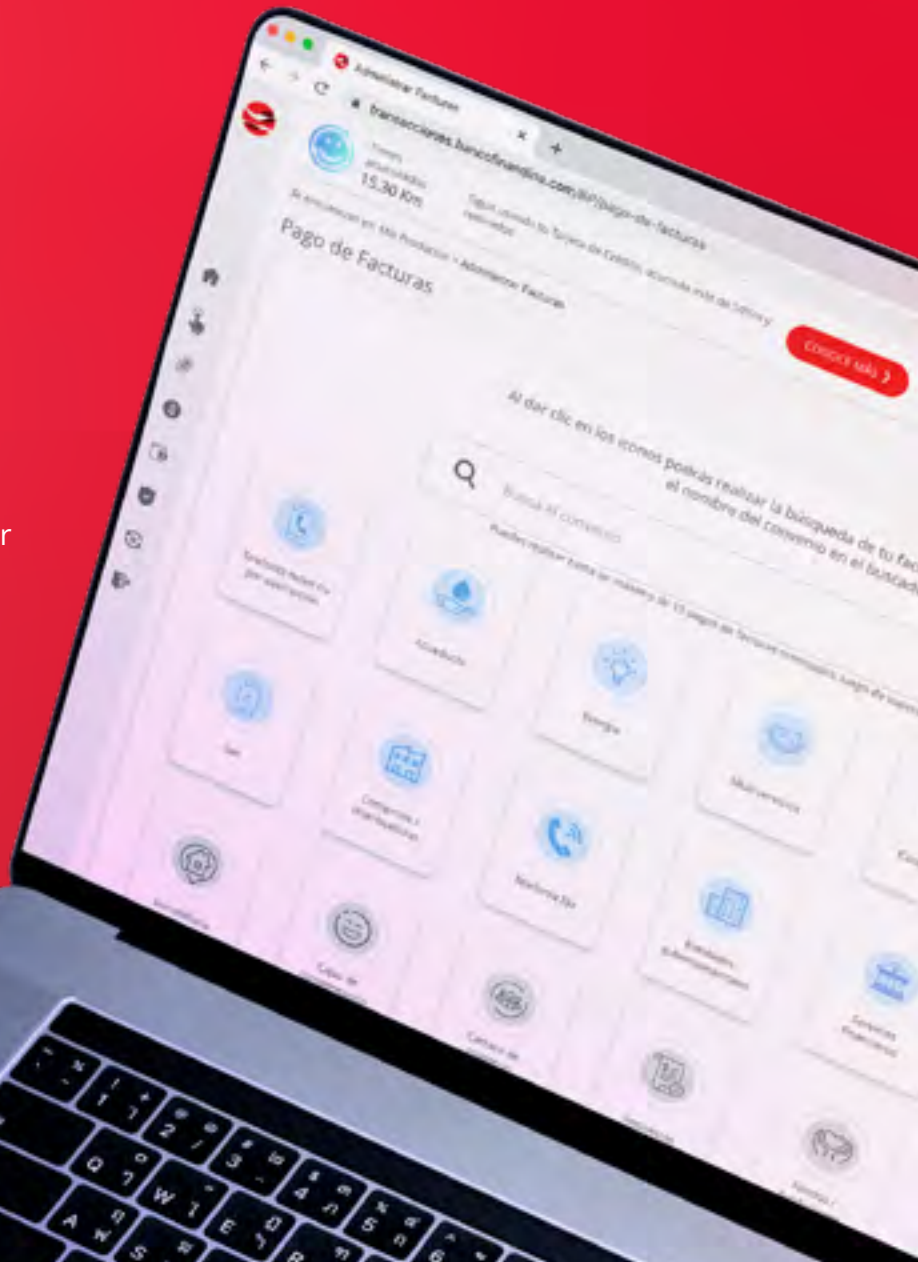
The APP was implemented with:

- Equipment Registration
- Credit Card Blocking
- Transaction Limits
- Alternate Payments and Directed Credit Card Payments
- Payment of invoices
- Blocking and Unblocking International Purchases
- Blocking and unblocking international advances
- Blocking and unblocking online purchases
- Credit card payment date change
- Data updating
- Money transfers between different people's credit cards

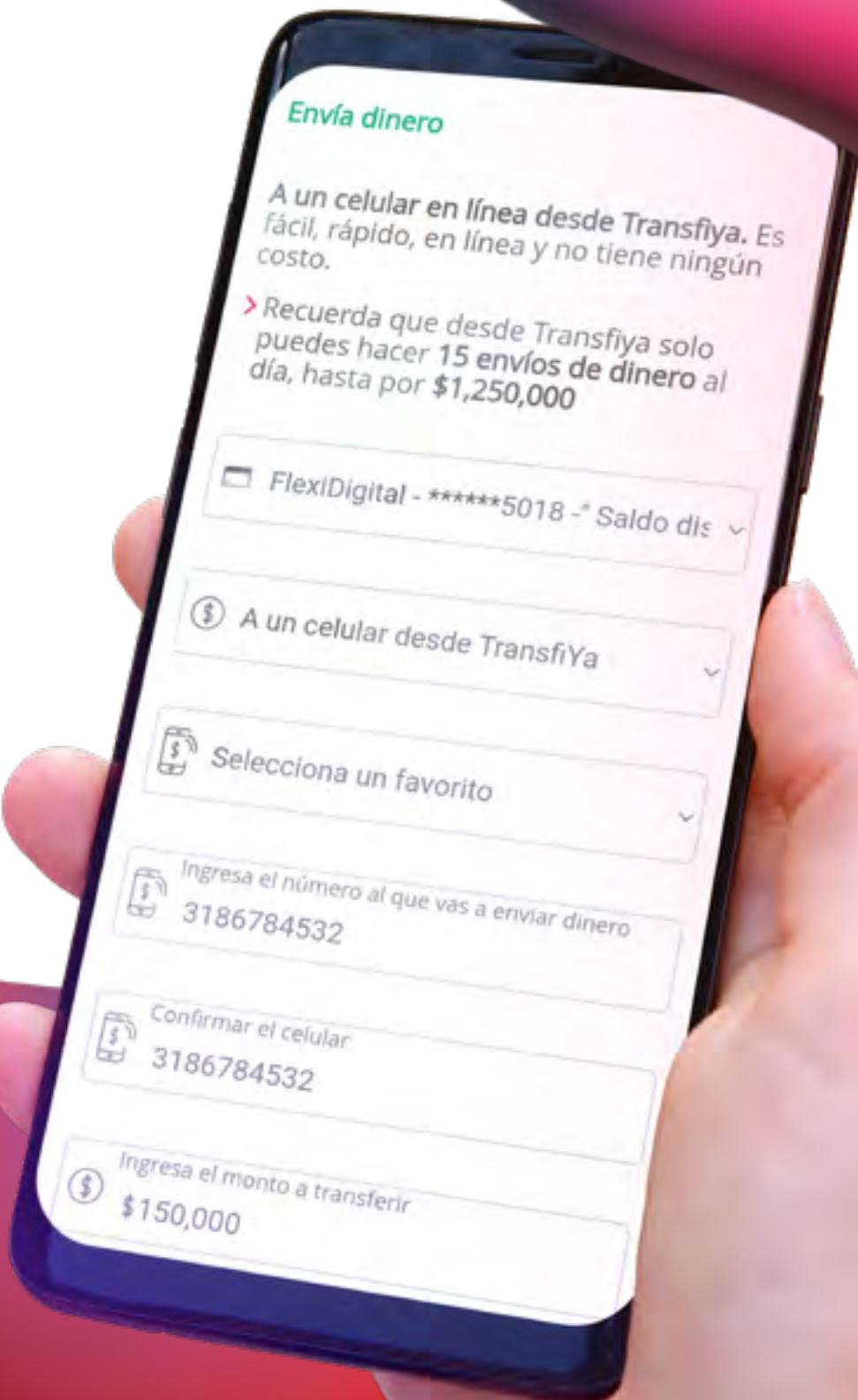


For the web version, the following features were implemented:

- Payment of utilities
- Application Feature rating
- Downloading Certificates
- Instant Credit Card
- Alternate and Directed Payments for Credit Cards
- Transfers to customers' cell phones and not "Trasfiya" customers
- Mortgage Loan Inquiries and Payments



MORE THAN
**90 NEW
FEATURES**



Instant Transfers

Complementing the agile experience of the FLEXIDIGITAL savings account, which allowed us to register accounts from other banks and make transfers to any entity without having to wait hours or days in the registration, we developed the option of making IMMEDIATE Transfers to mobile numbers of banked or unbanked customers through the use of TRANSFIYA. This service does not require prior registration of accounts or bank authorizations and eliminates the registration procedures of accounts to make transfers up to \$ 1.250.000. In addition, transfers and withdrawals at any ATM in the country are TOTALLY FREE.



Instant credit approval through the use of artificial intelligence, data science, and robotics.

In the sales process, the customer experience was made friendlier with the implementation of Finanfast, a new model where the customer makes his credit application by filling out sales forms conversationally, with a fresh, transparent, and very easy-to-understand language. It also has fewer interruptions by the user in the process, fulfilling the promise of delivering loans and credit cards to strangers in minutes.

In line with the above, Banco Finandina BIC created a Chat Bot through WhatsApp, allowing customer service in the first contact without referring it to an advisor. This service has two main lines of operation; the first is informative, where the bot generates indications to the customer to self-manage the information required, such as opening hours and how to make a query or procedure. In the second line, the chat has a higher level of service, providing the customer with the specific information you are looking for, such as your product statement, balances, and certifications.







SAMSUNG

Alliances that strengthen the value offer

In 2021, Banco Finandina BIC consolidated the credit card co-branding alliances with brands such as Compensar and the Atlético Nacional soccer team. They also established a new one with the Samsung technology brand, which launched a winning value offer for the Bank's cardholders.

- The alliance with Compensar presented a critical growth, going from 11 credit cards in January to 943 cards in force in December, closing the year with a portfolio balance of \$955 million.
- The Atlético Nacional Card had a better performance, starting the year with 489 cards and ending with 10,232 cards in force, with average monthly billing of \$ 2,375 million in the last semester, reaching a total of purchases and advances in the year of \$ 22,165 million.
- 2021 ended with the entry into the alliance with the Samsung brand. Although this agreement did not give rise to a co-branded card, it did generate a very competitive value offer for the Bank's customers, allowing purchases of branded products with Banco Finandina BIC cards with 0% interest rate for up to 36 installments and with a grace period of 3 months to begin payment.

The focus of work on these alliances will be to continue their consolidation by increasing card placement and usage.



Numbers that stand out

GRI 201-1

This was a year of record figures for Banco Finandina BIC. Total disbursements of \$2.8 billion allowed the growth of 26% compared to what was recorded in the period 2019, where it reached a portfolio balance of \$2.6 billion. This represents a 25% growth compared to the lowest levels obtained in the pandemic, surpassing the industry's average performance of 8%. Likewise, we reached 100,000 active cards, recording a placement in the period of 57,330 credit cards, of which 34,398 were physical, and 22,932 were digital. The total number of cards contributed to a portfolio balance of more than \$166 billion at the end of the period.

In the case of savings, the Bank exceeded \$110 billion in balance, representing a customer growth of 57% compared to the previous period.

The figures achieved reflect the excellent performance of the commercial strategy, consolidating the experience of years in the dealership channel and the exceptional dynamics of the digital strategy, which through the web channel and the App, captivated more than 6 million potential customers. We were able to materialize more than 87,000 credit operations and credit cards, as well as the opening of nearly 50,000 savings accounts. In 2021, digital sales in the number of customers accounted for 60% of sales, and the Bank grew by more than 25% in the number of customers, thus exceeding 160,000 active customers.

Banco Finandina BIC's effort in generating business was successfully accompanied by its portfolio protection strategy, thanks to the model of individual solutions for debtors, through which relief and solutions tailored to the needs of its customers were applied. Thus, it was possible to reduce the impact of losses, closing 2021 with a portfolio indicator of 9% and a coverage of provisions of 98%, figures higher than those of the sector. In addition, the banking sector recorded profitability indicators, quality, and solvency of 22% compared to 20%.

26%
GROWTH



¡Felicitaciones!

Luis Felipe, tu producto ha sido pre-aprobado

Estas son las condiciones del producto que acabas de solicitar:

Crédito de libre inversión

Monto
\$9.000.000

Plazo del crédito
48 meses

Seguro de vida
\$2.990

ID Adicional: 801920

Conoce la cuota pre-aprobada:



Cuota sin seguro
\$334.000

Cuota con seguro
\$356.000

Estos son los pasos a seguir:

- Realizaremos el proceso de verificación de la información suministrada.
- Recibirás una llamada, correo o SMS confirmando la aprobación de tu producto.
- Recibirás el paso a paso para la firma de documentos de forma electrónica o a domicilio.
- Obtendrás el desembolso del dinero tu cuenta en tan solo horas.

Aprobación sujeta a políticas internas del producto y verificación de la información suministrada.

SALIR



MacBook Pro



A route to certified sustainability

GRI 102-12, 102-13

Generating value having a triple positive impact on customers, employees, and the planet is the axis of the sustainability route that Banco Finandina BIC has developed. In the execution of this strategy for 2021, the Bank achieved the fulfillment of several milestones:

- It was the first Bank in Latin America to be constituted as a Collective Benefit and Interest Organization (BIC). These companies voluntarily combine their commercial activity with actions seeking the benefit of collaborators, contributing to the social equity of the country and protecting the environment.
- The necessary materiality analysis was developed to identify the organization's social, environmental, and economic impact.
- The Bank accessioned the United Nations Global Compact, affirming its commitment to protecting universally accepted principles in 4 areas (human rights, labor standards, environment, and anti-corruption).
- It obtained the carbon neutral certification issued by Bureau Veritas, which recognized the Bank's management to mitigate and offset the CO2 emissions generated by its activity in 2021
- The Bank was certified by Great place to Work as a great place to work. In addition, as a result of the survey given to employees, who responded positively to the variables analyzed by the firm, the certification endorsed by Icontec identifies the Finandina BIC Bank brand as a benchmark for employment in the country.





Management Report 2021



A work that brings recognition

The excellent management of Banco Finandina BIC, a strong and innovative value offer tailored to its customers, and a consistent strategy, has generated recognition from different entities highlighting the Bank's leadership with its products and services.

- It was ranked among the five finalists of the 2021 Portafolio awards, issued by the media of the same name. Its digital portfolio purchase product positioned the Bank in the Digital Transformation category.
- It was a Finalist in the annual contest "Acercando la Banca a los Colombianos" (Bringing Banking closer to Colombians), promoted by Asobancaria and Universidad EAN, highlighting the initiative of being the first BIC Bank in Colombia and Latin America.
- Bancoldex recognized Banco Finandina BIC for its management in the economic reactivation of the country by being a strategic ally in supporting long-term financing with Bancoldex resources.





INTEGRATED RISK MANAGEMENT

GRI 102-16, 103-1, 103-2, 103-3

Ethics and Transparency

Organizational values are respect, responsibility, collaboration, honesty, and service. Likewise, these attributes inspire us to be reliable and act according to our code of ethics.

The Bank promotes the reporting of incidents through the ethics line, which can be accessed confidentially by employees through the intranet or the conventional means of communication such as email, the control areas, or the regular hierarchically established channels. Additionally, there is a coexistence committee, 50% of whose members belong to the Company's collaborators and are selected by general voting through the same collaborators. Through the institutional email **comitedeconvivencia@bancofinadina.com**, they receive other communications in which special requests in this sense are investigated and analyzed. Banco Finandina BIC has also designated "ambassadors of happiness," which correspond to employees in different workplaces, to which people can direct particular actions or directly manage some special news.

BANCO FINANDINA BIC S.A. is committed to a "zero tolerance" policy against fraud and corruption in any of its forms. This policy reiterates the commitment of the BANK to perform all its management with honesty, integrity, and compliance with legal regulations.

As part of the fraud and corruption risk prevention policy, Banco Finandina BIC has set up a mechanism on its web page called the ethics line and a telephone number through which individuals may report any irregularities, non-compliance with regulations, violations of the Code of Ethics and Conduct or other facts or circumstances that affect or may affect the proper functioning of the Internal Control System.

GRI 205-2

In the induction process for new employees, Banco Finandina BIC promoted ethical behavior, confidentiality, and information protection. The Bank communicates these developments through the various reports studied in the respective committees.

GRI 205-3

It should be noted that no cases of corruption or fraud in any form were reported in 2021.

Risks

GRI 205-1

In 2021, commercial vigor resumed; despite the restrictions due to outbreaks in the first quarter and the national strike and blockades that took place. The Bank presents optimal placement levels, exceeding expectations in disbursements and maintaining a steady growth, which is allowed to close the growth gaps against the market that occurred in 2020 due to the effects of the pandemic. The digital strategy, a fundamental pillar to achieving this commercial performance of the Bank, gained relevant importance as a result of the situation presented the previous year. This is why the digital channels show a relevant growth in terms of placement, accompanied by a strengthened credit risk model, seeking to bring a healthy relationship between the growth of the portfolio and an indicator of the overdue portfolio over the levels of the banking sector. The Bank strengthened its risk management structure with specialized directions in the management of credit risk, liquidity, market, SARLAFT, operating risk, risk models, and credit factory, with which continuous monitoring is maintained in the first line of defense of the business. Additionally, the methodology for measuring the risk appetite framework (RAF) was incorporated to measure and monitor the risk levels that the Bank is willing to assume to develop and implement its objectives and business plan. Likewise, it defines the alert system, allowing the Bank to anticipate possible deviations that affect the achievement and reach of its strategic objectives.

The RAF brings together all the risks to which the Bank is exposed in developing its objectives. In its definition, the aim is to establish the levels of appetite, tolerance, and risk capacity of the Bank, as contrasted with the indicators measuring the development of the management and strategic objectives of the entity to establish the points where there is greater or lesser exposure to the risks faced by the Bank.

In line with its vision of error and risk mitigation, the Bank implemented improvements and automation of the most relevant processes in credit management, such as:

- Automatic credit approvals, which generated a reduction of paperwork, with no human interaction in some of the Payroll-deduction, Credit Cards, Consumption, and Vehicle processes, representing 30% of the operations approved this way. By the year 2021, 25,000 operations were approved automatically without any human intervention.
- Automation of regulatory reporting allows more time for analysis and reduces the chances of operational errors.
- Artificial Intelligence Implementation of monitoring processes for fraud reduction by producing more than ten different types of alerts that reduce the possibility of transactional fraud, protecting the Bank and customers from cyber-attacks or fraud.
- Verification and identity validation processes and/or possible fraud in the credit factory were strengthened. As a result, in 2021, it was possible to avoid the disbursement of more than 13 billion pesos in potential fraud.



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- Testing the Business Continuity Plan program in different scenarios (blockades, network failure, cyber-attacks, liquidity, etc.) to ensure that the organization's critical processes continue to operate even under adverse conditions.
- Implementing the segmentation model for SARLAF and SARLAFT 4.0 makes it possible to proactively and more assertively prevent the Bank from being used to give the appearance of legality to resources coming from illicit activities.

Innovation and technology

GRI 103-1, 103-2, 103-3

Banco Finandina BIC strengthened its digital capabilities in 2021 to enhance the Bank's digital offer in the medium and long term, adding to the technological infrastructure new functionalities that connect through the service catalog of the Enterprise Service Bus, IBM App Connect Enterprise. Among these implemented functionalities are the **Transfiyá** service for immediate person-to-person money transfers; **Finanfast** digital and immediate consumer credit and credit cards; **Flexidigital Origination** with outstanding improvements in the enrollment of allies and customers; Service Payments; Alternate and **directed CC Payments** and multiple improvements in the digital experience for customers with channels such as Responsive faculties in our App, the redesign of the Notifications, the informative banners with video for Flexidigital and Credit Card, and the redesign of the **One Time Password (OTP)** screens and the **SOAT** interface.

Now the Bank has improvements in information to customers. The service robot was put into production on the WhatsApp line, a higher level of information on credit and investment products was made available on the People Portal, a **Product Simulator** was implemented, the option to make alternate payments on credit and credit card products and the option of automatic renewal of physical card through the App, among other functions. Thus, more than 90 apps and WEB functions were made available to customers.

The Bank, within its Digital transformation and omnichannel process, has implemented a Chatbot solution providing the customer with a complete self-supported digital experience and using a widely used and disseminated channel such as Whatsapp chat. This solution allows the customer to interact in real time with the Bank and know the status of their product requests. The services and basic robots parameterized for customer use allow them to check their balance, know the status of their application and requests for specific products, and acquire new products completely autonomously. Furthermore, all interactions are stored to understand what the customer wants, where it is handled, and how we can repeatedly have a positive frictionless customer experience in real time.

Additionally, in 2021 the Bank strengthened its **Analytics and R&D capabilities**, with frequent deployments of functionalities for customer digital experience research and the use and development of new functionalities on cutting-edge technologies such as Frutter and NodeJS. All this in line with the highest cybersecurity standards, which allow the Bank to guarantee the highest level in customer information protection.

GRI 418-1

It should be noted that for this period, there were no complaints about breaches of customer privacy and/or loss of customer data.

Responsible Marketing

GRI 103-1, 103-2, 103-3

Banco Finandina BIC's communication with customers is part of the Digital Banking strategy, allowing customers and users to have online access to all the information they require about the Bank's products and services 24-7. In addition to having direct communication with them, the Bank has enabled the following channels allowing access to timely, transparent, and complete information.

- Website www.bancofinandina.com
- Direct communication via email and sms
- 24-hour call center
- Bank offices (material such as flyers, posters, and videos)
- Social Networking

Through these channels, customers receive and have access to all the information about their products, be it commercial or all the conditions and characteristics for the product or service, indicating their positive environmental advantages, such as:

- Reducing transportation use by using digital services and not going to a bank office to process or request products contributes to pollution reduction.
- Promoting loans for hybrid or electric vehicles also decreases pollution.
- The free-investment credit for green mobility such as bicycles or electric motorcycles is promoted.
- Everything communicated through financial education allows customers to manage their finances and time positively, taking advantage of the benefits of banking products and services.
- The clear and transparent publication of costs and rates of services and products allows customers to have total control for decision making according to their needs.
- In education, security communication is sent permanently, instructing customers on controls and prevention mechanisms in the use of their products such as credit and debit cards, giving them greater peace of mind in the handling of their products.

Although the banking products or services do not have negative aspects in their essence, information is generated so that their administration does not become negative for the customer's life:

- The counterproductive side of over-indebtedness
- Consequences of non-compliance with obligations
- Mismanagement of personal and household budgets

GRI 417-3

By virtue of the above, in line with the Bank's responsible marketing transparency, no cases of non-compliance related to marketing communications were reported in 2021.



PEOPLE

GRI 103-1, 103-2, 103-3

Banco Finandina contributes to people's progress by enabling opportunities through digital, friendly, eco-efficient banking, promoting a more inclusive society, driving the green economy, and encouraging stakeholders to improve their quality of life.

Community:

Within the social responsibility framework, the Bank executed the corporate volunteering program by accompanying and training a company Administradora de Fondo de Pensiones y Cesantías (Pension and Severance Fund Administrator) whose objective was to become a BIC company. In the same sense, the Bank conducted training sessions for the leaders of the companies that make up the Asociación de Empresarios de la Sabana Norte de Bogotá (Bogota Northern Savanna Business Owners- AESABANA, to promote the conversion of new companies to the Collective Benefit and Interest Company modality.

Likewise, the Bank structured the program called "Women of Power," consisting of developing a program to strengthen leadership skills, complemented with basic financial education and mentoring to enhance small businesses, aimed at forty (40) entrepreneurial heads of households with socioeconomic vulnerability. Finandina BIC Bank employees will put their knowledge at the service of enterprises led by women heads of households with financial exposure. After designing the program and choosing the allied foundation, the leadership program will be launched in the first quarter of 2022.

Donations:

Consistent with its social commitment, Finandina made donations of 300 million pesos to entities with which it supported underprivileged communities and sought to mitigate the impact of the pandemic. To this end, it contributed 100 million pesos to the food bank and 200 million to Los Andes University for constructing a digital research laboratory.

Suppliers:

GRI 102-9, 204-1

Within its vision, the Bank has declared one of its principles to be a Sustainable Bank. This concept is not framed only in an economic definition but incorporates guidelines promoting an environmentally friendly operational ecosystem recognized by society, customers, employees, and shareholders. Coherent with this strategic focus, it aims to mitigate the impact of the carbon footprint, pollution from all fronts, and the use of natural resources, being a pioneer and example in the sector in the development of GREEN strategies. The Bank has incorporated the following sustainable premises in its contracting and supplier management policy:

- Promote hiring local suppliers (those residing and paying taxes in Colombia).
- Promote the contracting of suppliers that maintain a coherent policy of sustainability, inclusion, equity, leadership, and hiring women within their management and operational team.
- Promote the purchase of equipment and assets that mitigate the impact of the carbon footprint.

In this way, the Bank develops its business model under administrative optimization schemes, allowing it to manage its operation with only 200 recurring suppliers. Finandina, through the purchasing committee, monitors the performance of service providers and has defined the following indicators in terms of sustainable follow-up:

Sustainable management indicator target	Formula	Average or result in 2019	Average or result in 2020	Average or result in 2021	Current goal
Promote the contracting of national suppliers	=Supplier Spending national/expenses; target 95%	99,27%	99,46%	99,69%	90%
Promote the contracting of suppliers from the northern savanna area to attend to the DG operation	=Supplier Spending Northern Savanna/GD expenses 15% target	19,45%	17,86%	17,34%	15%

Clients:

Finandina BIC has been a pioneer in launching digital products and services so that customers can self-manage without making recurring journeys to formalize their business or to carry out procedures or maintenance with the convenience of managing them at any time of the day and geographical location. In this sense, non-traditional service channels are available, such as the APPFinandina mobile application, the website, the IVR, chatbot, and the telephone contact center, which operate 24 hours a day, every day. This way, the Bank mitigates the generation of carbon footprint by the lower pollution produced in transportation and by the energy saved in the printing of documents, the management of file spaces and documents, toner, water, and other consumables and administrative elements. The following is a summary of the most relevant sustainability indicators in terms of clients:

Sustainable management indicator target	Formula	Average or result in 2019	Average or result in 2020	Average or result in 2021	Current goal
Avoid people's journeys and consumption of public and administrative services through non face-to-face placements, target 60%	# of non-face-to-face placements / # monthly credit and savings transactions	60,3%	73,0%	56,0%	60,0%
Promote the financing of electric, hybrid, or other green vehicles	# of sustainable transport placements / # vehicle minor plan operations	0,8%	1,2%	1,6%	1,0%



SUSTAINABLE PLANET:

GRI 103-1, 103-2, 103-3

Banco Finandina BIC has declared one of its principles to be a Sustainable Bank, a concept with which it has incorporated guidelines to promote an environmentally friendly operational ecosystem, seeking to mitigate the impact of the carbon footprint, reduce pollution from all fronts, promote the responsible use and protection of natural resources, and being a pioneer and example in developing the green strategy sector.

