Credivalores - Crediservicios S. A. S.
Financial statements

For the years ended December 31, 2016 and 2015

Independent auditor's report

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

July 10, 2017

We have audited the accompanying financial statements of Credivalores Crediservicios S.A.S., which comprise the statement of financial position as at December 31, 2016 and the statements of income, other 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's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting and financial reporting standards accepted in Colombia, 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.

Auditor's responsibility

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 accepted in Colombia. 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.

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, 2016, and its financial performance and its cash flows for the year then ended in accordance with accounting and financial reporting standards accepted in Colombia.

/s/ PricewaterhouseCoopers Ltda.
Bogota, Colombia
July 10, 2017

TABLE OF CONTENTS

CREDIVALORES CREDISERVICIOS S. A. S.
STATEMENT OF FINANCIAL POSITION
BY ORDER OF LIQUIDITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Stated in millions of Colombian pesos)

	Notes	December 31, 2016	December 31, 2015
Assets			
Cash and cash equivalents	**8**	**122,964**	**110,078**
Financial Assets at fair value through profit or lost			
Equity Instruments	9	20,958	24,192
Derivatives Instruments	15	817	12,478
Loan portfolio	11	4,380	12,625
Total financial assets at fair value		**26,155**	**49,295**
Financial Assets at amortized cost	11		
Loan portfolio, net			
Consumer loans		1,044,230	819,497
Microcredit loans		14,835	40,933
Impairment		(105,191)	(85,944)
Total Loan portfolio, net		**953,874**	**774,486**
Accounts receivable, net	**12**	**189,482**	**126,618**
Total Financial Assets at amortized cost		**1,143,356**	**901,104**
Investments in Associates and Affiliates	10	9,408	31,240
Current tax assets		2,799	13
Deferred tax assets, net	20	13,982	5,764
Property, plant and equipment, net	13	1,017	1,462
Intangible assets other than goodwill, net	14	28,836	26,904
Total assets		**1,348,517**	**1,125,860**
Liabilities and equity			
Liabilities:			
Financial Liabilities at fair value			**-**
Derivative instruments	15	16,958	-
Total Financial Liabilities at fair value		**16,958**	-
Financial Liabilities At amortized cost			
Financial obligations	16	1,084,974	806,886
Total Financial Liabilities At amortized cost		**1,084,974**	**806,886**
Employee benefits	17	1,198	1,459
Other provisions	18	1,021	1,975
Accounts payable	19	47,633	83,746
Current tax liabilities	20	4,503	3,368
Other liabilities	21	3,107	52,475
Total liabilities		**1,159,394**	**949,909**
Equity:	22		
Share capital		104,989	104,989
Reserves		5,814	5,814
Additional paid-in capital		20,842	20,842
Other Comprehensive Income (OCI)		(3,744)	284
Retained earnings		44,022	10,097
Earnings for the period		17,200	33,925
Total equity		**189,123**	**175,951**
Total liabilities and equity		**1,348,517**	**1,125,860**

See attached notes,

CREDIVALORES CREDISERVICIOS S. A. S.
STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Stated in millions of Colombian pesos)

	Notes	December 31, 2016	December 31, 2015
Interest Income and similar	23	269,013	235,503
Financial costs interest		(126,222)	(56,116)
Net Interest and similars		**142,791**	**179,387**
Impairment of financial assets loan portfolio	11	(23,261)	(27,603)
Gains on operating activities		**119,530**	**151,784**
Financial income			
Exchange Rate differences		10,980	-
Forward valuation		-	42,903
Loan portfolio impairment recoveries	11	558	1,574
Financial income		294	(70)
Total Financial income		**11,832**	**44,407**
Financial costs			
Exchange Rate differences		-	(2,860)
Forward valuation		(14,615)	-
Total Financial costs		**(14,615)**	**(2,860)**
Other income	24	**9,553**	**353**
Other expenses			
Employee Benefits		(20,005)	(34,838)
Expense for depreciation and amortization	13-14	(3,824)	(1,609)
Other	25	(79,041)	(119,519)
Total Other expenses		**(102,870)**	**(155,966)**
Net Income before income tax		**23,430**	**37,718**
Income tax	20	(6,230)	(3,793)
Year-end net income		**17,200**	**33,925**
Net earnings per share	22	**4,948**	**9,759**

CREDIVALORES CREDISERVICIOS S. A. S.
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Stated in millions of Colombian pesos)

	Notes	December 31, 2016	December 31, 2015
Net income for the year		**17,200**	**33,925**
Other comprehensive income			
Items that may be or are reclassified to profit or loss			
Hedging of financial obligations:			
Unrealized gains (losses) from hedging cash flow, before taxes	**20**	(8,060)	-
Investments accounted by equity method	**9**	808	4
Income tax	**20**	3,224	**-**
Total other comprehensive income for the period		**(4,028)**	**4**
Total other comprehensive income		**13,172**	**33,929**

See attached notes.

CREDIVALORES CREDISERVICIOS S. A. S.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Stated in millions of Colombian pesos)

	Share capital	Additional paid-in capital	Reserves	Other Comprehensive Income (OCI)	Retained Earnings	Earnings for the period	Total
Balance held at December 31, 2014	96,317	20,214	3,773	280	(20,206)	32,344	132,722
Appropriation of earnings	–	–	2,041	–	30,303	(32,344)	-
Capitalization	8,672	628	–	–	–	–	9,300
Increases (decrease) other comprehensive income	-	-	-	4	-	-	4
Year-end net income	-	–	–	–	–	33,925	33,925
Balance held at December 31, 2015	104,989	20,842	5,814	284	10,097	33,925	175,951
Appropriation of earnings	–	–	-	–	33,925	(33,925)	-
Increases (decrease) other comprehensive income	–	–	–	(4,028)	–	-	(4,028)
Year-end net income	-	–	–	–	–	17,200	17,200
Balance held at December 31, 2016	**104,989**	**20,842**	**5,814**	**(3,744)**	**44,022**	**17,200**	**189,123**

See attached notes,

CREDIVALORES CREDISERVICIOS S. A. S.
STATEMENT OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Stated in millions of Colombian pesos)

	Notes	December,31 2016	December,31 2015
Cash flows from operating activities			
Net income before taxes		17,200	33,925
Reconciliation of net income before taxes and net cash provided by (used in) operating activities:			
Depreciation of tangible assets	13	1,043	1,553
Amortization of intangible assets	14	2,781	56
Allowance for impairment of loans	11	23,261	27,603
Charge-off for impairment of loans	11	(558)	(1,574)
Impairment of investments	10	-	413
Fair value adjustments to derivative financial instruments		20,560	(12,478)
Equity method	10	145	167
Income tax expense	20	6,231	3,793
Fair value adjustments to financial assets		8,246	22,170
Foreign exchange gains (losses)		429	1,757
Changes in operating assets and liabilities:			
Decrease (increase) in loans		(202,091)	(254,770)
Decrease (increase) in accounts receivables		(41,932)	(42,192)
Increase (decrease) in accounts payable		(36,113)	32,701
Increase (decrease) in employee benefits		(261)	114
Increase (decrease) in provisions		(954)	(262)
Increase (decrease) in other liabilities		(49,370)	22,511
Income tax payment		(12,876)	(8,509)
Net cash provided by (used in) operating activities		**(264,259)**	**(173,022)**
Cash flows from investing activities:			
Decrease in investments of Mutual Funds		3,234	9,242
Sale (Increase) of investments in associates		1,134	(18,807)
Acquisition of own - use property plant and equipment		(598)	(1,652)
Additions of other intangible assets		(4,713)	(26,643)
Net cash used in investing activities		**(943)**	**(37,860)**
Cash flows from financing activities:			
Issuance of financial obligations		820,206	1,742,006
Payment of financial obligations		(542,118)	(1,513,489)
Issuance of common shares		-	9,300
Net cash provided by financing activities		**278,088**	**237,817**
(Decrease) Increase in cash and cash equivalents		**12,886**	**26,935**
Cash and cash equivalents at beginning of year		110,078	83,143
Cash and cash equivalents at end of year		**122,964**	**110,078**

NOTE 1 - REPORTING COMPANY

Credivalores Crediservicios S.A.S (hereinafter the "Company or "CVCS"), is a simplified joint stock company registered for business in Bogotá - Colombia, located at Cra. 10 No. 6598 P 4, and website 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.

The merger of two companies, Crediservicios S.A. and Credivalores S.A. was registered by means of Public Deed No. 4532 of December 12, 2008.

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

This merger agreement was reported to the Colombian Superintendency of Industry and Commerce, which did not 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 Crediservicios 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.

By means of Minutes No. 16 dated February 23, 2010 corresponding to a meeting of the General Meeting of Shareholders, which was duly registered before the Chamber of Commerce on March 19, 2010; the Company became a simplified joint stock company under the name of Credivalores Crediservicios S.A.S. under Registration Number 3074 of Book IX.

Its business purpose consists of granting consumer loans, including payroll deduction loans, to private individuals or legal entities using both its own funds and other financing arrangements permitted by law. In carrying out these activities the Company may:

a) Perform risk assessments,

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

c) Purchase and sell loans, credit instruments, securities and loan portfolios,

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

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

Perform any other activities that are required as part of the Company's normal course of business such as: (i) acquiring, encumbering, limiting the domain or disposing of fixed assets (ii) acquiring and using trade names, logos, trademarks and other industrial property rights; (iii) investing in existing companies or creating new ones provided these conduct the same or similar business activities as the Company or that should relate in any way to its own corporate purpose; (iv) entering into partnerships or contracts with third parties to carry out its corporate purpose; and (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 is prohibited from raising money through large-scale and regular deposits from individuals, complying with the stipulations in the current regulations. 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, nor is it allowed to carry out brokerage of instruments registered with the Colombian National Registry of Securities and Issuers (RNVE – REGISTRO NACIONAL DE VALORES Y EMISORES).

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

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

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Compliance Statement

The Financial Statements of Credivalores Crediservicios S.A.S. have been prepared in line with the Financial Reporting and Accounting Standards accepted in Colombia FRAS COL established by Law 1314 of 2009, regulated by Regulatory Decree 2420 of 2015, modified by Decree 2496 of 2015. These Financial Reporting and Accounting Standards correspond to the International Financial Reporting Standards (IFRS), officially translated and authorized by the International Accounting Standards Board (IASB) on December 31, 2012.

Law 1314 of July 13, 2009 regulated the financial reporting, accounting and data security standards and principles accepted in Colombia and identified competent authorities, established the procedure for issuing the standards and determined the entities responsible for monitoring compliance. This law was regulated by means of the following decrees:

a) 2784 of December 28, 2012
b) 1851 of August 29, 2013
c) 3023 of December 27, 2013
d) 2267 of November 11, 2014

At January 1, 2016, the regulatory framework contained in the appendix to Decree 2784 of December 28, 2012 and Decree 3023 of December 27, 2013 was repealed and Decree 2615 of December 17, 2014 applies. Said decree contains the International Financial Reporting and Accounting Standards effective at December 31, 2013 and their corresponding amendments issued by the International Accounting Standards Board (IASB).

Credivalores Crediservicios S.A.S. reports comparative information from the immediately previous period for all values included in the current period's financial statements and includes comparative explanations when necessary to ensure the current period's financial statements are understandable.

The main accounting policies applied in preparing the financial statements as of December 31, 2016 and 2015, are as follows:

2.2 Basis of preparation Financial Statements

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 to present a complete set of financial statements comprising:

<u>Statement of Financial Position:</u>

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

<u>Statement of Comprehensive Income and other comprehensive income (OCI)</u>

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

<u>Statement of Changes in Equity</u>

This statement of changes in equity shows the results for the reporting period: 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 by equity investors.

<u>Statement of Cash Flows:</u>

The 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 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 loss or profit 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. Financing activities: These include all financing activities, related to funding from financial institutions, capital markets and shareholders among others

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

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

The statement of cash flows is used to measure liquidity and by showing cash inflows and outflows it describes the Company's real financial position. It also allows to maintain a liquidity balance in terms of income and expense to 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 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. To comply with this stage the Company assesses the liquidity risk related to its treasury to design controls and strategies in the metrics of the statement of financial position, liquidity gap, and contractual and projected flows to mitigate any liquidity or funding risk. Thus, it quantifies 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.

2.4 Basis of Measurement

The 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.

Items included in the Company's 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. 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.

NOTE 3. JUDGMENTS AND CRITICAL ACCOUNTING ESTIMATES IN THE APPLICATION OF ACCOUNTING POLICIES

Preparing financial statements in accordance to the IFRAS-COL requires Management to make certain estimates and assumptions that affect the amount of assets, liabilities, income and expenses reported during the period.

Credivalores Crediservicios S.A.S. will disclose the nature and amounts of changes in accounting estimates that are significant and that affect the current period or that are expected to any impact in future periods. Information about the effect on future periods will not be disclosed if estimating the effect is impractical.

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

3.1 Financial Assets Business Model

Credivalores Crediservicios S.A.S.'s business model is based on granting consumer loans quickly through innovative products to middle or low income segments that are not served by the traditional financial system.

The Company has developed a diversified platform with collection channels designed to minimize the risk of default and optimize the quality of its loan portfolio (minimize NPL), including: payroll deduction loans (discounted from payroll payments), credit card (collecting via public utilities bills), and financing for insurance policy premiums (revocable insurance where the insurer returns the portion of the premium that was not used in case of default).

The business model focuses on building alliances and agreements for origination and distribution of each one of our products, thus guaranteeing growth. The company has more than 720 agreements with employers that can issue payroll loans, exclusive agreements with public utility companies for invoicing and collecting via credit card, and alliances with third parties and insurers for the origination of the Credipoliza product.

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

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

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

The entity applies meaningful judgements to determine its business model to manage financial assets and to evaluate if the financial assets comply with the conditions established in the business model so they can be classified at fair value or at amortized cost. According to the aforementioned, some financial assets have been classified in investments at fair value and others at amortized cost. According to the business model the financial assets at amortized cost can be sold only in limited circumstances, such as when there are infrequent transactions, adjustments are made to the maturity structure of its assets and liabilities, when it is necessary to finance significant capital disbursements and when there are seasonal liquidity needs.

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

<u>Financial Assets at fair value</u>

According to its business model the Company has determined that Tucredito payroll deduction loans will be measured at fair value when they meet the following conditions:

1. Maximum term of 90 days as of the date of origination.

2. Highest rating based on its compliance score.

<u>Financial Assets at amortized cost (*)</u>

The loan portfolio is classified at amortized cost when 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.

(*) See principal assumption in note 6

3.2 Allowance for loan impairment losses

The Company regularly reviews its loans portfolio to determine whether impairment should be reported in the income accounts for the period. The objective evidence that a financial asset is impaired includes significant financial hardship of the client, defaults or late payments from the client, restructuring of a loan by the company, signs that a client is entering economic insolvency, the disappearance of an active market for an instrument or other observable data related to the economic conditions related with the assets.

The process of calculating the provision includes analysis of specific, historical and subjective components. The methods used by the company include the following elements:

- Detailed periodic analysis of the loan portfolio.
- Periodic review of the summary of provisions for loan losses.
- Consideration of internal factors such as size, organizational structure, loan portfolio structure, loan management process, analysis of past due loan trends and historical loss experiences.
- Consideration of risks to inherent different kinds of loans.
- Consideration of local, regional, and national external and economic factors.

Main sources of uncertainty

The Company will consider specific and collective impairment of an asset as evidence. All significant individual loans are evaluated for specific impairment, and if they are not found to be impaired specifically, they are evaluated collectively.

Loans that are not relevant individually are examined for impairment collectively in groups that share similar risks. For the evaluation of impairment the Company uses statistical models of historical trends to determine the probability of default.

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.

Incurred Loss due to the impairment of assets recognized at amortized cost corresponds 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 it is reversed in the income accounts.

Four fundamental factors are taken into account when calculating loan portfolio loss: exposure, probability of default, period when the loss is identified and the severity.

- Exposure at default (EAD) is the amount of risk incurred at the moment of the counterparty’s (client's) non-payment.

- Probability of default (PD) is the probability that the counterparty will pay late his monthly installments (capital and/or interest). The probability of default is associated to the rating/scoring or level of default of each counterparty/operation.

- Loss given default (LGD) is the estimate of loss in the case of non-payment. It mainly depends on the characteristics of the counterparty and the valuation of the guarantees.

- Loss identification period (LIP) corresponds to the time that passes between the moment an event occurs that creates a determined loss and the moment said loss becomes evident at a specific level. LIPs are analyzed for portfolios with homogenous risk.

(STATED IN MILLIONS OF COLOMBIAN PESOS)

The following table shows a sensitivity analysis of the most important variables that affect the calculation of the loan portfolio impairment provision over a variation of 10%:

December 31, 2016			
	Sensitivity	**Decrease**	**Increase**
Probability of default	10%	($ 4.575)	$ 4.334
Loss identification period	1 month	($ 1.181)	$ 1.518

Probability of default - Sensitivity over loans	(0.49%)	0.46%
Probability of default - Sensitivity over allowance	(4.35%)	4.12%
Loss identification period - Sensitivity over loans	(0.13%)	0.16%
Loss identification period - Sensitivity over allowance	(1.12%)	1.44%

December 31, 2015			
	Sensitivity	**Decrease**	**Increase**
Probability of default	10%	($ 2,776)	$ 3,127
Loss identification period	1 month	($ 350)	$ 387

Probability of default - Sensitivity over loans	(0.36%)	0.40%
Probability of default - Sensitivity over allowance	(3.23%)	3.64%
Loss identification period - Sensitivity over loans	(0.04%)	0.05%
Loss identification period - Sensitivity over allowance	(0.41%)	0.45%

3.3 Deferred income tax

The Company evaluates the time over which income tax assets will be realized. The deferred tax assets represent income taxes that are recoverable through future deductions to taxable income and are registered in the statement of financial position. The deferred tax assets are recoverable as long as it is probable that related tax revenue will be realized. Future tax revenue and the amount of tax benefits that are probable in the future are based on medium term plans prepared by Management. The business plan is based on Management's expectations, which are considered reasonable under the circumstances.

As of December 31st 2016, and December 31st 2015, Management estimates that the items of deferred income tax assets should be recoverable based on their estimates for future taxable earnings.

