Santander Securities Services Colombia S. A. Trust Company

Financial statements for year-end closing to December 31, 2019 with comparative figures to December 31, 2018

NOTE 1 - GENERAL INFORMATION

Santander Securities Services Colombia S. A. Trust Company. (hereinafter "S3 Colombia" or "the Trust") is a business corporation of a private in nature, with its main business address in the city of Bogotá D.C., which was established on August 22, 2017 by Public Deed No. 1533, granted in Notary 23 of the notary bar of Bogotá. The duration set in the Bylaws is up to December 31, 2100, but the duration date may be extended with a decision from the Shareholders' Meeting by executing a statutory reform.

On June 5, 2018, the Financial Superintendence of Colombia granted the operating license to the Trust Company through Resolution No. 709, and on November 26, 2018 authorizes S3 to develop the escrow activity and to be registered in the National Register of Agents of the Securities Market – RNAMV in Spanish, as an Escrow Securities Agent by resolution 1681.

The Trust Company, according to Colombian legislation, is intended to perform the operations authorized to Trust Companies by the Organic Statute of the Financial System and other rules that enable these kinds of operations. In particular, without this list being a constraint given the general purpose detailed above, the Trust Company will be able to perform, according to the norm that regulates this kind of activities and the foreign exchange activity in Colombia:

- Escrow, settlement and clearing for foreign direct investors or portfolio investors.
- Escrow, accounts management, settlement and compliance for its customers
- Escrow and administration of securities and funds in Colombia or abroad
- In addition, S3 Colombia will be able to execute the acts and perform all the investments that are legally authorized for trust companies.

S3 Colombia is part of a business group as it appears in the Trade Register. Control is exercised through Santander Securities Services SAU of Spain, who in turn is owned directly by *Banco Santander, S. A.*, a Spanish banking institution.

In December 2019, *Crédit Agricole S.A.* and *Banco Santander* announced the closure of the strategic integration of CACEIS and Santander Securities Services to create a global leader. By the end of the period all conditions have been met, including authorizations of the regulator, boards, and shareholders.

Under the signed agreements, CACEIS is now the owner of 100% of S3 Spain and 49.99% of the operations of S3 in Latin America (Brazil, Mexico and Colombia). As a result, Crédit Agricole S.A. and Santander are holders of 69.5% and 30.5% of CACEIS respectively.
CACEIS and S3 will benefit from the creation of value thanks to commercial synergies and growth prospects. They will achieve a better competitive positioning, and will benefit from a better geographical presence, of the total coverage of the value chain of the depositary and the escrow, and a greater offer for customers, both current and new ones.

The 5th of February of 2020, the General Shareholders Meeting of S3 met in an extraordinary session to approve the statutory reform consisting of the company name change, turning now to be called CACEIS SANTANDER COLOMBIA S.A. TRUST COMPANY, which is recorded and approved in Record No. 6, and formalized before notary 23, according to public deed No. 157, dated February 5, 2020.

As of December 31, 2019, the Trust develops its corporate purpose at Calle 93A No. 13 - 24 Floor 3 and has a total of 10 employees in its payroll.

The financial statements with cut-off date to December 31, 2019 were approved by the Board of Directors of February 13, 2020, under minute No.23.

NOTE 2 – MAIN USED ACCOUNTING CRITERIA

a **Applied accounting standards** – The financial statements of S3 Colombia have been prepared in accordance with the Standards of Accounting and Financial Information Accepted in Colombia - NCIF, which are based on the International Financial Reporting Standards (IFRS) along with their interpretations, conceptual frame of reference, the foundations of the conclusion and the application guides, authorized and issued by the International Accounting Standards Board (IASB) published in Spanish until the year 2015; and other legal provisions defined by the supervision entities, that may differ in some aspects of the established by other State control agencies.

In addition, the Trust, in compliance with Laws, Decrees and other regulations in force, applies the following accounting criteria that differ from IFRSS, issued by the IASB:

Decree 2420 of December 14, 2015 – through which this Sole Regulatory Decree of Accounting, Financial Information and Information Assurance Standards is issued, establishing that information preparers that are classified as public interest entities, which gather, handle or manage resources from the public, must not apply IAS 39 – Financial Instruments: Recognition and measurement; and IFRS 9 – Financial Instruments, with regard to the classification and appraisal of investments.

Therefore, in accordance with the Basic Accounting and Financial Circular Letter (External Circular Letter 100 of 1995) of the Financial Superintendence of Colombia, in what is applicable to matters related to investments, these should be classified as: negotiable investments, securities to keep until maturity, and securities available for sale; and are valued at market value or fair price for exchange.

b **Basis of preparation and functional currency–.** For legal purposes in Colombia, the primary financial statements are the individual financial statements, which are expressed in Colombian pesos, on the currency of presentation or report for all purposes. The functional currency is the Colombian peso, which corresponds to the currency of the primary economic environment in which it the trust operates.

The financial statements of the Trust to December 31, 2019 and 2018 have been prepared based on historical cost. The historical cost is usually based on the fair value of the consideration given in the exchange of goods and services.

The Trust presents the statement of financial position in order of liquidity, the profit and loss statement is presented based on the nature of the expenses, the cash flow statement has been prepared using the indirect method, in which it starts from the net profit or loss for the financial year, and this figure is trimmed by the effects of transactions and non-monetary items, as well as profits and losses attributable to investing and financing activities.

The Trust has applied the accounting policies, the judgments, estimates and significant accounting estimates described in Notes 3 and 4.

c **Business Up and running –** The Financial Statements of the Trust are prepared under the business up and running premise. *Santander Securities Services Colombia S. A.* Trust Company has no knowledge nor has identified events or conditions that can project an important doubt on the capability of the entity to continue as a running business. As a result, assets and liabilities are recorded on the basis that the entity may encash its assets and settle its liabilities in the normal course of business.

d **Business Model –** Santander Securities Services Colombia S. A. Trust Company, is a trust company specialized and focused on the Local and Global Escrow business. The Trust is projecting a portfolio of products, tailored to the investment and escrow needs of the target customers: non-resident customers in the local market and for residents in the local market and other markets to which Santander Group has access to, such as: Local Collective Investment Funds, Brokerage Firms and Trusts.

The basic lines of the strategy of the Trust are:

1. Implementation and consolidation of the Business Model:

    a. Bringing global customers.

    b. Bringing local customers with a focus on current regulations

    c. Expanding the commercial spectrum to local customers with services that currently are not normative.

    d. To position ourselves in the top of trusts with the best service in the next 5 years.

NOTE 3. MAIN ACCOUNTING POLICIES

a. Recognition of earnings and expenses

- Earnings and expenses on interests and similar items - Earnings and expenses on interests and similar items, are recognized based on the accrual period, by application of the effective interest method.

- Commissions, fees and similar items - These are recognized in the profit and loss accounts with different criteria according to their nature; the most significant are:

  - Those linked to financial assets and liabilities measured at fair value with changes in earnings; these are recognized at the time of disbursement.

  - Those that correspond to a particular operation are recognized when the operation takes place.

  - Non-financial earnings and expenses - Are recognized for accounting purposes according to the accrual criteria.

b. Leases - Leases are classified as financial when the terms of the lease are substantially transfer all risks and profits inherent to ownership to the tenants. All other leases are classified as operating.

- The Trust as a tenant - Assets held under financial leases are recognized as assets of the Trust at their fair value, at the beginning of the lease; or, if this is lower, at the present value of minimum lease payments. Liabilities corresponding to the landlord shall be included in the statement of financial position as a financial leasing liability.

Lease payments are distributed among financial costs and the reduction of lease obligations in order to achieve a constant interest rate on the remaining balance of the liability. Financial expenses are charged directly to results, unless they can be directly attributable to qualifying assets, in which case they are capitalized according to the trust's accounting policy for borrowing costs. Contingent rents are recognized as expenses in the periods in which they are incurred.

Payments on rents of operating leases are charged to earnings using the straight-line method during the term of the lease unless another apportionment systematic basis is more representative to more adequately reflect the pattern of lease profits for the user. Contingent rents are recognized as expenses in the periods in which they are incurred.

In the case of receipt of incentives (e.g., grace periods) on lease for executing operating lease contracts, such incentives are recognized as a liability. The added benefit of incentives is recognized as a reduction of rental expense on a straight-line basis unless another systematic basis is more representative of the time pattern in which the economic benefits of the leased asset are consumed.

c. Transactions in foreign currencies - In the preparation of the financial statements of the Trust, transactions in a currency other than the functional currency of the Entity (foreign currency) are recognized using the exchange rates prevailing at the dates on which operations take place. At the end of each period, monetary items denominated in foreign currency are reconverted at the exchange rates prevailing at that date. Non-monetary items recorded at fair value and denominated in a foreign currency, are reconverted at the exchange rates prevailing at the date on which the fair value was determined. Non-monetary items that are calculated in historical cost terms in foreign currency are not reconverted.

Differences in the exchange rate of non-monetary items are recognized in the earnings of the period in which they occur, except for:

- Differences in exchange, from transactions related to exchange rate risks hedging.

By the end of the presentation of financial statements, assets and liabilities of foreign currency transactions are expressed in Colombian pesos using current exchange rates at the end of the reporting period. Earnings and expenses items are converted at current average exchange rates during the period, unless these significantly fluctuate during the period, in which case exchange rates at the date of the transactions are used. Exchange differences that arise, given the case, are recognized in other comprehensive earnings, and are accumulated in the corporate assets.

d. Costs of profits at withdrawal, termination profits - Contributions to benefits plans at withdrawal of defined contributions are recognized as an expense at the moment in which employees have rendered the services that entitle them to contributions.

e. Income taxes - Tax expenses on profits of the tax year are calculated by the sum of the current and deferred tax resulting of the application to the taxable base to liens on profits that are applied in Colombia.

Current taxes - Current tax payable is based on taxable profits recorded during the year. Taxable profit differs from the revenue reported in the profit and loss statement due to the items of revenues or expenses taxable or deductible in other years, and items that are never taxable or deductible. Liabilities of the Trust under the current tax are calculated using the tax rates enacted or substantially adopted at the end of the reporting period.

Deferred income tax - The deferred tax is recognized on temporary differences between the carrying amount of assets and liabilities included in the financial statements and the corresponding tax bases used to determine the taxable profit. The liability for deferred tax is usually recognized for all temporary tax differences. A deferred tax asset will be acknowledged given all deductible temporary differences, to the extent that it is likely that the Trust will use future taxable profits against which it can charge those deductible temporary differences.