In 2020, the Bank made investments in sustainability to make its management system more efficient, adapted the country's offices with 100% LED systems to reduce energy consumption, and installed 60 bicycle racks with electric charging, promoting the use of this means of transport to mitigate the effects of carbon footprint and support the physical condition and health of employees.

Likewise, to obtain the "Carbon Neutral" certification, the Bank went through the stages of corporate inventory of carbon footprint. It was carried out by external advisors hired for such purpose, the implementation of some mitigation actions was verified, and the compensation of emissions corresponding to the year 2020 was executed through the investment of CO₂ bonds to support the conservation of forests in Antioquia through the REDD+ project "Sustainable Management of Forests applied to Eastern Antioquia under the BancO2 scheme". Based on these actions, the "Carbon Neutral" certificate was obtained from the Bureau Veritas certification house.

Recycling and waste

In the development of its operation, the Bank does not produce industrial waste. Therefore, its activity focuses on commercial and service operations. To this end, Finandina seeks to mitigate its impacts, reducing the consumption of resources by promoting less paper consumption with the digitization of its processes, as well as reducing the carbon footprint by optimizing the consumption of services and waste disposal in an environment of control and organizational culture.

Carbon Footprint:

The Bank is part of the green protocol committee led by the Colombian Banking Association, through which, in 2020, it acquired the tool "Information Management and Calculation of the Greenhouse Gas (GHG) Inventory." It measures the carbon footprint generated in the Bank's processes, thus generating actions to reduce this effect in the evaluations to be made in subsequent years from the information collected in the first year of its adoption (base year).

The GHG measurement is a reference for the Bank's internal environmental management. It seeks to inform all its members of the importance of measuring and managing the corporate carbon footprint, generating inputs for decision making, and allowing them to know an overview of the emission sources present in the organization and the percentage distribution of GHG emissions in scopes 1, 2 and 3, a basis for tracking emissions over time.

This report presents the results of the Corporate Carbon Footprint measurement carried out for 2020, which corresponds to the base or comparative year. The information was gathered following the methodological guidelines described in the "Corporate Accounting and Reporting Standard - GHG PROTOCOL," developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD); and the Colombian Technical Standard NTC-ISO 14064-1:2006.

GRI 301-1, 305-1

Sustainable management indicator target	Formula	Average or result in 2019	Average or result in 2020	Average or result in 2021
Promote Less Paper Consumption	= Consumption of paper sheets/# of products; Target 0.5 sheet per active product	1,22	0,46	0,60
Measure CO ₂ Footprint and mitigate product-related tonnage generation	Tons of CO ₂ equivalent per year (asobancaria calculator) /# transactions	0,09%	0,10%	0,15%
Decrease the number of printouts in relation to outputs; target 50% 2019	Monthly print clicks (teams in outsourcing) / # active products target 50%	0,36%	0,17%	0,16%
Decrease toner consumption relative to 2019 operations by 50%.	# of toner purchased month / # obligations disbursed	0,4%	0,5%	0,2%



Aligning material issues with the Sustainable Development Goals (SDGs)

The adoption of sustainability strategies and the extension of these guidelines to the defined stakeholders are relevant to mitigate risks and ensure consistency in the execution of the business plan. In the current global context, the adoption of high sustainability standards, good governance, and ethics have more and more weight in the decision-making processes of investors and shareholders, ensuring the generation of long-term value. In this sense, Banco Finandina BIC, as a member of the Green Protocol Committee led by Asobancaria, applies the alignment of the Sustainable Development Goals ODS, with the material issues defined by the guild⁵, which are summarized below:

Prioritized Topics	Sustainable aligned Development Goal (SDG)
Profitability, growth, and stability of the financial system	SDG 1. The end of poverty
Channel and product innovation	SDG 8. Decent work and economic growth SDG 9. Industry, innovation, and infrastructure
Inclusion of communities in the sector financial	SDG 1. The end of poverty ODS 8. Decent work and economic growth
Financial consumer management	SDG 10. Reducing inequalities SDG 16. Peace, justice, and strong institutions
Fight against corruption	SDG 16. Peace, justice, and strong institutions
Balance of the economic scenario of the sector	SDG 8. Decent work and economic growth

⁵Asobancaria's Green Protocol Committee defined this alignment of the SDGs, using the "Analysis Of The Goals And Targets" guide developed by Global Compact, Global Reporting Initiative (GRI), and Pricewaterhouse Coopers (PwC), taking as a reference the activities, initiatives, and management of the guild in the framework of the generation of economic, social and environmental value aimed at contributing to the progress of the SDGs.





HUMAN TALENT

GRI 103-1, 103-2, 103-3

The Human Talent of Banco Finandina supports the strategy to consolidate itself as a digital bank, to the extent that the center of decisions is focused on external and internal customers, with a corporate culture based on inspiring others, leading strategically, and facilitating change.

One of the Bank's premises focused on keeping part of the employees' operations from home, promoting "work at home," one of the paradigms that managed to overcome the pandemic. More than 40% of the strategic and support collaborators kept performing their activities this way, thus mitigating the spread of the contagion and protecting their health and that of their close family and social nucleus. In the midst of the demands and challenges the situation demanded, Finandina developed successful strategies to guarantee the wellbeing of its workers, promoting the hiring of women (more than 63% of the staff), the generation of new jobs in the areas of influence and municipalities of the Bogota savanna, as well as the implementation of actions that fostered their personal development.

Collaborators

Banco Finandina BIC contributes to the progress of people. We help our employees improve their quality of life, enabling opportunities through agile, friendly and eco-efficient banking, promoting a more inclusive society. The culture model based on vision, attributes, and competencies substantially supports this initiative. The people who work at Finandina BIC possess diligent, reliable, and enthusiastic attributes. Organizational competencies allow for good communication, accountability, teamwork, and customer service. Leadership is based on facilitating change, leading strategically, and inspiring teams.

The sustainability strategy framework supports the culture of Banco Finandina BIC. It is committed to a value proposition encompassed in the following dimensions:

Diversity

Inclusive selection and promotion policies, achieving openness and ensuring hiring practices that do not discriminate based on race, religion, ethnicity, sexual orientation, gender, origin, or social status.

Happiness at work

The Bank was recognized as a great place to work, inspiring us to consolidate the Great Place to Work certification as one of Colombia's best workplaces.

Development of competencies

We invest in future skills and develop competencies for better performance and career satisfaction.

Quality employment

To be the largest employer in the area of influence, to generate access to employment. Vulnerable population in strata 1, 2, and 3.

Programas de transición

Accompanying people when laid off, in their professional transition, and through retirement with support programs.

The results of these initiatives are summarized below:

GRI 405-1

Sustainable management indicator target	Formula	Average or result in 2019	Average or result in 2020	Average or result in 2021	Current goal
Promote the recruitment of the women Population directly and indirectly	= # of women in the Staff / Total plant of the month / Target >=50%.	65,14%	63,41%	62,56%	50%
Promote the employment of Mothers whose children/parents are financially dependent on them.	= # of women classified as head of household / Staff of women >=30%.	21,15%	35,69%	34,54%	30%
Women in a Manager or Director role	= # of women in the management team / Total management team >=50%.	52,67%	59,23%	58,44%	50%
Promote the Recruitment of employees in the area of influence	= employees domiciled in Northern Bogota and Zone / Staff Total target 70%	68,25%	70,27%	72,03%	70%
Obtain the Great Place To Work certification and score required to access as a company.	GPW score /Goal 70%			100%	100%
Payment of annual liberality goal decreed by Management	# of employees benefited / Staff Total Potential Plant	57,48%	88,64%	90,00%	80%

Training and development

The Bank has designed a continuous training plan, starting when hiring people. This is how the Human Talent Management ensures that employees receive annual training in different topics, including training oriented to the person's development, representing 19% of the total carried out.



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Additionally, there are programs to improve employee skills. For this purpose, the Corporate University of Banco Finandina BIC (UCBFA) was created, developing training programs focused on strengthening and developing leadership, technical, and personal skills.

GRI 404-2

- **Technical and tomorrow's skills:** Digital UX user experience management, SQL language, tools for information management, and Bizagi for intelligent process updates, information security, and cybersecurity.
- **Leadership:** Leadership schools with a human approach, facilitating the identification of gaps with the required leadership profile and individual and team accompaniment to strengthen competencies related to being and doing.
- **Skills of being:** Talks and emotional intelligence tools to effectively manage the new way of working the impact of the conjuncture because of the Covid-19 pandemic.

The results of these initiatives are summarized below:

GRI 404-1, 404-3

Sustainable management indicator target	Formula	Average or result in 2019	Average or result in 2020	Average or result in 2021	Current goal
Employee training hours	# of hours of training in the year/Staff vs. (target 2 hours average; 0.16 per month)	114,27%	83,96%	220,00%	117%
Employee training hours	employees who received at least 5 hours of training per semester / 100% Total Staff; target 85% of the collaborators	238,60%	289,70%	100,71%	500%
Develop training in soft skills (non-technical)	# employees trained in the year in SER activities / Total Staff	1,74%	58,73%	68,51%	58%
Promote the growth of workers through promotions	#Promotions / Vacancies involving promotion Goal 60%	46,58%	24,29%	28,13%	30,00%
Support the training of workers with educational aids	#Educational support formal education / Direct staff with seniority >= 12 months (target 20% plant)	10,30%	7,67%	11,81%	12%

Occupational Health and Safety

GRI 403-1, 403-2, 403-3, 403-4, 403-5, 403-6

Banco Finandina BIC has an occupational health and safety management system composed of programs for managing priority risks to which workers are exposed to prevent work-related accidents and diseases.

Epidemiological surveillance programs (PVE):

The following is a description of the programs related to the priority risks identified in the the framework of the Bank's operations:

The PVE for managing **psychosocial risk**, which covers all employees of Banco Finandina BIC, seeks to prevent stress-related illnesses both at work and outside work.

PVE of **biological risk** prevention applies to all employees of Banco Finandina BIC, including managing biological risk by contact with viruses, bacteria, and any other organism that may affect the health of the worker and biosafety protocols by Covid-19. Furthermore, the ergonomics PVE and daily life program includes the subprogram of active breaks, lifting loads, and the safe work procedure in offices. The use of video terminals applies to all headquarters and processes of the organization.

The hearing and voice care program, which in the first phase provides coverage to the Contac Center staff due to their high exposure to hearing risk, is intended to be expanded during 2022 to the staff of the commercial operations and offices.

The healthy lifestyle program for **cardiovascular risk** management includes healthy eating, physical activity, and the use of the gym as a wellness space for employees.

All the programs previously described have the training and awareness-raising spaces on risk prevention included in the employee training plan.

For the follow-up of the occupational health and safety management system, we have a program of planned inspections to guarantee safe work environments and a strategic road safety plan as part of our responsibility as a company in educating the different road stakeholders.

In addition, to ensure the participation of all employees, there are several committees for the review of relevant issues of competence of this management system, in which the Joint Occupational Health and Safety Committee (COPASST) stands out, with the participation of representatives of the Bank and representatives of the employees.

GRI 403-9, 403-10

It should be noted that there were no recordable cases of occupational accidents, work-related illnesses, or diseases for the fiscal year covered by this report.



Vaccination Program





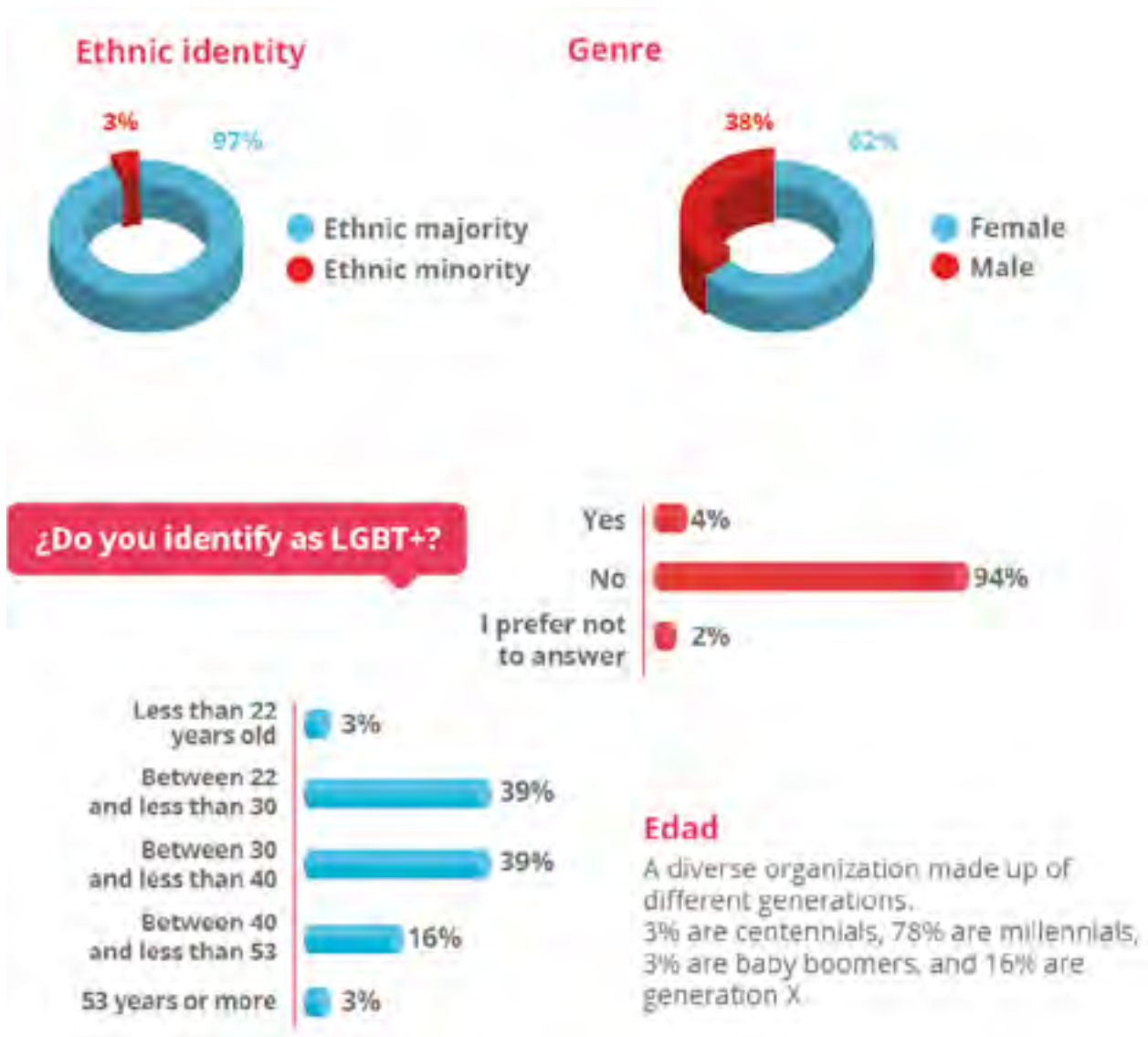
During the pandemic, Banco Finandina BIC promoted health practices and employee wellbeing and acquired the biologics to ensure the application of its employees' first and second dose of vaccination, achieving 97% of vaccinated staff. The session was lived with hope, gratitude, and joy on the part of the collaborators.



DEMOGRAPHY

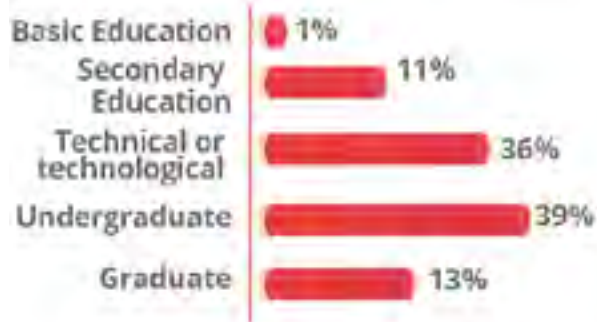
GRI 102-8, 406-1

Surveys conducted in 2021 and an inclusive policy allowed us to identify and better recognize our employees. It is noteworthy that in 2021 no cases related to discrimination were reported.



Academic background

Educational scholarships encourage the academic training of employees.



Seniority

51% of the population has been linked to the bank for more than two years.



Work modality

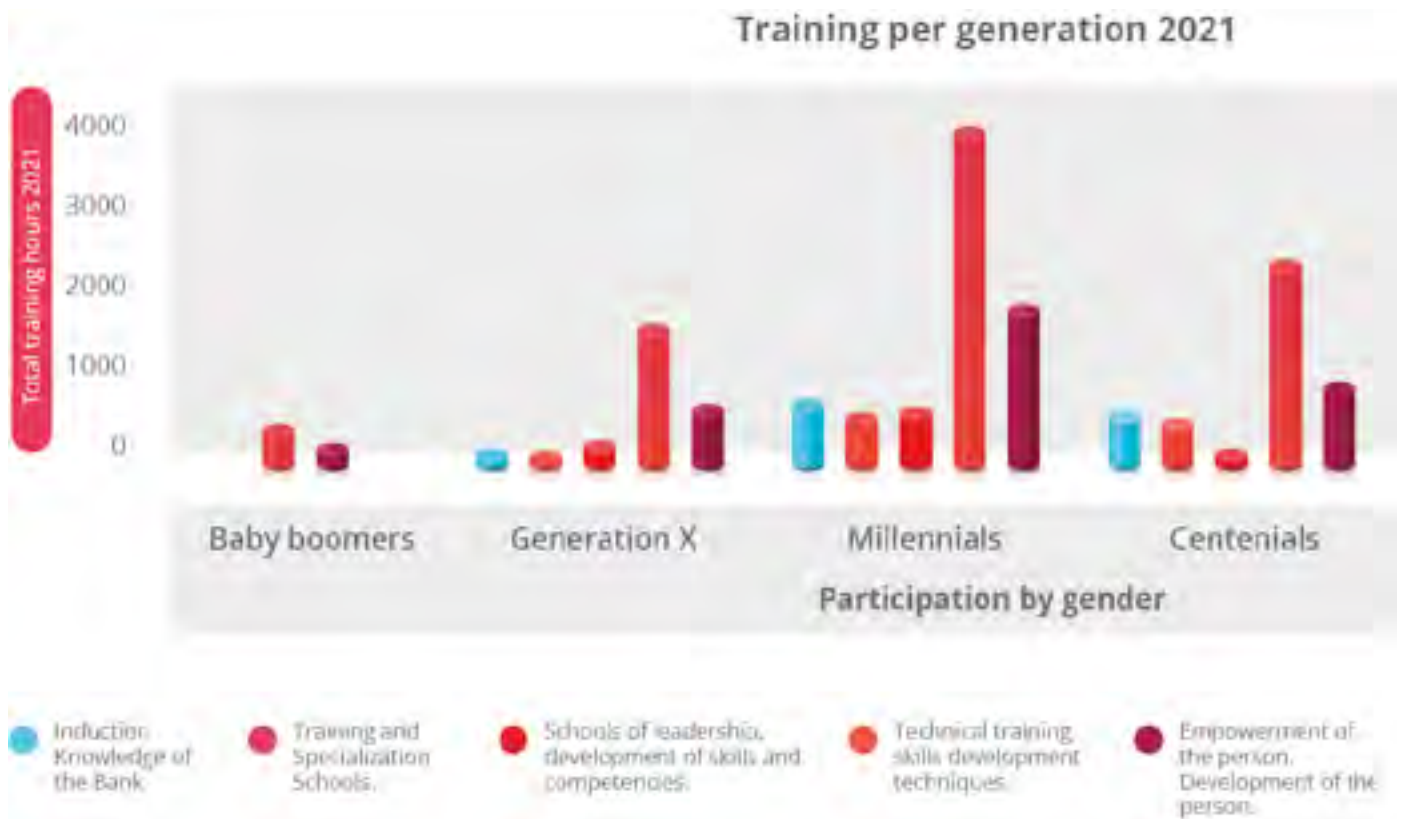




TRAINING 2021



The UCBFA approach contemplates the organization’s knowledge, the training school for the position, the development of leadership competencies and technical skills, and people skills. In 2021, we were able to convene employees to participate in workshops for the development of emotional intelligence. Our population is 62% female.

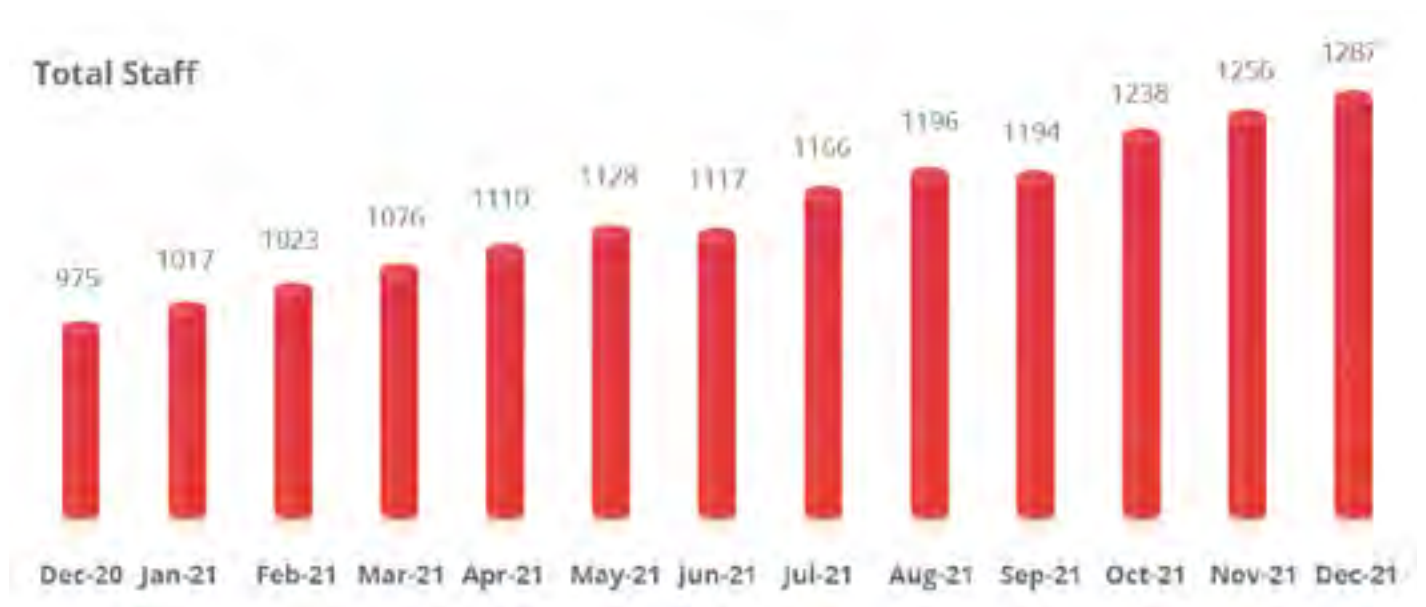




JOB CREATION

GRI 401-1

The Bank continually develops strategies to implement practices to promote talent attraction and ensure decent employment.





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ANEXO 1

FINANCIAL POSITION

EVALUATION AND NOTES

TO THE FINANCIAL

STATEMENTS



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BALANCE SHEET

As of December 31, 2021 (with comparative figures as of December 31, 2020)
Values are expressed in millions of Colombian pesos.

Assets	Notas	2021	2020
Cash and cash equivalents	7	202.647	167.483
Financial investment assets			
Negotiable investments		22.610	28.406
Investments in equity securities		1.349	1.307
Investments to maturity		23.464	49.571
Total financial investment assets	8	47.423	79.283
Hedging and derivatives	17	21.887	563
Loan portfolio and financial leasing			
Consumer Portfolio		2.371.888	1.802.372
Commercial portfolio		260.055	268.470
Microcredit portfolio		29	155
Housing portfolio		910	0
Total loan portfolio and financial leasing		2.632.882	2.070.997
Less: Portfolio impairment		(232.854)	(216.392)
Loan portfolio and financial leasing, net	9	2.400.028	1.854.605
Interest and other receivables, net	10	36.997	40.860
Non-current assets held for sale, net	11	3.336	2.795
Property and equipment, net	12	2.886	3.076
Rights of Use, net	13	7.949	7.873
Intangible assets, net	14	5.446	2.918
Current income tax	15	2.066	8.515
Deferred taxes, net	15	805	85
Total Assets		2.731.470	2.168.057
Liabilities			
Financial liabilities at amortized cost			
Customer deposits		1.869.011	1.418.533
Financial obligations		240.873	165.589
Loans with multilateral entities		167.569	170.298
Total financial liabilities at amortized cost	16	2.277.453	1.754.420
Accounts payable and other liabilities	18	95.745	74.756
Total Liabilities		2.373.198	1.829.176
Equity			
Subscribed and paid-in capital	19	53.945	53.945
Reserves	20	275.652	267.630
Retained Earnings			
Profit for the year		28.529	16.060
Unrealized gains or losses ORI	21	146	1.246
Total retained earnings		28.675	17.306
Total Equity		358.272	338.881
Total Liabilities and Equity		2.731.470	2.168.057

See notes which form a comprehensive part of the financial statements.