3.4 Estimation for Contingencies

The Company estimates and registers an estimation for contingencies to cover possible losses due to labor cases, civil proceedings, fiscal claims and others according to the circumstances that, based on the opinion of external legal advisors and/or internal attorneys, are considered probable losses and can be reasonably estimated. Given the nature of the claims, cases, and/or proceedings it is not possible to make an accurate prediction or reasonably quantify an amount of loss sometimes. For which reason the real amount of the disbursements made due to claims, cases, and/or proceedings is generally different than the estimated amounts that were initially provisioned. Said differences are recognized in the year they are incurred (See note 17).

NOTE 4. SUMMARY OF THE MAIN ACCOUNTING POLICIES

The following are the significant accounting policies applied by Credivalores Crediservicios S.A.S. in the preparation of these financial statements.

4.1 Materiality

The economic facts are presented in accordance with their relative importance or materiality.

For disclosure purposes, a transaction, event or operation is material when, because of its amount or nature, or knowledge or lack of knowledge thereof, and considering the circumstances surrounding it, it affects the decisions that may be made or the assessments that users can carry out in regards of the accounting information.

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, equity or income for the year as appropriate.

As per the assessment of materiality, Management considers as material any entry, transaction or event for which the value is equal to or greater than the percentage that results from the application of the following table and any others deemed necessary because of their nature:

Item	Percentage of fair value
Asset	0.5%
Liability	0.5%
Equity	0.5%
Revenue	0.5%
Expenses	0.5%

4.2 Conversion of Foreign Currency

4.2.1 Functional and reporting currency

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

Items included in the Company’s 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 Colombian Pesos and have been rounded to the nearest unit.

4.2.2 Transactions and Balances in Foreign Currency

Foreign currency transactions are recorded at the Company’s functional currency at the exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currency are translated into the functional currency using the prevailing exchange rate at the reporting date of the statement of financial position. Non-monetary assets and liabilities denominated in foreign currencies in terms of historical costs are measured using the exchange rate at the transaction date. Financial instruments measured at fair value are translated using the exchange rate from the date the fair value was determined.

As of December 31st 2016 and 2015, the (COP/USD) exchange rates certified by the Superintendency of Finance were 3,000.71 and . 3,149.47 per U.S. $1 respectively.

4.3 Cash and cash equivalents

Represent the Company's high liquidity assets such as: bank account balances, remittances in transit and Time Deposits. Moreover, cash is recorded for petty-cash purposes.

Credit balances in transactions with a particular entity constitute obligations to that entity and, as such, must be reflected as a liability under bank loans and other financial obligations and/or checking account overdrafts. However, they are part of the Company's liquidity management. In the above-mentioned circumstances, such overdrafts are included as a component of cash and cash equivalents.

Investments in money market funds with positions in short term liquid assets, with maturity shorter than three months will also be classified as cash and cash equivalents. In this case, the risk of price changes is insignificant and positions are held support short-term cash requirements rather than for investment or similar purposes.

Bank expenses and financial interests are recorded at the value reported in the corresponding bank statements. Daily financial returns are reported at the rate negotiated with the respective financial entity with adjustments made in relation to the nominal value reported in the statement at the close of each month.

4.4 Financial Instruments

Financial Assets

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

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

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

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

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

i. Amortized cost

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

ii. Fair value

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

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

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

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

Fair value estimates obtained from financial models are adjusted to consider other factors such as uncertainty on its risk or the liquidity model. Adjustments are included when CVCS believes that another market player uses these same estimates when determining the price of a transaction (See note 6).

4.4.1 Equity Instruments

Investments that do not represent 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.

4.4.2 Investment in associate and affiliates

Investments in companies in which the Company does not have control, but has significant influence are called "Investments in Associates". Investments in Associates are accounted for under the equity method.

The Company exercises significant influence over another entity if it owns, directly or indirectly, 20% or more of the voting power of the investee, unless it is clearly evidenced that such influence does not exist. They are initially recognized at cost, including costs directly related to the transaction. Subsequently to initial recognition, the consolidated financial statements include the company share of the net assets, net income or loss after income tax, and other comprehensive income of the investee, as long as the significant influence continues.
Investments in Associates are those in which the Company has direct or indirect control; that is, when all of the following conditions are met:

- The Company has control over the entity; mainly, rights granting the Company the means of directing relevant activities that significantly affect the associate returns.
- The Company obtains or is entitled to variable returns from the interests held in the associate.
- The Company is able to use its power over the associate to influence the amount of income obtained by the former.

The Equity Method is an accounting method in which the investment is recorded initially at cost and then adjusted based on subsequent changes to the acquisition on the part of the investor in the net assets of the investee. Following this method Credivalores Crediservicios S.A.S. recognizes its equity in the associate through other comprehensive income and profit or loss for the period.

4.4.3 Loans and receivables portfolio

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

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

4.4.3.1 Financial Assets at Fair Value

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

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

The policy established by the Company for measuring its loan portfolio, per the business model classification, is:

In line with its business model the Company has decided to measure the loans comprising the “Tucredito” line of credit at fair value based on the historical trading average since its loans are not impaired (and which, from their origination, are the best-rated 0 - 90 day loans) and since the Company has the possibility of selling them in the short term because of their excellent rating.

Unsold lines of credit, which were initially measured at fair value but which after 90 days of origination were impaired, will later be measured based on an indexed rate, which converts the amortized cost rate into an amount equivalent to their fair value.

4.4.3.2 Financial assets at amortized cost

The lines of credit determined by Credivalores Crediservicios S.A.S measured at amortized cost are as follows:

i. Crediya (discounted operations)
ii. Credipoliza (financing for insurance policies).
iii. CrediUno (credit card).
iv. Crediya MC (Micro loans).
v. Tucredito (payroll deduction loans)

Credivalores Crediservicios S.A.S. business model					
Product	**Measurement**	**Terms**	**Valuation**	**Features**	**Estimated % of Sales**
Tucredito	Fair value	0-90 days as of date of disbursement	Market price	Current and best rated payroll loans	80%
	Amortized cost	> 91 days subsequent to date of disbursement	Equivalent indexed rate	Current and past-due payroll loan 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%

4.4 Impairment of non-financial assets

At each reporting date Credivalores Crediservicios S.A.S reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication of impairment, If any such indication exists, then the asset’s recoverable amount is estimated (the greater between fair value and cost less disposal costs and value in use), Where the carrying value exceeds recoverable value an adjustment is made to bring carrying value down to recoverable value, modifying future depreciation charges in accordance with remaining useful life.

4.5 Accounts Receivable

Credivalores Crediservicios S.A.S. recognizes accounts receivable such as interest, commissions other than premiums from loan portfolio purchases, insurance and taxes.

For the initial measurement Credivalores Crediservicios S.A.S. will recognize an account receivable at fair value. Transaction costs directly attributable to the transaction will be directly recognized in the income accounts.

In the case of long-term (greater than one year) financial assets without explicit financing (contractually defined) the initially recognized value will be the future value discounted at the reference market rate for similar accounts receivable (amount, term) at the transaction date. Subsequently, long-term (greater than one year) financial assets without explicit financing (contractually defined) will be measured at amortized cost using the effective interest rate method. Short-term financial assets will not be subject to discounting.

In addition, interest must be recognized at a higher value in the account receivable.

The effective interest rate will be the rate corresponding to the market rate (where applicable) at the time the financing begins. If there is no market rate with similar characteristics the average internal lending rate will be used.

4.6 Leases

4.6.1 Assets acquired under leases

In their initial recognition, assets acquired under leases are classified as capital or operating leases.

Lease contracts classified as capital leases appear in the statement of financial position as property, plant and equipment for the Company's own use or as investment properties, as applicable. These are initially recorded as an asset and or a liability simultaneously at the lesser of the fair value of the asset leased or the present value of the minimum lease payments. The present value of the minimum lease payments is determined using the interest rate implicit in the lease contract or, in its absence, an average interest rate used by the Company on the market. Any direct costs associated with taking the lease are added to the amount recognized as an asset.

Subsequent to the initial recognition, these are recorded in the same way as the property, plant and equipment for the Company's own use or investment properties account where they were initially recorded. The amount recorded as a liability is included in the financial liabilities account and is recorded in the same way.

Payments made under operating lease agreements are recognized in the income accounts on a straight-line basis during the term of lease. The lease incentives received are recognized as an integral component of the total lease expense over its term.

4.7 Property and Equipment

Property, plant and equipment for the Company's own use include the assets, whether property or under finance lease agreements, held by the Company for its current or future use and which are expected to be used for more than one reporting period.
They are recorded in the statement of financial position at cost of acquisition plus the costs incurred in preparing these for use, less accumulated depreciation and, if applicable, estimated impairment losses resulting from comparing the net book value of each item with their corresponding recoverable amounts.

They are subsequently measured at cost less accumulated depreciation and impairment.

Depreciation is calculated on a straight-line basis for the estimated useful life of the asset. The annual depreciation rates for each asset category are:

Type of asset	Total useful life	Residual value	Depreciation method
Furniture	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

Leasehold Improvements

Leasehold improvements are those made to rented property by means of a leasing agreement, as structured and designed to accommodate the entity's normal course of business and are recognized as property and equipment.

4.8. Intangible assets

Credivalores Crediservicios S.A.S. intangible assets correspond primarily to computer software, licenses, trademarks and insurance. Intangible assets are initially measured at cost of acquisition and subsequently at cost less any depreciation accumulated over their estimated useful life or any accumulated impairment loss. The Company analyzes whether there are external or internal signs of impairment to an intangible asset; any impairment losses or subsequent reversals are recognized in the income accounts for the period.

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

4.9. Income taxes

Income tax expense includes current and deferred taxes. Tax expenses are recognized in the profit or loss, except for items recognized in “Other Comprehensive Income” OCI or directly in equity.

Deferred taxes are recognized based on temporary differences arising between the tax bases of assets and liabilities and the carrying amounts 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 recognized if they derive from the initial recognition of goodwill; nor are deferred taxes recorded if the initial recognition of an asset or liability occurs in a transaction that is not a business combination and that affects either accounting nor taxable profit or loss. Deferred tax is determined using enacted or substantively enacted tax rates at the reporting date.

Current income tax is calculated on the basis of the Colombian prevailing Tax laws. Management periodically assesses positions taken in its tax returns with regard to situations in which the applicable tax regulations are subject to interpretations and establish provisions when appropriate on the basis of amounts expected to be paid to the tax authorities.

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

Deferred tax liabilities arise from taxable temporary differences.

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

4.9.1 Non income tax (levies)

Levies are recognized as liabilities when the Company has performed the activities on which taxes must be paid, according to legislation currently in effect.

Pursuant to the above, a wealth tax was created by the Colombian Congress in late 2014, which is calculated over the equity of companies in Colombia, determined under fiscal rules as of January 1, 2014, for every year since 2015 through 2017, and is recognized on an annual basis as a liability when incurred and charged to profit or loss.

4.10 Financial liabilities

A financial liability is any contractual obligation of the Company to deliver cash or another financial asset to another entity or person, to exchange financial assets or liabilities under conditions that are potentially unfavorable to the Company or a contract that will or may be settled using the Company's own equity instruments. Financial liabilities are initially recorded at their transaction value, which, unless otherwise determined is similar to their fair value less transaction costs directly attributable to issuance. Subsequently, these financial liabilities are measured at amortized cost and their returns are recognized applying the effective interest rate method determined initially and charged to the income accounts as financial expenses.

Financial liabilities are only released from the statement of financial position when the obligations they generated or acquired are extinguished through either cancellation or renewed placement.

4.11 Derivative financial instruments and hedge accounting

Beginning January 2016, Credivalores Crediservicios S.A.S. adopted Hedge Accounting, and thus the impact in the Company's financial statements of derivatives used for hedging purposes will be aligned to their accounting treatment in derivatives items (that is, payment of principal and interest of debt in foreign currency).

Credivalores Crediservicios S.A.S. mitigates foreign exchange risk of its indebtedness in foreign currency – mostly from the Notes issued under its Euro Commercial Paper Program– using financial instruments like non-delivery and delivery forwards with local financial institutions rated "AA-" or higher.

The Company aims to hedge the next interest payment due together with the principal of the Notes until their maturity, in tranches during the four weeks following the closing of the Note. Subject to a joint decision of the treasury and international funding areas, a portion of the principal may be left unhedged, but this should be hedged in a timely manner.

4.11.1 Fair-value hedge accounting

Fair value hedging: hedging exposure to changes in the fair value of recognized assets, liabilities, or firm commitments, or of an identified portion of such assets, liabilities or firm commitments which may be attributed to a particular risk and may affect the income for the period.

Changes in the forward contract debt due to exchange-rate differences are offset by changes in the forward contract price associated with the change in the market rate (TRM). The forward points will be recorded in Other Comprehensive Income (OCI) until the maturity date. That is, the fair value will have an effect on both income accounts and on OCI.

4.11.2 Cash-flow hedge accounting

Cash-flow hedging: hedging of exposure to changes in cash flows that: (i) are attributed to a particular risk associated with an asset or liability (such as all or some of the future interest payments of a variable-rate loan), or to a highly probable forecast transaction, and; (ii) may affect the income for the period.

The net effect of market-value changes on coupon transactions will be recorded in Other Comprehensive Income (OCI); when the forward matures it will be recorded in the income accounts on the date when the coupon hedged is paid off.

4.12 Employee Benefits

Benefits for Company employees are short-term and include elements like the following, if they are to be paid in full before twelve months after the end of the annual reporting period in which employees provide related services:

(a) wages, salaries and social security contributions.
(b) paid leave and paid sick leave;
(c) non-monetary benefits to current employees (such as medical care and per diem).

The Company will not need to reclassify an employee benefit to short term if the Company's expectations about the settlement calendar change temporarily. However, if the benefit characteristics change (such as a change from non-cumulative to cumulative benefit), or if a change to the settlement calendar expectations is not temporary, then the Company must determine whether the benefit still meets the definition of short term employee benefits.

When an employee has provided services to the Company during the accounting period the amount (not discounted) of the short term benefits to be paid for such services will be recognized:

(a) as a liability after deducting any amount already paid. If the amount already paid exceeds the amount not discounting benefits, the Company will recognize this excess as an asset (prepayment of an expense), inasmuch as the prepayment results in a reduction of future payments or a cash reimbursement.
(b) as an expense.

4.12.1 Short term paid leave

The Company will recognize the expected cost of short term employee benefits as paid leave as follows:

a) in the case of paid leave whose rights are accumulating as the employees provide the services that increase their right to paid leave in the future.

b) in the case of non-cumulative paid leave when the leave occurs.

Short term paid leave includes:

(a) Vacation.
(b) Temporary illness or disability.
(c) Maternity or paternity leave.
(d) Jury duty.
(e) Other short term leave.

4.13 Provisions and contingent liabilities

Lawsuit provisions are recognized when the Company has a current obligation (legal or assumed) derived from past events. A cash outflow is likely to be needed to settle the obligation and the amount has been estimated reliably. Restructuring provisions include lease cancellation payments and employee termination payments.

Where there are a number of similar obligations the likelihood that a cash outflow will be required is determined by considering the class of obligations as a whole. A provision is recognized even if the probability of a cash outlay with regard to any item included in the same class of obligations is immaterial.

Provisions are calculated at the present value of the disbursement expected to be needed to settle the obligation using a pre-tax discount rate that reflects current market measurements of the value of money over time and the specific risks attached to the obligation. An increase in the provision due to the passing of time is recognized as a financial expense.

4.13.1 Contingent Assets

The Company will not recognize any contingent asset.

Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. However, when the income is virtually certain to be realized then the related asset is not a contingent asset and should be recognized.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise the asset and the related income are recognized in the financial statements of the period when the change occurs.

4.13.2 Contingent Liabilities

The Company will not recognize any contingent liability.

Contingent liabilities shall be continually assessed to determine if a cash outflow is likely to include future economic benefits. If it is expected that an outflow of future economic resources will be probable for an item previously dealt with as a contingent liability the corresponding provision is recognized in the financial statements of the period when the change in probability occurs (except in the extremely rare circumstances where no reliable estimate can be made of said amount).

4.14 Revenues

4.14.1 Revenues from interest and commissions

Interest and commission income 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 describe revenue from Company interest and commissions:

Type of transaction	Description
Interest on loans issued to clients	
Crediuno	Interest on the Crediuno line of credit - Credit card
Credipoliza	Interest on the Credipoliza - Financing insurance premiums
Crediya MC	Interest on the Microcredit line of credit
Tucredito	Interest in the Tucredito line of credit - Payroll Deduction Loan
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
Commissions	
Collection and handling fees	Fees for collections processes.
Management fees	
Crediuno	Management and handling fees for the Crediuno line.
Payroll	Administration and disbursement fees for the Tucredito payroll line of credit.
Credipoliza	Administration and handling fees for the Credipoliza business line.

4.14.2 Income from ordinary activities

Income from ordinary activities shall be measured at the fair value of the consideration received or to be received and represent amounts to be collected for goods delivered, net of discounts and returns.

The Company recognizes income when the amount can be measured reliably, when future economic benefits will likely flow to the Company and when specific criteria have been met for each activity, as described below:

(STATED IN MILLIONS OF COLOMBIAN PESOS)

4.14.2.1 Dividends

Credivalores Crediservicios S.A.S. recognizes dividends when the Company establishes the right to receive them.

When the right to receive them is established investments at fair value are credited to income accounts. For investments in associates, these are recognized using the equity method, deducting the investment amount.

4.15 Net earnings per share

To determine net earnings per share the Company divides the net income from the period attributable to shareholders, or controlling interest, between the weighted average common and preferred shares. Diluted net earnings per share is determined in the same way over net earnings, but the weighted average of outstanding shares is adjusted considering the potential diluting effect of stock options.

NOTE 5 - NEW FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

Below is a list of the new and amended standards that have been issued by the IASB and are effective for annual periods starting on or after January 1st, 2017. Management is in the process of assessing the potential impact of these pronouncements on Credivalores Crediservicios S.A.S. financial statements.