The carrying amount of an asset on a deferred tax should be reviewed at the end of each reporting period, and the amount of the asset balance on deferred taxes should be reduced to the extent that it deems probable that it won’t have sufficient taxable profit will in the future as to allow recovering all or part of the asset.

Deferred tax assets and liabilities should be measured using tax rates that are expected to be applicable during the period in which the asset is encashed is or the liability is paid, based on the rates and tax laws that have been adopted at the end of the reporting period or practically finished in their approval process. Measurement of liabilities on deferred taxes and of assets on deferred taxes should reflect the tax consequences that would result from the way in which the Trust expects to recover or settle the carrying amount of its assets and liabilities at the end of the reporting period. The deferred tax is recognized in the income statement, except when it relates to items recognized directly to equity, in which case the deferred tax is also managed in equity.

Assets and liabilities on deferred tax are cleared if, and only if, the Trust has the legally recognized right to clear, before the fiscal authority, on the amounts recognized in those items; and the deferred tax assets and deferred tax liabilities arising from income tax corresponding to the same fiscal authority and the Trust has the purpose to settle its assets and liabilities as net.

Current and deferred tax - Current and deferred taxes shall be recognized as an income or expense, and be included in the revenues, except to the extent that they have arisen from a transaction or event which is recognized outside of revenues, either in other comprehensive earnings or directly in equity, in which case the tax is also recognized outside of revenues; or when these emerge from the initial record of a business combination. In the case of a business combination, the tax effect is considered to be within the accounting for the business combination.

Property and equipment – Property and equipment are initially recorded at purchase cost.

Furniture and equipment are initially recorded at purchase cost, furniture and equipment are presented at cost minus the accumulated depreciation and any accumulated impairment losses.

Depreciation is recognized and taken to revenues at cost, on the estimated useful lives of each part of a property and equipment item, using the straight-line method.

The estimated useful lives that are used are the following:

Leasehold improvements	5 years
Property and equipment	5 – 10 years

On the occasion of each accounting closing, the entity analyzes if there is evidence that the net value of the items of its tangible assets exceeds its corresponding recoverable amount; in which case, these reduce the book value of the asset in question up to its recoverable amount, and future charges for depreciation are adjusted in proportion to its adjusted book value and to its new remaining useful life, in case a re-estimate of the latter is needed.

Similarly, when there are indications that the value of a tangible asset has been recovered, the entity records the reversal of an impairment loss recorded in previous periods, and accordingly adjusts future charges for depreciation. In any case the reversal of an impairment loss for an asset may result in the increase of its book value over that it would have if impairment losses in previous years had not been acknowledged.

At the same time, at least at the end of the financial year, there is a review of the estimated useful lives of fixed assets for own use, to detect significant changes thereof which, if they occur, shall be adjusted by means of the corresponding correction of the charge to the Profit and Loss Statement of future financial years from the depreciation share under the new useful lives.

Maintenance and upkeep expenses of tangible assets for own use are charged to the financial year earnings in which they are incurred.

Assets held under financial leases are depreciated based on their estimated useful life, as well as own assets or, if life is lower, in the corresponding lease term. However, when there is no reasonable certainty that the property is obtained at the end of the lease term, assets are amortized over the shorter period between the life of the lease and its useful life.

A property and equipment item is derecognized when sold or when it is not expected to obtain future economic benefits arising from the continued use of the asset. The profit or loss that arises from the sale or withdrawal of a property and equipment item, is calculated as the difference between the resources that are received by the sale, and the asset book value, and is recognized in the revenues.

Provisions, contingent assets and liabilities

Santander Securities Services Colombia S.A. must recognize a provision when each and all of the following conditions are fulfilled1:

a) has a present obligation, whether legal or implied, as a result of a past event, having a greater chance2 on having meet the obligation that not to do so.
b) To cancel the obligation, it is likely that S3 has to outflow resources entailing economic benefits.
c) When there is a large number of homogeneous obligations, the probability of an outflow of resources shall be determined considering the type of obligation as a whole
d) The amount of the obligation can be reliably estimated

Valuation

The amount recognized as a provision should be the best estimate, at the balance sheet date of the expense required to settle the present obligation. The following criteria shall be considered in the making of the estimate

a) A rational assessment on the disbursement to be paid to settle or transfer the obligation, as of the closing date of the balance sheet. When the provision relates to an important number of individual homogeneous cases, the present obligation shall be estimated by weighting all possible outcomes by their associated probabilities (statistical method known as expected value.) If it were an isolated obligation, the best estimate of the debt will be constituted by the more likely outcome; however, other possible outcomes shall also be considered and, in the event that these are more or less high than the most likely outcome, the best estimate can be for an amount higher or lower than the most likely outcome.
b) The provision to be recognized should be assessed before taxes.
c) Considering all risks and uncertainties surrounding the majority of the events and circumstances around the valuation of the best estimate of the provision. The uncertainty related to the amount of the provision does not justify its lack of recognition. Nonetheless, uncertainty is not a justification for the

1 If any of them is not fulfilled, it would be considered as a contingent liability and therefore it would only be the subject of

information in the Notes. 2 IAS 37, paragraph 43 creation of excessive provisions, or for a deliberate overstatement of liabilities[3]. This information will be completed in the memory, indicating the reasons for this exceptional situation.

When the necessary requirements for the recognition of the provision are no longer met, or when their amount exceeds the estimated necessary to cover the risk which the purpose thereof, the reversal of the provision will proceed, by the whole or by an amount equal to the excess on the estimated requirements, by means of a credit to the income statement.

Each provision shall be used only for covering the expenses for which it was originally recognized.

Financial Instruments

Financial Assets

The Trust classifies its financial assets in the following measurement categories: those measured at fair value and those measured at amortized cost. This classification depends on whether the financial asset is a debt or equity instrument.

Recognition and Measurement

Conventional purchases and sales of financial assets are recognized on the trade date, which is the date on which the Trust commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred, and the Trust has substantially transferred all the risks and benefits inherent to the property.

On the initial recognition, the Trust values the financial assets at fair value plus the transaction costs that are directly attributable to the acquisition of the financial asset, in the case of a financial asset that is not measured at fair value with changes in revenues. Transaction costs of financial assets measured at their fair value with changes in revenues are recorded directly in the income statement.

The gain or loss of a debt instrument that subsequently is valued at fair value and is not part of a hedging relationship are recognized in the revenues, and are presented in the income statement within "other gains (losses) / - net" in the period in which they occur.

The gain or loss of a debt instrument that is valued subsequently at its amortized cost, and is not part of a hedging relationship are recognized in the revenues of the period when the financial asset is derecognized or is impaired, and through the amortization process using the effective interest method.

Subsequently, the Trust measures all equity instruments at fair value. When Management has chosen to present cashed and non-cashed gains or losses of fair value, and losses in equity instruments in other comprehensive earnings, fair value gains and losses cannot be recycled to the financial year earnings. Dividends on equity instruments are recognized in the revenues, provided they represent a return on the investment.

The Trust must reclassify all affected debt instruments when, and only when its business model for the management of financial assets changes.

Intangible Assets

Intangible assets are identified as non-monetary assets (separate from other assets) without a physical substance, that arise as a result of a legal transaction or are internally developed by the company. They are assets whose cost can be reliably estimated, and on which the Company considers likely that future economic benefits are recognized. The cost of intangible assets purchased in business combinations corresponds to their fair value at the date of acquisition.

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[3] IAS 37, paragraph 43.

Recognition

For an asset to be considered intangible, it must meet the following conditions:

- Identifiability: That it could be separated or removed and be capable of being sold, leased or exchanged, or arising out of contractual rights or other of a legal kind.
- Control of the resource in question.
- Existence of future economic benefits.

If an item that is included in the scope of this policy does not meet the definition of an intangible asset, the amount derived from its acquisition or internal generation is recognized as an expense as it is incurred.

The recognition of an item as an intangible asset must demonstrate that the item meets the definition of an intangible asset, and will be recognized if and only if:

- There is a likelihood that the future economic benefits attributed to it flow to the entity
- The cost of the asset can be reliably measured

These requirements will be applied to the costs incurred at the start to acquire or internally generate an intangible asset, and those incurred to add, replace parts thereof or its maintenance.

S3 will assess the likelihood of obtaining future economic benefits using reasonable and supportable assumptions that represent the best estimate of management regarding the set of economic conditions that will exist over the useful life of the asset.

S3 will use its judgment to assess the degree of certainty associated with the flow of future economic benefits attributable to the asset utilization, on the basis of evidence available at the time of the initial recognition, giving greater weight to evidence from external sources.

By the nature of the intangible assets, in many cases, there is no possibility of making additions or substitutions to the asset. Therefore, in general, subsequent disbursements will not comply with the requirements of an intangible asset, nor the criteria for its recognition. Therefore, with some exceptions, subsequent disbursements will always be recognized in the financial year earnings in which they are incurred, this is so because such disbursements cannot be distinguished from disbursements to develop the business as a whole.

Intangible assets are initially recognized at their acquisition or production cost and, subsequently, they are valued at their cost minus their corresponding accumulated amortization and impairment losses they have experienced as appropriate.

This item includes the amount of identifiable intangible assets, among other concepts, and the lists of acquired customers and computer programs. They can be of an indefinite useful life (when, on the basis of the analyzes performed on all relevant factors, it is concluded that there is no foreseeable limit of the period during which it is expected these will generate net cash flows in favor.

Intangible assets of an indefinite useful life are not amortized, although, on the occasion of each accounting closing or whenever there is an indication of impairment, S3 will review their respective remaining useful lives in order to ensure that they remain indefinite or, otherwise, proceed accordingly.

Intangible assets with a definite life are amortized on the basis thereof, applying criteria similar to those adopted for the depreciation of tangible assets. Charges to profit-and-loss accounts consolidated by the amortization of these assets are recorded in

Software developed by the group.

Internally developed software is recognized as intangible assets when (basically the capability to use or sell them), these assets can be identified and their capacity to generate economic benefits in the future is demonstrated among other requirements. Expenses incurred during the research phase are directly recognized in the consolidated profit and loss account in the financial year in which they are incurred, not being able to be incorporated afterwards to the book value of the intangible asset.

