Iris Financial Services Limited

Consolidated Financial Statements
for the years ended December 31, 2019 and 2018
and Independent Auditor’s Report

IRIS FINANCIAL SERVICES LIMITED
TABLE OF CONTENTS

KPMG Audit Limited
Crown House
4 Par-la-Ville Road
Hamilton
HM 08
Bermuda

Telephone +1 441 295 5063
Fax +1 441 295 8280
Internet www.kpmg.bm

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Iris Financial Services Ltd.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Iris Financial Services Ltd. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2019, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The consolidated financial statements of the Company for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on July 10, 2019.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
August 5, 2020

IRIS FINANCIAL SERVICES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in United States dollars)

	Note		At December 31st of: 2019	2018
ASSETS				
Cash and cash equivalents	3	$	9.587.261	5.869.167
Financial instruments	4		2.586.805	1.332.948
Loans	5		7.861.589	6.098.762
Insurance contracts assets	6		2.483.098	1.768.850
Other receivables	7		1.524.164	616.700
Current tax assets	9		87.176	-
Other non-financial assets	10		49.617	29.443
Total current assets			24.179.710	15.715.870
Financial instruments	4		354.006	-
Loans	5		77.971.152	53.500.647
Property and equipment	8		3.992.353	204.186
Intangible assets	11		607.076	298.349
Deferred tax assets	12		357.792	598.432
Total non-current assets			83.282.379	54.601.614
Total assets		$	**107.462.089**	**70.317.484**
LIABILITIES				
Loans and other interest-bearing liabilities	13		23.192.257	4.960.560
Trade and other payables	14		10.136.594	3.685.205
Employee benefits	15		241.451	138.659
Current tax liabilities	9		-	667.986
Other non-financial liabilities	16		244.582	120.653
Dividends payable	17		1.600.790	1.681.678
Total current liabilities			35.415.674	11.254.741
Loans and other interest-bearing liabilities	13		48.112.765	37.656.317
Insurance contracts liabilities	18		270.194	368.431
Total non-current liabilities			48.382.959	38.024.748
Total liabilities		$	**83.798.633**	**49.279.489**
EQUITY				
Share capital and contributed surplus	19		21.763.099	21.763.099
Retained earnings	20		4.146.371	1.908.686
Accumulated other comprehensive income			(2.246.014)	(2.633.790)
Total equity		$	**23.663.456**	**21.037.995**
Total liabilities and equity		$	**107.462.089**	**70.317.484**

- *The notes are an integral part of the consolidated financial statements -*

IRIS FINANCIAL SERVICES LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(Expressed in United States dollars)

			For the years ended at December 31st of:	
	Note		**2019**	**2018**
Interest and other similar income	22	$	16.353.190	12.222.556
Interest and other similar expense	25		(7.665.095)	(4.596.188)
NET INTEREST INCOME			8.688.095	7.626.368
Allowance for loans impairment	5		(1.106.257)	(925.495)
NET INTEREST INCOME AFTER LOAN LOSSES			**7.581.838**	**6.700.873**
Insurance contracts premiums written	23		6.650.303	5.362.535
Insurance contracts losses incurred	27		(339.163)	(628.657)
Insurance contracts acquisition costs	26		(519.019)	(470.338)
NET UNDERWRITING INCOME			5.792.121	4.263.540
NET FINANCIAL INCOME			**13.373.959**	**10.964.413**
Other income	24		2.917.576	2.961.349
Administrative expenses	28		(8.928.184)	(7.431.821)
Other operating expenses	29		(1.104.810)	(1.852.750)
NET INCOME BEFORE INCOME TAXES			**6.258.541**	**2.398.752**
Income taxes	12		(511.379)	(705.332)
NET INCOME			**5.747.162**	**3.935.859**

- The notes are an integral part of the consolidated financial statements -

(Expressed in United States dollars)

	Note		For the years ended at December 31st of: 2019	2018
NET INCOME		$	**5.747.162**	**3.935.859**
OTHER COMPREHENSIVE INCOME				
Items that are or may be reclassified subsequently to profit or loss:				
Movement in foreign subsidiaries hedge reserve			522.347	-
Exchange differences on foreign subsidiaries currency translation	21		(134.571)	(2.191.647)
Total Other Comprehensive Income		$	387.776	(2.191.647)
TOTAL COMPREHENSIVE INCOME		$	**6.134.938**	**1.744.213**

- The notes are an integral part of the consolidated financial statements -

IRIS FINANCIAL SERVICES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Expressed in United States dollars)

For the period from December 31, 2017 to December 31, 2019	Note	Share capital and contributed surplus	Retained earnings	Other Comprehensive Income	Total equity
BALANCE AT DECEMBER 31, 2017		**21.107.599**	**472.864**	**(442.143)**	**21.138.320**
Changes in equity:					
Issuance of shares	19	2.250.000	-	-	2.250.000
Use of advance payment for shares subscription	19	(1.425.000)	-	-	(1.425.000)
Repurchase of Class C shares	19	(169.500)	-	-	(169.500)
Effect of IFRS 9 adoption		-	(394.727)	-	(394.727)
Effect of change in accounting policy of a subsidiary		-	49.231	-	49.231
Net income for the year		-	3.935.859	-	3.935.859
Other comprehensive income for the year	21	-	-	(2.191.647)	(2.191.647)
Dividends decreed		-	(2.154.542)	-	(2.154.542)
BALANCE AT DECEMBER 31, 2018		**21.763.099**	**1.908.686**	**(2.633.790)**	**21.037.995**
Changes in equity:					
Net income for the year		-	5.747.162	-	5.747.162
Other comprehensive income for the year	21	-	-	387.776	387.776
Dividends decreed		-	(3.509.476)	-	(3.509.476)
BALANCE AT DECEMBER 31, 2019		**21.763.099**	**4.146.371**	**(2.246.014)**	**23.663.456**

- The notes are an integral part of the consolidated financial statements -

IRIS FINANCIAL SERVICES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
(Expressed in United States dollars)

For the years ended at December 31st of:	Note		2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period		$	5.747.162	3.935.859
Adjustments for:				
Depreciation			171.279	33.524
Amortisation			49.598	26.372
Impairment, net			1.106.257	1.023.672
Unpaid insurance contracts losses incurred			(311.883)	212.638
Interest expense accrued			7.665.095	4.596.188
Interest income accrued			(14.053.909)	(12.222.556)
Gain from payroll loans sold			(2.299.280)	-
Current and deferred income tax expense			511.379	705.332
Unrealised fair value losses (gains) on derivatives			95.086	(1.434.188)
Changes in assets and liabilities:				
Insurance contracts assets			(714.249)	(643.864)
Loans			(27.605.685)	(12.743.560)
Other receivables			(907.464)	(314.573)
Derivative financial instruments			659.074	101.240
Other non-financial assets			(20.174)	(11.553)
Income tax paid			(1.025.901)	(377.043)
Trade and other payables			2.952.062	(390.628)
Other non-financial liabilities			123.929	54.126
Employee benefits			102.792	55.313
Insurance contracts liabilities			213.646	(37.450)
Interest income received			14.320.005	11.946.268
Gain from payroll loans sold received			459.604	-
Net cash used in operating activities		**$**	**(12.761.577)**	**(5.484.883)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment			(460.120)	(74.766)
Purchase of intangibles			(358.324)	(129.900)
Net cash used in investing activities		**$**	**(818.444)**	**(204.666)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from increase in loans and structured financing			28.233.012	14.359.397
Interest paid			(7.209.962)	(4.645.327)
Proceeds from the issuance of shares	19		-	825.000
Repurchase of shares			-	(169.500)
Dividends paid			(3.590.364)	(1.753.364)
Net cash provided from financing activities		**$**	**17.432.686**	**8.616.206**
Effect of exchange rate changes on cash and equivalents			**(134.571)**	**(385.847)**
Net increase in cash and cash equivalents			3.718.094	735.010
Cash and cash equivalents at the beginning of the period			5.869.167	5.134.157
CASH AND CASH EQUIVALENTS AT DECEMBER 31		**$**	**9.587.261**	**5.869.167**

- The notes are an integral part of the consolidated financial statements -

NOTE 1. GENERAL INFORMATION

Iris Financial Services Ltd. ("Iris" or "the Parent") is an exempted company continued, domiciled and registered on November 2, 2018 in accordance with the Companies Act 1981 of the laws of Bermuda. Prior to the continuation the company was a private company incorporated by shares in the British Virgin Islands ("BVI") on June 27th, 2016. The address of its registered office is Crawford House 50 Cedar Avenue, Hamilton, HM 11, Bermuda. Iris together with all entities in which it has a controlling financial interest (the "Group") is a provider of credit services, specifically payroll loans, operating in Colombia and a provider of insurance services operating in Bermuda.