The decree 2496 of December 24, 2015 and 2131 of December 22, 2016 introduced a new accounting framework reflecting the new standards, modifications or changes issued by the IASB for the International Financial Reporting Standards between the years 2015 and 2016. This additional increments to the reporting framework should be applied for financial periods starting January 1, 2017, even though they can be adopted early.

Forthcoming requirements.	Title of the Standard	Effective for Annual Periods Beginning on or After
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 9	Financial Instruments	January 1, 2018
IFRS 16	Leases	January 1, 2019
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed

IFRS 9 Financial Instruments and associated amendments to various other standards

IFRS 9 replaces the multiple classification and measurement models in IAS 39 *Financial instruments: Recognition and* measurement with a single model that has initially only two classification categories: amortized cost and fair value.

Phase 1: Classification and measurement of financial assets and financial liabilities

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortized cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognized at fair value.

All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss).

For financial liabilities that are measured under the fair value option entities will need to recognize the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss.

Credivalores Crediservicios S.A.S., is currently in the process of implementing an analysis of its portfolios using the abovementioned common guidelines in order to assess, identify and classify financial instruments into their corresponding portfolio under IFRS 9.

Therefore, in accordance to the status of the project and remaining phases to be completed, the Company would expect the following:

- Financial assets classified as loans under IAS 39 will generally continue to be classified as amortized cost.

- Available for sale debt instruments will likely continue to be classified at either fair value with changes presented in other comprehensive income or at amortized cost.

- Available for sale equity instruments will be classified at fair value with changes in profit or loss, unless the Company concludes irrevocably, to present them at fair value with changes presented in other comprehensive income.

In the case of financial liabilities the classification and measurement criteria defined under IAS 39 will remain without major differences under IFRS 9. However, any changes in the fair value of financial liabilities which had been classified at fair value with changes through profit or loss, due to the entity credit risk, will be generally classified in other comprehensive income.

Phase 2: Impairment methodology

A new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

In estimating the parameters used in the expected loss calculation (Exposure at Default (EAD), “Probability of Default” (PD), “Loss Given Default” (LGD) and discount rate), Credivalores-Crediservicios S.A.S. leverages its experience of developing internal models for calculating parameters for regulatory and management purposes.

Definition of default: it is consistent with the definition of default used by the Company. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

Use of present, past and future information: both the measurement and the classification of the expected credit losses require a high degree of judgment and estimations that must consider information about past events and current conditions as well as forecasts of future events. In this regard, our estimations of expected losses consider multiple macroeconomic scenarios which probability will be assessed considering past event, the current situation and future trends of macroeconomic factors such as gross domestic product (GDP) and unemployment rate. All these concepts will be the input to assess the significant increases in credit risk, as well as utilizing PD estimations.

Phase 3: Hedge accounting

The new hedge accounting rules (released in December 2013) align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

Credivalores- Crediservicios S.A.S. is in the process of evaluating the effects of IFRS 9 application. Once it is finished, the Company will communicate the expected impact as a reliable estimation can be made, which would be expected to be prior to the end 2017. IFRS 9 application could represent a loan impairment increase and a longer variability in the Company's future results.

IFRS 15 Revenue from Contracts with Customers

(Effective for annual periods beginning on or after January 1, 2018)
In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the following revenue Standards and Interpretations upon its effective date:

- IAS 18 Revenue;
- IAS 11 Construction Contracts;
- IFRIC 13 Customer Loyalty Programs;
- IFRIC 15 Agreements for the Construction of Real Estate;
- IFRIC 18 Transfers of Assets from Customers; and
- SIC 31 Revenue-Barter Transactions Involving Advertising Services.

As suggested by the title of the new revenue Standard, IFRS 15 will only cover revenue arising from contracts with customers. Under IFRS 15, a customer of an entity is a party that has contracted with the entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration. Unlike the se of IAS 18, the recognition and measurement of interest income and dividend income from debt and equity investments are no longer within the se of IFRS 15. Instead, they are within the se of IAS 39 Financial Instruments: Recognition and Measurement (or IFRS 9 Financial Instruments, if IFRS 9 is adopted early).

As mentioned above, the new revenue Standard has a single model to deal with revenue from contracts with customers. Its core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The new revenue Standard introduces a five-step approach to revenue recognition and measurement:

- Step 1: Identify the contract with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Far more prescriptive guidance has been introduced by the new revenue standard:

- Whether or not a contract (or a combination of contracts) contains more than one promised good or service, and if so, when and how the promised goods or services should be unbundled.

- Whether the transaction price allocated to each performance obligation should be recognized as revenue over time or at a point in time. Under IFRS 15, an entity recognizes revenue when a performance obligation is satisfied, which is when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Unlike IAS 18, the new Standard does not include separate guidance for "sales of goods" and "provision of services"; rather, the new Standard requires entities to assess whether revenue should be recognized over time or at a particular point in time regardless of whether revenue relates to "sales of goods" or "provision of services".

- When the transaction price includes a variable consideration element, how it will affect the amount and timing of revenue to be recognized. The concept of variable consideration is broad; a transaction price is considered variable due to discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties and contingency arrangements. The new Standard introduces a high hurdle for variable consideration to be recognized as revenue – that is, only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

- When costs incurred to obtain a contract and costs to fulfill a contract can be recognized as an asset.

- Extensive disclosures are required by the new standard.

- In April 2016, the IASB issued Clarifications to IFRS 15 in response to feedback received by the IASB/FASB Joint Transition Resource Group for Revenue Recognition, which was formed to address potential issues associated with the implementation of IFRS 15 and the US GAAP equivalent, ASC topic 606. The Clarifications to IFRS 15 clarified the following areas:

    - Identifying performance obligations: by providing illustrative factors for consideration in assessing whether the promised goods or services are distinct;
    - Principal versus agent considerations: by clarifying that an entity should assess whether it is a principal or agent for each distinct good or service promised to the customer, and by amending and reframing the indicators to assess whether an entity is a principal or agent; and
    - Licensing application guidance: in determining whether the license grants customers a right to use the underlying intellectual property (IP) (which would result in point time revenue recognition) or a right to access the IP (which would result in revenue recognition over time), an entity is required to determine whether (i) its ongoing activities are expected to significantly change the form or the functionality of the IP or (ii) the ability of the customer to obtain benefit from the IP is substantially derived from or dependent upon those activities.

IFRS 15, together with the clarifications thereto issued in April 2016, is effective for reporting periods beginning on or after January 1, 2018 with early adoption permitted. Entities can choose to apply the standard retrospectively or to use a modified transition approach, which is to apply the standard retrospectively only to contracts that are not completed contracts at the date of initial application (for example, January 1, 2018 for an entity with a December 31 year-end). The clarification for IFRS 15 also introduces additional practical expedients for entities transitioning to IFRRS 15 on (i) contract modifications that occurred prior to the beginning of the earliest period presented and (ii) contracts that were completed at the beginning of the earliest period presented.

IFRS 16 Leases

(Effective for annual periods beginning on or after January 1, 2019)

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede the following lease Standard and Interpretations upon its effective date:

- IFRS 16 Leases;
- IFRIC 4 Determining whether an Arrangement contains a Lease;
- SIC-15 Operating Leases – Incentives; and
- SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Identification of a Lease

IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The standard provides detailed guidance to determine whether those conditions are met, including instances where the supplier has substantive substitution rights, and where the relevant decisions about how and for what purpose the asset is used are predetermined.

Lease accounting

IFRS 16 introduces significant changes to lessee accounting: it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognize a right-of-use asset and a lease liability at lease commencement for all leases, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

If a lessee elects not to apply the general requirements of IFRS 16 to short-term leases (i.e. one that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets, the lessee should recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis, similar to the current accounting for operating leases.

Lessor accounting

In contrast to lessee accounting the IFRS 16 lessor accounting requirements remain largely unchanged from IAS 17, which continue to require a lessor to classify a lease either as an operating lease or a finance lease.

In addition, IFRS 16 also provides guidance on the accounting for sale and leaseback transactions. Extensive disclosure is also required.

IFRS 16 is effective for reporting periods beginning on or after January 1, 2019 with early application permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16. A lessee can apply IFRS 16 either by a full retrospective approach or a modified retrospective approach. If the latter approach is selected, an entity is not required to restate the comparative information and the cumulative effect of initially applying IFRS 16 must be presented as an adjustment to opening retained earnings (or other component of equity as appropriate).

NOTE 6. ESTIMATIONS OF FAIR VALUE

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

Models always estimate or approximate a value that cannot be determined accurately and valuation techniques used may not fully reflect all the factors relative to Credivalores Crediservicios S.A.S. positions; therefore, the valuations are adjusted if necessary to allow additional factors, including country risk, liquidity risks and counterparty risks.

Fair value hierarchy has the following levels:

- Level 1 entries are unadjusted prices quoted in active markets for assets or liabilities identical to those the entity can access on the measurement date.

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

- Level 3 entries cannot be observed for the asset or liability.

The fair value hierarchy in which the fair value measurement is fully classified is determined from the lowest level entry that is significant for fully measuring the fair value. For that, an entry's importance is evaluated with regard to the fair value measurement in its totality. Financial instruments quoted in markets considered inactive but valued in accordance with quoted market prices, quotes from price providers or alternative price sources supported by observable entries are classified as Level 2.

A fair value measurement that uses observable entries requiring significant adjustments based on unobservable entries is a Level 3 measurement. The evaluation of a particular entry's importance in measuring the fair value in its totality requires an opinion, considering specific factors of the asset or liability.

The determination of what constitutes “observable” requires a significant opinion from Credivalores Crediservicios S.A.S. Considering observable data for the market data that are already available, are distributed or updated regularly by the price provider, are reliable and verifiable, have no property rights and are provided by independent sources that participate actively in the reference market.

Fair Value Measurement on a Recurring Basis

Fair value measurements on a recurring basis are those that accounting standards require or allow in the financial statement at the end of each accounting period.

(STATED IN MILLIONS OF COLOMBIAN PESOS)

The following table analyzes assets and liabilities (by class) within the fair value hierarchy, measured at fair value as at December 31, 2016 and December 31, 2015 on a recurring basis.

ASSETS	**December 31, 2016**		**December 31, 2015**	
	Nivel 3		**Nivel 3**	
Investment in equity instruments	$	20,958	$	24,192
Trading derivatives				
Currency forward		476		-
Hedging derivatives				
Currency forward		341		12,478
Consumer payroll deduction loans		4,380		12,625
Total fair value recurring assets	**$**	**26,155**	**$**	**49,295**
LIABILITIES				
Hedging derivatives				
Currency forward		16,944		-
Interest rate swap		14		-
Total fair value recurring liabilities	**$**	**16,958**	**$**	**-**

6.1 Fair value determination

The methodology applicable to instruments for Credivalores Crediservicios S.A.S. is:

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

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

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

I. Discount Rate: Determined by product considering the market´s appetite for such product, as well as the default risk involved
II. The model was built based on the following factors:

a. Projected cash flow according to weighted term to maturity for each product, using:

Current Balance
Average term to maturity
Weighted average Rate

b. Calculate Present value of cash flows projected as per described in a) discounted at the discount rate as per described in 1)

c. Present Value determined as per described in b) represents the porfolio´s fair value

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

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

	Valuation technique	**Significant inputs (1)**
ASSETS		
Trading Derivatives		
Currency Forward Debt securities Forward	Discounted cash flow	- Underlying asset price Currency curve by Underlying asset - Forward Exchange rates curve of the operation’s currency - Implicit curves of Exchange rates forwards - Implicit volatilities matrixes and curves
Loan portfolio valuations		
Tucredito payroll deduction loans	Discounted cash flow	- Current Balance - Average term to maturity - Weighted average Rate
Equity Instruments	Adjusted net asset value	- Unit value
LIABILITIES		
Derivatives held for trading		
Currency Forward Debt securities Forward	Discounted cash flow	- Underlying asset price - Currency curve by Underlying asset - Forward Exchange rates curve of the operation’s currency - Implicit curves of Exchange rates forwards - Implicit volatilities matrixes and curves
Hedging Derivatives		
Currency Forward	Discounted cash flow	- Underlying asset price - Currency curve by Underlying asset - Forward Exchange rates curve of the operation’s currency - Implicit curves of Exchange rates forwards - Implicit volatilities matrixes and curves

(STATED IN MILLIONS OF COLOMBIAN PESOS)

6.2 Sensitivity Analysis

Credivalores Crediservicios SAS conducted the sensitivity analysis using the most representative variables in the valuation of derivatives (RMR, devaluation rate and discount rate) according to the maturity date of each instrument and based on the historical data and variation in the market behavior effect:

Variables	December 31, 2016	December 31, 2015
	Range	Range
Market Rate (TRM)	Max 3,434.89 - Min 2,833.78	Max 3,356 - Min 2,360.58
Devaluation Rate		
30 Day Forward Curve	4.87% - 6.61%	0.73% - 2.70%
60 Day Forward Curve	5.10% - 6.23%	1.29% - 3.22%
90 Day Forward Curve	5.12% - 6.23%	2.72% - 3.29%
180 Day Forward Curve	5.40% - 6.19%	4.02% - 3.65%
360 Day Forward Curve	5.37% - 6.14%	4.45% - 3.83%
540 Day Forward Curve	5.45% - 5.89%	4.41% - 3.60%
Discount Rate		
Overnight IBR	6.00% - 7.00%	5.52% - 4.52%
One-month term IBR	6.32% - 7.08%	5.81% - 4.51%
Three-month term IBR	6.63% - 7.22%	6.17% - 4.51%
TES 360 Zero Coupon	6.84% - 7.35%	6.51% - 4.72%
TES 1080 Zero Coupon	6.72% - 7.77%	8.06% - 5.97%

The sensitivity analysis of changes in said variables in the fair value is the estimated results to reflect the situation in the favorable and unfavorable scenario for assumptions in the internal valuation method applied by Credivalores Crediservicios S.A.S.

Fair value	Favorable impact	Unfavorable impact
December 31, 2015	23,467	(37,203)
December 31, 2016	24,401	(31,052)

The fair value sensitivity analysis to assess derivatives for December 2015 and 2016 shows the positive and negative outlook in which the Company was exposed to the results of these two scenarios. For 2015 and 2016, the real fair value was 12,478 and 16,126, respectively. Said results are in the acceptable range in accordance with the models' estimate compared to variable change with regard to real results.

(STATED IN MILLIONS OF COLOMBIAN PESOS)

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

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

	December 31, 2016		December 31, 2015	
Fair value	**Carrying amount**	**Fair Value Estimate**	**Carrying amount**	**Fair Value Estimate**
Assets				
Loan Portfolio (Gross)				
Consumer	1,044,230	1,058,686	819,497	1,275,960
Microcredit	14,835	7,063	40,933	46,602
Total	**1,059,065**	**1,065,749**	**860,430**	**1,322,562**
Liability				
Financial obligations	1,084,974	1,101,839	806,886	823,609
Total	**1,084,974**	**1,101,839**	**806,886**	**823,609**

NOTE 7. RISK MANAGEMENT

CVCS manages risk pursuant to the applicable regulations in each country and CVCS's internal policies.

Objective and general guidelines

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

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

7.1 Governance Structure

Board of Directors

The Board of Directors has the following functions and responsibilities:

- Establishing and supervising the Company's risk management structure.
- Approving the policies, processes, and methodologies for granting, monitoring, and recovering the Company's loans, in order to identify, measure, and control the risks it faces.
- Approving exposures and limits to the different types of risks.

- Drawing attention to the responsibilities and duties assigned to positions and areas responsible for managing the different types of risks in order to develop a culture of risk control.

- Evaluating the recommendations and corrective measures proposed for the risk management processes.

- Approving the internal controls, as well as evaluating the reports and the management of the area responsible for these controls.

- Requesting loan portfolio reports from Management whenever required for due examination.

Risk Committee

The Risk Committee's responsibilities are:

- The Risk Committee must periodically monitor the Company's main risk indicators and anticipate risky situations that could potentially cause a loss of value in CVCS' assets.

- Regularly reviewing the Company's risk management policies and systems to ensure that these reflect any change in market conditions as well as CVCS' own activities.

- Propose to the Board of Directors changes or adjustments to current policies and methodologies to mitigate the target risk level.

- The Risk Committee meets on a monthly basis and is comprised of the following Senior Management executives:

  - Chairman
  - Risk Manager
  - Chief Collections Officer
  - Chief Operating Officer
  - Chief Credit Officer
  - Commercial Managers

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

Risk Management Department

- Periodically presenting to the Risk Committee on the progress of the different risk indicators and conducting the analyses necessary for understanding and taking actions that mitigate and control the risk levels.

- Managing and controlling compliance with policies and processes approved for risk management.

- Regularly reviewing the Company's risk management policies and systems to ensure that these reflect any change in market conditions as well as CVCS' own activities.

- Proposing to the Risk Committee methodologies and adjustments to risk management policies.

- Developing methodologies and models that enable risk identification, measurement, control and monitoring

Internal Auditing

- Verifying the application of risk management in accordance with the stipulations of the Comprehensive Risk Management manual.

- Reporting to the Audit Committee and making recommendations on the findings of the risk management process.

Financial Risk Management

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

- Credit Risk
- Market Risk
- Liquidity Risk
- Operating Risk
- Money-Laundering Risk

7.2 Credit Risk

The Company's Credit Risk Management System considers the nature of each portfolio product, adjusting its methodologies, processes and policies to these characteristics to achieve the target risk set for each product.

The credit risk management model is based on four stages:

- Identification and Measurement: for adequate risk measurement and identification CVCS uses statistical models to identify the risk factors, accurately profile its current and potential clients and determine the level of risk to which they are exposed.

- Policies and Processes: based on the characteristics of each product and the risk profile identified for each client risk management devises distinct processes and policies that adapt to each level of risk seeking to mitigate exposure to the potential risk in a precise manner.

- Control and Monitoring: this process aims to ensure compliance with the policies and processes established, as well as to monitor the progress of the portfolio risk indicators so as to take timely actions in response to any deviation from the expected indicators.

- Estimation of Provisions: risk management includes determination of risk coverage to allow absorption of the losses which may arise due to non-compliance with the credit obligations. Estimation of CVCS provisions are based on statistical models of expected losses for its main products. Payroll deduction loans and cards. For financing insurance policies transition matrices are used.

