Independent auditor's report

To the Shareholders' Meeting of
Credivalores Crediservicios S. A. S.

We have audited the accompanying financial statements of Credivalores Crediservicios S. A. S., which comprise the separate statement of financial position as at December 31, 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Credivalores Crediservicios S. A. S. as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Financial Reporting and Accounting Standards accepted in Colombia.

As indicated in Note 2, the accompanying financial statements at December 31, 2014 and January 1, 2014, prepared on the basis of the Financial Reporting and Accounting standards accepted in Colombia, are presented for comparison purposes only and, therefore, our work on them consisted in a selective review of the adjustments made to adapt them to the new accounting principles, for the sole purpose of determining their impact on the financial statements at December 31, 2015, and not with the purpose of expressing a separate opinion on them, since it is not required.

/s/ PricewaterhouseCoopers Ltda.
Bogota, Colombia
May 13, 2016

CREDIVALORES CREDISERVICIOS S. A. S.
SEPARATE STATEMENT OF FINANCIAL POSITION
At December 31, 2015 (with comparative figures for December 31, 2014 and January 1, 2014)
(Stated in millions of Colombian Pesos)

Account	Note	December 31 2015	December 31 2014	January 1, 2014
Assets				
Current Assets				
Cash and cash equivalents	5	110,242	87,127	87,038
Current trade and other accounts receivable	6	924,331	680,014	577,890
Tax assets	7	12	5	6
Current assets other than cash	8	6,266	10,356	8,157
Total current assets		**1,040,851**	**777,502**	**673,091**
Non-current assets				
Property and equipment	9	1,462	1,362	1,817
Intangible assets other than goodwill	10	26,904	317	152
Investments in subsidiaries	11	22,211	4,291	4,349
Deferred tax assets	12	21,846	10,555	13,670
Other financial assets	13	13,677	11,502	10,165
Other non-financial assets	14	2,512	3,019	8,757
Total non-current assets		**88,612**	**31,046**	**38,910**
Total assets		**1,129,463**	**808,548**	**712,001**
Liabilities				
Current liabilities				
Provision for employee benefits	15	1,262	1,345	1,149
Other provisiones	16	1,482	1,743	30
Trade and other accounts payable	17	38,237	50,163	78,045
Tax liabilities	18	3,366	2,635	4,446
Other financial liabilities	19	840,114	579,252	515,569
Other non-financial liabilities	20	52,475	20,811	22,967
Total current liabilities		**936,936**	**655,949**	**622,206**
Non-current liabilities				
Other provisions	21	494	494	494
Deferred tax liabilities		16,081	14,976	2,888
Tax liabilities		-	-	852
Total non-current liabilities		**16,575**	**15,470**	**4,234**
Total liabilities		**953,511**	**671,419**	**626,440**
Equity				-
Issued share capital		104,989	96,317	73,228
Share premium		20,842	20,214	2
Effects of first time adoption		(21,910)	(21,910)	(21,910)
Retained earnings		32,007	6,111	31,562
Earnings for current year		33,925	32,344	-
Treasury stock		(12,837)	(12,837)	-
Other equity interests		285	280	277
Other reserves		18,651	16,610	2,402
Total Equity		**175,952**	**137,129**	**85,561**
Total Liabilities and Equity		**1,129,463**	**808,548**	**712,001**

Original signed in spanish:

LILIANA ARANGO SALAZAR
Legal Representative (S)

CARLOS ALBERTO GUTIÉRREZ LLANOS
Chief Accountant
Lic. No. 46095-T

HERNÁN DARÍO RAMÍREZ TORRES
Deputy Statutory Auditor
Lic.172309-T
Please refer to my Statutory Auditor´s Report issued
May 13 2016

CREDIVALORES CREDISERVICIOS S. A. S.
SEPARATE INCOME STATEMENT

At December 31, 2015 (with comparative figures for December 31, 2014 and January 1, 2014)

(Stated in millions of Colombian Pesos)

Account	Note		December 31 2015		December 31 2014
Income from ordinary activities	22		222,726		169,505
Other income	23		1,829		1,438
Administrative expense	24		9,062		8,657
Selling expense	25		104,891		80,738
Other expense	26		6,491		3,870
Gains (losses) on operating activities			**104,111**		**77,678**
Financial expense	27		72,790		37,823
Gains (losses) from differences between previous carrying values and the fair value of financial assets now reclasified at fair value			6,397		4,905
Earnings before tax			**37,718**		**44,760**
Tax expense	28		3,793		12,416
Earnings (losses)			**33,925**		**32,344**

Original signed in spanish

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CREDIVALORES CREDISERVICIOS S. A. S.

SEPARATE STATEMENT OF CHANGES IN EQUITY

At December 31, 2015 (with comparative figures for December 31, 2014 and January 1, 2014)

(Stated in millions of Colombian Pesos)

	Issued Capital	Share premium	Effects of first-time adoption	Retained Earnings	Earnings for the year	Treasury Stock	Other Equity Interests	Other reserves	Total
Balance held at January 1, 2014	**73,228**	**2**	**(21,910)**	**31,562**	**-**	**-**	**277**	**2,402**	**85,561**
Capitalization	23,089	20,213	-	-	-	-	-	-	43,301
Year-end net income	-	-	-	-	32,344	-	-	-	32,344
Movement of other equity interests	-	-	-	-	-	-	2	-	2
Treasury Stock	-	-	-	-	-	(12,837)	-	-	(12,837)
Appropriated Retained earnings	-	-	-	-	-	-	-	14,208	14,208
Distributed profits	-	-	-	(25,451)	-	-	-	-	(25,451)
Balance held at December 31, 2014	**96,317**	**20,214**	**(21,910)**	**6,111**	**32,344**	**(12,837)**	**280**	**16,610**	**137,128**
Capitalization	8,672	628	-	-	-	-	-	-	9,300
Year-end net income	-	-	-	-	33,925	-	-	-	33,925
Movement of other equity interests	-	-	-	-	-	-	5	-	5
Distributed profits	-	-	-	25,896	(32,344)	-	-	2,041	(4,407)
Balance held at December 31, 2015	**104,989**	**20,842**	**(21,910)**	**32,007**	**33,925**	**(12,837)**	**285**	**18,651**	**175,952**

Original signed in spanish:

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issued May 13 2016

CREDIVALORES CREDISERVICIOS S. A. S.
SEPARATE STATEMENT OF CASH FLOWS
At December 31, 2015 (with comparative figures for December 31, 2014 and January 1, 2014)
(Stated in millions of Colombian Pesos)

	2015	2014
Cash flows sourced from operating activities		
Earnings for the period	$ 33,925	$ 32,344
Reconciliation between net earnings before income tax and cash flows sourced from (used for) operating activities		
Depreciation on property for own use	513	395
Depreciation on leased assets	534	866
Provisions	(988)	16,867
Recovered amounts	(1,465)	-
Amortizations	109	449
Forward Contract Expense	3,882	279
Exchange rate difference on expense	45,402	9,588
Forward Contract Income	(49,035)	(3,724)
Deferred Tax (Credit) Debit	(5,441)	4,422
Loss on equity method	167	-
Income on sales of loans	(3,137)	(1,996)
Changes to operating assets and liabilities		
Accounts receivable and other current accounts	(243,328)	(118,990)
Property and equipment	(358)	(855)
Intangibles	(26,696)	(285)
Deferred Tax assets	(5,857)	(1,305)
Current assets other than cash	4,089	(2,198)
Other non-current financial assets	(2,175)	(1,337)
Other non-current non-financial assets	506	5,738
Accounts payable	(11,925)	(36,938)
Current tax liabilities	731	(959)
Labor liabilities	(83)	196
Deferred tax liabilities	1,105	12,089
Other current liabilities	(261)	1,713
Other non-current liabilities	31,664	(2,156)
Cash used for operating activities	(228,122)	(85,799)
Cash flows sourced from investing activities:		
Purchases of property and equipment	(589)	(861)
Investments	(18,087)	58
Cash flows sourced from (used for) investing activities	(18,676)	(1,655)
Cash sourced from financing activities		
Increase in short-term financial obligations	260,613	57,539
Reacquired treasury stock	-	(12,837)
Capitalization	9,300	42,841
Cash flows sourced from (used for) financing activities	269,913	87,543
Net increase (deacrease) in cash	23,115	89
Cash at the beginning of the year	87,127	87,038
Cash at the end of the year	**$ 110,242**	**$ 87,127**

Original signed in spanish

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Credivalores Crediservicios S.A.S.

Notes to Financial Statements at December 31, 2015, December 31, 2014 and January 1, 2014

Stated in millions of pesos

Note 1. Reporting entity

Credivalores Crediservicios S.A.S. (hereinafter Credivalores Crediservicios S.A.S, the Company, or CVCS), is a simplified joint stock company registered for business in Bogotá - Colombia, at the following address: Cra. 10 No. 65-98 P 4, and a website at www.credivalores.com.co. The Company was incorporated by means of Public Deed No. 420 dated February 4, 2003 drawn up before the Notary Public No. 1 of the Circuit of Cali. Its term of duration is for twenty years as of the date of the aforementioned deed.

Credivalores Crediservicios SAS is the resulting entity of the merger of two companies, Crediservicios S.A. and Credivalores S.A., registered by means of Public Deed No. 4532 of December 12, 2008.

The merger was unanimously approved by the shareholders of both companies on July 31, 2008, whereby it was determined that Crediservicios S.A. (the surviving company), would continue to legally exist after taking over Credivalores S.A., which would cease to exist (being dissolved but not liquidated). In addition, the equity of Crediservicios S.A. was merged with that of Crediservicios S.A. by means of acquiring the assets and assuming the liabilities of both companies.

This merger agreement was duly signed by the legal representatives of both companies and was reported to the Colombian Superintendency of Industry and Commerce, which didn’t report any objections.

Credivalores S.A. (the acquired company) was incorporated by means of Public Deed No. 1906 dated May 13, 2003, drawn up before the Notary Public No. 1 of the Circuit of Cali, and duly registered with the Chamber of Commerce of Cali on May 21, 2003, under Registry Number 3501 Book IX.

Subsequently, the Company changed its name from Crediservicios S.A. to Credivalores S.A. by means of the Public Deed No. 529 dated February 27, 2009 drawn up before the Notary Public No. 1 of the Circuit of Cali.

Thereafter, the Company became a simplified joint stock company under the name of Credivalores Crediservicios S.A.S. by means of Minutes No. 16 dated February 23, 2010 corresponding to a meeting of the General Assembly of

Shareholders, which was duly registered before the Chamber of Commerce on March 19, 2010; under Registration Number 3074 of Book IX.

Credivalores Crediservicios S.A.S business purpose consists of granting consumer loans, including payroll deduction loans, to private individuals or legal entities, using both its own funds as well as those obtained through financing arrangements as permitted by law. In carrying out these activities, the Company may:

a) Perform credit risk assessments;

b) Service and manage loans or lines of credit, including without being limited to recording and collecting these obligations;

c) Purchase and sell of loans, securities, and loan portfolios;

d) Borrow funds and enter into transactions allowing the Company to obtain the funds required to perform its corporate purpose;

e) Act as co-signer, guarantor, surety or collateral provider to raise funds in order to finance its activities that may be undertaken, structured or implemented through trust arrangements; and

f) Perform any other activities that are required as part of the Company's normal course of business, such as: (i) acquiring, encumbering, limiting the domain or disposing of fixed assets (ii) acquiring and using trade names, logos, trademarks and other industrial property rights; (iii) investing in existing companies, or creating new ones, providing these conduct the same or similar business activities as the Company or that should relate in any way to the latter´s own corporate purpose; (iv) entering into partnerships or contracts with third parties to carry out its corporate purpose; (v) guaranteeing its own and third-party obligations. The funds used by the Company for carrying out its business activities shall be lawfully sourced and therefore the Company shall be prohibited from raising money by means of large scale or regular deposits from individuals, pursuant to current legislation.

The Company is not under the supervision of the Colombian Superintendency of Finance (Superintendencia Financiera de Colombia) since it is not considered to be a financial institution in accordance with Colombian legislation, neither is it allowed to carry out brokerage of instruments registered with the Colombian National Registry of Securities and Issuers (RNVE).

The Company is prohibited from raising money through large-scale and regular deposits from individuals, complying with the stipulations in the applicable financial and exchange regulations.

Credivalores Crediservicios S.A.S. is headquartered in Bogotá and has a nationwide network of offices in the following towns and cities: Aguachica, Armenia, Barrancabermeja, Barranquilla, Bucaramanga, Cali, Cartagena, Cartago, Cienaga, Cucuta, El Paso, Florencia, Girardot, Ibague, La Dorada, La Jagua de Ibirico, Lomas, Magangue, Manizales, Medellin, Mocoa, Monteria, Neiva, Palmira, Pasto, Pereira, Popayan, Riohacha, Sahagún, San Andres, Santa Marta, Sincelejo, Tunja, Valledupar, Villavicencio and Yopal.

Note 2. Basis for preparing the separate financial statements

2.1. New Regulatory Framework

Compliance Statement

These separate financial statements have been prepared in accordance with Financial Reporting and Accounting Standards accepted in Colombia (FRAS - IFRS), as provided by Law 1314 of 2009. These FRAS-IFRS are based on International Financial Reporting Standards (IFRS), together with their corresponding interpretations as issued by International Accounting Standards Board (IASB); these contain basic rules corresponding to their versions in Spanish which were released on January 1, 2012 and include the amendments made in 2012 by the IASB.

Separate financial statements

These are the first separate financial statements prepared in accordance with the FRAS- IFRS. Given the migration to this new regulatory framework, these financials were presented for comparative purposes at December, 31, 2015, December, 31, 2014 (the transition period) and for January 1, 2014, when the opening statement of financial position was prepared.

The Company has considered the exceptions and exemptions stipulated in IFRS 1 - First-time Adoption of International Financial Reporting Standards, as stated herein in Note 3

Until December 31, 2014, the Company prepared its separate financial statements in accordance with generally accepted accounting principles in Colombia (COLGAAP). The financial information corresponding to prior periods is included in these separate financial statements for comparative purposes only and has been duly amended and presented to reflect the new regulatory framework.

IAS 1 refers to a complete set of general purpose financial statements. The aim of a set of financial statements is to show a structured interpretation of an entity´s financial position and financial performance along with its cash flows that may be used by a wide range of stakeholders when making their economic decisions. Credivalores Crediservicios S.A.S. presents its financial statements in accordance with the aforementioned accounting standards, according to which a complete set of financial statements is comprised of:

a) A separate year-end statement of financial position:

   The presentation of this statement of financial position shows the Company's level of liquidity while providing other reliable and pertinent information; therefore, assets and liabilities are ordered according to their liquidity.

b) A separate statement of comprehensive income and other comprehensive income for the period:

   The Company posts its revenue, costs and expenses on its separate statement of comprehensive income based on the corresponding nature of such items. The term "*other comprehensive income"* refers to income and expense that under IFRS are included in the statement of comprehensive income but excluded from profit or loss. Total comprehensive income comprises all components of profit and loss and other comprehensive income.

c) A separate statement of changes to shareholders´ equity for the period:

   This separate statement of changes to shareholders´ equity shows the results for the reporting period in question and includes income and expense posted as other comprehensive income for the period, the effects of changes in accounting policies, corrections of errors that were previously recorded for the period, investments carried out, shareholder dividends and other distributions paid out for the period.

d) A separate statement of cash flows for the period:

   The separate statement of cash flows shows changes in cash and cash equivalents resulting from operating, investing and financing activities carried out during the year. In preparing this statement the Company used the indirect method.

In preparing the separate statement of cash flows the following items were taken into consideration:

i. the indirect method, whereby net gains or loss are first presented, which are then adjusted based on the effects of non-monetary transactions, for all types of deferrals and accruals representing inflows or outflows in the past or in the future, as well as items of income or expense associated with cash flows from investing or financing activities.

ii. Operating activities: these cover all those items that did not entail any outflows for the period as well as movements in terms of assets and liabilities for operating purposes.

iii. Investing activities: these include acquiring, selling or otherwise disposing of long-term assets and other investments not included in cash and cash equivalents.

iv. Financing activities: these produce changes in the size and structure of the Company´s equity and liabilities that do not form part of its operating or investing activities.

Exchange rate differences in foreign currency are presented separately from cash flows from operating, investing and financing activities in the cash flow statement.

The cash flow statement is used to measure liquidity, and by showing cash inflows and outflows, ascertain the Company's real financial position. It also allows to maintain a liquidity balance in terms of income, expense and determine the net liquidity gap, thus, enabling the Company to structure contractual and projected flows so as to ensure the level of liquidity required to carry out its business activities.

Liquidity risk is managed based on the Company´s cash flow considering the specifics of the markets in which it operates and the unique nature of the products and services offered. The Company assesses the liquidity risk related of its treasury and cash management functions to design and implement strategies that mitigate any liquidity or funding risk. Furthermore, the Company uses metrics (including of balance sheet, liquidity gaps and contractual and projected cash flows) to quantify the maximum stress its cash flows can resist in order to continue with its normal course of operations, without having to obtain any additional funds.

2.2. Basis of preparation

The Company´s policies, as adapted to FRAS-IFRS, have been approved by the Board of Directors, its highest corporate body, by means of Minutes No. 124.

Notes 2 and 3 include details of the Company's accounting policies as applicable to the recognition, measurement and presentation of financial information under IFRS as accepted in Colombia.

These financial statements have been prepared based on International Financial Reporting Standards (IFRS) as accepted in Colombia, and were approved by the Company´s highest governing body, at an ordinary meeting of the General Assembly of Shareholders.

2.3. Basis for measurement

The separate financial statements have been prepared using the historical cost method except in the case of assets and liabilities held in the form of financial instruments which are measured at fair value and/or at amortized cost as appropriate.

2.4 Use of judgments and estimates

The preparation of the separate financial statements in accordance with generally accepted Financial Reporting and Accounting Standards accepted in Colombia requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities on the date of the balance sheet, as well as income and expenses for the year. Therefore, actual results may differ from these estimates.

These estimates and underlying assumptions are regularly reviewed. Reviews of the accounting estimates made are recognized in the period when performed and in any future period that may be affected.

Critical judgments and the more significant accounting estimates made for the required accounting policies include:

i. The useful life of fixed and intangible assets.
ii. Provisions.
iii. Deferred tax.
iv. Measurements of financial assets and liabilities.
iv. Incurred Losses of financial assets.

Drawing up estimates

- **Useful lives of fixed assets**

  In determining the useful life of property and equipment, the following factors are considered:

  a) The nature of the asset.

  b) The estimated time in which the asset shall be made ready for use.

  c) The asset´s physical condition which shall be consistent with the Company´s corporate image.

  d) The functional and architectural conditions of the Company’s office space that could give rise to remodeling or retrofitting work.

  e) In the case of computer and telecommunications equipment, the key factors to be considered are their capacity and technological edge so as to be able to provide the required levels of performance, in terms of availability, opportunity and security in handling the Company’s information.

  f) Probability of upgrading the Company’s corporate image by overhauling its property and equipment.

- ***Useful lives of intangible assets***

  The following table shows the residual values, useful lives and depreciation method used for each type of asset:

Type of assets	Useful life	Residual value	Depreciation method
Software	1 to 3 years	Zero	Straight line
Licenses	1 to 3 years	Zero	Straight line
Trademarks *	1 to 10 years	Zero	Straight line

** The useful life of a trademark is determined when first acquired as well as its corresponding residual value*.

In the case of leased software the corresponding useful life is the lesser of the lease or its estimated useful life.

Intangible assets with indefinite useful lives

This type of intangible asset is not depreciated.

However, the Company checks whether an intangible asset with an indefinite useful life has suffered any impairment to its value by comparing its recoverable amount with its carrying amount.

(a) These tests are performed at least once a year and

(b) Whenever there is an indication of an impairment to the asset in question.

Reviews of previous evaluations of useful lives

The useful life of an intangible asset that is not being depreciated shall be reviewed for each reporting period to determine whether events and circumstances warrant the asset having an indefinite useful life. If this is not the case, the useful life of the asset is changed from indefinite to finite and is recorded as a change in the corresponding accounting estimate.

- **Provisions**

In determining the estimates used to set up provisions, the Company measures contingencies as follows:

a) Probable: the event has a probability of occurrence of more than fifty percent (50%) and contractual considerations or applicable legal requirements imply future economic benefits being forfeited. This entails a provision being set up.

b) Possible: the event has a probability of occurrence of less than fifty percent (50%), and contractual considerations or applicable legal requirements imply future economic benefits being forfeited, entailing a disclosure.

c) Remote: the risks and uncertainties to be quantified are uncertain and cannot be reliably measured. In this case, the best information at the Company's disposal is evaluated in order to decide whether this merits a disclosure.

2.5 Measuring financial assets and liabilities

Measuring or appraising assets and liabilities is the process of determining the amounts for which they are recognized and carried and later included in the Company's Statement of Financial Position and Statement of Comprehensive Income. In order to carry out this procedure, a particular basis or method must be selected.

Different measurement methods are used for compiling financial statements, with different degrees and combinations of such.

In measuring and recognizing assets and liabilities, the Company used the criteria stipulated in IFRS 9, as approved by the IASB in 2010.

At the time of its initial recognition, a financial asset is classified in one of two measurement categories: Amortized cost or fair value.

A financial asset is eligible to be measured at amortized cost only if it meets the following two conditions:

The asset is managed as part of a business model whose object is to hold such assets to collect contractual cash flows. The contractual terms of such asset give rise to cash flows derived from payments of principal and interest on the outstanding amount owed, on specified dates.