The Group's activities are managed by Silver Tree Capital Ltd., a company incorporated in the BVI (the "Manager") with the administration of Iris delegated to Atlas Fund Services (Curacao) N.V (the "Administrator").

NOTE 2. SUMMARY OF ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

The Group financial statements have been prepared and approved on August 5th, 2020 by the directors in accordance with International Financial Reporting Standards as issued by the IASB ("IFRSs").

The consolidated financial statements have been prepared on a going concern basis.

The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

2.1.1 PRINCIPLES OF CONSOLIDATION

The financial information in the Consolidated Financial Statements includes the parent company, Iris Financial Services Limited, together with its consolidated subsidiaries.

- The Group's subsidiaries are those entities which it directly or indirectly controls. Control over an entity is evidenced by the Group's ability to exercise its power in order to affect any variable returns that the Group is exposed to through its involvement with the entity.

Where voting rights are relevant, the Group is deemed to have control where it holds, directly or indirectly, more than half of the voting rights over an entity unless there is evidence that another investor has the practical ability to unilaterally direct the relevant activities.

The extent of the Group's interests to unconsolidated structured entities will vary depending on the type of structured entities. The investors and the unconsolidated securitization vehicles generally have no recourse to the Group's other assets in cases where the issuers of the financial assets fail to perform under the original terms of those assets. These cases are treated as financial guarantees or contingent liabilities.

Potential voting rights that are deemed to be substantive are also considered when assessing control.
Likewise, the Group also assesses existence of control where it does not control the majority of the voting power but has the practical ability to unilaterally direct the relevant activities. This may arise in circumstances where the size and dispersion of holdings of the shareholders give the Group the power to direct the activities of the investee.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

The Group reassesses the consolidation status at least at every quarterly reporting date. Therefore, any changes in the structure leading to a change in one or more of the control factors, require reassessment

(Expressed in United States dollars)

NOTE 2. SUMMARY OF ACCOUNTING POLICIES (Cont.)

2.1. BASIS OF PREPARATION (Cont.)

2.1.1 PRINCIPLES OF CONSOLIDATION (Cont.)

when they occur. This includes changes in decision making rights, changes in contractual arrangements, changes in the financing, ownership or capital structure as well as changes following a trigger event which was anticipated in the original documentation. All intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated on consolidation.

Consistent accounting policies are applied throughout the Group for the purposes of consolidation. Issuances of a subsidiary's stock to third parties are treated as noncontrolling interests. Profit or loss attributable to noncontrolling interests are reported separately in the Consolidated Statement of Income and Consolidated Statement of Comprehensive Income.

At the date that control of a subsidiary is lost, the Group a) derecognizes the assets (including attributable goodwill) and liabilities of the subsidiary at their carrying amounts, b) derecognizes the carrying amount of any noncontrolling interests in the former subsidiary, c) recognizes the fair value of the consideration received and any distribution of the shares of the subsidiary, d) recognizes any investment retained in the former subsidiary at its fair value and e) recognizes any resulting difference of the above items as a gain or loss in the income statement. Any amounts recognized in prior periods in other comprehensive income in relation to that subsidiary would be reclassified to the Consolidated Statement of Income or transferred directly to retained earnings if required by other IFRSs.

The Parent has the following investments in subsidiaries at December 31st of each year:

Subsidiaries' Name	Registered office address	Class of instrument held	Ownership	
			2019	2018
ExcelCredit S.A.S.	Carrera 14 No. 93a – 30, Bogotá, Colombia.	Common Stock	100%	100%
Golden Tree Reinsurance Limited	Crawford House 50 Cedar Av, Hamilton HM 11, Bermuda	Common Stock	100%	-
Golden Tree Insurance (segregated account of Independent Risk Solutions Limited)	Butterfield Bank Building, 6th Floor, 65 Front St, Hamilton HM 12, Bermuda.	Participation Agreement	-	100%

Golden Tree Insurance transferred all its assets and liabilities to Golden Tree Reinsurance Limited during 2019.

The following are the main financial figures of each subsidiary:

Concept		2019		2018	
		ExcelCredit SAS	Golden Tree Reinsurance Limited	ExcelCredit SAS	Golden Tree Insurance
Assets	$	102.806.095	13.567.123	66.067.040	7.024.563
Liabilities		76.161.845	322.513	41.634.460	378.875
Equity (excluding [a] and [b])		25.594.250	7.645.688	26.126.448	2.652.898
Net income for the year [a]		1.103.894	5.598.922	939.922	3.992.790
Currency translation differences [b]		(2.246.014)	-	(2.633.790)	-

NOTE 2. SUMMARY OF ACCOUNTING POLICIES (Cont.)

2.2. MEASUREMENT CONVENTION

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets, except for loans measured at amortised cost.

2.3. FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of the Group are measured in the currency of the primary economic environment in which the Group operates (the “functional currency”). The financial statements of the Group are presented in United States Dollars (“US$” or “USD”), which is the Parent’s functional and presentation currency. The primary objective of the Group is to generate returns in US$, its capital-raising currency. The liquidity of the Group is managed on a day-to-day basis in primarily in COP which is the currency of Colombia, country in which are located most of the operations of the Group. All information is presented in US dollars and has been approximated to the nearest round unit.

2.4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods

Judgements made by Management in the application of IFRS that have significant effects on the financial statements are disclosed in the following items of the financial statements:

- Income taxes (note 9 and note 12)
- Impairment (note 5)
- Reserves for insurance contracts incurred losses but not reported (note 18 and note 30)
- Gain from payroll loans sold (note 4 and note 22)

2.5 RELATIVE IMPORTANCE CRITERIA

An economic event has relative importance when, given its nature, quantity and circumstances surrounding it, their knowledge or ignorance can significantly alter the economic decisions of the users of financial information.

2.6 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated to the Parent’s functional currency at the foreign exchange rate ruling at the date of the transaction or average rates of exchange where these approximate actual rates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement except for differences arising on the translation of qualifying foreign operations, which are recognized in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

NOTE 2. SUMMARY OF ACCOUNTING POLICIES (Cont.)

2.7 CLASSIFICATION OF FINANCIAL INSTRUMENTS ISSUED BY THE GROUP

Following the guidelines of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and
- where the instrument will or may be settled in the group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the group's own equity instruments or is a derivative that will be settled by the Group's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the group's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

2.8 DERIVATIVE AND NON-DERIVATIVE FINANCIAL INSTRUMENTS

Non-derivative financial instruments comprise other financial instruments, trade and other receivables, cash and cash equivalents, loans, interest-bearing liabilities and trade and other payables.

- Trade and other receivables: Trade and other receivables are recognized initially at fair value. Subsequent to initial recognition they are measured at amortized cost using the effective interest method, less any impairment losses.

- Trade and other payables: Trade and other payables are recognized initially at fair value. Subsequent to initial recognition they are measured at amortized cost using the effective interest method.

- Other financial instruments: Investments in debt securities are stated at amortized cost less impairment. Financial instruments held for trading are stated at fair value, with any resultant gain or loss recognized in profit or loss.

- Interest-bearing liabilities: Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. After initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method, less any impairment losses.

- Cash and cash equivalents: Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement

Derecognition: Financial assets are derecognized when the contractual rights to the cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership. Financial liabilities at fair value through profit or loss are derecognized when the obligation specified in the contract is discharged, cancelled or expires. Realized gains and realized losses on derecognition are determined using the specific identified cost method and are included in profit or loss for the period in which they arise.

NOTE 2. SUMMARY OF ACCOUNTING POLICIES (Cont.)

2.8 DERIVATIVE AND NON-DERIVATIVE FINANCIAL INSTRUMENTS (Cont.)

- Derivatives: Derivative financial instruments are measured at fair value through profit or loss except for those classified as a hedging instrument accounted under the hedge accounting method established on IFRS9.

2.9 IMPAIRMENT

2.9.1 Financial assets (including receivables)

The Group recognises loss allowances for Expected Credit Losses “ECL” on:

- financial assets measured at amortised cost;

The Group measures loss allowances at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised is 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) for which credit risk has not increased significantly since initial recognition.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECL are the portion of ECL that results from default events that are possible within the 12 months after the reporting date.

In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

<u>Measurement of ECL</u>

ECL are a probability-weighted estimate of credit losses and are measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls — i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive; and
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.