These processes are documented in the Credit Risk Management System Manual which also defines the target market, credit assessment criteria, collateral, collection management, organizational structure and information management.

7.2.1 Credit Risk Exposure

CVCS have exposures to credit risk, consisting of the risk of incurring in a financial loss as a result of the failure of the debtor to meet its payment obligations on a timely and complete manner. Exposure to credit risk of CVCS is also incurred as a result of credit activities and transactions with counterparties.

The maximum exposure to credit risk of CVCS, according to IFRS 7, is reflected in the carrying value of financial assets the in the statement of financial position of CVCS as of December 31, 2016 and December 31, 2015 as follows:

(STATED IN MILLIONS OF COLOMBIAN PESOS)

	December 31, 2016	December 31, 2015
Cash and cash equivalents	122,964	110,078
Financial instruments net	26.155	49.295
Loan portfolios		
Consumer loans	1.044.230	819.497
Microcredit portfolio	14.835	40.933
Accounts receivable, net	189.482	126.618
Total financial assets with credit risk	**1.397.666**	**1.146.421**
Off-balance-sheet credit risk at nominal value		
Unpaid approved credits	275,493	377
Total exposure to off-balance-sheet credit risk	**275,493**	**377**
Total maximum exposure to credit risk	**1.673.159**	**1.146.798**

7.2.2 Mitigation of Credit Risk, Collaterals and Other Credit Risk Improvements

The exposure to credit risk is reduced by collaterals and other credit enhancements, which reduce credit risk. The company has implemented a guarantee with FGA, that acts as guarantor to certain clients with higher risk profiles; amounts charged under the guarantees are held on a trust to cover any past due loans. FGA assumes risk up to a set limit and is responsible of recording the corresponding guarantees and indemnities and paying out on claims received.

As at December 2016, the Credivalores Crediservicios S.A.S. portfolio is comprised of 56% payroll deduction loans; 32% credit cards; 7% insurance-policy financing; and 4% microcredit loans. The remnant of a business line was sold in 2016.

Payroll deduction loans are very low-risk consumer loan products that operate through payroll discounts. This means that the loan installments are paid directly and automatically by companies without having to depend on clients' willingness to pay.

55.6% of our portfolio is made up of retirees (life pension) while 31.4% are public-sector employees (teachers, government employees, servicemen and women) - sectors marked by high job stability.
The segments to which payroll deduction loans are targeted include:

1. Retirees: individuals who, having met the requirements stipulated by the social security provisions are formally entitled to receive a fixed monthly life income.

2. Employees: individuals employed by a public or private company who receive regular remuneration as compensation for their services.

The credit card product, Crediuno, operates in agreement with public-sector companies allowing charges through public utility bills. This scheme ensures that clients prioritize their card payments by associating them with potential public-utility cutoffs. This characteristic minimizes late payments as compared with traditional cards.

The card is aimed at employees, retirees or low-income contractors. To manage this segment of clients, who generally have a low level of financial education; Credivalores Crediservicios S.A.S. developed the maximum

installment concept, whereby the system automatically controls the term for which client consumer is deferred to ensure that the client never pays an installment beyond a defined value. This minimizes client defaults associated with inability to pay.
In addition, public utility companies share client payment histories allowing CVCS to develop robust risk models that extend to the un-banked population segment.

The Credipoliza target market consists of individuals or companies seeking to acquire an insurance policy paid by monthly installments. The main characteristic of this product from a risk perspective is the ability to cancel the policy, which CVCS can request if a client defaults on any of their payments, activating the reimbursement of the remaining balance by the insurer directly to CVCS.

All personal loans offered out by the Company include life insurance, whereby, upon death or permanent disability the insurance company is forced to pay Credivalores the remaining balance of the debt, and, if applicable, the outstanding amounts to the beneficiaries.

Policies to prevent excessive credit-risk concentration

The target segment of CVCS is medium and lower-income with strong presence in small and medium cities, these prevent concentrations of credit risk at an individual, economic group, cities or economic sectors level.

- The 25 largest debtors account for 0.51% of the portfolio, and the largest single client, 0.058%.
- Average credit (portfolio/client total) COP 1.8 million

Another noteworthy characteristic is the portfolio's geographical diversity: Valle del Cauca accounts for the largest share with 24% of the total followed by Bogotá at 17.4%.

The detail of credit risk at the level of CVCS in the different geographic areas determined according to the domicile of the debtor, without considering the provisions constituted for impairment of credit risk of debtors as of December 31, 2016 is as follows.

(STATED IN MILLIONS OF COLOMBIAN PESOS)

The following is the portfolio loans summary by product to December 31, 2016

Department	At December 31, 2016			At December 31, 2015		
	Consumer	Microcredit	Total	Consumer	Microcredit	Total
Valle	222,165	2,407	**224,570**	174.178	18.488	**192,237**
Bogotá	165,521	-	**165,521**	127,124	-	**127,391**
Meta	102,673	1,167	**103,840**	96,036	3,844	**99,601**
Atlántico	50,742	-	**50,742**	37,627	-	**37,656**
Antioquia	54,466	-	**54,466**	51,614	-	**51,582**
Santander	58,248	997	**59,245**	42,150	4,220	**46,314**
Boyacá	50,441	-	**50,441**	39,255	-	**39,163**
Bolívar	30,621	-	**30,621**	23,240	-	**23,328**
Magdalena	23,432	-	**23,432**	14,348	-	**14,400**
Córdoba	18,842	624	**19,466**	13,496	1,914	**15,466**
Risaralda	21,490	-	**21,490**	12,674	-	**12,729**
Tolima	14,552	716	**15,268**	9,253	2,788	**12,080**
Cesar	32,882	193	**33,075**	23,402	1,982	**25,491**
Norte de Santander	12,258	905	**13,163**	10,289	2,921	**13,226**
Huila	11,020	858	**11,878**	7,712	4,102	**11,833**
Quindío	10,430	-	**10,430**	7,428	-	**7,461**
Sucre	10,894	663	**11,557**	7,703	2,095	**9,832**
Caldas	10,405	-	**10,405**	7,806	-	**7,839**
Cauca	6,253	-	**6,253**	5,107	-	**5,125**
La Guajira	3,922	-	**3,922**	2,935	-	**2,946**
Caquetá	5,635	564	**6,199**	2,986	3,355	**6,355**
Cundinamarca	5,092	-	**5,092**	5,454	-	**5,463**
Casanare	4,271	-	**4,271**	4,802	-	**4,794**
Nariño	2,328	585	**2,913**	1,317	3,519	**4,839**
San Andrés	3,485	-	**3,485**	2,056	-	**2,065**
Putumayo	755	-	**755**	718	-	**721**
Guaviare	184	-	**184**	218	-	**219**
Arauca	209	-	**209**	214	-	**214**
Chocó	44	-	**44**	58	-	**58**
Vichada	57	-	**57**	68	-	**68**
Amazonas	13	-	**13**	21	-	**21**
Vaupés	20	-	**20**	19	-	**19**
Guainía	6	-	**6**	8	-	**8**
TOTAL	**933,356**	**9,677**	**943,033**	**731.316**	**49.228**	**780,544**

7.2.3 Credit Approval Models

To identify the level of credit risk, CVCS has ad hoc scoring models for each product and by region for some products.

The models include information from credit bureaus, internal information on behavior and external information yielded by the Company's partnerships. This external information includes access to databases with information on public-utility payment behavior; this privileged information enables the development of granting models that are more precise than those of the market, as well as the identification of un-banked clients for whom there is no financial information allowing access to a larger market than that traditionally covered by the banking industry.

(STATED IN MILLIONS OF COLOMBIAN PESOS)

The payroll-loan credit approval model was updated in late 2016, and is to be implemented in the first quarter of 2017. This new model contains improvements on its predecessor allowing the behavior of the financial sector to be differentiated from that of the real or telecom sector.

CVCS has five credit approval models for its credit-card product, one per region. It also has a statistical model to estimate payment capacity based on levels of public-utility Consumer, economic strata level, and risk profile.

Impairment Models

The methodology developed by the Company to determine impairment forms part of the calculation of expected loss for each loan, prior to identification of the target loss event and determining the real impairment of each loan in the portfolio.

The expected loss model is expressed as:

$$\textbf{Expected loss} = \textbf{PD} * \textbf{EA} * \textbf{LGD}$$

Where:

PD:	Probability of default
AE:	Asset exposure
LGD:	Loss given default

The impairment calculation is expressed as follows:

$$\textbf{Imperment} = \textbf{AC} * \%\textbf{EL} * \textbf{LIP}$$

Where:

AC:	Is the asset value at amortized cost
%EL:	Is the expected loss percentage
LIP	Is the loss identification period

The %EL is calculated by applying the statistical model for the payroll loan and credit card products, and from transition matrices for Credipoliza and Microcrédito, which technically determine the levels of expected loss for each loan.

The factor that transforms “forward” to “spot” is known as the loss identification period and is related to the level of arrears and the definition of the default.

For Colombia, Chapter 2 of the Basic Accounting and Financial Public Announcement 100 of 1995 stipulate the identification of the loss (default) for microcredit loans when these exceed 4 months, 6 months for consumer loans and 12 months for commercial loans.

Credit Approval Process

The CVCS credit area is responsible for controlling all stages of the credit approval process, ensuring that the verification and analysis processes comply with the quality standards and policies defined by the Risk Committee.

In the case of the payroll deduction loans product in June 2016 the Company implemented an originator known as Bizagi, an IT tool that automates and controls the entire credit flow, guaranteeing process quality, greater efficiency and online monitoring of each stage of the process.

There were 56,102 payroll deduction loan applications recorded in the first half of 2016. Then, following implementation of the originator in the second half of the year 68,409 applications were processed with the same personnel, representing a 21.9% increase in installed capacity. Overall, in 2016, 124,511 applications were processed compared with 84,933 in 2015 - an increase of 46.5%.

(STATED IN MILLIONS OF COLOMBIAN PESOS)

Response times of less than 24 hours were improved from 89% in 2015 to 97% in late 2016.
In addition the originator allows:

- Remote access for on-site client profiling.
- Online consultation of the status of each loan application.
- Management of pre-approved campaigns.
- Digitization of all applications (document manager).
- Parametrization by agreement of document requirements and business rules.
- Parametrization of process flows by profile and agreement type.
- Specialized modules for each process: location, verification, guarantees, ratification, and supervision.
- Integration with external processes: insurer, identity validation, georeferencer, credit bureau.
- Control of productivity and response-time alerts for each role in the process.
- Access control and information security.

As to the management of the Crediuno product, 267,000 records were processed in 2016 increasing 33% compared to previous year.

An express process flow was implemented to respond to 10% of loan applications in one hour, thus competing with retail-market times.

In October the process of standardizing and georeferencing addresses was included in the origination software in order to improve the percentage effectiveness of statement delivery.

All Credivalores approval processes include client identity validation by a provider specializing in identity theft. Risk of identity theft is 100% covered by this provider.

7.2.4 Monitoring and Control Process

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

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

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

At December 31, 2016

STATUS	TUCREDITO	CREDIUNO	CREDIPOLIZA	MICROCREDITO	CREDIYA	TOTAL MANAGED PORTFOLIO	PORTFOLIO ON BALANCE
CURRENT	568,788	367,651	73,009	2,602	-	1,012,050	801,933
1-30	7,068	13,235	6,842	1,236	-	28,381	25,726
31-60	4,227	7,463	1,671	329	-	13,690	11,945
61-90	2,165	2,171	217	286	-	4,839	4,058
91 A 180	5,625	9,011	298	729	-	15,663	13,611
181 A 360	6,632	7,476	1,300	1,546	7	16,961	15,354
> A 360	38,863	25,830	9,340	2,949	2,452	79,434	70,406
Total	**633,368**	**432,837**	**92,677**	**9,677**	**2,459**	**1,171,018**	**943,033**

(STATED IN MILLIONS OF COLOMBIAN PESOS)

At December 31, 2015

STATUS	TUCREDITO	CREDIUNO	CREDIPOLIZA	MICROCREDITO	CREDIYA	TOTAL MANAGED PORTFOLIO	PORTFOLIO ON BALANCE
CURRENT	580,391	303,587	68,615	44,287	48	996,928	664,750
1-30	6,133	16,316	4,759	1,799	13	29,021	24,318
31-60	3,162	7,548	1,048	349	12	12,119	9,878
61-90	4,174	2,895	468	232	12	7,780	5,349
91 A 180	7,180	4,528	346	610	31	12,695	9,352
181 A 360	5,555	8,300	284	688	46	14,872	12,263
> A 360	29,303	20,126	8,924	1,263	2,591	62,207	54,634
Total	**635,898**	**363,300**	**84,444**	**49,228**	**2,753**	**1,135,623**	**780,544**

7.2.5 Loan recoveries

Throughout 2016 CVCS' collection area focused on strengthening its recovery model by hiring specialized consultants to align its management to best international practices and, by 2017, ensure the certification of its entire collection operation model and process.

The improvements implemented include the following:

- The collection executive monitoring processes, focusing more on their management and negotiation skills.
- Development of the collection strategy based on statistical segmentation and previous management of the portfolio, including specialized collection based on the circumstance of non-payment and client profile.

- Implementation of the internal monitoring and training area.

The results of these improvements are reflected in the 2016 year-end results, where the default index for payroll reduction loans was 2.43% down compared to the 2.79% recorded at the close of 2015. The credit card index was stable at 4.58%, an outstanding result given growth in the card market in 2016. The Credipoliza product index was up from 1.45% to 2.18%, as a result of strengthening the operating model. Another notable point with regard to 2016 is that, because of the nature of CVCS products, it is necessary to properly manage the times required for billing, reporting values to third parties, third-party billing, client payment and collection channels in order to report payments to CVCS. Under this scheme the collection area entered tracking structure agreements to directly manage any delays in the reporting of client payments, and determine the reasons for defaulting so as to initiate direct client management if a default is found to genuinely exist. The default reports incorporate these delays for each product and thus measure the reality of each.

(STATED IN MILLIONS OF COLOMBIAN PESOS)

7.2.6 Credit worthiness

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

Entity	**Type of Account**	**December 31, 2016**	**December 31, 2015**
Banco de Bogotá	Checking	2,179	1,224
Bancolombia	Checking	1,904	493
Banco GNB Sudameris Colombia	Checking	1,195	3,079
Red Multibanca Colpatria	Savings	38	70
Banco BBVA	Checking	48	-
Banco de Occidente	Checking	309	1,467
Bancomeva	Checking	225	192
Available in Free-standing Trusts		13,857	9,909
		19,755	**16,434**

The following is a breakdown of 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:

<table>
<tr><th>Item</th><th>Financial Institution</th><th>Long-term Rating</th><th>Short-term Rating</th><th>Description</th></tr>
<tr><td>1</td><td>Banco BBVA</td><td>AAA</td><td rowspan="9">From BRC 1+ to BRC 2+</td><td rowspan="7">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.</td></tr>
<tr><td>2</td><td>Banco de Bogotá</td><td>AAA</td></tr>
<tr><td>3</td><td>Banco Colpatria</td><td>AAA</td></tr>
<tr><td>4</td><td>Banco de Occidente</td><td>AAA</td></tr>
<tr><td>5</td><td>Banco Corpbanca</td><td>AAA</td></tr>
<tr><td>6</td><td>Bancolombia</td><td>AAA</td></tr>
<tr><td>7</td><td>Banco Santander</td><td>AAA</td></tr>
<tr><td>8</td><td>Gnb Sudameris</td><td>AA+</td><td rowspan="2">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.</td></tr>
<tr><td>9</td><td>Bancoomeva</td><td>AA-</td></tr>
</table>

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.

(STATED IN MILLIONS OF COLOMBIAN PESOS)

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.

7.3 Market Risk

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

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

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

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

At December 31, 2016 and December 31, 2015, CVCS had the following financial assets and liabilities at fair price subject to trade risk:

Financial assets and liabilities at fair value exposed to trading risk held:	**December 31, 2016**	**December 31, 2015**
Equity Securities	20,958	24,192
Derivatives instruments	817	12,478
Loan Portfolio	4,380	12,625
Total	**26,155**	**49,295**
Derivatives instruments liabilities	16,958	-
Total	**16,958**	**-**
Net Position	**9,197**	**49,295**

Interest rate

CVCS's financial obligations are exposed to this risk when financing is acquired at variable indexed rates that may be subject to volatilities and may affect the Company's financial margin.

Sensitivity Analysis

Taking into account Credivalores' exposure to changes in interest rate indexes, a sensitivity analysis of the impact on financial obligations is included given the possible effect on the variable indexed interest rates in 2017. The following methodology was devised for the analysis:

Two scenarios were evaluated whereby indexed rates are affected by 20 BPS (increasing and decreasing indexed rates), which affect the future flows of Credivalores financial obligations indexed to the variable rate. Debt repayment is implicit in these scenarios, given their contractual frequency, taking them to maturity.

(STATED IN MILLIONS OF COLOMBIAN PESOS)

The flows corresponding to interest payment (accrual) were evaluated using equivalent rates.

The present value of the monthly interest payment was calculated, with the 6-month IBR at the end of December 2016 (6.807%) as the reference discount rate.

Finally, the Company compared the results of each scenario with the base scenario, which corresponds to the projections of interest flows using as reference the rates at the end of December 2016.

The results are set out below:

Scenarios	**Interests**
Effect of 100 BPS decrease in variable rate	(1,555)
Effect of 100 BPS increase in variable rate	1,552
Total Scenarios	**3**

Interest Rate and Exchange Rate

Rate and devaluation effect scenario (variable rate and foreign currency obligations)	**Interests**
Effect of revaluation and decrease, 15 BPS, variable rate	(31)
Effect of devaluation and increase, 15 BPS, variable rate	115
Total Scenarios	**88**

Exchange rate

CVCS's financial obligations are exposed to exchange rate risk when the present value of the liability positions presents volatilities due to the devaluation or revaluation of the funding acquired in another currency. This risk materializes when paying amortization on principal and interest, due to trading in the currencies to be paid and recognition of the exchange rate difference.