To determine whether an asset complies with the characteristics of the aforementioned cash flows it should be measured either at amortized cost or fair value, in which case the Company must identify and assess the object of the business model used for managing that asset.

The Company´s business model is not based on the intentions of Management with respect to an individual instrument, but rather is determined at a higher level of aggregation.

An assessment of the object of the Company´s business model should reflect how its business or businesses are managed, and the Company may have more than one business model for managing its financial assets.

(i) Initial recognition

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

CVCS recognizes loans and accounts receivable, trading and investment securities, deposits, debt instruments and other assets or liabilities on their effective dates.

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

Subsequent measurements

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

i. Amortized cost

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

ii. Fair value

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

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

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

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

The variables used for the valuation technique thus chosen shall reasonably represent market expectations and reflect the risk-return factors inherent to the specific financial instrument. Periodically, CVCS reviews the valuation techniques used and checks their validity using prices from recent, observable market transactions for the same instrument or which are based on any observable market data that is available.

The best evidence of the fair value of a financial instrument at the time it is initially recognized is its transaction price (that is, the fair value of the consideration given or received), unless the fair value of such instrument can be measured in a better way by using an alternate method, such as comparing the transaction with other observable market transactions performed with the same instrument (that is, without modifying or presenting the instrument in a different way) or using a valuation technique whose variables only include observable market data.

When the transaction price provides the best evidence of the instrument´s fair value, the instrument should be recognized at that price. Any difference between this price and the value initially obtained from the valuation model is subsequently recognized in the income accounts depending of the specific facts and circumstances of the transaction in question.

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

(i) Offsetting items

Financial assets and liabilities are offset, so as to present these in “net” form on the Statement of Financial Position, when and only when CVCS has the legally enforceable right to offset these recognized amounts and intends to settle the net amount, or simultaneously realize the asset and settle the corresponding liability.

Revenues and expense are presented in “net” form only when this is permitted by applicable accounting standards, or whenever gains and losses are obtained from a group of similar transactions.

2.6 Functional and reporting currency

These financial statements are presented in Colombian pesos, which are the functional and reporting currency of Credivalores Crediservicios S.A.S.

Items included in the Company's separate financial statements are stated in the currency of the primary economic environment in which the Company operates (Colombian pesos). All figures are stated in millions of pesos and have been rounded to the nearest unit.

2.7 Foreign currency transactions

Transactions in foreign currencies are converted to the functional currency using the exchange rate applicable on the date of the transaction.

Assets and liabilities denominated in foreign currency on the closing date of the Statement of Financial Position are converted to the functional currency using the exchange rate applicable on said date.

The peso / dollar market rates published by Colombia´s Central Bank on December 31, 2015, December 31, 2014 and January 1, 2014 were COP 3,149.47, COP 2.392,46, and COP 1,926.83 pesos per US dollar respectively.

2.8 Standards and interpretations adopted that have no effect on the financial statements

The following is a summary of new standards, interpretations and subsequent improvements to the international accounting standards issued by the Accounting Standards Board (IASB) that have no effect on the Company's financial statements but which entered into full force and effect on December 31, 2012.

Amendments to IAS 1 - Presentation of items in the statement of comprehensive income.

The amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section so that items pertaining to other comprehensive income are grouped into the following two categories (a) items that shall not be subsequently reclassified to profit and loss; and (b) items that shall be subsequently reclassified to profit or loss when the corresponding conditions are met. CVCS does not issue a statement of other comprehensive income.

Notes to the separate financial statements at December 31, 2015, December 31, 2014 and January 1, 2014 (Stated in millions of pesos, unless otherwise stated).

1. New and revised standards which have been issued but are not yet effective

IFRS 9 - Financial Instruments: Classification and measurement.

On July 24, 2014 the final version of IFRS 9 was issued, which included the introduction of a new expected loss model for the impairment of financial instruments as well as amendments to the classification and measurement of financial assets. A new fair value model was added for the category of other comprehensive income in the case of certain debt instruments as well as additional guidance on how to apply the business model test to the cash flow characteristics. This standard governing financial instruments as issued by the International Accounting Standards Board (IASB) was duly adopted with this latest amendment and shall enter into full force and effect for annual periods beginning on or after January 1, 2018. Early adoption is allowed, subject to local requirements.

The following is a summary all new standards, interpretations and amendments to the international accounting standards issued by the International Accounting Standards Board (IASB) which have not entered into full force and effect on December 31, 2013.

Financial Reporting Standard	Subject of the Amendment	Description
IFRS 9 - Financial Instruments (November, 2013)	Paragraphs 4.2 and 4.4 of Chapter 4 (classification) were amended and Chapter 6 (hedge accounting) was added. Appendices A and B were also amended and issued in November 2013.	A chapter on hedge accounting was also added. Chapter 4 governing the classification of financial instruments was also changed. Also, IFRS 7 and IAS 39 were amended.
IAS 19 - Employee Benefits (November of 2013)	Defined Employee Benefit Plans: this standard clarifies the accounting treatment of employee or third party benefits regarding defined benefit plans or services.	When wages or salaries are linked to services provided, they should be attributed to periods of service as a negative benefit. Also if the amount of salaries or wages paid has nothing to do with seniority factors, the entity can recognize these as a reduction in service costs during the period in which the service was rendered.
IAS 36 - Impairment of assets (May 2013)	Changes made to the recoverable values of non-financial assets.	These require information to be disclosed regarding the recoverable amounts of impaired assets. This standard also introduces the obligation to disclose the discount rate used in determining impairment to the recoverable value of assets using their present value.

Notes to the separate financial statements at December 31, 2015, December 31, 2014 and January 1, 2014 (Stated in millions of pesos, unless otherwise stated).

Financial Reporting Standard	Subject of the Amendment	Description
IAS 39 - Financial Instruments (June 2013)	Modifications to the Novation of Derivatives and Continuation of Hedge Accounting.	The amendment states that it shall not be necessary to cease to apply hedge accounting to the novation of derivatives that meet the criteria detailed in the amendment.
IFRIC 21 - Liens (May 2013)	Interpretation corresponding to IAS 37	This standard provides guidance in all those cases where a liability is recorded for liens, pursuant to IAS37. The IFRIC 21 can be applied to any situation that creates a present obligation to pay government taxes or levies.
Annual Improvements Cycle 2010-2012. (December 2013)	These amendments reflect issues discussed by the IASB, which were subsequently included as amendments to the IFRS	• IFRS 2 - Share-based payments: definition of vesting conditions. • IFRS 3 - Business Combinations: Accounting for contingent consideration in a business combination. • IFRS 8 - Operating Segments: aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets • IAS 16 - Property, plant and equipment / IAS 38 - Intangible assets: revaluation method - proportional method restatement of accumulated depreciation. • IAS 24 - Related party disclosures: key management personnel. • IAS 38 - Intangible assets revaluation method.
Annual Improvements Cycle 2011-2013. (December 2013)	The inherent nature of annual improvements is to clarify or correct, and not propose any new principles or changes to the existing ones.	• IFRS 3 - Business combinations: scope exceptions for joint ventures and scope of paragraph 52 (with the exception of the loan portfolio); • IFRS 13 - Fair value measurement, offsetting financial assets and liabilities in relation to the market or credit risk offered by the counter party. • IAS 40 - Investment property: clarification of the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property.

2.9. First-Time Adoption of International Financial Reporting Standards

The year ended at December 31, 2014 was the last time CVCS prepared its financial statements in accordance with generally accepted accounting principles in Colombia. CVCS subsequently prepared its first financial statements in accordance with Financial Reporting and Accounting standards accepted in Colombia. (FRAS-IFRS) for the year ended at December 31, 2015. To do so, it was necessary to prepare an opening statement of financial position at January 1, 2014.

Exemptions and exceptions

The Company, in accordance with the provisions of Decree 2784 issued by the Colombian Government in 2012 as well as the International Financial Reporting Standard - IFRS 1 "First-time Adoption of International Financial Reporting Standards" applied these new financial reporting standards for first time on January 1, 2014. Consequently, for its opening statement of financial position the Company performed the following:

- Provided comparative financial information at the cut-off date of January 1, 2014.

- Applied the same accounting principles for the reporting periods in question.

- Retrospectively applied the standards current as of December 31, 2012 as required by Decree 3023 issued in December 2013.

- Applied certain optional exemptions which are permitted or required by IFRS 1 to the figures on the changeover date (January 1, 2014).

The following exceptions and exemptions were applied in converting the Company's opening statement of financial position from the previous Colombian Accounting Standards to the new International Financial Reporting Standards required as of January 1, 2014:

<u>Exceptions to retrospective application of IFRS</u>

1. Derecognition of financial assets and liabilities:

IFRS 9 contains certain requirements that must be complied with in order to derecognise financial assets on the balance sheet. IFRS 1 requires that a Company adopting IFRS for the first time complies with this requirement prospectively for transactions occurring after the date of transition to IFRS.

The Company availed itself of the exception applied prospectively to the derecognition of assets and liabilities, including loans that were written off by the Company before January 1, 2014.

(i) Derecognition of assets and financial liabilities

CVCS derecognizes a financial asset on its Statement of Financial Position when the contractual rights to the cash flows produced by the financial asset expire or when it transfers the right to receive contractual cash flows from the financial asset, as part of a transaction in which a substantial portion of the risks and rewards of owning the financial asset are transferred.

Any portion of the financial assets thus transferred that is either created or retained by CVCS is recognized as a separate asset or liability.

When a financial asset is transferred, the Company assesses the extent to which it retains the risks and benefits inherent to the ownership of such. In this case:

- If a substantial portion of the risks and benefits inherent to owning the financial asset are transferred, then it is derecognized and any rights and obligations created or retained in the transfer of such are then recognized separately as an asset or a liability.

- If a substantial portion of the risks and rewards inherent to owning the financial asset are retained, then it continues to be recognized.

- If a substantial portion of the risks and rewards inherent to owning the financial asset are neither transferred nor retained, then it must be determined whether the Company still maintains control over the financial asset. In this case:

  a. Should the assignor fail to retain control, the financial asset must be derecognized and any rights and obligations created or retained in the transfer of such are then recognized separately as an asset or a liability

  b. Should the assignor retain control, then the financial asset shall continue to be recognized on the Statement of Financial Position for the same amount as its exposure to any changes in its value and a financial liability is recognized on the financial asset thus transferred.

  CVCS eliminates financial liabilities (or portions thereof) from its Statement of Financial Position when, and only when, it no longer exists, that is to say when the corresponding contractual obligation is paid, settled or expires.

2. Classification and measurement of financial assets:

Whether a financial asset or liability is measured at amortized cost is determined based on the facts and circumstances that exist at the date of transition to IFRS.

Government loans:

Government loans received are classified as a financial liability or an equity security in accordance with the exceptions and conditions set out in paragraphs B10 to B12 of IFRS 1.

On January 1, 2014 the Company held a development line of credit to support the growth of its business, infrastructure and systems which was granted by Bancoldex (Colombia´s Foreign Trade Bank) and Innpulsa Colombia, a government institution.

<u>Exemptions</u>

1. Deemed cost:

IFRS 1 allows the Company to individually measure certain items belonging to its property, plant and equipment account at their fair value or using their reappraised values under the previous Colombian accounting principles as the deemed cost of such assets on the transition date. The Company used this exemption and recorded its property, plant and equipment on the date of transition at cost under previous accounting principles Colombians.

2. Holdings of less than 20%

Under IFRS, investments representing stakes of less than 20% in companies as well as joint ventures are recorded in the separate financial statements at cost. For the opening statement of financial position, the cost determined according to the IAS 27 or deemed cost, which may be the fair value of each investment at the date of transition or the carrying amount on that date according to the principles of accounting used previously.

In preparing its opening consolidated statement of financial position, the Company decided to carry these investments at cost.

3. Designation of previously recognized financial instruments:

IFRS 1 allows a Company to designate a financial asset as measured at fair value in accordance with IFRS 9 on the basis of facts and circumstances that existed at the date of transition to IFRS. The Company applied this exemption recording the portion of its “Tucredito” loan portfolio that fulfilled the condition of being disbursed less than ninety (90) days prior, with a high credit rating and suitable for sale.

4. Fair value measurement of financial assets or liabilities at initial recognition:

As part of the Company´s normal course of business, the values of certain transactions involving financial assets or liabilities that were initially recognized may well differ from their fair value. In these cases, these values are adjusted applying certain parameters to their fair value. IFRS 1 allows this accounting standard to be prospectively applied to transactions performed from the date of transition to IFRS, that is to say, January 1, 2014.

5. Investments in subsidiaries, joint ventures and associates:

Under IFRS, investments in controlled companies, associated investments and joint ventures are recorded in the separate financial statements at cost or at fair value for said categories. If it is decided to carry these at cost on the opening statement of financial position, the cost determined under IAS 27 or their deemed cost can be used, and this can be either the fair value of each investment at the date of transition or the carrying amount at that date under the accounting principles previously used. Upon preparing its separate opening statement of financial position, the Company decided to carry these investments at their deemed cost.

6. Leases:

An entity adopting IFRS for the first time may apply the transitional provisions of IFRIC 4 "Determining whether an Arrangement contains a Lease".

Consequently, a first-time adopter must determine whether an arrangement existing at the date of transition to IFRS contains a lease, bearing in mind the facts and circumstances existing on said date.

7. Designation of previously recognized financial instruments:

An entity may designate a financial instrument at fair value through profit or loss or in other comprehensive income, in accordance with the conditions set out in paragraphs 29 and 29A of IFRS 1.

Changes in accounting policies having adopted IFRS:

In addition to the exemptions and exceptions described above, the following shows the main differences between the generally accepted accounting principles in Colombia (COLGAAP), as previously used by the Company, and the current accounting policies under FRAS-IFRS.

a. Presentation of the Financial Statements.

Previous GAAP: The Colombian Superintendency of Companies, required entities that come under its oversight to prepare a balance sheet, an income statement, a statement of changes in financial position, a statement of changes to equity and a cash flow statement which are to be accompanied by their corresponding notes.

FRAS-IFRS: According to the International Accounting Standard IAS 1 "Presentation of Financial Statements" entities must prepare a complete set of financial statements consisting of: a) a statement of financial position at the end of the period; b) a statement of income and other comprehensive income for the period presented jointly or separately; c) a statement of changes in equity, d) a cash flow statement for the period and e) notes that shall include a summary of significant accounting policies.

b. Consolidating the financial statements:

Previous GAAP: In the past, a company had to prepare consolidated financial statements when holding an equity investment representing the voting rights of more than 50% of the investee´s share capital, or, even with a lower stake, when it exercised administrative control over the investee.

FRAS-IFRS: An investor must prepare consolidated financial statements when all of the following conditions are met: i) the investor exerts power over the investee; ii) the investor obtains or is entitled to variable returns from the interests held in the investee; and; iii) the investor is able to use its power over the investee to influence the amount of income obtained by the investor.

c. Classification of financial assets:

Previous GAAP: fixed income investments were classified in the following three groups:

a) “**Negotiable”** recorded at fair value with changes in fair value through profit and loss,

b) **“Held to maturity”** recorded at amortized cost through profit and loss which is calculated based on their internal rate of return

c) **“Held for sale”** also recorded at amortized cost through profit and loss which is calculated based on their internal rate of return and simultaneously adjusted to their fair value and recorded in the equity accounts specifically under “unrealized gains”.

Equity investments were also classified as negotiable investments at fair value through profit or loss or investments held for sale at fair value and recorded in the equity accounts specifically under “unrealized gains”, in the case of highly traded shares.

Shares with low trading volumes or that were not traded on the stock exchange were recorded at cost and adjusted based on the appraisals carried out subsequent to their acquisition, this based on the portion of the increase in the investee´s equity corresponding to the Company. These appraisals were recorded in a separate asset account and then charged to the equity revaluation surplus account.

In addition to the above, provisions set up on the impairment of investments based on specific ratings and percentages are measured at fair value.

Financial assets in the form of the Company’s loan portfolio are recorded at face value and provisions are set up for any impairment losses based on the expected losses, after classifying said loans according to their risk levels and the corresponding provision percentages.

Loans were classified based on their risk and level of arrears and the corresponding provisions were calculated based on specific provision percentages, based on their risk category.

FRAS-IFRS: According to IFRS 9, a Company classifies financial assets as subsequently measured at amortized cost or at fair value through profit and loss on the basis of:

a) The business model used by the Company to manage its financial assets; and

b) The specific characteristics of the contractual cash flows from the financial asset itself.

Financial assets classified at fair value through profit and loss are initially recorded at fair value and subsequently adjusted for changes in fair value charged or credited to income, as appropriate. Financial assets at amortized cost are initially recognized at the value of the corresponding transactions, which unless proven otherwise, is similar to their fair value plus transaction costs.

Subsequently, in the case of loans, their accrued returns are calculated and charged to the income accounts using the effective interest rate method, this based on the internal rate of return initially recorded for said loans.

Provisions for the impairment of financial assets are calculated in the case of all those assets that the Company considers significant based on individual assessments, analyzing the debt profile of each borrower, the collateral provided as well as information obtained from credit bureaus, for which the incurred loss method is used.

When based on the respective assessment, the Company considers an asset to be impaired, the amount of the loss is measured as the present value of expected cash flows from the borrower, discounted using the contractual rate originally agreed upon or as the fair value of the collateral guaranteeing the loan less estimated selling costs.

In the case of all those assets that are not considered significant as well as for single significant loans that are not considered to be impaired, the Company performs collective assessments of these financial assets grouping together segments offering similar characteristics, using statistical techniques based on historical analyses in order to determine an estimated percentage of losses incurred with such assets on the closing date of the balance sheet, but which have not been individually identified.

8. Business Combinations

IFRS 3 - "Business Combinations" requires to record assets acquired and liability assumed in a transaction or event that is a business combination according to the purchase method. Under that method, goodwill originated in a business combination is determined at the moment of purchase by the difference between the amount paid and the net value of the acquired assets and assumed liabilities, established on the basis of their fair value, with certain exceptions. However, IFRS 1 permits to a first-time adopter not to apply IFRS 3 retroactively to past business combinations. CVCS has decided do not restate any business combination which occurred before the transition date

Financial instruments classified as liabilities:

Previous GAAP: Financial obligations were classified in order of payment pursuant to Regulatory Decree 2650/93 which introduced the Single Accounts Plan requiring businesses that are obliged to maintain accounting records to explicitly describe the different types and groups appearing on their balance sheets so as to be able to properly classify these liabilities from the financial standpoint.

a) Current liabilities: this includes all those obligations payable within a period of less than one year with regard to:

- Financial obligations.
- Accounts payable.
- Taxes and levies.
- Labor obligations etc.

b) Estimated liabilities: these include obligations whose exact value is not known given the absence of a comprehensive settlement, but must be estimated based on statistics or values corresponding to other similar periods, so that the Company's financial structure and results for the period are not overstated. When the value of the liability is known the respective accounting adjustments are made in the corresponding liability accounts, such as:

- Employment benefits.
- Income and Ancillary Taxes.

c) Deferred liabilities: Pre-paid income includes:

- Leases.
- Fees.
- Magazine subscriptions.
- Prepaid interest, etc.

d) Other liabilities: cash received in the form of:

- Prepayments.
- Amounts received and applied to future issues of shares, stocks or equity interests.
- Amounts received in advance.
- Withholding tax.
- Court-ordered embargoes.
- Other liabilities owing to state entities in the form of mandatory parafiscal, health care and pension payments.

e) Long-term liabilities: maturing in terms of more than year, such as:

- Loans.
- Borrowings.

FRAS-IFRS: According to IFRS 9, a financial liability is any liability that constitutes:

(a) A contractual obligation:

(i) To deliver cash or another financial asset to another entity; or

(ii) To exchange financial assets or liabilities with another entity under conditions that are potentially unfavorable to the entity; or

(b) A contract that shall or could be settled using the equity securities belonging to the entity, whether these are:

(i) non-derivative instruments, whereby the entity is or may be obliged to deliver a variable amount of its own equity instruments; or

(ii) a derivative that shall or may be settled in any other manner other than the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity´s own equity instruments.

IAS 39 stipulates the obligation to recognize in the income accounts, for the reporting period in question, all interest relating to financial assets and liabilities by applying the effective interest rate method. Based on this method, the effective interest rate is the discount rate that equates the estimated cash flows to be received or paid during the expected term of the financial instrument (or, where appropriate, a shorter period of time) and the net carrying amount of the financial asset or liability in question.

d. Property, plant and equipment:

Previous GAAP: The property plant and equipment were recorded at their inflation-adjusted cost until 2001. Subsequently, assets were mainly depreciated based on their useful lives: 20 years for buildings; 10 years for machinery, equipment, furniture and fixtures; and 5 years for vehicles and computer equipment, without determining their residual value.

Furthermore, and based on appraisals carried out every three years at a minimum, the value of this type of asset was calculated as the difference between its appraised value and its corresponding book value. These appraised values were recorded as assets in a special account called "valuations credited to equity" or "valuation surplus account". If the appraised value was lower than the carrying amount, the difference was recorded as a provision charged to income.

FRAS-IFRS: Property, plant and equipment for the Company's own use are recorded at cost, which includes the estimated abandonment costs as well as the financial costs incurred in their construction these calculated according to certain parameters. Depreciation is calculated based on the useful life of the item in question as determined by independent appraisal firms for the different assets; and depreciation is calculated taking into account their estimated residual value which is also provided by independent experts.