<u>Credit-impaired financial assets</u>

At each reporting date, the Group assesses whether financial assets measured at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past-due event;
- the restructuring of an amount due to the Group on terms that the Group would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; or

NOTE 2. SUMMARY OF ACCOUNTING POLICIES (Cont.)

2.9 IMPAIRMENT (Cont.)

2.9.1 Financial assets (including receivables) (Cont.)

- the disappearance of an active market for a security because of financial difficulties.

A financial asset that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In assessing whether an investment in sovereign debt is credit-impaired, the Group considers the following factors:

- the market's assessment of creditworthiness as reflected in the bond yields;
- the rating agencies' assessments of creditworthiness;
- the country's ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- the international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms, including an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of loss allowances in the statement of financial position

Loss allowances for ECL are presented as follows:

- financial assets measured at amortised cost: the loss allowance is deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

2.9.2 Non-financial assets

The carrying amounts of the Group’s non-financial assets, property and equipment and intangibles, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”).

NOTE 2. SUMMARY OF ACCOUNTING POLICIES (Cont.)

2.9 IMPAIRMENT (Cont.)

2.9.2 Non-financial assets (Cont.)

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

There was no impairment on non-financial assets during 2019 and 2018.

2.10 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Fixtures and fittings: 120 months
- Office equipment: 120 months
- Computers: 60 months
- Telecommunication equipment: 36 months
- Use rights: Time available for use

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

2.11 INTANGIBLE ASSETS

Intangible assets are software and licenses acquired by the Group and are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. The estimated useful lives are as follows:

- Software: 10 years
- Licences: Time available for use

NOTE 2. SUMMARY OF ACCOUNTING POLICIES (Cont.)

2.12 EMPLOYEE BENEFITS

All employee benefit obligations are short-term benefit obligations measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the Group 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 estimated reliably. They include benefits and contributions demanded by the Colombian Law for employees, such as social security and other benefits.

The Group does not have any post-employment benefit plans, post-employment contribution plans nor any share-based payment transactions.

2.13 INSURANCE CONTRACTS

These are life and credit reinsurance policies under which the Group (acting as reinsurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specific uncertain future event adversely affects the policyholder. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

Premiums were recognized as income when received. This was the date from which the policy was effective. Receivables were recognized at the date when payments were due. Premiums receivables were shown after deduction of commissions, claims and reinsurance taxes payable to the reinsured which are automatically discounted by the reinsured when the payments of premiums are made. When policies lapsed due to non-receipt of premiums, all related premium income accrued but not received from the date they were deemed to have lapsed, net of related expense, was offset against premiums.

Incurred and reported losses: All reported claims have a known required payment and were recorded as an expense when incurred and reflected the cost of all claims arising during the year.

Incurred but not reported (IBNR) losses: Reserves for losses that have occurred, but have not yet been reported, before the end of the relevant year, were calculated using the loss ratio method which is a widely used method technically validated both theoretically and practically, principally in the early stages of development for insurance. It is constructed under actuarial assumptions and analysis of own and public historical data on losses incurred for the same or similar type of risk insured.

Loss adjustment expenses: The Group has not stablished any allocated or unallocated loss adjustment expenses for any of the policies.

Liability adequacy tests were performed for the insurance portfolios on the basis of estimated future claims, costs, premiums earned and proportionate investment income.

2.14 INTEREST INCOME

Interest from all interest-bearing assets and liabilities is recognized as net interest income using the effective interest method. The effective interest rate is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or expense over the relevant period using the estimated future cash flows. The estimated future cash flows used in this calculation include those determined by the contractual terms of the asset or liability, all fees that are considered to be integral to the effective interest rate, direct and incremental transaction costs and all other premiums or discounts.

NOTE 2. SUMMARY OF ACCOUNTING POLICIES (Cont.)

2.14 INTEREST INCOME (Cont.)

Once an impairment loss has been recognized on a loan, held-to-maturity investment or available for sale debt instruments, although the accrual of interest in accordance with the contractual terms of the instrument is discontinued, interest income is recognized based on the rate of interest that was used to discount future cash flows for the purpose of measuring the impairment loss. For a loan this would be the original effective interest rate, but a new effective interest rate would be established each time an available for sale debt instrument is impaired as impairment is measured to fair value and would be based on a current market rate.

2.15 EXPENSES

All expenses are recognized in the statement of profit and loss on the accrual basis.

2.15.1 Operating lease payments

Payments made under operating leases are recognised in the expenses on a straight-line basis over the term of the lease.

2.16 INCOME TAXES AND OTHER TAXES

2.16.1 Income taxes

Under the current laws of Bermuda, the Parent is not subject to income, estate, corporation or capital gains taxes, as neither do its subsidiary Golden Tree Insurance in Bermuda. In the case of subsidiary ExcelCredit it is subject to Colombian income and wealth taxes and a provision has been made for these taxes in these financial statements with the following policy.

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. For investment property that is measured at fair value deferred tax is provided at the rate applicable to the sale of the property except for that part of the property that is depreciable and the group's business model is to consume substantially all of the value through use. In the latter case the tax rate applicable to income is used. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

(Expressed in United States dollars)

NOTE 2. SUMMARY OF ACCOUNTING POLICIES (Cont.)

2.17 ADOPTED IFRS NOT YET APPLIED

The following Adopted IFRSs have been issued but have not been applied in these financial statements.

Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- **IFRS 17 (effective date 1 January 2023):** In May 2017, the IASB published IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 that was issued in 2005. IFRS 17 applies to all types of insurance contracts as well as to certain guarantees and financial instruments with discretionary participation features. In contrast to the requirements in IFRS 4, which are largely based on grandfathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to insurance contracts.

NOTE 3. CASH AND CASH EQUIVALENTS

Concept		**2019**	**2018**
Cash held	$	3.311	2.616
Cash at banks		5.542.494	2.788.638
Short-term cash deposits (1)		4.041.456	3.077.913
TOTAL	$	**9.587.261**	**5.869.167**

(1) Following is the detail of short-term deposits (SPV: Special Purpose Vehicle):

Concept		**2019**	**2018**
Fiduciaria Bancolombia - Money Market Fund	$	271.724	285.611
Fiduciaria Bogotá - Money Market Fund		2.822	157.757
Investment Fund - Fiduciaria Alianza		1.434	1.406
Fiduprevisora - Money Market Fund		172	19.117
SPV - Fiduciaria Central		1.251	971
SPV - GNB Sudameris		892.958	700.468
SPV - Renta 4 Global		868.328	1.804.168
BTG Pactual - Money Market Fund		85.607	63.930
BBVA - Money Market Fund		1.917.160	44.486
TOTAL	$	**4.041.456**	**3.077.913**

There were no restrictions on cash or equivalents at each reporting period.

(Expressed in United States dollars)

NOTE 4. FINANCIAL INSTRUMENTS

Concept		2019	2018
Current			
Derivatives USD/COP Currency Forwards (1)	$	747.130	1.332.948
Retained interests from payroll loans sold (2)		1.839.676	-
Total current		**2.586.806**	**1.332.948**
Non-current			
Derivatives USD/COP Currency Forwards (1)		354.006	-
Total non-current		**354.006**	**-**
TOTAL	$	**2.940.812**	**1.332.948**

(1) During 2018 and 2019, the Group acquired financial derivatives contracts (forwards) with counterparty BTG Pactual (Cayman Branch) for hedging loan obligations exposed to currency risk.
(2) During 2019 the Group started a payroll loan portfolio sale program, retaining rights on future interest cashflows from those loans sold.

The fair value measurement for derivatives is categorised within Level 2 of the fair value hierarchy and within level 3 for retained interests on loan sales.

During 2018 derivatives were carried at fair value through profit or loss. In May 2019, the Group adopted hedge accounting using derivatives as hedging instruments for accounting purposes.

NOTE 5. LOANS

The following is a detail of payroll loans originated and held by the Group at December 31 of each year:

Concept		2019	2018
Payroll loans current portion	$	7.434.103	5.936.535
Payroll entities receivables		427.486	162.227
Total current		**7.861.589**	**6.098.762**
Payroll loans non-current portion		80.565.101	55.809.193
Impairment allowance		(2.593.949)	(2.308.546)
Total non-current		**77.971.152**	**53.500.647**
TOTAL	$	**85.832.741**	**59.599.409**

Payroll loans include principal balance and interest accrued not yet paid as well as sales commissions according to the effective interest method.

(Expressed in United States dollars)

NOTE 5. LOANS (Cont.)