Sensitivity Analysis

Taking into account Credivalores' exposure to changes in the USD/COP exchange rate, a sensitivity analysis of the impact on financial obligations is included given the possible effect on the exchange rates in 2017. The following methodology was devised for the analysis:

1. Two scenarios were evaluated in which the exchange spot rate is ajusted by 0,66% daily volatility (forward curve projected from Bloomberg´s spot prices), , generating revaluation and devaluation effects on the TRM as at December 31, 2016.

2. Amortization of principal and payment of interest on financial obligations are implicit in these scenarios, given their contractual frequency and taking them to maturity.

3. The flows corresponding to interest payment (accrual) were evaluated using equivalent rates.

4. The present value of the monthly interest payment was calculated, with the 6-month IBR at the end of December 2016 (6.807%) as the reference discount rate.

5. Finally, CVCS compared the results of each scenario with the base scenario, which corresponds to the projected flows for payment of capital and interest using as reference the rates at the end of December 2016.

The results are set out below:

Ítem	Total Debt
Initial Scenario (Balance at December 31, 2016)	390,090
Scenario 1 (Effect of revaluation)	407,607
Scenario 2 (Effect of revaluation)	412,837
Difference Scenario 1 vs Initial Scenario	**17,517**
Difference Scenario 2 vs Initial Scenario	**22,747**

7.4 Liquidity Risk

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

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

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

In order to deploy a correct asset and liability management and assure the liquidity needed to operate the business the Company has set the following guidelines to control the liquidity risk: i) In the short term, cash flow associated to loan portfolio and liquid assets, short term financial liabilities, and off statement of financial positions in different time frames, allowing a permanent liquidity monitoring ii) for the long term assets and liabilities, the Company analyses its funding sources as well as the breakdown by type of source and those that are specifically associated to specific products.

Credivalores keeps at least 1.5 x its operating expenses in liquid assets statement of financial position liquidity has the following components:

- Inflows: incoming funds associated to loan portfolio, and interest income associated to liquid assets

- Outflows: Outgoing flows related to i) operating expenses ii) new loan origination and iii) financial liabilities´ principal and interest

- Liquidity GAP: Difference between inflows and outflows according to:

    - Monthly cash flow associated to assets (liquid assets, loan portfolio)
    - Monthly projected cash flow related to financial liabilities and operating expenses

(STATED IN MILLIONS OF COLOMBIAN PESOS)

The Company determines its liquidity gap based on to the above mentioned variables, and makes permanent follow up, as well as making any necessary adjustments according to the following ranges:

- ✓ 1 to 3 Months
- ✓ 3 to 6 Months
- ✓ 6 to 12 Months
- ✓ 12 Months +

Liquidity Risk Management

The company identifies its exposure to liquidity risk according to the markets were it operates, its products and services offered to its customers. For such purpose the Company has analyzed the processes associated to treasury in order to design controls and strategies to reduce the impact.

Liquidity position

Determine the minimum amount of liquid assets (cash and cash equivalents, short term liquid investments), in order to avoid any lacks that may affect the capacity to the outflows. It is calculated and monitored on a weekly basis on financial committee, considering cash flow projections for 7 and 15 days:

a) Green: liquid Assets / outflows >= 105%
b) Yellow: liquid Assets / outflows between 100 and 104%
c) Red: liquid Assets / outflows <100%

In case there are any yellow or green situations, the financial committee define any actions to be taken in order to assure the necessary coverage.

As of December 31, 2016, the Company has the following 7-15 day liquidity ratios:

Days	Dec-16
7 Days	161%
15 days	140%
30 Days	118%

As of Dec 31st 2016, the liquidity position in both 7 a 15 days is over the upper limit showing a favorable scenario (green).

Exposure to liquidity Risk

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

Limits to liquidity risk exposure

The maximum exposure to liquidity risk is determined as the average time (days) needed to source funds and be able to generate funds to cover operating expenses and originate new loans

It is reviewed in the weekly financial committee considering projections for 7, 15 and 30 days. To analyze the liquidity for short and medium term requirements, the company considers the following:

1) Net liquid assets CV + SPV´s: liquid assets less long term investments

(STATED IN MILLIONS OF COLOMBIAN PESOS)

Lower limit: 8%

As of Dec-31st, 16	
Net Liquidity	**122,942**
Assets (CV + PA) (Loan Portfolio)	947,411
Result 1	**13.0%**

2) Net liquid assets CV + SPV´s

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

As of Dec-31st 16	
Net Liquidity	**122,942**
Assets (CV + PA)	1,084,677
result 2	**11.3%**

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

December 31, 2016

Assets	Less than one month	From one to six months	From six to twelve months	More than a year	Total
Cash due from banks and Central Bank	118,889	4,075	-	-	122,964
Equity Instruments at fair value	16,308	-	-	4,650	20,958
Investments in Associates and Affiliates	-	-	-	9,408	9,408
Financial Assets at amortized cost	48,773	258,983	308,145	443,164	1,059,065
Total Assets	**183,970**	**263,058**	**308,145**	**457,222**	**1,212,395**

Liabilities	Less than one month	From one to six months	From six to twelve months	More than a year	Total
Financial Liabilities At amortized cost	57,521	400,805	241,052	385,596	1,084,974
Financial Liabilities at fair value - Derivatives instruments	-	10,589	6,369	-	16,958
Total Liabilities	**57,521**	**411,394**	**247,421**	**385,596**	**1,101,932**

(STATED IN MILLIONS OF COLOMBIAN PESOS)

December 31, 2015

Assets	Less than one month	From one to six months	From six to twelve months	More than a year	Total
Cash due from banks and Central Bank	110,078	-	-	-	110,078
Equity Instruments at fair value	19,544	-	-	4,648	24,192
Investments in Associates and Affiliates	-	-	-	31,240	31,240
Financial Assets at amortized cost	27,324	144,945	193,777	494,384	860,430
Total Assets	**156,946**	**144,945**	**193,777**	**530,272**	**1,025,940**

Liabilities	Less than one month	From one to six months	From six to twelve months	More than a year	Total
Financial Liabilities At amortized cost	90,503	170,823	145,155	400,404	806,886
Total Liabilities	**90,503**	**170,823**	**145,155**	**400,404**	**806,886**

7.5 Operating Risk

Credivalores Crediservicios S.A.S., upon adopting best business practices, has implemented an Operating Risk Management System to ensure its strategic objectives are achieved.

The Operating Risk Management System (SARO) 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.

The operating risk management system is made up of four elements that enable identification, control and monitoring in a systematic, organized and comprehensive manner.

a. Organizational structure: policies, manuals and procedures.
b. Technology platform: documentation and 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.

In 2016, two risk-matrix review and update cycles were carried out which resulted in the identification of 145 potential risks across 18 risk matrices associated with the main Company processes. 46.26% of all risks arising are associated with the "external" factor, 37.22% with the "people" factor, 10.78% with the "IT" factor, 5.71% with the "process" factor and 0.09% with the "infrastructure" risk factor.

Also the Operating Risk Management training program was launched through our e-learning platform and talks and informative tips on operating-risk-management best practices were given by designated risk management officers. Moreover, new staff had to formally declare that they had read and were fully cognizant of the Company's Operating Risk Management Manual.

The assurance stage of the operating risk system involves the auditing department who are responsible for the Company's internal control.

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.

7.5.1 Operating Risk Policies

Credivalores 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.

7.5.1.1 Identification Policies

a. Upon launching new products or redefining existing ones, the Company 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.

Operating and legal risks associated with the Company's processes have been identified using the methodology defined by the Operating Risk Management area.

b. For each of these processes, the risk factors to which the Company is exposed must be thoroughly identified. Events that could cause the Company to incur losses must be also be defined.

c. The different types of loss must also be identified on an individual process level. This is based on the methodology and policies deployed in the Risk Management Department and specifically by the Operating Risk Management area.

7.5.1.2 Measurement Policies

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 and 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 permits creating a historical loss analysis to facilitate calculating the capital required for each of the Company's lines of business.

   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.

7.5.1.3 Analysis 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 used calls upon the judgment of experts in the corresponding areas or processes. This is supplemented with the advice of the Operating Risk Management officers.

7.5.1.4 Monitoring Policies

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. These risk measurements are regularly monitored to identify certain patterns and make the necessary adjustments.

7.5.1.5 Business Continuity

The Company updated its business continuity plan in consideration of its critical data processing, data integrity, and information security.

During 2017, the Company will use periodic tests to improve contingency and continuity plans, better disclosing and evaluating the same. This will help it to minimize the effect of events that could disrupt Company operations.

Exchange Risk Management.

Credivalores Crediservicios S.A.S, with a view to conducting adequate mitigation of exchange risk has established the following guidelines:

1. Financial instruments are to be used as delivery and non-delivery forwards to hedge exchange-rate exposure affecting both principal and interest on debt issued in the international market.

2. For principal one third of the obligation is to be hedged or subject to hedging activities 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. Subject to a joint decision of the treasury and international funding areas, a portion of the principal may be left unhedged in this final section, to be covered in a timely manner.

3. For interest due the following interest payment is always expected to be hedged.

4. Credit limits obtained from local financial institutions for performing hedging operations. These financial institutions will have a credit rating of AA+ or higher.

7.6 Risk of Money Laundering and Terrorism Financing

Credivalores Crediservicios S.A.S. has implemented a self-control and risk management system for anti money laundering and Terrorism financing (AML/TF), which seeks to determine the company's exposure to this type of risk, based on the characteristics of the business, products, and geographical areas, among other relevant aspects, in order to define controls, policies, guidelines and tools to mitigate the materialization of this risk.

The Company's AML/TF Manual covers topics such as:

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

The CVCS AML system is fully compliant with the Colombian Superintendency of Corporations' (Superintendencia de Sociedades) regulations on the matter by way of Official Letter 100-00005/2014 and Public Announcement 100 – 00006.
The AML/TF management model focuses on developing and implementing preventive measures to control this type of activity by all employees, clients, associates, shareholders and suppliers related to the Company.

In order to prevent the risk of money laundering and the financing of terrorism, the Company periodically 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 a monthly scan of clients, employees, suppliers, shareholders and investors.

In order to help strengthen an AML/TF culture within the Company in Q4 2016, a special training program was deployed on all levels through the e-learning platform. This training was included in the Company's induction programs and new Credivalores specialists were certified for having read and understood the AML/TF manual.

In 2016, the AML/TF risk area updated the AML/TF risk matrix, identifying six risks through 18 control activities that allowed ML/FT risk to be addressed and kept within acceptable levels of exposure. The AML/TF manual was also updated in accordance with Public Announcement 100 - 00006, issued by the Colombian Superintendency of Corporations.

The Company's residual risk profile with regard to its exposure to AML/TF risk through counterparties, distribution channels, jurisdictions and products is low to medium. This reflects implementation and execution of control activities designed and established to mitigate such risk.

The quarterly reports were sent to the Board of Directors on the AML/TF prevention management, and the reports were sent to the oversight authorities, when required. For example, the Absence of Suspicious Operations report was sent to the Information and Financial Analysis Unit (UIAF- Division of Ministry of Finance).

For Q4 2016, a request was received from the Colombian Superintendency of Corporations to evaluate implementation of the AML/FT which was responded to within the period established by the control entity.

(STATED IN MILLIONS OF COLOMBIAN PESOS)

NOTE 8. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalent balances encompass the following as of December 31, 2016 and December 31, 2015:

	December 31, 2016	December 31, 2015
Cash	22	22
Banks	19,755	16,434
Mutual funds and joint portfolio (8.1)	95,112	93,622
Certificates of Deposit (8.2)	8,075	-
	122,964	110,078

As of December 31, 2016 and 2015 there were no restrictions on bank accounts.

(8.1) The following are the financial institutions where CVCS and free-standing trusts rights have participation in mutual funds and joint portfolio:

	December 31, 2016	December 31, 2015
Alianza Fiduciaria	2,736	2,268
Valores Bancolombia	2,888	9,758
Sub-total	**5,624**	**12,026**

Entity	December 31, 2016	December 31, 2015
Servitrust Gnb Sudameris S.A.	2,883	1,504
Fiduciaria Corficolombiana Free-standing Trusts	-	1,871
Fiduciaria Central Trusts	3,452	1,981
Corpbanca Investment Trust Col SA Soc Fiduciaria	30	3,190
Fiducolombia Free-standing Trusts	83,123	73,050
Sub-total	**89,488**	**81,596**
Total	**95,112**	**93,622**

The following are the money market funds manager´s credit risk ratings given by credit rating agencies:

Manager	dic-16	dic-15	Rating Agency
Fiduciaria Bancolombia	S1/AAA (col)	1/AAA	Fitch Ratings Colombia S.A.SCV
Fiduciaria GNB Sudameris - Servitrust	F-AAA	F-AAA	Value and Risk Rating S.A SCV (2016 - 2017) BRC Standard & Poor´s (2015)
Fiduciaria La Previsora	S1/AAA (col)	1/AAA	Fitch Ratings Colombia S.A. SCV
Fiduciaria Popular	FAAA/2	FAAA/2	BRC Standard & Poor´s (2017-2016-2015) - BRC Investor Services S.A. SCV (2014)

(STATED IN MILLIONS OF COLOMBIAN PESOS)

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

(8.2) Certificates of Deposit (CD):

As of December 31, 2016, the Company had six Time Deposits (CD) at Credifinanciera S. A. Savings and Loans, detailed below:

CD CREDIFINANCIERA

NUMBER	ISSUE DATE	PAYMENT DATE	DAYS	NOMINAL VALUE	E.A. RATE	NOMINAL RATE	TOTAL INTERESTS 2016	TOTAL BALANCE CD 2016
53203	11/1/2016	1/13/2017	72	1,000	6.0	5.86	10	1,010
53468	11/3/2016	1/24/2017	81	1,000	6.0	5.87	9	1,009
53469	11/3/2016	1/20/2017	77	1,000	6.0	5.86	9	1,009
53473	11/3/2016	1/13/2017	70	1,000	6.0	5.86	9	1,009
53474	11/3/2016	2/14/2017	101	2,000	6.0	5.87	19	2,019
53475	11/3/2016	2/7/2017	94	2,000	6.0	5.87	19	2,019
		TOTAL		**8,000**			**75**	**8,075**

NOTE 9. FINANCIAL INSTRUMENTS

9.1 AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	December 31, 2016	December 31, 2015
Equity instruments (1)	20,958	24,192
Derivative instruments (note 15)	817	12,478
	21,775	36,670

Equity instruments

	December 31, 2016	December 31, 2015
Mutual Funds (a)	16,308	19,544
Agrocañas Shares (b)	4,650	4,648
	20,958	24,192

(STATED IN MILLIONS OF COLOMBIAN PESOS)

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

Issuer	Type of Fund	Minimum Investment	Minimum Balance	Annual Return 2016	Annual Return 2015	Carrying Amount	
						2016	2015
Credicorp Capital	Money Market	500	N/A	7.1%	3.6%	3	3
BTG Pactual I Z Class	Target Date	5	2	58.3%	2.20%	1,842	3,956
BTG Pactual II Z Class	Target Date	5	2	167,5%	6.77%	4,885	2,310
Fiduciaria Popular	Money Market	200	200	6.9%	3.6%	69	65
Fiduciaria la Previsora S.A.	Money Market	200	200	6.9%	3.5%	309	45
Servitrust GNB Sudameris	Money Market	500	500	6.5%	3.5%	1	51
BTG Money Market	Target Date	500	500	6.5%	3 %	9,199	13,114
					TOTAL	**16,308**	**19,544**

(b) The Company has a 5.03% stake in Agrocaña S.A. share capital, with a number of outstanding shares as at December 31, 2015 and 2016 of 3,300, which are not listed on the stock exchange, so they are measured at fair value.

NOTE 10. INVESTMENTS IN ASSOCIATES

The detail of the investments in associates is as follows:

	December 31, 2016	December 31, 2015
Asficor S.A.S (a)	-	21,077
Inverefectivas S.A (b)	9,408	9,029
Microfinanzas & Desarrollo (c)	-	1.134
	9,408	31,240

(a) A Stock Purchase Agreement between Credivalores Crediservicios S.A.S. and BRESTOL S.A.S. was executed on July 1, 2016, in which Credivalores stated its intention to transfer its stake in ASFICOR S.A.S. It also transferred its stake for the value of the subscribed and paid capital after stock placement.

(b) The Company has a 25% stake of Inverefectivas S.A. share capital. This company was established under Panamanian legislation represented by 1000 shares with an intrinsic value of USD 3,135.20 as of December 2016.

(c) As of December 31, 2016 there are no investments in the company Microfinanzas y Desarrollo in the process of being wound up because it was liquidated during the year.

(STATED IN MILLIONS OF COLOMBIAN PESOS)

The following table shows the balances of each investment in associates of December 31, 2016 and 2015 voting right percentage in those entities:

	December 31, 2016		December 31, 2015	
	Share of ownership interest	**Book value**	**Share of ownership interest**	**Book Value**
Associates				
Asficor S.A.S (a)	-	-	100%	21,077
Inverefectivas S.A (b)	25%	9,408	25%	9,029
Microfinanzas & Desarrollo	-	-	100%	1,134
		9,408		**31,240**

The main corporate purpose of the associates of Credivalores Crediservicios S.A.S is as follows:

	Associate	Corporate purpose
1	Asficor S.A.S	Credit institution.
2	Inverefectivas S.A	Holding.
3	Microfinanzas & Desarrollo	Credit institution.

The movement of investments in associates' accounts is shown below for the years ended at December 31, 2016 and 2015:

Associate	**December 31, 2016**	**December 31, 2015**
Balance at the beginning of the year	**31.240**	**14.766**
Participation in the profit or loss of the period	(145)	(167)
Participation in Other comprehensive income	808	4
Increase (decrease) (i)	(22.066)	18.807
Impairment charged to profit or loss	-	(413)
Adjustments for exchange differences	(429)	(1757)
Year-end balance	**9.408**	**31.240**

(i) This amount includes $ 20,932 related to the sale of the investment in the associate Asficor SAS which did not generate effective movement in the period since the shares were sold and are pending to be collected.

