

Corficolombiana

CONSOLIDATED
FINANCIAL STATEMENTS

As of December 31, 2017 and 2016

Corficolombiana

TAX AUDITOR'S REPORT
REGARDING THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2017 and 2016

KPMG

TAX AUDITOR'S REPORT

To the Shareholders of
Corporacion Financiera Colombiana S.A.:

I have audited the consolidated financial statements of Corporacion Financiera Colombiana S.A. and Subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2017 and the consolidated income statement, of other comprehensive income, changes in equity and cash flows for the semester that ended on that date and its respective notes, which include a summary of the significant accounting policies and other explanatory information.

Responsibility of management regarding the consolidated financial statements

Management is responsible for the adequate preparation and presentation of these consolidated financial statements according to Accounting and Financial Reporting Standards accepted in Colombia. This responsibility includes: designing, implementing and keeping relevant internal control for the preparation and presentation of consolidated financial statements free of material misstatement, whether due to fraud or error, selecting and applying the appropriate accounting policies, as well as establishing the reasonable accounting estimates in the circumstances.

Tax auditor's responsibility

My responsibility consists in expressing an opinion on the consolidated financial statements based on my audit. I obtained the necessary information to fulfill my functions and performed my examination according to the Information Assurance Standards accepted in Colombia. Such standards require that I fulfill ethical requirements, plan and perform the audit to obtain reasonable assurance of whether the consolidated financial statements are free of material misstatement.

An audit includes carrying out procedures to obtain evidence of the amounts and disclosures in the consolidated financial statements. The selected procedures depend on the tax auditor's judgement, including the assessment of risk of the material misstatements in the consolidated financial statements. In such risk assessment, the tax auditor considers the relevant internal control for the preparation and presentation of individual financial statements, in order to design audit procedures that are appropriate under the circumstances. An audit also includes assessing the use of appropriate accounting policies and the reasonableness of the accounting estimates made by management, as well as assessing the presentation of individual financial statements in general.

I consider that the audit evidence I obtained provides a reasonable basis to support the opinion I express below.

Opinion

In my opinion, the consolidated financial statements mentioned and attached to this report, reasonably present, in all material aspects, the consolidated financial position of the Group as of December 31, 2017, the consolidated results of its operations and its consolidated cash flows for the year that ended on that date, according to the Accounting and Financial Reporting Standards accepted in Colombia, applied in a uniform way.

Emphasis paragraph

Without qualifying my opinion, I draw the attention to note 2.3 to the consolidated financial statements, which sets forth that the bylaws of Corporación Financiera de Colombia S.A. and Subsidiaries were amended in 2016 regarding the accounting closure established for the presentation of the financial statements, defining an annual period ending on December 31; up until 2016, semiannual closures ending on June 30 and December 31 of every year were applied. For comparison purposes, the proforma figures for the year ending on December 31, 2016 were included in the separate income and other comprehensive results statements, in the statement of changes in equity and cash flows, as well as in the relevant notes.

Other matters

The consolidated financial statements as of and for the year ended on December 31, 2016 were prepared based on the consolidated financial statements as of and for the six-months periods ending on December 31 and June 30, 2016, which were audited by a different public accountant (member of KPMG S.A.S.), who issued an unqualified opinion thereon in his reports dated February 24, 2017 and August 18, 2016, respectively.

[Signed]
Gloria Andrea Sanchez Sanchez
Alternate Tax Auditor of Corporacion Financiera Colombiana S.A.
PL 146962 – T
Member of KPMG Ltda.

February 19, 2018

CORPORACION FINANCIERA COLOMBIANA S.A. AND SUBSIDIARIES
Consolidated Statement of Financial Situation
(Figures expressed in millions of pesos)

	Note	December 31, 2017	December 31, 2016
Assets			
Cash and cash equivalents	7	\$ 1,971,359	1,797,895
Active positions in money market operations	8	317,275	655,958
Investments measured at fair value with changes in results	9	1,609,924	1,481,066
Debt instruments		1,090,025	939,504
Equity instruments		519,899	541,562
Investment measured at fair value with changes in other comprehensive income	9	850,351	793,529
Equity Instruments		850,351	793,529
Investment measured at amortized cost	10	1,805,470	2,144,304
Debt instruments		1,805,470	2,144,304
Derivative financial instruments	11	41,273	101,655
Investments in related companies and joint ventures	12	820,124	932,586
Portfolio of credits	13	2,447,461	2,418,517
Accounts receivable	14	1,379,101	1,515,349
Financial assets in concession agreements	15	3,068,629	2,275,916
Property and equipment	16	2,471,885	2,499,355
Investment properties	17	161,015	148,160
Biological assets	18	66,139	48,003
Inventories, net	19	196,511	179,945
Capital gain	20	399,975	297,599
Rights in concession agreements	15	3,114,167	2,805,314
Current tax assets	21	83,888	72,276
Deferred tax assets		93,766	96,621
Other assets, net	22	236,764	248,664
Non-current assets kept for sale	23	20,939	46,951
Total Assets		\$ 21,156,016	20,559,663