IFRS later allowed the initial cost of these assets to be adjusted at their reappraised values, this being their fair value as determined by independent appraisal firms. These reappraised values are recorded as a higher value of the asset itself, which is charged to an equity account called revaluation surplus. The reappraised costs provide the basis for the asset´s subsequent depreciation.

At the closing date of each reporting period, the Company evaluates whether there is sufficient evidence, sourced on both an external and internal level, that an asset may be impaired. Should there be any indication of an impairment, the entity proceeds to confirm whether this effectively exists by comparing the carrying value of the asset to its recoverable amount (as the higher of its fair value less disposal costs and its value in use).

When the carrying amount exceeds its recoverable amount, it is duly adjusted to its recoverable value, modifying future charges for depreciation, according to the item´s remaining useful life.

e. Deferred taxes:

Previous GAAP: Deferred taxes are recorded as deferred assets or liabilities based on temporary differences giving rise to higher or lower taxes payable for the current year.

FRAS-IFRS: Deferred taxes are recognized based on temporary differences arising between the tax bases corresponding to the assets and liabilities in question and the amounts recognized in the financial statements that result in amounts that are either deductible or taxable upon determining tax profits or losses corresponding to future periods when the carrying amount of the asset is recovered or liabilities are paid or settled.

However, deferred tax liabilities are not recorded if they arise from the initial recognition of goodwill; nor is deferred tax recorded if the initial recognition of an asset or liability arising from a transaction other than a business combination that at the time of the transaction does not affect tax or accounting profits or losses. Deferred tax is determined using the tax rates in full force and effect on the closing date of the balance sheet and are expected to be applied when the deferred tax asset is realized or when the deferred tax liability is offset.

Deferred tax assets are recognized only to the extent that it is probable that future taxable income shall be available against which the temporary differences can be offset.

f. Investments representing a controlling stake or significant influence:

Previous GAAP: Equity investments representing a controlling stake or significant influence used to be recorded as equity investments held for sale and were subject to the same accounting treatment for this type of asset.

FRAS-IFRS: Investments which represent control or a significant influence over the investee are recorded on the separate financial statements either at cost or at fair value, as decided by Senior Management. In the latter case, subsequent changes are made to these fair values through profit or loss or equity, this also based on senior management making an irrevocable decision to record at fair value when first recognizing such investments.

g. **Suspended interest:**

Previous GAAP: Corresponds to the interest left off-balance which ceases to be recognized as income given impairment to the loan portfolio, either due to more than 90 days of default or non-payment as of the date such interest is invoiced, according to Company policy.

FRAS-IFRS: According to IAS 39, interest, commissions, fees and other items that are collected from the client must be recognized until the loan is written off, and interest shall continue to accrue on the net balance of the loan outstanding, including the provision for impairment.

Suspended interest is included in the valuations performed on financial instruments, this calculated according to the specific terms and conditions of the promissory note itself, and recorded as operating income under IFRS as well as included in the basis for determining the PD (Probability of Default) and the EL (Expected Loss).

The percentage of the provision for incurred losses is calculated based on the probability of loss given default for each security.

The main changes in the financials of CVCS resulting from the first time adoption to FRAS -IFRS include:

- The Company reclassified its interest in mutual funds to cash and cash equivalents. Cash held by free-standing trust funds is included into cash and cash equivalents.
- The Company defined its business model, under which all the products that comprise its loan portfolio are now valued based on amortized cost, with the exception of those loans part of the Tucredito portfolio (payroll deduction loans) that have higher quality and that have been disbursed less than 90 days, which are valued at fair value.
- The Company changed its provision model from expected loss to impairment/incurred loss.
- Under COLGAAP, the intangibles account comprised fiduciary rights on free-standing trusts. Under FRAS-IFRS, the financial accounts of the free-standing trusts are included line by line with CVCS financial accounts, and therefore the intangible accounts decrease.
- Financial obligations are measured at amortized cost.

The following tables represent the major effects of conversion to FRAS- IFRS:

Statement of Financial Position (01/01/2014)

CREDIVALORES-CREDISERVICIOS S.A.S. COLGAAP - IFRS 2012 (Figures in millions of Colombian pesos)			
Statement of Financial Position			
CONCEPT	Credivalores + Free-Standing Trusts COLGAAP (31/12/2013)	Adjustments and Reclassifications	Total FRAS -IFRS (01/01/2014)
ASSETS	734,307	(22,305)	712,002
AVAILABLE	71,605	15,433	87,038
INVESTMENTS	45,947	(41,598)	4,349
DEBTORS	604,060	(34,290)	569,770
PROPERTY AND EQUIPMENT	149	1,668	1,817
INTANGIBLE	2,112	(1,960)	152
DEFERRED	10,156	4,611	14,767
VALUATION	277	(277)	-
CURRENT TAX ASSETS	-	6	6
CURRENT ASSETS OTHER THAN CASH	-	15,181	15,181
OTHER NON-CURRENT ASSETS	-	10,165	10,165
OTHER NON-CURRENT NON-FINANCIAL ASSETS	-	8,757	8,757
LIABILITIES	626,835	(395)	626,440
FINANCIAL LIABILITIES	513,614	1,955	515,569
ACCOUNTS PAYABLE	82,633	(4,588)	78,045
TAXES, LEVIES AND FEES	4,446	852	5,298
LABOR LIABILITIES	1,149	-	1,149
ESTIMATED LIABILITIES AND PROVISIONS	30	-	30
DEFERRED	1,996	(1,996)	-
OTHER LIABILITIES	22,967	3,382	26,349
EQUITY	107,471	(21,910)	85,561
SHARE CAPITAL	73,228	-	73,228
SHARE PREMIUM	2	-	2
RESERVES	2,402	-	2,402
INCOME (LOSS)	13,706	-	13,706
RETAINED EARNINGS	17,856	(21,910)	(4,054)
SURPLUS FOR VALORISATION	277	-	277
TOTAL ASSETS	734,307	(22,305)	712,002
TOTAL LIABILITIES + EQUITY	734,307	(22,305)	712,002

Statement of Financial Positions (Transitional year)

CREDIVALORES-CREDISERVICIOS S.A.S.			
COLGAAP - IFRS 2012 (Figures in millions of Colombian pesos)			
Statement of Financial Position			
CONCEPT	Credivalores + Free Standing Trusts COLGAAP (31/12/2015)	Adjustments and Reclasifications	FRAS- IFRS (31/12/2015)
ASSETS	1,158,563	(29,100)	1,129,463
AVAILABLE	16,456	93,786	110,242
INVESTMENTS	135,656	(113,445)	22,211
DEBTORS	912,037	12,294	924,331
PROPERTY AND EQUIPMENT	197	1,265	1,462
INTANGIBLE	37,669	(10,765)	26,904
DEFERRED	56,264	(34,419)	21,845
VALUATION	285	(285)	-
CURRENT TAX ASSETS	-	13	13
CURRENT ASSETS OTHER THAN CASH	-	6,266	6,266
OTHER NON-CURRENT FINANCIAL ASSETS	-	13,677	13,677
OTHER NON-CURRENT NON-FINANCIAL ASSETS	-	2,512	2,512
LIABILITIES	964,062	(10,551)	953,511
FINANCIAL LIABILITIES	836,790	3,324	840,114
ACCOUNTS PAYABLE	68,688	(30,450)	38,238
TAX, LEVIES AND FEES	3,366	-	3,366
LABOR OBLIGATIONS	1,262	-	1,262
ESTIMATED LIABILITIES AND PROVISIONS	1,481	-	1,481
OTHER LIABILITIES	52,475	-	52,475
OTHER NON-CURRENT PROVISIONS	-	494	494
DEFERRED TAX LIABILITY	-	16,081	16,081
EQUITY	194,501	(18,549)	175,952
SHARE CAPITAL	104,989	-	104,989
SHARE PREMIUM	20,842	-	20,842
RESERVES	5,814	-	5,814
CURRENT YEARS EARNINGS	27,306	6,619	33,925
RETAINED EARNINGS	35,265	(25,168)	10,097
SURPLUS FOR VALORISATION	285	0	285
TOTAL ASSETS	1,158,563	(29,100)	1,129,463
TOTAL LIABILITIES + EQUITY	1,158,563	(29,100)	1,129,463

Statement of Financial Position (31/12/2015) Convergence year

CREDIVALORES-CREDISERVICIOS S.A.S. COLGAAP - IFRS 2012 (Figures in millions of Colombian pesos)			
Statement of Financial Position			
CONCEPT	Credivalores + Free Standing Trusts COLGAAP (31/12/2015)	Adjustments and Reclasifications	FRAS- IFRS (31/12/2015)
ASSETS	**1,158,563**	**(29,100)**	**1,129,463**
AVAILABLE	16,456	93,786	110,242
INVESTMENTS	135,656	(113,445)	22,211
DEBTORS	912,037	12,294	924,331
PROPERTY AND EQUIPMENT	197	1,265	1,462
INTANGIBLE	37,669	(10,765)	26,904
DEFERRED	56,264	(34,419)	21,845
VALUATION	285	(285)	-
CURRENT TAX ASSETS	-	13	13
CURRENT ASSETS OTHER THAN CASH	-	6,266	6,266
OTHER NON-CURRENT FINANCIAL ASSETS	-	13,677	13,677
OTHER NON-CURRENT NON-FINANCIAL ASSETS	-	2,512	2,512
LIABILITIES	**964,062**	**(10,551)**	**953,511**
FINANCIAL LIABILITIES	836,790	3,324	840,114
ACCOUNTS PAYABLE	68,688	(30,450)	38,238
TAX, LEVIES AND FEES	3,366	-	3,366
LABOR OBLIGATIONS	1,262	-	1,262
ESTIMATED LIABILITIES AND PROVISIONS	1,481	-	1,481
OTHER LIABILITIES	52,475	-	52,475
OTHER NON-CURRENT PROVISIONS	-	494	494
DEFERRED TAX LIABILITY	-	16,081	16,081
EQUITY	**194,501**	**(18,549)**	**175,952**
SHARE CAPITAL	104,989	-	104,989
SHARE PREMIUM	20,842	-	20,842
RESERVES	5,814	-	5,814
CURRENT YEARS EARNINGS	27,306	6,619	33,925
RETAINED EARNINGS	35,265	(25,168)	10,097
SURPLUS FOR VALORISATION	285	0	285
TOTAL ASSETS	**1,158,563**	**(29,100)**	**1,129,463**
TOTAL LIABILITIES + EQUITY	**1,158,563**	**(29,100)**	**1,129,463**

Shareholders Net Equity Balance

CREDIVALORES-CREDISERVICIOS S.A.S. COLGAAP - IFRS 2014 (Figures in millions of Colombian pesos)	
First - Time Adoption Effect	
CONCEPT	**Total Balance**
	21,910
Advances to suppliers	13
Advances to employees	0
Deferred charges /contributions	41
Goodwill amortisation	292
Deferred income tax	137
Deferred income tax (Equality Income Tax, CREE in Spanish)	49
Other deferred	116
Deferred charges / Software license	18
Expenses paid in advance / Fees	3,778
Costs paid in advance /Commissions	1,909
Deferred charges / Fees	721
Deferred charges / Commissions	1,604
Deferred charges /Premium	1,781
Deferred Income/Sales portfolio	(1,996)
Equity tax	852
Recognition of Contingency due to Credit Card Points Program	494
Transaction costs pending amortisation	(2,633)
Financial instruments valuation	26,374
Stakeholders interest receivable (presumptive)	(859)
Deferred tax transitional year effect	(10,783)

COLGAAP - IFRS 2014 (Figures in million of Colombian pesos)	
Shareholders Net Equity	
Concept	**$**
Company's investors net equity balance held at December 31, 2013 determined as per Colombian GAAP	107,471
First - time Adoption	(21,910)
Shareholders net equity (FRAS-IFRS) held at January 1, 2014	**85,561**

CREDIVALORES-CREDISERVICIOS S.A.S. COLGAAP - IFRS 2014 (Figures in million of Colombian pesos)	
Shareholder´s Net Equity	
	$
Shareholders´ net equity as of December 31, 2013 (Colombian GAAP)	107,471
First - time Adoption	(21,910)
Shareholders´ net equity (IFRS) as of January 1, 2014	**85,561**

CREDIVALORES-CREDISERVICIOS S.A.S. COLGAAP - IFRS 2014 (Figures in millions of Colombian pesos)	
Shareholders Net Equity	
	$
Shareholders´ net equity as of December 31, 2014 (Colombian GAAP)	157,890
Gains (Losses)	11,932
Retained Earnings	(10,783)
Effects of First - time adoption	(21,910)
Shareholders net equity as of December 31, 2014 (IFRS)	**137,128**

CREDIVALORES-CREDISERVICIOS S.A.S. COLGAAP - IFRS 2014 (Figures in millions of Colombian Pesos)	
Shareholders Net Equity	
Concept	**$COP (millions)**
	$
Shareholders´ net equity as of December 31, 2015 (Colombian GAAP)	194,501
Gains (losses)	6,619
Retained Earnings	(3,258)
Effects of First - time adoption	(21,910)
Shareholders net equity as of December 31, 2015 (IFRS)	**175,952**

Net Income (31/12/2015)

CREDIVALORES-CREDISERVICIOS S.A.S. COLGAAP - IFRS Full 2014 (Figures in millions of Colombian pesos)			
Net Income			
Concept	**2013**	**2014**	**2,015**
Results under IFRS	-	11,932	6,619
Retained earnings under IFRS	9,652	6,915	19,974
Effect of First - time adoption	(21,910)	(21,910)	(21,910)
Net Income under COLGAAP	13,706	20,412	27,306
Retained earnings under COLGAAP	17,856	16,894	35,265
Net Income Before the Adoption Effect IFRS			
Results under IFRS	-	11,932	6,619
Net income	-	20,412	27,306
Retained Earnings	9,652	6,915	19,974

Impact of First Time Adoption – Statements of Cash Flow

	COLGAAP December 31, 2014	Adjustment and Reclassifications	FRAS-IFRS December 31, 2014
Cash flow from operations	(73,338)	(12,461)	(85,799)
Cash from investment activities	14,069	(15,724)	(1,655)
Cash flow from financing activities	66,157	21,386	87,543

The main variations that affected the cash flow are a result of the incorporation of accounts from free-standing trusts into Credivalores-Crediservicios S.A.S accounts.

Under COLGAAP, CVCS´ fiduciary rights on the free-standing trusts used as a funding mechanism were included only into the intangible accounts. Under FRAS-IFRS, each of the balance sheet accounts of the free-standing trusts are included line by line into CVCS assets and liabilities (ie, loan portfolio, debt, etc). Therefore, the largest variations on the cash flow from operations are in the intangible account which partially offset the changes in accounts receivable, and payable.

Note 3. Significant accounting policies

The accounting policies set out below have been consistently applied in preparing the Company's opening statement of financial situation, as well as the separate financial statements at December 31, 2015 and December 31, 2014; this in accordance with International Financial Reporting Standards (IFRS) as accepted in Colombia.

These accounting policies have been consistently applied by Credivalores Crediservicios S.A.S.

The guidelines defined for the policies upheld by Credivalores Crediservicios S.A.S. are based on the dynamics of its own business model, the importance of which lies with its financial instruments (on both the asset and liability side), as used to fulfill its corporate purpose.

3.1 Trading instruments

Trading instruments are securities that were acquired for the purpose of obtaining a profit from short term price fluctuations or through brokerage margins or are included in a portfolio dedicated to short-term profit-taking.

Trading instruments are recorded at their fair values. Any accrued interest and readjustments earned, together with gains or losses from changes made to their fair value are recorded in the income accounts.

3.2 Investment securities at amortized cost

Investment securities at amortized cost correspond to investments held by the Company. These instruments are part of a business model that aims to hold these assets in order to collect contractual cash flows; as the contractual terms of the beforementioned financial asset, give rise on specified dates, to cash flows that consist of payments of principal and interest on the outstanding amount owing.

To gauge whether a held-for-trading security can be recorded at amortized cost or shows an impairment, the entity assesses the market, credit and counter party risk corresponding to the issuer of such security.

3.3 Credit instruments and accounts receivable at amortized cost

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

Classification of financial assets			
Measured at	**Term**	**Features**	**Valuation**
Fair value	0-90 days from date of origination	Current and best rated loans	Market price. Tucredito product
Amortized cost	0 days from date of origination onwards	Current and past-due loans	Incurred loss model (equivalent indexed rate).

Financial assets at fair value

Credivalores Crediservicios S.A.S. classifies the products that comprise its loan portfolio according to their inherent risk. That is, the Tucredito loans are measured at fair value, given their low risk profile result of the strength of its collection channels and the type of target client for these type of loans. This portfolio is expected to be sold within three (03) months following the date of disbursement. All portfolios that have been effectively sold represent an economic fact.

According to its business model, the Company has determined that payroll loans of the Tucredito business line shall be measured at fair value if they meet the following conditions:

1. Maximum term of 90 days as of the date of origination.
2. Highest rating, based on its quality score.

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

<u>Financial assets at amortized cost</u>

The loan portfolio is classified at amortized cost only if it meets the following criteria: Credivalores Crediservicios S.A.S. business model is to hold these assets with the purpose of collecting their cash flows on specified dates, as per their contractual terms, and the contractual terms of the financial asset give rise on specified dates, to cash flows that consist of payments of principal and interest on the outstanding amount owed.

The contractual terms of the financial asset give rise on specified dates, to cash flows that consist of payments of principal and interest on the outstanding amount owed.

Credivalores Crediservicios S.A.S. has determined that the following business lines will be measure at amortized cost:

i. Tucredito (payroll deduction loans), loans that do not meet the criteria set for the valuation at fair value market.
ii. CrediUno (credit card).
iii. Credipoliza (financing for insurance policies).
iv. Crediya MC (microcredit loans).
v. Crediya (discounted operations).

The following is a breakdown of the Company's business model, including its different products and their corresponding valuation methodology:

Credivalores Crediservicios S.A.S´ business model .					
Product	**Measured at**	**Terms**	**Vluation**	**Features**	**Estimated % of Sales**
TuCrédito	Fair value	0-90 days as of date of disbursement	Market price	Current and best rated loans	80%
	Amortized cost	> 91 days subsequent to date of disbursement	Equivalent indexed rate	Current and past-due portfolio	20%
Crediya	Amortized cost	Portfolio	Equivalent indexed rate	Discount transactions	0%
Credipoliza	Amortized cost	Portfolio	Equivalent indexed rate	Financing for insurance policies	0%
Crediuno	Amortized cost	Portfolio	Equivalent indexed rate	Credit card	0%
Crediya MC	Amortized cost	Portfolio	Equivalent indexed rate	Microcredit	0%

Impairment of Financial Assets

The Company considers any evidence of deterioration of its loans and advance payments measured at amortized cost, at the individual asset level and in aggregate.

All loans and significant advance payments that are measured at amortized cost are individually examined for impairment. All significant loans that are measured at amortized cost and where no specific impairment has been observed are examined for any signs of deterioration incurred but not yet detected.

Loans measured at amortized cost that are not relevant individually are examined for impairment on a collective level, in groups that share similar risks.

For the evaluation of impairment, the Company uses statistical models of historical trends of probability of default and considers the chances of recovery and the amount of losses incurred adjusted based on Senior Management´s judgment, as to whether current economic and lending conditions are such that the actual losses could be higher or lower than those suggested by historical models. The default and loss rates used along with the chances of recovering the amounts owed are regularly compared with real results to ensure that these estimates remain current.

Losses incurred due to the impairment of assets recognized at amortized cost correspond to the difference between the carrying amount of the financial asset and the present value of future payments discounted at the effective interest rate originally recorded for such asset.

Losses are recognized in the income accounts and included in a loan provision account. Whenever a subsequent event reduces the amount of impairment loss incurred, it is duly reversed in the income accounts.

Subsequent measurements of loans that were not sold (> 90 days as of the date of origination), and that were initially measured at fair value but later sustained an impairment, shall be based on an indexed rate, to convert the amortized cost rate into an amount equivalent to their fair value.

<u>Incurred losses</u>

Incurred losses are calculated on the basis of the expected loss.

Incurred losses require objective evidence of the impairment, and for this purpose two concepts must be considered: The loss event and the identification of the loss on the part of the Company.

The expected loss is similar to a “forward-looking” value corresponding to the loss event and the incurred loss is a “spot” value that, to the extent that the non-payment continues, becomes equal to the forward-looking value when the loss is identified.

Based on IFRS, the loss incurred is shown as follows:

$$PD = AC * PD * LGD * LIP$$

Where:

PD: is the loss incurred.
AC: is the amortized cost.
PD: is the probability of default.
LGD: is the loss given default.
LIP: is the Loss Identification Period.

The Company uses a software program developed by external consultants to value financial instruments at amortized cost and to estimate the loss incurred with its loan portfolios.

- **Market risk exposure**

Credivalores Crediservicios S.A.S., buys non-standardized derivatives, and also incurs in financial obligations to be able to manage market risks.

All transactions are valued according to the guidelines set by the Company’s Risk Management Committee. Beginning in 2016, Credivalores Crediservicios S.A.S. shall apply hedge accounting to mitigate the effect of the prevailing volatility on the Company’s performance.

<u>Non-financial assets</u>

When issuing loans, CVCS requires its clients to provide collateral as a guarantee. The Company therefore handles real and personal guarantees with personal guarantees being more prevalent. To date, the Company has not enforced any type of real guarantee which would otherwise have resulted in taking possession of non-financial assets.

3.4 Financial instruments

3.4.1.Financial assets

3.4.1.1. Trade receivables and other current accounts receivable

Trade receivables and other current account receivables correspond to the Company's loan portfolio, accounts receivable in the name of third parties as well as other accounts.