The condensed financial information of the associates is as follows:

December 31, 2016	**Assets**	**Liabilities**	**Equity**	**Income**	**Expenses**	**Net income**
Asficor S.A.S (a)	21,063	215	20,848	-	228	228
Inverefectivas S.A (b)	37,631	-	37,631	1,877	75	1,802

(STATED IN MILLIONS OF COLOMBIAN PESOS)

December 31, 2015	Assets	Liabilities	Equity	Income	Expenses	Net income
Asficor S.A.S (a)	21,099	23	21,077	-	58	58
Inverefectivas S.A (b)	37,605	-	37,605	111	52	59
Microfinanzas & Desarrollo (c)	1,198	64	1,134	1,844	1,733	111

NOTE 11. LOAN PORTFOLIO, NET

Financial assets at amortized cost on the statement of financial position are classified as consumer portfolio and microcredit. Following is a description of CVCS´ portfolio at December 31, 2016 and r 31, 2015:

	December 31, 2016	December 31, 2015
Consumer	1,044,230	819.497
Microcredit	14,835	40,933
Impairment	(105,191)	(85,944)
Total Financial Assets at amortized cost	**953.874**	**774.486**
Tu credito payroll deduction loans at fair value	4,380	12,625
Total Financial Assets at Fair Value	**4,380**	**12,625**

The Financial Position Statement includes portfolio held in Free-standing Trust totaling 718,857 as at December 31, 2016, and 552,660 as at December 31, 2015. CVCS classified portfolio by product in accordance with the height of default.

The movement of the impairment provision of the financial assets of the credit portfolio during the years ended December 31, 2016 and 2015 is as follows

	December 31, 2016	December 31, 2015
Initial Balance	85,944	86,932
Allowance of the period charged against to profit or loss	23,261	27,603
Charge-offs of the period	(3,456)	(27,017)
Recovery of provisions	(558)	(1,574)
Final Balance	**105,191**	**85,944**

Here is a breakdown of the Originated and Managed Loans Portfolio with all components:

At December 31, 2016

Modality	Capital	Transaction Costs	Accrued Interest	Commissions	Impairment	Total
Consumer	933,356	16,645	91,818	2,411	(98,662)	945,568
Microcredit	9,677	749	4,395	14	(6,529)	8,306
Total Financial Assets at amortized cost	**943,033**	**17,394**	**96,213**	**2,425**	**(105,191)**	**953,874**

(STATED IN MILLIONS OF COLOMBIAN PESOS)

At December 31, 2015						
Modality	**Capital**	**Transaction Costs**	**Accrued Interest**	**Commissions**	**Impairment**	**Total**
Consumer	742.454	9,835	60,452	6,756	(83,419)	736.078
Microcredit	38.090	253	2,546	44	(2,525)	38.408
Total Financial Assets at amortized cost	**780,544**	**10,088**	**62,998**	**6,800**	**(85,944)**	**774,486**

The distribution of maturities of CVSC gross loans portfolio is as follows:

December 31, 2016					
	Up to 1 year	**Between 1 and 3 years**	**Between 3 and 5 years**	**Over 5 years**	**Total**
Consumer	225,183	423,173	147,429	248,445	1,044,230
Microcredit	8,627	4,867	1,341	-	14,835
Total Gross Loan Portfolio	**233,810**	**428,040**	**148,770**	**248,445**	**1,059,065**

December 31, 2015					
	Up to 1 year	**Between 1 and 3 years**	**Between 3 and 5 years**	**Over 5 years**	**Total**
Consumer	144,.845	388,617	110,935	175,100	819.497
Microcredit	16,180	23,355	1,398	-	40.933
Total Gross Loan Portfolio	**161,025**	**411,972**	**112,333**	175,100	**860,430**

The distribution of maturities of CVCS capital loans portfolio is as follows:

December 31, 2016					
	Up to 1 year	**Between 1 and 3 years**	**Between 3 and 5 years**	**Over 5 years**	**Total**
Consumer	182,725	381,016	135,583	234,032	933,356
Microcredit	4,865	3,865	947	-	9,677
Total Gross Loan Portfolio	**187,590**	**384,881**	**136,530**	**234,032**	**943,033**

December 31, 2015					
	Up to 1 year	**Between 1 and 3 years**	**Between 3 and 5 years**	**Over 5 years**	**Total**
Consumer	126,063	355,673	101,340	159.378	742.454
Microcredit	4,483	32,628	979	-	38.090
Total Gross Loan Portfolio	**130,546**	**388.301**	**102,319**	**159.378**	**780,544**

At December, 31 2016 and 2015 CVCS included in loan portfolio 277.985 and 355,079 respectively of loans sold but that continue being managed by the company:

(STATED IN MILLIONS OF COLOMBIAN PESOS)

At December 31, 2016

Type	Loan Capital	Sold	Total
Consumer	933,356	227,985	1,161,341
Microcredit	9,677	-	9,677
Total Financial Assets at amortized cost	**943,033**	**227,985**	**1,171,018**

At December 31, 2015

Type	Loan Capital	Sold	Total
Consumer	742,454	343,942	1,086,396
Microcredit	38,090	11,137	49,227
Total Financial Assets at amortized cost	**780,544**	**355,079**	**1,135,623**

As of December 31, 2016 and 2015, a summary of the overdue portfolio by days past due is as follows:

	At December 31, 2016			At December 31, 2015		
	Consumer	Microcredit	Total	Consumer	Microcredit	Total
Current	799,330	2,602	**801,932**	630,199	34,551	**664,750**
Arrears but not impaired	36,106	1,565	**37,671**	33,333	863	**34,196**
Non-performing loans under 360	30,462	2,561	**33,023**	25,552	1,413	**26,96**
Non-performing loans over 360	67,458	2,949	**70,407**	53,370	1,263	**54,633**
	933,356	**9,677**	**943,033**	**742,454**	**38,090**	**780,544**

The company manages its loan portfolio at the status of default, so in note 7.2.4 - credit risk is presented both the own portfolio and the portfolio managed under this structure.

NOTE 12. ACCOUNTS RECEIVABLE, NET

The detailed information of accounts receivables as of December 31, 2016 and 2015 is as follows:

	December 31, 2016	December 31, 2015
Debtors (12.1)	186,053	121,267
From Partners and Shareholders	1,825	1,825
Prepayments and Advances	772	-
Payment by client account (12.2)	832	3,526
	189,482	**126,618**

12.1 The balance for other accounts receivable which amounted to COP 186,053 million as at December 2016, and to COP 121,267 million as at December 31, 2015 correspond primarily to loan collection balances from the Free-standing Trusts pending transfer to Credivalores. On December 31, 2016, it also includes an account receivable associated with the sale of Asficor shares held by CVCS to another company for COP 13,929, and another item to Finanza Inversiones for COP 19,000.

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

(STATED IN MILLIONS OF COLOMBIAN PESOS)

	December 31, 2016	December 31, 2015
Life Insurance Payroll deduction loans	609	2,257
Life Insurance Payroll deduction loans Cooperative Sector	-	967
Crediuno Insurance	216	256
Life Insurance SMEs	7	46
	832	**3,526**

NOTE 13. PROPERTY AND EQUIPMENT

Following is the detail of the balance as of December 31, 2016 and 2015, by type of property and equipment for own use:

	December 31, 2016	December 31, 2015
Transport Equipment	117	117
Office equipment and Accessories	1,538	1,298
Computer equipment	1,016	845
Network and communication equipment	345	158
Machinery, plant and equipment in assembly	49	49
Goods received on finance lease agreements	4,878	4,878
Subtotal	**7,943**	**7,345**
Accumulated depreciation	(6,926)	(5,883)
Total	**1,017**	**1,462**

The breakdown for equipment movement is shown below:

	December 31, 2015	Purchases	December 31, 2016
Transport Equipment	117	-	117
Office equipment and Accessories	1,298	240	1,538
Computer equipment	845	171	1,016
Network and communication equipment	158	187	345
Machinery, plant and equipment in assembly	49	-	49
Goods received on finance lease agreements	4,878	-	4,878
	7,345	**598**	**7,943**

	December 31, 2014	Purchases	December 31, 2015
Transport Equipment	117	-	117
Office equipment and Accessories	1,280	18	1,298
Computer equipment	844	1	845
Network and communication equipment	147	11	158
Machinery, plant and equipment in assembly	49	-	49
Goods received on finance lease agreements	4,692	186	4,878
	7,129	**216**	**7,345**

The following is the depreciation movement for 2015 and 2016, respectively:

(STATED IN MILLIONS OF COLOMBIAN PESOS)

	December 31, 2015	Depreciation	December 31, 2016
Office equipment and Accessories	2,083	283	2.366
Telecommunications equipment	187	10	197
Goods on Finance Lease Agreements	3,613	750	4.363
	5,883	**1,043**	**6,926**

	December 31, 2014	Depreciation	December 31, 2015
Office equipment and Accessories	1,553	530	2.083
Telecommunications equipment	123	64	187
Goods on Finance Lease Agreements	2,656	957	3.613
	4,332	**1,551**	**5,883**

All Company equipment is duly covered by valid insurance policies. To protect its property and equipment the Company took out insurance policies with Beckley International Insurance Colombia and Chubb de Colombia at December 31, 2016 and December 31, 2015, respectively, which cover the risks of theft, fire, lightning strikes, explosions, earthquakes, strikes, revolts, etc.

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

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.

Finance Lease Agreements:

Assets under finance lease agreements were acquired with Leasing Bancolombia S.A., Banco de Bogotá and Leasing de Occidente.

A total of 52 lease agreements are in effect with the Colombian institutions named above.

Correspond to rights to goods received as part of finance lease agreements which are entered into for period of three (3) years and correspond to structured cabling, licenses, computer equipment and vehicles.

Following is the detail of the balance to as of December 31, 2016 and 2015, by type of property, plant and equipment receive in Finance Lease:

	Cost	Acummulated Depreciation	Carrying amount
Computing equipment	2,416	(2,301)	115
Vehicles	2,462	(2,062)	400
Balance as of December 31, 2016	**4,878**	**(4,363)**	**515**

(STATED IN MILLIONS OF COLOMBIAN PESOS)

	Cost	Acummulated Depreciation	Carrying amount
Computing equipment	2,416	(2,032)	384
Vehicles	2,462	(1,581)	881
Balance as of December 31, 2015	**4,878**	**(3,613)**	**1,265**

Below is a summary of the minimum lease payments to be payable in the next years based on assets in finance lease to December 31, 2016 y 2015

	December 31, 2016	December 31, 2015
Less than a year	272	272
More than a year, less than 5	243	514
Total	**515**	**786**

NOTE 14. OTHER INTANGIBLE ASSETS

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

	December 31, 2016	December 31, 2015
Computer programs	-	62
Software licenses	256	142
Technology and insurance projects	2,385	-
Other	2,276	-
Trademarks Acquired (1)	23.919	26,700
	28,836	**26,904**

(1) In December 2015, the Company acquired the “Crediuno Avances” and the “Microcredito CV” trademarks for 23,800 and 2,900 respectively.

The amortization expense for the year was as follows:

	December 31, 2016	December 31, 2015
Amortization	**2,781**	**58**

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 15. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The detail of the investment derivative financial instruments and hedge accounting is as follows:

	December 31, 2016	December 31, 2015
ASSETS		
Hedge derivative forward	341	12,478
Derivate forward trade	476	-
Sub-Total	**817**	**12,478**

(STATED IN MILLIONS OF COLOMBIAN PESOS)

LIABILITIES		
Hedge derivative Forward (15.1)	16,702	-
Derivative forward trade (15.2)	242	-
Swaps	14	-
	16,958	**-**

15.1 Hedge Forward

The following table describes the fair value recognition of the derivatives portfolio:

Fair value

ASSETS	December 31, 2016 Nominal Amount USD	December 31, 2016 Fair Value COP	December 31, 2015 Nominal Amount USD	December 31, 2015 Fair Value COP
Hedge Forward				
Purchase of foreign currency	13	339	-	12,478
Total hedge derivative assets	**13**	**339**	**-**	**12,478**

LIABILITIES	December 31, 2016 Nominal Amount USD	December 31, 2016 Fair Value COP	December 31, 2015 Nominal Amount USD	December 31, 2015 Fair Value COP
Hedge Forward				
Purchase of foreign currency	76	(16,530)	-	-
Total hedge liabilities	**76**	**(16,530)**	**-**	**-**
Net effect	**-**	**(16,191)**	**-**	**12,478**

The Company maintains the derivative financial instrument to cover exposure to risk in foreign currency. Management's goal and strategy is to analyze and assess the appropriate method to value this financial instrument according to the type of operation and business conducted.

The following table describes the cash flow recognition of the derivatives portfolio:

Cash-flow hedge

ASSETS	December 31, 2016 Nominal Amount USD	December 31, 2016 Fair Value COP	December 31, 2015 Nominal Amount USD	December 31, 2015 Fair Value COP
Hedge Forward				
Purchase of foreign currency	1	2	-	-
Total hedge assets	**1**	**2**	**-**	**-**

LIABILITIES	December 31, 2016 Nominal Amount USD	December 31, 2016 Fair Value COP	December 31, 2015 Nominal Amount USD	December 31, 2015 Fair Value COP
Hedge Forward				
Purchase of foreign currency	1	(172)	-	-
Total hedge liabilities	**1**	**(172)**	**-**	**-**
Net effect	**-**	**(170)**	**-**	**-**

Hedge accounting

As at December 31, 2016, the Company has financial instruments (assets) at a nominal value of USD 13 and fair value of COP 339. Nominal value of liabilities is USD 76 and fair value is COP 16,530 the forward derivatives portfolio will materialize during 2017.

- *Risk management objectives:* The goal of hedging is to protect the value of the COP currency for payment of principal in USD against representative market rate movements with the goal of mitigating market risks implied by holding a debt in USD. By hedging changes in forward points are treated as equity and carried to Other Comprehensive Income, making the impacts from exchange rate variations observable at the contract's expiration date, and minimizing volatility in each period's income statements.

- *Type of hedging:* The type of hedging to be used in order to fulfill the aforementioned objectives is fair value hedging.

- *Hedging instrument:* The instrument used to mitigate the risks of representative market rate volatility is a forward purchase contract which gives Credivalores Crediservicios S.A.S. the right to receive a nominal value in dollars at a forward exchange rate negotiated with the counterparty.

- *Hedged entry:* The hedged entry is the change in principal of the debt to be paid against representative market rate movements.

- *Hedge effectiveness:* The hypothetical derivative method will be applied retrospectively.

Cash-flow hedge accounting

As at December 31, 2016, the Company has financial instruments assets at a nominal value of USD 1 and fair value of COP 2. Nominal value of liabilities is USD 1 and fair value is COP 172, the forward derivatives portfolio will materialize during 2017.

- *Risk management objectives:* The goal of hedging is to protect the value of the COP currency in expected payments of a coupon amount in USD against representative market rate movements. Thereby mitigating the market risk implied from paying the debt in USD.

- *Type of hedging:* The type of hedging to be used in order to fulfill the aforementioned objectives is cash flow hedging.

- *Hedging instrument:* The instrument used to mitigate market risks is a forward purchase contract, which gives Credivalores Crediservicios S.A.S. the right to receive a value in dollars at a forward exchange rate negotiated with the counterparty.

- *Hedged entry:* The entry to hedge the change is in Credivalores Crediservicios S.A.S. cash flow associated with increased or reduced financial expenses due to exchange rate movements.

- *Retrospective hedge effectiveness:* The hypothetical derivative method will be applied retrospectively.

(STATED IN MILLIONS OF COLOMBIAN PESOS)

The foreign financial obligations hedged with derivative portfolio at December 31, 2016 as follows:

Notes	Nominal amount USD	Due date	Counterparty
Note IV 30.000.000	31	3/1/2017	BANCOLOMBIA
Note V 3.500.000	2	3/8/2017	BANCOLOMBIA
	2	3/8/2017	BANCO DE OCCIDENTE
Note VI USD 15.000.000	9	6/20/2017	BANCOLOMBIA
	6	6/20/2017	BANCO DE OCCIDENTE
Note VII USD 14.000.000	14	10/17/2017	BANCOLOMBIA
Note VIII USD 22.500.000	23	10/20/2017	BANCOLOMBIA
BANCO SANTANDER	4	31/03/2017	SANTANDER
TOTAL	**89**		

Prospective Effectiveness of Current Hedging

Based on IAS 39, a prospective analysis is made of the hedge's effectiveness, which is based on the critical terms methodology to demonstrate effectiveness, in other words, maturity dates, nominal values and/or currencies, between the hedged entry and the derivative are backed at 100%, and the counterparty risk effect is considered minimal given the profile of the financial institution executing the derivatives.

Hedged entry		Hedging instrument	
Type	**Nominal Amount USD**	**Type**	**Nominal Amount USD**
Fair value	87	Fair value	87
Cash flow	2	Cash flow	2

For hedged entries on the previous table that apply to hedge accounting, critical terms are 100% backed, which prospectively demonstrates 100% effectiveness.

Retrospective Hedging Effectiveness

Due to the use of critical terms in the prospective analysis IAS 39 stipulates that a retrospective analysis must be used. The policy documented the hypothetical derivative methods, which showed the effectiveness of the real derivative compared to a hypothetical derivative. This hypothetical derivative is going to do the opposite, in other words, if Credivalores Crediservicios S.A.S.' real derivative is a forward purchase the hypothetical derivative will be a forward sale. So by comparing its movements, the real and hypothetical derivative will follow each other's behavior from 80% to 125%.

Real derivative

Fair Value November 2016	Fair Value December 2016	Fair Value Change (Nov - Dec) 2016
(8,298)	(16,362)	8,064

Hypothetical Derivative

Fair Value November 2016	Fair Value December 2016	Fair Value Change (Nov - Dec) 2016	**Dollar Offset Nov - Dec 2016**
8,298	16,362	(8,064)	100%

The hypothetical derivative finally reflects the change in market value or impact on cash flows of the risk (in this case exchange rate) of the hedged entry; as can be observed in the table, the change in market value of the hypothetical derivative that reflects the exchange risk of the hedged entry varied in the same proportion as the real derivative, thereby the test showed 100% effective in hedging the entries.