For software acquired from third parties and developed as a business core and those that are identified or demonstrated to be capable of generating economic benefits in the future, a useful life of 3 years has been defined, and they will be amortized in aliquots from their production commissioning for this time period.

Valuation

Intangible assets are initially recognized at cost, either of acquisition or production. The acquisition or production cost would have to be determined depending on the form of acquisition of the asset, and by applying the criteria set for tangible assets:

a) Acquisition from third parties

b) Acquisition as part of a business combination

c) Asset swaps

d) Other internally generated intangible assets

An internally generated goodwill is not recognized as an asset because it does not constitute an identifiable resource, controlled by S3, whose cost can be reliably measured.

Acquisition from third parties[4]

The probability requirement of future benefits will always be considered satisfied in the case of intangible assets acquired separately and, in addition, the cost can, usually, be reliably measured.

The cost of an independently acquired intangible asset comprises:

The purchase price, including import tariffs and non-recoverable taxes that arise from the acquisition after trade discounts and rebates deduction.
Plus costs directly attributable to preparing the asset for its intended use.

Trade accounts payable

Trade accounts payable are payment obligations for goods or services that have been purchased from suppliers in the ordinary course of business. Accounts payable are classified as current liabilities if payment should be made in a period of one year or less (or in the normal exploitation cycle of the company if it is longer). If payment should be made in a period exceeding one year, these are featured as non-current liabilities.

Trade accounts payable are initially recognized at fair value and are subsequently remeasured at their amortized cost using the effective interest method.

Financial liabilities and equity instruments:

Classification as debt or equity - The debt and/or equity instruments are classified as financial liabilities or as equity in accordance with the purpose of the contractual agreement and liabilities and equity definitions.

Equity instruments - An equity instrument is any contract showing a residual interest in the assets of the Trust after deducting all of its liabilities. Equity instruments issued by the Trust are recognized by the received resources, net of direct issuance costs.

Financial liabilities - Financial liabilities are classified as financial liabilities at fair value through revenues changes or as other financial liabilities.

A financial liability at fair value through revenues is a financial liability that is classified as held for trading purposes, or is designated as at fair value through changes in revenues:

A financial liability is classified as held for trading purposes if:

- It is primarily acquired for the purpose of repurchasing it in the near future; or

[4] IAS 38, paragraphs 25-26

- It is part of a portfolio of identified financial instruments that are jointly managed, and for which there is evidence of a recent pattern of short-term profits taking; or

- It is a derivative that has not been designated as hedging instrument and meets the conditions to be effective.

- This eliminates or significantly reduces any inconsistency in the valuation or the recognition that otherwise would arise; or

- The return of a group of financial assets, financial liabilities, or both, is managed and evaluated on the basis of their fair value, according to an investment strategy or risk management that the Entity has documented; internally providing information about that group on the basis of their fair value; or

- Is part of a contract containing one or more embedded derivatives instruments, and IAS 39 Financial Instruments: Recognition and Measurement allowing the entire hybrid contract (assets or liabilities) to be designated as at fair value.

Financial liabilities at fair value with changes through revenues are recorded at fair value, recognizing any gain or loss arising from the remeasurement in the profit and loss statement. The net gain or loss recognized in the revenues includes any interest earned from the financial liability and is included in the 'other Income and expenses' item in the profit and loss statement and other comprehensive earnings.

f. Other financial liabilities - Other financial liabilities (including loans and accounts payable) are valued subsequently at the amortized cost using the effective interest rate method (except for accounts payable in the short term).

The effective interest rate method is one for calculating the amortized cost of a financial liability and the allocation one of financial expense throughout the relevant period. The effective interest rate is the one that exactly discounts estimated flows of cash payments over the expected life of the financial liability (or in a shorter period where appropriate), with the net amount in books of financial liabilities in their initial recognition.

g. Derecognition of financial liabilities - The Trust derecognizes financial liabilities if, and only if, the obligations of the Entity are met, settled or expired. The difference between the book value of discharged financial liabilities and the paid and payable consideration are recognized in the revenues.

Benefit to employees

Commitments with staff and benefits on behalf of *Santander Securities Services Colombia*, which in this policy is obliged to recognize.

a) A liability when an employee has provided services in exchange for the right to receive payments in the future, and
b) An expense when the entity has consumed the economic benefit from the service provided by the employee in exchange for the remunerations in question

Employee remunerations are the following:

a) Short-term remunerations (wages, salaries and Social Security contributions, paid holidays and sick leave, a share in profits and incentives, and non-monetary emoluments to active employees), variable compensation (a payment not part of the salary).
b) Termination compensation.

Recognition and Measurement

Short-term employees remunerations are those that are expected to be fully settled in their payment before the next following 12 months after the closing of the financial year reported, in which employees have provided the services that give them such remunerations.

Short-term employees' benefits correspond to those that are expected to be settled before 12 months, such as legal social benefits (severance-pay, severance-pay interest, paid holidays), and variable remuneration for performance.

There are no contemplated long-term benefits and post-employment benefits, and the entity does not provide the benefits for termination of contracts and post-employment benefits that are found in IAS 19 regarding paragraphs 53, 135, 139, 140, 143.

NOTE 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES FOR THE ESTIMATION OF UNCERTAINTIES

In the implementation of the accounting policies of the Trust, which are described in Note 3, management should make judgments, estimates and assumptions about assets and liabilities in the financial statements book values. Related estimates and assumptions are based on experience and other factors that are considered relevant. Actual revenues could differ from these estimates.

Estimates and assumptions are reviewed on a regular basis. Modifications to accounting estimates are recognized in the period in which the modification is made, and in future periods if the modification affects both the current period as subsequent periods.

a. **Critical judgments in applying accounting policies** – Below are the critical judgments, apart from those involving estimates (see Note 4.b), and undertaken by management during the implementation process of the accounting policies of the Trust, and that have a significant effect on the financial statements.

- Revenue Recognition - The following is a summary of the main criteria for revenue recognition:

Interest earnings and similar items - Interest earnings and similar items are recognized in accounting in function of the accrual period, by application of the effective interest method.

Commissions, fees and similar items - These are recognized in the profit and loss accounts with different criteria according to their nature; the most significant are:

Non-financial earnings - Are recognized for accounting purposes according to the accrual criteria.

- Financial assets at amortized cost - Management has revised the classified financial assets at amortized cost in view of its capital and liquidity maintenance requirements, and have confirmed the intent and capability of the Trust to keep such assets if they are within the business model.

b. **Key sources of uncertainty in the estimates** - The following discusses the key assumptions about the future and other key sources of uncertainty in the estimates at the end of the period, which have a significant risk to result in significant adjustments in the book values of assets and liabilities during the next year.

Useful life of property and equipment

The useful life of property and equipment assets of the Trust is in function of the profit that it is expected to generate, as well as the period during which the asset is expected to be used. Therefore, the useful life of an asset may be lower than its economic life.

The time of lease of the property is considered as the life of leasehold improvements, which will be revised in each period if conditions change.

The estimated useful lives for current and comparative periods, by category of assets of property, plant, and equipment are the following:

Leasehold improvements	5 years
Property and equipment	5 – 10 years

Income tax

The Company is subject to Colombian regulations in the matter of taxes. Significant judgments are required in the determination of tax provisions. There are transactions and calculations for which the determination of taxes is uncertain during the ordinary course of operations. The Company evaluates the recognition of liabilities for discrepancies that may arise with the tax authorities based on estimates of additional taxes that should be paid. The amounts provided for the payment of income tax are estimated by the administration because of its interpretation of the tax regulations in force and the possibility of payment.

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

The Company evaluates the recoverability of deferred tax assets on the basis of the estimates of future tax revenues and the capacity to generate sufficient revenues during periods in which said such deferred taxes are deductible. Deferred tax liabilities are recorded in accordance with the estimates made on the net assets that will not be tax deductible in the future.

NOTE 5 POLICY CHANGES

5.1. New standards, amendments and interpretations incorporated into the accounting framework accepted in Colombia, whose application must be assessed from January 1, 2018 and 2019, or that can be applied in advance

Decrees 2496 of December 2015, 2131 of December 2016, and 2170 of December 2017, introduced new rules, modifications or amendments to the normative technical framework of financial information, issued or made by the International Accounting Standards Board (IASB) to the International Financial Reporting Standards between the years 2014 and 2016, to assess their application in financial periods beginning on or after January 1, 2018 and 2019, although their application could be made in advance.

The assessment of the impact of these new rules and interpretations made by the Trust appears below. IFRS 9 Financial

Instruments

IFRS 9 addresses the classification, measurement, and derecognition of financial assets and liabilities, introduces new rules for hedge accounting, and a new impairment model for financial assets.

The Trust revised its financial assets and liabilities, and did not generate impacts from the adoption of the new rule on January 1, 2018.

IFRS 15 Revenues from Contracts with Clients

The Trust has adopted IFRS 15, which leads to changes in accounting policies by establishing a model of revenue recognition based on principles, through five steps that will be applied to all contracts with customers, i) identifying the contract with the client, ii) identify the performance obligations in the contract,
iii) determining the transaction price, iv) allocating the transaction price of the performance obligations of contracts,
v) recognizing income when (or how) the entity satisfies a performance obligation.

The Standard considerably extends current revelations on the recognition of ordinary revenue. Among the information required by IFRS 15, it includes:

• The breakdown of revenues to reflect the way in which the nature, amount, time and uncertainty of income and cash flows are affected by economic factors.

• Certain breakdowns on balances with customers (accounts receivable or contractual assets or liabilities), for example, opening and closing balances of contractual assets and liabilities, their movements (revenue for the financial year that come from contractual liabilities balance, and income of the financial year for obligations fulfilled in a previous financial year, for example, for price changes, etc.).

• In the case of contracts whose duration is expected to be higher than a year, the total amount of the transaction price attributed to the obligations remaining to be fulfilled, as well as an explanation as to when the entity expects to recognize the corresponding revenues.

• Breakdowns on recognized assets for costs incurred for obtaining or performing a contract.

• Qualitative descriptions of the types of goods or services, of significant payment conditions and the usual time frame of compliance with obligations of entity’s contracts with customers.

• Description of significant considerations about the amount and the time frame of the recognition of revenues.