Continues

See notes that make integral part of the consolidated financial statements

CORPORACION FINANCIERA COLOMBIANA S.A. AND SUBSIDIARIES
Consolidated Statement of Financial Situation
(Figures expressed in millions of pesos)

Notes	December 31, 2017	December 31, 2016

Liabilities and Equity

Deposits and current liabilities	24	\$ 4,094,365	3,846,793
Passive positions in money market operations	25	2,622,275	3,124,947
Financial obligations	26	3,892,352	3,804,510
Derivative financial instruments	11	24,521	120,788
Securities issued outstanding	31	2,360,326	2,356,272
Accounts payable	27	1,334,273	992,968
Employee benefits	28	84,901	79,041
Other provisions	29	346,574	298,240
Current tax liability	21	119,209	140,691
Deferred tax liability		703,026	632,960
Other liabilities	30	290,226	213,574
Non-financial liabilities from discontinued operations		4,505	-
Total liabilities		15,876,533	15,610,784
Subscribed and paid-in capital	32	2,337	2,317
Share placement premium	32	2,742,400	2,685,093
Retained earnings		145,873	(67,304)
Profit of the period		210,808	301,795
Other comprehensive accrued result		154,783	94,595
Total controlled equity		3,256,201	3,016,496
Non-controlling interest	34	2,023,262	1,932,383
Total Equity		5,279,463	4,948,879
Total Liability and Equity		\$ 21,156,016	20,559,663

See notes that make integral part of the Consolidated Financial Statements

(*) The undersigned Legal Representative and Certified Public Accountant certify that we have previously verified the statements contained in the consolidated financial statements and that the same have been prepared with information correctly taken from the accounting books of the Corporation and its subsidiaries.

[Signed]
Bernardo Noreña Ocampo
President

[Signed]
Agustin Forero Lopez (*)
Accounting Manager
PL No. 40364-T

[Signed]
Gloria Andrea Sanchez Sanchez
Alternate Tax Auditor
PL No. 146962-T
Member of KPMG S.A.S.
(See my report of February 19, 2018)

CORPORACION FINANCIERA COLOMBIANA S.A. AND SUBSIDIARIES

Consolidated Income Statement

(Figures expressed in millions of pesos)

	For the years ended on:		
	Notes	December 31, 2017	December 31, 2016
Income from interest on loan portfolio and financial leasing operations		\$ 413,376	175,043
Interest, deposits and current liabilities, loans and other financial obligations		(569,868)	(576,150)
Interest on debt securities measured at amortized cost		86,088	180,287
Exchange difference, net		3,902	(37,387)
Income from interest, net		(66,502)	(258,207)
Profit on repo operations, simultaneous operations and other interests, net		(166,516)	(187,394)
Income from financial assets in concession	15	209,936	180,983
Commissions and fees, net	36	69,296	48,439
Net profit on valuation of financial instruments		77,517	149,540
Net profit on sale of investments		18,873	24,960
Impairment of loan portfolio		(63,274)	(22,822)
Impairment of investments		(144,018)	(67,313)
Operating, financial income, net		(64,688)	(131,814)
Income from sale of goods and provision of services	37	5,481,254	6,348,108
Income from valuation of biological assets		13,503	14,644
Income from valuation of investment properties		8,839	17,024
Other operating income		67,295	78,253
Profits from controlling acquisitions	6	56,767	-
Income from dividends and other interests	38	46,486	19,917
Net income from equity stake methods		159,208	201,958
Income from leases		3,516	3,620
Profit from sale of assets, net		7,962	14,343
Impairment of accounts receivable		(30,141)	(36,879)
Total operating income		5,750,001	6,529,174
Costs of sales and provision of services	37	3,367,942	4,167,313
Expenses for employee benefits		310,597	277,749
Other operating expenses	39	654,087	610,419
Loss for acquisition of control		-	12,418
Depreciation of tangible assets		76,594	69,673
Amortization of intangible assets		299,531	277,323
Expense for provisions		9,482	8,929
Impairment of non-financial assets		23,590	20,968
Total operating costs and expenses		4,741,823	5,444,792
Profits before income taxes		1,008,178	1,084,382
Income tax	21	443,639	397,368
Net profits for the year		\$ 564,539	687,014
Attributable to:			
Controlling stake		\$ 210,808	301,795
Non-controlling stake	34	353,731	385,219
		\$ 564,539	687,014
Net profits per share of controlling stake (in Colombian pesos)	32	\$ 904.61	1,330.33
Number of shares subscribed and paid-in, common and preferential		233,034,712	226,856,491