(STATED IN MILLIONS OF COLOMBIAN PESOS)

15.2 Derivatives Forward Trade

At December 31, 2016, the trading hedge instruments valuation was expected to be at fair value since the expectation was that the measure of these derivatives would reflect the earnings for the duration of the hedging period. The following table describes the fair value of the forward contract portfolio at the end of each period.

Derivatives Forward Trade

ASSETS	December 31, 2016 Nominal Amount USD	December 31, 2016 Fair Value COP	December 31, 2015 Nominal Amount USD	December 31, 2015 Fair Value COP
Forward contracts for trading				
Purchase of foreign currency	3	476	-	-
Total derivative assets	**3**	**476**	**-**	**-**

LIABILITIES	December 31, 2016 Nominal Amount USD	December 31, 2016 Fair Value COP	December 31, 2015 Nominal Amount USD	December 31, 2015 Fair Value COP
Forward Contracts for trading				
Purchase of foreign currency	3	(242)	-	-
Total derivative liabilities	**3**	**(242)**	**-**	**-**
Net effect	**-**	**234**	**-**	**-**

In 2015 CVCS had no hedge accounting. CVCS implemented the derivatives financial instruments valuation policy since January 1, 2016.

As of December 31st, 2016, the Company has financial instruments (assets) at a nominal value of USD 3 and fair value of COP 476. Nominal value of liabilities is USD 3 and fair value is COP 242 the forward derivatives portfolio will materialize during 2017.

NOTE 16. FINANCIAL OBLIGATIONS

	December 31, 2016	December 31, 2015
Financial obligations in free standing trusts	543,788	368,798
Promissory notes – national banks	146,162	180,253
Foreign banks	400,545	258,918
Finance lease agreements	755	1,508
Other financial obligations	1,718	10,474
Transaction cost	(7,994)	(13,065)
	1,084,974	**806,886**

The balance of Credivalores Crediservicios S.A.S. financial obligations in Free-standing Trusts at December 31, 2016 and 2015 correspond to obligations contracted with financial entities in Colombia and obligations in capital markets abroad, finance lease agreements, third parties and shareholders. Short-term obligations are loans that must be paid in 2017 and long-term obligations are loans that come due after 2017.

(STATED IN MILLIONS OF COLOMBIAN PESOS)

Short-term financial obligations.

Entity	December 31, 2016	Interest rate	Maturity	December 31, 2015	Interest rate	Maturity
	Short-term obligations					
Local Banks						
Banco Agrario	-			45,000	DTF + 3%	2016
Banco de Bogotá	10,188	IBR + 5.5%	2017	19,233	DTF + 4%	2016
Banco Caja Social	-			250	DTF + 2.3%	2016
Banco Colpatria	13,000	IBR + 5.8%	2017	18,000	DTF + 4%	2016
Banco GNB Sudameris	-			700	DTF + 5%	2016
Banco de Occidente	4,582	IBR + 3.5%	2017	5,909	DTF + 4.5%	2016
Banco Corpbanca	8,000	14.97%	2017	8,000	10.84%	2016
Bancolombia	30,500	DTF + 6.8%	2017	53,773	DTF + 6.5%	2016
Bancoomeva	276	DTF + 7%	2017	10,000	DTF + 6%	2016
Banco Santander	10,455	LIBOR + 1.7%	2017	10,000	DTF + 4.5%	2016
Total Local Banks	**77,001**			**170,865**		
Foreign Entity						
International Notes	255,060	8.13%	2017	47,242	9%	2016
Total Foreign Entity	**255,060**			**47,242**		
Shareholders						
Lacrot Inversiones	60,014	9.5%	2017	-		
Total Shareholders	**60,014**			**-**		
Third parties						
Agro el Arado S.A	-			4,085	DTF + 7%	2016
Crediholding S.A.S.	-			37	DTF + 7%	2016
Comunicaciones y Negocios S.A	-			1,407	17% EAR	2016
Progresion Sociedad Administradora	1,718	12%	2017	-		
Total Third Parties	**1,718**			**5,529**		
Free-standing trusts						
Free-standing trust, Corpbanca	1,194	IBR + 5.5%	2017	2,194	IBR + 6.5%	2016
Free-standing trust, Citibank	-			4,197	11.63%	2016
Free-standing trust, Crediuno IFC	-			6,130	9.76	2016
Free-standing trust, syndicated Tucredito	-			20,798	DTF + 4.5%	2016
Free-standing trust, syndicated Credipoliza	42,613	DTF + 4.5%	2017	-		
Free-standing trust, EPSA Crediuno	16,355	DTF + 6.75%	2017	-		
Free-standing trust, syndicated Crediuno	3,043	DTF + 4.5%	2017	-		
Total Free-standing trusts	**63,205**			**33,319**		

Entity	December 31, 2016	Interest rate	Maturity	December 31, 2015	Interest rate	Maturity
	Short-term obligations					
Financial leasing Contracts						
Leasing Bogota	-		2017	52	DTF + 3.75%	2016
Leasing Bancolombia	73	8.42%		304	8.42%	2016
Total Financial Leasing	**73**			**356**		
Total Short-term obligations	**457,071**			**257,311**		

(STATED IN MILLIONS OF COLOMBIAN PESOS)

The Company had short-term financial obligations in 2016 and 2015 totaling $457.071 and $257,311; respectively. The measurement of financial liability instruments for financial obligations is valued at amortized cost, as per IAS 39.

a) Long-term obligations

Long-term obligations

Entity	December 31, 2016	Interest rate	Maturity	December 31, 2015	Interest rate	Maturity
National entity						
Banco Agrario	30,866	DTF + 3.4%	2018	-		
Banco de Bogotá	14,130	IBR + 6.25%	2018	-		
Banco de Occidente	-			2,753	DTF + 3.85%	2017
Bancolombia	21,528	DTF + 7.5%	2019	-		
Bancoomeva	13,091	DTF + 7.7%	2018 to 2019	6,635	DTF + 7%	2017
Total National Entity	**79,615**			**9,388**		
Foreign Entity						
International Notes	-			143,301	8.25% EAR	2017
Total Foreign Entity	**-**			**143,301**		
Third parties						
Progresion Sociedad Administradora	-			4,946	12% EAR	2017
Total Third Parties	**-**			**4,946**		

Long-term obligations

Entity	December 31, 2016	Interest rate	Maturity	December 31, 2015	Interest rate	Maturity
CVCS						
Free-standing trusts						
Free-standing trust, Colpatria Tucredito	21,566	IBR + 6.3%	2018 to 2020	10,725	DTF + 6.5%	2018
Free-standing trust, Corpbanca	-			5,250	IBR + 6.5%	2017
Free-standing trust, Citibank	-			384	11.63% EAR	2017
Free-standing trust, Credilibranzas	1,541	DTF + 5.25%	2018	2,698	DTF + 5.25%	2017
Free-standing trust, Libranzas II	4,888	DTF + 5.25%	2018	8,594	DTF + 5.25%	2017
Free-standing trust, EPSA Crediuno	106,831	DTF + 6.75%	2018 to 2019	106,754	DTF + 6.48%	2017 to 2018
Free-standing trust, Crediuno IFC	75,016	9.91% EAR	2018 to 2021	62,245	10.53% EAR	2017 to 2019
Free-standing trust, syndicated Crediuno	58,015	DTF + 4.5%	2019	51,945	DTF + 4.5%	2017
Free-standing trust, syndicated Credipoliza				6,602	DTF + 4.5%	2017 to 2020
Free-standing trust, syndicated Tucredito	238,003	DTF + 5.5%	2019 to 2021	148,656	DTF + 5.5%	2019 to 2020
Free-standing trust, CrediTIGO	49,740	DTF + 6.25%	2018	-		
Total Free-standing trusts	**555,600**			**403,853**		

(STATED IN MILLIONS OF COLOMBIAN PESOS)

Financial Lease Contracts						
Leasing Bancolombia	682	8.42% EAR	2017 to 2026	1,152	8.42% EAR	2017 to 2026
Total Financial Lease	**682**			**1,152**		
Total long-term obligations	**635,897**			**562,640**		
Cost of Transaction to be Amortized IFP	(7,994)			(13,065)		
Total financial obligations	**1,084,974**			**806,886**		

The Company had long-term financial obligations in 2016 and 2015 totaling 635,897 and 562,640, respectively. Associated costs incurred in the acquisition of loans are classified as transaction costs pending IFP amortization for 2016 and 2015, valued at 7,994 and 13,065, respectively. The measurement of financial liability instruments for financial obligations is valued at amortized cost

The total balance of financial obligations for 2016 and 2015 is 1,084,974 and 806,886, respectively, which will be paid off as described above.

16.1 Foreign Currency Liabilities

Entity	Par value December 31, 2016		Par value December 31, 2015	
	USD	COP	USD	COP
Banco Santander	3	10,455	-	-
International Capital Markets Notes (a)	85	255,060	61	190,543
Lacrot Inversiones	20	60,014	-	-
International Finance Corporation (IFC)	30	75,016	30	68,375
Total	**USD 138**	**$400,545**	**USD 91**	**$258,918**

(a) International Capital Markets Notes

In August 2014 the Company established a program for issuing commercial paper notes abroad for up to USD 150 Million, with maturities that can range from 1 day to 3 years from the issue date of each note. The issued notes are not registered under the US Securities Act of 1993, and according to the program, will only be offered to non-Americans in compliance of Regulation S of the US Securities Act.

Under this commercial paper program the Notes are issued outside of Colombia and are not registered in the Colombian National Registry of Securities and Issuers, nor listed on the Colombian Securities Exchange.

The funds received from loans acquired from financial institutions are used for portfolio origination and to handle various lines of working capital which help maintain a degree of liquidity for the Company. The loans are represented by promissory notes wherein both parties establish the payment conditions including limits, amounts, interest rates and terms. The financial cost of financial obligations for 2016 and 2015 was 57,982 and 18,344, respectively.

The financial obligations in Free-standing Trusts of Credivalores Crediservicios S.A.S. that are recognized in local and foreign currencies will be recognized at the start of operation at their amortized value, net of costs incurred in the transaction which are attributable at the time of issuance. The difference between funds received (net of transaction costs) and the redemption value is recognized in the Income Statement for the corresponding period using the effective interest method.

The effective interest method is a mechanism to calculate the amortized cost of a financial liability and assign the interest expense during the relevant period. 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.

(STATED IN MILLIONS OF COLOMBIAN PESOS)

Financial liabilities in foreign currency are valued at the close of the representative market rate certified by the Colombian Superintendency of Finance. In cases where they were used as hedging instruments the applicable accounting policy is applied pursuant to IAS 39. Hedging operations are used to cover the exchange rate risks in existing debts in foreign currency as well as to hedge future cash flows that come up daily. The future forward rate is assessed at the end of each period, comparing the representative market rate at the end of the period and recording the positive or negative difference in the Income Statement.

NOTE 17. EMPLOYEE BENEFITS

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

Below is a breakdown of employee benefit payments as at December 31, 2016 and December 31, 2015:

	December 31, 2016	December 31, 2015
Short-term benefits (a)	1,198	1,459
	1,198	**1,459**

(a) The breakdown of employee benefit payments at December 31, 2016 and December 31, 2015 is as follows:

	December 31, 2016	December 31, 2015
Salaries	2	47
Severance pay	540	541
Interest on severance pay	62	62
Holidays	594	648
Bonuses	-	11
Employment benefits	-	150
	1,198	**1,459**

The current component of employee benefits must be paid within the twelve months following the reporting period.

NOTE 18. OTHER PROVISIONS

The movement of legal provisions and other provisions during the years ended on December 31, 2016, December 31, 2015 are as follows:

	Legal Provisions	Other Provisions	Total Provisions
Balance as of December 31, 2014	**26**	**2,210**	**2,236**
Provisions increase during the period	-	10,302	10,302
Provisions utilization	-	(4,171)	(4,171)
Amounts reversed due to provisions not utilized	-	(6,392)	(6,392)
Balance as of December 31, 2015	**26**	**1,949**	**1,975**
Provisions increase during the period	58	3,591	3,649
Provisions utilization	-	(3,194)	(3,194)
Amounts reversed due to provisions not utilized	-	(1,409)	(1,409)
Balance as of December 31, 2016	**84**	**937**	**1,021**

(STATED IN MILLIONS OF COLOMBIAN PESOS)

Labor, civil and administrative proceedings filed by third parties against Credivalores Crediservicios S.A.S represented provisions of 84 and 26 were recognized as of December 31, 2016 and December 31, 2015, respectively. It is not possible to determine a disbursement schedule for these proceedings due to their distribution across different instances.

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

NOTE 19. ACCOUNTS PAYABLE

The breakdown of other accounts payable is shown below:

	December 31, 2016	December 31, 2015
Commissions and fees	3,649	5,294
Cost and expenses payable	14,654	9,290
Withholdings and labor contributions	1,535	2,379
Free-standing Trusts	27,795	66,783
	47,633	**83,746**

NOTE 20. CURRENT AND DEFERRED TAX LIABILITIES

20.1 Components of current tax liabilities

Current tax liabilities for the years ended December 31, 2016 and December 31, 2015 is as follows:

	December 31, 2016	December 31, 2015
Tax income	26	1,916
Tax on industry and Commerce	1,623	838
Tax CREE	2,458	442
Sales tax	396	172
	4,503	**3,368**

20.2 Components of income tax expense

Income tax expense for the years ended December 31, 2016 and December 31, 2015 is as follows:

	December 31, 2016	December 31, 2015
Equality income tax (CREE)	7,015	5,897
CREE surcharge	4,210	3,337
Subtotal - taxes from the current period	**11,225**	**9,234**
Net deferred tax from the period	(4,995)	(5,441)
Total	**6,230**	**3,793**

In accordance with IAS 12 current and deferred taxes are recognized as income or expense in the income statement, except to the extent that they arise from a transaction or event recognized outside profit or loss in other comprehensive income (OCI) in equity. Therefore, during the periods ended December 31, 2016 and December 31, 2015, other comprehensive income was recognized in equity amounting to current tax expense of 3,224 and 0, respectively.

20.3 Reconciliation of the nominal income tax rate and the effective tax rate in Colombia:

The tax provisions in force in Colombia for income and ancillary taxes applicable in 2015 and 2016, respectively, among others, are as follows:

- The Corporate income tax rate is 25%.
- In addition, companies must pay the equality tax (CREE) at a rate of 9%, with an additional surcharge of 5% for 2015 and 6% for 2016; a surcharge of 8% for 2017 and 9% for 2018 is anticipated.
- A company’s capital gains corresponding mainly to the sale or realization of fixed assets that were held by a company for more than two years are taxed at a rate of 10%.
- The basis for determining the amount of income tax and CREE to be paid by a company cannot be less than 3% of its net equity on the final day of the immediately preceding tax year. In the event that the Company’s removed tax deductions are less than this base, the difference known as surplus presumptive income is deductible from taxable income within five years following the tax year in which it was recorded.
- Tax losses arising from the tax year of 2007 readjusted for tax purposes may be offset without any percentage limitation, at any time, by future ordinary net income, both for the determination of income tax and for CREE.
- The tax bases of the items included in the removal of tax deductions in the tax returns are determined based on accounting standards in force in Colombia until December 31, 2014, before the entry into force of the International Financial Reporting Standards (IFRS), as well as special tax accounting provisions in force.
- A company’s income tax returns are ratified two years subsequent to their presentation, except when it liquidates or offsets tax losses, in which case the returns will be ratified after five years.

In December 2016, Colombian Congress issued Law 1819 on Tax Reform, which among other provisions established the following with regard to income and ancillary taxes as of 2017:

- Corporate Tax rate is 34% for 2017, and 33% for 2018 and fore coming years.
- CREE is eliminated, while an income tax surcharge is created at a rate of 6% for 2017 and 4% for 2018 for taxable income in excess of 800 million.
- A company’s income tax returns are ratified three years following their presentation.
- Tax losses occurring before 2017 continue to be deductible in the same terms as those of the tax laws applicable to 2015 and 2016, but cannot be readjusted for tax purposes. Tax losses occurring as of 2017 may be offset against the ordinary net income obtained by a company in the following twelve tax periods, but income tax returns and their corrections in which tax losses are determined or offset is six years from the date of filing.
- Capital gains continue to be taxed at a rate of 10%.
- The basis for determining the amount of income tax to be paid by a company cannot be less than 3.5% of its net equity on the final day of the immediately preceding tax year. In the event that a company’s removed tax deductions are less than this base, the difference continues to be deductible from taxable income within five years following the tax year in which it was recorded as surplus presumptive income.
- For the determination of income and ancillary taxes, as of January 1, 2017, the value of assets, liabilities, equity, revenue, costs and expenses will be subject to recognition and measurement systems, in accordance with regulatory accounting frameworks in force in Colombia, when the tax law expressly refers to these and in cases in which it does not regulate the matter. In any case, the tax law may provide for different treatment.

(STATED IN MILLIONS OF COLOMBIAN PESOS)

Credivalores Crediservicios SAS reconciled the total effective rate without deferred tax, 40% for 2016 and 39% for 2015, as detailed below:

	December 31, 2016	December 31, 2015
Earnings before tax	23,430	37,718
Statutory rate	40%	39%
Tax at statutory rate	9,372	14,710
More (less) tax impact on:		
Non-deductible tax	105	(313)
Equity tax	575	636
Fines and sanctions	30	215
Non-deductible expense	1,770	1,919
Donations	(1)	-
Assumed interest	45	-
Refund of expenditure prior years	(157)	-
Utilizations - Provisions	(214)	(3.276)
Adjustments to Loan Portfolio and financial Liabilities	(5,295)	(10,098)
Total income tax provisions charged to income	**6,230**	**3,793**
Effective rate	**27%**	**10%**

20.4 Tax losses and surplus income

As of December 31, 2016 and 2015, CVCS has no balance for this concept.

20.5 Deferred Tax by Type of Temporary Difference:

The differences between the carrying amount of assets and liabilities and the tax bases thereof give rise to temporary differences that generate deferred taxes, calculated and recorded in the periods ended December 31, 2016 and December 31, 2015, based on the tax rates in force for the years in which said temporary differences are to be reversed.