• Policies adopted by the entity with respect to the time value of money and the costs of obtaining or fulfilling a contract policy, and

• Information on methods, data and assumptions used to determine the transaction price and to distribute the amounts between the obligations.

The Trust analyzed the signed contracts in order to evaluate a possible impact in the Financial Statements for the implementation of IFRS 15 Revenue from ordinary activities from contracts with customers, and came to the conclusion that there are no quantitative impacts for the Trust in the implementation of the Standard.

IFRS 16 Leases

A lease is an agreement by which a landlord gives to a tenant the right to use an asset for an agreed period of time in exchange for a payment or series of payments.

The Company is the landlord and the tenant of various properties and equipment. Lease contracts are usually concluded for fixed periods of 1 to 10 years but can have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Extension and termination options included in the Company leases are used to maximize operating flexibility in terms of contract management. Most of the extension and termination options maintained are concurrently exercisable by the Company and the respective counterpart.

Tenant's accounting

Leases are recognized as an asset for the right of use, and as liabilities corresponding on the date on which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and the financial cost. The financial cost is charged to revenues during the lease period, in order to produce a constant periodic interest rate on the remaining balance of the liability for each period. The asset for the right of use is amortized over the useful life of the asset, and the lease term is done in a straight line.

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

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

Lease payments are discounted using the interest rate implicit in the lease, if that rate or the incremental borrowing rate can be determined.

Rights of use assets are measured at cost and include the following:

- The amount of the initial measurement of the liability for lease
- Any lease payment made on or before the start date
- Any direct initial cost, and
- Dismantling and restoration costs.

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

(In thousands of Colombian pesos)

According to the analysis made, it will only be performed in the lease contracts of the property that, in the case of the Trust, has a contract with the provider, due to the fact that, in the month of June it received the lease of floor 3 in assignment from Santander Investment Banking, where S3 currently develops its activity, and in turn invoices the percentage equivalent to the use of said floor by *Banco Santander de Negocios Colombia*.

To date, the Trust has determined a preliminary impact (Years 2, 3, and 4) of the adoption of this new standard, which is detailed below:

Lease payments were discounted using the incremental rate on loans turning to the financial market, and the lesser of the quotes received, of 6.87% EA, was taken after the financial evaluation.

NIIF 16 Impact		IMPACT OF THE PROFIT AND LOSS STATEMENT			
	Net Present Value	YEAR 1	YEAR 2	YEAR 3	YEAR 4
Property, plant, and equipment by rights (Right to Use)	894,687	0	0	0	0
Leasing Liabilities	894,687	0	0	0	0
EPP depreciation on right-to-use	0	268,406	268,406	268,406	89,469
Interest expense over leasing liabilities.	0	52,413	41,136	41,024	13,487

5.2 New standard issued by the International Accounting Standards Board (IASB) that has not yet been incorporated into the accounting framework accepted in Colombia

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts, establishes principles for the recognition, measurement, presentation and disclosure of issued insurance contracts. It also requires similar principles to be applied to held reinsurance contracts and issued investment contracts with discretionary share components. The objective is to ensure that entities provide relevant information to faithfully represent those contracts to evaluate the effect that contracts within the scope of IFRS 17 have on the financial situation, financial performance and cash flows of an entity.
IFRS 17 will apply to annual periods beginning on or after January 1, 2021. Earlier application is permitted.

IFRS 17 repeals IFRS 4 Insurance Contracts, which was an interim rule that allowed entities to use a wide variety of accounting practices for insurance contracts, reflecting domestic accounting requirements and variations of those requirements. Some previous insurance accounting practices permitted under IFRS 4 did not adequately reflect true underlying financial situations or the financial returns of insurance contracts.

The key principles of IFRS 17 are that an entity:

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

(b) Will separate embedded derivatives that are specified, the various components of investment and the performance obligations other than insurance contracts.

(c) Will split the contracts into groups, which will recognize and measure.

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

(e) Will recognize the gain of a group of insurance contracts over the period in which the entity provides insurance coverage, and as the entity is getting rid of the risk. If a group of contracts contains or becomes a producer of losses, an entity will recognize such losses immediately.

(In thousands of Colombian pesos)

(f) Will separately submit income of ordinary activities by insurance, insurance service costs and expenses or insurance financial income.

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

The Trust does not expect impacts of this standard, considering that it has not identified that it develops insurance contracts, in any case detailed analyses are being made.

53. New Tax Regulation

Law 1943 of December 2018, called the Law of Financing, was enacted by the National Government in order to restore the balance of the general budget and dictate other provisions. For procedural flaws in its formation, on October 16, 2019, the Constitutional Court declared unconstitutional the provisions of said Law (except for two articles and two paragraphs) as of the first of January of two thousand and twenty, in order that the Congress of the Republic could issue a regime that would ratify, repeal, amend or supersede its contents; the judgment produces effects toward the future, with which, in no case consolidated legal situations will be affected.

Under the validity of said Law until the first of January 2020, taxpayers and those responsible for taxes had to apply the regulated issued with effect in 2019. Likewise, the National Government was obliged to promote a Tax Reform that will replace the one declared unconstitutional. In that sense, ending the year 2019, Congress enacted Law 2010 in order to adopt rules for the promotion of economic growth, employment, investment, strengthening public finances and progressiveness, equity and efficiency of the tax system, in accordance with the objectives prompted for Law 1943 of 2018.

With the issuance of the new Law some developments were incorporated to tax regulations, in the field of VAT, national tax on consumption, income tax applicable to individuals, dividends and shares, normalization tax, income tax, assets abroad, GMF and in some procedural aspects, among others.

The application of Law 1943 was maintained in the financial statements of this same year, as it was with the decrease in the presumptive income tax rate of 1.5%.

The rules that impact the escrow business are kept with the growth law:

	Low rate of withholding to IEP of 14% to 5% for TES investment in private debt and fixed income derivatives.
IEP	Article 35 of the law: IEPs will not be taxable subject of wealth tax
	Responsibilities
Company	Joint and several liability is determined to whom custodies or manages vehicles used by its participants with the purpose of evasion or abuse.

Changes introduced by the growth law are:

(In thousands of Colombian pesos)

LEY DE FINANCIAMIENTO (LEY 1943 DE 2018)	LEY DE CRECIMIENTO (LEY 2010 DE 2019)
IMPUESTO SOBRE LA RENTA	
Tarifa Personas Jurídicas Sin Cambios	

Año	FY 2020	FY 2021	FY 2022
Tarifa	32%	31%	30%

Sobretasa a las Entidades Financieras

LEY DE FINANCIAMIENTO (LEY 1943 DE 2018)	LEY DE CRECIMIENTO (LEY 2010 DE 2019)
• Referencia a "*Entidades Financieras*". • Tarifas:	• Ahora referencia a "*Institución Financiera*". • Se mantienen tarifas de sobretasa y anticipo del 100%:

Año	FY 2019	FY 2020	FY 2021
Tarifa	4% (37%)	3% (35%)	3% (34%)

Año	FY 2020	FY 2021	FY 2022
Tarifa	4% (36%)	3% (34%)	3% (33%)

Renta Presuntiva	Subcapitalización Sin Cambios
• Se disminuye la tarifa de renta presuntiva al 0,5% en el 2020 y al 0% a partir del 2021.	• Se mantiene la regla 2:1 aplicable al endeudamiento con entidades vinculadas. • Se mantiene la obligación de certificación para aquellos contribuyentes que realizan una operación de crédito con una entidad "no vinculada"; obligación de certificación en cabeza de las entidades financieras

-An important point to note is the increase in the withholding rate on paid dividends to foreigners:

Dividends and shares • The marginal rate applicable to non-encumbered dividends from 300 UVT received by residing individuals decreased from 15% to 10%.
• There was an increase in the rate applicable to non-taxed distributed dividends from 7.5% to 10% to foreign companies, non-resident individuals and permanent establishments of foreign companies in Colombia.

- In terms of income tax rates, the established in the previous law for the year 2019 remains, being as follows for the next years:

Year	Rate	Observation
2019	33%	(Financial Institutions) +4%
2020	32%	(Financial Institutions) +4%
2021	31%	(Financial Institutions) +3%
2022	30%	(Financial Institutions) +3%

The surcharge on the financial sector applies, if they have a taxable income or greater than 120,000 UVT.

Presumptive Income:

Year	Rate
2019	1.5%
2020	0.5%
2021	0%

-A reduction of one percentage point in the rate was approved to determine the presumptive income for the year 2020. So, for this effect, the rate will be of 0.5% and not of 1.5%. As posed by the Law of Financing, the percentage shall be of 0% starting in 2021.
-A surcharge in the income tax for financial institutions was included, and it was established that it will be subject to an advance payment of 100% of the value thereof.
- The marginal rate applicable to non-encumbered dividends received by resident individuals from 300 UVT, decreased from 15% to 10%.
-The rate applicable to dividends distributed as non-encumbered assets to foreign companies, non-resident individuals and permanent establishments of foreign companies in Colombia, was increased from 7.5% to 10%

(In thousands of Colombian pesos)

NOTE 6 CASH AND CASH EQUIVALENTS

Cash includes cash in hand and deposits held in banks, net of bank overdrafts.

Cash balance at the end of the period, as follows:

	December 31 of	
	2019	**2018**
Members - Savings Account	19,980,201	25,815,224
Members - Current Account	100	100
Non-members – Savings Account	87,601	59,119
Members – Sebra Account	5,373	2,611
Total cash and cash equivalents	**20,073,275**	**25,877,054**

Interest rates certified for 2019 in the remuneration of cash in a savings account deposited in Commercial Banks, return at market rates, considering that these correspond to operations with members and resources deposited in other commercial banks that are not members, give us negotiated rates for the products we receive, and these banks have their ratings reaffirmed by rating agencies (Fitch Ratings) in AAA (col).

This information from rating agencies is public and reported for 2019 by BRC Standard & Poor's S&P Global.

At the closing date there were no reconciling balance sheet items compared to the condensed balance sheets

received by Banks. There are no restrictions on cash.

NOTE 7 ACCOUNTS RECEIVABLE

The following is the detail of accounts receivable at the closing of the period:

	December 31, 20192018	
Escrow Commissions (a)	147,374	-
Taxes (b)	171,089	119,063
Total accounts receivable	**318,463**	**119,063**

(a) Corresponds to invoices for the month of December pending collection from local and foreign customers; the customers category in their portfolio due date is on rating A with a maturity of not more than 30 days.