ORLANDO FORERO GÓMEZ
General Manager

SANDRA LÓPEZ ACEVEDO
Certified Public Accountant
TP 190393-T

JULIO CÉSAR OTÁLORA BERNAL
Statutory Auditor
Professional Card No. 129588-T
Member of KPMG S.A.S.
See my report of 18 February 2022.

STATEMENT OF COMPREHENSIVE INCOME AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2021 (with comparative figures for the year ended December 31, 2020)
(Amounts are expressed in millions of Colombian pesos, except earnings per share)

STATEMENT OF COMPREHENSIVE INCOME	Notas	2021	2020
Interest income and valuation of debt securities	23	322.364	323.467
Interest on loan portfolio and financial leasing operations.		318.440	314.760
Interest and valuation on debt securities at amortized cost		1.465	2.956
Other interests		2.459	5.751
Interest expense	24	78.697	102.095
Customer deposits		45.717	59.202
Financial obligations		17.147	21.698
Investment securities		15.833	21.195
Total net interest income and valuation of debt securities		243.667	221.372
Impairment of financial assets and portfolio recovery	25	74.190	109.406
Impairment of loan portfolio and accounts receivable, net		105.603	128.076
Recuperación de cartera		31.413	18.670
Net interest income after impairment and recoveries of		169.477	111.965
Income from commissions and other services	26	47.194	43.070
Expenses for commissions and other services	27	4.621	3.262
Net commission income		42.573	39.808
Other income	28	6.261	5.420
Other expenses (Selling, personnel, general and other)	29	174.163	131.075
Income before income taxes		44.148	26.119
Income tax	15	15.620	10.059
Profit for the year		28.529	16.060
Other comprehensive income to be reclassified to Income			
Unrealized gains or losses ORI		(1.778)	451
Unrealized financial instruments measured at fair value		42	116
Hedging with cash flow derivatives		(1.820)	(567)
Income tax on unrealized items ORI		678	(158)
Unrealized financial instruments measured at fair value		(4)	12
Hedging with cash flow derivatives		682	(170)
Other comprehensive income for the year, net of tax	21	(1.100)	(293)
Total comprehensive income for the year		27.429	15.767
Net income per share		5,29	2,98

See the notes, which form a comprehensive part of the financial statements.

ORLANDO FORERO GÓMEZ
Gerente General

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Certified Public Accountant
TP 190393-T

JULIO CÉSAR OTÁLORA BERNAL
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Professional Card No. 129588-T
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See my report of 18 February 2022.



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STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2021 (with comparative figures for the year ended December 31, 2020)
(Amounts are expressed in millions of Colombian pesos, except earnings per share)

As of December 31, 2021

	Notes	Share capital	Reserves	Retained Earnings			Total Equity
				Profit/loss for previous	Profit for the year	Unrealized gain or loss ORI	
Balances as of December 31, 2020	17	53.945	267.630	0	16.060	1.246	338.881
Profit/loss transfer for the year		0	0	16.060	(16.060)	0	0
Increase in the occasional reserve due to appropriation of net income with benefit		0	16.060	(16.060)	0	0	0
Disposal of the occasional reserve for 2016 and prior years with benefit		0	(17.171)	8.038	0	0	(9.133)
Increase in the occasional reserve for 2016 and prior years with benefit		0	9.133	0	0	0	9.133
Dividend distribution		0	0	(8.038)	0	0	(8.038)
Financial instruments at fair value with changes in ORI		0	0	0	0	38	38
Hedging with cash flow derivatives		0	0	0	0	(1.138)	(1.138)
Profit for the year		0	0	0	28.529	0	28.529
Balance as of December 31, 2021		53.945	275.652	0	28.529	146	358.272

As of December 31, 2020

	Notes	Share capital	Reserves	Retained Earnings			Total Equity
				Profit/loss for previous	Profit for the year	Unrealized gain or loss ORI	
Balances as of December 31, 2019	17	53.945	235.134	0	32.496	953	322.528
Profit/loss transfer for the year		0	0	32.496	(32.496)	0	0
Increase in the legal reserve for the appropriation of net income with benefit		0	32.171	(32.171)	0	0	0
Increase in the occasional reserve due to appropriation of net income with benefit		0	325	(325)	0	0	0
Drawdown of the legal reserve for 2016 and prior years		0	(152.978)	0	0	0	(152.978)
Increase in the legal reserve 2016 and prior years with profit		0	132.608	0	0	0	132.608
Increase in the legal reserve for 2016 and prior years without profit		0	4.200	0	0	0	4.200
Increase in the occasional reserve for 2016 and prior years with benefit		0	16.171	0	0	0	16.171
Disposal of the occasional reserve 2016 and previous years		0	(1.000)	0	0	0	(1.000)
Increase in the occasional reserve for 2016 and prior years with benefit		0	1.000	0	0	0	1.000
Disposal of the legal reserve for 2017 and subsequent years		0	(81.156)	0	0	0	(81.156)
Increase in the legal reserve for the year 2017 and subsequent years with benefit		0	81.156	0	0	0	81.156
Financial instruments at fair value with changes in ORI		0	0	0	0	(104)	(104)
Hedging with cash flow derivatives		0	0	0	0	397	397
Profit for the year		0	0	0	16.060	0	16.060
Balance as of December 31, 2020		53.945	267.630	0	16.060	1.246	338.881

See notes which form an integral part of the financial statements.

ORLANDO FORERO GÓMEZ
General Manager

SANDRA LÓPEZ ACEVEDO
Certified Public Accountant
TP 190393-T

JULIO CÉSAR OTÁLORA BERNAL
Statutory Auditor
Professional Card No. 129588-T
Member of KPMG S.A.S.
See my report of 18 February 2022.

CASH FLOW STATEMENT

For the year ended December 31, 2021
(with comparative figures for the year ended December 31, 2020)

(Amounts are expressed in millions of Colombian pesos)

	December 2021	December 2020
Cash flows from operating activities		
Resultado del ejercicio	28.529	16.050
Movement of items that do not involve cash		
Depreciation of property and equipment	1.126	1.046
Depreciation:		
Amortization of prepaid expenses	712	585
Amortization of intangible assets	1.952	3.002
Deterioration:		
Loan portfolio	235.476	204.477
Accounts receivable and other	26.502	30.025
Non-current assets held for sale	251	142
Valuation:		
Investments	(1.163)	(2.655)
Equity instruments	(1.100)	293
Deterioration recovery:		
Portfolio	(138.223)	(102.043)
Accounts receivable	(18.151)	(4.383)
Assets classified as non-current assets classified as held for sale	(140)	(69)
Profit) or loss on sale of:		
Assets classified as non-current assets classified as held for sale	(1.048)	983
Cash provided by operating activities	134.721	147.463
Net changes in transactions with assets and liabilities		
Amortized portfolio	223	293
Portfolio penalties	(80.791)	(62.292)
Accounts receivable write-offs	(12.621)	(8.073)
Portfolio placement	(2.827.537)	(1.310.257)
Accounts receivable	13.572	(26.717)
Prepaid expenses	(790)	(626)
Credit portfolio payments or credits	2.265.428	1.448.857
Accounts payable and other liabilities	24.034	15.710
Customer deposits	435.687	3.919
Issuance of outstanding investment securities	200.000	
Redemption of outstanding investment securities	(185.209)	(246.195)
Income tax	0	(2.104)
Net cash (used) provided by operating activities	(168.005)	(187.484)
Cash flows from investing activities		
Acquisition of:		
Intangibles	(4.480)	(3.844)
Decrease (increase) in property and equipment	(936)	(1.288)
Decrease (increase) in investments	33.024	(36.988)
Decrease (increase) Assets classified as held for sale	398	(2.870)
Net cash (used) provided by investing activities	28.007	(44.990)
Cash flows from financing activities		
Increase (Decrease)		
Dividends paid in cash	(8.038)	0
Lease Liability Payments	(2.754)	(2.445)
Bank loans and other financial obligations	51.232	78.996
Net cash (used) generated by financing activities	40.441	76.551
Increase (decrease) in cash and cash equivalents	35.165	(8.460)
Cash and cash equivalents at the beginning of the period	167.483	175.943
Cash and cash equivalents at the end of the period	202.647	167.483

See the notes, which form a comprehensive part of the financial statements.

ORLANDO FORERO GÓMEZ
General Manager

SANDRA LÓPEZ ACEVEDO
Certified Public Accountant
TP 190393-T

JULIO CÉSAR OTÁLORA BERNAL
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NOTES TO THE FINANCIAL STATEMENTS

Banco Finandina BIC S.A., notes to the financial statements as of December 31, 2021, and 2020, (expressed in millions of Colombian pesos except net income per share).

Note 1 - Reporting entity

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Under Resolution 201 of February 10, 2011, the Financial Superintendence of Colombia (Superintendencia Financiera de Colombia) granted the operating license as a Banking Establishment to Banco Finandina S.A. or Finandina Establecimiento Bancario, a private law entity incorporated by public deed No. 791 of March 7, 1977, granted at the First Notary Office of the Circuit of Bogota. Accordingly, the Bank is subject to the control and oversight of the Superintendencia Financiera de Colombia, and the Company's term is until 2076. Still, it may be dissolved or extended before said term.

In Colombia, the Bank is headquartered in Chia (Cundinamarca), with branches in the cities of Bogota, Medellin, Cali, Barranquilla, Ibague, Bucaramanga, Villavicencio and Pereira. The number of employees hired directly by the Bank as of December 31, 2021, is 842 (700 in 2020).

The Bank's corporate purpose is to develop all the activities authorized by law or authorized in the future to banking establishments. It allows it to capture resources from the public through the approved mechanisms to carry out active credit operations and financial leasing or leasing operations in all modalities concerning all kinds of movable and immovable property.

In 2021 the Bank adopted the category of Collective Benefit and Interest Company - BIC, adopting the name of Banco Finandina BIC, modifying its bylaws to incorporate its commitment to the generation of triple environmental, social and good corporate impact in its social contract. It thus became the first bank in Latin America to endorse this commitment to society, the community, and the environment. Furthermore, the Bank, as a Collective Benefit and Interest Company (BIC), will strive to incorporate specific practices to generate a positive social and environmental impact, in line with the Sustainable Development Goals of the United Nations and the country's commitments to sustainability.

The Bank is part of the Seissa S.A. business group. Banco Finandina BIC has no subordinated companies and has not entered into contracts with non-bank correspondents as referred to in Decree 2233 of 2006.

Note 2 - Basis of preparation of the financial statements

(a) Technical, regulatory framework

The financial statements have been prepared in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (NCIF), established in Law 1314 of 2009, regulated by the Sole Regulatory Decree 2420 of 2015 as amended by Decrees 2496 of 2015, 2131 of 2016, 2170 of 2017, 2483 of 2018, 2270 of 2019, 1432 of 2020 and 938 of 2021. The NCIF applicable in 2021 are based on the International Financial Reporting Standards (IFRS), together with their interpretations, issued by the International Accounting Standards Board (IASB); the base standards correspond to those officially translated into Spanish and issued by the IASB in the second half of 2020.

Credit institutions in Colombia, according to the Superintendency of Finance, apply the following exceptions contemplated in Title 4 Special Regimes of Chapter 1 of Decree 2420 of 2015 to individual financial statements:

- IAS 39 Regarding the treatment of the portfolio and its impairment
- IFRS 9 Regarding the classification and measurement of investments

In addition to the above, Circular Letter 036 of 2014 establishes an exception for goods received in lieu of payment or returned regardless of the accounting classification. For these cases, the requirements of the Basic Accounting and Financial Circular of the Financial Superintendence of Colombia (SFC) continue to be applied.

The financial statements and accompanying notes were approved by the Board of Directors and the Legal Representative according to minutes 529 of January 25, 2022, and minutes 517 of January 26, 2021, to be submitted to the General Shareholders' Meeting.

The Bank keeps its accounting records under the provisions of the Sole Catalog of Financial Information for supervisory purposes established by the Financial Superintendence of Colombia. Following the Accounting and Financial Reporting Standards accepted in Colombia (NCIF), some figures have been reclassified for presentation purposes.

For legal purposes in Colombia, individual financial statements are the main financial statements.

(b) Functional and presentation currency

For the presentation of these financial statements, its functional and preparation currency is the Colombian peso.

The amounts in the financial statements and disclosures in the notes are presented in millions of Colombian pesos and have been rounded to the nearest whole number.

(c) Use of estimates and judgments

The preparation of financial statements in conformity with MFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, and contingent liabilities at the date of the statement of financial position, as well as the income and expenses for the year. Accordingly, actual results may differ from these estimates.



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The relevant estimates and assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimate is evidenced and in any future periods affected.

Information on uncertainty in estimates and judgments in the application of accounting policies that have the most significant effect on the amount recognized in the financial statements is described in note 3.2. Regarding the Provision for loan impairment, Banco Finandina BIC, following the rules of the Financial Superintendence of Colombia, regularly reviews its loan portfolio to assess its impairment in determining whether an impairment should be recorded against the results of the year, following the guidelines established in Chapter II of the Basic Accounting and Financial Circular Letter.

d) Measurement bases

The individual financial statements have been prepared on a historical cost basis, except for marketable investments which are measured at fair value through profit or loss, investment in equity securities, and cash flow hedges through other comprehensive income (OCI), as appropriate.

e) Fair value

Generally, the fair value estimate focuses on the transaction of financial assets and liabilities that are traded in active markets (such as debt and equity securities actively traded on stock exchanges or interbank markets) and is based on quoted market prices at the reporting date.

An active market is a market in which transactions for assets or liabilities occur in sufficient frequency and volume to provide price information on an ongoing basis.

As such, only certain of the Bank's accounting policies and disclosures require fair value measurements, such as:

- **Treasury Book:**

The Bank calculates the fair value of the investment portfolio and the positions in hedging derivatives daily, using price information and/or inputs provided by the official price supplier (PRECIA PPV S.A.).

- **Investments in equity securities**

These securities are valued using the information provided by the price vendor PRECIA PPV S.A.

f) Presentation

The Bank's management will maintain the presentation and classification of items disclosed in the financial statements from period to period, unless there is a revision of activities of significant importance to the presentation of the financial statements, or when it becomes apparent that another presentation or classification would be more appropriate, taking into consideration the criteria defined in the Bank's current policies.

The following is the presentation of the financial statements as defined by the Bank:

- **Statement of Financial Position:** This is presented showing the different asset and liability accounts according to their liquidity, as it is considered that, for a financial institution, this form of presentation provides more relevant and reliable information.

- **Statement of income and other comprehensive income:** It is presented by the nature of income and expenses, which is the model most commonly used in financial institutions because it provides reliable, appropriate and relevant information.

- **Statement of changes in equity:** It is presented in a columnar format where each equity item's opening and closing balances are reconciled.

- **Statement of cash flows:** It is presented by the indirect method. For this financial statement, the Bank, within its business model, captures resources through the placement of ordinary debt bonds, CDs, checking and savings accounts destined for financing in the different credit lines offered to the public. Thus, they are classified as operating activities in this financial statement.

g) Going concern

The Bank has prepared its financial information on a going concern basis. For this purpose, the current financial position, the results of operations, and the Bank's growth intentions have been considered.

In the management report (see appendix chapter Joint report of the Board of Directors, the President and the General Manager, page 10), the most relevant aspects that had an impact on the business dynamics in 2021 are extensively detailed, as well as the expectations expected for development in 2022, under the assumptions of going concern, in which a favorable dynamics of growth, sustainability and general dynamics of the Bank are foreseen.

Note 3 - Significant accounting policies

The accounting policies set out below have been applied consistently in the preparation of the financial statements, in accordance with NCIF, unless otherwise indicated:

1. Foreign currency transactions

In general, the Bank does not carry out operations in foreign currency. The disbursements or expenses resulting from the development of normal business operations are eventually billed in foreign currency and converted into Colombian pesos using the exchange rate prevailing on the date of the transaction.

The Bank has no foreign currency balances between December 31, 2020, and 2021. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing at the reporting date of the statement of financial position, and non-monetary assets denominated in foreign currencies are measured at the historical exchange rate.

Banco Finandina BIC maintains a credit in dollars subscribed with the IFC, the financial arm of the World Bank, whose resources leveraged the promotion and development of the strategy of digital products and services offered by the Company in 2019 and 2020. However, to mitigate the exchange risk and steady the balance structure in pesos, this operation originated, from its disbursement, with a hedge offered by IFC, accepted by the Bank so that this obligation is expressed in pesos and indexed to the IBR throughout the life of the loan.

For this operation, the Bank applied the hedge accounting policy. As of December 2021, the liability position of the credit corresponds to 168 billion pesos, a figure that does not represent materiality in relation to total liabilities, equivalent to only 7.06% of its structure.



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2. Cash and cash equivalents

It consists of cash balances and demand deposits with original maturities of less than three months from the date of acquisition, which are subject to an insignificant risk of changes in their fair value and are used by the Bank to guarantee liquidity in the balance sheet and to meet its short-term contractual commitments.

3. Financial assets

The following policy is applicable to the investment portfolio, loan portfolio, accounts receivable, and all those investments the Board of Directors and/or Senior Management of the Bank authorize:

3.1 Financial investment assets

Includes investments acquired by the Bank to maintain a liquidity reserve, complying with legal or regulatory requirements, or eliminating or significantly reducing the market risk to which assets, liabilities, or other financial statement items are exposed.

Entities subject to the inspection and surveillance of the Superintendence of Finance of Colombia are obliged to value and account for investments in debt securities, participative securities, investments in real estate, investments in securities, and other rights of economic content that make up the portfolios or collective portfolios under their control, whether these are their own or managed on behalf of third parties, in accordance with the provisions of Chapter I of the Basic Accounting and Financial Circular Letter issued by said control body. In this sense, Banco Finandina BIC applies the provisions contained in the regulations established by the Superintendence of Finance, valuing investments on a daily basis as of the same day of acquisition and recording the accounting of changes between the acquisition cost and the market value of investments as of their purchase date. The difference between the current fair value and the immediately preceding one is recorded as higher or lower value of the investment and its counterpart affects the period's results.

Investments are classified into marketable investments, held-to-maturity investments, or available-for-sale investments. In turn, marketable and available-for-sale investments are classified as debt or equity securities.

- The classification established for the investments is as follows:

a. Marketable Investments: Any security or bond and, in general, any type of investment that has been acquired with the main purpose of obtaining profits from short-term price fluctuations.

b. Held-to-maturity investments: Any security or bond and, in general, any type of investment with respect to which the Bank has the serious purpose and the legal, contractual, financial, and operating capacity to hold them until maturity or redemption.

c. Available-for-sale investments: Stock or securities and, in general, any type of investment that are not classified as marketable investments or as investments to be held to maturity, and for which the Bank has the serious purpose and the legal, contractual, financial, and operating capacity to hold them for at least six (6) months counted from the day on which they were classified in this category. During the years 2020, and 2021, no balances have been recorded in this classification.

According to the provisions of Chapter I of the Basic Accounting and Financial Circular Letter, the eventual reclassification of investments must be approved by the Financial Superintendence of Colombia. Banco Finandina BIC has not resorted to this procedure for the 2021 and 2020 periods.

-The valuation of the investments is carried out as follows:

The main purpose of a valuation is the calculation, accounting recording, and disclosure of the value or fair exchange price at which a security could be traded on a given date, according to its particular characteristics and within the prevailing market conditions on that date.

Investments in debt securities are valued daily, recording their results with the same frequency, taking into account the classification of the investment. Investments in debt securities classified as held-to-maturity and mandatory are valued exponentially based on the internal rate of return calculated at the time of purchase.

The valuation of the portfolio is carried out taking into account the classification of the investments, as follows:

(a) Marketable debt securities

Debt securities classified as negotiable investments are valued according to the price provided by the price supplier for valuation designated as official for the corresponding segment, as established in Chapter XVI of Title I of the Legal Basic Circular Letter. For those cases in which there are no fair exchange prices for the valuation day, the valuation is made exponentially from the internal rate of return with the following procedure:

- Estimated future cash flows for yields and principal. The future flows of debt securities should correspond to the amounts expected to be received for the concepts of capital and yields agreed in each security.

Income is determined under the following rules:

1. Fixed-rate debt securities. The yields for each payment date result from applying the corresponding rate agreed in the security to the principal or the specific payments contractually established, as the case may be.

2. Variable rate debt securities. Yields for each payment date result from applying the value of the agreed variable index or indicator to the principal increased or decreased in the fixed percentage points established in the facial conditions of the respective security, when applicable.

a. When the issue conditions have established the use of the indicator value of the starting date of the period to be remunerated, this is used to calculate the next flow. For subsequent flows, the indicator's value in force on the valuation date is used.

b. When the issue conditions have established the use of the value of the indicator of the maturity date of the period to be remunerated, the value of the indicator in force on the valuation date is used to calculate all the flows.

c. For securities indexed to the CPI, such as the variable-rate Class B TES, the future cash flows are determined using the annual variation of the CPI known on the valuation day and the contractual percentage agreed upon.



3. Securities with prepayment option. The yields and payment dates, for valuation purposes, result from projecting the future flows of the security under the methodologies determined in the issue prospectus.

b) Held-to-maturity debt securities

Securities classified as held-to-maturity investments are valued exponentially based on the internal rate of return calculated at the time of purchase based on a 365-day year.

- The posting established for the investments is as follows:

Investments are initially recorded at their acquisition cost and are valued at market prices from that same day. The accounting of changes between the acquisition cost and the market value of investments is made from the date of purchase, individually, for each security, under the following provisions:

a. Negotiable Investments: They are valued with fair exchange prices provided by a price supplier. The difference between the current market value and that of the immediately preceding day is recorded as a higher or lower investment value, and its balancing entry affects the statement of income for the period.

b. Held-to-maturity Investments: They are valued exponentially based on the internal rate of return calculated at the time of purchase. The difference between the current value and that of the immediately preceding day is recorded as an increase in the value of the investment, and its counterpart is recorded in the period's results.

c) Recording of impairment for investments:

For the years 2021 and 2020, the Bank did not have unqualified investments or securities, generating impairment registration in the financial statements. Therefore, notwithstanding the preceding, the policy foreseen for these operations is as follows:

Securities or debt securities with one or several ratings and securities or debt securities issued by entities that are rated by external rating agencies recognized by the Superintendence of Finance of Colombia may not be accounted for an amount exceeding the following percentages of their nominal value net of amortizations made up to the valuation date:

LONG TERM Rating	Maximum % value	SHORT TERM Rating	Maximum % value
BB+, BB, BB-	Ninety (90)	3	Ninety (90) (90)
B+, B, B-	Seventy (70)	4	Fifty (50)
CCC	Fifty(50)	5 y 6	Zero (0)
DD, EE	Zero (0)		

Provisions for investments classified as held-to-maturity for which a fair exchange price is established correspond to the difference between the recorded value and the fair price.

Securities or securities of internal or external public debt issued or guaranteed by the nation, those issued by Banco de la República and those issued or guaranteed by Fondo de Garantías de Instituciones Financieras (Financial Institutions Guarantee Fund) FOGAFIN are not subject to this adjustment.

d) Determination of fair values

Certain of the Bank's accounting policies and disclosures require measurement of the fair values of certain assets (financial and non-financial).

The Bank values most of its investments using the information provided by the pricing provider PRECIA PPV S.A. The provider has approved investment valuation methodologies in accordance with the provisions of Decree 2555 of 2010, as well as the instructions provided in the Basic Legal Circular of the Financial Superintendence of Colombia.

At Fair Value Measured on a Recurring Basis December 2021

Instrument	Book Value	Fair Value	Part.	Level 1	Level 2	Level 3
IFC Swap	21,887	21,887	47.74%	-	21,887	-
Solidarity Titles	16,829	16,829	36.71%	-	16,829	-
Participative Titles	1,349	1,349	2.94%	-	-	1,349
Common Funds	150	150	0.33%	-	150	-
Tips	87	87	0.19%	-	87	-
TIDIS	5,544	5,544	12.09%	-	5,544	-
Total	45,846	45,846	100%	-	44,497	1,349

At Fair Value Measured on a Non-recurring basis December 2021

Instrument	Book Value	Fair Value	Part.	Level 1	Level 2	Level 3
TDA'S	20,430	20,077	86.87%	-	20,430	-
Popular voucher	3,034	3,035	13.13%	-	3,034	-
Total	23,464	23,112	100%	-	23,464	-

IFRS 13 establishes the following hierarchy for the measurement of fair value:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

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

Level 3: Not observable data significant to the asset or liability. As of December 31, 2021, and 2020, the Bank recorded shares in equity securities of Credibanco S.A., whose established business model



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implies that there is no intention of trading them in the short term. These securities are valued using the information supplied by the price provider PRECIA PPV S.A., and their amount is not material for the interpretation of the financial statements.

Precia performs a hierarchical ordering on the types of calculations made to obtain the prices depending on the availability of information as follows:

Type 1: These are calculations that come from trading systems or quotations from the entities that trade these securities.

Type 2: These are prices resulting from the application of models that incorporate observable information in the market.

During 2021 and 2020, there were no classifications between categories.

3.2 Loan portfolio and financial leasing operations

They represent the financing granted by the Bank, classified according to their amount and destination in commercial, consumer, mortgage, and micro-credit, as established in Chapter II of the Basic Accounting and Financial Circular Letter. The Bank mainly develops its business in the origination of the consumer portfolio, atomized in more than one hundred thousand obligations disbursed to salaried and independent natural persons, representing 89% of the portfolio. It does not promote the micro-credit portfolio line.

Criteria for credit risk assessment

The Bank periodically evaluates the risk of loss of the loan portfolio, financial leasing operations, interest, and other accounts receivable; and the provisions considered necessary for their protection are recorded, based on the provisions issued by the Superintendence of Finance of Colombia, as established in External Circular Letter 100 of 1995 and its amendments.