Impairment of financial assets measured at amortized cost

On the closing date of its balance sheet, CCredivalores Crediservicios S.A.S. assesses whether there is objective evidence that financial assets carried at amortized cost are impaired.

A financial asset or group of financial assets is impaired if there is objective evidence that the event giving rise to the loss occurred after the asset´s initial recognition and that said event has an impact on the future cash flows from the financial asset in question provided these can be reliably estimated.

Objective evidence that a financial asset is impaired includes: clients´ significant financial difficulties, non-payment or delinquency by the client, the restructuring of a loan by the Company under conditions that the Company would not otherwise have considered, indications that a client has become insolvent, the lack of an active market for the instrument in question, or other observable data relating to a group of assets such as adverse changes to the client´s payment status or an economic situation leading to default.

CVCS examines whether there is evidence of impairment with regard to its loans and advance payments that are measured at amortized cost both individually and collectively. All loans and significant advance payments that are individually measured at amortized cost are specifically examined for impairment. All significant loans that are measured at amortized cost and where no impairment has been specifically observed are collectively examined for any signs of deterioration incurred but not yet identified.

Loans measured at amortized cost that are not individually significant are examined for impairment on a aggregate level in groups with similar risks profiles. Upon evaluating collective impairment, the Company uses statistical modeling of historical trends of probability of default, the chances of recovery and the amounts of the loss incurred adjusted based on the judgment of Management as to whether current economic and lending conditions are such that the actual losses could be higher or lower than those suggested by historical models.

The default and loss rates, and expected recovery periods are regularly compared with real results to ensure that these estimates remain current.

Losses incurred due to the impairment of assets recognized at amortized cost correspond to the difference between the carrying amount of the financial asset and the present value of its future payments discounted at the effective interest rate originally recorded for such asset.

Losses are recognized in the income accounts and included in a loan provision account. Interest on impaired assets continues to be recognized by unwinding the discount. Whenever a subsequent event reduces the amount of impairment loss incurred, this is reversed in the income accounts.

Derecognizing assets due to sales of the loan portfolio

A financial asset (or, if applicable, a portion of a financial asset or group of similar financial assets) is derecognized when:

i. The contractual rights to the cash flows produced by the financial asset expire;

ii. The contractual rights to the cash flows from the asset are transferred or an obligation is incurred to pay a third party all of these cash flows without significant delay, by means of a transfer agreement;

iii. A substantial portion of the risks and benefits of owning the financial asset are transferred.

iv. A substantial portion of all the risks and benefit of owning the asset is retained, but control over such has been transferred.

Based on the economic reality of its business and the variables stipulated by IFRS for recording derecognized assets, when Credivalores sell its loan portfolio, it transfers a substantial portion of all risks inherent to the financial asset in question.

Upon applying FRAS- IFRS for the first time, Credivalores Crediservicios S.A.S., has availed itself of the exception stipulated in paragraph B2 of IFRS 1, governing the derecognition of financial assets on a prospective basis, according to which on January 1, 2014, CVCS had entered into sales agreements for its loan portfolio which under the previous GAAP were derecognized and for the purpose of changing over to IFRS these were recorded in the same manner.

Equity instruments

Investments representing control or a significant influence over the investee

All equity instruments are measured at fair value. Equity instruments held for sale are measured at fair value through profit and loss.

In the case of other equity instruments, the Company may irrevocably decide upon their initial recognition to recognize changes in their fair value through other comprehensive income, namely in the equity accounts, rather than through profit or loss.

However, in specific circumstances, their cost may correspond to an appropriate estimate of their fair value. This may be the case if the amount of recent information available is insufficient to measure their fair value, or if there is a wide range of possible fair value measurements and their cost represents the best estimate of their fair value within that range.

Subsequent measurements

Credivalores Crediservicios S.A.S. measures its equity instruments at fair value through profit or loss.

In turn, their fair value in accordance with IFRS 13 is defined as the price that would be received upon selling an asset or paying for the transfer of a liability as part of an orderly transaction between market participants on the date these measurements are recorded.

For this purpose, an entity uses the valuation techniques which are appropriate for the circumstances and for which there is sufficient data available so as to measure their fair value, maximizing the use of observable and relevant input data and minimizing the use of non-observable input data. The three valuation techniques that are most widely used are: the market approach, the cost approach and the income approach. However, in the case of investments, the cost approach is rarely used. (IFRS 13 - Pf.9)

Treasury shares

The Company recorded all its own repurchased shares under this heading. In 2014, at an extraordinary meeting of the General Assembly of Shareholders, as stated in Minutes No. 35, the buyback of 239,640 shares was authorized and the corresponding reserve was thus set up. The total value of these repurchased shares came to COP 12,837.

3.5 Intangible assets

Intangible assets are non-monetary assets (as opposed to other assets) lacking physical substance which arise as a result of a legal transaction or are developed internally by CVCS. These are assets whose cost can be reliably estimated and from which future economic benefits shall in all likelihood flow to the reporting entity. These are initially recognized at the acquisition cost plus the expense required to ready them for use, and are subsequently measured at its cost less any accumulated depreciation or any accumulated impairment loss. Pursuant to IAS 38 intangible assets are measured using the cost method. At the end of the reporting period, the Company evaluates the useful lives of intangibles.

The following table shows the residual values, useful lives and depreciation methods for each type of asset:

Type of asset	Useful life	Residual value	Depreciation method
Software	1 to 3 years	Zero	Straight line
Licenses	1 to 3 years	Zero	Straight line
Trademarks *	1 to 10 years	Zero	Straight line

Computer and software licenses

The Company records intangible assets classified as software licenses that meet the recognition criteria contained in IAS 38, which are used in its normal course of business, in the form of rights to use the respective information systems. The useful life allocated to this type of asset was estimated to be three (03) years, for which the straight line depreciation method is used. Computer licenses are initially measured at its acquisition cost.

Any subsequent expense incurred with these software assets is capitalized only when their corresponding future economic benefits increase. All other expenses are recorded when these are incurred.

Depreciation is recognized in the income accounts based on the straight-line method applied over the estimated of useful life of the software in question, as of the date they are ready for use.

Trademarks

These are identified intangible assets where their cost can be measured reliably and from which future economic benefits is probable.

Individually acquired trademarks are shown at their acquisition cost.

Trademarks generally have a finite useful life and are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method so as to be able to allocate their cost to the income accounts in terms of their estimated useful life.

When the trademark is first acquired, its useful life is determined as finite or indefinite by means of a study carried out by a qualified, registered appraisal firm.

This study should cover the following aspects:

- Background.
- Strategy.
- Methodology.
- Historical cost and income projections, financial indicators.
- Recommendations.
- Annexes and / or supporting evidence.

Trademarks are then subsequently measured at cost.

The following table shows the residual values, useful lives and depreciation methods for each type of asset:

Type of asset	Useful life	Residual value	Depreciation method
Trademarks	1 to 10 years	Zero	Straight line

3.6 Non-current assets available for sale

CVCS recognizes as non-current assets available for sale all those assets received in the form of payment for unpaid amounts of loans owing to CVCS.

CVCS takes into account the following criteria when classifying assets as non-current assets held for sale:

i. The asset must be ready to be sold in its current condition.
ii. It is highly probable that it shall be sold.
iii. When deciding whether the sale of such is highly likely, the following circumstances are borne in mind:
iv. Such sale has been agreed upon by the reporting entity who plans to proceed with the sale.
v. The search for a buyer is already underway and the reporting entity has already begun the necessary steps to carry out the planned sale.

vi. A reasonable sales price has been set with regard to the asset´s market value.

vii. The sale is expected to be completed within a period not exceeding twelve (12) months and the measures taken to carry out the planned sale make it unlikely that any significant changes to such plan shall arise or that the sale shall not be completed.

For 2012 the Company acquired a 61.82% stake in the Company, Microfinanzas and Desarrollo S.A.S. In December 2014, this Company was put up for sale with the full consent of the shareholders, and as a result this asset was duly recorded for the year 2014 under non-current assets held for sale and the corresponding process began.

3.7 Changes to a planned sale

Should the Company have classified an asset or group of assets as held for sale, but these no longer meet the corresponding criteria for their classification, it shall cease to recognize such assets or groups of assets as held for sale.

The Company measures all non-current assets that cease to be classified as held for sale or form part of a group of assets classified as held for sale at the lower of:

(a) Their carrying amounts before the asset or group of assets were classified as held for sale, duly adjusted for any depreciation, amortization or revaluation that would have been recognized if the asset or group of assets had not be classified as held for sale; or
(b) Their recoverable value when the decision not to sell was made.

The Company includes any required adjustments to the carrying amounts of any non-current assets that cease to be classified as held for sale, in the period when these no longer fulfill the criteria for their classification as held for sale.

In 2015, Credivalores Crediservicios S.A.S, acquired a 38.18% stake from its minority shareholders, thereby obtaining a wholly-owned (100%) stake in the Company, Microfinanzas and Desarrollo S.A.S. Since it was not possible to sell this company it was decided to proceed to wind it up.

3.8 Property and Equipment

Property and equipment include the values of furniture, computer equipment and improvements to rented property, which are used in the Company's normal course of business. Property and equipment are measured using the cost method.

These assets are initially recognized at their acquisition value plus the expense incurred in readying these for subsequent use. They are subsequently measured at cost less accumulated depreciation and impairment.

Depreciation is recognized in the income accounts based on the straight-line method applied over the estimated useful life of each item that makes up the Company's property and equipment.

Credivalores Crediservicios S.A.S.´property and equipment consist of the following:

a. Vehicles.
b. Furniture and fixtures.
c. Office equipment.
d. Computer and communication equipment.
e. Any other item that meets the definition of property, plant and equipment.

CVCS´ property and equipment are assets that have been recognized under IAS 16, and consist of three main categories: furniture and fixtures, computer and communication equipment and leasehold improvements.

Leasehold improvements are those made to the structures of the premises that the Company rents as part of a leasing agreement, as structured and designed to accommodate the entity´s normal course of business.

Basis of measurement: property and equipment are initially recognized and subsequently measured using the **cost model** since the Company has no intention of disposing of such, on the contrary, these are purchased for a particular operating purpose by Senior Management. To determine the depreciation of these assets the Company uses the **straight-line method,** based on the asset´s useful life, as shown below:

The following table shows the residual values, useful lives and depreciation methods for each type of asset:

Type of asset	Total useful life	Residual value	Depreciation method
Furniture and fixtures	3 to 10 years	Zero	Straight line
Vehicles	Between 5 and 10 years	Up to 10%	Straight line
Office equipment	3 to 10 years	Zero	Straight line
Computer and communication equipment	3 to 7 years	Zero	Straight line

The Company's own property and equipment as listed above, are not in any way encumbered neither have they been delivered as collateral to guarantee any kind of obligation. The Company has also taken out insurance policies to protect these assets.

With regard the Company's property and equipment, no signs of impairment were detected in the respective tests that would have otherwise made it necessary to recognize an impairment expense.

The useful life of these assets are evaluated at the end of each reporting period.

3.9 Current and deferred taxes

CVCS has determined the corresponding provision for income tax in accordance with the current tax legislation in force in Colombia.

Based on that stipulated in IAS 12, the Company recognizes, where applicable, deferred tax assets and liabilities based on future estimates of the tax effects attributable to temporary differences between the carrying amounts of its assets and liabilities and their corresponding tax values. Deferred tax assets and liabilities are measured based on the tax rate stipulated in current tax legislation that is to be applied in the year when the deferred tax assets or liabilities are realized or settled.

The future effects of any tax reforms or changes made to tax rates are recognized as deferred taxes as of the date on which the corresponding legislation is passed.

Deferred tax assets and liabilities are recorded at their carrying values on the date these are measured.

Deferred tax assets are recognized only when sufficient future taxable income is likely to exist against which to offset deductible temporary differences.

Current taxes are those that are paid in the short term.

The carrying amounts of deferred tax assets are reviewed on the closing date of the statement of financial position and these are reduced to the extent that it is no longer probable that sufficient taxable earnings shall be available against which to offset all or part of the deferred tax asset.

i. Recognizing taxable temporary differences

Deferred tax liabilities arising from taxable temporary differences are always recognized except in the following cases:

- These should arise from the initial recognition of goodwill or of an asset or liability pertaining to a transaction that does not constitute a business combination and on the date the transaction is carried out this affects neither the reported income or the tax base;

- These correspond to differences associated with investments in subsidiaries, associates and joint ventures over which the Company (CVCS) has the ability to control the timing of their reversal and which are not likely to be reversed in the foreseeable future.

ii. Recognizing deductible temporary differences

Deferred tax assets arising from deductible temporary differences are duly recognized providing that:

- It is probable that sufficient future taxable earnings are available for their offsetting, except in those cases where differences arise from the initial recognition of assets or liabilities in a transaction that does not constitute a business combination and on the date the transaction is carried out this affects neither the reported income or the tax base;

- These correspond to differences associated with investments in subsidiaries, associates and joint ventures over which the Company (CVCS) has the ability to control the timing of their reversal and which are not likely to be reversed in the foreseeable future.

Tax planning opportunities are only considered when evaluating whether deferred tax assets can be recovered, should the Company (CVCS) intend or is likely to avail itself of such opportunities.

iii. Measurement

Deferred tax assets and liabilities are measured using the tax rates applicable for the periods in which the asset or liability is expected to be realized or settled, based on the rules and regulations in force or about to be introduced and having considered the tax implications corresponding to the way in which the Company (CVCS) expects to recover or settle these such assets or liabilities.

At the end of each reporting period CVCS reviews the carrying amounts of deferred tax assets, so as to be able reduce this value to the extent that is no longer probable that sufficient future taxable income shall exist to offset such assets.

Deferred tax assets that do not meet the above criteria are not recognized in the separate statement of financial position. At the end of each reporting period, CVCS decides whether the conditions are met to recognize deferred tax assets that had not previously been recognized.

iv. Classification and offsetting

CVCS only offsets deferred income tax assets and liabilities if it has obtained from the respective tax authorities a legal right of set off and the tax due on such assets and liabilities is paid to the same tax authority either on the part of same taxpayer or different taxpayers intending to realize or settle the asset and liability at their net values or to realize the assets and settle the liabilities simultaneously, in each future period in which the Company expects to settle or recover significant amounts of deferred tax assets or liabilities.

Deferred tax assets and liabilities are recognized in the separate statement of financial position under non-current assets or liabilities, regardless of the date these are realized or settled.

Wealth Tax

Law 1739 issued December 23, 2014 created an extraordinary tax to be paid as of January 1, 2015, called a wealth tax, which is levied on a temporary basis for the fiscal years of 2015, 2016 and 2017. This tax accrues on January 1 of each of the aforementioned years.
CVCS records this wealth tax on the amount of income received during the previous year.

3.10. Provisions and contingent liabilities

Provisions are liabilities where there exists a degree of uncertainty about the amounts or when these fall due. These provisions are recognized in the Statement of Financial Position when the following conditions are met:

(i) There is a present obligation as a result of past events and,

(ii) There is a likelihood, at the closing date of the financial statements, of an outflow of funds being used in order to settle the obligation, the value of which can be reliably estimated.

A contingent asset or liability is any right or obligation arising from past events, the existence of which shall only be confirmed when one or more uncertain future events, considered as being beyond the reporting entity´s control, effectively occur.

Contingent assets

Provision for the Fondo Garantías de Antioquia (Antioquia´s Guarantee Fund or "FGA")

Credivalores Crediservicios S.A.S, entered into an agreement with the FGA governing their mutual collaboration in setting up a Mercantile Trust Fund for administration and payment purposes called the Free-Standing Credivalores FGA Trust.

The FGA acts as guarantor for those higher risk clients requesting loans to Credivalores-Crediservicios S.A.S.

Based on this agreement, the FGA assumes risk up to a set limit and is responsible of recording the corresponding guarantees and indemnities and paying out on claims received.

On the other hand, Credivalores Crediservicios S.A.S, is responsible for managing the risk, operating the Credit Factory, allocating guarantees, managing the collection of loans and collateral, processing indemnities and invoicing on behalf of FGA.

The amount of the provisions recognized for this free-standing trust fund is contained in a reserve that Credivalores Crediservicios S.A.S has set up to protect its portfolio. This provision is classified as a right since it only covers the loans issued by the Company.

The amounts held in FGA due to provisions was $12,066 as of December 31, 2015 and $7,237 as of December 31, 2014.

3.11 Interest, fee and commission income and expense

Interest and commission income and expense are recognized in the income accounts using the effective interest method. The effective interest rate is the discount rate that equates cash flows receivable or payable as estimated over the expected life of the financial instrument (or a shorter period, where applicable) and the net carrying amount of the financial asset or liability in question. To calculate the effective interest rate the reporting entity determines all cash flows considering the contractual terms of the financial instrument in question and disregarding future credit losses.

The effective interest rate is calculated based on all fees and other amounts paid or received that form part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Revenues from ordinary business activities include: sales, fees, interest, dividends, and management fees among others.

The following tables show the different activities that the Company carries out:

Type of transaction	Description
Interest on loans issued to clients	
Crediuno	Interest on the Crediuno line of credit
Credipóliza	Interest on the Credipóliza line of credit
Crediya MC	Interest on the Microcredit line of credit
TuCrédito	Interest on the Tucrédito line of credit
Fees and Commissions	
Financial consultancy fees	Fees paid on the credit study performed on Asficrédito (business collaboration agreement)
Shared consultancy expense	This includes reimbursed administrative expense, leases and public utility bills, among others, on the part of Protección Garantizada and CV Credit.
Insurance returns	Insurance sales commissions upon placing loans.
Chain store commissions	Brokerage and channel (chain store) commissions.

Type of transaction	Description
Fees and Commissions	
Collection and handling fees	Fees for collections processes.
Administration fees	
Crediuno	Management and handling fees for the Crediuno line.
Payroll	Administration and disbursement fees for the Payroll line of credit.
Credipóliza	Administration and handling fees for the Credipóliza line.
Discount transactions	

Loan portfolio sales	Corresponding to sales premiums from loan portfolio sales.
Financial	
Forward valuation	Income from forward valuation
Financial returns	Financial returns on Collective Investments Portfolio.
Royalties	
Use of trademarks	Royalties for using trademarks such as "Crediservicios".

Revenues recognized per line of credit

Credivalores Crediservicios S.A.S.' business model			
Product	**Measured at**	**Terms**	**Revenue recognition**
TuCrédito	Fair value	0-90 days from origination	When sold
	Amortized cost	> 91 days onwards	Effective interest method
Crediya	Amortized cost	0 days onwards	Effective interest method
Credipoliza	Amortized cost	0 days onwards	Effective interest method
Crediuno	Amortized cost	0 days onwards	Effective interest method
Crediya MC	Amortized cost	0 days onwards	Effective interest method

3.12 Identifying and measuring impairment

Financial assets

CVCS considers evidence of impairment to receivables and investment instruments measured at amortized both on an individual and collective level.

In assessing collective impairment CVCS uses historical trends of probability of default, the timing of recovered amounts and the amount of loss incurred, all adjusted based on judgments made by Senior Management as to whether current economic and credit conditions make it likely that actual losses shall be higher or lower than those suggested by historical trends.

An impairment loss relating to a financial asset measured at amortized cost is calculated as the difference between the book value of the asset in question and the present value of its corresponding estimated future cash flows, discounted using the effective interest rate. Losses are recognized in the income accounts and reflected as a bad debt provision. Interest on the impaired asset is recognized by reversing the discount. When a subsequent event causes a decrease in the amount of impairment loss recorded it reversed through profit or loss.

Non-financial assets

The carrying value of non-financial assets held by CVCS is reviewed at the end of each reporting period so as to determine whether there is any indication of impairment. Should this be the case, the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives are tested for impairment each year.

Impairment losses recognized in prior periods are assessed at each reporting date to confirm any indication that the loss has decreased or disappeared. An impairment loss is reversed if a change has occurred in the estimates used to determine the recoverable amount. The aforementioned only applies to the extent that the amount to be reversed does not exceed the carrying amount of the asset in question.

The Company examines on the date of each report and on a recurring basis whether there are indications that an asset may be impaired. Should this be the case, the Company estimates the recoverable amount of the asset.

The recoverable amount of an asset is the value resulting from the fair value less costs of selling the asset in use. When the carrying value of the asset exceeds its recoverable amount it is considered impaired and the difference between the two values is written off to show the asset at its recoverable amount. In assessing value in use the estimated cash flows are discounted at their present value using a discount rate before tax that reflects current money market conditions over time and the specific risks posed by the asset. To determine the fair value less selling cost an appropriate valuation method must be used. These calculations are corroborated by multiple valuations, share prices and other elements indicating fair value.

Property and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of certain items of property, plant and equipment was determined with reference to previous COLGAAP revaluations. Credivalores Crediservicios S.A.S. chose to apply the optional exemption for using this previous revaluation as deemed cost at January 1, 2014, which was the date of transition to IFRS.

Said cost includes expenditures that are directly attributable to the acquisition of assets and purchased software that is essential to the proper working order of the respective equipment is capitalized as part of this equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of the property, plant and equipment account.

Gains and losses from the sale of an item of property, plant and equipment are recognized at their net values through profit and loss.

Property and equipment which pose a risk of impairment to the reporting entity are primarily furniture and equipment, communications and computer equipment. An asset may be impaired, if there are indications such as:

i. An important degree of physical wear that could prevent the continued use of an asset or that renders it unserviceable.

ii. Significant damage that could prevent the asset from being used.

iii. Evidence of obsolescence, technological or otherwise, that could affect the equipment's performance.

iv. Any other grounds that could affect the use of the asset in question or its availability.