(b) The value for taxes corresponds to advances of deduction at source with the concept of withholding and self-withholding, that is allowed to be deducted according to applicable regulations for the presentation of the income tax return in the following year.

NOTE 8 PROPERTY AND EQUIPMENT

The following is the detail of Property and Equipment at the closing of the 2019 period, with acquisitions for $11,416, and at the of the 2018 period a purchase for $23,695 is made.

(In thousands of Colombian pesos)

	Furniture and Office Equipment	Computer Equipment	Improvements to property taken on lease	Right-to-use on lease contracts	TOTAL
Useful life for depreciation	5 Year	3 Year	5 Year	4 Year	
January 1, 2018					
Cost	35,679	258,347	296,524	0	590,550
Accumulated Depreciation	(106)	(830)	0	0	(936)
Net Cost	**35,573**	**257,517**	**296,524**		**589,614**
Year ended December 31, 2018					
Balance at beginning of year	35,573	257,517	296,524	0	589,614
Additions	0	23,695	0	0	23,695
Depreciation Charge	(3,567)	(52,460)	0	0	(56,027)
Amortization Charge	-	-	(59,304)	0	(59,304)
Year- end Balance	**32,006**	**228,752**	**237,220**	**0**	**497,978**
January 1, 2019					
Cost	**35,679**	**282,042**	**296,524**	**0**	**614,245**
Accumulated Depreciation	(3,673)	(53,290)	(59,304)	0	(116,267)
Net Cost	**32,006**	**228,752**	**237,220**	**0**	**497,978**
Year ended December 31, 2019					
Balance at beginning of year	32,006	228,752	237,220	894,687	1,392,665
Additions	4,109	7,307	0		11,416
Depreciation Charge	(7,677)	(56,484)	0	(268,406)	(332,567)
Amortization Charge	0	0	(59,305)	0	(59,305)
Year- end Balance	**28,438**	**179,575**	**177,915**	**626,281**	**1,012,209**
December 31, 2019					
Cost	**39,788**	**289,349**	**296,524**	**894,687**	**1,520,348**
Accumulated Depreciation	(11,350)	(109,774)	(118,609)	(268,406)	(508,139)
Net Cost	**28,438**	**179,575**	**177,915**	**626,281**	**1,012,209**

The Trust has no restrictions on these assets.

There was no impairment on property and equipment during the years 2019 and 2018.

The Trust has duly contracted the policies that protect the assets through Banco Santander de Negocios S. A, which include among their general features: all risk coverage for property damage, earthquake, quake, volcanic eruption, extraordinary additional expenses for property repairs, as well as temporary lease in order to restore commercial activities, theft and aggravated larceny in its legal definition.

Depreciation charged to revenues during 2019 amounted to $332,567, and to $56,027 for 2018

1) The right of use for lease for the period ended on December 31, 2019 is as follows:

(In thousands of Colombian pesos)

	Right of use from leasing contracts
January 1, 2019	
Adoption of IFRS 16	894,687
Depreciation	(268,406)
Balance on December 31, 2019	**626,281**

NOTE 9 INTANGIBLE ASSETS

The following is the detail of intangible assets at the closing of the period:

		Software licenses
Year ended December 31, 2018		
Balance at beginning of year		6,602,809
Amortization Charge		(199,181)
Year-end balance		**6,403,628**
January 1, 2019		
Cost		**6,602,809**
Accumulated Amortization		(199,181)
Net Cost		**6,403,628**
Year ended December 31,	**2019**	
Balance at beginning of year		6,403,628
Additions		579,953
Amortization Charge		(2,206,204)
Year- end Balance		**4,777,377**
December 31, 2019		
Cost		**7,182,762**
Accumulated Amortization		(2,405,385)
Net Cost		**4,777,377**

The Core system was acquired in 2017, and it automates the Escrow activity, and interacts with the accounting system and other systems that have been implemented. The administration of the database and servers is done from Mexico and supports the Core of S3; these applications developed in the systems are amortized when production starts in each system.

The composition of Property Plant and Equipment (Note 8) reveals amortization corresponding to improvements in foreign properties with a closing balance for 2018 amounting to 59,305, and in Intangible Assets (Note 9) where its amortizable life is 36 months; there is an amortization value on Software and Core for a value of 199,181; the detail for the amortization items for the years 2019 and 2018 is as follows:

(In thousands of Colombian pesos)

	December 31 of	
	2019	**2018**
Programs and computer applications	2,206,233	199,181
Improvements to properties taken on lease	59,304	59,305
Total Amortizations	**2,265,537**	**258,486**

Impairment provisions on intangible assets have not been recognized on December 31, 2019.

NOTE 10 ACCOUNTS PAYABLE

The following is the detail of the accounts payable at the close of the period:

	December 31 of	
	2019	**2018**
Taxes payable (Income and Complementary) (1)	161,900	260,043
Taxes payable (2)	12,785	1,295
Suppliers (3)	3,223	104,466
Withholdings and labor contributions (4)	116,131	75,110
Other Administrative Authorities (5)	41,191	0
Accounts Payable Total	**335,230**	**440,914**

1) Corresponds to the liquidation of the current tax of the company on presumptive income (see detail Note 12, in the following year this value will be declared to the Tax and Customs Administration

2) Corresponds to the annual self-assessment of industry and trade tax that will be paid in the month of January of the following year.

3) With respect to Suppliers payable at the closing of the 2019 and 2018 period, it corresponds to current liabilities that the company will pay the next month; the detail of the withholdings and labor contributions for December 31, 2019 and 2018 is shown below:

	December 31,	
	2019	**2018**
Suppliers		
Implantation of applications services	0	94,163
Other Payments	238	**0**
Fees	2,985	10,303
	3,223	**104,466**

4) Are the labor liabilities that remain at the close of the period, that are canceled within the first two months of the following year

5) A risk event, associated with a penalty for omission and delays in the response to territorial entities, on the administration of Autonomous Assets was documented for the end of 2019.

(In thousands of Colombian pesos)

Withholdings and Labor Contributions:

	2019	2018
Income deductions made (purchases, service	39,343	34,397
Payable ICA withholding (according to the activi	1,161	1,543
VAT Retention to non-residents	29,293	38,048
Other - Payroll Discounts (1)	46,333	1,122
Withholdings and labor contributions total	**116,131**	**75,110**

1) The following is the detail of other Payroll deductions

	December 31 of	
	2019	2018
Family compensation fund, ICBF and SENA	5,895	
Compulsory pension contributions	11,779	
Health contributions	7,959	
Solidarity fund contribution	880	
Occupational risks	244	
Employees policy discounts	17,782	949
Parking discount	1,455	173
Fitness center discount	89	
La cruz Foundation	250	
	46,333	**1,122**

NOTE 11 EMPLOYEES BENEFITS

The following is the detail of the balance of benefits to employees at the end of the period:

	December 31 of	
	2019	2018
Severance-pays	41,033	25,172
Severance-pays interests	4,902	2,700
Bonuses	338,208	379,119
Employees benefits total	**403,936**	**429,189**

Short-term employees' benefits correspond to those that are expected to be settled before 12 months, such as legal social benefits (severance-pay, severance-pay interest, paid holidays), and variable remuneration for performance.

There are no contemplated long-term benefits and post-employment benefits, and the entity does not provide the benefits for termination of contracts and post-employment benefits that are found in IAS 19 regarding paragraphs 53, 135, 139, 140, 143.

For the end of the 2019 period, the benefits that will be canceled in the following period are recognized as an account payable for bonuses.

(In thousands of Colombian pesos)

NOTE 12 LEASE LIABILITIES

The company applied IFRS 16 on Leases. In accordance with transition provisions as follows:

	Right of use from leasing contracts
January 1, 2019	
Initial recognition	894,687
Payment of rent	(305,720)
Financial cost	52,413
Total Leasing Liabilities	**641,380**

The lease of the property that, in the case of the Trust, corresponds to an assignment received from a company of Grupo Santander from the 3rd floor, where S3 currently develops its activity, and in turn invoices the percentage equivalent to the use of said floor on behalf of the group of companies of the group that operate in the same building.

To date, the Trust has determined a preliminary impact (Years 2, 3, and 4) of the adoption of this new standard, which is detailed below:

NIIF 16 Impact		**IMPACT OF THE PROFIT AND LOSS STATEMENT**			
	Net Present Value	**YEAR 1**	**YEAR 2**	**YEAR 3**	**YEAR 4**
Property, plant, and equipment by rights (Right to Use)	894,687	0	0	0	0
Leasing Liabilities	894,687	0	0	0	0
EPP depreciation on right-to-use	0	268,406	268,406	268,406	89,469
Interest expense over leasing liabilities.	0	52,413	41,136	41,024	13,487

NOTE 13 INCOME TAX

a. Current tax

Reconciliation of taxes nominal rate and the effective rate - Current tax provisions on income in Colombia stipulate that:

The applicable tax rule for the year 2018 determines an income tax rate in 33%, and also established a surcharge on this tax, which is the responsibility of the taxpayers of this levy, and will apply a taxable base greater than MMCOP$800, at the 4% rate.

(1) For the year 2018 due to the entry into force of Law 1819 of 2016, the concepts of profit taxes (Income tax and Income Tax for Equity-CREE) are unified, in Income tax with the following rates: for taxable year 2018 with a rate of 33% plus a surcharge of 4%.

(2) The basis for determining the income tax cannot be less than 3.5% of its net equity on the last day of the immediately preceding fiscal year.

(3) What is defined in the Financing Law applies for fiscal year 2019, considering that the Trust closes with basic tax losses, applies its current presumptive income tax, which applies a rate of 1.5% for this year.

(In thousands of Colombian pesos)

Reconciliation between the profit before income tax and taxable income for the year ended in December 31 of 2019 and 2018:

For the 2018 term, closing date of December 31, Santander Securities Services had a tax loss of 3,185 Mill., causing a current tax expense based on the presumptive income method for a value of 260.

For the 2019 term, closing date of December 31, Santander Securities Services had a tax loss of 6,353 Mill., causing a current tax expense based on the presumptive income method for a value of 162 Mill.