The following is the detail of payroll loans by days past due as of December 31 of:

Concept		2019	2018
Recently originated payroll loans in which payroll entity deduction will take place in the following months and are:			
neither past due nor impaired	$	9.996.514	5.708.718
Payroll loans in which payroll entity deduction is active and paying 80% or more of borrowers' monthly contractual payments and:			
has non or less than 31 days past due [0 to 30 days]		63.836.438	46.972.493
past due [31 to 60 days]		101.578	519.254
past due [61 to 90 days]		42.734	291.360
past due [91 to 180 days]		147.236	359.253
past due [more than 180 days]		542.207	803.963
Payroll loans in which payroll entity deduction is active and paying between 50% and 80% of borrowers' monthly contractual payments and:			
has non or less than 31 days past due [0 to 30 days]		344.287	361.766
past due [31 to 60 days]		55.210	63.703
past due [61 to 90 days]		51.395	90.763
past due [91 to 180 days]		159.287	96.349
past due [more than 180 days]		304.900	204.219
Payroll loans in which payroll entity deduction is active and paying less than 50% of borrowers' monthly contractual payments and:			
has non or less than 31 days past due [0 to 30 days]		260.606	285.947
past due [31 to 60 days]		102.802	94.027
past due [61 to 90 days]		35.350	24.529
past due [91 to 180 days]		188.484	91.203
past due [more than 180 days]		757.888	500.861
Payroll loans in which payroll entity deduction is inactive and:			
has non or less than 31 days past due [0 to 30 days]		995.690	856.940
past due [31 to 60 days]		274.811	223.974
past due [61 to 90 days]		144.133	221.806
past due [91 to 180 days]		330.339	388.926
past due [more than 180 days]		1.605.434	1.389.607
Total payroll loans principal outstanding		**80.277.323**	**59.549.659**
Payroll entities receivables (1)		427.485	162.227
Impairment allowance (2)		(2.593.949)	(2.308.546)
Transaction costs (3)		2.370.145	1.112.701
Interest accrued		806.272	1.072.368
Other receivables from clients (4)		4.545.465	-
Total for payroll loans	**$**	**85.832.741**	**59.599.409**

(Expressed in United States dollars)

NOTE 5. LOANS (Cont.)

(1) Corresponds to December 2019 payroll payments expected to be collected from payroll entities in the following month. These were paid to the Group in the first half of January 2020. Most representative payroll entities are:

Entity		2019	2018
Municipio de Fusagasugá	$	120	3.632
Alcaldía de Neiva		1.554	1.762
Fiduprevisora S.A.		16.295	-
Gobernación de Risaralda Nomina Pensionados		3.971	3.908
Universidad de Cartagena Nómina Activos Y Docentes		8.174	8.817
Gobierno Municipal Soacha		5.658	7.180
Secretaria de Educación Municipal De Cali		1.290	12.350
Policía Nacional de Colombia		4.281	40.759
Universidad del Atlántico Administración Planta		-	8.625
Caja de Sueldo de Retiro de la Policía		280.015	-
Other entities		106.127	75.195
TOTAL	$	**427.485**	**162.227**

(2) The movement in the allowance for impairment in respect of payroll loans during the year was as follows:

Concept		2019	2018
Initial impairment allowance	$	2.308.546	1.026.672
IFRS 9 adoption		-	587.746
Impairment loss recognized		1.586.432	925.495
Impairment loss reversed		(480.175)	-
Write-offs		(797.143)	(32.905)
Effect of movements in FX		(23.711)	(198.462)
Ending impairment allowance	$	**2.593.949**	**2.308.546**

(3) Payroll loans origination fees (sales commissions) treated as part of the financial instrument. These are amortized over the life of the instrument. Its increase is due to loan book increase.

(4) Other accounts receivable are concepts related to the loans that are payable by the clients at the end of their loan payment schedule or at prepayment time.

NOTE 6. INSURANCE CONTRACTS ASSETS

The following is a detail of assets arising in insurance contracts in which the Group acts as reinsurer, at December 31 of each year:

Concept		2019	2018
Commercial credit premiums receivable, net of charges (1)	$	794.382	901.413
Credit life premiums receivable, net of charges (1)		1.687.111	867.436
Recoverable for losses and loss related expenses		1.605	-
TOTAL	$	**2.483.098**	**1.768.850**

(1) These are premiums receivable net of commissions and taxes.

(Expressed in United States dollars)

NOTE 7. OTHER RECEIVABLES

The following is a detail of other receivables at December 31st of each year:

Concept		2019	2018
Other receivables from clients	$	11.242	19.267
Loans to employees		33.758	10.953
Other loans		169.155	45.355
Third-party insurance premiums collectable from borrowers (1)		-	179.073
Insurance claims collectable		259.462	-
Other receivables		730.607	60.052
Loan to Silver Tree Capital (2)		319.940	302.000
TOTAL	$	**1.524.164**	**616.700**

(1) These are insurance premiums the Group collects in behalf of a third-party insurance company, as a collection agency.
(2) Loan to Group's Manager, Silver Tree Capital.

NOTE 8. PROPERTY AND EQUIPMENT

The following is a detail of property and equipment at December 31st of each year:

Concept		2019	2018
Office equipment, gross	$	323.715	200.858
Computers and telecommunication equipment, gross		162.916	84.592
Depreciation		(255.455)	(81.620)
Depreciation reclassification		-	356
Property use rights (1)		3.567.637	-
Improvements on third-party property		193.540	-
TOTAL	$	**3.992.353**	**204.186**

(1) Property use rights item is due to adoption on IFRS 16 requiring an asset recognition for the headquarters offices lease as use rights.

At December 31st of 2019 and 2018 there were no legal restrictions and/or pledges on these assets.

Change equipment is due to the opening of new offices during the year.

There are no changes in the following aspects related to the accounting policies:

- Useful life
- Residual value
- Depreciation method

Property and equipment are covered by an insurance policy contracted with Suramericana de Seguros S.A.

(Expressed in United States dollars)

NOTE 9. CURRENT TAX LIABILITIES AND ASSETS

The following is a detail of current tax assets and liabilities at December 31st of each year:

Concept		2019	2018
Income tax payable	$	(276.096)	(785.110)
Withholding income taxes		8.081	7.952
Self-withholding income taxes		355.191	109.172
Current tax assets		**87.176**	**-**
Current tax liabilities	**$**	**-**	**667.986**

NOTE 10. OTHER NON-FINANCIAL ASSETS

The following is a detail of other non-financial assets at December 31st of each year:

Concept		2019	2018
Prepaid industry and trade tax	$	30.336	19.810
Prepaid contributions		-	4.524
Prepaid firefighters tax		-	546
Industry and trade tax retention		423	4.563
Prepaid fees		18.858	-
TOTAL	$	**49.617**	**29.443**

NOTE 11. INTANGIBLE ASSETS

The following is a detail of intangibles assets at December 31st of each year:

Concept		2019	2018
Intangibles, gross	$	657.179	323.388
Amortisation		(50.103)	(25.039)
Intangibles, net	$	**607.076**	**298.349**

NOTE 12. CURRENT AND DEFERRED INCOME TAXES

Income tax

The following is a detail of income taxes recognized at December 31st of each year:

Concept		2019	2018
Current tax	$	285.367	864.020
Subtotal		**285.367**	**864.020**
Deferred tax		226.012	(158.688)
TOTAL	$	**511.379**	**705.332**

Reconciliation of effective tax rate

		2019	2018
Profit before taxes	$	**6.258.540**	**4.641.191**
Effect of tax rates in foreign jurisdictions		511.379	705.332
Total Income taxes	$	**511.379**	**705.332**

(Expressed in United States dollars)

NOTE 12. CURRENT AND DEFERRED INCOME TAXES (Cont.)

Deferred tax assets

		Balance at December 31, 2017	Charged in income statement	Charged in equity	FX effect	Balance at December 31, 2018	Charged in income statement	FX effect	Balance at December 31, 2019
Unrealised fair value gain on financial instruments		**-**	-		-	**-**	(529.355)	(22.547)	**(551.902)**
IFRS 16 effect		**-**	-		-	**-**	5.521	235	**5.756**
Loans impairment		**283.062**	616.925	193.019	(68.031)	**1.024.975**	59.497	(6.032)	**1.078.440**
FX gain/loss on loans		**-**	(458.237)		31.694	**(426.543)**	238.325	13.716	**(174.502)**
Total deferred tax assets	$	**283.062**	158.688	193.019	36.337	**598.432**	(226.012)	(14.628)	**357.792**

NOTE 13. LOANS AND OTHER INTEREST-BEARING LIABILITIES

The following is a detail of loans and other interest-bearing liabilities at December 31st of each year:

Concept			
Current		**2019**	**2018**
Structured financing (1)	$	2.277.464	2.275.230
Loan obligations (2)		20.914.793	2.685.330
TOTAL	$	**23.192.257**	**4.960.560**
Non-current			
Structured financing (1)	$	1.138.732	1.137.615
Loan obligations (2)		46.974.033	36.518.702
TOTAL		**48.112.765**	**37.656.317**
CURRENT AND NON-CURRENT	$	**71.305.022**	**42.616.877**

The Group does not have any significant special condition to be fulfilled on any of their debt and no loan agreements have breach.