The granting of credit is based on knowledge of the borrower, its payment capacity, and the characteristics of the contract to be entered into, which include, among others, the financial conditions of the loan, guarantees, sources of payment, and the macroeconomic conditions to which it may be exposed.

The methodologies and procedures implemented in the granting process allow monitoring and controlling the credit exposure of the different portfolios, as well as the aggregate portfolio, avoiding an excessive concentration of credit by the debtor, economic sector, economic group, and risk factor among others. The Bank performs continuous monitoring and rating of credit operations under the granting process.

Banco Finandina BIC causes as income current interest and the financial component of the consumer credit portfolio with arrears of less than two months, three months for the commercial modality, and one month for the micro-credit portfolio. For operations with higher arrears, the recording is made in control accounts, as provided by the norms issued by the Superintendence of Finance.

When the accrual of yields, fees, and income for other concepts is suspended, the Bank makes a provision for the totality of the accrued and uncollected amount corresponding to such concepts.

The loan portfolio and leasing operations are recorded under assets and control accounts considering the risk (rating) and the default length (seasonality), respectively.

Purchase options and fees receivable under finance leases are recorded in contingent accounts.

Write-off policy

The Bank maintains the policy of writing off the past due portfolio after twelve months of delinquency or when serious conditions are known that may affect the value of the assets. During the fiscal year, the Board of Directors considered it convenient to write off some additional operations, based on prudence and portfolio protection criteria, because they are considered unrecoverable or of remote and uncertain recovery.

Evaluation and re-qualification of the loan portfolio

The Bank assesses the risk of its loan portfolio by making changes to the respective ratings when there is new analysis or information to justify such changes.

For each debtor, the Bank performs the internal alignment process, for which the credits of the same modality granted to the debtor are taken to the highest risk category.

Portfolio impairment policy

The provisions policy is based on the provisions of Chapter II of External Circular Letter 100 of 1995 and its amendments, which establish the constitution of individual provisions through the application of the Reference Models of the Superintendence of Finance of Colombia for each type of portfolio; MRC (Commercial Portfolio Reference Model) and MRCO (Consumer Portfolio Reference Model).

Likewise, the Bank implemented the calculation of the provision in attention to Circular Letter 047 of November 2016, corresponding to the adjustment by term, which modifies numeral 5 of Annex 5 of Chapter II of the Basic Accounting and Financial Circular Letter as for the calculation of the expected loss in the reference model for the consumer portfolio.

From the sanitary emergency of the year 2020, Banco Finandina BIC, implemented within its core business, relief to customers affected in their cash flow by the emergency by carrying out all the instructions given in Circular Letters 007, 014, and 022 until August 31, 2021. After this date, the negotiations are conducted under the instructions given in Circular Letter 026. Moreover, the design of portfolio segmentation through a portfolio tracking model took into account variables such as variation of estimated income and affectation of customer indebtedness, the above as a tool to implement collection strategies.

Banco Finandina BIC, as of December 31, 2021, recorded its provisions according to the model established by the Financial Superintendence and did not constitute additional provisions. For the third quarter of 2021, the different variables of the Colombian economic dynamics were reviewed and analyzed, where a reactivation associated with the measures provided by the National Government and the vaccination against the coronavirus was evidenced. Also, the status of the portfolio alleviated was 0.79% for the closing of September 2021. According to the above, the bank decided to reactivate its different lines of business, for which it adjusted the cut-off point of its admission and credit-granting models without leaving aside the follow-up to the relieved portfolio. Additionally, under the context of the External Circular Letter 022 of 2020, issued by the Superintendence of Finance, the bank established then different types of negotiations. Given their precision, Banco Finandina BIC decided to continue offering debtors who present and/or manifest economic affectations to cover them under the modified and restructured portfolio regulation.

Restructured Credit Policy

The Bank is governed by the guidelines defined in External Circular Letter 026 from the Superintendence of Finance of Colombia, modified by External Circular Letter 016 in July 2019, which sets out the requirements to make changes to the initially agreed conditions of the credits. In it, two typologies are



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defined: Modifications and Restructuring. In addition, the requirements to be classified in one or the other according to the payment habit and financial viability are established. Likewise, guidelines are given to establish the qualification in case of eventual default.

The composition of the portfolio by amounts and regions, among others, is described in Note 9.

Policies and criteria for guarantees

The Bank's business continues to be focused on the placement of credit portfolio, whose balance net of provisions represents more than 88% of the assets, and 62% of the portfolio is represented in the line of financing of minor plan vehicles with the backing of admissible guarantees without including insurance associated to the obligations, which protects the business even more. It is relevant to bear in mind that given the recent opening of the mortgage credit line and complying with the regulations in force of housing law 546 of 1999, leasing Law 795 of 2003, and decrees on credits with government subsidy, it was defined that for said credits they must be guaranteed with first-degree mortgages constituted on the financed houses, thus shielding the credit risk of further placements under this new line of business.

Banco Finandina BIC is one of the entities with the highest proportion of real guarantees on its balance sheet, which is a favorable aspect of credit risk management. In most cases, credits and leasing operations are made on motor vehicles less than fifteen (15) years old, acquired from dealers, authorized distributors, or directly from natural or legal persons. In these cases, the guarantee is real (suitable) on the vehicle, for which a contract or chattel guarantee, a financial leasing contract, or an operating leasing contract is subscribed.

The value of the guarantee at the beginning of the loan corresponds to the value invoiced by the dealer or authorized distributor or, in its absence, the value determined by specialized appraisers. Throughout the useful life of the loan, the guarantee is valued according to the tables issued by Fasesolda to determine the insurable value and coverage of the guarantees of the financed vehicles.

The Bank also enters into free investment credit operations with a personal guarantee, in some cases granting these credits with a promissory note, credit card, or consumer contracts.

Portfolio purchase and sale policy

In compliance with External Circular Letter 100 of 1995 from the Superintendence of Finance of Colombia, in the purchase of a loan portfolio, when there are differences between the face value of the portfolio acquired and the value disbursed, such differences shall be recorded in complementary valuation subaccounts as discount or premium to be amortized. Amortization is made exponentially during the term of each security. (See Note 9).

Sales of written-off portfolios generate income from recoveries.

4. Non-current assets held for sale

Assets received in payment of receivables and non-current assets held for sale where the Bank intends to sell them within a period not exceeding one year, and their sale is considered highly probable are recorded as "non-current assets held for sale." Such assets are recorded as "non-current assets held for sale."

They are recorded at the lower of their book value at the time of their transfer to this account, or their fair value less estimated selling costs. If after the term has elapsed, the assets are not sold, they are reclassified to the categories in which they originated (assets received in lieu of payment, property and equipment, and other assets).

The Bank applies the exceptions established in External Circular Letter 036 from the Superintendence of Finance of Colombia of December 12, 2014, thus provisioning realizable assets received in payment and restituted assets in accordance with the instructions set forth in Chapter III of the Basic Accounting and Financial Circular Letter.

Goods received in payment are accounted based on technical appraisals for their market value or for the value determined in the judicial adjudication. Provisions constituted on goods received in payment or goods returned from leasing operations may be reverted when they are sold for cash.

5. Property and equipment

Property and equipment include assets the Bank holds for current or future use and expects to use for more than one year. Items are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Gains and losses on the sale of an item of property and equipment are determined by comparing the gain or loss on the sale with the carrying amounts of the property and equipment and are recognized net within other income in the statement of income.

Depreciation methods, useful lives, and residual values are reviewed each year and adjusted if necessary, as the residual value as of the date is zero.

Depreciation is determined systematically using the technical straight-line method.

For the application of the method, depreciation is computed using the following useful lives:

Useful Lives	
Description	Useful Life
Furniture and equipment	10 years
Computer equipment	5 years
Vehicles	5 years

Most of the property and equipment have common insurance policies covering their value against the main insurable risks.

6. Intangibles

Correspond mainly to computer programs, which are initially measured at the cost incurred in the acquisition or internal development phase. Costs incurred in the research phase are taken directly to income. Subsequent to initial recognition, these assets are amortized over their estimated useful lives based on technical concepts and the Bank's experience.



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In the case of licenses, it has been defined as an asset with a finite useful life, generally less than three (3) years. Amortization is recognized on a straight-line basis, according to their estimated useful lives.

7. Financial liabilities

Financial liabilities are recognized at fair value and are subsequently measured at amortized cost. The amortized cost of financial liabilities; checking accounts, savings accounts, term deposit certificates, investment securities in circulation, legal currency bonds, and financial obligations, are determined based on the initially recognized value of the obligation, including interest expenses payable.

Transaction costs associated with obtaining financial liabilities classified as incremental costs within the approved business model are recognized as a deduction from the liability. For this purpose, the effective interest rate is recalculated, based on which the corresponding financial expenses are recognized in the results for the period, except in cases in which they have been designated as hedging instruments, in which case the corresponding accounting policy is applied.

8. Employee benefits

8.1 Short-term benefits

Short-term employee benefit obligations are recognized as an expense as the related service is provided. An obligation is recognized for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be reliably estimated.

8.2 Defined benefit plans

The obligations are recognized as an expense as the related service is rendered since they correspond to short-term obligations. This type of benefit does not require actuarial calculations.

9. Taxes

9.1 Income tax

With the Economic Growth Act 2010 of 2019, the income tax rate for the years 2020, 2021, 2022, et seq. is 32%, 31% and 30%, respectively. For financial institutions that obtain a taxable income equal to or higher than 120,000 UVT in the period, additional percentage points of income tax of 4% for the year 2020 and 3% for the years 2021 and 2022 apply.

The Congress of the Republic enacted the Social Investment Law 2155 of September 14, 2021, which increases the general income rate to 35% from 2022 on, and extends the time for financial institutions that have a taxable income equal to or greater than 120,000 UVT until 2025 to liquidate the additional points at 3%.

Tax expense or income comprises income tax, supplementary taxes, and the respective surtax and deferred income tax.

Current and deferred taxes are recognized as income or expense and are included in profit or loss, except when they relate to items in other comprehensive income or directly in equity, in which case the current or deferred tax is also recognized in other comprehensive income or directly in equity, respectively.

9.2 Current taxes

Current tax is the amount payable or recoverable for income and supplementary tax and its surtax, which is calculated based on tax laws enacted at the date of the statement of financial position. The Bank periodically evaluates the position taken in tax returns with respect to situations where tax laws are subject to interpretation and, if necessary, makes provisions for amounts expected to be payable to the tax authorities.

To determine the provision for income tax and its surtax, the Bank makes its calculation based on the greater value between the taxable income or the presumptive income (minimum return on the net equity of the previous year that the law presumes to establish the income tax).

The Bank only offsets current income tax assets and liabilities if it has a legal claim against the tax authorities and intends either to settle the resulting liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

9.3 Deferred tax

Deferred taxes are recognized on temporary differences that arise between the tax bases of assets and liabilities and the amounts recognized in the financial statements, which result in amounts that are deductible or taxable in determining taxable profit or loss for future periods when the carrying amount of the asset is recovered, or the liability is settled.

Deferred tax is determined using tax rates that are in effect at the balance sheet date and are expected to apply when the deferred tax asset is realized or when the deferred tax liability is offset.

Deferred tax assets are recoverable to the extent that the realization of the related tax benefits is probable. Future taxable income and the number of tax benefits that are probable in the future are based on medium-term plans prepared by management. The business plan is based on management's expectations that are believed to be reasonable under the circumstances.

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

10. Income

The Bank recognizes revenue when the amount of revenue can be measured reliably. Future economic benefits will probably flow to the entity when the specific criteria for each of the Bank's activities have been met.

Interest income and similar items are recognized as they accrue using the effective interest method.

Revenues other than interest and other items are recognized when the performance obligations committed to the customer are satisfied in exchange for an amount that reflects the consideration agreed in the contracts and to which the customer is entitled.



11. IFRS 9 Financial Instruments

In July 2014, the International Accounting Standard Board (IASB) issued the final version of the International Financial Reporting Standard (IFRS 9 - Financial Instruments) for annual periods beginning on or after January 1, 2018. This standard replaces the International Accounting Standard IAS 39 and, in Colombia, it replaces the previous version of IFRS 9 - Financial Instruments that had been issued in 2010 and was included in Decree 2420 of 2015. Accordingly, the Bank presents its individual financial statements, and to date, it has not been impacted by the changes in IFRS 9 regarding the treatment of loan portfolios and investments.

The Bank analyzed the implementation of IFRS 9 for other financial instruments different from the portfolio on this aspect. After validating that most of the accounts receivable recognized in the Financial Statements are associated and generated with the charge to the different credit obligations, it was determined that the impairment model includes the application of the standard. In this sense, no changes were made in the valuation method of these instruments. Therefore, no impact was generated in the financial statements by applying the new standard.

12. IFRS 16 Rights of Use

Through the second article of Decree 2170 of December 22, 2017, Annex 1.3 was incorporated into the Sole Regulatory Decree 2420 of 2015, where IFRS 16 issued by the IASB in the first half of 2016 was added and replaced IAS 17 Leases. Entities classified in group one, which apply the regulatory framework for financial information corresponding to full IFRS, must apply this standard from January 1, 2019.

IFRS 16 introduces a single lease accounting model in the statement of financial position for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard defines exemptions from recognition for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard, i.e., lessors continue to classify leases as either finance or operating leases.

The Bank evaluated and classified each contract to determine its application. In this sense, Banco Finandina BIC does not have a material volume of obligations generating impact for IFRS16. Only 15 office leases are identified, where the characteristics established by the standard for their recognition are met. The Bank focuses its strategy on customer service non-face-to-face, especially through digital, virtual or concessionary channels, thus not requiring the hiring of additional spaces to carry out its operation.

The incorporation of the rights of use of the assets derived from the lease contracts will be initially activated for three years as from January 1, 2019; each year the term will be evaluated taking into account the Bank's continuity plan, a definition that independently of the agreed contractual term, contemplates the expectation of business development over time in said physical space.

The Bank will evaluate each contract and establish its term. Short-term leases (lease terms of 12 months or less) and leases of low value assets, whose value is equal to or less than USD 5,000 per year, are not included.

The effect on the statement of financial position is recognized at the opening of the current fiscal year, in the case of leases that were previously operational and that comply with the conditions of IFRS 16,

the liability was calculated by discounting the future cash flows from January 1, 2019, onwards using the lessee's implicit interest rate (see note 13).

13. Hedge Accounting Policy

The Bank does not carry out derivative transactions for speculation purposes or as a business to obtain benefits from changes in short-term interest rates. However, as a result of the approval of credit equivalent to USD \$50 million, the Hedge Accounting Policy was implemented, applying the provisions of IFRS 9 (Financial Instruments), which allows defining the regulatory framework for the exchange and market risk management strategy, reducing volatility in the Statement of Comprehensive Income.

In this sense, given that the functional and operative currency of the Bank is the Colombian peso and that the interest rates of the loan portfolio are mostly originated in a variable rate indexed to the IBR; the Bank contracted a hedging derivative with the same issuing entity. Thus, an identical counterparty in terms of amounts, amortization, terms and contractual flows of the operation was guaranteed, which, in addition to changing the liability position in foreign currency to pesos, was made at IBR variable rate. In this way, counterparty, credit, and market risk are mitigated by having the asset and liability positions matched with the same entity, enjoying the highest credit risk standards and ratings, made under the same financial and facial conditions of the funding instrument.

The application of hedge accounting allows the Bank to record the portion of the foreign exchange gain or loss in Other Comprehensive Income (OCI). The derivative is measured at fair value, and the profit or loss of the same is recognized in the Statement of Comprehensive Income. For effects of the valuation methodology established by the Superintendence of Finance of Colombia, particularly as referred to in Chapter XVIII of the Basic Accounting and Financial Circular Letter, the Bank adjusts the reasonable value for counterparty risk. In this sense, if the net position is one of active nature, a net recording is made for portfolio devaluation (effect of the CVA⁶) or valuation if the net is of a passive nature (effect of the DVA⁷).

As of December 31, 2021, the hedging position does not represent a material position in terms of total assets. It is only equivalent to 0.008% of its structure.

The Bank applies the provisions established to determine the effectiveness of coverage, which as of 31 December 2021 and 2020 was 100%.

14. Net income per basic share

Net profit per basic share is calculated based on the simple or weighted average of the number of subscribed and paid shares outstanding as of December 31, 2021, and 2020, which correspond to the sum of 5,394,543,271. Likewise, the bank does not present dilutive effects since it does not have instruments with such effects.

⁶Credit valuation adjustment (CVA) is the market value of the counterparty credit risk.

⁷Debit valuation adjustment (DVA) is the market value of own credit risk.



Note 4 - Risk management

Types of risk and risk management

In the development of its operations, the Bank is exposed to different risks, mainly: Credit and/or Counterparty Risk, Market Risk, Liquidity Risk, Operational Risk, Asset Laundering risk, Financing of Terrorism Risk, and Legal Risk.

The risk management process to which Banco Finandina BIC is exposed is framed in the application of general policies and procedures clearly defined by the Board of Directors and Senior Management, who, through the different internal control bodies and committees created for such purpose, evaluate the level and profile of the risk associated to the different activities and operations of the Bank. In addition, these internal control bodies provide the Board of Directors and Senior Management with information, judgment elements, and proposals to guarantee adequate risk management.

The processes of identification, measurement, control, and monitoring of each of the risks to which the Bank is exposed are developed and managed by different areas according to the Bank's organizational structure.

In order to quantify the risk level of operations, there are automated and manual systems that incorporate the criteria, methodologies, and policies for risk measurement, established by Top Management and approved by the Board of Directors, in compliance with the standards required by the Superintendence of Finance of Colombia. Furthermore, policies and procedures for administering the different risks are periodically updated to adjust them to new market conditions and circumstances.

As a result of the sanitary emergency, the risk management strategy has not changed. The Bank made the changes required to adequately serve the debtors in such an emergency, recognize the risk and adequately monitor the portfolio under regulations issued by the financial superintendence.

The organizational structure of risk management

The board of directors is the organizational structure at the first level. In general terms, it approves the risk management policies and the entire guiding framework in which the bank's risk, stages, elements, and risk profile are managed. For these purposes, the Board of Directors relies on the Audit and Risk Committees of said body, as well as on the reports and information operated by management regarding the identification, measurement, control, and monitoring of the different risks.

The Management Risk Committees are collegiate bodies to which the Board of Directors delegates the management of risk administration. Their main objective is that the business areas correctly execute the risk management strategy approved for each of the six risk management systems (Operating, Credit, Market, Liquidity, Asset Laundering and Financing of Terrorism, and Financial Consumer service).

Likewise, committees have been established to provide the Board of Directors and the Top Management with information, elements of judgment, and proposals tending to guarantee that the internal control system adjusts to the entity's needs in developing its corporate purpose. The credit risk committee is in charge of evaluating, approving and/or proposing credit policies to the Board of Directors and to make

the necessary monitoring and control of credit risk management, as well as evaluating credit and investment lines for the development of treasury operations.

The Operating Risk Committee is responsible for analyzing and monitoring the Operating Risk Management System (SARO), the business continuity plans, and the Asset Laundering and Terrorism Financing Risk Management System (SARLAFT). The Financial Risk Committee is responsible for monitoring and controlling the management of market and liquidity risks through evaluating investments, cash flows, and the availability of resources.

Given the importance of risk management systems in the Bank and to ensure adequate management, a three-level structure has been articulated: The Front Office in charge of counter management, negotiation, and customer management, the Middle Office focused on risk implementation and management, and the Back Office, in charge of information processing and recording. The three levels ensure the independence and disaggregation of functions leading to adequate information and management for decision making at all levels.

The Bank has an audit area in charge of internal control activities. This area also supervises the risk management tasks carried out by the committees and the different areas.

Credit and/or counterparty risk

Banco Finandina BIC has a Credit Risk Management System (SARC), based on Chapter II of External Circular Letter 100 of 1995 and the amendments of the Financial Superintendence of Colombia. The objective of the SARC is to mitigate the loss due to non-compliance in the payment of loans granted.

In order to determine quotas and limit portfolio risk by product and by financial instrument, the financial statements of the credit institutions are analyzed, as well as the indicators of liquidity, profitability, financial efficiency, leverage, and rating granted by a risk rating company.

The SARC Manual clearly establishes the policies, processes, and methodologies that seek to mitigate credit risk, covering the entire life cycle of operations: granting, monitoring, control, and recovery, where all the elements that make up the SARC are described in accordance with the standard.

The reliability of these models varies over time and is limited to the quality of the information and documentation provided. Therefore, larger clients are periodically asked to update their financial statements for analysis.

Credit Risk Management System (SARC)

This system is framed by the provisions of Chapter II of External Circular Letter 100 of 1995 and the amendments of the Superintendence of Finance of Colombia. It seeks to mitigate exposure to portfolio losses due to non-payment by debtors.

In the granting process, the Bank has internal models allowing it to establish the result it is expected to obtain in its lending activity and to mathematically determine the probability that a loan will not be adequately serviced. However, the credit decision arises from analyzing the payment capabilities, solvency, morality, the particular characteristics of the client's activity, and the application of verification processes to avoid possible fraud and impersonation.



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In the follow-up and control, the Credit Risk Management constantly monitors the portfolio. It proposes policies, methodologies, procedures and/or tools that are subject to the consideration of the SARC Committee based on technical studies. Additionally, the portfolio committee evaluates the rating of credits for important amounts.

For the constitution of provisions of the commercial and consumer portfolio, the Bank adopts the application of the reference models developed by the Financial Superintendence of Colombia in External Circular Letter 100 of 1995.

In 2021, the Bank made some adjustments to the credit granting policy to give greater precision to the basic conditions that must be taken into account according to the type of credit (financing conditions, customer profile, documentation, among others). Likewise, new credit follow-up methodologies were developed through business intelligence tools, thus strengthening the analysis of the Bank's portfolio and providing early and efficient solutions.

In the recovery of the portfolio area, the statistical process of assigning calls was complemented, deepening its level of management and segmentation by utilizing its dynamic follow-up model that optimizes collection management. Additionally, the processes were strengthened to give greater clarity to the different alternatives and procedures for portfolio recovery. On the judicial portfolio, permanent management is made to avoid the rolling of operations and achieve credits' normalization. In 2021, adjustments were made to customer recovery policies, taking into account the Health Emergency and the regulations issued to attend it, comprising External Circulars 007, 014, and 022 PAD, in order to allow customers to pay greater attention to their financial obligations and to know the customer's current situation. This work is carried out with the support of the customer service area and the Solutions Management.

However, the PAD debtor relief program ended according to instructions issued by Finance Superintendence in August 2021. In this sense, most customers reestablished their payment habits and normalized their credit behavior. To date, Finandina does not have a portfolio under these conditions.

The Bank's portfolio management and credit risk exposure results are listed in note 9 and its appendices.

Market risk

Market risk management is regulated by Chapter XXI of the Basic Accounting and Financial Circular Letter of the Superintendence of Finance of Colombia. This regulation instructs controlled entities to implement a Market Risk Management System (Sistema de Administración de Riesgos de Mercado - SARM), with which they seek to mitigate losses associated with the decrease in the value of portfolios occurring as a consequence of changes in the price of financial instruments in which on and off-balance sheet positions are held. The SARM establishes policies, procedures, and methodologies to identify, measure, manage and control market risk.

The primary objective of market risk management is to minimize the impact that movements in interest and exchange rates may have on the Bank's equity.

For the calculation of market risk, the methodology takes into account the positions included in the treasury book, which corresponds to investments that in its business model may be traded in the market in the short term (portfolio of negotiable investments and those associated with the exchange rate included in the banking book).

Investments included in the treasury book are short term (less than one year) and represent 53.66 % of the portfolio. The market risk calculation made based on the standard model defined in chapter XXI of the Basic Accounting Circular Letter issued by the Superintendence of Finance of Colombia is as follows:

Market risk				
Treasury book	Market value on December 31, 2021	VeR	Market value on December 31, 2020	VeR
Investments in legal currency	22.460	297	17.319	187
Investments in collective portfolios	150	1	11.086	18
Total	22.610	298	28.405	205

The incidence of market risk in relation to technical equity is only 0.85% for December 2021.

Below are the average values of the treasury portfolio corresponding to the fourth quarter of 2021, as follows:

Valores promedio del portafolio		
	Investments in the legal currency cash book	Collective portfolio investments available on demand
Maximum Value	13.446	58
Minimum Value	5.73	4
Average	1.574	38

The business model does not foresee the strategic development of an investment portfolio in the Treasury book. Therefore, the exposure to market risk is not material and does not affect the model's position in terms of its profitability and effect on the income statement. In this sense, no future material changes are contemplated on such a structure, so it is not sensitized.

Exchange rate risk

Within its business model, the Bank does not strategically develop operations or have monetary assets and liabilities in foreign currency.

The Bank received a loan in dollars from the IFC. In this sense, to mitigate the exchange risk and balance the structure of the balance sheet. The IFC offered a hedge that Banco Finandina BIC accepted. In this sense, the financial obligation was expressed in pesos and indexed to the IBR under identical nominal and contractual conditions to those subscribed in the passive operation.



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Liquidity risk

The Bank has a robust and efficient Liquidity Risk management system. As a result, it generally maintains surplus cash positions on the balance sheet, which are available in savings and current accounts or on-demand investments. In this way, it has high quality assets in terms of the IRL (Liquidity Risk Indicator) that on average are over 9% of total assets, as well as securities issued and guaranteed by the Nation and private debt of the highest risk ratings, with which it is possible to access liquidity instruments offered by Banco de la República.

The Liquidity Risk Management System (SARL) is the fundamental tool to effectively identify, measure, control, and monitor the liquidity risk to which the Bank is permanently exposed. It contains the policies, procedures, documentation, functions, structure, and other elements used by the Bank to guarantee an adequate administration and management of liquidity risk.

Liquidity risk is understood as the contingency of being unable to fully and timely meet payment obligations on the corresponding dates due to insufficient liquid resources or the need to assume unusual funding costs.