Year ended December 31, 2016

	Balance held at December 31, 2015	Income (Expense) in income statement	Unrealized income (expense) in OCI	Reclassifications	Balance held at December 31, 2016
Deferred tax assets					
Deferred charges	5,783	(5,692)	-	-	91
prepaid expenses	13,956	(3,420)	-	-	10,536
The loans and receivables	-	509	-	-	509
Loan Impairment	-	1,520	-	-	1,520
Deferred income	2,021	(2,021)	-	-	-
Industry and commerce tax	85	(43)	-	-	42
Derivatives instruments	-	8,409	3,224	-	11,633
Others	-	148	-	(1)	147
Subtotal	**21,845**	**(590)**	**3,224**	**(1)**	**24,478**

(STATED IN MILLIONS OF COLOMBIAN PESOS)

Year ended December 31, 2016

	Balance held at December 31, 2015	Income (Expense) in income statement	Unrealized income (expense) in OCI	Reclassifications	Balance held at December 31, 2016
Deferred tax liabilities					
Valuations of financial instruments	9,888	(6,217)	-	-	3,671
Goodwill	50	(34)	-	-	16
Transaction expense owing	3,930	(3,930)	-	-	-
Impairment to loans	2,213	4,596	-	-	6,809
Subtotal	**16,081**	**(5,585)**	**-**	**-**	**10,496**
Net	**5,764**	**4,995**	**3,224**	**(1)**	**13,982**

Year ended December 31, 2015

	Balance held at December 31, 2014	Income (Expense) in income statement	Unrealized income (expense) in OCI	Reclassifications	Balance held at December 31, 2015
Deferred tax assets					
Deferred charges	1,267	4,516	-	-	5,783
prepaid expenses	9,760	4,196	-	-	13,956
Loan Impairment	4,272	(4,272)	-	-	-
Industry and commerce tax	-	85	-	-	85
Deferred income	-	2,021	-	-	2,021
Subtotal	**15,299**	**6,546**	**-**	**-**	**21,845**
Deferred tax liabilities					
Valuations of financial instruments	13,198	(3,310)	-	-	9,888
Goodwill	50	-	-	-	50
Transaction expense owing	385	3,545	-	-	3,930
Deferred income	1,343	(1,343)	-	-	-
Impairment to loans	-	2,213	-	-	2,213
Subtotal	**14,976**	**1,105**	**-**	**-**	**16,081**
Net	**323**	**5,441**	**-**	**-**	**5,764**

The income tax expense represents the sum of current tax payable and deferred tax.

Current tax payable is calculated according to the company earnings for the period and the regulations of the country's regulatory entity, the Colombian Tax Authorities (DIAN).

(STATED IN MILLIONS OF COLOMBIAN PESOS)

Effect of current and deferred taxes in each component of other comprehensive income in equity:

The effects of current and deferred taxes in each component of other comprehensive income in equity are as follows:

	December 31, 2016			December 31, 2015		
	Amount before tax	Deferred tax income (expense)	Net	Amount before tax	Deferred tax income (expense)	Net
Items that may be subsequently reclassified to income						
Effect of changes in fair value on the valuation of derivative financial instruments	**(8,060)**	**3,224**	**(4,836)**	**-**	**-**	**-**

20.6 Net Worth Tax

Article 1 of Law 1739 of December 23, 2014, created an extraordinary tax to be paid as of January 1, 2015, called Net Worth tax, which is levied on a temporary basis for the fiscal years of 2015, 2016 and 2017. In this way CVCS recorded wealth tax in the annual income statement, as of January 1 of the same year.

This tax was levied on net equity held as at January 1, 2016 and paid in two equal installments between May and September 2016. The recorded wealth tax amount was 1,437.

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	Henceforth	(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

20.7 Tax uncertainties

The Company's income tax returns for the fiscal years 2016 and 2015 remain subject to acceptance and review by tax authorities. The Senior Management of Credivalores Crediservicios S.A.S. 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. The tax return for 2016 will be presented in April 2017.

20.8 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.

(STATED IN MILLIONS OF COLOMBIAN PESOS)

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 January 1, 2015, the value of which shall exceed 3,580 TVA (Tax Value Units) (for 2015 101) , 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 January 1, 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 and shall be based on the current tax legislation as well as Decree 2649 of 1993.

NOTE 21. OTHER LIABILITIES

The breakdown of other liabilities balance as at December 31, 2016 and December 31, 2015, is as follows:

	December 31, 2016	December 31, 2015
Amounts Received for Third Parties	861	17,423
Collections to be Applied	1,388	2,182
Free-standing Trust, Credinvest	-	27,950
Initial Guarantee Installment on Payroll Deduction Loan	627	1,580
Checks Pending Collection	231	-
Shareholding Contract CF	-	3,340
	3,107	**52,475**

Collections to be applied for Tucredito corresponds to collection of the payroll portfolio not identified and applied as at close.

Collections to be applied for Credipoliza correspond to payments received by this unit's portfolio not identified as of cut-off date.

The Guarantees category comprises collection of guarantees not paid to guarantor Fondo de Garantías de Antioquia. Collections to be applied insurance correspond to payment made by insurance companies for losses not yet identified.

The balance of collections owed due to sold portfolios corresponds to collections not yet paid to the portfolio's owner at cut-off date.

Crediprogreso’s accounts payable for initial and monthly contributions corresponds to payments collected by Credivalores for Crediprogreso for the portfolio collateral.

The initial payroll payment is for the commission to be paid to Asesorías Financieras de Crédito for services and consulting services provided for securities placement.

Checks to be paid are for disbursements made by the payroll product which have not been collected by clients. These securities have a 6-month validity period after which the check will be annulled if not cashed.

NOTE 22. EQUITY

Capital

The Company's objective is to safeguard its capacity to continue as a business enterprise and maintain a financial structure that optimizes the cost of capital and maximize returns for shareholders. The Company's capital structure encompasses and includes the subscribed capital, retained earnings and reserves.

Capital management objectives are met by managing the portfolio as authorized by law and maintaining a consistent pace of generating profits from its structural revenue (portfolio interests and returns on investments) which results in institutional strengthening and provides the Company an opportunity to maintain its dividend distribution policy among its shareholders.

At the individual level, while not subject to minimum equity requirements to develop its operations, the Company's capital management is aimed at satisfying the minimum requirements of capital it would need if it was supervised by the Colombian Superintendency of Finance, in accordance with parameters set forth by Colombian legislation.

For the reporting periods, the Company indeed complied with the required minimum capital in the relation of solvency required by legal provisions and mandatory investments.

Shared Capital

The Company's subscribed and paid capital as at December 31, 2016 and December 31, 2015 was represented by 3,715,903 shares each year, each at a nominal price of 28,254.

Credivalores Crediservicios S. A. S		
2016 (Stated in millions of pesos)		
SHAREHOLDER	**Number of shares**	**%**
Acon Consumer Finance Holdings S de RL	870,444	23.42%
Crediholding S.A.S.	1,497,987	40.31%
Lacrot Inversiones 2014 S.L.U.	923,665	24.86%
Acon Consumer Finance Holdings II S. L	184,167	4.96%
Treasury shares	239,640	6.45%
Total	**3,715,903**	**100.00%**

Reserves

Of the accounts that comprised the equity reserves as of December 31, 2016 and 2015 were constituted of the following:

	December 31, 2016	December 31, 2015
Legal reserve (1)	5,793	5,793
Occasional reserves:	21	21
Total Reserves	**5,814**	**5,814**

(STATED IN MILLIONS OF COLOMBIAN PESOS)

According to Law 1258 of 2008, CVCS does not allocate 10% of its net annual profits as legal reserve. The legal reserve has been registered in accordance with the instructions of the General Shareholders' Meeting, it cannot be distributed prior to the liquidation of the Company, but can be used to absorb or reduce losses.

	December 31, 2016	December 31, 2015
Number of authorized shares	4,700,000	4,700,000
Subscribed and paid shares:	3,715,903	3,715,903
Ordinary with nominal value of 28,254.		
Subscribed and paid capital (nominal value)	104,989	104,989
Additional paid in capital	20,842	20,842
Total capital plus premium	**125,831**	**125,831**

Dividends Declared

Dividends are declared and paid to shareholders on the basis of the previous year's net earnings. Earnings for 2015 were included as accumulated profits in the amount of 33,925.

Treasury shares and reserve for stock repurchase

On April 2, 2014, Credivalores general Shareholders Assembly decided to establish a special reserve for $12.837 for the repurchase of 239.640 shares. Shares were repurchase during that same period, using 100% of the reserve.

Earnings per share

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

	December 31, 2016	December 31, 2015
Ordinary shares (a)	1,532,597	1,532,597
Preferred stock (a)	1,943,666	1,943,666
Repurchased treasury shares	239,640	239,640
Total earnings per share	**4,948**	**9,759**

(a) The amount of shares at December 31, 2016 and 2015, correspond to the total value of shares outstanding that present CVCS.

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

Share capital later stock buyback						
Name Entity	**Preference shares A**	**Preference shares B**	**Treasury Shares**	**Common Shares**	**Total**	**%**
Acon Consumer Finance Holdings S de R.L.	835,834	-	-	34,610	870,444	23,42%
Crediholding S.A.S.	-	-	-	1,497,987	1,497,987	40,31%
Lacrot Inversiones 2014 S.L.U.	-	923,665	-	-	923,665	24,86%
Treasury shares	-	-	239,640	-	239,640	6,45%
Acon Consumer Finance Holdings II, S.L.	-	184,167	-	-	184,167	4,96%
Totales	**835,834**	**1,107,832**	**239,640**	**1,532,597**	**3,715,903**	**100%**

(STATED IN MILLIONS OF COLOMBIAN PESOS)

In march 2015, CVCS was capitalized for 9.300 million, who issued 306.945 preferred shares to 30.299 pesos per share, represented by capital 8.672 and placement premium for 628.

NOTE 23. REVENUE

Below is a detail of the revenue for the years ended as of December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
Interests (23.1)	172,945	162,833
Commissions and fees (23.2)	60,666	46,029
Earnings from loan portfolio sales	13,526	26,485
Indemnities (23.3)	21,876	156
	269,013	**235,503**

23.1 Interest

	December 31, 2016	December 31, 2015
Crediuno interest	11,641	12,809
Credipoliza interest	8,660	4,025
Tucredito loan interest	30,205	21,152
Tucredito transaction costs (a)	(6,935)	-
Credipoliza transaction costs (a)	(846)	-
Crediuno transaction costs (a)	(9,245)	-
Tucredito fair value (b)	(8,247)	22,630
Sub-Total Consumer loans	**25,233**	**60,616**
Microcredit interest	4,809	-
Microcredit loans transaction costs	(554)	-
Sub-Total Microcredit	**4,255**	**-**
CY MC Interest	-	5,081
Crediuno default interest	393	272
Credipoliza default interest	450	362
Tucredito default interest	2,843	257
Sub-Total Consumer loan defaults	**3,686**	**5,972**
Crediya interest in arrears	620	863
Sub- Total Microcredit loan defaults	**620**	**863**
Free-standing trust interest	133,019	84,326
Financial returns	805	519
BTG Pactual Financial returns	5,327	10,537
Sub- Total Other	**139,151**	**95,382**
Total	**172,945**	**162,833**

a. Correspond to amortization of transaction costs incurred in the period according to the valuation of the Financial Instruments (assets).

b. Corresponds to differences between carrying amounts and the fair value of financial assets.

(STATED IN MILLIONS OF COLOMBIAN PESOS)

23.2 Commissions and fees

	December 31, 2016	December 31, 2015
Department store income and credit card channels income	166	869
Financial consultancy fees	274	1,411
Shared financial consultancy fees	240	152
Financial Consultancy Debtor life insurance return	5,428	3,690
Financial Consultancy Shareholder voluntary insurance return	3,313	2,681
Financial Consultancy Funeral insurance return	2	2
Financial Consultancy Department store and channels income	13	27
Internal commission	1,285	675
Collection fees	5,220	3,300
Microcredito SME's loan fees	1,088	1,365
Administration fee Crediuno fee	2	15
Administration fee Credipoliza fee	4,238	2,002
Administration fee Credit card fee	25,653	23,186
Administration fee Advance fee	8,381	6,328
Administration fee Tucredito disbursement fee	-	140
Administration fee Crediuno Visa fee	1,153	186
Administration fee life insurance plus	4,210	-
	60,666	**46,029**

23.3 Indemnities

As of December 31, 2016, indemnities resulted primarily from the strategic partnership with Metlife for insurance alliance; as of December 31, 2015, corresponded to indemnities from Insurance companies

NOTE 24. OTHER INCOME

At the end of each period, movements corresponded to:

	December 31, 2016	December 31, 2015
Partners and trademarks agreement	4,600	-
Other free-standing trust income	3.915	195
Other	1,038	158
	9,553	**353**

(STATED IN MILLIONS OF COLOMBIAN PESOS)

NOTE 25. OTHER EXPENSES

The breakdown of other expenses at December 31, 2016 and December 31, 2015, is as follows:

	December 31, 2016	December 31, 2015
Commissions	3,491	49,032
Publicity and advertising	4,620	4,217
Utilities	3,258	2,638
Office supplies	2,315	1,151
Fees	17,945	18,353
Temporary Services	4,886	2,858
Taxes	15,223	13,050
Leases	3,531	2,376
Insurance	267	1,370
Maintenance	1,130	774
Adaptation and installation	412	1,083
Technical assistance and other	12,179	10,487
Free-standing Trusts	3,676	5,547
Cost of representation	387	292
Transport	1,255	1,640
travel expenses	1,169	2,362
Janitorial and Secutiry services	749	488
Other	2,548	1,801
	79,041	**119,519**

NOTE 26. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

a. Commitments

Credit commitments

In the course of ordinary business, the Company provides guarantees to its clients in which it irrevocably agrees to pay third parties in the event the client is unable to meet its obligations with said third parties with the same credit risk for loan portfolios.

Providing said guarantees is subject to the same loan disbursement approval policies with regard to the client's credit rating. Guarantees deemed adequate to the circumstances are obtained.

Loan extension commitments represent unused portions of authorizations to extend credits as loans. With regard to the credit risk on commitments to extend lines of credit, the Company is potentially exposed to losses in an amount equal to the total unused commitments, if the unused amount were to be withdrawn in its totality. However, the amount of the loss is less than the total amount of the unused commitments because the majority of loan extension commitments are contingent once the client can maintain specific credit rating standards. The Company monitors the maturity dates of relative credit limit commitments because long-term commitments have a higher credit risk than short-term commitments.

(STATED IN MILLIONS OF COLOMBIAN PESOS)

The following is a breakdown of unused lines of credit commitments and guarantees at December 31, 2016 and December 31, 2015:

	December 31, 2016	December 31, 2015
Unpaid approved credits	275,493	377

b. Contingencies

Contingent assets

At the end of December 2016, the Company has a Guarantee with the FGA (Fondo de Garantías de Antioquia), which has availability of a value in keeping with the agreement policies of $1,249 million, which must be claimed during the year, as per the contract.

Legal contingencies

CVCS estimates a provision to cover potential losses for labor, civil, mercantile and tax disputes, and others that according to the circumstances and based on the opinion of internal counsel and external legal advisors are considered of probable loss and can be reasonably quantified. The value is $26 for December 31, 2015 and $85 for December 31, 2016

NOTE 27. RELATED PARTIES

In accordance with IAS 24, a related parties is a person or a entity who is related to the entity preparing its financial statements, This could be exercised control or joint control or exercise significant influence over the reporting entity, also this could considered a member personal key of the management of the reporting entity

Accordingly, the related parties for the Company are as follows:

1. Shareholders with participation, with control or control group that have significant influence over the Company.
2. Members of the Board of Directors: Directors and Senior Management: including top level management, such as the General Manager and members of the Board
3. Management's personal key: includes the President and Vice-Presidents of the Company; And Presidents of the main companies of CVCS, who are the people who participate in the planning, management and control of entities.

The most representative balances as of December 31, 2016 and 2015 with related parties are included as following:

	December 31, 2016		December 31, 2016	
	Shareholders	Members of the Board of Directors (a)	Shareholders	Members of the Board of Directors
Accounts Receivable	1,460	-	1961	-
Accounts payable	59,951	155	37	44
Expenses	2,160	221	-	2

(STATED IN MILLIONS OF COLOMBIAN PESOS)

Compensation received by Key Management Personnel is comprised of the following:

Item	December 31, 2016	December 31, 2015
Salaries	3,653	4,158
Short term employee benefits	402	1,095
Total	**4,055**	**5,253**

a. Members of the Board of Directors (principal and alternates, along with their related parts) as of December 31, 2016

Directors

Tier	Directors	Alternate
1	José Miguel Knoell Ferrada	Mathias Boccia Cristiano
2	Juan Carlos Restrepo Acuña	No designation
3	Lorena Margarita Cárdenas Costas	No designation
4	Rony Doron Seinjet	No designation
5	Alejandro Piñeros Ospina	No designation
6	Adrian Gustavo Ferrado	Carlos Manuel Ramon
7	Lawrence Robert Rauch	Sin designación

Legal Representatives

Tier	Representatives
Manager	Eliana Andrea Erazo Restrepo
Alternate	Liliana Arango Salazar

NOTE 28. SUBSEQUENT EVENTS

No events occurred after December 31, 2016 and prior the presentation of these financial statements that could significantly affect the Company's income and equity. However, the following are the events that occurred after the reported period:

i. CVCS was capitalized in April for a total of 53,511 million corresponding to 4,279,022 shares issued at a nominal value of 24,536. Following is the shareholder structure after the capitalization.

Shareholder Structure

Shareholder	Number of shares	% Stake
Acon Consumer Finance Holdings S de RL	870,444	20%
Acon Consumer Finance Holdings II SL	184,167	4%
Crediholding	1,497,987	35%
Lacrot Investments	1,486,784	35%
Repurchased shares	239,640	6%
Total	**4,279,022**	**100%**

ii. In May 2017, we closed two issuances under our ECP Program in an aggregate amount of US$35 million with both new and existing investors. One of the transactions was the reopening of the 8.25% notes issued in March, 2017 under the ECP program and due in September 2018 for an additional US$10 million, taking the total amount outstanding to US $67 million. The other transaction was a US$ 25 million private placement with an institutional investor from the Unites States.