See notes that make integral part of the Consolidated Financial Statements

(*) The undersigned Legal Representative and Certified Public Accountant certify that we have previously verified the statements contained in the consolidated financial statements and that the same have been prepared with information correctly taken from the accounting books of the Corporation and its subsidiaries.

[Signed]
Bernardo Noreña Ocampo
President

[Signed]
Agustin Forero Lopez (*)
Accounting Manager
PL No. 40364-T

[Signed]
Gloria Andrea Sanchez Sanchez
Alternate Tax Auditor
PL No. 146962-T
Member of KPMG S.A.S.
(See my report of February 19, 2018)

CORPORACION FINANCIERA COLOMBIANA S.A. AND SUBSIDIARIES
Consolidated Statement of Other Comprehensive Income
(Figures expressed in millions of pesos)

	For the years ended	
	December 31, 2017	December 31, 2016
Net profits for the year	\$ 564,539	687,014
Items that will not be reclassified to results of the year		
Other comprehensive income of associates or joint ventures using the equity method	(838)	147
Conversion adjustment of associates	913	(30,257)
Net actuarial (loss) profit of defined benefit plans	(832)	4,838
	(757)	(25,272)
Items that are or may be reclassified later to results of the year		
Net variation in cash flow hedging	(978)	10,616
Net profit for financial assets measured at fair value with change in OCI	63,168	50,924
Adjustment of impairment model of portfolio from separate to consolidated statement	(4,375)	585
Other comprehensive income for the year net of taxes	57,058	36,853
Comprehensive income for the year net of taxes	\$ 621,597	723,867
Attributable to:		
Controlling stake	\$ 270,996	348,451
Non-controlling stake	350,601	375,416
	\$ 621,597	723,867

See notes that make integral part of the Consolidated Financial Statements

(*) The undersigned Legal Representative and Certified Public Accountant certify that we have previously verified the statements contained in the consolidated financial statements and that the same have been prepared with information correctly taken from the accounting books of the Corporation and its subsidiaries.

[Signed]
Bernardo Noreña Ocampo
President

[Signed]
Agustin Forero Lopez (*)
Accounting Manager
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(See my report of February 19, 2018)

CORPORACION FINANCIERA COLOMBIANA S.A. AND SUBSIDIARIES

Consolidated Cash Flow Statement
(Figures expressed in millions of pesos)

Consolidated Cash Flow Statements

	For the years ended on	
	December 31, 2017	December 31, 2016
Cash flow of operational activities:		
Net profit of the year	\$ 564,539	687,014
Reconciliation of net profit with the cash provided by (used in) operational activities		
Depreciation of tangible assets	76,594	69,673
Amortization of intangible assets	299,531	277,323
Income tax provision	443,639	397,368
Impairment for credit portfolios and accounts receivables, net	93,415	59,701
Impairment of investments, net	144,018	67,313
Impairment non-financial assets	23,590	20,968
Profit in sale of assets, net	(7,962)	(14,343)
Accrual from interests receivable from loans and leasing operations	(413,376)	(175,043)
Accrual deposits and collectables, loans and other financial obligations	569,868	576,150
Accrual returns from repo operations, simultaneous and other interests	166,516	187,394
Earnings from financial instrument valuation, net	(77,517)	(149,540)
Earnings from sale of investments	(18,873)	(24,960)
Tangible asset impairment	(118)	(99)
Exchange rate adjustment	(3,902)	37,387
Income from investment property valuations	(8,839)	(17,024)
Income from biological asset valuations	(13,503)	(14,644)
Interests financial instruments measured at amortized cost	(86,088)	(180,287)
Reasonable value of financial assets in concession	(209,936)	(180,983)
Participation method on profits in investments in associates and joint ventures	(159,208)	(201,958)
Net variation in operational assets and liabilities		
Financial Assets	291,495	673,797
Derivative instruments	(44,256)	-
Credit portfolio	295,865	(1,401,791)
Accounts receivable	(512,980)	52,662
Non-current assets kept for sale	1,007	(169)
Other assets	(24,058)	(22,532)
Employee benefits	11,676	2,292
Deposit of Clients	262,563	(241,719)
Interbank loans and overnight funds	(604,618)	(186,366)
Other liabilities and provisions	445,218	(65,045)
Interests received	428,646	70,467
Interests paid	(780,146)	(736,256)
Income tax paid	(268,935)	(186,456)
Payment wealth tax	(12,177)	(38,590)
Net cash provided (used) by operational activities	871,688	(658,296)
Cash flow of investment activities		
Product of the redemption of financial assets of investment at amortized cost	228,889	415,736
Acquisition of property, plant and equipment of own use	(95,680)	(685,646)
Reduction (Acquisition) of investment properties	536	(9,404)
Capitalization of costs of biological assets	(24,408)	(24,225)