The Bank's operations reflected a liquidity risk measurement indicator, which is stable and adequate for the structure of the balance sheet, positioning at the end of December 2021 and 2020, as follows:

Information Reporting Date	7-day IRL (amount)	30-day IRL (amount)	7-day IRL (financial ratio)	30-day IRL (financial ratio)
December 31, de 2021	218.285	127.145	921%	208%
December 31, de 2020	202.206	176.811	2551%	626%

Since the implementation of SARL, the historical levels observed in the reporting and calculation of IRL reflect the important and permanent effort made by the Bank in the management of liquidity, given the relevance that the highest body and the Bank's Management have assigned to the management of such risk.

This reflects the fact that, for the Bank, it has always been a priority to maintain sufficient liquid resources to meet its obligations on time without incurring losses.

In terms of IRL, the maturity of the Bank's main contractual items is detailed in notes 8 and 16.

Likewise, the Bank has been calculating the Net Stable Funding Coefficient (CFEN), according to the External Circular Letter 019 of 2019, where the structure and stability of the bank's funding sources are measured, seeking to maintain a long-term structure on the maturities of the entity, likewise promoting a reduction in risk in terms of investment in assets of difficult convertibility.

Thus, within the behavior of the CFEN indicator, the bank has sought to maintain the levels of available funding on liability positions with duration over 90, 360, and 520 days, optimizing long-term positions and reflecting a stable behavior of the liquidity levels of the entity on the available resources at one year, minimizing the risk on the maturities of short-term assets within its recovery, in this way the CFEN indicator was located at the end of 2021 and 2020 as follows:

	December 31, 2021	December 31, 2021
Available Funding Ratio	2.406.114	1.854.943
Required Funding Ratio	2.115.888	1.637.903
CFEN Indicator	113.72%	113.25%

Likewise, the Bank maintained positions within the treasury book in negotiable investments, allowing it to have assets of fast convertibility to face the needs that could arise due to the situation derived from Covid-19.

Operational risk management system management report

Banco Finandina S.A. BIC has an Operational Risk Management System aimed at mitigating economic, image, legal, reputational, or operational losses that may be generated by human resources, processes, technology, infrastructure, or external events that may affect the normal operation of the business.

This risk model is composed of minimum elements (policies, procedures, documentation, organizational structure, registration of operational risk events, control bodies, technological platform, information disclosure, and training) through which it seeks to obtain an effective and efficient operational risk management.

The basic stages for dynamic operational risk prevention are identification, measurement, control, and monitoring. These are complemented by reporting risk events that have already materialized and the possible losses the institution could incur.

The Bank has operating risk matrices prepared by the operating risk unit in conjunction with those responsible for the processes that make up the value chain and under the international methodology ISO 31000 "Risk Management, Principles, and Guidelines." This management had positive changes at a strategic and operative level, focusing the priority management on the most critical risks that generate more significant impact, to the extent that could affect the fulfillment of the Bank's objectives.

For the year 2020, 213 Operational Risk Events were reported, which, compared to the 187 reported in 2021, represents a decrease of (2%).

On the other hand, the number of Operational Risk Events affecting the Bank's EEFF was 83 in 2020 and 77 in 2021, i.e., a decrease of 4%.

Finally, and with greater relevance, it was observed that for the year 2021, the amount recorded in the Operational Risk loss accounts amounted to \$734M, which contrasted with the amount recorded in 2020 for \$557M, representing an increase of 14%.

For the years 2020 and 2021, the "kind" of Operational Risk Event that had the highest participation within the total of Events that generated loss was "Personal and Retail Banking," with 61% and 53%, respectively; which means a decrease of (8%) between one and the other period.



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Asset Laundering and Terrorism Financing Risk Management System - SARLAFT.

For the year 2021, Banco Finandina BIC S.A. complied with the provisions of the SFC established through the Basic Legal Circular in Part I, Title IV, Chapter IV on the Risk Management System for the prevention of Money Laundering and Financing of Terrorism. In addition, we complied with the establishment and application of improvements required for the processes related to SARLAFT 4.0. and continued complying with the establishment of the pillars related to the stages, elements, mechanisms, and instruments of SARLAFT, that were disseminated through the SARLAFT Manual, the policies and procedures oriented to the prevention, detection, and report of suspicious operations, applying in the same manner the recommendations and best practices to mitigate this risk according to the business model.

Policies, controls, and procedures are managed within a risk management framework, taking actions, good practices, and due diligence to prevent channeling illicit resources through the Bank. Such actions include, among other aspects, the expected knowledge of the client, the inherent risk qualification, the updating of information, the crossing of control lists, and the constant monitoring of its operations.

FATCA (Foreign Account Tax Compliance Act)

Banco Finandina S.A. BIC attended the applicable recommendations indicated in Circular Letter 62 of 2013 issued by the Financial Superintendence of Colombia. It refers to managing training programs for the commercial investment force, identifying persons, and providing the relevant information in the sole linkage form to identify customers with foreign investments in the entity.

Management Report on the Financial Consumer Service System - SAC

Banco Finandina S.A. BIC's Financial Consumer Service System aims to consolidate a culture of attention, respect, and service to our financial consumers, providing adequate information and strengthening the procedures for the attention of complaints and claims, promoting the protection of their rights.

SAC methodology has the minimum elements for its effective implementation (policies, procedures, documentation, organizational structure, infrastructure, training, financial education, and information to the financial consumer). Through the use of these elements, the administration of SAC in Banco Finandina S.A. BIC is implemented in an organized manner.

To establish concrete goals and objectives that may impact the due attention and protection of financial consumers, SAC has the stages of identification, measurement, control, and monitoring. These stages are based on facts or situations that may affect the due attention and protection of financial consumers.

Internal Control System Management Report - SCI.

In accordance with the provisions of paragraph 6.1.4 of Chapter IV of Title I of the Basic Legal Circular issued by the Superintendence of Finance of Colombia, the Internal Audit function was performed based on risk-based audits. As the third line of defense, it is responsible for evaluating the Bank's internal

control system. The activities developed were conducted in compliance with the audit plan approved by the Audit Committee of the Board of Directors. Said committee supervised the timeliness of the work plan, its effective compliance, and results quarterly. Also, it ensured that improvement opportunities have action plans.

In 2021, the Internal Audit complied with the functions required in the regulations issued by the Superintendence of Finance of Colombia regarding the Internal Control System. There were no limitations to the scope, and as a result of the tests executed, the follow-up actions, the application of techniques and methodologies used to analyze the information, improvement opportunities were identified and communicated to the administration. The corresponding recommendations were also reported.

Within the business continuity plans, the Bank has maintained the operation schemes through the use of secure connections related to the measures that have been put in place to control the risk of COVID-19 contagion and thus contribute to reducing the need for employees to go to the Bank's physical facilities.

Finally, the results of ICS evaluation and the risks related to the functioning, existence, effectiveness, efficiency, reliability, and reasonableness of the controls allow concluding that the internal control system is adequate, the components and its principles are present, and operate reasonably in the Bank.

Legal Risk

The Bank's operations are generally formalized in contracts and comply with legal regulations and the Bank's policies. Management is unaware of situations that might contravene legal provisions or the Bank's internal policies.





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Note 5 - Corporate governance

GRI 102-18, 102-16, 102-17, 102-25, 102-28, 102-32, 102-33

Banco Finandina BIC has an adequate corporate governance structure that allows it to manage with integrity, responsibility, and transparency the operations derived from its corporate purpose and the risks to which it is exposed as a financial institution.

The elements that make up corporate governance are regulated in a Corporate Governance Code that was approved by the Board of Directors. It specifically regulates aspects related to the governance structure, mechanisms of transparency and access to information, rights and rules of conduct of shareholders; responsibilities and rules of conduct of the management bodies; control of the activity of the Bank's directors and main executives; mechanisms for the disclosure of information and internal control; all provisions that allow the prevention, management, and disclosure of conflicts of interest, among other aspects.

Following the internal regulatory framework in force, the General Shareholders' Meeting has reasonable terms for its call, and sufficient channels for calling and informing shareholders. These functions allow the materialization of its purposes and the good performance of corporate governance in general, such as the performance of evaluations of the management of the Board of Directors and its members. In the same sense and under the provisions in force regulating the banking activity and the best practices of the Country Code, the Bank has permanent Risk, Audit and Corporate Governance and Sustainable Development Committees as support bodies of the Board of Directors, which, in general, have the functions recommended by the Code of Best Corporate Practices of the Country Code, contained in the respective internal regulations. Additionally, Banco Finandina BIC has a regulation of operations with economic-related parties and a map of these related parties so that the operations to be carried out with these persons undergo the validation and approval processes regulated in the said document.

The most recent amendments to the Board of Directors' Operating Regulations incorporated policies and procedures for the review of roles and responsibilities, as well as for the evaluation of the Board of Directors and its members.

The Bank has a Code of Ethics and Conduct that contemplates the principles and values guiding the Bank's management, the duties of its managers and employees, the procedure for disclosure and resolution of conflicts of interest in which managers and employees are involved, the handling of the Bank's and its customers' information, the rules of behavior and conduct of employees and managers, the disciplinary and sanctioning regime, among other aspects.

With the incorporation of the new corporate governance measures, the Bank is at the highest level of adoption of the Country Code standards for securities issuers in Colombia.

During the period, the Bank timely filled out and published the report on the implementation of the Best Corporate Practices corresponding to the year 2020, under the instructions provided in External Circular Letter 028 of 2014, issued by the Superintendence of Finance of Colombia.

In compliance with the provisions of paragraph of article 47 of Law 964 of 2005 and with the provisions of numeral 7.6.1 of External Circular Letter 038 of 2009, it is reported that the mechanisms and procedures established by the Administration for the control and adequate disclosure of financial information operated correctly. It was thus ensured that such information corresponded to the accounting, legal and financial reality of the company known by the administrators at the time of preparing this report.

In accordance with the provisions of Decrees 3341 of 2009 and 2775 of 2010, Banco Finandina BIC published a Corporate Social Responsibility report on its website, which incorporates the programs carried out by the Bank for the care of disadvantaged sectors.

Corporate Governance Committee

In 2021, the Corporate Governance Committee underwent an expansion of its management spectrum to attribute to this body the primary monitoring management of the execution of the sustainability strategy established by the Bank. In this sense, it was renamed Corporate Governance and Sustainable Development Committee, and one more member was added to its composition to have three members of the Board of Directors involved, and its functions were added in the sense described above. In the development of this assignment, the Committee followed up on each of the actions developed by the Bank on the sustainability front, covering the following topics: (i) Materiality analysis; (ii) Adhesion to UN Global Compact; (iii) System B Certification under the Impact Assessment methodology; (iv) Carbon Neutrality Certification; (v) ESG planning strategy; (vi) Reputation and positioning strategy based on the Bank's sustainability route; (vii) Progress in compliance with commitments associated with the BIC company status; and (viii) Management report under the Global Reporting Initiative - GRI standard methodology. In addition, and concerning its basic tasks of monitoring the functioning of the entity's corporate governance, it analyzed the questions that the Administration proposed for the exercise of the Self-Assessment of the Board and its committees in 2021 and reviewed the proposal of statutory reform related to the incorporation of the standards of system B and the adoption of the corporate name as a Collective Benefit and Interest Entity (BIC), which was finally adopted in January 2021.

Board of Directors and Senior Management

The Board of Directors and Senior Management, as the Bank's Management bodies, are aware of the responsibility involved in the administration and management of the different risks to which the Bank is exposed. Likewise, they are aware of the Bank's processes and business structure to provide the necessary support and carry out an adequate follow-up and monitoring thereof, which is performed directly and through the different committees of the Board and Management.

The Board of Directors, the Audit Committee of the Board of Directors, the Risk Committee of the Board of Directors, the Financial Risk Committee, and the SARC Risk Committee, among others, in accordance with their competence and attributions, define the policies and profile of the different risks to which the entity is exposed while approving the limits of the operations.

Policies and division of roles

GRI 102-11

The risk management policy is issued by the Board of Directors and is comprehensive in that it considers the risk management of the company's activities.

The different Managements and/or Internal Control Committees are in charge of identifying, estimating, managing, and controlling the risks inherent to the Bank's different businesses. Their main objective is to minimize them through adequate control and monitoring, following the provisions regulating the different risk management systems.

The policies issued by senior management, including those related to risk management, have been analyzed and there is clarity on the scope of each one of them.



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Reports to the Board of Directors

Periodically, Senior Management, the committees of the Board of Directors, or said body, as the case may be, are informed about the main positions at risk through clear, concise, and precise reports. The Board of Directors is aware of and approves operations carried out with economic-related parties when legal regulations and characteristics so require, under the terms established in the Regulation of Operations with Related Parties, and is aware of operations whose amount so warrants.

Technological infrastructure

From the Development area, improved functionalities and new services were delivered to production, facilitating the internal processes of the different areas, as well as the customer's attention and/or self-management through the Virtual Banking, Mobile App and Telephone Experience Center channels in line with the objectives of the Bank's strategic plan. Regarding technology infrastructure, the availability of information and orderly growth was ensured through the technological renewal of the server infrastructure that supports the applications and databases of the Bank's operation. Regarding data protection, information security, and cybersecurity, considerable investments were made in the optimization of security equipment and applications for monitoring, control, and regulatory compliance.

Methodology for risk measurement

The different types of risk are identified through methodologies, procedures, and instructions, with varying degrees of reliability. The level of reliability of these tools varies over time and is commensurate with the information provided and the degree of fidelity of the latter. Different measurement systems based on statistical tools are used to reliably determine the different risk positions.

Risks are monitored through periodic reports prepared by the Middle Office and other areas to be sent to Senior Management.

Organizational Structure

In Treasury risk management, there is independence between the trading, risk control, and accounting areas. These areas report directly or indirectly to the General Manager, who has a hierarchy over all processes.

Human Resources

The people involved in the risk area have the necessary preparation and experience to deal with the risk they are in charge of. In addition, senior management and the Bank's internal control bodies supervise and monitor the process.

Checking Operations

The Bank keeps a record of all its operations, keeping the necessary documentation to carry out the controls with which it can verify these were made under the agreed conditions in accordance with the provisions of the law. The Bank has controls in the accounting of operations to avoid, minimize and/or detect errors that may imply significant losses.

Internal Audit

The Bank has an Internal Audit area whose activity of evaluating risk management processes, internal control, and other activities inherent to its function is carried out with objectivity and independence. Management provides it with the information required to perform its function and gives it the necessary cooperation. These control bodies usually visit different areas and agencies and use virtual means to develop their work, issuing audit reports in which they recommend corrective measures and improvement opportunities as the case may be, which are made known to the Audit Committee and the Board of Directors.

Note 6 - Statutory controls

Concerning the period reported, the Bank has complied with the legal requirements: reserve requirement, own position, minimum capital, solvency ratio, mandatory investments, and other legal requirements. The Bank is not in the process of any adjustment plan to comply with these legal provisions.

Note 7 - Cash and Cash Equivalents

Cash balances comprise the following:

	2021	2020
Cash	\$ 424	257
Bank of the Republic (Colombia's Central Bank) (1)	56.636	37.467
Banks and other financial institutions (2)	145.587	129.759
Total cash and cash equivalents	\$ 202.647	167.483

(1) The reserve requirement in the legal currency as of December 31, 2020, is equivalent to \$31,225. It was covered with the average balance available in the deposit account at Banco de la República, whose average value of the available reserve was over \$31,908 at the end of the year.

The reserve requirement in the legal currency as of December 31, 2021, is equivalent to \$39,223, which was covered by the average balance of the available reserve in the deposit account at Banco de la República, whose average value of the available reserve was over \$44,922 at the end of the year.

(2) Balances in checking and savings accounts are available in different banking entities supervised by the Financial Superintendence of Colombia with AA+ and AAA risk ratings.

The Bank maintains surplus liquidity positions on the Balance Sheet, with which it amply meets the contractual and regulatory requirements in terms of the Liquidity Risk Management System established by the SFC. These resources are available especially in savings accounts in other banking entities with the highest risk ratings.



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Note 8 - Investment financial assets

The Bank's business model does not foresee the development of a structured investment portfolio, with which it speculates or seeks benefits from interest changes in the short term. Instead, its strategy is focused on maintaining available resources on the Balance Sheet. Notwithstanding, investments acquired correspond to short-term securities, less than one year. Most of them are mandatory investments that, regardless of their classification, generate liquidity through the mechanisms established by the Banco de la República.

The portfolio of financial investment assets as of December 31, 2021, valued at market prices, is equivalent to \$47,423. Most of them are invested in securities issued and guaranteed by the Nation, which represents 79% of the balance, followed by securities of entities controlled as AAA that represent 19% of the balance.

Type of Investments	Kinds	Balance 2021	Structure	Balance 2020	Structure
Issued or guaranteed by the Nation	TDA - TDS	\$ 37.259	79%	\$ 36.600	46%
Entities supervised by the SFC	TIPS - FIC CDT's - DT - TIDIS	\$ 8.815	19%	\$ 41.377	52%
Participating securities	Actions	\$ 1.349	3%	\$ 1.307	2%

For the year 2021, 49% of the portfolio is classified at maturity; therefore, it is not exposed to market risk. Among them are investments corresponding to Agricultural Development Securities (TDAS) for \$20,430 and Popular Bonds for \$3,034.

The negotiable portfolio for \$22,610 is represented in Mortgage Securities TIPS for \$97, Collective Investment Funds (FIC) at sight for \$150, solidarity securities (TDS) for 16,829, and Tax Refund Securities (TIDIS) for \$5,544. Finally, \$1,349 correspond to participative securities in Credibanco S.A. shares, whose business model established by the Bank does not imply the intention of its negotiation in the short term.

In the investment portfolio for the year 2020, 63% of the portfolio was classified at maturity, was not exposed to market risk, and was represented in Agricultural Development Securities (TDAS) for \$19,550 and CD's for \$30,022, with a contractual term of less than one year. The remaining balance of the portfolio, 28.406, was classified as negotiable and subject to market risk, constituted by Mortgage Securities TIPS for \$269, a collective portfolio at sight for \$11,086, solidarity securities (TDS) for \$17,051. Finally, \$1,307 was represented in participative securities corresponding to Credibanco S.A. shares, whose business model established by the Bank implies the non-intention of its negotiation in the short term.

Thus, securities constituting the portfolio of negotiable and maturity investments have credit risk ratings and conditions established by Banco de la República to make liquidity operations through open market operations (OMAS). Therefore, they constitute high-quality assets in terms of liquidity risk.

	2021	2020	Categoría
Negotiable investments in debt securities			
Solidarity Titles (TDS)	\$ 16,829	17,051	A
Securities with credit content deriving from the processes of securitization of mortgage portfolio (TIPS)	\$ 87	269	A
Negotiable investments in equity securities (FIC, TIDIS)	5,694	11,086	A
Total marketable investments in debt securities	\$ 22,610	28,406	A
Held-to-maturity investments	\$		
Class A agricultural development securities	\$ 14,792	14,758	A
Class B agricultural development securities	\$ 5,638	4,791	A
CDs,DTs, and Bonds	\$ 3,034	30,022	A
Total investments to maturity	\$ 23,464	49,572	
Participating securities	\$ 1,349	1,307	
Total financial investment assets	\$ 47,423	79,284	

During 2021 and 2020, no provisions or losses for credit risk rating were generated with respect to securities comprising the investment portfolio, according to the provisions of Chapter I of the Basic Accounting and Financial Circular Letter issued by the Superintendence of Finance of Colombia

Agricultural Development Securities (ADS), classified as held-to-maturity investments, comprise the following:

TDA at Maturity	Interest Rate	2021	2020
Class "A	Class "A DTF -4*	5.480	9.151
Class "B	Class "B DTF -2*	1.425	3.370
Class "A	Class "A IBR -3.67*	9.312	5.609
Class "B	Class "B IBR -1.71*	4.213	1.422

* Effective points on DTF and IBR

The Agricultural Development Securities (TDA) are unencumbered as of December 31, 2021, and 2020.



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Investment portfolio maturation

The following table presents the investment portfolio according to the contractual maturity of securities classified at maturity by their par value.

The current portfolio is highly liquid in terms of its composition, mostly represented in securities issued or guaranteed by the Nation (TDAs, TDS, and TIDIS), as well as investments in AAA entities that enjoy high liquidity standards and whose maturity is less than one year:

Investment Maturity on 31 December 2021

Class	2022	2025	Total
TDA A	14.792	0	14.792
TDA B	5.638	0	5.638
TDS	16.829	0	16.829
TIDIS	5.544	0	5.544
TIPS	0	87	87
Bonds	3.034	0	3.034
FICs	150	0	150
Total	45.987	87	46.075

In 2020, given the uncertainty caused by the Pandemic and excess liquidity at the end of this period, the Bank held investments with a maturity of more than one year.

Investment Maturity on December 31, 2021

Class	2021	2022	Total
TDA A	14.758	0	14.758
TDA B	4.791	0	4.791
TIPS	212	57	269
TDS	17.051	0	17.051
DT Bancolombia	30.022	0	30.022
FICs	11.086	0	11.086
Total	77.920	57	77.977

As of December 31, 2021, and December 31, 2020, there were no legal restrictions on investments.

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Note 9 - Loans and receivables and financial leasing transactions

The following is the detail of the portfolio:

General Summary	<u>2021</u>	<u>2020</u>
Gross Portfolio by type		
Credit and leasing	\$ 1.734.928	\$ 1.531.844
Free investment	520.780	298.838
Payroll-deduction loans	209.641	124.289
Credit Card	166.623	116.026
Mortgage	910	0
Total Gross Portfolio	\$ <u>2.632.882</u>	\$ <u>2.070.997</u>
Portfolio indicators		
Total portfolio provisions A	(106.286)	(104.618)
Total portfolio provisions B	(9.421)	(10.437)
Total portfolio provisions C	(23.291)	(19.059)
Total portfolio provisions D	(93.856)	(82.278)
Total portfolio provisions	<u>(232.854)</u>	<u>(216.392)</u>
Total net portfolio provisions	\$ <u>2.400.028</u>	\$ <u>1.854.605</u>
Total net portfolio A	2.395.442	1.852.223
Total past due portfolio by rating B	72.588	80.193
Total past due portfolio by rating C	70.996	56.303
Total past due portfolio by rating D	93.855	82.278
Total non-performing loans by rating	\$ <u>237.440</u>	\$ <u>218.774</u>

a) Summary of main portfolio indicators:

	<u>2021</u>	<u>2020</u>
Non-performing loans indicator by rating	9.02%	10.56%
Coverage indicator by rating	98.06%	98.91%
Total non-performing loans due to arrears	122.555	111.489
Indicator range of coverage by B rating	12.97%	13.02%
Indicator coverage by C rating	32.81%	33.85%
Indicator coverage by D rating	100.00%	100.00%
Indicator portfolio net of provisions	0.17%	0.12%
Overdue Portfolio Indicator by Delinquency	4.65%	5.38%
NPL coverage indicator	190.00%	194.09%
Total additional interest provision CE022	(2.814)	(7.247)
Principal and interest prov. CE022 / Past due at risk	99.2%	102.2%
Portfolio balance eligible collateral	1.635.894	1.478.634
Eligible Collateral / Net Portfolio Indicator	68.16%	79.73%
Unrestricted investment/ Gross portfolio	19.78%	14.43%
Payroll-deduction loans / Gross portfolio	7.96%	6.00%
Credit card / Gross portfolio	6.33%	5.60%
Total net loan portfolio	<u>2.400.028</u>	<u>1.854.605</u>
Total gross loan portfolio	\$ <u>2.632.882</u>	\$ <u>2.070.997</u>

b) Breakdown by classification:

	2021	2020
Commercial Credit		
Suitable guarantee - At normal risk	\$ 111.990	\$ 120.938
A suitable guarantee - B acceptable risk	10.111	17.204
Suitable collateral - C appreciable risk	1.454	1.942
Suitable collateral - D significant risk	3.068	4.439
Other guarantees - At normal risk	59.921	35.649
Other guarantees - B acceptable risk	923	1.033
Other guarantees - C appreciable risk	20	33
Other guarantees - D significant risk	213	157
Total trade credit	\$ 187.700	\$ 181.395
Consumer credit		
Suitable guarantee - At normal risk	\$ 1.262.968	\$ 1.076.375
A suitable guarantee - B acceptable risk	34.952	34.483
Suitable collateral - C appreciable risk	47.458	38.637
Suitable collateral - D significant risk	54.673	47.709
Other guarantees - At normal risk	866.628	507.938
Other guarantees - B acceptable risk	20.256	14.733
Other guarantees - C appreciable risk	18.215	12.047
Other guarantees - D significant risk	30.810	20.773
Total consumer credit	\$ 2.335.960	\$ 1.752.695
Microcredit credit		
Suitable guarantee - At normal risk	\$ 3	\$ 12
Suitable collateral - C appreciable risk	0	18
Total microcredit	\$ 3	\$ 30
Mortgage Credit		
Suitable guarantee - At normal risk	\$ 910	\$ 0
Total microcredit	\$ 910	\$ 0
Commercial Leasing		
Suitable guarantee - At normal risk	\$ 63.878	\$ 69.596
A suitable guarantee - B acceptable risk	5.779	11.110
Suitable collateral - C appreciable risk	1.221	1.584
Suitable collateral - D significant risk	1.477	4.785
Total commercial leasing	\$ 72.355	\$ 87.075
Microcredit leasing		
Suitable guarantee - At normal risk	\$ 26	\$ 85
A suitable guarantee - B acceptable risk	0	16
Suitable collateral - D significant risk	0	24
Total microcredit leasing	\$ 26	\$ 125
Subtotal portfolio	2.632.882	2.070.997



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Less portfolio provision

Provision for commercial loan portfolio	\$ (16.597)	\$ (22.057)
Provision for consumer credit portfolio	(203.714)	(174.480)
Provision for microcredit loan portfolio	(0)	(18)
Provision for mortgage loan portfolio	(9)	(18)
Provision for commercial leasing portfolio	(6.772)	(12.479)
Provision for consumer leasing portfolio	(5.760)	(7.325)
Provisioning for microcredit leasing portfolio	(2)	(33)
Total portfolio provisions	\$ (232.854)	\$ (216.392)
Total portfolio	\$ 2.400.028	\$ 1.854.605

c) Overview by Rating

	2021		2020	
	CAPITAL	PROVISION	CAPITAL	PROVISION
COMERCIAL	\$ 260.055	\$ 23.370	\$ 260.055	\$ 23.370
A	235.789	15.793	235.789	15.793
B	16.813	1.986	16.813	1.986
C	2.694	832	2.694	832
D	4.759	4.759	4.759	4.759
CONSUMPTION	\$ 2.371.888	\$ 209.473	\$ 2.371.888	\$ 209.473
A	2.158.715	90.482	2.158.715	90.482
B	55.775	7.435	55.775	7.435
C	68.302	22.459	68.302	22.459
D	89.097	89.097	89.097	89.097
MICROCREDIT	\$ 29	\$ 2	\$ 29	\$ 2
A	29	2	29	2
B	0	0	0	0
C	0	0	0	0
D	0	0	0	0
MORTGAGE	\$ 910	\$ 9	\$ 910	\$ 9
A	910	9	910	9
TOTAL	\$ 2.632.882	\$ 232.854	\$ 2.632.882	\$ 232.854

El movimiento de la provisión para protección de la cartera de crédito y operaciones de leasing financiero durante el año fue:

Opening balance	2021	2020
Increase in Loan Portfolio Provision	\$ 216.392	\$ 176.251
Increase in Leasing Provision	169.391	145.697
C026 Increase	6.344	13.547
Countercyclical Component Increase	12.796	8.705
Portfolio Write-offs	46.945	36.526
Leasing Write-offs	(77.386)	(59.555)
General Leasing Provision	(3.405)	(2.737)
Reimbursements of Portfolio Provision	0	1
Leasing Provision Refunds	(94.227)	(56.993)
Countercyclical Component Refunds	(9.706)	(6.589)
Ending Balance	(34.290)	(38.461)
	\$ 232.854	\$ 216.392

Portfolio Sale and purchase

The Bank sold a written-off portfolio in 2021 (without repurchase agreement) to Incomercio S.A.S (related party) for \$87,733 at a price of \$13,450. In 2020, it sold a written-off portfolio to Incomercio S.A.S. for \$14,574 at a price of \$3,672. Negotiation values correspond to market prices that have the respective methodological support.