	December 31 of	
	2019	**2018**
Loss before taxes provision	**-7,064,941**	**-4,946,622**
Non-deductible expenses	711,590	1,761,599
Liquid Loss / Liquid Income	**-6,353,351**	**-3,185,023**

The following is the detail of the current tax calculation for S3 for years ended December 31, 2019 and 2018:

	December 31 of	
	2019	**2018**
Previous year net equity	32,800,084	22,514,586
Presumptive Income Tax Base	492,001	788,011
Tax rate	33.0%	33.0%
Presumptive income for the period	**162,360**	**260,043**

b. Effective Rate:

Santander Securities Services Colombia and is defined as the amount of paid taxes as a percentage of gross profits.

	2019	**2018**
Accounting profit before tax	-7,064,941	-4,946,622
Temporary Difference	341,124	330,149
Permanent Difference	370,466	1,431,450
Totals	**-6,353,351**	**-3,185,023**
Presumptive Income Tax	162,360	260,043
(Spending) deferred tax	-1,907,193	-1,310,045
Net tax (income and deferred)	-1,744,832	-1,050,002
Effective Rate	**25%**	**21%**
Accounting profit before taxes	-7,064,941	-4,946,622
Tax Rate	30%	33%
Totals	**-2,119,482**	**-1,632,385**

(In thousands of Colombian pesos)

When calculating the effective taxation rate, we find that Santander Securities Services Colombia provisioned 21% in 2018, and 25% for taxes in 2019, relative to the financial year earnings. The difference between the effective rate and the accounting income rate is related to the variation in rates by permanent differences established by Law 1819 of 2016.

c. Deferred tax assets

The detail of the movement of deferred tax to December 31, 2019 and 2018 is as follows:

	December 31 of	
	2019	2018
Opening Balance	**1,727,127**	417,081
Increase (Decrease) for Temporary differences	-56,744	169,338
Increase on tax losses	1,824,633	896,425
Increase by excess of presumptive income over ordinary	139,302	244,283
Final balance at the end of period	**3,634,318**	**1,727,127**

Deferred taxes that are expected to revert from taxable year 2023 to 2028, have been calculated using tax rates applicable in Colombia stipulated in the latest tax regulation: "Law of Growth", with a 30% rate.

Deferred tax by type of temporary difference - Differences between the book value of assets and liabilities in the statement of financial position and its tax base, give rise to temporary differences that generate deferred, calculated and recorded taxes at the closing of December 31, 2019.

The Trust performs a numerical reconciliation between fiscal revenues and expenses caused per tax, once the updating is made, by using the applicable tax rates of 30%, applicable from 2023.

	December 31 of	
	2019	2018
Operating Income	1,591,151	948,088
Operating Expenses	8,656,092	5,894,710
Accounting profit (Loss)	**-7,064,941**	**-4,946,622**
Fiscal Adjustments (Non-deductible expenses)	-711,590	-1,761,599
Fiscal profit (loss)	**-6,353,351**	**-3,185,023**

With the confidence that *Grupo Santander* has always demonstrated in investing in our country, in 2018 the company received an important capitalization to comply with the Solvency Ratio rules, required by local regulation.

The entity has generated losses in the two periods of 2018-2019, and is still in the consolidation process both in the domestic as in the foreign market, and with great growth expectations for the next 10 years, with the support of *Grupo Santander* and the arrival of the new shareholder: Caceis; with the operation that joins two large entities in the scope of escrow, to form one of the first global competitors in Europe and the rest of the world.

With these expectations and projections, S3 estimates to recover its losses over a period no longer than 8 years, for which recovery is calculated at a rate of 30% from the year 2023, as stipulated in the current standard; the same tax treatment is being given for the excess of presumptive income over taxable liquid income, which is negative, in line with the recognition of the deferred tax asset by 3,634 Mill., according to IAS 12 paragraph 82.

(In thousands of Colombian pesos)

NOTE 14 CORPORATE ASSETS

The following is the detail on shareholders' equity at the closing of the period:

	December 31 of			
		2019		**2018**
Equity		24,500,000		24,500,000
Equity increase		15,000,000		15,000,000
Accumulated losses	-	5,745,253	-	1,848,633
Loss of the period	-	5,319,650	-	3,896,620
Total Shareholders' Equity		**28,435,097**		**33,754,747**

At the end of 2019, the shareholders book recorded the following composition:

Shareholding composition to December 31, 2019 ($100,000 nominal value each Shar

Shareholder	**Composition Current**	**Total Value (COP $)**
Santander Securities Services SAU	312,050	31,205,000
Santander Securities Services Latam Holding 2 s.l.u	82,946	8,294,600
Manuel De La Cruz De La Cruz	2	200
Woodcock Salas Marta Isabel	1	100
Juan Carlos Moscote Gneco	1	100
Totals	**395,000**	**39,500,000**

After the capitalization, shareholding composition to December 31, 2018 is:

Shareholder composition to December 31 of 2018 with the addition of capital. (nominal value $100,000 per Share)

Shareholder	**Initial Shares**	**Additional subscription of Shares**	**New composition**	**Total Value (COP)**
Santander Securities Services SAU	193550	118500	312.050	31,205,000
Santander Fund Administration SAU	51446	31500	82.946	8,294,600
Manuel De La Cruz De La Cruz	2		2	200
Henry Forero Ramírez	1		1	100
Juan Carlos Moscote Gneco	1		1	100
Totals	**245000**	**150000**	**395.000**	**39,500,000**

(In thousands of Colombian pesos)

NOTE 15 OPERATING INCOME

The following is the detail of operating income at the closing of the 2019 and 2018 period:

	December 31 of	
	2019	**2018**
Interest income – Members (1)	943,545	706,421
Interest income - Non-members (1	15,494	11,314
Investment Valuation	96	0
Commissions - Global Escrow (2)	23,743	0
Commissions - Local Escrow (2)	311,596	0
Restatement (3)	190	59,429
Sub Lease (4)	178,069	145,035
Other operating Income (5)	118,418	25,889
Total operating Income	**1,591,151**	**948,088**

1) Interest Income from Members Savings Accounts: With the constitution of the company and the money contribution of the shareholders a savings account is opened, which generates this income in the two savings accounts that are opened.

Remuneration of these accounts generates interest at market rates.

2) Commissions: Correspond to the amount of income of the escrow activity and cash flows arising from the contract with local customers and foreign clients; these revenues have no impairment loss (note 7) to December 31, 2019.

3) Restatement: For the year 2019 corresponds to spot operations on commissions for the escrow service of drawings received in another currency, which are recorded when operations are carried out effectively spot on the payment date of commissions. There was an exchange difference for the year 2018, because at the time of payment and/or credit to account to a provider from abroad the exchange rate gave an amount of 59,429 on variation in the caused-paid exchange rate.

4 and 5) Sub lease and other operating income: Corresponds to sub-lease and administration of the 58.58% of office 301 of the building in respect of leases amounting to 145,035 for the year 2018, and of 178,069 for 2019; the amount of cash flows for the payment of administration was 25,889 for the year 2018 and, the amount was 33,417 for the year 2019 with corresponding increases,

The sub-lease is with *Banco Santander de Negocios Colombia*, since the lease contract with the provider just cover sub-leasing with companies of *Grupo Santander*. These ordinary revenues are valued at fair value of the received goods and services, adjusted by the amount of cash or other cash equivalents transferred from the operation.

(In thousands of Colombian pesos)

NOTE 16 EMPLOYEE BENEFITS EXPENSES

The following is the breakdown of expenses on benefits to employees at closing of the 2019 and 2018 period:

	December 31 of	
	2019	**2018**
Wages	453,083	421,340
Salaries	501,187	463,937
Legal Premium	44,013	40,060
Employment Benefits	100,283	85,174
Bonuses	297,075	406,517
Social Security	268,897	246,813
Other payments of benefits	35,942	8,793
Disabilities	354	0
	1,700,834	**1,672,634**

Short-term employees benefits, are those expected to be settled before 12 months, such as legal social benefits (severance-pay, severance-pay interest furloughs, holidays), and variable pay for performance; the variation in this item is given by the use of the balance of the non-used liabilities for 2018 provisions, since their payment was lower than estimated.

There are no contemplated long-term benefits and post-employment benefits, and the entity does not provide the benefits for termination of contracts and post-employment benefits that are found in IAS 19 regarding paragraphs 53, 135, 139, 140, 143.

New staff is recruited and there is a wage increase according to the definitions of the group for the year 2018, closing with 9 direct plant employees, aligned with the objectives of the company. A new person is recruited in the month of May 2019.

NOTE 17 GENERAL AND ADMINISTRATION MATTERS

The breakdown of the overhead and administration to December 31, 2019 and 2018, features a variation in each of its lines and collects the amounts in which the company had to be incur in order to continue its implementation and startup of operations process, and the development of the company's ordinary activities.

Related items in this note are measured at fair value, and the level of undertaking is measured with reliability.

(In thousands of Colombian pesos)

	December 31 of	
	2019	**2018**
Interest (1)	52,413	0
Commissions (2)	315,436	9,670
By restatement of other assets	289	0
Legal (3)	3,232	35,923
Fees (4)	290,548	484,380
Taxes and rates (5)	938,366	1,515,743
Leases (6)	6,395	272,540
Contributions, registers and transfer (7)	108,328	47,100
Insurance	1,861	11,019
Maintenance and repairs (8)	2,025,147	1,018,149
Fines and penalties, litigation, compensation (9)	41,191	1,292
Depreciation	332,567	56,027
Amortization	2,265,537	258,486
Cleaning and security service	19,793	24,402
Advertising and propaganda	40,120	10,900
Public Relations	15,204	12,143
Utilities	81,382	90,612
Electronic data processing (10)	136,958	249,815
Travel Expenses	52,340	50,599
Transport	9,973	2,231
Supplies and stationery	2,420	11,756
Other (11)	215,758	59,288
	6,955,258	**4,222,076**

1) **Interest expense:** Corresponds to the record that the company performs as an effect of the application of IFRS 16 as the financial cost, and using the incremental borrowing rate which was adjusted in December 2019 after the review and comparison of market rates; for the year 2019 the detail is as follows:

Period	Capital	Interest
1	894,687	5,122
2	869,752	4,647
3	844,817	4,998
4	819,883	4,694
5	794,789	4,702
6	769,061	4,403
7	743,333	4,397
8	717,606	4,245
9	691,878	3,961
10	666,150	3,941
11	640,422	3,666
12	614,694	3,636
Lease interest expense		**52,412**

(In thousands of Colombian pesos)

2) **Commissions:** With the entry of customers in S3 toward the second half of 2019, local market infrastructure is incorporated, such as are deposits, stock exchange and supplier of prices, to comply to the activities of the Trust, as well as to the payment of market infrastructure to meet foreign clients such as Swift, web connections and other; this account also registers bank commissions; the detail of the commissions is the following:

	December 31 of	
	2019	**2018**
Banking Services	42,028	1,983
Local Infrastructure Service	244,777	7,687
Infrastructure Service Abroad	28,631	0
	315,436	**9,670**

3) **Legal:** Corresponds to the payment of notarial expenses and of registration; the variation with respect to the year 2018 is due to the registration of the capitalization that was made to the company in the month of November 2018

4) **Fees:** The variation of the fees from the year 2018 to the year 2019 corresponds to suppliers that require to be hired for the normal development of the operations and activities to keep the escrow business as follows:

	December 31,	
	2019	**2018**
Board of Directors	98,963	56,770
Statutory Audit	57,423	43,206
Other Fees	134,162	384,404
	290,548	**484,380**

The line of other fees corresponds to external contracted services for the development of the escrow business and running of the company in the periods of 2019 and 2018, the variation is presented because in the year 2018 the company hired services such as PMO and process design given the operating stage of the company.