Acquisition of stakes in investments	44,668	7,617
Capitalization costs in intangible assets under concession	(610,908)	(608,327)
Acquisition of other intangible assets	(23,237)	(9,119)
Product of the sale of properties, plant and equipment	38,955	53,231
Product of the sale of investment properties	(239)	29
Product of the sale of non-current assets kept for sale	20,105	55,555
Dividends received	110,812	96,191
Net cash (used) in investment activities	(310,507)	(708,362)
Cash flow of financing activities:		
Dividends paid	(362,221)	(382,582)
Acquisition of Financial Obligations	1,602,547	2,488,503
Payment of financial obligations	(1,646,451)	(884,993)
Issuance of investment in securities outstanding	14,673	499,734
Payment of investment in securities outstanding	(3,711)	(126,894)
Issuance of shares in cash	(13,981)	-
Net transactions with non-controlling interests	-	23,014
Net cash used in (provided by) financing activities	(409,144)	1,616,782
Effect of profit or loss in change of cash and cash equivalents	(14,980)	(142,622)
Cash and Cash equivalents in discontinued operations	36,407	-
Increase of cash and cash equivalents	173,464	107,502
Cash and cash equivalents at the beginning of the period	1,797,895	1,690,393
Cash and cash equivalents at the end of the period	1,971,359	1,797,895

See notes that make integral part of the Consolidated Financial Statements

(*) The undersigned Legal Representative and Certified Public Accountant certify that we have previously verified the statements contained in the consolidated financial statements and that the same have been prepared with information correctly taken from the accounting books of the Corporation and its subsidiaries.

[Signed]
Bernardo Noreña Ocampo
President

[Signed]
Agustin Forero Lopez (*)
Accounting Manager
PL No. 40364-T

[Signed]
Gloria Andrea Sanchez Sanchez
Alternate Tax Auditor
PL No. 146962-T
Member of KPMG S.A.S.
(See my report of February 19, 2018)

CORPORACION FINANCIERA COLOMBIANA S.A. AND SUBSIDIARIES
Consolidated Change in Equity Statement
(Figures expressed in millions of pesos)

For the years ended December 31, 2017 and 2016	Subscribed and paid-in capital	Share Placement Premium	Retained Earnings	Profit of the Year	Other comprehensive income accumulated	Controllers' Equity	Non-controlling Interest	Total Equity
Balance as of December 31, 2016	\$ 2,317	2,685,093	(67,304)	301,795	94,595	3,016,496	1,932,383	4,948,879
Other net comprehensive income of the year	-	-	-	-	77,924	77,924	(3,130)	74,794
Financial assets measured at fair value with changes in other comprehensive income	-	-	-	-	(17,736)	(17,736)	-	(17,736)
Net profit of the year	-	-	-	210,808	-	210,808	353,731	564,539
Comprehensive income of the year, net of taxes	-	-	-	210,808	60,188	270,996	350,601	621,597
Transfer of income	-	-	301,795	(301,795)	-	-	-	-
Distribution of dividends in cash	-	-	(34,438)	-	-	(34,438)	-	(34,438)
Distribution of dividends in shares	20	57,307	(57,327)	-	-	-	-	-
Transfer of other comprehensive income	-	-	17,735	-	-	17,735	-	17,735
Payment of wealth tax	-	-	(10,965)	-	-	(10,965)	-	(10,965)
Splits of entities	-	-	587	-	-	587	-	587
Liquidation of entities	-	-	(4,210)	-	-	(4,210)	-	(4,210)
Non-controlling interest	-	-	-	-	-	-	(259,722)	(259,722)
Balance as of December 31, 2017	\$ 2,337	2,742,400	145,873	210,808	154,783	3,256,201	2,023,262	5,279,463

See notes that make integral part of the Consolidated Financial Statements

(*) The undersigned Legal Representative and Certified Public Accountant certify that we have previously verified the statements contained in the consolidated financial statements and that the same have been prepared with information correctly taken from the accounting books of the Corporation and its subsidiaries.