Volume of Write-offs

The write-offs made during 2021 and 2020 are presented below:

Portfolio Type	2021		2020	
	Quantity	Value	Quantity	Value
Commercial Credit	430	\$ 4.233	262	\$ 4.723
Consumer Credit	7.980	73.135	4.783	54.832
Microcredit Credit	1	18		0
Commercial Leasing	43	1.882	30	1.363
Consumer Leasing	52	1.523	48	1.347
Microcredit Leasing		0	1	27
Write-offs/ total portfolio indicator		3,1%		3,0%



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Written-off and recovered portfolio

The Bank records in control accounts the following movement of written-off portfolio for the years 2021 and 2020:

	2021		2020	
	CAPITAL	OTROS	CAPITAL	OTROS
Commercial	\$ 982	233	\$ 3.839	1.135
Consumption	27.810	6.894	55.400	14.092
Microcredit	0	1	25	7
Credit Card	11.130	914	7.308	738
TOTAL	\$ 39.922	8.042	\$ 66.572	15.970

Collateral portfolio

As of December 31, 2021, and December 31, 2020, the Bank had no portfolio pledged as collateral.

Portfolio Relieved

In 2020, the Bank proactively anticipated customers' needs, individually attending to their requests and offering special plans designed to cover the particular conditions of each case and mitigate their impact on the payment of obligations. These measures, together with the Debtor Support program regulated by the Finance Superintendence, allowed benefiting customers with relief agreements, promoting formulas to support them during the emergency, seeking to mitigate the impact on their cash flows, and maintaining their credit history unaffected.

As of December 2021, there are no marks of portfolio relief in the balance sheet, which, according to guidelines established by the Superintendence of Finance, were made until August 31, 2021.

The detail recorded at the end of the year is shown below:

Relieved portfolio balance	December 2021	December 2020
Number of customers benefited	0	6.475
Total portfolio balance relieved	\$ 0	\$ 68.052
Gross portfolio	0	2.070.996
Relieved portfolio/gross portfolio exposure	0	3,3%
Capital provisions	\$ 0	\$ 216.391
Balance of interest receivable on relieved portfolio	0	\$ 3.980
Provision for interest provisioning of relieved portfolio	\$ 0	7.247
Coverage of uncollected interest	0	182%

Restructured loans

The Bank implemented the normative regulatory changes concerning the adjustment of Circular Letter 016 of 2019, where instructions related to the non-compliance of restructured clients are given, and modifies the norm of Circular Letter 026 for such provisions. In 2021, due to the health emergency, the Bank continued to conduct restructuring business and retain the brand of such restructurings that were granted relief, according to the instructions given in Circular Letter 022 from the Superintendence of Finance.

Description	2021	2020
Capital	\$ 83.986	\$ 56.615
Interest	4.487	3.999
Other	861	971

Dicha cartera se encuentra amparada con las siguientes garantías y provisiones:

Description	2021	2020
Warranties	\$ 84.158	\$ 62.818
Capital provision	53.528	40.735
Interest provision	3.468	3.746
Provision others	672	823



Management Report 2021

THE FOLLOWING IS THE CLASSIFICATION AND RATING OF THE LOAN PORTFOLIO AND FINANCIAL LEASING OPERATIONS
FOR THE YEAR 2021

SUITABLE GUARANTEE

	Capital	General Provision	Individual Provision	Interest earned	Interest Provision	Other	Provision Other	Warranties	Leasing Vehicles	Total warranties credit and vehicle leasing
Commercial										
A	175.867	0	13.599	2.974	625	831	65	195.382	117.701	313.083
B	15.890	0	1.860	869	585	158	41	21.378	8.297	29.675
C	2.675	0	826	150	145	54	46	4.356	1.943	6.299
D	4.545	0	4.545	313	313	95	95	7.417	2.863	10.280
	198.977	0	20.830	4.306	1.668	1.138	247	228.533	130.804	359.337
Consumption										
A	1.292.087	0	46.113	17.194	2.285	6.336	191	2.387.660	60.551	2.448.211
B	35.519	0	4.286	2.124	1.277	497	50	55.856	1.749	57.605
C	50.086	0	17.488	2.973	3.010	640	364	70.948	4.231	75.179
D	58.287	0	58.287	4.330	4.330	1.220	1.220	81.769	5.020	86.789
	1.435.979	0	126.174	26.621	10.902	8.693	1.825	2.596.233	71.551	2.667.784
Microcredits										
A	29	0	1	0	0	1	0	27	83	110
	29	0	1	0	0	1	0	27	83	110
Mortgage										
A	910	0	9	2	0	0	0	2.229	0	0
	910	0	9	2	0	0	0	2.229	0	0
FULL WARRANTY										
	1.635.895	0	147.014	30.929	12.570	9.832	2.072	2.827.022	202.438	3.027.231

OTHER GUARANTEES

	Capital	Provision General	Individual Provision	Interest earned	Interest Provision	Other	Provision Other	Warranties	Leasing Vehicles	Credit and vehicle leasing total guarantees
Commercial										
A	59.921	0	2.195	41	5	11	1	0	0	0
B	923	0	126	39	34	4	2	0	0	0
C	20	0	6	1	1	0	0	0	0	0
D	213	0	213	3	3	2	2	0	0	0
	61.077	0	2.540	84	43	17	5	0	0	0
Consumption										
A	866.628	0	44.369	7.560	946	1.205	49	0	0	0
B	20.256	0	3.149	1.075	479	102	12	0	0	0
C	18.216	0	4.972	1.282	1.220	94	61	0	0	0
D	30.810	0	30.810	2.877	2.877	317	317	0	0	0
E	0	0	0	0	0	0	0	0	0	0
	935.910	0	83.300	12.794	5.522	1.718	439	0	0	0
Microcredit										
A	0	0	0	0	0	0	0	0	0	0
B	0	0	0	0	0	0	0	0	0	0
C	0	0	0	0	0	0	0	0	0	0
D	0	0	0	0	0	0	0	0	0	0
E	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
TOTAL OTHERS GUARANTEES										
	996.987	0	85.840	12.878	5.565	1.735	444	0	0	0
TOTAL PORTFOLIO 2021										
	2.632.882	0	232.854	43.807	18.135	11.567	2.516	2.827.022	202.438	3.027.231

THE FOLLOWING IS THE CLASSIFICATION AND RATING OF THE LOAN PORTFOLIO AND FINANCIAL LEASING OPERATIONS

FOR THE YEAR 2020

SUITABLE GUARANTEE

	Capital	General Provision	Individual Provision	Interest earned	Interest Provision	Other	Provision Other	Warranties	Leasing Vehicles	Total warranties credit and vehicle leasing
Commercial										
A	190.534	0	16.865	3.159	800	723	67	188.355	123.831	312.186
B	28.314	0	3.573	1.656	1.025	338	73	32.731	16.999	49.730
C	3.526	0	1.106	252	264	76	52	2.976	2.379	5.355
D	9.224	0	9.224	559	581	164	167	9.895	6.431	16.326
E	0	0	0	0	0	0	0	0	0	0
	231.598	0	30.768	5.626	2.670	1.301	359	233.957	149.640	383.597
Consumption										
A	1.118.004	0	52.210	22.282	4.715	5.918	334	1.852.654	84.167	1.936.821
B	36.097	0	4.234	2.789	2.125	816	278	50.619	2.209	52.828
C	40.679	0	14.536	2.688	3.222	733	336	59.058	3.176	62.234
D	52.100	0	52.100	3.687	3.734	1.746	1.765	80.860	6.071	86.931
E	0	0	0	0	0	0	0	0	0	0
	1.246.880	0	123.080	31.446	13.796	9.213	2.713	2.043.191	95.623	2.138.814
Microcredits										
A	97	2	5	1	0	1	0	27	248	275
B	0	0	0	0	0	0	0	0	0	0
C	16	0	3	2	0	1	0	0	19	19
D	18	0	18	2	2	0	0	42	0	42
E	24	0	24	1	1	0	0	0	27	27
	155	2	50	6	3	2	0	69	294	363
FULL WARRANTY TOTALS										
	1.478.633	2	153.898	37.078	16.469	10.516	3.072	2.277.217	245.557	2.522.774

	Capital	General Provision	Individual Provision	Interest earned	Interest Provision	Other	Provision Other	Warranties	Leasing Vehicles	Credit an vehicle leasing total guarantees
Commercial										
A	35.649	0	3.424	87	17	7	1	0	0	0
B	1.033	0	176	50	22	5	2	0	0	0
C	33	0	11	0	1	0	0	0	0	0
D	157	0	157	1	1	0	0	0	0	0
E	0	0	0	0	0	0	0	0	0	0
	36.872	0	3.768	138	41	12	3	0	0	0
Consumption										
A	507.938	0	32.112	7.796	1.788	829	43	0	0	0
B	14.733	0	2.451	1.030	756	88	31	0	0	0
C	12.048	0	3.388	760	869	60	18	0	0	0
D	20.773	0	20.773	1.648	1.673	173	158	0	0	0
E	0	0	0	0	0	0	0	0	0	0
	555.492	0	58.724	11.234	5.086	1.150	250	0	0	0
Microcredits										
A	0	0	0	0	0	0	0	0	0	0
B	0	0	0	0	0	0	0	0	0	0
C	0	0	0	0	0	0	0	0	0	0
D	0	0	0	0	0	0	0	0	0	0
E	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER GUARANTEES										
	592.364	0	62.492	11.372	5.127	1.162	253	0	0	0
TOTAL PORTFOLIO 2020										
	2.070.997	2	216.390	48.450	21.596	11.678	3.325	2.277.217	245.557	2.522.774



Management Report 2021

THE FOLLOWING IS THE CLASSIFICATION OF THE LOAN PORTFOLIO AND FINANCIAL LEASING OPERATIONS BY GEOGRAPHIC AREA

YEAR 2021

SUITABLE GUARANTEE							
Geographic Zone	Capital	General Provision	Individual Provision	Interest Accrued	Interest Provision	Other	Provision Others
Center	\$ 855.159	-	77.055	15.106	6.243	4.873	1.049
East	87.075	0	7.776	1.448	618	412	93
South West	175.773	0	17.947	3.971	1.664	1.289	310
South	102.524	0	9.003	2.100	828	633	124
South East	104.546	0	9.967	2.398	926	639	120
West	224.235	0	17.189	4.036	1.448	1.403	251
North	86.582	0	8.075	1.870	842	582	124
FULL WARRANTY OF SUITABILITY	1.635.894	-	147.012	30.929	12.569	9.831	2.071

OTHER GUARANTEES							
Geographic Zone	Capital	General Provision	Individual Provision	Interest Accrued	Interest Provision	Other	Provision Others
Center	\$ 828.150	0	70.284	11.585	5.053	1.545	392
East	21.267	0	1.906	148	62	20	5
South West	11.931	0	1.432	227	112	45	11
South	17.072	0	1.539	167	65	24	8
South East	13.877	0	1.462	178	79	21	5
West	86.841	0	7.725	457	170	68	21
North	17.850	0	1.494	116	25	13	3
TOTAL OTHER GUARANTEES	996.988	0	85.842	12.878	5.566	1.736	445

TOTAL PORTFOLIO 2021	2.632.882	-	232.854	43.807	18.135	11.567	2.516
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YEAR 2020

SUITABLE GUARANTEE							
Geographic Zone	Capital	General Provision	Individual Provision	Interest Accrued	Interest Provision	Other	Provision Others
Center	\$ 756.050	2	81.082	17.415	8.657	5.171	1.531
East	72.238	0	7.141	1.853	779	470	141
South West	186.371	-	20.291	5.324	2.132	1.574	470
South	94.868	0	9.764	2.480	982	640	175
South East	90.806	0	9.865	2.746	1.100	664	205
West	201.189	-	17.913	4.981	1.855	1.382	357
North	77.114	0	7.841	2.279	964	615	196
FULL WARRANTY OF SUITABILITY	1.478.636	2	153.897	37.078	16.469	10.516	3.075

OTHER GUARANTEES							
Geographic Zone	Capital	General Provision	Individual Provision	Interest Accrued	Interest Provision	Other	Provision Others
Center	\$ 483.696	0	51.269	10.221	4.681	990	222
East	12.729	0	1.358	126	51	19	3
South Wes	12.019	0	1.353	232	104	48	7
South	8.891	0	1.189	180	84	22	5
South East	7.939	0	844	175	73	18	3
West	63.571	0	6.140	383	116	58	9
North	3.516	0	340	55	18	7	1
TOTAL OTHER GUARANTEES	592.361	0	62.493	11.372	5.127	1.162	250

TOTAL PORTFOLIO 2020	2.070.997	2	216.390	48.450	21.596	11.678	3.325
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Restructured Loan Portfolio by Geographic Zone - Year 2021

CLASSIFICATION	RATING	CONCEPT	CENTER	WESTERN	EAST	SOUTH	SOUTH WEST	SOUTH EAST	NORTH	TOTAL
COMMERCIAL	A	Capital	\$344	\$49	\$86	\$0	\$110	\$125	\$141	\$855
		Interests	12	1	1	0	1	0	25	40
		Other	1	0	1	0	1	1	1	5
		Warranties	499	67	80	0	92	174	162	1074
		Capital provision	32	4	7	0	7	13	12	75
		Interest provision	2	1	0	0	0	0	7	10
	Provision others	0	0	0	0	0	0	0	0	
	B	Capital	\$895	\$70	\$26	\$111	\$215	\$99	\$131	\$1.547
		Interests	35	11	0	5	11	2	3	67
		Other	6	1	0	3	1	0	2	13
		Warranties	750	120	86	250	317	118	180	1821
		Capital provision	160	14	6	12	35	11	19	257
		Interest provision	14	11	0	1	3	0	0	29
	Provision others	1	0	0	0	0	0	0	1	
	C	Capital	515	93	0	0	70	0	13	691
		Interests	20	1	0	0	2	0	0	23
		Other	5	0	0	0	1	0	0	6
		Warranties	892	36	0	0	100	0	74	1.102
		Capital provision	194	24	0	0	26	0	3	247
		Interest provision	3	0	0	0	2	0	0	5
Provision others	1	0	0	0	1	0	0	2		
D	Capital	1.295	234	120	160	284	817	138	3.048	
	Interests	56	17	9	8	3	108	9	210	
	Other	18	6	2	4	11	8	3	52	
	Warranties	1.994	357	69	567	585	1.567	152	5.291	
	Capital provision	1.295	234	120	160	284	818	138	3.049	
	Interest provision	38	17	2	7	2	32	2	100	
Provision others	18	6	2	5	11	8	3	53		
COMMERCIAL TOTALS	Capital	3.049	446	232	271	679	1.041	423	6.141	
	Interests	123	30	10	13	17	110	37	340	
	Other	30	7	3	7	14	9	6	76	
	Warranties	4.135	580	235	817	1.094	1.859	568	9.288	
	Capital provision	1.681	276	133	172	352	842	172	3.628	
	Interest provision	57	29	2	8	7	32	9	144	
Provision others	20	6	2	5	12	8	3	56		
CLASSIFICATION	RATING	CONCEPT	CENTER	WESTERN	EAST	SOUTH	SOUTH WEST	SOUTH EAST	NORTH	TOTAL
CONSUMPTION	A	Capital	7.821	1.120	376	506	887	536	921	12.167
		Interests	315	62	17	14	22	10	21	461
		Other	43	9	3	3	3	2	4	67
		Warranties	3.919	1.392	517	614	851	525	964	8.782
		Capital provision	651	99	33	48	72	46	74	1.023
		Interest provision	116	20	7	6	7	5	6	167
	Provision others	3	1	0	0	0	0	0	4	
	B	Capital	3.928	836	273	383	675	216	323	6.634
		Interests	150	26	4	15	22	11	22	250
		Other	23	5	1	2	8	1	1	41
		Warranties	2.896	769	231	346	930	192	261	5.625
		Capital provision	811	172	55	77	131	47	68	1.361
		Interest provision	52	9	1	6	14	3	9	94
	Provision others	4	1	0	0	1	0	0	6	
	C	Capital	11.031	2.070	869	835	1.859	599	738	18.001
		Interests	394	84	28	31	77	32	44	689
		Other	60	17	5	5	14	5	5	111
		Warranties	9.596	2.368	1.020	807	1.928	821	748	17.288
		Capital provision	3.896	755	339	304	713	234	232	6.473
		Interest provision	282	78	23	27	62	31	40	543
Provision others	21	6	2	2	5	2	1	39		
D	Capital	26.099	3.325	1.277	1.863	4.999	1.761	1.719	41.043	
	Interests	1.695	240	87	130	328	140	127	2.747	
	Other	319	54	21	27	84	28	33	566	
	Warranties	23.128	4.342	1.863	2.379	6.543	2.552	2.368	43.175	
	Capital provision	26.099	3.325	1.277	1.863	4.999	1.761	1.719	41.043	
	Interest provision	1.529	237	85	113	308	136	112	2.520	
Provision others	319	54	22	27	84	28	33	567		
CONSUMPTION TOTALS	Capital	48.879	7.351	2.795	3.587	8.420	3.112	3.701	77.845	
	Interests	2.554	412	136	190	449	193	214	4.147	
	Other	445	85	30	37	109	36	43	785	
	Warranties	39.539	8.871	3.631	4.146	10.252	4.090	4.341	74.870	
	Capital provision	31.457	4.351	1.704	2.292	5.915	2.088	2.093	49.900	
	Interest provision	1.979	344	116	152	391	175	167	3.324	
Provision others	347	62	24	29	90	30	34	616		



Management Report 2021

Restructured Loan Portfolio by Geographic Zone - Year 2020

CLASSIFICATION	RATING	CONCEPT	CENTER	WESTERN	EAST	SOUTH	SOUTH WEST	SOUTH EAST	NORTH	TOTAL
COMMERCIAL	A	Capital	1.227	0	4	21	156	0	0	1.408
		Interests	5	0	0	0	1	0	0	6
		Other	2	0	0	1	1	0	0	4
		Warranties	603	0	22	136	293	0	0	1.054
		Capital provision	59	0	0	2	14	0	0	75
		Interest provision	0	0	0	0	0	0	0	0
		Provision others	0	0	0	0	0	0	0	0
	B	Capital	\$169	\$0	\$140	\$66	\$141	\$0	\$0	516
		Interests	3	0	4	3	2	0	0	12
		Other	2	0	1	2	1	0	0	6
		Warranties	382	0	169	228	297	0	0	1.076
		Capital provision	29	0	31	6	21	0	0	87
		Interest provision	1	0	1	0	0	0	0	2
		Provision others	0	0	0	0	0	0	0	0
	C	Capital	62	128	0	0	0	0	0	190
		Interests	0	1	0	0	0	0	0	1
		Other	1	0	0	0	0	0	0	1
		Warranties	251	213	0	0	0	0	0	464
		Capital provision	20	31	0	0	0	0	0	51
		Interest provision	0	0	0	0	0	0	0	0
Provision others		0	0	0	0	0	0	0	0	
D	Capital	1.111	243	270	111	206	619	40	2.601	
	Interests	19	3	10	0	0	28	0	60	
	Other	15	5	9	5	6	3	1	44	
	Warranties	2.952	504	725	376	447	1.620	89	6.713	
	Capital provision	1.110	243	270	111	206	619	40	2.599	
	Interest provision	20	3	10	0	0	28	0	61	
	Provision others	17	5	9	5	6	3	1	46	
COMMERCIAL TOTALS	Capital	2.569	371	414	198	503	619	40	4.715	
	Interests	27	4	14	3	3	28	0	79	
	Other	20	5	10	8	8	3	1	55	
	Warranties	4.188	717	916	740	1.037	1.620	89	9.307	
	Capital provision	1.218	274	301	119	241	619	40	2.812	
	Interest provision	21	3	11	0	0	28	0	63	
	Provision others	17	5	9	5	6	3	1	46	

CLASSIFICATION	RATING	CONCEPT	CENTER	WESTERN	EAST	SOUTH	SOUTH WEST	SOUTH EAST	NORTH	TOTAL
CONSUMPTION	A	Capital	4.823	712	409	388	895	131	65	7.423
		Interests	62	6	5	6	8	1	1	89
		Other	16	5	2	2	4	1	1	31
		Warranties	4.002	1.098	647	595	1.299	226	120	7.987
		Capital provision	285	56	33	21	60	9	7	471
		Interest provision	8	2	3	0	1	0	1	15
		Provision others	1	0	0	0	0	0	0	1
	B	Capital	1.849	191	97	60	298	26	137	2.658
		Interests	31	3	1	0	4	0	3	42
		Other	11	4	0	1	3	0	4	23
		Warranties	1.750	307	92	109	547	90	310	3.205
		Capital provision	347	35	18	8	55	4	21	488
		Interest provision	10	1	0	0	2	0	2	15
		Provision others	2	1	0	0	0	0	0	3
	C	Capital	4.742	675	107	174	853	321	135	7.007
		Interests	72	12	1	3	11	3	2	103
		Other	22	4	1	2	9	2	1	41
		Warranties	5.167	1.161	336	469	1.553	490	389	9.565
		Capital provision	1.401	214	42	58	274	101	45	2.135
		Interest provision	38	7	0	1	5	1	3	55
Provision others		8	1	0	1	3	1	1	15	
D	Capital	14.546	2.425	1.110	1.885	3.451	1.695	955	26.067	
	Interests	281	49	20	33	67	27	15	492	
	Other	206	54	23	29	70	26	26	434	
	Warranties	20.638	4.538	2.748	3.718	6.532	3.993	2.024	44.191	
	Capital provision	14.547	2.426	1.110	1.885	3.451	1.695	955	26.069	
	Interest provision	283	49	20	33	67	27	15	494	
	Provision others	204	54	23	29	70	26	26	432	
CONSUMPTION TOTALS	Capital	25.960	4.003	1.723	2.507	5.497	2.173	1.292	43.155	
	Interests	446	70	27	42	90	31	21	726	
	Other	255	67	26	34	86	29	32	529	
	Warranties	31.557	7.104	3.823	4.891	9.931	4.799	2.843	64.948	
	Capital provision	16.580	2.731	1.203	1.972	3.840	1.809	1.028	29.163	
	Interest provision	339	59	23	34	75	28	21	579	
	Provision others	215	56	23	30	73	27	27	451	

Restructured Loan Portfolio by Geographic Zone - Year 2020

CLASSIFICATION	RATING	CONCEPT	CENTER	WESTERN	EAST	SOUTH	SOUTH WEST	SOUTH EAST	NORTH	TOTAL	
MICROCREDIT	D	Capital	25	0	0	0	0	0	0	25	
		Interests	0	0	0	0	0	0	0	0	
		Other	0	0	0	0	0	0	0	0	
		Warranties	38	0	0	0	0	0	0	0	38
		Capital provision	25	0	0	0	0	0	0	0	25
		Interest provision	0	0	0	0	0	0	0	0	0
		Provision others	0	0	0	0	0	0	0	0	
MICROCREDIT	E	Capital	27	0	0	0	0	0	0	27	
		Interests	0	0	0	0	0	0	0	0	
		Other	2	0	0	0	0	0	0	0	2
		Warranties	38	0	0	0	0	0	0	0	38
		Capital provision	27	0	0	0	0	0	0	0	27
		Interest provision	0	0	0	0	0	0	0	0	0
		Provision others	2	0	0	0	0	0	0	2	
MICROCREDIT TOTALS		Capital	52	0	0	0	0	0	0	52	
		Interests	0	0	0	0	0	0	0	0	
		Other	2	0	0	0	0	0	0	2	
		Warranties	76	0	0	0	0	0	0	76	
		Capital provision	52	0	0	0	0	0	0	52	
		Interest provision	0	0	0	0	0	0	0	0	
		Provision others	2	0	0	0	0	0	0	2	