5) Taxes and Fees:

The variation in taxes and fees is presented by taxes incurred on payments made to suppliers from overseas; the acquisition of the software license is paid in 2018.

The notary and registration tax corresponds to the payment on the capitalization earning in 2018.

(In thousands of Colombian pesos)

	December 31 of	
	2019	**2018**
Industry and Commerce	16,471	10,467
Tax on financial operations	27,566	51,785
Vat apportionment	125,484	111,709
Other Taxes on district stamps	6,911	0
Taxes borne	761,272	1,218,910
Consumption tax	662	706
Registration tax	0	122,166
	938,366	**1,515,743**

6) **Leases**, the variation in this line is significantly featured in the implementation of IFRS 16 in the year 2019 with respect to the amounts generated in the year 2018, where the company does not apply the norm in advance

7) **Contributions and affiliations**: The escrow activity was approved by the Superintendence of Finance of Colombia in the month of November 2018, which implies the trust companies' affiliation to the industry.

8) **Maintenance and repairs**:

Payments to suppliers of infrastructure from abroad were made in the year 2018, and are payments are increased in the year 2019 due to the start of production of the technological developments applied to the business. The detail is as follows:

	2019	**2018**
IT Maintenance Suppliers	2,007,102	1,037,707
Other suppliers' maintenance	8,045	0
	2,015,147	**1,037,707**

The payment of maintenance of the Core application starts in the month of December 2018; maintenance is paid for the 12 months for the year 2019

9) **Sanctions, fines and litigation**: A risk event associated with a penalty for failure and delays in response to territorial entities on the administration of Autonomous Assets occurred in the month of December 2019.

10) **Electronic Data Processing**: Payment to suppliers for the set-up of non-Core systems, which according to the policy are non-generators of income or future benefits.

11) **Other:** An agreement service levels with a related company was performed in the year 2019, for a figure that at closing amounts to 131,952 in components such as compliance technology and other, the administration supplier of the building was paid an amount of 54,242.

Payment was made in 2018 to suppliers such as messaging services, payroll outsourcing and representation expenses, all associated with administrative development; administration expenses of the building to the 3rd floor fora value of $47,030 and payroll outsourcing for $9,624 are among the most representative expenses.

(In thousands of Colombian pesos)

NOTE 18 RELATED PARTIES

The Trust considers as related parties:

- Shareholders that individually possess more than 10% of equity of the Trust, and those whose individual share is lower, but exceed 5% of total regulatory capital.
- Members of the Board of Directors.
- Administrators: officers who have legal representation at the Trust.

Shareholders who hold more than 10% of equity of the Trust are:

- Santander Securities Services SAU - Foreign Company legally incorporated in Spain

Although it is not a matter of operations with companies that make up the business group, in accordance with the record in the trade register, transactions performed with companies with *Grupo Santander* are mentioned:

December 31, 2019

	December 31 of			
	2019	**2018**	**Entity**	**Country**
Assets:				
Deposits at Savings Accounts and Checking Accounts	19,980,201 Negocios	25,815,224	Banco Santander de Colombia S. A.	Colombia
Commissions receivable	990,581		Santander Securities Services SAU	Spain
	4,045,774		Santander Rio	Argentina
Programs and computer applications *informáticos*	464,718	348,558	*Produban servicios generales*,	Mexico
Total	**25,481,275**	**26,163,782.48**		
Income:				
Yields on Savings Accounts Negocios	943,545	706,421	Banco Santander de Colombia S. A.	Colombia
Commission income	8,470,704		Santander Securities Services SAU	Spain
	15,272,384		Santander Rio	Argentina
Other income	211,487	162,529		Colombia
Total	**24,898,120**	**868,950**		

NOTE 19 ADMINISTRATION AND RISK MANAGEMENT

During the year 2019 Santander Securities Services Colombia S.A. Trust Company has shifted its efforts to prioritize the management in advance of its risks, facing the changing economic, social and regulatory environment in which the escrow of securities activity is carried out, as well as the challenges that the set up and deployment into production of a financial institution implies, which is seeking from within its strategic planning to strengthen the trust of our stakeholders as well as of our employees, customers, shareholders and the community in general.

Our risk management and control model is based on the principles listed below, and considers the expectations of regulators and best market practices:

- An advanced risk management with a forward-looking approach, that allows maintaining a medium-low risk profile, based on the model of risk appetite as defined by the Board of Directors.
- A risk culture, which applies to all employees of the Entity and the Group.
- A model of three clearly defined lines of defense that allow us to identify, manage, control and supervise all these risks.
- A robust governance model based on a clear structure, which maintains the autonomy of management and risk control roles against the parent company or required lines of reporting.
- Proper management of information and data that enables identification, assessment, management and communication at the appropriate levels for all risks.
- Risks are managed by the units that generate them.

These principles, together with a set of tools and processes that are interrelated in the planning of the strategy of the entity (risk appetite, risk identification and assessment, scenario analysis, risk dashboard reporting, budgetary processes, etc.), set up a framework of an holistic approach of S3 Colombia.

A. Risk Governance

S3 Colombia has a robust governance framework that pursues an effective control of the risk profile, within the risk appetite defined by the Board of Directors. This governance framework is based on the distribution of roles between the three lines of defense, a solid structure of committees and a robust relationship between the Group and all of its subsidiaries.

1ª Línea	2ª Línea	3ª Línea
Compuesta por las funciones de negocio y todas las funciones de apoyo que originan riesgos y que tienen la responsabilidad primaria en la gestión de esos riesgos. Estas funciones son responsables de establecer un entorno de gestión de los riesgos que generan en su actividad, que asegure que los mismos permanecen dentro de los límites aprobados.	Constituida por las funciones de Control de Riesgos y de Cumplimiento y Conducta. Estas funciones supervisan y cuestionan de manera independiente las actividades de gestión de riesgos realizadas por la primera línea de defensa. Estas funciones velan porque los riesgos se gestionen de acuerdo con el apetito de riesgo, y fomenten una sólida cultura de riesgos en toda nuestra organización. Además, facilitan orientación, consejo y juicio experto en todas las materias relevantes sobre riesgos.	Formada por la función de Auditoria Interna. Esta función evalúa de forma regular que las politicas y procedimientos son adecuados y están implantados de forma efectiva en la gestión y control de todos los riesgos.

B. Risk appetite control and management model

Risk appetite is defined as the amount and type of risks that is considered reasonable to be assumed in the implementation of the business strategy, so that S3 Colombia can maintain its ordinary activity against the occurrence of unexpected events. For this purpose, severe scenarios which could have a negative impact on their capital and profitability levels are considered; depending on the different types of risks that the entity is willing to assume, including from exposures to losses arising to compliance management.

The scope of the Risk appetite was planned thinking to encompass the integral vision of all risks to which the Trust is exposed to; that is why it contemplated the estimated of volatility of financial results, the vulnerabilities from the operating risk management, technological risk and cybersecurity management; and losses arising from the compliance function, from conduct management to money laundering.

(In thousands of Colombian pesos)

The following describes the evolution of risk appetite metrics for the year 2019.

- The new metrics dashboard of risk appetite by the Board of Directors in the month of April 2019, spanning across different fronts of risk hotbeds that are of concern to the administration, such as operating risk, capital structure, technological risks and cybersecurity, risk management with third parties and compliance risks that include AML and conduct management, and in the management of new products and services.

- The solvency margin report to the Financial Superintendence on the basis of the policy guidelines of this regulator began in the month of July, an indicator that belongs to the main risk appetite metrics, and which recurrently monitored on the understanding that its behavior conforms to the financial results of the company month after month. The cutoff for 2019 identifies solvency margins within regulatory limits

- The metrics for risk appetite with excesses in the levels set by the Board of Directors were timely managed and reported to the different governance organs with the purpose of maintaining a fluid communication and a timely decision-making in front of the hotbeds of relevant risks.

C. Capital Requirement Management

From the regulation of the solvency margin for trust companies through Decree 415 of 2018 and its subsequent external circular letter 010 of 2019, the parameters to consider for the calculation of the specific solvency margin for entities exercising the securities escrow activity were defined.

Under this new methodology for the solvency margin, it is necessary to identify the exposure levels from the scope of market risks, operating risk and risk-weighted assets level or a fixed factor of $20,000 million Colombian pesos annually adjusted for inflation; as long as risks exposure levels are smaller than this fixed factor.

For the year 2019, the Trust Company started the calculation and reporting of the solvency margin under the methodology defined by the Financial Superintendence, complying with the statutory definition. At the same time, management levels of alerts to the solvency margin through risk appetite metrics were included, whose levels are monthly reported to the Board of Directors for their monitoring and corresponding decision-making. Below are the exposure levels required by the Board of Directors for the regulatory solvency margin:

	Dec-19
Solvency Margin	**12.40%**

Monitoring of the composition of the solvency margin indicates that this indicator is extremely far from the 9% regulatory limit.

D. Operating Risk Management and Control Model

The definition of operating risk (OR), following the guidelines of Basel, is the risk of loss due to the inadequacy or to failures of processes, people and internal systems or because of external events, therefore contemplating risk categories such as fraud, technology risk and cyber-risk, legal or behavior risk, to name a few.