[Signed]
Bernardo Noreña Ocampo
President

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Agustin Forero Lopez (*)
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(See my report of February 19, 2018)

CORPORACION FINANCIERA COLOMBIANA S.A. AND SUBSIDIARIES
Consolidated Change in Equity Statement
(Figures expressed in millions of pesos)

For the years ended December 31, 2016 and 2015	Subscribed and paid-in capital	Share Placement Premium	Decreed Dividends in Shares	Retained Profit	Profit of the Year	Other comprehensive income accumulated	Controllers' Equity	Non-controlling Interest	Total Equity
Balance as of December 31, 2015	\$ 2,232	2,363,795	21,049	181,545	212,902	70,301	2,851,824	1,783,526	4,635,350
Restatement adjustments	-	-	-	(11,708)	-	-	(11,708)	(223)	(11,931)
Transfer of income	-	-	-	212,902	(212,902)	-	-	-	-
Balance as of January 1, 2016 restated	2,232	2,363,795	21,049	382,739	-	70,301	2,840,116	1,783,303	4,623,419
Other net comprehensive income of the year	-	-	-	-	-	46,096	46,096	(8,809)	37,287
Other comprehensive income from partners or joint ventures using equity interest method	-	-	-	-	-	560	560	(994)	(434)
Financial assets measured at fair value with changes in other comprehensive income	-	-	-	22,362	-	(22,362)	-	-	-
Net profit of the year	-	-	-	-	301,795	-	301,795	385,219	687,014
Comprehensive income of the year, net of taxes	-	-	-	22,362	301,795	24,294	348,451	375,416	723,867
Distribution of dividends in cash	-	-	-	(140,160)	-	-	(140,160)	-	(140,160)
Distribution of dividends in shares	85	321,298	(21,049)	(300,334)	-	-	-	-	-
Payment of wealth tax	-	-	-	(28,553)	-	-	(28,553)	-	(28,553)
Surplus for equity method	-	-	-	(3,745)	-	-	(3,745)	-	(3,745)
Liquidation of controlled entities	-	-	-	568	-	-	568	2,151	2,719
Balance acquired from combination of businesses	-	-	-	(182)	-	-	(182)	18,258	18,076
Non-controlling interest	-	-	-	1	-	-	1	(246,745)	(246,744)
Balance as of December 31, 2016	\$ 2,317	2,685,093	-	(67,304)	301,795	94,595	3,016,496	1,932,383	4,948,879

See notes that make integral part of the Consolidated Financial Statements

Corficolombiana
Nit. 890.300.653-6

**THE UNDERSIGNED LEGAL REPRESENTATIVE AND ACCOUNTANT OF CORPORACION
FINANCIERA COLOMBIANA S.A.
CORFICOLOMBIANA S.A.**

HEREBY CERTIFY:

1. That as of December 31, 2017, we have previously verified the information contained in the financial statements and that they have been faithfully taken from the Company's accounting books (Law 222 of 1995 Art. 37, Code of Commerce).
2. That as of December 31, 2017 and in compliance with the provisions of article 46 of Law 964 of 2005, the financial statements and other reports relevant to the public of Corficolombiana S.A. do not contain inaccuracies or errors that could prevent the assessment of the Company's true financial situation or operations.

Signed on this 26th day of February 2018.

[signature]

BERNARDO NOREÑA OCAMPO
Legal Representative

[signature]

AGUSTIN FORERO LOPEZ
Accountant
P.C. 40364-T

CORPORACIÓN FINANCIERA COLOMBIANA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(In millions of Colombian Pesos, unless otherwise indicated)

(1) Corporate Information

Corporación Financiera Colombiana S.A. is a private financial institution, authorized to operate by the Financial Superintendence of Colombia by means of the Resolution dated October 18, 1961 and was incorporated as a public limited company on November 27, 1961 by means of Public Deed No. 5710 of Notary Public's Office One of the Circle of Cali. The Company's term of duration is until December 31, 2100, which may be extended by decision of the General Shareholders Assembly.