The following table shows the residual values, useful lives and depreciation methods for each type of asset:

Type of asset	Total useful life	Residual value	Depreciation method
Furniture and fixtures	3 to 10 years	Zero	Straight line
Vehicles	Between 5 and 10 years of age	Up to 10%	Straight line
Office equipment	3 to 10 years	Zero	Straight line
Computer and communication equipment	3 to 7 years	Zero	Straight line

Credivalores Crediservicios S.A.S may also apply other asset depreciation methods whenever it considers appropriate to do so, these including:

- Straight-line method.
- SYD (Sum of the Year´s Digits) method (local tax regulations)
- Leased assets: are depreciated over the term of the contract.

Intangibles

Intangibles presenting a risk of deterioration consist primarily of computer licenses. To assess the risk of impairment with regard to intangible assets, the Company examines the following circumstances:

i. The operating, administrative and financial capacity of the franchise owners / vendors.

ii. The amount of recognition and acceptance enjoyed by these licenses on the client´s market where the vendor applications are actively used.

iii. Responsiveness with regard to the support and updates required by the Company in order to adjust the application´s functionality to ever-changing business conditions or legal requirements.

iv. Technological changes that may entail purchasing other technological platforms.

v. Other relevant issues that must be examined with measuring possible impairment.

The following table includes a list of intangible assets broken down by category that shows whether the asset must comply with contractual-legal criteria or separability criteria. In some cases an intangible asset can satisfy both sets of criteria. However, the main criteria under which the specific intangible asset is recognized are shown in the table below.

This list is not intended to be all-inclusive, therefore, other acquired intangible assets could also satisfy these same recognition criteria:

Intangible assets	Contractual-legal criteria	Separability criteria
Marketing related	✓	
Trademarks, trade names	✓	
Service marks, collective marks, certification marks	✓	
Client related		
Client lists		✓
Contracts with clients and trade relations	✓	
Non contractual relations with clients		✓
Contractually based		
Licenses, rights, royalties	✓	
Technology based		
Patented technology.	✓	
Research and development		✓
Software	✓	
Non-patented technology.		✓
Data bases		✓

✓ Indicating the main criteria under which the specific intangible asset is recognized.

The Company shall apply the revaluation model for subsequently measuring intangible assets governed by this policy.

As for the registration of the Company’s trademarks a technical assessment shall be periodically conducted so as to update the corresponding accounting information.

3.13 Operational Lease agreements

When the entity acts as the lessee

Assets leased under finance leasing arrangements are initially recognized in the statement of financial position at their fair value or the present value of their minimum lease rentals, whichever is lower.

Operating leases are recognized as an expense on a straight-line basis at the time the lease agreement is entered into, at which time the lessee normally begins to make use of the property. Lease incentives are treated as a reduction in rental expenditure and are also recognized on a linear basis over the term of the lease.

Contingent leases that arise under operating leases are recognized as an expense in the periods in which they are incurred.

<u>Operating lease agreements</u>

Lease payments under operating leases are recognized as an expense on a linear basis during the course of the lease term unless there is another systematic more representative basis for distributing said payments that more accurately reflects the temporary nature of the benefits to be obtained by the user.

The expected residual value shall depend on specific factors such as:

(a) The nature of the asset.

(b) The volatility of the known second-hand values.

(c) The pace of technological change.

(d) Competitive conditions.

(e) The economic life of the asset with regard to the main term of the lease.

(f) The degree to which the lessor can spread its risk.

Leases in which a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments for operating leases (net of any incentives received from the lessor) are charged to the income accounts on a straight-line basis over the term of the lease.

3.14 Financial leases

Leases of property, plant and equipment in which CVCS holds substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalized at the beginning of the lease agreement at the lower of the fair value of the leased asset or the present value of the minimum lease rentals. Each payment of a finance lease rental is allocated between the liability itself and the financial costs incurred.

The obligations of a financial lease agreement, net of financial charges, are shown as liabilities (financial obligations) that are either current or non-current depending on whether the corresponding rentals are to be paid over a term of up to 12 months.

Financial costs are charged to the income accounts during the term of the lease so as to obtain a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under financial lease agreements is depreciated over the shortest period between the asset´s useful life and the term of its lease.

Financial leases entail a depreciation charge on depreciable assets as well as finance expense incurred for each period. The depreciation policy for depreciable leased assets shall be consistent with that applied in the case of depreciable assets that are directly owned by the entity. The amount of depreciation recognized shall be calculated on the basis stated in the Company’s Property, Plant and Equipment policy as well as Intangibles Asset policy. If there is no reasonable certainty that the lessee shall obtain ownership of the asset by the end of the lease term, the asset is fully depreciated over its useful life or the lease term, whichever is lower.

Notes to the separate financial statements at December 31, 2015, December 31, 2014 and January 1, 2014 (Stated in millions of pesos, unless otherwise stated).

3.15 Related party transactions

CVCS conducts transactions with its related parties on an arm´s length basis.

For the purpose of this report, related parties are considered to be:

1 Shareholders.
2 Directors and Senior Management: including top level management, such as the General Manager and members of the Board.
3 Related companies.

Pursuant to that stipulated in IAS 24, and in accordance with the regulatory requirements set out in paragraph 4 and preceding paragraphs, Credivalores Crediservicios S.A.S presents its related parties as follows:

a. Partners or shareholders

Breakdown of Shareholder Structure 2015

Credivalores Crediservicios S.A.S 2015		
SHAREHOLDER	NUMBER OF SHARES	%
Foreign Investor	1,054,611	28.38%
Foreign Investor	923,665	24.86%
Local Investor	1,497,987	40.31%
Treasury stock	239,640	6.45%
Total	**3,715,903**	**100%**

Members of the Board of Directors (both principal and alternate)

	PRINCIPAL	ALTERNATE
First	Alberto Hernandez	Cristiano Mathias Boccia
Second	Juan Carlos Restrepo Acuña	
Third	Lorena Margarita Cardenas Costas	
Fourth	Rony Doron Seinjet	
Fifth	Pablo Ignacio Campillo Orozco	
Sixth	Gustavo Adrian Ferraro	Carlos Manuel Ramon
Seventh	Robert Lawrence Rauch	

Legal Representatives

	PRINCIPAL
First	Eliana Andrea Erazo Restrepo
Second	Liliana Arango Salazar

Key Management Personnel

In upholding its Code of Ethics and ensuring against any conflicts of interest, Credivalores Crediservicios S.A.S, prohibits any blood ties or family relationships between its key management personnel and the Senior Management of Asficor S.A.S. and Microfinanzas & Desarrollo S.A.S., that is currently being wound up.

Consequently, this is not applicable to the people involved in the governance and control of an affiliated company or have a significant influence over or work for such.

Credivalores Crediservicios S.A.S. currently does not offer a retirement benefit plan for the members of its board or senior management team.

Remuneration provided to the Company's key personnel
Credivalores Crediservicios offers its key personnel bonuses for meeting the targets set based on performance. Other bonuses are also provided at the Company's own discretion for fulfilling the strategic objectives targeted for the year.

b. Subsidiaries or affiliated companies (including companies over which CVCS exerts control in accordance with the definition contained in the Colombian Code of Commerce and IFRS 10 Consolidated Financial Statements)

As of December 2014, Microfinanzas y Desarrollo S.A.S was up for sale and was reclassified to the non – current assets held for sale category.

Credivalores Crediservicios S.A.S, purchased a 38.18% stake in Microfinanzas and Desarrollo S.A.S., thereby obtaining a 100% stake in the said company. Later, in 2015, it was decided to wind up the Company.

Companies in which CVCS holds a stake

At December 31st, 2014 and January 1, 2014, CVCS held the following investments:

Notes to the separate financial statements at December 31, 2015, December 31, 2014 and January 1, 2014 (Stated in millions of pesos, unless otherwise stated).

TYPE	INVESTEE	% STAKE
CONTROLLING STAKE	ASFICOR S.A.S.	100%
CONTROLLING STAKE	FREE-STANDING TRUST FUNDS	100%
CONTROLLING STAKE	MICROFINANZAS Y DESARROLLO S. A. S.	61.82%
NO SIGNIFICANT INFLUENCE	INVEREFECTIVAS S.A.	25%
NEITHER A SIGNIFICANT INFLUENCE NOR CONTROLLING STAKE	AGROCAÑAS S.A.	5%

At December 31, 2015, CVCS held the following investments:

TYPE	INVESTEE	% STAKE
CONTROLLING STAKE	ASFICOR S.A.S.	100%
CONTROLLING STAKE	FREE STANDING TRUSTS	100%
CONTROLLING STAKE	MICROFINANZAS Y DESARROLLO S.A.S-	100%
NO SIGNIFICANT INFLUENCE	INVEREFECTIVAS S.A.	25%
NEITHER A SIGNIFICANT INFLUENCE NOR CONTROLLING STAKE	AGROCAÑAS S.A.	5%

Credivalores Crediservicios S.A.S, includes in its financial statements the free-standing trusts where it is a grantor and beneficiary, since the lenders (financial institutions) of collateralized loans granted through free – standing trusts require that the money therein disbursed are administered and / or guaranteed by the trust management companies themselves.

Credivalores Crediservicios S.A.S, conducts annual updates of the information to be disclosed concerning its related parties, both private individuals as well as legal entities. This is done by means of a form specially designed for this purpose, which is duly attached to this report.

3.16 Non-current liabilities

The following items are included in the Company's separate financial statements:

Non-current liabilities

- Guaranteed bank loans.
- Issues of bonds, notes and unsecured commercial paper.
- Convertible notes.
- Convertible preferred shares.
- Finance leasing obligations.
- Loans from associates.

Current liabilities

- Current portion of secured bank loans.
- Unsecured bank loans.
- Dividends in the form of convertible preferred shares.
- Current portion of finance leasing obligations.

Bank loans and other financial obligations correspond to ordinary and syndicated loans from local banks and debt securities issued abroad.

The following is summary of the effective interest rates accruing on the Company´s short-term financial obligations:

Financial obligations with local banks		
Rating (BRC Standard and Poors / Fitch Ratings Colombia)	**Financial Institution**	**Spread (Minimum / Maximum)**
AAA/BRC 1	BANCO AGRARIO	DTF + points and fixed rate
	BANCO SANTANDER	
	BANCO DE BOGOTA	
	BANCO COLPATRIA	
	BANCO DE OCCIDENTE	
	BANCO CORPBANCA	
	BANCOLOMBIA	
AA- / AA+ (Fitch Ratings Colombia)	BANCOOMEVA	DTF + points
	GNB SUDAMERIS	

Financial obligations in foreign currency	
Financial Institution (Administrative Agent)	**Long Term Unsecured Rating (Moodys /Standard and Poors)**
Deutsche Bank (issuance III, IV, V, VI)	A3/ A-

Lease agreements

CVCS has signed various lease agreements governing the premises housing its headquarters and 42 branch offices, along with an equipment lease corresponding to printer equipment for each of these branch offices.

These agreements do not entail contingent amounts that the entity must disclose. Also, these agreements contain clauses that govern their renewal for minimum periods of one year and up to twice the actual term of the contract and also require a ninety (90) day notice to be given in order to terminate such agreements. None of these agreements carry the option of acquiring ownership of the asset in question at the end of the contract. Also the minimum lease rentals are adjusted annually based on the CPI index.

According to Company policy any remodelings that are carried out are amortized over a period duly defined by Senior Management.

3.17 Portfolio Sales

Credivalores Crediservicios S.A.S is a company that originates and manages its own loan portfolio using either its own funds or financing obtained through the financial sector.

As part of its operating structure, the Company sells portions of its loan portfolio originated, including its payroll deduction loan product, to other financial institutions based on the following:

a) The corresponding bill of sale reflects the voluntary agreement between two totally independent parties.
b) Statements are made guaranteeing the quality and the condition of the asset prior to its sale.
c) The value of the purchased asset is duly stated.
d) The "realization and perfection of the purchase and sale of the loan portfolio" coinciding with the physical handling over of the corresponding documents (promissory notes) to the escrow company.
e) Conditions are stipulated with regard to the quality and quantity of the respective promissory notes in compliance with Articles 621 and 709 of the Colombian Code of Commerce.
f) The requirement for endorsing the securities sold in property is duly established. This, from the legal standpoint, constitutes the formal transfer of the corresponding securities.
g) Once the sale of the asset occurs, this is duly recorded in our accounts with the amount of profit obtained and the payment made on the part of the buyer. The buyer in turn records the purchase of the asset (promissory notes) as its own. This is considered an obligation on the part of the seller within the terms of the sales agreement.
h) A selling price is agreed on the purchase sale transaction. This price reflects market values, generating a profit from the transaction for the seller.
i) The buyer of these securities record these at its own.
j) The buyer receives and records the interests arising from the acquired flows as its own.
k) CVCS´ business model is to originate payroll loans and then proceed to sell these thus obtaining returns from their valuations.
l) Transferring the inherent risk and control: CVCS transfers the contractual rights to receive cash flows from the financial assets that are sold (consisting of previously endorsed securities) in all the transactions it conducts.
m) Control over the asset: Retaining control or not over the asset thus transferred, depends on the ability of the transferee to sell the corresponding asset. Should the transferee have the practical ability to sell the asset in its entirety to an unrelated third party and is able to do so unilaterally and without needing to impose any additional restrictions on the transfer, the Company does not retain control over the transferred asset.

Notes to the separate financial statements at December 31, 2015, December 31, 2014 and January 1, 2014 (Stated in millions of pesos, unless otherwise stated).

Bills of sale		
Parties	**Parties**	**Date when signed**
Bancoomeva S.A.	Credivalores	10/9/2012
Banco Agrario de Colombia	Credivalores	10/24/2013
Servivalores S.A. Comisionista de Bolsa	Credivalores	4/19/2012
Credifinanciera	Credivalores	10/29/2013
Cartera Colectiva Factoring BYR	Credivalores	8/1/2012
Banco Popular	Credivalores	
GNB Sudameris	Credivalores	7/28/2011
Discount agreements		
Progresión Sociedad Admón. de Inversiones S.A.	Credivalores	8/3/2012
Progresión Sociedad Admón. de Inversiones S.A.	Credivalores	5/15/2013

Based on the economic reality of its business and the variables addressed by IFRS for derecognizing assets, Credivalores Crediservicios S.A.S., concluded that it conducts effective portfolio sales since it substantially transfers all the risks inherent to the financial asset thus sold.

Since it is applying IFRS for the first time, Credivalores Crediservicios S.A.S, has availed itself of the exception contained in IFRS 1, specifically paragraph B2, governing the prospective derecognition of financial assets, and on this basis, at December 31, 2013, CVCS held sales agreements governing its loan portfolio which under previous GAAP were derecognized and for the purposes of converting to IFRS were recorded as such.

3.18. Government Subsidies and Disclosures of Government Assistance

Government subsidies represent assistance on the part of the Government in the form of transfers of funds to an entity in return for past or future fulfillment of certain conditions relating to the recipient´s operating activities.

In 2013, Credivalores – Crediservicios S.A.S. answered a Government initiative called “nationwide call for support for productive chains: supplier /distributor cross-cutting supply chains - cluster development”. With regard to the aforementioned project, it is worthwhile noting the following information:

Innpulsa project

Innpulsa Colombia is an institution created by the Colombian Government in February 2012 to provide support and accelerate business growth in a fast, cost-effective and sustained manner. This project seeks to encourage high-impact innovation and entrepreneurship, these being understood as prime drivers for this kind of growth.

With regard to Innovation and Entrepreneurship the project´s mission is to provide tools to allow companies to compete on the global markets. It also supports initiatives that enable businesses to become more productive, competitive and profitable in order to take advantage of existing market opportunities.

Innpulsa in conjunction with Credivalores Crediservicios S.A.S

Name of Project: transferring the Company´s New Web Platform for the Credipoliza product to its distribution channels.

Objective:

The goal of this project was to enhance the distribution chain for the Credipóliza line of credit by reducing response times in the different stages of the lending process, as well as providing information for distributors for the purpose of monitoring and controlling clients.

With the Innpulsa project we were able to improve upon the level of competitiveness along the entire supply chain, reducing placement costs and raising the profitability of all players involved in the distribution chain.

This project was carried out in Bogotá, but when implemented it benefited all our distributors on a nationwide level.

In order to enhance our value chain, we initially analyzed all those processes used for approving and disbursing loans to buyers of insurance policies. The information needs on the part of distributors and their clients, as well as the frequency and level of detail were duly evaluated.

Given the project´s heavy reliance on the Internet and information technology, high levels of security had to be maintained. The project included an assessment of the new security requirements and provided support to our distributors for implementing these requirements as defined by the project.

The project also included drawing up graphical interfaces to enable beneficiaries (distributors) to log on and access the client and product information made available via Credivalores' database. A vital part of achieving this goal was having integrated data from different areas of the Company so that distributors through a single platform could gain access to all the information and processes required for handling the Credipóliza product.

Finally, this project also included developing tools based on an analysis of the information needs on the part of distributors so that beneficiaries are able to access Credivalores' resources in a secure and timely fashion. This process concluded with providing distributors with tools in the form of training and coaching programs for each of their sales and administrative.

Fund: BANCOLDEX, who acts as the manager of this modernization and innovation fund for micro, small and medium-sized enterprises.

As part of the project´s general premises the fund requested a checking account to be opened in order to handle the deposits made by both the Fund and the respective counter parties. Additionally, for the Fund to make any payment under the respective contract Credivalores had to present for oversight purposes, an invoice issued in the name of BANCOLDEX together with all the required supporting documentation.

Based on that stipulated in paragraph 2 of Clause 3 of the aforementioned contract, the deadline for starting up this project was set for November 15, 2013.

Based on this contract, the term of the project was for ten (10) months, which contained the following completion dates for each of the activities carried out:

1. Corporate graphic design: January 7, 2014 - May 12, 2014.

2. Graphic image instruction manual: April 4, 2014 - August 14, 2014.

Deployment of the Alliance Portal: June 9, 2014 - September 22, 2014.

3. Analysis of the Security Gaps detected: June 19, 2014 - July 15, 2014.

4. Defining security policies: July 16, 2014 - August 22, 2014.
5. Hacker testing: August 8, 2014 - September 3, 2014

6. Defining a security architecture: August 23, 2014 - September 5, 2014.

7. Continuity plan: September 1, 2014 - September 12, 2014.

8. Identifying automation needs: May 7, 2014 - July 25, 2014.

9. BPM implementation: June 16, 2014 - September 22, 2014.

10. Training: August 19, 2014 - September 22, 2014.

Note 4. Accounting changes

Credivalores - Crediservicios S.A.S, adopted the new IFRS for the first time as of December 31, 2013 and issued its Opening Balance Sheet based on IFRS 1 - First-time adoption.

The more salient aspects of this adoption process were as follows:

- CVCS' Senior Management derecognized certain assets that under IFRS did not meet the criteria to be recognized as such on the financial statements, this based on what is stipulated in

  IFRS 1 .10. Except for that stipulated in paragraphs 13-19 and in Appendices B-E, upon preparing its opening statement of financial position under IFRS, an entity shall:

  a. Recognize all those assets and liabilities whose recognition is required by IFRS;
  b. Cease to recognize items as assets or liabilities should this not be permitted under IFRS.
  c. Reclassify items recognized under previous GAAP as one type of asset, liability or component of equity, but which under IFRS correspond to a different type of asset, liability or component of equity; and
  d. Apply IFRS for measuring all recognized assets and liabilities.

At December 31, 2013, CVCS availed itself of the exception stipulated in IFRS 1, namely in paragraph D19C of Annex D of said standard, which reads as follows: If it is impracticable for an entity to retrospectively apply the effective interest method, or the impairment requirements stipulated in paragraphs 58-65 and AG84-AG93 of IAS 39, the fair value of the financial asset on the date of transition to IFRS shall be the new amortized cost of said financial asset at the date of transition to IFRS.

Note 5. Cash and cash equivalents

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

The following is a breakdown of the cash and cash equivalents account and its reconciliation with the Company's cash flow statement at the end of each year:

In millions of pesos	December 31, 2015	December 31, 2014	January 01, 2014
Cash in hand	18	13	10
Banks	16,438	18,372	6,950
Short-term investments	93,786	68,742	80,078
Total Cash and Cash Equivalents	**110,242**	**87,127**	**87,038**

Cash and cash equivalents are held with banks and financial institutions; short-term investments that are considered as cash equivalents are held in open-ended collective portfolios, that offer easy access to the invested funds, as well as low risk, since funds are invested in liquid and high rated assets.

The following is a breakdown of the creditworthiness, as determined by independent credit rating agencies, of all those major financial institutions in which the Bank holds cash:

Long-term debt ratings are based on the following scale:

Item	Financial Institution	Rating (BRC S&P / Fitch Ratings Colombia)	Rating Description
1	Banco Agrario	AAA	AAA is the highest rating awarded, indicating that the entity has an extremely robust capacity to safeguard its capital and limit its exposure to the risk of loss due to credit-related factors.
2	Banco De Bogotá	AAA	
3	Banco Colpatria	AAA	
4	Banco De Occidente	AAA	
5	Banco Corpbanca	AAA	
6	Bancolombia	AAA	
7	Banco Santander	AAA	

8	Gnb Sudameris	AA+	An AA rating indicates that the capacity of either the issuer or issue to meet its financial obligations is very strong. However, issuers or issues that are awarded this rating may be more vulnerable to adverse events compared to those rated in the highest category.
9	Bancoomeva	AA-	

Long term ratings depicted above were granted for all institutions by Fitch Ratings Colombia, with the exception of Banco Agrario, Banco de Bogota and Colpatria, which were granted by BRC Standard and Poor´s.