(1) The following is a disclosure of structured financing:

Structured financing	**2019**	**Average Term (Months)**	**2018**	**Average Term (Months)**
Financiera Dann Regional Compañía de Financiamiento S.A. (COP)	3.416.196	18	3.412.846	36
TOTAL	**3.416.196**		**3.412.846**	

(Expressed in United States dollars)

NOTE 13. LOANS AND OTHER INTEREST-BEARING LIABILITIES (Cont.)

(2) The following is a disclosure of loan obligations

Loan obligations	2019	Term (Months)	2018	Term (Months)
Banco de Bogotá (COP)	1.986.852	36	-	-
GNB Sudameris S.A. (COP)	16.335.196	36	7.909.610	36
Aqua Fund - Fiduciaria Central S.A. (COP)	-	36	7.872.302	36
Aqua Fund - Renta 4 Global S.A. (COP)	16.612.597	36	5.541.200	36
Kawa Capital Partners LLC. (USD)	17.845.709	36	10.933.568	36
Credit cards (COP)	15.324	1	80	1
Financiera Dann Regional S.A. (COP)	155.813	36	447.271	36
BTG Pactual	6.424.524	24	-	
MIS Trust (USD)	1.000.000	36	1.000.000	36
AV Securities (COP)	3.012.811	36	1.000.000	36
AV Securities (USD)	4.500.000	24	4.500.000	32
TOTAL	**67.888.826**		**39.204.032**	

Most loan obligations are collateralized with the Group’s payroll loan portfolio.

None of the Group’s debt and assets are rate sensitive.

NOTE 14. TRADE AND OTHER PAYABLES

The following is a detail of trade and other payables at December 31st of each year:

Trade and other payables		2019	2018
Administration fees (1)	$	15.290	9.300
Audit fees (2)		53.991	24.000
Director fees		30	-
Loan interest		7.498	7.500
Management fees (3)		166.676	160.800
Payable to Ocean Re		319	319
Insurance loss reserve actuarial certification fees	$	22.000	10.125
Third-party insurance premiums payable (4)		1.123.994	914.100
Unfunded loan commitments (5)		1.026.323	588.926
Suppliers		415.632	156.501
Unidentified cash receipts		24.694	21.616
Client refunds payable (6)		2.249.044	1.580.065
Retentions and law contributions		78.408	41.988
Interest received in advance		590.036	169.966
Lease obligations under IFRS 16 (7)		3.499.327	-
Loans sold collections payable (8)		448.622	-
Third-party loan financial guarantees collections payable (9)		413.181	-
Other third-party collections payable		1.529	-
Trade and other payables total	$	**10.136.594**	**3.685.205**

(Expressed in United States dollars)

NOTE 14. TRADE AND OTHER PAYABLES (Cont.)

(1) Due to Atlas Fund Services (Curacao) N.V: Under the terms of an administration agreement dated July 1st, 2016 the Administrator is responsible for providing record keeping, valuation and accounting services, and for discharging other administrative functions at the direction of the Investment Manager. The Group pays expenses incurred by the Administrator in connection with the performance of its duties and obligations under the agreement, as is the case of FATCA Fees.
(2) Due to KPMG Bermuda.
(3) Due to Silver Tree Capital: Under the terms of the Group's Confidential Information Memorandum, the Investment Manager has agreed to render investment management services to the Group. The Investment Manager receives a monthly management fee equal to 2% per annum of the last closing Group's net assets revalued each quarter.
(4) Corresponds to insurance premiums collected by the Group, acting as a collection agent for third-party insurance companies.
(5) Due to loan disbursements pending to be wired to borrowers after the completion of the loan origination process.
(6) These are funds payroll entities mistakenly discount from borrowers' salaries and its increase relate to a growing loan book and received prepayments, they are available for clients' collection.
(7) Lease obligations item is due to adoption on IFRS 16 requiring a liability recognition for the future headquarters offices lease payments at present value.
(8) On 2019 the Group started a payroll loan portfolio sale program, remaining as a manager, collector and reporting agent for those loans under an administration agreement.
(9) Since November 2019, all of the Group's new loans include a financial guarantee (paid by the clients) from the FGA Fondo de Garantias S.A. "Fondo de Garantias de Antioquia". This financial guarantee covers losses on loans defaulted.

NOTE 15. EMPLOYEE BENEFITS

The following is a detail of employee benefits at December 31st of each year:

Concept		**2019**	**2018**
Salaries	$	2.014	6.385
Statutory severance pay		139.268	67.488
Statutory interest on severance pay		18.267	9.301
Statutory annual leave		1.080	47.507
Statutory bonuses		80.822	7.977
TOTAL	$	**241.451**	**138.659**

NOTE 16. OTHER NON-FINANCIAL LIABILITIES

The following is a detail of other non-financial liabilities at December 31st of each year:

Concept		**2019**	**2018**
Withholding income tax	$	43.282	41.424
Withholding industry and trade tax		5.620	428
Value added tax		87.649	8.623
Industry and trade tax		108.031	70.177
TOTAL	$	**244.582**	**120.653**

(Expressed in United States dollars)

NOTE 17. DIVIDENDS PAYABLE

These are accrued distributions payable to Holders of Class C Preference Shares who have the right to receive the preferred return.

NOTE 18. INSURANCE CONTRACTS LIABILITIES

The following is a detail of liabilities arising in insurance contracts in which the Group acts as reinsurer, at December 31 of each year:

Concept		2019	2018
Reserves for insurance losses incurred but not reported	$	32.060	368.431
Insurance losses payable		238.134	-
TOTAL	$	**270.194**	**368.431**

NOTE 19. AUTHORIZED SHARE CAPITAL

The Group is authorized to issue up to 30.000 Shares of par value $0,10 each, comprising three classes:

(a) Class A Ordinary Shares;
(b) Class B Ordinary Shares;
(c) Class C Preference Shares

<u>Issued capital</u>

At December 31, 2019, 12.000 Class A Shares, 121,51 Class B Shares and 2.000,99 Class C Shares were issued and fully paid.

At December 31, 2018, 12.000 Class A Shares, 20,40 Class B Shares and 2.102,10 Class C Shares were issued and fully paid.

<u>Class rights</u>

Class A Ordinary Shares have voting rights and the right to an equal share in any distribution paid by the Group if no Class C Shares are outstanding. Class B Ordinary Shares have no voting rights and the right to an equal share in any distribution paid by the Group if no Class C Shares are outstanding. Class C Preference Shares have no voting rights and have the right to receive a preferred return at a rate of 8% per annum and 75% share in any distribution until conversion to Class B Shares.

<u>Dividends and distributions</u>

Under Iris Bye-laws the Board of the Group may, in accordance to the Companies Act 1981, declare a dividend to be paid to the Members, in proportion to the number of shares held by them, and no unpaid dividend shall bear interest as against the Group. The Group's distribution policy is to distribute each year at least fifty percent (50%) of all of the Group's net earnings.

<u>Allocation of income and expenses between share classes</u>

There will be no difference in the allocation of income and expenses between different shares Classes.

(Expressed in United States dollars)

NOTE 19. AUTHORIZED SHARE CAPITAL (Cont.)