Operating risk is inherent in all products, activities, processes and systems, and is generated in all business and support areas, and for this reason being the responsibility of all employees on the management and control of risks generated within their scope of action.

The following describes the main initiatives undertaken from the operating risk management model in order to ensure the timely and efficient mitigation of risk hotbeds.

- Continuous enrichment of information and, in particular, of the internal losses database, which is a key aspect to ensure the integration of all instruments and to be able to perform a cross-analysis of the information.
- Review of mitigation plans for residual risks in a moderate, high and critical scale of criticality, which were presented to the different governance organs in order to assess their effectiveness and opportunity for risk mitigation.
- Incorporation of additional risk appetite metrics related to cybersecurity and Technology risk.
- Improvements in the process of determination, identification and evaluation of critical theoretical controls, with the aim to strengthen and standardize the control environment in the organization.
- A scaled procedure and specific governance for the timely management of relevant events and risk appetite metrics with incidents in their alert levels has been established.
- Implementation of specific questionnaires to evaluate the controls and continuity of suppliers given the requirements and good market practices, in order to determine the criticality of the service.

2019 RCSA

The risk identification, measurement and assessment model defined within the management model of *Grupo Santander* and applied in S3 Colombia, has defined a set of corporate, quantitative and qualitative techniques/tools, which combine to make a diagnosis on the basis of the identified risks, and to obtain a valuation through the measurement and evaluation of the area/unit.

The quantitative analysis of this risk is primarily done by using tools that record and quantify the level of potential losses associated with operating risk events. Qualitative analysis seeks to assess exposure and coverage aspects (including the control environment).

The purpose of the RCSA is to identify and evaluate the substantial operating risks that might prevent business or support units to achieve their goals. Once assessed, mitigation measures are identified if risk levels are above the tolerable profile defined at the corporate level and by the Board of Directors.

RISK EVENTS

Operating risk processes models include the timely management of recording operating risk events, analyzing and identifying their root causes, impacts, impact on processes, business lines and their respective mitigation actions. The events log is not restricted by the establishment of thresholds, or exclusions by reason of the amount, nor with the accounting as the non-accounting impact. Likewise, there is an scaled process of relevant events that allows knowing and transmitting to top management the main operating risk events that occur in the entity with the utmost immediacy.

E. Business Continuity Plan

S3 Colombia has a business continuity management system (BCMS) to ensure the continuity of business processes in the event of a disaster or serious incident. Its basic objective is:

- To minimize the potential damage in people and the adverse financial and business impacts for the entity, resulting from an interruption of normal business operations.

- To reduce the operating impact of a disaster, providing a series of guides and predefined and flexible procedures for their use in the resumption and recovery of processes.
- To resume business operations and associated support functions, which are time sensitive, in order to ensure business continuity, profits stability and the planned growth.
- To protect the public image and trust of the entity and in general of companies of *Grupo Santander*.

In the 2019, S3 Colombia has continued to make progress in the implementation and continuous improvement of its business continuity management system, implementing and adapting the Corporate model to local regulations and good practices. The activities carried out were:

- A comprehensive business continuity test was carried out from the Alternate Operations Center, simulating disruption of infrastructure and facilities scenarios of the headquarters of the regular operations center. The test was satisfactory, and some required improvement plans involving areas of interest such as suppliers are being carried out.

- A training and awareness program for employees of S3 Colombia was conducted, with the conceptual scope of the minimum content of the business continuity plan of the Entity, which includes the documentation of business impact analysis, identification of continuity scenarios and their possible risks, as well as mitigating factors. Additional emphasis was placed on the importance of the calls tree and the disclosure of business continuity plans to players in the business. In a complementary manner, the regulations training program, that takes place every year, was carried out in the field of continuity and operating risk for all employees at S3 Colombia.

- Documentation of the totality of BIAs for non-critical processes and the annual updating of the BIAs for documented critical processes since the previous year was finished.

- The results of the different tests and simulations of continuity and disaster recovery scenarios was submitted to governance bodies with the objective of verifying the correct continuity of the operation in a scenario of unavailability of the IT infrastructure of S3 Colombia. The tests were successful and improvement actions that should be resolved before the test for the year 2020 were programmed.

- An update was applied for the corporate tool in which are the business continuity plans of the entity are registered and kept, as well as the documentation of the results of simulation exercises and continuity tests, risk analysis scenarios and their respective mitigating circumstances.

F. Regulatory Risk

It was managed in accordance with the methodologies and guidelines adopted by S3 Colombia, and in a complementary manner to the management of compliance, the corporate model of regulatory risk assessment and, in reference thereof, the first risk profile from that area is started in the fourth quarter of 2019. To do this, the respective local regulations impacting the escrow of securities and other international regulatory standards were analyzed, with the aim of identifying possible impacts on non-compliance with said normativity, managing an adequate control environment, and fostering a regulatory responsibility culture to the employees of the entity.

The exercise considered the following guidelines:

- Regulations were only assessed under the Regulatory Compliance scope, excluding those that have their own RSCA exercise. In this sense, regulations relating to the Prevention of Money Laundering (PBC in Spanish) are excluded.

- Broadening the normative regulatory scope, the applicability of Colombian legislation to carry out the escrow activity was considered, in addition to local and international good practices from the scope of: FATCA, CRS, abuse of the securities market, data protection and Volcker Rule.

- The regulations to assess in the exercise will be grouped according to the main regulatory risks they cover (Reports and requirements of reputational impact, Corporate Governance, regulations that directly impact the management of the business).

G. Management Model and control of Money Laundering and Terrorism Financing Risks

For the year 2019, S3 Colombia had the following activities, typical of the Money Laundering and Terrorism Financing Risk Management System (SARLAFT in Spanish), continuing with the management and control required by good practices:

- The residual risk profile of the Trust is kept and approved by the Board of Directors, this bearing in mind that there have been situations that may have affected the normal performance of the LAFT prevention system. Likewise, a software for the management of the risk of LA/FT was acquired seeking to automate management, which will lead into adjusting the methodology defined for measurement and control of LA/FT risk.

- Risk monitoring and control mechanisms for Money Laundering and Terrorism Financing remain (LA/FT) parameterized in the technological application, while maintaining up to date records of restrictive lists, including in these those required by the corporate guidelines, in accordance with the updated guidelines in the PBC/FT prevention manual.

  The above with the purpose of identifying unusual transactions and reporting suspicious operations to the Financial Information and Analysis Unit (UIAF in Spanish) under the terms established by the law.

- The schedule for the annual training plan, covering to the entire staff of S3 Colombia in normative issues was fulfilled, including Compliance and LA/FT prevention through the virtual methodology.

- The submission of regulatory reports to the Financial Information Analysis Unit was complied, and the guidelines requested by said control organs in the established terms were adopted under policy updates.

- The results of the development of different stages and elements of the system - SARLAFT, described in the reports of the Statutory Audit, and the pronouncements of the Board of Directors presented in the report of the Compliance Officer, show a proper management of the Money Laundering and Terrorism Financing Risk Management System.

  As for the result of the evaluation of SARLAFT by the internal audit, recommendations given in improving the management system will be addressed in the first half of the year 2020.

- The quarterly reports corresponding to the results and effectiveness of the management developed, compliance of reports to external entities, the consolidated risk profile, the effectiveness of control mechanisms and instruments were submitted to the Board of Directors, as well as the result of the compliance assessment of SARLAFT made by supervisory bodies.

Stages and elements of the SARLAFT system are managed in accordance with business dynamics and management needs aligned to the strategy of the Trust.

H. Administration of Treasury Risks

During the year 2019, Santander Securities Services Colombia S. A., continues with its conservative policy to maintain its own resources invested in bank accounts with high levels of liquidity and a zero market risk exposure, a situation that has allowed to maintain controlled treasury risks levels, in line with the management strategy for own resources. The custodians of the bank accounts where the own resources are deposited, have optimum rating levels issued by credit rating agencies, a situation that reveals the almost zero exposure to credit risk in the administration of own resources.

The financial area maintains an adequate segregation of duties, powers and responsibility within its policies and procedures, that lead to efficient assurance of the own resources of the entity.

Below are the value and the percentage variation of available liquid assets of the Trust for the years 2018 and 2019 respectively. The percentage change in balances of own resources in the assessed period is -22.6%, explained by the adjustment to loss leveraged by lower income earned by the passive dynamic of customer arrivals for this year.

	Dec-2018	Dec-2019	% Δ 2018
Bank Accounts	25,934	20,068	-22.6%

Figures in millions Colombian pesos

I. Internal Control System - SCI in Spanish

Santander Securities Services Colombia S.A. duly chartered, gives regulatory compliance to the internal control system as ruled in External Circular Letter 029 of 2014, Part 1, Title I, Chapter IV, issued by the Financial Superintendence of Colombia (SFC), and the other rules that modify and/or complement it; through the consolidation of a manual that develops the principles, elements, roles and responsibilities of government and the control bodies of the Internal Control System, in order to assist in the efficient and effective compliance of the strategic and financial goals, in the prevention and mitigation of the occurrence of fraud, whether internal or external; to properly manage risks inherent to the business, to maintain high levels of reliability and quality of the information of the entity and to comply with local regulation. The harmony of these factors generates greater security to different stakeholders of the entity, and alignment to internal control corporate model principles.

The Trust continues with the management process and the applicability of internal control standards based upon the requirements and good corporate practices, as well as the fulfilment of the requirements in the regulation for the timely management of possible potential risks from the taxonomy of fraud; as well as the procedures for the use and operation of the whistleblower channel for the prevention of criminal risks to employees and third parties.

NOTE 20 LAW CONTROLS

Santander Securities Services Colombia S. A., as a newly-constituted company meets the minimum capital requirements, and expanded its capital to comply with the required minimum solvency ratio and other legal provisions applicable to it as a legally constituted entity under the laws of Colombia and under the regime of a Corporation, regulated by the surveillance and control agencies of the country.

NOTE 21 CONTINGENCIES

On December 31, 2019 and 2018, the Trust has no contingent assets or liabilities.

NOTE 22 SUBSEQUENT EVENTS

Between December 31, 2019 and the date of issuance of these financial statements, there have been no significant events that could affect the financial situation of the Trust.