CVCS´ cash and cash equivalents reached COP 110,242 and COP 87,127 at December 31, 2015 and December 31, 2014 respectively, also the opening balance for 2014 amounted to COP 87,038 representing their maximum exposure to credit risk on these assets.

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

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

Note 6. Trade receivables and other current accounts receivable

The following is a breakdown of the financial instruments (assets) held by the Company at December 31, 2015, December 31, 2014 and January 1, 2014:

In millions of pesos	December 31, 2015	December 31, 2014	January 01, 2014
Financial assets - loan portfolio (fair value)	25,237	34,795	35,792
Financial assets -loan portfolio and receivables (amortized cost)	985,037	732,151	612,163
Total Financial assets	**1,010,274**	**766,946**	**647,955**
Impairment	(85,943)	(86,932)	(70,065)
Total Trade receivables and other accounts receivable	**924,331**	**680,014**	**577,890**

The valuation of these financial assets is contained in the reconciliation obtained from the Comodoro external application for portfolio valuation as per Note 3.3

The following is the movement of the impairment account for financial assets (instruments) measured at amortized cost.

Impairment	**December 31, 2015**	**December 31, 2014**	**January 01, 2014**
Initial Balance	86,932	70,065	70,065
Increase	27,603	23,010	-
Utilizations	28,591	6,143	-
Ending Balance	**85,943**	**86,932**	**70,065**

Note 7. Tax assets

Current tax

Senior Management periodically evaluates the position taken by the Company with regard to its tax returns whenever current tax legislation is open to interpretation and, if necessary, sets up provisions on the amounts the Company's expects to pay to the Colombian tax authorities.

In millions of pesos	**December 31, 2015**	**December 31, 2014**	**January 01, 2014**
Advance payment on Industry & Commerce Tax	7	-	-
Credit balances receivable from paid Industry and Commerce Tax	5	5	6
Total current tax	**12**	**5**	**6**

Note 8. Current assets other than cash

The following is a breakdown of the Company's current assets, other than cash at December 31, 2015, December 31, 2014 and January 1, 2014.

In millions of pesos	**December 31, 2015**	**December 31, 2014**	**January 01, 2014**
Mutual Funds Portfolio Dce II	6,266	10,356	-
Mutual Funds Portfolio - Payroll Loans	-	-	8,157
Total current assets other than cash	**6,266**	**10,356**	**8,157**

Correspond to investments in mutual funds; that is, securities subject to contractually agreed terms, where the availability of the funds invested is not restricted.

Note 9. Property and equipment

The following is a breakdown of the Company's property and equipment at December 31 2015, December 31, 2014 and January 1, 2014, respectively:

In millions of pesos	**December 31, 2015**	**December 31, 2014**	**January 01, 2014**
Office equipment	2,142	1,726	1,312
Computer and communication equipment	158	34	196
Transport fleet and equipment	117	117	117
Water supply systems, plants and networks	50	-	-
Financial Leasing*	1,265	1,160	1,668
Accumulated depreciation	(2,270)	(1,675)	(1,476)
Total property, plant and equipment	**1,462**	**1,362**	**1,817**

* Financial leasing arrangements: correspond to rights to goods received as part of financial leasing arrangements, which are entered into for period of three (3) years and correspond to structured cabling, licenses, computer equipment and vehicles.

Breakdown of Property and Equipment						
	Purchases	**Depreciation**	**Disposals**	**Balances Owing on Leasing Arrangements**	**Amortizations**	**Total Property and Equipment**
January 01, 2014	491	(336)	(6)	3,701	(2,033)	1,817
December 31, 2014	806	(1,261)	(1,160)	3,815	(2,655)	1,362
December 31, 2015	1,147	(1,047)	(1,265)	4,878	(3,613)	1,462

The following is the movement of property and equipment account:

Concept	**2015**	**2014**
Initial balance	1,362	1,817
Purchases	1,147	807
Depreciations	1,047	1,262
Ending balance	**1,462**	**1,362**

Notes to the separate financial statements at December 31, 2015, December 31, 2014 and January 1, 2014 (Stated in millions of pesos, unless otherwise stated).

Note 10. Intangible assets other than goodwill

Other intangible assets that are acquired by CVCS and have a definite useful life are measured at cost less their accumulate depreciation and accumulated impairment losses.

Intangible assets other than goodwill	December 31, 2015	December 31, 2014	January 01, 2014
Computer programs (Software)	62	230	-
Software licenses	142	87	152
Acquired Trademarks	26,700	-	-
Total Intangible Assets	**26,904**	**317**	**152**

In December 2015 the Company acquired the "Crediuno Avances" and the "Microcredito CV" trademarks for $23,800 and $2,900 respectively.

The following table shows the movement of the intangible assets account:

Intangible assets other than goodwill	December 31, 2015	December 31, 2014	January 01, 2014
Initial Balance	317	152	18
Purchases	26,700	614	206
Amortizations and impairment	113	449	72
Ending Balance	**26,904**	**317**	**152**

The following table shows the residual values, useful lives and depreciation methods for each type of asset:

Type of asset	Useful life	Residual value	Depreciation method
Software	1 to 3 years	Zero	Straight line
Licenses	1 to 3 years	Zero	Straight line
Trademarks	1 to 10 years	Zero	Straight line

Basis of measurement: for measuring intangibles, all initial and subsequent recognitions are based on the cost model.

The useful life of software leased under financial leasing arrangements is the lower of the lease term or its estimated useful life.

Reconciling carrying amounts: The amortization of intangibles is performed as a separate item from expenses, reflecting the periodic depreciation of such assets based on the useful lives assigned to these.

The aforementioned intangible assets do not carry any restrictions as to the ownership of their inherent rights.

As for the Company's intangible asset accounts, based on the corresponding assessment, no signs of impairment were detected which could have otherwise led to recognizing an expense.

Note 11. Investments in subsidiaries

The following table shows a breakdown of the Company's investment interests in subsidiaries at December 31, 2015, December 31, 2014 and January 1, 2014:

In millions of pesos	December 31, 2015	December 31, 2014	January 01, 2014
Microfinanzas & Desarrollo S.A.S. in the process of being wound up	1,547	3,575	3,680
Impairment - Microfinanzas Y Desarrollo - Subsidiary	(413)	-	-
Asficor S.A.S. – Subisidiary*	21,077	716	669
Total Investments in subsidiaries	**22,211**	**4,291**	**4,349**

*Refer to note 32. Events after the reporting period

The increase of the balance as of 2015 corresponds to Asficor S.A.S capitalization.

Note 12. Deferred tax assets

The deferred tax assets and liabilities are produced by temporary differences for determining book and taxable income. This tax is amortized to the extent that these differences disappear.

In millions of pesos	December 31, 2015	December 31, 2014	January 01, 2014
Deferred tax assets			
Deferred tax on temporary differences	238	-	-
Deferred equality income tax on temporary differences	86	-	-
Deferred tax liabilities	21,522	10,555	13,670
Total deferred tax assets	**21,846**	**10,555**	**13,670**

The following table shows deferred taxes:

Concept	2015	2014
Initial balance	10,555	13,670
Debit	14,976	10,555
Credit	3,685	13,670
Final balance	**21,846**	**10,555**

Note 13. Other non-current financial assets

The following table shows other non – current financial assets:

In millions of pesos	**December 31, 2015**	**December 31, 2014**	**January 01, 2014**
Investments in shares – agricultural companies	4,648	4,643	4,641
Investments in Foreign Companies	9,029	6,859	5,524
Total Other Non-Current Financial Assets	**13,677**	**11,502**	**10,165**

The companies were not recognized at fair value given the lack of comparable companies with similar characteristics. Therefore, they were measured by the equity participation method.

Note 14. Other non-current non-financial assets

The following table shows other non-current non-financial assets:

In millions of pesos	**December 31, 2015**	**December 31, 2014**	**January 01, 2014**
Accounts receivable due from shareholders (1)	2,512	3,019	8,757
Total other non-current non-financial assets	**2,512**	**3,019**	**8,757**

Accounts receivable due from shareholders correspond to diverse expenses paid by CVCS pending to be reimbursed by shareholders that are accrued and liquidated periodically.

Note 15. Provision for employee benefits

The following table shows a breakdown of the Company’s labor liabilities at December 31, 2015, December 31, 2014 and January 1, 2014:

In millions of pesos	December 31, 2015	December 31, 2014	January 01, 2014
Short Term Benefits			
Salaries and wages	-	-	10
Law 50 of 1990 and subsequent regulations	541	679	586
Interest on severance pay	62	76	67
Consolidated vacation payments	648	590	484
Bonuses that do not constitute salary	11	-	2
Total Employee Benefits	**1,262**	**1,345**	**1,149**

Credivalores Crediservicios S.A.S. records labor liabilities based on Colombian labor legislation. At the closing date of these financial statements the Company did not offer its employees any long-term remuneration plans.

Note 16. Other provisions

Other financial liabilities include fees, provisions for salaries and wages paid to temporary staff, as well as other expenses and provisions covering legal contingencies.

The following is a breakdown of the provisions made:

In millions of pesos	December 31, 2015	December 31, 2014	January 01, 2014
Fees	177	415	
Other expense	349	515	30
Provision for temporary staff payroll	930	787	-
Provision for legal contingencies	26	26	-
Total provision for expense	**1,482**	**1,743**	**30**

Note 17. Trade payables and other accounts payable

The following is a breakdown of trade payables and other accounts payable as of December 31, 2015, December 31, 2014 and January 1, 2014:

In millions of pesos	December 31, 2015	December 31, 2014	January 01, 2014
Health care, pension and parafiscal contributions	331	-	256
Lease rentals	28	47	49
Free-standing trust funds	23,200	45,596	72,649

Suppliers	10,850	3,873	4,379
Current taxes	2,246	647	712
Forward contract appraisal	1,582	-	-
Trade payables and other accounts payable	**38,237**	**50,163**	**78,045**

Note 18. Tax Liabilities

The deferred tax liabilities are amounts to be paid at a future date in the form of income tax relating to taxable temporary differences. While deferred tax assets are amounts to be received at a future date in the form of income tax given the existence of deductible temporary differences, negative tax bases to be offset or deductions to be applied. A temporary difference is understood to be that which exists between the carrying values of the corresponding assets and liabilities and their corresponding tax base.

The following is a breakdown of the Company´s current tax liabilities at December 31, 2015, December 31, 2014 and January 1, 2014:

In millions of pesos	**December 31, 2015**	**December 31, 2014**	**January 01, 2014**
Current fiscal year	1,915	1,007	2,092
Equality Income Tax (CREE in Spanish)	441	899	1,796
VAT payable	172	27	98
Industry and Commerce Tax	-	-	168
Advertising and Billboard Tax	-	-	33
ICA tax payable	838	702	259
Total Current Tax Liabilities	**3,366**	**2,635**	**4,446**

Current tax legislation as applicable to the Company stipulates that:

a) Taxable income is subject to a rate of 25% in the case of Income and Ancillary Taxes (except for all those taxpayers who pay special rates) as well as an occasional gains tax at a rate of 10%.

b) The basis for determining the amount of income tax to be paid cannot be less than 3% of the taxpayer´s net equity on the last day of the immediately preceding fiscal year.

c) As of fiscal year 2007, and solely for tax purposes, taxpayers may, on a yearly basis, readjust the cost of any movable and/or immovable property classified as fixed assets. This readjustment percentage is set by the Colombian Tax Authorities (DIAN).

Notes to the separate financial statements at December 31, 2015, December 31, 2014 and January 1, 2014 (Stated in millions of pesos, unless otherwise stated).

d) Until fiscal year 2010, and for all those taxpayers who had entered into legal stability agreements with the Colombian Government until December 31, 2012, a special deduction was applied on all cash investments made in real productive assets, these corresponding to 30% of the total amount invested, and the application of such deduction did not represent any gains for the entity´s partners or shareholders. Taxpayers who had acquired depreciable assets as of January 1, 2007 and applied the aforementioned deduction could only depreciate those assets using the straight-line method and were not entitled to exercise their right to a tax audit, in spite of being eligible to do so according to the tax legislation applicable at that time. As for deductions applied during previous years, if the asset subject to such benefit was no longer used as part of the income-generating activity, or was either disposed of or withdrawn before the end of its useful life, the income corresponding to the proportional amount of useful life remaining at the time such asset was sold or abandoned must be applied. Law 1607 of 2012, repealed prior legislation allowing for legal stability agreements to be entered into with the Colombian Government as of the fiscal year 2013.

e) As of December 31, 2015 and December 31, 2014, Credivalores Crediservicios S.A.S. had not recorded any tax losses or surplus presumptive income to be offset against ordinary income.

f) No new occasional gains tax has been levied other than those already introduced at December 31, 2015.

Article 260-7 paragraph 2, as amended by Law 1607 of 2012 stated that any transactions performed by those paying Income and Ancillary Taxes with people, companies, organizations or entities located, resident or domiciled in tax havens should be subject to the transfer pricing system and be obliged to submit the supporting documentation along with a formal declaration stating the transactions carried out.

A reconciliation between the income tax rate, based on current Colombian tax legislation and the effective tax rate is shown as follows:

Item / Tax Year	**2015**	**2014**
Earnings before income tax provision	26,588	28,407
Equality and Income Tax Rates	39%	34%
Notional income tax	10,369	9,658
Effect of items that reduce net income		
Taxes and other non-deductible expense	380	271
Non-deductible wealth tax	636	290
Non-deductible financial transaction tax	859	558
Non-deductible expense	814	263
Increase in non-deductible provisions	233	297

Loss on equity method	65	36
Provisions for loan portfolio	(3,276)	(3,162)
Non-taxed income	(243)	(31)
Presumptive interest income	24	-
Subtotal items that reduce net income	(510)	(1,478)
Taxes corresponding to 2015, paid in the fiscal year 2016	(303)	(186)
Temporary differences		
Impairment to financial assets	2,214	(4,271)
Appraisals of financial instruments (assets)	9,888	13,198
Deferred charges transferred to expense	(5,784)	(1,267)
Prepaid expenses transferred to expense	(13,716)	(5,016)
Goodwill	50	50
Transaction costs (liabilities)	3,930	385
Prepaid income	(2,023)	1,344
Unpaid tax expense accruing for 2015	(323)	0
Subtotal - temporary differences	(5,764)	4,422
Income tax	**3,793**	**12,416**

Reconciliation between book and taxable equity

The following is a reconciliation between book and taxable equity for the years ended December 31:

In millions of pesos	**2015**	**2014**
Book equity	184,549	157,943
Plus (minus) items that increase (decrease) equity for tax purposes:	(8,271)	(9,167)
Liabilities not requested for tax purposes	1,460	1,606
Total taxable equity	**177,738**	**150,382**

The tax return corresponding to the fiscal year of 2015 still remains subject to acceptance and review by the Colombian tax authorities. The Company's Senior Management and its legal counsel believe that the amounts recorded as liabilities in the form of unpaid tax are sufficient to cover any claims that could arise with regard to 2015.

The Company's tax returns for the fiscal years 2013 and 2014 remain subject to acceptance and review by tax authorities. The Company's Senior Management and its legal counsel believe that the amounts recorded as liabilities in the form of unpaid tax are sufficient to cover any claims that could arise with regard to those years.

Equality Income Tax (CREE in Spanish)

Current tax legislation as applicable to the Company states:

a) As of January 1, 2013, Law 1607 December 2012 created the new Equality Income Tax - CREE in Spanish to be paid by all those entities, legal persons and other similar payers of Income and Ancillary Taxes for the benefit of workers, job creation and social investment.

b) The non-profit entities, private individuals and companies pertaining to the free trade zone regime who are taxed at a rate of 15% are not subject to this equality income tax.

c) The basis for determining equality income tax cannot be lower than 3% of the taxpayer´s net equity on the last day of the immediately preceding fiscal year.

d) The equality income tax is levied at a rate of 9% in accordance with Law 1739 of December 2014.

e) For the years 2015, 2016, 2017 and 2018, Law 1739 issued in December 2014 introduced a surtax for all those paying equality income tax applicable on net assets of more than COP 800 million, at a rate of 5%, 6%, 8% and 9% for each of the aforementioned years. 100% of this surcharge is payable in advance, as calculated on the taxable base applicable to the equality income tax paid for the immediately preceding fiscal year.

f) As stipulated in Law 1607 passed in December 2012 specifically in Article 25, as of July 1, 2013, all those legal persons and similar taxpayers declaring Income and Ancillary Taxes shall be exempt from paying parafiscal contributions to SENA and the ICBF and based on this same Article 31, as of January 1, 2014 all those employees earning up to ten (10) minimum monthly wages shall also be exempt from the aforementioned contributions This exemption does not apply to those paying equality income tax.

g) The tax base for the equality income tax is determined by subtracting from gross income that increases equity during the corresponding tax year, all those tax refunds, rebates and discounts as well as non-income receipts, wherever applicable as stipulated in the Tax Code. From the net income thus obtained, total costs and deductions applicable to this tax shall be deducted, in accordance with the provisions of Articles 107 and 108 of the Tax Code. Also exempt income can also be subtracted from the aforementioned tax base as stipulated in Article 22 of Law 1607 passed in 2012.

h) As of 2015, and in accordance with the provisions of Law 1739 of December 2014, tax losses and any surplus obtained from the minimum tax base may be offset against future earnings subject to equality income tax, this based on the same rules and regulations that apply to Income and Ancillary Taxes.

The Company's tax account (Income and Ancillary as well as Equality Income tax) is broken down as follows:

In millions of pesos	**2015**	**2014**
Provision for current income tax and occasional earnings tax	6,135	5,870
Provision for current equality income tax	3,422	2,124
Deferred INCOME tax liabilities charged to profit and loss	-	137
Deferred EQUALITY income tax liabilities charged to profit and loss	-	49
Deferred INCOME tax assets charged to profit and loss	237	-
Deferred EQUALITY income tax assets charged to profit and loss	86	-
Provision for Income Tax and Equality Income Tax	**9,233**	**8,180**

The balance of Income and Ancillary Taxes, Occasional earnings tax and Equality Income Tax (CREE in Spanish) at December 31 is shown as follows:

In millions of pesos	**2015**	**2014**
Provision for current income tax and occasional earnings tax	6,135	5,870
Provision for current equality income tax	3,422	2,124
Less		
Withholding at source - income tax	3,158	3,440
Withholding at source - equality income tax	-	-
Self-withholdings - equality income tax	1,841	1,225
Prepayments of income tax	1,061	1,424
Prepayments of equality income tax	1,140	-
Income tax liability	1,916	1,007
Equality income tax liability	**441**	**898**

Notes to the separate financial statements at December 31, 2015, December 31, 2014 and January 1, 2014 (Stated in millions of pesos, unless otherwise stated).

Deferred tax

The following are the movements recorded with the deferred tax account:

At December 31, 2015

	Balance at December 31, 2014	Credited (charged) to income	Balance at December 31, 2015
Deferred tax assets			
Deferred charges expensed	1,267	4,516	5,784
Prepaid expenses expensed	5,016	8,700	13,716
Impairment to financial assets	4,272	(4,270)	0
Prepaid income received	0	2,021	2,021
Total deferred tax assets	10,555	10,967	21,522
Deferred tax liabilities			
Valuations of financial instruments	13,198	(3,310)	9,888
Goodwill	50	0	50
Transaction expense owing	385	3,545	3,930
Prepaid income received	1,344	(1,344)	0
Impairment to financial assets	0	2,213	2,213
Total deferred tax liability	14,976	1,104	16,081
Total deferred tax	(4,421)	9,863	5,441

Notes to the separate financial statements at December 31, 2015, December 31, 2014 and January 1, 2014 (Stated in millions of pesos, unless otherwise stated).

At December 31, 2014

	Balance at January 1, 2014	Credited (charged) to income	Balance at December 31, 2014
Deferred tax assets			
Deferred charges expensed	1,973	(706)	1,267
Prepaid expenses expensed	1,480	3,536	5,016
Impairment to financial assets	9,950	(5,679)	4,272
Total deferred tax assets	13,403	(2,849)	10,555
Deferred tax liabilities			
Valuations of financial instruments	1,262	11,936	13,198
Goodwill	(99)	149	50
Licenses	52	(52)	0
Transaction expense owing	895	(510)	385
Prepaid income received	678	665	1,343
Provision for credit cards	(168)	168	0
Total deferred tax liability	2,620	12,356	14,976
Total deferred tax	10,783	(15,205)	(4,421)

Wealth Tax

Law 1739 of 2014 created a wealth tax to be levied on a taxpayer´s net worth at January 1, 2015, 2016 and 2017 Consequently taxpayers with gross assets minus debts worth more than COP 1.000 million, must calculate the tax to be paid as follows:

Lower Limit	**Upper Limit**	**Rate for 2015**	**Rate for 2016**	**Rate for 2017**
> 0	<2,000,000,000	(Tax base) * 0.20%	(Tax base) * 0.15%	(Tax base) * 0.05%
>=2,000,000,000	<3,000,000,000	(Tax base – 2,000,000,000) *0.35%+ +4,000,000	(Tax base - 2.000.000.000)* 0.25%+ 3,000,000	(Tax base - 2.000.000.000) *0,10%+ 1,000,000
> = 3,000,000,000	<5,000,000,000	(Tax Base- 3,000,000,000) * 0.75% + 7,500,000	(Tax Base- 3,000,000,000) * 0.50% + 5,500,000	(Tax Base- 3,000,000,000) * 0.20% + 2,000,000
>=5,000,000,000	Onwards	(Tax base – 5,000,000,000) *1.15% + 22,500,000	(Tax base - 5,000,000,0000) * 1.00% +15,500,000	(Tax Base- 5,000,000,000) * 0.40% + 6,000,000

Notes to the separate financial statements at December 31, 2015, December 31, 2014 and January 1, 2014 (Stated in millions of pesos, unless otherwise stated).