CLASSIFICATION OF THE PORTFOLIO BY ECONOMIC DESTINATION

Sector				Provisions		
	Capital	Interests	Other	Capital	Interests	Other
Salaried employees	1.462.501	23.421	5.759	132.459	9.945	1.369
Capital Annuitants	253.695	3.699	923	17.930	1.186	162
Activities of extraterritorial organizations	226.368	1.854	1.323	9.994	181	56
Wholesale and retail trade	177.619	2.926	767	15.811	1.353	201
Other service activities	99.741	2.133	542	10.302	957	135
Professional, scientific and technical activities	78.016	1.873	440	9.630	852	136
Transport and storage	59.790	1.469	333	6.528	714	82
Pensioners	55.760	1.687	346	6.181	631	82
Manufacturing industries	46.784	988	227	4.884	463	51
Activities of human health and social assistance	34.920	571	174	3.487	256	42
Construction	27.454	791	165	3.231	351	43
Real estate activities	23.569	351	88	1.833	148	24
Maintenance, repairs, and installations	19.076	458	119	2.976	261	38
Accommodation and food service activities	17.886	592	126	2.820	383	44
Education and teaching	13.573	232	65	1.286	104	12
Public administration and defense	10.703	228	51	991	98	6
Financial and insurance activities	8.223	171	35	838	90	9
Arts, entertainment, and recreation activities	4.071	143	24	432	56	6
Pensioners	3.060	24	11	107	1	0
Social security schemes	2.234	4	0	153	1	0
Information and communications	2.064	31	10	254	12	2
Water supply; wastewater, sewage, waste, and discounts.	2.042	55	14	267	17	4
Mining and quarrying	2.007	51	11	226	31	3
Associations and guilds	1.281	36	7	189	24	3
Electricity, gas, steam, and air conditioning supply.	407	18	7	45	20	4
Household activities as employers	38	1	0	1	0	0
Total	2.632.882	43.807	11.567	232.854	18.134	2.516

CLASSIFICATION OF THE PORTFOLIO BY ECONOMIC DESTINATION

DECEMBER 31, 2021

Sector				Provisions		
	Capital	Interests	Other	Capital	Interests	Other
Salaried employees	1.194.300	25.231	6.090	116.664	11.083	3.614
Wholesale and retail trade	192.676	4.148	1.028	21.154	1.839	593
Capital Annuitants	119.861	2.972	742	10.711	1.243	482
Other service activities	97.193	2.611	606	10.033	1.151	444
Professional, scientific and technical activities	90.519	2.508	632	10.770	1.235	439
Transport and storage	63.267	1.988	424	9.908	1.023	337
Agriculture, livestock, forestry, and fisheries	58.470	1.941	422	6.944	720	194
Manufacturing industries	50.428	1.547	332	6.114	754	271
Human health and social care activities	37.929	868	271	4.217	372	156
Construction	32.721	1.160	249	3.910	470	161
Real estate activities	23.459	431	125	2.273	193	77
Maintenance, repairs, and installations	21.753	660	194	3.309	387	87
Accommodation and food service activities	21.343	823	187	3.335	468	137
Activities of extraterritorial organizations and bodies	16.702	320	55	1.464	107	30
Public administration and defense	13.654	316	81	1.353	118	47
Education and teaching	13.326	267	77	1.558	136	60
Financial and insurance activities	10.766	234	46	995	93	36
Artistic, entertainment, and recreational activities	4.693	209	39	618	90	37
Information and communications	2.302	71	18	305	43	24
Water supply; sewage, waste, and discounts	2.020	53	21	226	20	10
Mining and quarrying	1.949	45	25	365	33	4
Associations and associations	1.022	28	8	95	12	3
Electricity, gas, steam, and air conditioning supply	346	15	3	28	5	3
Social security plans	250	3	1	42	2	0
Household activities as employers	47	1	0	2	0	0
Grand total	2.070.997	48.450	11.678	216.392	14.348	7.247



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Note 10 - Interest and Other Receivables

The following is the detail of interest and other accounts receivable:

	<u>2021</u>	<u>2020</u>
Interest and financial component (1)	\$ 43.807	\$ 48.450
Payments on behalf of customers	11.177	11.421
Commissions	390	257
Advances to suppliers	188	391
Other	2.086	5.264
	<u>57.648</u>	<u>65.783</u>
Less provision for accounts receivable		
Interest and financial component	(18.135)	(21.597)
Payments on behalf of customers	(2.516)	(3.326)
	<u>(20.651)</u>	<u>(24.922)</u>
Payments on behalf of customers	\$ <u>36.997</u>	\$ <u>40.860</u>

The movement in the provision for accounts receivable during the year was:

	<u>2021</u>	<u>2020</u>
Opening Balance	\$ 24.921	\$ 7.352
Increase to Provision	26.502	30.025
Punishments	(12.621)	(8.073)
Provision Reimbursement	(18.151)	(4.383)
Closing balance	\$ <u>20.651</u>	\$ <u>24.921</u>

(1) Interest as of December 31 comprises the following:

	<u>2021</u>	<u>2020</u>
Interest on trade credit		
Suitable guarantee - A normal risk	\$ 2.083	\$ 1.926
Suitable guarantee - B acceptable risk	664	1.122
Suitable collateral - C appreciable risk	106	137
Suitable collateral - D significant risk	196	241
Other guarantees - A normal risk	41	87
Other guarantees - B acceptable risk	39	50
Other guarantees - D significant risk	3	1
Total interest on trade credit	\$ <u>3.132</u>	\$ <u>3.564</u>
Interest on consumer credit		
Suitable guarantee - A normal risk	\$ 16.711	\$ 21.453
suitable guarantee - B acceptable risk	2.112	2.681
Suitable collateral - C appreciable risk	2.906	2.631
Suitable collateral - D significant risk	4.108	3.463
Other guarantees - A normal risk	7.560	7.796
Other guarantees - B acceptable risk	1.075	1.030
Other guarantees - C appreciable risk	1.282	760
Other guarantees - D significant risk	2.877	1.648
Total consumer credit interest	\$ <u>38.631</u>	\$ <u>41.462</u>
Microcredit loan interest		
	<u>2021</u>	<u>2020</u>
Suitable collateral - C appreciable risk	\$ 0	\$ 2
Total interest on microcredit loan	\$ <u>0</u>	\$ <u>2</u>
Mortgage loan interest		
	<u>2021</u>	<u>2020</u>
Suitable guarantee - A normal risk	\$ 2	\$ 0
Total interest on microcredit loan	\$ <u>2</u>	\$ <u>2</u>
Commercial leasing interest		
Suitable guarantee - A normal risk	\$ 892	\$ 1.233
suitable guarantee - B acceptable risk	205	533
Suitable collateral - C appreciable risk	44	115
Suitable collateral - D significant risk	116	318
Total interest on commercial leasing	\$ <u>1.257</u>	\$ <u>2.199</u>
Interest on consumer leasing		
Suitable guarantee - A normal risk	\$ 484	\$ 830
suitable guarantee - B acceptable risk	12	108
Suitable collateral - C appreciable risk	67	57
Suitable collateral - D significant risk	222	225
Total interest on consumer leasing	\$ <u>785</u>	\$ <u>1.220</u>



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Microcredit leasing interest

Suitable guarantee - A normal risk	\$	0	\$	1
suitable guarantee - B acceptable risk		0		2
Suitable collateral - D significant risk		0		1
Total interest on microcredit leasing	\$	<u>0</u>	\$	<u>3</u>

Subtotal interest

\$	<u>43.807</u>	\$	<u>48.450</u>
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Less interest provision

Provision for interest on trade receivables	\$	(1.014)	\$	(1.066)
Provision for interest on consumer credit		(13.722)		(12.148)
Provision for microcredit loan interest		0		<u>(2)</u>
Mortgage loan interest provision		0		<u>0</u>
Provision for commercial leasing interest		(301)		(748)
Interest provision for consumer leasing		(285)		(385)
Provision for microcredit leasing interest		0		(1)
Additional interest provision CE022		(2.814)		(7.247)
Total interest accruals	\$	<u>(18.134)</u>	\$	<u>(21.597)</u>

Total interest

\$	<u>25.673</u>	\$	<u>26.853</u>
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Note 11 - Non-current assets held for sale

As of December 31, 2021, and 2020, the Bank has non-current assets held for sale. The balances for this concept are presented as follows:

	<u>2021</u>	<u>2020</u>
Assets received in lieu of payment	\$	\$
Movable property	3.589	2.938
Less: Provision	(253)	(143)
Total non-current assets held for sale	<u>\$ 3.336</u>	<u>\$ 2.795</u>

Banco Finandina BIC contracts with third parties to administer, promote, and sell goods received in payment and/or restituted. Qualified appraisers periodically make estimates according to the law. The movement of the provision is as follows:

	<u>2021</u>	<u>2020</u>
Opening balance	\$ 142	\$ 69
Increase to the Provision for Goods Received in Payment	251	142
Refunds of Provision of Goods Received in Payment	(140)	(69)
Ending Balance	<u>\$ 253</u>	<u>\$ 142</u>

Note 12 - Property and equipment

Property and equipment comprise the following:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 3.479	\$ 3.363
Computer equipment	7.180	6.376
	<u>\$ 10.659</u>	<u>\$ 9.739</u>
Less:		
Accumulated depreciation	\$ (7.773)	\$ (6.663)
Total propiedades y equipo	<u>\$ 2.886</u>	<u>\$ 3.076</u>

As of December 31, 2021, and December 31, 2020, there were no legal restrictions and/or pledges on these assets. Depreciation charged to income for the year ended December 31, 2021, was \$1,110 (2020 \$1,045).

For the years 2021 and 2020, no impairment was recorded.

The movement in the cost of property and equipment is presented below:



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As of December 31, 2021

	<u>Opening Balance</u>	<u>Acquisition</u>	<u>Low</u>	<u>Ending Balance</u>
Furniture and equipment \$	3.365	\$ 116	\$ 2	\$ 3.479
Equipo de cómputo	6.374	832	26	7.180
	<u>\$ 9.739</u>	<u>\$ 948</u>	<u>\$ 28</u>	<u>\$ 10.659</u>

As of December 31, 2020

	<u>Opening Balance</u>	<u>Acquisition</u>	<u>Low</u>	<u>Ending Balance</u>
Furniture and equipment \$	3.248	\$ 141	\$ 24	\$ 3.365
Equipo de cómputo	5.399	1.164	189	6.374
	<u>\$ 8.647</u>	<u>\$ 1.305</u>	<u>\$ 213</u>	<u>\$ 9.739</u>

The following is the movement in depreciation of property and equipment:

As of December 31, 2021

	<u>Opening Balance</u>	<u>Acquisition</u>	<u>Low</u>	<u>Ending Balance</u>
Furniture and equipment \$	2.503	\$ 193	\$ 2	\$ 2.694
Equipo de cómputo	4.160	934	15	5.079
	<u>\$ 6.663</u>	<u>\$ 1.127</u>	<u>\$ 17</u>	<u>\$ 7.773</u>

As of December 31, 2020

	<u>Opening Balance</u>	<u>Acquisition</u>	<u>Low</u>	<u>Ending Balance</u>
Furniture and equipment \$	2.503	\$ 193	\$ 2	\$ 2.694
Equipo de cómputo	4.160	934	15	5.079
	<u>\$ 6.663</u>	<u>\$ 1.127</u>	<u>\$ 17</u>	<u>\$ 7.773</u>

Note 13 - Rights of Use

The following is the recognition, depreciation, and finance cost resulting from the recognition of IFRS 16:

As of December 31, 2021					
	Right of Use Acknowledgement	Depreciation	Active balance	Financial Cost	Balance Liabilities
Rights of Use	15.064	(7.115)	7.949	294	(8.141)
	\$ 15.064	\$ (7.115)	\$ 7.949	\$ 294	\$ (8.141)

As of December 31, 2020					
	Right of Use Acknowledgement	Depreciation	Active balance	Financial Cost	Balance Liabilities
Rights of Use	12.522	(4.650)	7.873	241	(8.060)
	\$ 12.522	\$ (4.650)	\$ 7.873	\$ 241	\$ (8.060)

The Bank recognized right-of-use assets and liabilities of \$15,064 million in 2021 and \$12,522 million in 2020.

Additionally, there is evidence of accumulated depreciation of \$7.115 in 2021 with respect to the year 2020. The balance for this same concept amounted to \$4.650. The financial cost for \$294 million for 2021, and for 2020 \$241 million.

During the year 2021, \$ 2,754 million were paid for lease fees. The incorporation of the rights of use of the assets derived from the lease contracts of premises and offices has a pending time of three years to be discounted, which will be amortized according to the established term and the discount rate set by the Bank.

Note 14 - Intangible assets ota 14 - Activos intangibles

The balance of intangible assets corresponds to computer software and presents the following balances:

	2021	2020
Opening balance	\$ 2.918	\$ 2.076
Procurement	4.480	3.844
Depreciation	(1.952)	(3.002)
Closing balance	\$ 5.446	\$ 2.918



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Note 15 - Income taxes

a. Components of income tax:

Income tax expense for the years ended December 31, 2021, and December 31, 2020, comprises the following:

	<u>2021</u>	<u>2020</u>
Income tax for the current period	\$ 16.831	\$ 11.214
ICA Tax Discount	(1.084)	(1.116)
Donation Tax Credit	(85)	(223)
Subtotal	<u>15.662</u>	<u>9.875</u>
Deferred tax assets for the year	(488)	130
Deferred tax liability for the year	446	54
Total income tax	<u>\$ 15.620</u>	<u>\$ 10.059</u>

b. The reconciliation of the tax rate under the tax provisions and the effective rate:

The current tax provisions applicable to the Bank provide that in Colombia:

- i. According to the provisions of the Economic Growth Act 2010 of 2019, the income tax rate for the years 2020 and 2021 is 32% and 31%, respectively. With Law 2155 of 2021, a rate of 35% is contemplated for 2022 onwards. For financial institutions that in the period obtain a taxable income equal to or higher than 120,000 UVT, apply additional percentage points of income tax of 4% for the year 2020 and 3% for the year 2021 onwards.
- ii. With the Economic Growth Act 2010 of 2019, the presumptive income is reduced to 0.5% of the net worth of the last day of the immediately preceding taxable year in 2020 and to 0% as of 2021.
- iii. The Economic Growth Law 2010 of 2019 maintains the possibility of taking a discount of 50% in the industry and commerce and notices and boards income tax effectively paid in the taxable year or period. However, Law 2155 of 2021 repealed paragraph 1 of Article 115, which increased this percentage from 2022 to 100%.
- iv. With the Economic Growth Act 2010 of 2019, for taxable years 2020 and 2021, the audit benefit is extended for taxpayers who increase their net income tax of the taxable year in relation to the net income tax of the immediately preceding year by at least 30% or 20%, whereby the income tax return will become final within 6 or 12 months from the date of filing, respectively. With Law 2155 of 2021, this benefit is extended for the years 2022 and 2023, increasing by 35% and 25%, respectively.
- v. With the Economic Growth Act 2010 of 2019, the term of the finality of the income and supplementary tax return of taxpayers who determine or offset tax losses or are subject to the transfer pricing regime will be 6 years.
- vi. The occasional gain tax is levied at the rate of 10%.

In accordance with paragraph 81(c) of IAS 12, the following is a reconciliation between the Bank's total income tax expense calculated at current tax rates and the tax expense recognized in profit or loss for the periods ended December 31, 2021, and 2020. el 31 de diciembre de 2021 y 2020.

Description	2021	2020
Income before income taxes	\$ 44.148	\$ 26.119
Theoretical tax expense calculated according to current tax rates (Year 2021 - 34% (31%+3%) and (Year 2020 - 36% (32%+4%))	15.011	9.403
Tax on financial movements	577	706
Provision for redemption of points	580	233
Non-Deductible Expense Donations - Tax Credit	31	98
Taxes and levies	0	210
Other non-deductible expenses	149	77
Refund of tax provisions and other provisions	(487)	(334)
Dividends and participations	(2)	(8)
The difference in deferred tax rates	157	(66)
Non-deductible expense ICA - Tax Deduction Other items	(347)	(260)
	(49)	0
Total income tax expense for the period	15.620	10.059
Effective tax rate	<u>35,38%</u>	<u>38,52%</u>

Estimation and calculation of the tax rate according to World Bank methodology:

The Bank calculates the tax rate, including taxes and contributions effectively paid during the corresponding year, which is estimated below:

	2021	2020
Income tax and complementary taxes Industry and commerce	\$ 16.831	\$ 11.214
Sales Tax	2.202	2.176
Tax on financial movements	5.878	4.829
Consumption Tax	3.393	3.920
Other	7	24
	458	603
Total taxes	28.769	22.766
Profit before taxes and contributions	\$ 62.221	\$ 42.985
Tax rate without parafiscal and social security taxes	46,2%	53,0%

	2021	2020
Parafiscal Contributions	\$ 1.695	\$ 1.446
Social Security	4.439	3.868
Total taxes	28.769	22.766
Total	34.903	28.080
Income before taxes and contributions	\$ 62.221	\$ 42.985
Tax Rate with parafiscal, social security and taxes	56,1%	65,3%



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c. Tax losses and excess of presumptive income:

As of December 31, 2021, and December 31, 2020, the Bank has no tax losses and excess presumptive income pending to be offset, nor has it recorded deferred taxes for such concepts.

d. Deferred taxes by type of temporary difference:

The differences between the carrying amounts of assets and liabilities and their tax bases give rise to the following temporary differences that generate deferred taxes, calculated and recorded in the years ended December 31, 2021, and December 31, 2020, based on the tax rates in effect as benchmarks for the years in which such temporary differences will reverse.

The movement and detail of temporary differences as of December 31, 2021, and December 31, 2020, are shown below.

	2020	Value credited (charged) to profit or loss	Credited Value (charged) to ORI	2021
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deferred tax assets				
Amortization of intangible assets	\$ 0	\$ 685	\$ 0	\$ 685
ORI Swap hedging item	47	0	600	647
NIIIF 16 usage rights (debit ID)	2.604	490	0	3.094
Tax breaks	687	(687)	0	0
Total deferred tax assets	\$ 3.338	\$ 488	\$ 600	\$ 4.426
	2019	Value credited (charged) to profit or loss	Credited Value (charged) to ORI	2020
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deferred tax assets				
ORI Swap hedging item	\$ 1.324	\$ 0	\$ (1.277)	\$ 47
NIIIF 16 usage rights (debit ID)	2.662	(58)	0	2.604
Tax breaks	759	(72)	0	687
Total deferred tax assets	\$ 4.745	\$ (130)	\$ (1.277)	\$ 3.338

	2020	Value credited (charged) to profit or loss	Credited Value (charged) to ORI	2021
Deferred tax liabilities				
Credibanco Shares	\$ (129)	\$ 0	\$ (4)	\$ (133)
IFC Credit I and II	(499)	32	0	(467)
IFC Credit II	(82)	0	82	0
NIIF 16 (ID cr)Usage rights	(2.543)	(478)	0	(3.021)
Total deferred tax liabilities	(3.253)	(446)	78	(3.621)
Total deferred tax assets	\$ 85	\$ 42	\$ 678	\$ 805

	2019	Value credited (charged) to profit or loss	Credited Value (charged) to ORI	2020
Deferred tax liabilities				
Credibanco Shares	\$ (141)	\$ 0	\$ 12	\$ (129)
IFC II Credit Coverage	(383)	(116)	0	(499)
NIIF 16 (ID cr)Usage rights	(1.189)	0	1.107	(82)
IFC Credit I and II	(2.604)	61	0	(2.543)
Total deferred tax liabilities	\$ (4.317)	\$ (55)	\$ 1.119	\$ (3.253)

e. Income taxes recognized in other comprehensive income

The effects of current and deferred taxes on each component of other comprehensive income are detailed as follows

For the year ended December 31, 2021:

	2021			2020		
	Before tax	(Expense) tax benefit	Net of tax	Before tax	(Expense) benefit	Net of tax
Financial instruments measured at fair value	\$ 42	-4	38	\$ -116	12	-104
Hedging with cash flow derivates	-726	288	-438	-155	46	-109
Hedging with cash flow derivates	-1.094	394	-700	723	-217	506
Totals	\$ -1.778	678	-1.100	\$ 452	-159	293



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f. Income tax liability

Amount to be paid for income tax and complementary taxes:

	<u>2021</u>	<u>2020</u>
Income tax	\$ 16.831	\$ 11.214
Less advance payment on tax	(967)	(2.192)
Less self-withholding and withholdings	(16.584)	(16.156)
Less prior year credit balance	0	0
VAT tax deduction on real productive assets	(177)	(41)
Donations tax deduction	(85)	(223)
ICA Tax Discount	(1.084)	(1.116)
Balance payable/ (in favor) income tax and complementary taxes	\$ (2.066)	\$ (8.514)

g. Uncertainties in open tax positions - IFRIC 23

For the Statements of Financial Position as of December 31, 2021, and December 31, 2020, the tax positions adopted in the returns still subject to review by the Tax Authorities have been analyzed to identify uncertainties associated with a difference between such positions and those of the Tax Administration. According to the evaluation carried out, no facts have been identified that should be disclosed under this concept.

h. Transfer pricing

In accordance with the provisions of Law 1607 of 2012 and 1819 of 2016, regulated by Decree 2120 of 2017, Banco Finandina BIC prepared a transfer pricing study on transactions carried out with economic-related parties located in free trade zone during 2020.

Although the transfer pricing study for 2021 is in preparation, no significant changes are anticipated compared to the previous year that will affect the Bank's (Branch) income, costs, and tax expenses.

i. Inexecuteness of Finance Act 1943 of 2018.

The Constitutional Court declared all of Law 1943 unconstitutional. Accordingly, this decision will produce effects as of January 1, 2020; likewise, the Constitutional Court declared paragraph 7 of Article 80 of this same law unconstitutional, which established the additional points to be calculated by the financial entities in the income tax for the years 2019, 2020 and 2021 (4%, 3%, and 3% respectively).

Note 16 - Financial liabilities at amortized cost

• Customer deposits

In 2021 savings accounts grew by 49%, CDs by 38%, and bonds by 6%.

	<u>2021</u>	<u>2020</u>
Checking Accounts	\$ 4	\$ 3
Savings Accounts	117.377	78.934
Certificates of Deposit (1)	1.477.496	1.074.766
Ordinary bonds over 18 months	263.591	248.800
Exigibilities	10.543	16.030
Total customer deposits	\$ <u>1.869.011</u>	\$ <u>1.418.533</u>

(1). Certificates of Deposit (CDs)

The balance of Certificates of Deposit consists of the principal collected and interest payable at the corresponding date:

	<u>2021</u>	<u>2020</u>
Less than six months	\$ 224.671	\$ 126.143
Older than 6 months and younger than 12 months	459.817	337.283
Older than 12 months and younger than 18 months	227.228	230.099
Equal to or greater than 18 months	556.477	370.632
Interest payable	9.303	10.609
Total CDTs	\$ <u>1.477.496</u>	\$ <u>1.074.766</u>

Diversification strategies improve the contractual maturity profile of the Certificates of Deposit capital. The following table shows that the contractual maturities in the first year are 68% in relation to 78% of the previous year. The Bank is trying to lengthen its CDs' capitalization:

As of 31 December 2021

	2022	2023	2024	2025	2027	Total
Certificate of Deposit	1.009.813	283.643	153.719	21.226	9.095	1.477.496
% of maturation	68.35%	19.20%	10.40%	1.44%	0.62%	100.00%

As of 31 December 2020

	2021	2022	2023	2024	2025	2027	Total
Certificate of Deposit	836.945	112.972	7.353	98.363	10.070	9.063	1.074.766
% of maturation	77.87%	10.51%	0.68%	9.15%	0.94%	0.84%	100.00%



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• Outstanding investment securities

Investment securities as of December 31, 2021, and 2020 correspond to ordinary bonds, with a term equal to or greater than 18 months. The movement of the nominal value in bonds was as follows:

	<u>2021</u>	<u>2020</u>
Opening balance	248.000	491.750
Eighteenth Issue (9th Program Issue)	200.000	0
Seventeenth Redemptions (8th Program Issue)	(160.131)	0
Sixteenth (Seventh Program issue)	(27.000)	(173.000)
Fifteenth redemptions (6th Program Issue)	0	(70.750)
	<u>\$ 260.869</u>	<u>\$ 248.000</u>

Below is a summary of the characteristics of each issue:

Bond issuance program:

The Bank has a Program for the Issuance and Placement of Ordinary Debt Bonds for a global quota of \$2.2 billion pesos, which has been authorized and extended by the General Shareholders' Meeting in its ordinary sessions of March 25, 2009, March 16, 2011, December 11, 2012, March 20, 2015, and March 23, 2021, recorded in Minutes numbers 61, 66, 69, 78, 92 and 99 respectively. By mandate of the Assembly, the Issue and Placement regulations were approved by the Board of Directors of the Bank. The issues are registered in the National Registry of Securities and Issuers. To date, \$1,595,768 million pesos have been placed in seven issues summarized as follows:

Global Program Quota:	2.200.000
Total amount of the first issue (10th Issue):	100.000
Total amount of the second issue (11th issue):	200.000
Total amount of the third issue (12th Issue):	100.000
Total amount of the fourth issue (13th Issue):	200.000
Total amount of the fifth issue (14th Issue):	200.000
Total amount of the sixth issue (15th Issue):	200.000
Total amount of the seventh issue (16th Issue):	200.000
Total amount of the Eighth Issue (17th Issue):	200.000
Total amount of the Ninth Issue (18th Issue):	200.000
Traffic law:	At your service
Balance in Circulation:	260.869
Outstanding balance to be placed from the Program:	604.232
Minimum investment value:	1.000

The period for the placement of the securities:	Between 18 and 60 months
Qualification:	AA+ by BRC Investor Services S.A.
Warranties:	General Bank Guarantee.
Legal Representative of the Bondholders:	Itaú Fiduciaria S.A.
Issue Manager:	Deceval
Qualification:	AA+ by BRC Investor Services S.A.
Warranties:	General Bank Guarantee.
Issue Manager:	Deceval

Payments to holders are made through DECEVAL S.A. in its capacity as Depositary and administrative agent of the issue.