Share transaction summary:

	Class A Shares	Class B Shares	Class C Shares	Class C Treasury Shares	Share capital and contributed surplus
BALANCE AT DECEMBER 31, 2017	**707.599**	**-**	**24.900.000**	**(4.500.000)**	**21.107.599**
Issuance of shares	-	-	2.250.000	-	2.250.000
Use of advance payment for shares subscription	-	-	(1.425.000)	-	(1.425.000)
Conversion of Shares	-	204.023	(204.023)	-	-
Repurchase of Class C shares	-	-	-	(169.500)	(169.500)
BALANCE AT DECEMBER 31, 2018	**707.599**	**204.023**	**25.520.977**	**(4.669.500)**	**21.763.099**
Conversion of Shares	-	1.011.095	(1.011.095)	-	-
BALANCE AT DECEMBER 31, 2019	**707.599**	**1.215.118**	**24.509.882**	**(4.669.500)**	**21.763.099**

NOTE 20. RETAINED EARNINGS

The following is a detail of retained earnings or accumulated loss at December 31st of each year:

Concept		**2019**	**2018**
Beginning balance	$	1.908.685	472.864
Effect of IFRS 9 adoption		-	(394.727)
Effect of change in accounting policy of a subsidiary (1)		-	49.232
Net income for the year		5.747.162	3.935.859
Dividends decreed		(3.509.476)	(2.154.542)
Ending balance	$	**4.146.371**	**1.908.686**

(1) Adjustment on accounting standards final alignment by subsidiary (ExcelCredit) to the parent's accounting standards related to IAS 38 adoption.

NOTE 21. OTHER COMPREHENSIVE INCOME

Other comprehensive income is due to the currency translation differences of foreign operations from subsidiary ExcelCredit which would be reclassified to profit and loss in the event of investment sale.

Detail for the years ended December 31st, 2019 and 2018 is as follows:

NOTE 21. OTHER COMPREHENSIVE INCOME (Cont.)

ExcelCredit Accounts	COP (Thousands)	Exchange Rate		USD
Assets (+)	334.550.427	3.277,14	Closing rate	102.086.095
Liabilities (-)	249.593.030	3.277,14	Closing rate	76.161.845
Post-acquisition earnings (-)	5.949.430	3.219,97	Average rates	1.847.665
Post-acquisition other comprehensive income (-) **(1)**	1.800.355	3.446,66	Average rates	522.347
All other equity accounts (-)	77.207.612	2.933,13	Historical cost	26.322.599
Other Comprehensive Income for translation	**=**	**Exchange Differences at 2019**	**=**	**(2.768.361)**

ExcelCredit Accounts	COP (Thousands)	Exchange Rate		USD
Assets (+)	214.701.362	3.249,75	Closing rate	66.067.040
Liabilities (-)	135.301.587	3.249,75	Closing rate	41.634.460
Post-acquisition earnings (-)	2.192.163	2.947,36	Average rates	743.771
All other equity accounts (-)	77.207.612	2.933,13	Historical cost	26.322.599
Other Comprehensive Income for translation	**=**	**Exchange Differences at 2018**	**=**	**(2.633.790)**
Change in Exchange Differences during 2019				**(134.571)**

(1) ExcelCredit Other Comprehensive Income (OCI) occurred for the Subsidiary's use of the hedge reserve under Subsidiary's hedge accounting policy applied to derivatives acquired to hedge future loan payments in foreign currency.

NOTE 22. INTEREST AND OTHER SIMILAR INCOME

The following is a detail of interest income for the years ended December 31st of:

Concept		2019	2018
Payroll loans interest (1)	$	14.053.910	12.222.556
Gain from payroll loans sold (2)		2.299.280	-
TOTAL	$	**16.353.190**	**12.222.556**

(Expressed in United States dollars)

NOTE 22. INTEREST AND OTHER SIMILAR INCOME (Cont.)

(1) Increase interest income is due to the Group's loan book growth.

(2) On 2019 the Group started a payroll loan portfolio sale program, retaining rights on future interest cashflows from those loans sold. The measurement of this gain is based on the fair value from retained interests using the discounted cash flow method adjusted for risk.

NOTE 23. INSURANCE CONTRACTS PREMIUMS WRITTEN

The following is a detail of insurance contracts premiums written for the years ended December 31st of:

Concept		2019	2018
Commercial Credit premiums written	$	2.662.824	5.543.954
Credit Life premiums written		3.987.479	2.818.581
TOTAL	$	**6.650.303**	**5.362.535**

Increase premiums written is due to the Group's increase in the number of people insured. Please refer to notes 2.13 and 30 for more information on the insurance contracts.

NOTE 24. OTHER INCOME

The following is a detail of other income for the years ended December 31st of each year:

Concept		2019	2018
Collection commission	$	24.917	17.404
Credit survey fees		1.695.421	477.091
Loan certificates		51.373	23.515
Expenditure reimbursement		10.901	667
Collection costs reimbursement		134.734	238.203
Discounts received		-	70
Administrative services		37.002	14.063
Reimbursement and others		19.733	6.493
Employee medical leaves reimbursement		-	2.164
Prior periods income		2.204	4.616
Prepayment penalty fees		704.511	617.341
Interest on bank accounts		218.840	123.536
Interest on loans to affiliates		17.940	2.000
Gain on FX derivatives under hedge accounting (1)		-	1.434.188
TOTAL	$	**2.917.576**	**2.961.349**

(1) Derivatives contracts generated a gain during 2018 due to the Colombian Peso devaluation. This gain compensates the foreign exchange loss in Colombian operations due to foreign debt acquired during the year. On 2019 derivatives generated a gain that was accounted on OCI under hedge accounting policy.

(Expressed in United States dollars)

NOTE 25. INTEREST AND OTHER SIMILAR EXPENSE

The following is a detail of interest expense for the years ended December 31st of each year:

Concept		2019	2018
Interest on structured financing	$	222.898	530.793
Interest on loan obligations		7.378.629	4.065.396
Interest on non-financial leases		63.568	-
TOTAL	$	**7.665.095**	**4.596.188**

During 2019, the Group financed its loan book growth with different debt instruments that led to an increase in interest expense.

NOTE 26. INSURANCE CONTRACTS ACQUISITION COSTS

The following is a detail of insurance contracts acquisition costs for the years ended December 31st of:

Concept		2019	2018
Commissions	$	452.516	416.712
Reinsurance tax		66.503	53.626
TOTAL	$	**519.019**	**470.338**

NOTE 27. INSURANCE CONTRACTS LOSSES INCURRED

The following is a detail of insurance contracts losses incurred for the years ended December 31st of:

Concept		2019	2018
Insurance losses incurred and reported	$	651.046	416.019
Insurance losses incurred but not reported		(311.883)	212.638
TOTAL	$	**339.163**	**628.657**

NOTE 28. ADMINISTRATIVE EXPENSES

The following is a detail of administrative expenses (segregated between general and related to business promotion) for the years ended December 31st of each year:

General		2019	2018
Staff costs	$	1.502.670	1.358.302
Fees paid for services		125.580	177.515
Operating leases		326.957	304.897
Other leases		131.378	93.972
Building administration		12.038	10.850
Utilities		319.438	177.908
Maintenance and repairs		14.441	2.346
Adaptation and installation		45.292	43.951
Virtual access licenses		94.546	43.652
Legal fees		12.159	11.972
Travel expenses		14.737	5.789
Insurance expenses (1)		2.699.477	2.661.137

(Expressed in United States dollars)

NOTE 28. ADMINISTRATIVE EXPENSES (Cont.)

Depreciation		171.279	33.524
Amortization		49.598	26.372
Public relations and representation expenses		2.386	485
Cleaning and basic cafeteria expenses		17.010	16.026
Stationery and copies		37.407	22.812
Employee transportation		23.848	14.625
Restaurant		10.587	10.729
Other diverse expenses		374	514
Parking		2.664	520
Books, magazines and subscriptions		2.333	2.506
Industry and trade Tax		148.907	114.554
Other taxes		608	8.243
Value added tax		743.665	703.583
Loss reserve certification		27.245	2.700
Legal and professional services		97.108	35.581
Golden Tree administration fees		110.000	24.000
Iris administration fees		25.790	23.800
Intertrust fees		2.369	2.112
Audit fees		58.421	25.626
Director fees		3.030	2.500
FATCA Fees		3.400	(6.800)
Legal & professional fees		2.625	85.305
Silver Tree management fees		342.478	283.545
Total for general	$	**7.181.845**	**6.325.153**

Business promotion		**2019**	**2018**
Staff costs	$	1.120.424	698.648
Payroll entities fees		142.777	75.751
Electronic data processing		44.867	28.765
Phone and internet		16.343	14.339
Other services		23.829	19.022
Utilities		-	17.403
Advertising		193.569	100.387
Travel expenses		29.936	30.215
Collection costs		19.735	12.224
Licenses and formalities		347	122
Public Relations and representation expenses		2.564	3.434
Credit bureau inquiry fees		116.038	75.428
Maintenance and repairs		722	1.108
Stationery and copies		685	3.934
Cleaning and basic cafeteria expenses		2.702	2.215
Other diverse expenses		31.721	23.671
Operating leases		80	-
Total for business promotion	$	**1.746.339**	**1.106.668**
GENERAL AND BUSINESS PROMOTION TOTAL		**8.928.184**	**7.431.821**

(Expressed in United States dollars)

NOTE 28. ADMINISTRATIVE EXPENSES (Cont.)