Standardization tax supplementing wealth tax

Law 1739 of 2014 created a standardization tax to be levied in 2015, 2016 and 2017 on all those paying wealth tax as well as voluntary payers of such whose net worth is either omitted and / or nonexistent at January 1, 2015, 2016 and 2017.

The corresponding tax rate is as follows:

Year	Tax Rate
2015	10.0%
2016	11.5%
2017	13.0%

Annual Statement of Assets Held Abroad

Law 1739 of 2014 created an annual declaration of assets held abroad to be submitted by all those paying Income and Ancillary Taxes who are obliged to pay tax on (i) their global income; (ii) their equity held both at home and abroad; and (iii) assets held abroad.

The information required in order to identify the taxpayer as stipulated by the corresponding tax regulations is as follows:

- ✓ Discrimination of assets held by the Company abroad at 1 January 2015, the value of which shall exceed 3,580 TVA (Tax Value Units) (for 2015 COP 101,239,000), the value of the taxpayer´s equity, the jurisdiction in which the assets are located and the nature and type of asset.

- ✓ Discrimination of assets held by the Company abroad at 1 January 2015, the value of which shall not exceed 3,580 TVA (Tax Value Units) in order to declare these in their aggregate along with the jurisdiction in which the assets are located and the nature and type of asset.

The tax bases corresponding to the assets held by the Company abroad at January 1, 2015, must also be stated, which shall be based on the current tax legislation as well as Decree 2649 of 1993.

Notes to the separate financial statements at December 31, 2015, December 31, 2014 and January 1, 2014 (Stated in millions of pesos, unless otherwise stated).

Note 19. Other financial liabilities

This note contains information concerning the contractual terms governing the Company's interest bearing loans and obligations, which are carried at amortized cost.

Short-term financial obligations	**December 31, 2015**	**December 31, 2014**	**January 01, 2014**
Short and medium-term promissory notes	180,253	4,000	6,497
Financial leasing arrangements	1,508	1,434	1,912
Banking interest	3,658	882	
Beneficial interests	3,052	3,206	
Partners or shareholders	-		38
Accounts payable	43,631		116
Transaction costs (1)	(3,766)		
Total Short-Term Financial Obligations	**228,335**	**9,522**	**8,563**

Long-term financial obligations	**December 31, 2015**	**December 31, 2014**	**January 01, 2014**
Promissory notes	190,543	193,561	160,618
Beneficial interests	7,423	17,831	24,186
Financial obligations	437,173	-	3,428
Other current financial liabilities	(10,076)	-	-
Financial obligations - free-standing trust funds	-	365,811	320,105
Special interests	-	-	1,043
Partners or shareholders	-	-	258
Forward valuation (2)	(13,284)	(3,707)	-
Transaction costs		(3,766)	(2,632)
Total Long-Term Financial Obligations	**611,779**	**569,730**	**507,006**
Total other current financial liabilities	**840,114**	**579,252**	**515,569**

(1) Corresponds to transaction costs of financial liabilities, that are part of the all-in-cost and that are amortized through the effective interest rate method.

(2) This variation corresponds to changes in the foreign exchange rate that affected the hedge position.

Note 20. Other non-financial liabilities

Other financial liabilities include other obligations such as amounts pending collection, service agreements, provisions and tax payable.

In millions of pesos	**December 31, 2015**	**December 31, 2014**	**January 01, 2014**
Values received for third-parties	24,525	20,811	22,967
Joint operations agreement (1)	27,950	-	-
Other non-financial liabilities	**52,475**	**20,811**	**22,967**

(1). Joint operations agreement corresponds the balance of the liability stablished pursuant to a joint operations agreement (Contrato de Cuentas en Participacion, in Spanish) where Credivalores is the promoter, and whose the purpose is the origination of loans.

Under the joint operations agreement, one party grants a good to be exploited with the purpose of generating profits that will be distributed among the parties.

Note 21. Other provisions

The following is a breakdown of other non-current provisions at December 31, 2015, December 31, 2014 and January 1, 2014:

In millions of pesos	**December 31, 2015**	**December 31, 2014**	**January 01, 2014**
Credit card points	494	494	494
Total non-current provisions	**494**	**494**	**494**

Note 22. Income from ordinary activities

The following is a breakdown of interest income at December 31, 2015 and December 31, 2014 respectively:

In millions of pesos	December 31, 2015	December 31, 2014
Income from ordinary activities		
Interest	53,003	34,973
Income from forward valuation	41,200	3,724
Commissions	14,172	13,286
Revenues from sales of portfolio	26,485	38,707
Management fees	31,858	27,506
Net Income from free-standing trust funds (1)	39,774	39,107
Other operating income	-	900
Valuations of financial instruments	16,234	11,474
Adjustments to presumptive interest	-	(172)
Income from ordinary activities	**222,726**	**169,505**
Fair value gains	6,397	4,905
Total operating income	**229,123**	**174,410**

(1)Net income from free standing trusts corresponds to difference between the interest income and financial cost and other income/expenses of the free-standing trusts where Credivalores Crediservicios S.A.S is a grantor and beneficiary that are established as part of the secured loans structures.

Breakdown of net income from free- standing trusts is as follows:

	December 31, 2015	December 31, 2014
Interest income – free standing trusts	80,411	77,417
Interest expense – free standing trusts	(36,463)	(36,453)
Other income and expenses – free standing trusts	(4,174)	(1,857)
Net income free standing trusts	**39,774**	**39,107**

Note 23. Other Income

The following is a breakdown of the Company's Other Income account at December 31, 2015 and December 31, 2014 respectively:

In millions of pesos	December 31, 2015	December 31, 2014
Exchange rate difference	75	1,188
Other income	1,754	250
Total Other Income	**1,829**	**1,438**

Note 24. Administrative Expense

The following is a breakdown of the Company's administrative expense account at December 31, 2015 and December 31, 2014 respectively:

In millions of pesos	December 31, 2015	December 31, 2014
Personnel expense	8,524	8,134
Lease rentals	-	1
Contributions	10	60
Insurance	5	-
Services	-	42
Legal and notary expense	5	2
Traveling expense	2	-
Depreciation	513	238
Miscellaneous	3	180
Total	**9,062**	**8,657**

Note 25. Selling Expense

The following is a breakdown of the Company's selling expense account at December 31, 2015 and December 31, 2014 respectively:

In millions of pesos	December 31, 2015	December 31, 2014
Personnel expense	20,732	15,586
Fees	24,604	17,079
Taxes	3,811	2,436
Lease rentals	3,581	3,106
Contributions	6	5
Insurance	278	223
Services	16,263	13,535
Legal expense	109	319
Maintenance and repairs	23	5
Retrofitting and installation expense	947	845
Traveling expense	2,347	1,349

Depreciation	534	1,024
Amortizations	50	315
Miscellaneous	4,003	1,901
Provisions	27,603	23,010
Total	**104,891**	**80,738**

Note 26. Other Expense

In millions of pesos	**December 31, 2015**	**December 31, 2014**
Tax liabilities assumed	1,357	7
Financial transaction tax	4,404	3,282
Other expense	730	581
Total	**6,491**	**3,870**

Note 27. Financial costs

The following is the breakdown of the Company's financial costs as of December 31, 2015 and December 31, 2014:

In millions of pesos	**December 31, 2015**	**December 31, 2014**
Bank charges and commissions	642	493
Free-standing trust commissions	1,999	2,055
Interest	23,831	18,097
Exchange rate differences	39,889	10,773
Forward valuation	14,291	279
Other expense	491	718
Transaction costs (1)	(8,353)	5,408
Total	**72,790**	**37,823**

(1) Corresponds to transaction costs of financial liabilities, that are part of the all-in-cost and that are amortized through the effective interest rate method.

Note 28. Tax expense

Current tax, this being the amount to be paid or refunded on current income tax and equality income tax (CREE in Spanish), is calculated based on the tax legislation enacted or substantively enacted at the closing date of the statement of financial position.

The following is breakdown of the provision for income tax at December 31, 2015 and December 31, 2014 respectively:

In millions of pesos	December 31, 2015	December 31, 2014
Income and Ancilliary current tax	5,897	5,870
Equality Income Tax	3,337	2,075
Effect of Deferred income tax year 2014	-	4,422
Effect of deferred tax year 2015	(5,441)	49
Total Taxes	**3,793**	**12,416**

Note 29. Risk Disclosure Note

Financial Risk Management

The Company (CVCS) is exposed (a) to the following risks relating to the use of financial instruments:

- Credit risk.
- Liquidity risk.
- Market risk.
- Interest rate risk.
- Currency risk.

This note discloses information concerning the Company's exposure to each of the aforementioned risks along with the objectives, policies and procedures in place for measuring and managing such risk as well as managing its capital.

Risk management structure

The Company's Board of Directors is responsible for establishing and supervising CVCS´ risk management structure. The Board has set up its Risk Management Committee, which is responsible for drawing up and monitoring the Company's risk management policies. This Committee regularly reports to the Board on its activities.

Board of Directors

The Company's Board of Directors shall make decisions concerning the proper functioning of the Credit Risk Management function.

The Board of Directors of Credivalores has the following functions and responsibilities:

I. Approve the Company´s policies.

II. Approve the procedures and methodologies used for granting, monitoring credit risk and recovering loans

III. Approve the allocation of human, physical and technical resources for the proper functioning of the Credit Risk Management System.

IV. Request reports from Senior Management with regard to the loan portfolio, whenever required for due examination.

V. Draw attention to the responsibilities and duties assigned to positions and areas responsible for managing the Company's credit risk.

VI. Evaluate the recommendations and corrective measures proposed for the risk management processes.

VII. Approve the internal controls for the Credit Risk Management System, assigning precise responsibilities for the different areas and officers, as well as evaluating the reports and performance concerning such controls

The Company´s risk management policies are drawn up for the purpose of identifying and analyzing the risks faced by the Company, setting exposure limits and the appropriate risk controls, and monitoring the corresponding risks and due compliance with the restrictions set.
The Company's risk management policies and systems are regularly reviewed to ensure that these reflect any change in market conditions as well as CVCS' own activities. Through its risk management standards and procedures, the Company intends to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

CVCS´ Audit Committee oversees the manner in which Senior Management monitors compliance with all policies and risk management procedures and checks whether the risk management system is fit for purpose with regard to the risks addressed.

The Company's Internal Auditing staff assists this Committee with its supervisory role. The Internal Auditing Department conducts regular and impromptu reviews over the Company's risk management controls and procedures, the results of which are reported to the Audit Committee.

29.1 Credit Risk

Credit risk is the risk of Credivalores Crediservicios S.A.S. sustaining a financial loss when a client or counter party to a financial instrument fails to meet their contractual obligations, and mainly arises from receivables due from clients as well as the Company's investment instruments.

Credivalores Crediservicios S.A.S. business model with regard to its loan portfolio classification considers the inherent risk of each loan in the portfolio.

The Company's Credit Risk Management Manual includes all policies and procedures regarding the handling of credit risk in terms of:

a. Target market
b. Client's profile.
c. Credit evaluation criteria
d. Collateral- Guarantees
e. Collection process.
f. Provision Policies (based on expected losses per product).
g. Organizational structure.
h. Information, database and documentation management.

Furthermore, the Company has established different processes for monitoring loans and the collection effort at different levels to facilitate the detection and control of situations that could eventually affect the quality of the loan portfolio. Various reports and indicators are generated to take timely action.

Credit Risk

In 2015 the Company reinforced its credit risk management by setting up a specialized structure for each of the different products, therefore providing a more efficient and controlled monitoring of credit risk.

In the case of Crediuno, the Company reviewed its scoring model and made changes to its credit limit models to include other relevant sociodemographic information.

Similarly, credit limit approval policies from time to time are updated to manage appropriately the different levels of risk. This allowed the Company to further mitigate its credit risk exposure.

In May 2015, the Company launched an additional guaranteed credit card for new and existing clients followed by another new credit card under the VISA franchise during the second half of the year, thus allowing for a greater degree of market penetration. Prior to launching both products the corresponding credit risk analyses were performed and the respective models were put into place to ensure a proper control over the Company's credit risk.

In the case of the TuCrédito product, the Company monitored its scoring model and adjusted the policies set up for the employers with whom it has agreements for payroll deduction, taking into account the behavior patterns of their respective sector and the agreement's performance. This lead to an increase in loan origination while controlling the respective risk exposure. Also as part of the risks area´s periodical reviews, improvements in operating processes were introduced, which have allowed the Company to enhance the administration of its loan portfolio.

As for the CrediPoliza product, the Company continued to monitor its loan origination and monitoring policies to ensure its adequate handling. Similarly, follow-ups were conducted as part of the Risk Committee's monthly meetings, in order to detect any deviations and to establish the corrective measures to be taken.

Furthermore, the Risk Management Department created a new Database Marketing function, whose purpose is to take full advantage of all information available in the databases, analyze information and identify new business strategies to acquire new clients and strengthen the relationships with existing clients. This area also includes a Data warehouse function, which centralizes information on the different products, in order to provide more timely reports and enhance the decision-making process at both a strategic and operating level. This area has also implemented automated processes for marketing campaigns staged for major products, thus deepening the local market penetration.

Risk Committee

CVSC´s Risk Committee performs regular monitoring and defines all those changes or adjustments to be made to the Company's existing policies. This Committee meets on a monthly basis and is comprised of the following Senior Management executives:

a) Chairman.
b) Chief Executive Officer.
c) Chief Risk Management Officer.
d) Chief Collections Officer.
e) Chief Operating Officer
f) Credit Factory Officer.
g) Business Intelligence Manager.
h) Sales Manager.

The Committee enjoys the support of outside experts and specialized consultants who advise on the decisions to be made.

The Company's Risk Committee evaluates all those events representing risks for the Company during the reporting period in question, and proposes solutions and identifies risky situations that could lead to a loss in value of the assets held by CVCS as well as ways of mitigating this exposure.

Loan origination policies

<u>Credit Risk Department</u>

The responsibilities of this area in terms of handling this risk are as follows:

i. Coordinating and controlling the lending process at all stages.

ii. Ensuring that the credit analyses performed comply with the rules, regulations and quality standards set by the Company.

iii. Participating in the process required to define the target market in conjunction with the Sales Department.

iv. Ensuring that credit approvals comply with the risk policy defined and approved by the Company.

v. Informing the rules of the System of Administration of Credit Risk (SARC) to the lending area.

vi. Reviewing the performance and evolution of the Company's loan portfolio.

vii. Triggering red flag alerts with regard to the performance of its functions and coordinating action plans with the Sales teams in order to take actions in the matter identified.

viii. Draw up proposals for the changes to be made to the Company's lending policy whenever these are required.

ix. Coordinating different credit studies on a sectorial level whenever this is considered necessary for the proper control of the inherent credit risk.

x. Analyzing the results obtained from the credit score model along with credit ratings and expected losses.

xi. Define any reports that are deemed necessary for monitoring and controlling the loan portfolio.

Loan Origination Process

In 2015, the origination process for different products was strengthened, thus allowing loan applications to be processed faster, increasing by 29% compared to 2014.

With regard to the Tucrédito product, the use of the imaging tool was extended, thereby enhancing the performance of this line of credit.

These measures improved the Company's response times and the agility to purchase clients´ existing loans with other institutions. In addition, an Express Help Line was set up for streamlining the lending process and providing a timely response to the credit applications received that include the purchase of a client´s existing debt, which has mitigated the barriers set up by entities for conducting portfolio purchases.

This has provided greater efficiency, improving the response times within less than 48 hours from 91% in 2014 to 94% in 2015.

Reprocessing declined from 25% in 2014 to 20% in 2015, due to the joint effort of risk area and the sales force to set up documentary validation controls and policies, given that the sales force is responsible for the first filter on loan applications before these are forwarded to the credit factory.

During the second half of 2015, the Company began the design and set up of its loan originator application (Bizagi). This is a technological tool that shall provide higher efficiency and traceability with regard to the credit factory operations.

With regard to the Crediuno product, in 2015, the total amount of loans processed increased by 45% versus the prior year, and the indicator of applications returned decreased from 7% to just 3%.

During 2015, the Company also began the development of an in-house tool for creating a fully systematic credit factory process, to improve response times from a 12 hour for 77% of all operations, to 6 hours for 50% of the operations. Therefore, today 91% of operations that go through the credit factory process receive a response within a maximum of 24 hours.

For Credipoliza, the Company introduced a new Pre Approved line for clients with revocable policies as well as performance bonds, which has also reduced the Company's response times.

Loan Origination Scoring

CVCS has a scoring model for each of its products targeting individuals, which takes into account all those aspects that could give rise to the risk of default on the part of the applicant. Consequently, this scoring model identifies the relevant variables to ensure the clients are within the Company´s risk profile.

This scoring model includes qualitative and quantitative factors, based on the Company's experience and strategic policies, and the results obtained are continuously analyzed by the Risk Management Department in order to assess the applicability, adequacy and relevance of the variables covered. This analysis is performed at least twice a year.

Loans are approved based on this scoring model, in accordance with the attributions stipulated in the Attribution Appendix.

Fundable activities and general credit conditions

<u>Fundable activities</u>

Credit facilities are provided to clients who fulfill the pre-established risk profiles and who have been properly reviewed and selected. Economic activities like services, retail or manufacturing sectors can also be financed as per specific Company policies.

Terms

Loans granted for different terms or in the target markets defined by the Company are follow the guidelines set by its Board of Directors.

Interest rates

The interest rates charged by the Company are in accordance with that provided by currently applicable legislation, allowing for returns to be obtained based on market rates.

The Company may offer fixed and variable interest rates to its clients, allowing loans to be paid amortizing with: variable installments/fixed tenor, fixed installments/variable tenor, increasing or decreasing installments, extraordinary repayments, grace periods, etc.

Insurance

<u>Life insurance</u>

All loans issued by the Company to private individuals, carry a life insurance, whereby the insurance company undertakes to pay the insured value of the policy upon the death or permanent disability of any of the persons covered, to those beneficiaries listed at the issuance of the insurance policy, upon payment of the respective premium.

Guarantees

Comprised of the promissory note and letter of instruction signed by the Client. A Guarantee commission is structured based on the following parameters:

I. Clients with no credit history: 100% of these clients have an undifferentiated guarantee commission charge.

II. Clients with credit history:

- Low risk profiles are not charged a guarantee commission.

- Mid-high risk profiles: 100% of clients have a undifferentiated guarantee commission charge.

29.2 Liquidity Risk

Credivalores Crediservicios S.A.S., aware of the importance of properly managing its liquidity and the risk to which it is exposed in terms of its financial activities. In keeping with its business model, the Company upholds basic guidelines for mitigating such risk.

These guidelines allow the Company to properly manage its funding thus ensuring the levels of liquidity needed in order to carry out its business activities.

Liquidity levels indicate how the Company can efficiently perform its activities, by providing an overview of its financial position, and showing the returns and profitability of the business. On its cash flow statements, the Company's reveals it current financial position, as it measures liquidity levels, showing the Company´s inflows and outflows of cash.

The Company identifies its liquidity risk based on the markets in which it operates as well as the products and services offered to its clients, this based on their specific characteristics. In order to handle its liquidity risk the Company analyzes its cash management and treausury areas so as to be able to design controls and strategies for mitigating the Company's exposure to this type of risk.

The Company's Liquidity and Market Risk Manual covers aspects such as:

a. Balance sheet liquidity.
b. Net liquidity gap
c. Liquidity risk management.
d. Liquidity level (risk exposure, measurement and limits).
e. Control and monitoring.
f. Contingency funding plan.
g. Funding structure.
h. Procedure for Handling Liquidity Risk Exposure.
i. Exchange Risk Management.

Measurements of liquidity risk are monitored by the Finance Committee and the results are reported to the Board of Directors on a monthly basis.

Loan recoveries

During 2015 the Company strengthen its collection management and loan recovery functions. Specialized consultancy services were commissioned for the Company's portfolio management and administrative functions as well as for its centralized operating processes.

In order to take full advantage of the expertise and knowledge of its team, the collection function was divided up based on the lending terms of the portfolio past due. The portfolio past due was divided between maturities of one hundred and eighty days or less (<= 180) and one hundred and eighty days or more (=> 180) which gave rise to a better structuring and targeting of the collection method used. This allowed the Company to build a more robust collection structure, based on cross-cutting processes, thus allowing for a greater degree of specialization per type of product.

These changes led to: i) improvements in the monitoring of executives in charge of the collections, with emphasis on their performance, productivity and negotiation skills; ii) higher, more dynamic turnover in the assigned portfolios as well as iii) new prevention campaigns where clients are contacted early on in the default period, and even when these are up-to-date on their payments, depending on their corresponding risk profile.

The Company also implemented a new monitoring and training area, with which it began to formally monitor the collection function for the Contact Center, this based on good collection practices and backed by a comprehensive training program that provides real-time support and coaching for our sales personnel, thereby encouraging all-round improvement.

Also operating controls were optimized with the creation of the new Collection Department, thereby assuring the back-up collection management processes.