The facial conditions of the outstanding balances are as follows:

Capital maturity of bond issues

As of 31 December 2021				
	2022	2023	2024	Total
Bond Maturities	21.000	136.034	103.835	260.869
% of maturation	8.05%	52.15%	39.80%	100.00%

As of 31 December 2021				
	2021	2022	2023	Total
Bond Maturities	187.536	21.203	40.061	248.800
% of maturation	75.38%	8.52%	16.10%	100.00%

• Financial obligations and loans with multilateral entities

The balance of receivables from banks and other financial obligations comprises:

	<u>2021</u>	<u>2020</u>
Foreign Trade Bank	\$ 240.821	\$ 165.216
Fund for the financing of the agricultural sector	52	273
Loans with multilateral entities (1)	167.569	170.298
Banco República Repo Transactions	0	100
Total financial obligations	\$ <u>408.442</u>	\$ <u>335.887</u>

The above transactions are backed by contracts (promissory notes) between the parties.

(1) The Bank strategically carries out funding operations in long-term rediscounts (more than five years), mitigating the liquidity risk by mitigating the credits originating with these positions.

Loans contracted with the International Finance Corporation (IFC) are long term (5 years) in legal and foreign currency and indexed to a variable rate referenced to the IBR interest rate. Obligations have commitments for compliance with indicators (liquidity, solvency, risk exposition, asset profitability, among others). The Bank and IFC have subscribed commitments that have been defined in compliance with different Covenants that have been reported and monitored quarterly, without generating non-compliances on them.

Maturing of the principal of financial obligations and loans with multilateral entities

Adequate distribution and atomization of the maturities of the different instruments allow for maintaining an adequate structure that mitigates liquidity risk:



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As of 31 December 2021

Year	2022	2023	2024	2025	2026	2027	2028	Total
Foreign Trade Bank	59.555	53.006	41.611	29.376	50.836	6.389	48	240.821
Fund for the financing of the agricultural sector	52	-	-	-	-	-	-	52
Loans with multilateral entities	63.043	61.777	42.748	-	-	-	-	167.569
Total	122.650	114.784	84.359	29.376	50.836	6.389	48	408.442
% Maturity	30.03%	28.10%	20.65%	7.19%	12.45%	1.56%	0.01%	100%

As of 31 December 2020

Year	2021	2022	2023	2024	2025	2026	2027	2029	Total
Foreign Trade Bank	2.589	6.265	27.113	49.603	76.692	2.877	34	43	165.216
Banco República Repo Transactions	100	0	0	0	0	0	0	0	100
Fund for the financing of the agricultural sector	133	140	0	0	0	0	0	0	2730
Loans with multilateral entities	29.570	51.174	51.174	38.380	0	0	0	0	170.298
Total	5.779	57.579	78.287	53.441	76.692	2.877	34	43	335.887
% Maturity	2,10%	20,96%	28,50%	19,45%	27,92%	1,05%	0,01%	0,02%	100,00%

The movements in the balances comprising the Statement of Financial Position with respect to loans and financial obligations are as follows:

Movements in multilateral financing activities

2021

2020

Opening balance	170.297	104.083
+ New disbursements	0	85.286
-Amortizations	(26.320)	(19.072)
+ / - Re-expression by exchange rate	23.592	0
Subtotal	\$ 167.569	\$ 170.297
+ / - Hedging effect	(21.887)	(563)
Net Balance Loans with Multilateral Entities	\$ 145.682	\$ 169.734

Movements in Rediscount Financing activities

2021

2020

Opening balance	165.589	147.830
+ New disbursements	187.788	153.948
-Amortizations	(112.504)	(136.189)
Ending Balance Statement of Financial Position	\$ 240.873	\$ 165.589

Note 17 - Hedging and Derivatives

The detail corresponding to the hedging of the foreign currency loan acquired from IFC is shown below, which through the constitution of a derivative with the same entity, was converted to pesos and IBR:

	<u>2021</u>	<u>2020</u>
Active Position		
Hedging Swap rights	\$ 173.291	\$ 183.473
Hedging Swap Obligation	(151.404)	(182.910)
Total financial obligations	<u>\$ 21.887</u>	<u>\$ 563</u>

The positions are valued with the methodology established by the Superintendence of Finance of Colombia. At the closing of 2021, the value of the obligation, including the valuation effect at market prices (capital and interest at IBR+3.02%), was equivalent to \$167,569.

This impact generates a net recognition in equity for the hedging effect for an amount of \$21,887. This amount includes the effect of the adjustment for credit risk generated by the recognition of DVA (Debit Valuation Adjustment)⁸. (See note 21).

Note 18 - Accounts payable and other liabilities

Accounts payable as of December 31 comprise the following

	<u>2021</u>	<u>2020</u>
Commissions	\$ 2.414	\$ 1.706
Fees	821	671
Taxes	1.288	1.378
Tax on financial transactions	80	111
Sales Tax	1.363	1.049
Suppliers	7.946	4.645
Deposit insurance premium	2.073	1.779
Withholdings at the source and labor contributions	3.523	3.298
Insurance payable (1)	20.004	17.334
Anticipated income	2.909	3.085
Fertilizers to apply portfolio	10.962	7.351
Uncashed checks drawn	913	964
Wire Transfers	19.775	11.907
Rights of use	8.141	8.060
Identified credit balances	2.176	2.006
National Guarantee Fund	0	3.046
Various	7.781	3.500
Subtotal	<u>\$ 92.169</u>	<u>\$ 71.890</u>
Employee benefits (2)	3.576	2.866
Total accounts payable and other liabilities	<u>\$ 95.745</u>	<u>\$ 74.756</u>

⁸Chapter XVIII Basic Accounting and Financial Circular Letter Numeral 7.2.3 "For valuation purposes, presentation of financial statements, and disclosure and reporting of information to the SFC, the overseen entities must daily incorporate the adjustment for credit risk with the respective counterparty or CVA (Credit Valuation Adjustment) or the adjustment for own credit risk or DVA (Debit Valuation Adjustment) in the calculation of the fair value ("risk free") of operations with OTC or non-standardized derivative financial instruments in their portfolios."



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(1) Collection agreement with some insurance companies whose balance payable corresponds to items with the established contractual terms.

(2) The detail of employee benefits is as follows:

	2021	2020
Consolidated severance payments	\$ 1.866	\$ 1.632
Interest on severance payments	211	192
Consolidated holidays	1.499	1.042
	\$ 3.576	\$ 2.866

Nota 19 - Share capital

The authorized capital of Banco Finandina S.A. BIC is equivalent to 5,400,000,000 shares with a par value of \$10 each. The subscribed and paid-in capital as of December 31, 2021, and 2020 is composed of 5,394,543,271 shares.

	2021	2020
Authorized capital	\$ 54.000	\$ 54.000
Capital to be subscribed	(55)	(55)
Total share capital	\$ 53.945	\$ 53.945

Banco Finandina S.A. BIC has not repurchased shares, and there are no preferred shares.

Note 20 - Reserves

Reserves on December 31 comprise the following:

	2021	2020
Legal reserve	\$ 250.134	\$ 250.134
Occasional Reserve for Working Capital	24.032	16.171
Reserve Occasional donation for social work	1.000	1.000
Occasional Reserve for sustainable development	486	325
Total Reserves	\$ 275.652	\$ 267.630

Note 21 - Unrealized gains or losses ORI

	<u>2021</u>	<u>2020</u>
Unrealized financial instruments measured at fair value (1)	\$ 1.335	\$ 1.293
Income taxes on unrealized financial instruments measured at fair value	(133)	(129)
Hedges with cash flow derivatives (2)	(1.703)	117
Income tax hedges with cash flow derivatives	647	(35)
Total Profit or loss ORI	\$ <u>146</u>	\$ <u>1.246</u>

(1) Corresponds to the valuation of Credibanco S.A. shares. These securities are valued using the information provided by the price supplier PRECIA PPV S.A.

(2) Corresponds to the recognition of the valuation of the derivative at market prices of the credit in foreign currency acquired from IFC for an amount of \$21.887 (See note 17). Likewise, this item is affected by the difference in exchange for the credit recognized at the closing TRM (exchange rate) of the period for \$23,592, generating a net negative effect of \$1,703.

Note 22- Related party transactions

The Financial Statements as of December 31 include the following balances or transactions with related parties, shareholders owning 10% or more of the Entity's Capital Stock, administrators, members of the Board of Directors, and Related Companies:

RELATED PARTY TRANSACTIONS ON DECEMBER 31, 2021

	<u>Activos</u>	<u>Pasivos</u>	<u>Ingresos</u>	<u>Gastos</u>
Related companies	8.371	11.194	15.854	12.590
Members of the Board of Directors	210	54	6	330
Administrators	251	218	36	2.367
	\$ <u>8.831</u>	\$ <u>11.466</u>	\$ <u>15.897</u>	\$ <u>15.287</u>

RELATED PARTY TRANSACTIONS ON DECEMBER 31, 2020

	COD	<u>Activos</u>	<u>Pasivos</u>	<u>Ingresos</u>	<u>Gastos</u>
Related companies	CV	10.379	10.498	10.779	7.717
Members of the Board of Directors	MJD	170	129	4	317
Administrators	AD	23	721	3	1.807
		\$ <u>10.573</u>	\$ <u>11.349</u>	\$ <u>10.785</u>	\$ <u>9.842</u>

During the years ended December 31, 2021, and 2020, there were no transactions between the Bank and its shareholders:

1. Free services
2. Transactions whose characteristics differ from those carried out with third parties.
3. None of those considered as restricted in Article 3 of Law 45 of 1990.



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Transactions with directors and administrators

In the years 2021 and 2020, there were no transactions between Banco Finandina BIC and the administrators, nor between the Bank and legal entities in which administrators are also legal representatives or partners with participation equal to or higher than 5% of the technical equity:

- Loans without interest or consideration or services or advice at no cost.
- Loans implying an obligation for the borrower that does not correspond to the essence or nature of the loan contract.
- Transactions whose characteristics differ from those carried out with third parties

Special Report Art. 29 Law 222 of 1995.

During the year 2021, Banco Finandina S.A. BIC: i) carried out its activities with autonomy and independence from its parent company Seissa S.A.; ii) has not taken or failed to take any decision under the influence or in the exclusive interest of the controlling company.

The Notes to the Financial Statements reflect the volume of the most important operations developed with the parent company Seissa S.A., its affiliates, and subsidiaries.

Note 23 - Interest income and valuation of debt securities

Operating income for the year ended December 31 comprises the following:

	<u>2021</u>	<u>2020</u>
Consumer Portfolio	\$ 174.442	\$ 189.832
Commercial portfolio	10.773	12.759
Microcredit portfolio	2	8
Payroll-deduction loans	22.113	15.568
Credit Card	21.393	19.331
Free investment	64.638	50.170
Housing	9	0
Rediscounted	19.324	21.568
Delinquency and penalties for non-compliance	5.746	5.524
Total interest on the loan portfolio and financial leasing transactions	\$ 318.440	\$ 314.760
	<u>2021</u>	<u>2020</u>
Income investment portfolio	\$ 1.465	\$ 2.956
Total Interest and valuation on debt securities at amortized cost	\$ 1.465	\$ 2.956
	<u>2021</u>	<u>2020</u>
Income from demand deposits	2.264	5.419
Income from monetary operations	195	332
Total income other interest	\$ 2.459	\$ 5.751
Total interest income and valuation of debt securities	\$ 322.364	\$ 323.467

Note 24 - Interest expense

	<u>2021</u>	<u>2020</u>
Customer deposit	\$ 45.717	\$ 59.202
Financial obligations	17.147	21.698
Investment securities	15.833	21.195
Total gastos por intereses	\$ 78.697	\$ 102.095

Note 25 - Impairment of financial assets and portfolio recovery

	<u>2021</u>	<u>2020</u>
Loans and receivables	\$ 105.603	\$ 128.076
Portfolio recoveries	(31.413)	(18.670)
Total deterioro activos financieros y recuperación de cartera	\$ 74.190	\$ 109.406



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Note 26 - Fee and commission income and other services

	2021	2020
Insurance	\$ 32.422	\$ 32.014
Card	8.362	7.634
Credit granting commissions	4.834	2.507
Pledge release	1.576	915
	\$ 47.194	\$ 43.070

Note 27- Expenses for commissions and other services

Expenses for commissions and other services during the year were as follows:

	2021	2020
Catchments	\$ 1.332	\$ 1.277
Banking Services	1.543	910
Treasury commissions	1.738	1.053
Other commissions	8	22
Total Commission and other service expenses	\$ 4.621	\$ 3.262

Note 28 - Other income

Other income for the year ended December 31 comprises the following:

	2021	2020
Other recoveries (1)	\$ 4.621	\$ 4.999
Uses	96	3
Held for sale	1.495	365
Dividends and participations	6	23
Penalties article 731 C.C.	43	30
Total other income	\$ 6.261	\$ 5.420

(1) The detail of other recoveries corresponds to:

		2021	2020
Operational risk recovery		185	460
Deposit insurance premium	352.021	95	25
Prior Period Expense Recoveries	2.814	53	47
Recovery of litigation provisions		1.976	1.475
Pledge release		1.298	777
Refund customer loyalty system		1.013	2.215
Other recoveries		\$ 4.621	\$ 4.999

Note 29 - Other expenses

	<u>2021</u>	<u>2020</u>
Staff costs	\$ 46.768	\$ 40.843
Placements (2)	38.473	20.009
Temporary Services	11.988	3.504
Fees	8.366	7.206
Public Relations (1)	6.223	3.888
Taxes	6.061	6.740
ATV common expenses	5.878	4.829
Lost debt with no value	5.833	3.876
Insurance	4.564	4.285
Electronic data processing	4.420	3.703
Card	4.159	2.736
Commercial information	3.709	2.303
Advertising and publicity	3.265	1.962
Rights of use	2.465	2.214
Other leases	2.333	2.042
Contributions and affiliations	2.211	2.071
Freight and cables	2.172	1.768
Depreciation	1.952	3.002
Transport	1.865	2.358
Utilities	1.804	2.020
Chattel collateral	1.368	952
Depreciation	1.126	1.046
Maintenance of computer equipment and other repairs	910	1.116
Cleaning and security service	658	668
Miscellaneous - operational risk	640	517
Adequacy and installation of offices	608	365
Loss on sale of investments	498	979
Cafeteria	443	392
Staff training	428	99
Employee care	410	101
Donations	340	894
Loss on sale of goods received in payment	316	1.261
BRDP'S Provisions	251	142
Travel expenses	239	123
Other Credibanco commissions	224	0
Supplies and stationery	219	250
Other non-deductible expenses	216	101
Building Management	208	191
Web monitoring service	191	151
Notary and registration fees	170	187
Subscriptions and notices	141	90
Litigation	38	76
Low asset-obsolete loss	8	4
Assumed taxes	3	2
Loss of low assets - misplacement	3	7
	\$ 174.162	\$ 131.075

(2) Corresponds to commissions generated in the placement of loans.

(1) El detalle de relaciones públicas corresponde a:



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	<u>2021</u>	<u>2020</u>
Other Public Relations	613	563
Expenses Customer Loyalty System	5.610	3.325
Total Public Relations	<u>\$ 6.223</u>	<u>\$ 3.888</u>

Note 30- Ratio of risk assets to equity

As of December 31, the Bank presented the following indicators, which are at levels well above the regulatory minimums and the banking average:

	<u>2021</u>	<u>2020</u>
Adequate technical assets	\$ 352.021	\$ 301.076
Ordinary core assets	2.814	7.249
Additional assets	<u>\$ 354.835</u>	<u>\$ 308.325</u>
Technical asset base		
The weighting of assets and contingencies	\$ 828	\$ 6.112
Category II	1.452.753	1.949.638
Category IV	<u>\$ 1.453.580</u>	<u>\$ 1.955.750</u>
Total solvency ratio	22,41%	15,38%
Basic solvency ratio	22,59%	15,75%
Risk assets/technical equity	4 veces	6 veces
Growth margin on risk assets	66,29%	75,15%
Market risk exposure	298	205

Note 31 - Operating segments

In the development of its banking activity, Banco Finandina BIC raises funds from the public mainly through the issuance of CDs and Bonds offered in the Colombian primary securities market. These resources are allocated mainly to its credit and leasing business. In fact, the main asset of the Bank is its credit portfolio which represents 88% of total assets; 7.4% of its assets is liquidity on demand that is available in checking, savings, and deposit accounts in banking entities that have the highest risk ratings and 1.7% in investments in private debt securities, mostly classified at maturity. Their contractual maturity is less than one year (See Notes 8, 9, and 10).

The Bank's operation is focused on the portfolio financing business, which represents 98% of total revenues. The origination of consumer portfolios distributed to employed and independent natural persons predominates. Banco Finandina BIC does not engage in commercial banking or specialized cargo and transport business. Likewise, it does not incur speculative treasury operations or deepening in the securities market. Therefore, according to the analysis and as stipulated in IFRS 8, the Bank has a single operating segment with which the highest authority makes decisions. The information and disclosure by the general segment of the Bank may be consulted in notes number 8, 9, and 23 of this report.

Note 32 - Subsequent events

Between the date of the financial statements as of December 31, 2021, and the date of management's approval and the statutory auditor's report, there were no subsequent events requiring disclosure and/or adjustments to such financial statements.

Note 33 - Non-effective standards issued

El Banco analizó las Normas y enmiendas emitidas por el IASB durante los años 2019 y 2020, que son aplicables a partir del 1 de enero de 2023 (según Decreto 938 de 2021), las cuales entrarán en vigencia a partir del 1 de enero 2023, siendo voluntaria su aplicación anticipada, siempre y cuando la norma lo permita.

La Compañía, evaluó el posible impacto que la aplicación de estas enmiendas tendrán sobre sus estados financieros en el período en que se apliquen por primera vez, siendo estas inmateriales dado su modelo negocio (centrado en la originación de cartera de créditos, 88% de su estructura de balance), tales como, las asociadas a Propiedad Planta y Equipo, contratos onerosos, pasivos corrientes, tasas de interés de referencia, o no aplicables como lo son la combinación de negocios, uso de productos anticipados, contratos de seguro, entre otros.

Por lo anterior, el banco, no adoptará de forma anticipada y voluntaria dichas recomendaciones.





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GRI INDEX

GRI Standard	Contents	Description	Page/ URL / Reply	Reason for omission	
General Contents					
Organization Profile					
GRI 102: General Contents	102-1	Name of the organization	Page 24		
	102-2	Activities, brands, products, and services	Pages 33, 46		
	102-3	Location of the headquarters	Pages 33, 35		
	102-4	Location of operations	Page 35		
	102-5	Ownership and legal form	Page 33		
	102-6	Markets served	Pages 33, 35		
	102-7	Size of the organization	Page 48		
	102-8	Report on employees and other workers	Page 86		
	102-9	Supply Chain	Page 74		
	102-10	Significant changes in the organization and its supply chain	There were no significant changes in the organization and its supply chain in this period.		
	102-11	Precautionary principle or approach	Pages 18, 36, 123		
	102-12	External initiatives	Pages 27, 66		
	102-13	Membership in associations	Page 66		
	Strategy				
	102-14	DStatement from the most senior decision-maker of the organization	Pages 8, 10		
	102-15	Main impacts, risks, and opportunities	Pages 8, 10		
	Ethics and Integrity				
	102-16	Values, principles, standards, and norms of the organization	Pages 37, 70, 122		
	102-17	Advisory mechanisms and ethics concerns	Pages 42, 122		
	Government				
	102-18	Governance Structure	Pages 39, 122		
	102-19	Delegation of authority	Page 42		
	102-20	Executive-level responsibility for economic, environmental, and social issues	Page 42		
	102-21	Stakeholder consultation on economic, environmental, and social issues	Page 26		
	102-22	Composition of the highest governing body and its committees	Page 39		
	102-23	Chairman of the highest governing body	Page 4		
	102-24	Nomination and selection of the highest governing body	Page 39		
	102-25	Conflicts of Interest	Page 122		
	102-26	Role of the highest governance body in the selection of objectives, values, and strategy	Page 39		
	102-27	Collective knowledge of the highest governance body	Page 39		
	102-28	Performance evaluation of the highest governance body	Page 122		
	102-29	Identification and management of economic, environmental, and social impacts	Page 26		
	102-30	Effectiveness of risk management processes	Page 42		
	102-31	Review of economic, environmental, and social issues	Page 26		
102-32	Role of the highest governing body in sustainability reporting	Page 122			
102-33	Communication of critical concerns	Pages 42, 122			
102-34	Nature and the total number of critical concerns	Page 26			

GRI 102: General Contents	102-35	Remuneration policies		It is not published to maintain confidentiality due to the nature of the information.	
	102-36	Process for Determining Compensation			
	102-37	Stakeholder involvement in remuneration			
	102-38	Total annual compensation ratio			
	102-39	The ratio of the percentage increase of the total annual compensation			
	Stakeholder engagement				
	102-40	List of stakeholders	Page 26		
	102-41	Collective bargaining agreements	Banco Finandina does not have collective bargaining agreements.		
	102-42	Identification and selection of stakeholders	Page 26		
	102-43	Approach to Stakeholder Engagement	Page 26		
	102-44	Major issues of interest	Page 26		
	Reporting Practices				
	102-45	Entities included in the consolidated financial statements	Page 98		
	102-46	Definition of the contents of the reports and the Coverage of the subject matter	Page 26		
	102-47	List of material topics	Page 26		
	102-48	Re-expressions of information	Not applicable. This is the first GRI report published.		
	102-49	Changes in reporting	No changes are presented as this is the first GRI report published.		
	102-50	Reporting period	Page 24		
	102-51	Date of the last report	Not applicable. This is the first GRI report published.		
	102-52	Reporting cycle	Annual		
	102-53	Contact point for questions about the report	Page 24		
	102-54	Statement of preparation of the report in accordance with GRI standards.	Page 24		
	102-55	GRI content index	Page 168		
	102-56	External verification	For this period, there was no external verification of the GRI Standards.		
	Specific Contents				
	Economic Performance				
GRI 103: Management Approach	103-1	Explanation of the material subject and its scope	Page 46		
	103-2	Management approach and its components	Page 46		
	103-3	Evaluation of the management approach	Page 46		
GRI 201: Economic Performance	201-1	Direct economic value generated and distributed	Pages 48, 64		
	201-4	Financial assistance received from the government	Banco Finandina does not receive financial assistance from the		
Procurement Practices					
GRI 103: Management Approach	103-1	Explanation of the material subject and its scope	Page 74		
	103-2	Management approach and its components	Page 74		
	103-3	Evaluation of the management approach	Page 74		
GRI 204:Practices of Acquisition	204-1	Share of expenditure on local suppliers	Page 74		
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GRI 103: Management Approach	103-1	Explanation of the material subject and its scope	Page 70		
	103-2	Management approach and its components	Page 70		
	103-3	Evaluation of the management approach	Page 70		
GRI 205: Anti-Corruption	205-1	Operations assessed for corruption-related risks	Page 71		



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GRI 205: Anti-Corruption	205-2	Communication and training on anti-corruption policies and procedures	Page 70	
	205-3	Confirmed cases of corruption and measures taken	Page 70	
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GRI 301: Materials	301-1	Materials used by weight and volume	Page 77	
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GRI 103: Management Approach	103-1	Explicación del tema material y su alcance	Page 76	
	103-2	Enfoque de gestión y sus componentes	Page 76	
	103-3	Evaluación del enfoque de gestión	Page 76	
GRI 305: Emissions	305-1	Emisiones directas de GEI (alcance 1)	Page 77	
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GRI 103: Enfoque de Gestión	103-1	Explanation of the material subject and its scope	Page 80	
	103-2	Management approach and its components	Page 80	
	103-3	Evaluation of the management approach	Page 80	
GRI 401: Employment	401-1	New employee hires and staff turnover	Page 90	
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GRI 103: Management Approach	103-1	Explanation of the material subject and its scope	Page 80	
	103-2	Management approach and its components	Page 80	
	103-3	Evaluation of the management approach	Page 80	
GRI 403: Health and Safety at Work	403-1	Occupational health and safety management system	Page 82	
	403-2	Hazard Identification, Risk Assessment, and Incident Investigation	Page 82	
	403-3	Occupational Health Services	Page 82	
	403-4	Worker participation, consultation, and communication on health and safety at work	Page 82	
	403-5	Training of workers on occupational health and safety at work	Page 82	
	403-6	Promotion of workers' health	Page 82	
	403-7	Prevention and mitigation of impacts on the health and safety of workers directly linked through business relationships.	Page 82	
	403-8	Workers covered by an occupational health and safety management system	Page 82	
	403-9	Work-related injuries	Page 82	
	403-10	Occupational illnesses and diseases	Page 82	
Training and Teaching				
GRI 103: Management Approach	103-1	Explanation of the material subject and its scope	Page 80	
	103-2	Management approach and its components	Page 80	
	103-3	Evaluation of the management approach	Page 80	
GRI 404: Training and Education	404-1	Average hours of training per year per employee	Page 82	
	404-2	Employee skills enhancement and transition assistance programs	Page 82	
	404-3	Percentage of employees receiving regular performance and career development reviews	Page 82	

Diversity and Equal Opportunities				
GRI 103: Management Approach	103-1	Explanation of the material subject and its scope	Page 80	
	103-2	Management approach and its components	Page 80	
	103-3	Evaluation of the management approach	Page 80	
GRI 405: Diversity and Equal Opportunities	405-1	Diversity in governing bodies and employees	Page 81	
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GRI 103: Management Approach	103-1	Explanation of the material subject and its scope	Page 73	
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GRI 417: Marketing and Labeling	417-3	Cases of non-compliance related to marketing communications	Page 73	
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GRI 103: Management Approach	103-1	Explanation of the material subject and its scope	Page 72	
	103-2	Management approach and its components	Page 72	
	103-3	Evaluation of the management approach	Page 72	
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