(1) These are insurance premiums contracted to protect the Group in case of borrower's delinquency.

NOTE 29. OTHER OPERATING EXPENSES

The following is a detail of other operating expenses for the years ended December 31st of each year:

Concept		2019	2018
Event driven losses	$	52.202	17.900
Client loans debt forgone		256.767	28.458
Prior periods expenses		4.609	5.311
Non-deductible taxes and fees		16.893	11.899
Other diverse expenses		3.366	1.149
Bank charges		110.791	97.066
Tax on financial transactions		187.839	105.111
Disbursement charge expense		-	33.750
Impairment for insurance receivables		-	98.177
Foreign exchange loss on foreign operations (1)		377.257	1.453.930
Loss on FX derivatives under hedge accounting		95.086	-
TOTAL	$	**1.104.810**	**1.852.750**

(1) Foreign exchange loss on foreign operations is due to Colombian subsidiary's debt in foreign currency and the Peso devaluation presented during the year. This debt is hedge with currency forward derivatives accounted under hedge accounting.

NOTE 30. INSURANCE CONTRACTS

The Group has two types of insurance contracts in which is involved as reinsurer:

Credit Life Proportional Facultative Reinsurance: This insurance policy is a reinsurance policy of mandatory policies offered to borrowers of finance companies to protect them in the event of their death and total or permanent disability.

Commercial Credit Proportional Facultative Reinsurance for Non-Bank lenders: This insurance policy's coverage is protecting a percentage of the loan book of finance companies in the event their borrowers default on their loans.

Risk factors of insurance operations

The Group's results of operations and financial condition depend upon its ability to accurately assess the potential losses associated with the risks that it reinsures.

The Group has exposure to counterparties through reinsurance that exposes it to credit risk, and credit life risk if counterparties or final insured people, fail to perform their obligations.

(Expressed in United States dollars)

NOTE 30. INSURANCE CONTRACTS (Cont.)

Loss development for all insurance products

	Accident year						
	2015	**2016**	**2017**	**2018**	**2019**	**Total**	
	Cumulative Losses						
1st year	-	26.344	348.710	686.310	580.543		
2nd year	-	33.582	291.056	444.931			
3rd year	-	33.582	291.056				
4th year	-	33.582					
5th year	-	33.582					
Total incurred losses	-	33.582	291.056	444.931	580.543	1.350.112	(+)
Losses paid	**-**	33.582	291.056	444.931	298.456	1.068.025	(-)
						282.087	=
					Foreign exchange and other	- 11.893	(+)
					Total end of year	**270.194**	=
					Reserves for losses incurred but not reported	32.060	
					Losses payable	238.134	
					Total end of year	**270.194**	

Reconciliation of insurance loss reserves and losses payable

Beginning of year	**2019**	**2018**
Loses payable	157.892	115.001
Reserve for insurance losses incurred but not reported	368.431	193.243
Total Beginning of year	**526.323**	**308.244**
Net claims incurred for the year related to:		
Current year	580.543	686.310
Prior years	(241.380)	(57.653)
Total	316.068	628.657
Net paid claims for the year related to		
Current year	(298.456)	(228.084)
Prior years	(285.439)	(145.765)
Total	(583.895)	(373.849)
Foreign exchange and other	(11.397)	(36.729)
Total end of year	270.194	526.323
End of year		
Loses payable	238.134	157.892
Reserve for insurance losses incurred but not reported	32.060	368.431
Total end of year	**270.194**	**526.323**

(Expressed in United States dollars)

NOTE 31. FINANCIAL INSTRUMENTS

31.1 MEASUREMENT

The relevant financial instruments of the Group, on the asset side, are payroll loans originated in Colombia, which are measured at amortized cost and the effective interest method and are classified as held until maturity. The Group may have to measure the fair value on some other financial instruments.

The Group has a structure in which fair value measurement is performed and revised constantly by a professional team.

Fair Value Hierarchy

Fair value is defined within the following categories based on the inputs used for its measurement:

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

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

Level 3: inputs are unobservable inputs for the asset or liability.

		2019			
Financial instruments measured at fair value		**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial instruments classified as hedging instruments					
Derivatives USD/COP Currency Forwards	$	1.101.136	-	1.101.136	-
Financial instruments a fair value through profit or loss					
Retained interests from payroll loans sold		1.839.676	-	-	1.839.676
Financial instruments not measured at fair value		**Carrying amount**	**Level 1**	**Level 2**	**Level 3**
Financial instruments at amortised cost					
Cash and cash equivalents		9.587.261	9.587.261	-	-
Loans (to customers)		85.832.741	-	-	85.832.741
Loans and other interest-bearing liabilities		71.305.022	-	-	71.305.022
Trade and other payables		10.136.594	-	-	10.136.594

	2018			
Financial instruments measured at fair value	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial instruments a fair value through profit or loss				
Derivatives USD/COP Currency Forwards	1.332.948	-	1.332.948	-

(Expressed in United States dollars)

NOTE 31. FINANCIAL INSTRUMENTS (Cont.)

31.1 MEASUREMENT (Cont.)

Financial instruments not measured at fair value	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**
Financial instruments at amortised cost				
Cash and cash equivalents	5.869.167	5.869.167	-	-
Loans (to customers)	59.599.410	-	-	59.599.409
Loans and other interest-bearing liabilities	42.616.877	-	-	42.616.877
Trade and other payables	3.685.205	-	-	3.685.205

Financial instruments measured at fair value	**Valuation technique**
Derivatives USD/COP Currency Forwards	Fair value is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.
Retained interests from payroll loans sold	The expected payment reflects the calculated present value of residual cashflows from payroll loans sold using default, prepayment, and amortisation curves gathered from the Group's portfolio historical data.

31.2 MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments

Group exposure to market risk from a USD perspective arises in the translation of foreign operations in Colombia to the capital raising currency of the Parent. Nevertheless, the investments are held as a long-term involvement in the Country for generating long term cash flows. All foreign operations translation differences form part of other comprehensive income and will only form part of profit or loss in the event of sale of the investment.

Monetary assets and liabilities which generate foreign currency exposure in income statement for being in a currency different than each of the subsidiaries' functional currencies are as follows:

Concept		**2019**	**2018**	**Functional currency:**	**Currency used:**
Insurance contracts assets	$	2.483.098	1.768.850	USD	COP
Insurance contracts liabilities		270.194	368.431	USD	COP
Derivative financial instruments ("Hedged")		1.101.136	1.332.948	COP	USD
Loan obligations ("Hedged")		20.858.520	11.952.326	COP	USD
TOTAL	$	**24.712.948**	**2.137.281**		

NOTE 31. FINANCIAL INSTRUMENTS (Cont.)

31.2 MARKET RISK (Cont.)

The items shown as "Hedged" are excluded from the following sensitivity analysis. The financial instruments are forward contracts acquired to hedge currency risk from the future interest and capital payments on the only two loan obligations that were contracted by the Colombian subsidiary ExcelCredit in a currency different (USD) than its functional currency (COP).

Sensitivity analysis of currency risk at which profit or loss and other comprehensive income is exposed:

The reasonable possible changes in foreign exchange rate until the next reporting date (one year) was determined as the annualized monthly volatility of FX rate, according to the monthly variations presented during the last year in the representative market rate (TRM), with a 90% (1-i) confidence and assuming a standard normal distribution (z) for the TRM variations.

Sensitivity analysis at December 31, 2019

Reasonable possible change up or down = $\sigma_{(last\ year\ monthy\ \Delta\%\ TRM)} * z_{i/2} * \sqrt{12}$ = 21,50%

At December 2019, effect on income statement for reasonable possible changes in foreign exchange rate (COP/USD) in one year may be positively by $607.967 or negatively by $392.802.

At December 2019, effect on other comprehensive income for reasonable possible changes in foreign exchange rate (COP/USD) in one year may be positively of $7.125.558 or negatively by $4.603.755.

Sensitivity analysis at December 31, 2018

Reasonable possible change up or down = $\sigma_{(last\ year\ monthy\ \Delta\%\ TRM)} * z_{i/2} * \sqrt{12}$ = 19,52%

At December 2018, effect on income statement for reasonable possible changes in foreign exchange rate (COP/USD) in one year may be positively or negatively by $417.197.