29.3. Operational risk

Credivalores Crediservicios S.A.S., upon adopting best business practices, has implemented its own Operating Risk Management System given the importance of properly handling this type of risk in achieving its strategic objectives.

The Operating Risk Management System is based on proactively handling this type of risk and minimizing possible losses in this regard in accordance with international standards (Basel II and AS / NS4360), ISO 31000, Technical Quality Standard 5254.

This system enables risk to be managed in a systematic, organized and comprehensive manner, with all the elements required for properly identifying, measuring, controlling and monitoring this type of exposure, as listed below:

a. Organizational structure: policies, manuals and procedures.
b. Technology platform: documentation, operating risk event logging.
c. Governing bodies: disseminating information.
d. Training: Company officers

The Company's Operating Risk Management Manual covers items such as:

a. General guidelines (compliance, data collection and event logging, controls and risk profile, business continuity plans, third party procedures).
b. Organizational structure.
c. Operating Risk Management System
d. Operating risk analyses.
e. Evaluating the effectiveness of the controls thus implemented.
f. Risk assessments.
g. Operating risk event logging.

Two deployment cycles were staged in 2015 with regard to the Operating Risk Management System which allowed the Company to identify, measure, control and monitor operating risks so as to be able to draw up a profile of the Company's inherent and residual risk.

Furthermore, the Operating Risk Management area designed and implemented an annual training plan for all of the Company´s officers so as to be able to extend a risk management culture throughout the organization, in compliance with that stipulated in currently applicable legislation.

With regard to the Internal Control System, training sessions were given to all the Company's staff for the purpose of disseminating a greater awareness of the importance of individual self-regulation, self-management and self-control for a greater degree of efficiency and effectiveness while reducing the possibility of fraudulent activities being carried out.

In 2015, the Operating Risk Management Department continued to focus on identifying and drawing up action plans for monitoring, mitigating and treating all types of operating risk in order to ensure the integrity of the Company's business processes.

Also, these operating risk management initiatives were applied in stages to all those procedures carried out by the Company, thus closing all those gaps previously identified by outside oversight agencies.

This approach to a more optimum operating risk management was based on cementing an operating risk culture on all levels of the Organization, for which awareness campaigns were conducted through the Company's Intranet. Also the Operating Risk Management training program was launched through our e-learning platform and talks were given by designated risk management officers and new staff had to formally declare that they had read and were fully cognizant of the Company's Operating Risk Management Manual at year-end 2015. A 96% compliance rate had been reached with the aforementioned activities.

Also at year-end 2015, the Company´s operating risks had been fully identified, measured and controlled as part of the Risk Analysis Matrices drawn up for a total of 11 processes identifying a total of 358 operating risks and drawing up 47 risk matrices.

41% of all operating risks thus identified are associated with the "people" factor; 38% the "process" factor; 11% "IT" factor and 10% "external" risk factor.

Based on the information collated for each of the Operating Risk Management stages carried out, the assurance stage began in Q4, 2015. Involving the Company's Auditing Department, which is responsible for the Company's internal controls.

The Operating Risk Management Department also continued to log operating risk events in order to establish and classify the causes and define the corresponding action plans in conjunction with Risk Management Officers and Process Leaders.

Business Continuity

Regarding the Company's Business Continuity Planning in 2014 plans were drawn up and documented to ensure the continuity of all those operations considered critical, as well as to protect the integrity and security of its business information.

The Company shall continue with the plans scheduled in this regard for 2016 disclosing and evaluating through regular tests in order to minimize the effect of events that could have a disruptive effect on the Company´s operations.

Information Security

The Company has its own Information Security area which is in charge of closing gaps pertaining to the corresponding risk. Upon ensuring compliance with regulatory requirements the Company carries out vulnerability analyses, whose results are assessed and managed by implementing the corrective measures required.

Operating risk policies

Credivalores Crediservicios S.A.S. has focused its operating risk management function on developing and implementing plans and projects relating to the optimum handling of this type of risk, in order to ensure the integrity of its business processes and its ability to maintain a reliable and permanently available client care service, this in order to achieve its strategic objectives.

Stages of the operating risk management function:

I. Risk Identification Policies (Context)

a. Internal or external

a. When new products are launched or existing ones redefined, the Company's follows all those guidelines set out in its Operating Risk Management Manual, which must again be checked in the event that these products are exposed to operating and legal risks.

b. Operating and legal risks have been identified with regard to all of the Company's processes using the methodology defined by the Operating Risk Management area.

c. In the case of each of these processes the risk factors to which the Company is exposed must be thoroughly identified as well as the different events that could entail losses for the Company.

d. The different types of loss must also be identified on an individual process level based on the methodology and policies deployed in the

Risk Management Department and specifically by the Operating Risk Management area.

Policies for Measuring Risk

a. Measurements must be taken of all operating risks using the operating risk methodologies defined by the Company.

b. Qualitative and / or quantitative measurements are to be performed on the more critical risks using indicators that reflect both the impact the frequency of the corresponding risk exposure. Also compliance with the limits set must also be permanently measured

c. All operating losses incurred must be documented in accordance with the established methodology.

d. All events that could entail some kind of operating risk must be logged. This for the purpose of creating a historical loss analysis to facilitate calculating the capital required for each of the Company's lines of business.

		Criteria	
Scale	**Level**	**Possibility**	**Frequency**
0,25	Sligthtly Probable	The event can happen in exceptional circumstances	In average the event would be presented once a year
0,5	Probable	Very little probability that the event happens	In average the event would be presented four times a year
0,75	Very Probable	Is posble that the event happens	In average the event would be presented twelve times a year
1	Almost Sure	High possibility that the event happens many times	In average the event would be presented more twelve times a year

The impact of an operating risk event is measured using the following scale and criteria by level of impact:

- Financial impact.
- Impact on the Company's reputation.
- Legal impact.
- Impact on clients.

		Impact			
		Minor	Moderated	Important	Catastrophic
Probability		1	2	3	4
Almost Sure	1	Middle	High	Extreme	Extreme
Very Probable	0,75	Middle	Middle	High	Extreme
Probable	0,5	Low	Middle	Middle	High
Sligthtly Probable	0,25	Low	Low	Middle	High

II. Risk Assessment Policies

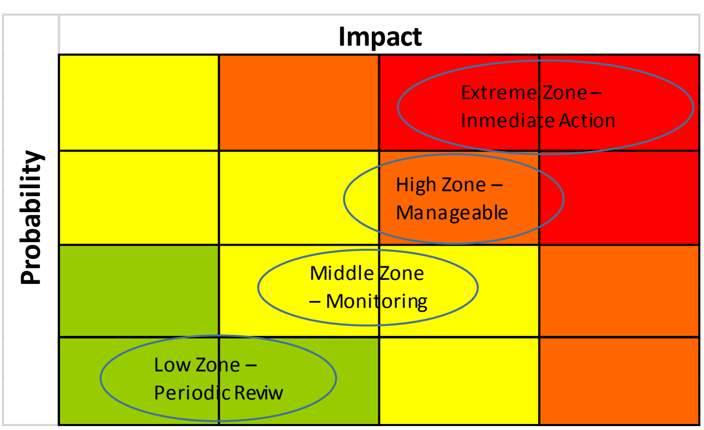
Based on the frequency defined for each operating and legal risk indicator, the implications of the pattern and timeline of the risk involved are duly analyzed in order to trigger alerts and provide other information for the decision making process this in terms of the relevance and effectiveness of the established controls and any special situation that should arise.

The Delphi technique is used which calls upon the judgment of experts in the corresponding areas or processes, which is supplemented with the advice of the Operating Risk Management officers.

III. Policies for Monitoring Risk Models

a. Internally developed measurement methodologies are periodically reviewed. This allows the Company to compare what is happening in reality with the results obtained from the methodology applied during a set period of time.

b. Regular monitoring of these risk measurements is performed in order to identify certain patterns and make the necessary adjustments.



IV. Risk Control Policies

Legal aspects:

a. The Legal Department is involved with the structuring of new products and in defining procedures for the legalization of these same.

b. All transactions must be performed by means of an agreement, which must comply with all applicable legislation as well as with the Company's own policies and regulations.

c. Every effort is made to ensure that the persons authorized to perform said transactions or negotiate on behalf of the Company have the legal knowledge required to carry out these procedures safely.

d. Agreements are only signed when they have been previously checked by the Legal Department.

Information Security:

All processes have their own access and information controls in accordance with the guidelines established by the Operations and Technology Department.

Processes:

a. All critical processes are defined and documented to ensure that contingency plans can be deployed to ensure the Company's ongoing business continuity.

b. Periodic tallyings, closings, reconciliations and cash counts are carried out with regard to each of the processes so as to ensure the utmost quality, timeliness, integrity and validity.

c. The Company has implemented clear and consistent lines of authority, separation of duties and standards of conduct that are of mandatory compliance for all the Company's personnel.

d. All procedures are documented and disseminated among all personnel involved.

e. The different Company areas are actively involved in all stages of the Operating Risk Management function in coordination with the Operating

Risk Management area.

Action plans:

All risks that are identified as critical or significant have their own mitigation action plans that have been specially designed and implemented to combat such. These plans must be executed and strictly followed by the area where the risk was identified.

This allows for a more effective monitoring of the Company´s objectives and the risk mitigation action plans consequently deployed.

29.4 Market Risk

Market risk is defined as the risk of changes to market prices, for example exchange rates, interest rates or stock prices, thereby affecting the Company's income or the value of the financial instruments it holds. The purpose of managing market risk is to control the Company's exposure in this regard, maintaining this within acceptable parameters, while optimizing the rates of return obtained.

The Company purchases derivatives and also incurs in financial obligations in order to manage its market risk. All these transactions are valued according to the guidelines set out by the Company's Risk Committee. For 2016, the Company, expects to apply hedge accounting to mitigate the effect of market volatility on its results.

Given the nature of the operations performed by the Cash Management/Treasruy Department, the Company's only market risk exposure is through its collective portfolio module with positions recorded on the Cash Management Ledger, which correspond to trust arrangements.

Market Risk Management Policies and Objectives

<u>Objective</u>

The Company's excess liquidity is mainly handled in the form of sight deposits placed with financial institutions, interbank active trading operations, and interests in collective portfolios, all of this based on the guidelines set out in the Company's Market and Liquidity Management Manual.

I. Risk Management Policies

The purpose of gauging market risk is to identify the risks to which the Company is exposed given the positions taken in its Cash Management ledger. Also taking into account the positions taken in its banking book that are related to the exchange rate.

Trust arrangements and investments must be assessed on a daily basis using the methodology set out in Chapter I of the Basic Accounting Circular. This process is monitored and analyzed by the Auditing and Risk Management Departments, so as to ensure that all transactions are properly valued on the Company's financial statements.

Its level of exposure to market risk is monitored by the Risk Management Department and report to the Board of Directors and Senior Management.

i. Exchange rate risk

For the years 2013 and 2014, given the appreciation of the dollar against the Colombian peso, financial instruments such as Deliverable and Non Deliverable Forwards were used to hedge the Company´s currency exposure in terms of both dollar-denominated principal and interest. At the end of 2014 a portion of the debt denominated in foreign currency debt was left unhedged.

A hedging program was deployed in March 2015, to cover the portion of foreign currency denominated debt that was unhedged. At the end of the reporting period, 90% of the principal outstanding in foreign currency was hedged. For hedging purposes, Credivalores uses Deliverable and Non Deliverable Forwards taken out with local financial institutions, typically until the maturity date of the underlying financing.

Forwards are valued at market price using the discounted cash flow method. For each financial instrument (derivative), a future right and obligation was calculated, as applicable, which were discounted at a market rate. The effect of the valuation was recorded in the income accounts.

Beginning in 2016, after taking into account the fluctuations with the US dollar over the last two years and in particular the increasing devaluation of the Colombian peso, the Company implemented the following technical recognition criteria, for mitigating the exchange rate effect on its Income Statement:

a) At least one third of the principal due is to be hedged or subject to hedging arrangements at the moment when the transaction is completed (when the funds received are monetized); another third is hedged over the following two weeks and the remaining third during the fourth week.

b) In the case of interest due the following interest payments shall be always hedged.

c) Local financial institutions have granted credit lines for hedging operations.

ii. Risk of money laundering and the financing of terrorism

Credivalores Crediservicios S.A.S., upon adopting best business practices, has implemented its own Self-Regulating System with regard to managing the risk of Money Laundering and the Financing of Terrorism (ML/FT) since it is aware of the threat this poses to the stability of the world-wide financial system and the integrity of global markets along with the networks used for managing such resources.

These facts highlight the importance and precedence given to combating this type of risk, in accordance with international standards and local regulations as stipulated by the oversight authorities as part of a comprehensive and proactive approach to risk management.

This self-regulating and risk management system enables the Company to analyze its exposure to this risk, according to the characteristics of its business, products, geographical presence, among other aspects that are important for Credivalores Crediservicios S.A.S. In order to avoid dealing with any assets relating to asset laundering or the financing of terrorism through policies, guidelines and tools that have been specially designed to mitigate this risk.

The Company's AL/FT Manual covers topics such as:

a. General guidelines (employees, suppliers, clients).
b. Organizational structure.
c. The Self-Regulating and ML/FT Risk Management System (PEPs, employees, suppliers, clients, analyses of unusual transactions and suspicious operations).
d. Tools for the Prevention and Control of Money Laundering Reporting information.

CVCS has designed and adopted a comprehensive Risk Management System for Money Laundering and the Financing of Terrorism, based on the Company's operations, risk exposure and size, in accordance with that stipulated by the Colombian Superintendency of Corporations in Regulation 100-00005 issued in 2014, as well as other best practices and recommendations on a global level.

Risk of Money Laundering and Financing of Terrorism - ML/FT

In 2015 the Company continued to enhance its Self-Regulating and ML/FT Risk Management System, by aligning it to the best practices adopted by the finance sector as well as to those stipulated in External Circular 100 -00 005 issued by the Colombian Superintendency of Corporations.

Credivalores focuses its handling of the risk of money laundering and the financing of terrorism through developing and implementing preventive measures to control it and to ensure that all its staff, clients, partners, shareholders and suppliers are not in any way connected to activities that could give rise to this risk. Guidelines were also drawn up for the Company's staff, clients, suppliers, partners and shareholders.

During the second half of 2015, and in order to prevent the risk of money laundering and the financing of terrorism, the Company upgraded its SENTINEL tool version 7.0, which automatically updates the blacklists used by the Company (OFAC, UN as well as others), triggers alerts for matches detected with the daily update lists and performs monthly sweeps of clients, employees, suppliers, shareholders and investors.

In order to help cement an ML/FT culture within the Company in Q3 2015, a special training program was deployed on all levels through the e-learning platform. This training was also included in the Company´s induction programs and new staff were certified for having assimilated the ML/FT manual producing a compliance rate of 96%.

In 2015 the ML/FT area submitted quarterly reports to the Board of Directors regarding the management and prevention of the ML/FT risk. The ML/FT area also reported to the oversight authorities whenever required.

The Company’s residual risk profile with regard to its exposure to ML/FT risk through counter parties, distribution channels, jurisdictions and products is low to medium, which reflects the effectiveness of the controls used to mitigate such risk.

29.5 Legal Risk:

The Company enters into different types of contracts and agreements in the normal course of its business. These controls are thoroughly reviewed by the Legal Department before being signed by the legal representative to ensure that the corresponding negotiations were conducted legally, economically and in good faith.

The Company’s lending transactions are usually formally executed by means of contractual agreements in strict compliance with applicable legislation and the Company’s own policies. Senior Management is not aware of any situation that could possible violate current legal provisions or the Company’s own internal policies.

Note 30. Internal Control System

CVCS has an internal control system that has been designed according to the guidelines established in the rules and regulations issued by the Colombian Superintendency of Corporations and obey principles of self-management, self-control and self-regulation.

This system has been implemented in order to ensure that the Company's operations, as well as its reporting mechanisms and monitoring and control functions comply with current legislation., thus enabling the Company to achieve the objectives set in terms of the effectiveness and efficiency of its processes, ensuring the adequacy and reliability of all financial and accounting information together with appropriate levels of risk management while preventing fraud.

Corporate Governance

Credivalores Crediservicios S.A.S., decided to adopt as a best practice, good governance practices and mechanisms which have been formally documented in the Company´s Code of Corporate Governance. This regulates all those aspects relating to controlling the activities of the Company´s managers and senior executives and established rules of conduct for shareholders. Furthermore, mechanisms have been laid on for managing and disclosing conflicts of interest arising within the Organization and involving shareholders, directors, managers, senior executives and other officers.

Note 31. Board of Directors and Senior Management

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

The Board of Directors, as well as the Board´s Audit and Risk Management Committees among others, based on their individual proficiencies and attributions, are in charge of defining the policies and profiles for the various risks to which the Company is exposed while approving transaction limits

The Company's Risk Management Policy was issued by the Board of Directors and comprehensively addresses the handling of all those risks inherent to the Company's activities.

The different Internal Control Committees or Departments are responsible for identifying, assessing, managing and controlling the risks inherent to the

Notes to the separate financial statements at December 31, 2015, December 31, 2014 and January 1, 2014 (Stated in millions of pesos, unless otherwise stated).

Company's different lines of business. The primary objective is to minimize these through proper control and monitoring.

The policies issued by Senior Management, including those relating to risk management, have been duly analyzed and the scope of each has been clearly defined.

The Board of Directors and / or Senior Management receive regular reports on the risk positions taken, which contain clear, concise, timely and accurate information.

The Board of Directors is made aware of and is responsible for approving transactions with related parties when and as required, and are informed of all those operations whose value warrants the Board´s attention.

31.1 Related party transactions

Controller and primary controller

At year-end 2015 the remaining shares belonging to the minority shareholders of Microfinanzas y Desarrollo S.A.S,. currently being wound up, were acquired by the Company (CVCS). As a result CVCS has gone from being the main controlling entity to full ownership and as a result ordered this Company to be wound up.

Accounts receivable and / or loans due from related parties

CREDIVALORES CREDISERVICIOS S.A.S RECEIVABLES OR LOANS DUE FROM PARTNERS OR SHAREHOLDERS - 2014				
Name	**Opening balance**	**Debited Amounts**	**Credited Amounts**	**Closing balance**
ACCOUNTS RECEIVABLE				
PARTNERS AND SHAREHOLDERS				
SHAREHOLDERS				
SHAREHOLDERS				
ACON CONSUMER FINANCE HOLDING S. DE R.L	1,05	-	534	516
CREDIHOLDING S.A.S.	1,166	**649**	**-**	**1,815**

Accounts receivable and / or loans due from partners - 2015

Notes to the separate financial statements at December 31, 2015, December 31, 2014 and January 1, 2014 (Stated in millions of pesos, unless otherwise stated).

CREDIVALORES CREDISERVICIOS S.A.S. RECEIVABLES OR LOANS DUE FROM PARTNERS OR SHAREHOLDERS - 2015				
Name	**Opening balance**	**Debited Amounts**	**Credited Amounts**	**Closing balance**
ACCOUNTS RECEIVABLE PARTNERS AND SHAREHOLDERS	**1,825**	**-**	**-**	**1,825**
SHAREHOLDERS	**1,825**	**-**	**-**	**1,825**
SHAREHOLDERS	**1,825**	**-**	**-**	**1,825**
CREDIHOLDING S.A.S.	1,815	-	-	1,815
ACON CONSUMER FINANCE HOLDINGS S. DE R	9	-	-	9

Accounts receivable and / or loans due from key management personnel

The following is the pay scale corresponding to key personnel:

Credivalores Crediservicios S.A.S. Annual Salaries (2015 - 2014)		
Range	**Salaries**	**Discretional Bonuses**
Less than 1,000,000		
1,000,001 - 20,000,000		
20,000,001 - 50,000,000	1	1
50,000,001 - 100,000,000	1	
> 100,000,000	1	

31.2. Capital Maintenance

As a fundamental part of its strategy the Company is firmly committed to maintaining a policy of financial prudence. The Company´s targeted financial structure is based on this firm commitment to maintaining good solvency and BVPS indicators.

The targeted financial structure is defined by taking into account two fundamental factors, the solvency margin defined as technical capital divided by risk weighted assets and BVPS is understood as equity divided by the amount of shares outstanding.

Upon preparing and presenting these financial statements the materiality of the amounts recorded is determined in terms of total assets, current and non-current assets, total liabilities, current and non-current liabilities and equity or income for the year as appropriate. Generally speaking, any item that exceeds 5% of the total aforementioned groups is considered to be material.

Notes to the separate financial statements at December 31, 2015, December 31, 2014 and January 1, 2014 (Stated in millions of pesos, unless otherwise stated).

Scale	Level	Financial impact
1	Low	Losses are incurred or earnings are forgone for amounts not exceeding COP 300 million
2	Moderate	Losses are incurred or earnings are forgone for amounts not exceeding COP 1000 million
3	Important	Losses are incurred or earnings are forgone for amounts not exceeding COP 2000 million
4	Catastrophic	Losses are incurred or earnings are forgone for amounts not exceeding COP 5500 million

32. Events After The Reporting Period

As of December 31, 2015 there have been no events or incidents of any significance which could have substantially affected the Company´s legal standing, financial position or results.

Management decided to put up for sale its interest in ASFICOR S.A., which complies with the conditions to be considered a non-current asset held for sale, therefore, the financial statements are presented on a separate basis, as opposed to consolidated.

Shareholder	**Issued Shares**	**$**	**%**
Credivalores-Crediservicios S.A.s	2,500,000	$2,500,000	100%
Total	**2,500,000**	**$2,500,000**	**100%**