At December 2018, effect on other comprehensive income for reasonable possible changes in foreign exchange rate (COP/USD) in one year may be positively of $5.925.119 or negatively by $3.989.931.

31.3 CAPITAL MANAGEMENT

Capital management is supervised by the Board under a policy of a maintaining a maximum debt to equity ratio of 5 times, wide and stable liquidity sufficient to cover the projected growth of Group's loan book and maintaining always a superior maturity in its debts rather that its assets in order to reduce possible liquidity risk temporary gaps. The Group has also worked towards having the lowest possible debt cost. During 2019 and 2018 the Group has complied successfully with such policies.

31.4 CREDIT AND COUNTERPARTY RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group manages credit risk through comprehensive principles and credit policies, which mitigates exposures:

(Expressed in United States dollars)

NOTE 31. FINANCIAL INSTRUMENTS (Cont.)

31.4 CREDIT AND COUNTERPARTY RISK (Cont.)

- Credit risk management function is independent from other business areas.
- A key principle of credit risk management is client credit due diligence.
- The Group aims to prevent undue concentration and tail-risks (large unexpected losses) by maintaining a diversified credit portfolio among a large number of borrowers, reducing single-name credit risk
- The Group manages credit exposures on the basis of the "one obligor principle".

The Group is an active participant in the credit market of Colombia as a provider of direct salary-discount loans (also called payroll loans) regulated by the Colombian legislation in Law 1527 of April 27, 2012. This credit modality provides better credit risk mitigation as the payments are not subject to the borrower's willingness to pay.

The Group also has defined three lower risk market segments in which it aims to grow. These are:

- Public schools and universities teachers.
- Public servants hired by any entity that is part of the Colombian Government
- Pensioners who receive lifetime monthly pension allowance due to their age and/or time served in favor of an entity.

Clients' initial categorization*	2019	2018
Pensioners	81.24%	80,92%
Teachers	6,01%	9,49%
Current public servants	12,75%	9,59%
TOTAL	**100,00%**	**100,00%**

*Shown as a percentage of total payroll loans principal outstanding.

By defining these segments most of the Group's counterparty risk is concentrated in the Colombian Government (BBB- rated), as well as some of the most important pension funds and insurance companies in the Country. Loans paid directly by borrowers are a consequence of numerous reasons that end the link between the borrower and the payroll entities, including but not limited to:

- Voluntary or involuntary job contract end
- Leaves and vacation
- Medical leaves for sickness or disability
- Garnishments limiting payment capacity by law
- Bribes from other market participants
- Other debts remaining

During 2019 there was a reduction on the percentage of loans paid directly by borrowers than the prior year.

Current Counterparties*	2019	2018
Government-owned or government-related/backed entities	91,04%	89,22%
Private pension funds	2,24%	2,91%
Private insurance companies	2,55%	2,69%
Loans paid directly by the borrower (borrower retired / inactive payroll discount)	4,17%	5,17%
TOTAL	**100,00%**	**100,00%**

*Shown as a percentage of total payroll loans principal outstanding.

NOTE 31. FINANCIAL INSTRUMENTS (Cont.)

31.4 CREDIT AND COUNTERPARTY RISK (Cont.)

Even if borrowers agree to automatically deduct from their salary the monthly loan payments, there is still a risk that borrower's salary is insufficient to satisfy the payments. For this matter the Group has stablish origination policies and processes that creates an environment of control and compliance of local regulation for this type of loans.

Within its structure the Group has adopted high standards of control through the implementation of a Credit Risk Committee with the support of the Board, the Management Team and the Risk area. The Committee stablishes general policies for loan origination purposes.

General policies

In order to be eligible for a payroll loan with the Group, borrower must:

- Be an employee or have a link with an active payment operating as a salary or monthly pension.
- Be at least 20 years old and younger than 84 years old.
- Demonstrate payment capacity according to the payment conditions, within the context of the legal framework, for example, Law 1527.
- Able to satisfy loan payments with a 50% wage deduction.
- Comply with ExcelCredit requirements.
- Authorize and deliver sufficient guarantees requested by ExcelCredit.
- Authorize the enquiry and report to the credit bureau.
- Not be reported in restrictive lists or involved in criminal activities that imply money laundering, terrorist financing and other legal dispositions.
- Be ready to accept ExcelCredit granting policies and reserve and right of admission of the credit application.
- Not be contractor officers, provisional contractors, on permanent leave, in a position that is temporary or freely appointed and removable by a superior.

The authorized lines of credit are any purpose, portfolio purchase and credit recovery (in the case of purchasing portfolio through credit recovery, the credit recovery prevails).

The disbursements that do not correspond to portfolio purchase or restructures will only be transferred to an account held on behalf of who was granted the credit, or failing this by the PEC-Spanish abbreviation system (Payment in Cash), meaning that under no circumstances a transfer will be done on behalf of third parties.

The Group has also defined policies in regards to the use of credit bureau information, purchasing and restructures, limits on granting amounts depending on the segment, policies in regards to seizures on the borrowers' salaries, and policies specific to the validation of documentation authenticity, as well as in regards to enquiry logs. The Group also defined different attributions levels for credit approvals and has specific disbursement policies all of which aim to work towards reducing loan book defaults and delinquency.

31.5 LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group manages and measures liquidity risk with the construction of a projected cashflow with the help of all areas of the organization, including new originations, expenses and debts payable.

(Expressed in United States dollars)

NOTE 31. FINANCIAL INSTRUMENTS (Cont.)

31.5 LIQUIDITY RISK (Cont.)

The Group also measures its structural liquidity risk at the close of each month through the measurement of various liquidity bands and gaps. At this moment the Group considers that its high loan prepayment rate reduces significantly the average maturity of its loan book, and therefore it's liquidity risk, even more, in the long term, for this reason the liquidity gaps and liabilities maturities are observed on a short-term basis (less than a year).

Following is a detail of liabilities undiscounted contractual maturities at December 31 of each year:

2019

Financial liabilities	Carrying amount	1 - 15 Days	16 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 - 360 Days	> 360 Days
Bank loans and structured financing	71.305.022	18.190	1.487.038	2.565.681	1.564.664	1.561.277	1.560.772	2.032.169	9.326.187	51.189.044
Diividend payable	1.600.791						1.600.791			
Trade and other payables*	10.136.594		1.267.074	1.267.074	1.267.074	1.267.074	1.267.074	1.267.074	2.534.148	
Interest on debt*		342.479	342.479	692.458	796.942	684.958	684.958	796.942	4.333.715	8.368.490
Insurance contract liabilities*	270.194			270.194						

2018

Financial liabilities	Carrying amount	1 - 15 Days	16 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 - 360 Days	> 360 Days
Bank loans and structured financing	42.616.877	189.603	26.060	225.143	234.623	244.103	253.583	263.064	8.715.920	32.464.778
Diividend payable	1.681.678					1.681.678				
Trade and other payables*	3.685.205		1.228.402	1.228.402	1.228.402					
Interest on debt*		203.750	203.750	407.501	499.376	407.501	407.501	494.696	2.625.244	5.197.988
Insurance contract liabilities*	368.431			368.431						

* These maturities are estimated.

NOTE 32. RELATED PARTY TRANSACTIONS

Due to related parties transactions consists of:

1) Management fees that are payable to Silver Tree Capital for the activities of managing the Group (refer to note 14 (3) for more information).

2) Loans disbursed to Silver Tree Limited for an amount of $300.000 plus interest (refer to note 7 (2)) for more information)

3) Liabilities the Group has with Financiera Dann Regional Compañía de Financiamiento S.A. (refer to note 13)

4) Loans sold to Financiera Dann Regional Compañía de Financiamiento S.A. which are under ExcelCredit's management. Total capital sold sums $16.917.186. Total outstanding capital under management at December 31st 2019 was $13.815.945.

5) Transactions with key management personnel: the compensation of key management personnel is as follows:

Concept		2019	2018
Key management emoluments	$	177.559	180.132
	$	**177.559**	**180.132**

NOTE 33. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

Management has evaluated subsequent events occurring through August 5th 2020, the date that these financial statements were available to be issued and determined that neither adjusting or non-adjusting events occurred. Nevertheless, since December 31st 2019 many countries have experienced an outbreak of the COVID-19 virus and on March 11th 2020, the World Health Organization declared the disease to be a global pandemic. The situation is developing rapidly, and the long-term impact of this pandemic is unclear at this time. The Company's subsidiaries carry credit and insurance business that was not materially affected. The Company's management is monitoring the developments closely.