The merger between Corporación Financiera del Valle S.A. (Surviving Entity) and Corporación Financiera Colombiana S.A. (Merging Entity) was formalized by means of public deed No. 12364 of December 30, 2005, executed at Notary Public's Office 18 of Bogotá. In that same document, the surviving entity changed its company name to Corporación Financiera Colombiana S.A. and moved its main offices from the city of Cali to the city of Bogotá. The merger between Corporación Financiera Colombiana S.A. (surviving entity) and Proyectos de Energía S.A. (merging entity), which was dissolved without being liquidated, was formalized by means of public deed No. 10410 of Notary Public's Office 71 of Bogotá on December 26, 2007.

The Company's corporate purpose is to carry out all acts and contracts authorized for this type of credit institutions by the Organic Statute of the Financial System or other special provisions or rules that replace, amend or add to the same. To achieve its corporate purpose, the Company can carry out all kinds of acts and contracts such as promoting savings and private investments, developing the capital market, promoting the creation, reorganization, merger, transformation and expansion of any type of company in those sectors to which it can provide its services, as well as granting medium and long-term financing, subscribing and preserving shares or interest in such companies and offering them specialized financial services for their growth and development.

The Company has its main offices in the city of Bogotá at Carrera 13 No. 26-45, 8th floor; as of December 31, 2017 and 2016 it operated through its five regional offices and five agencies in different cities of the country. The Company does not have any non-bank correspondents. As of December 31, 2017 it had 326 direct employees, 54 indirect employees, 40 temporary employees and 8 apprentices. As of December 31, 2016 it had 316 direct employees, 58 indirect employees, 27 temporary employees and 3 apprentices. It also holds the following affiliates and subsidiaries under the terms of Law 222/1995: Leasing Corficolombiana S.A., Banco Corficolombiana Panama S.A., Fiduciaria Corficolombiana S.A., Casa de Bolsa S.A. – Sociedad Comisionista de Bolsa, Organización Pajonales S.A. and subsidiaries, Hoteles Estelar S.A. and subsidiaries, Gas Comprimido del Peru S.A., Valora S.A.S. and subsidiaries, Proyectos de Infraestructura S.A. and subsidiaries, Estudios, Proyectos e Inversiones de los Andes S.A. and subsidiaries, Promotora y Comercializadora Turística Santamar S.A., Colombiana de Licitaciones y Concesiones S.A.S., Tejidos Sintéticos de Colombia S.A., Plantaciones Unipalma de los Llanos S.A., Pizano S.A. and subsidiaries, Estudios y Proyectos del Sol S.A.S. and subsidiaries, Industrias Lehner S.A. in liquidation, Proyectos de Ingeniería y Desarrollos S.A.S., CFC Gas Holding S.A.S., CFC Private Equity Holdings S.A.S., CFC Energy Holding S.A.S and subsidiaries, Proyectos y Desarrollos Viales de Pacífico S.A.S. and

subsidiaries, Proyectos y Desarrollos Viales de Oriente S.A.S. and subsidiaries, Proyectos y Desarrollos Viales del Mar S.A.S. and subsidiaries and according to the definition of control given by the International Financial Reporting Standards (IFRS 10), it has control over Concesionaria Vial del Pacifico S.A.S., Concesionaria Nueva Via al Mar S.A.S. and Promigas S.A. E.S.P. and subsidiaries.

Corporación Financiera Colombiana S.A. is controlled by Grupo Aval Acciones y Valores S.A.

(2) Basis of presentation and summary of Significant Accounting Policies.

2.1 Technical Regulatory Framework

The Company's Financial Statements have been prepared in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (IFRSC), established in Law 1314 of 2009, regulated by Decrees 2420 of 2015 modified by decrees 2496 of 2015, 2131 of 2016 and 2170 of 2017. The IFRSC, based on the International Financial Reporting Standards (IFRS), together with their interpretations, issued by the International Accounting Standards Board (IASB); the basic standards correspond to those translated into Spanish and issued as of January 1, 2014 and to the amendments made during the year 2015 by the IASB. For the legal purposes in Colombia, the main financial statements are the Individual financial statements, the consolidated financial statements of the Corporation must be read along with the individual financial statements of the Corporation.

The main accounting policies applied in the preparation of the consolidated financial statements of the Corporation and its subsidiaries, are submitted below:

2.2 Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis with the exception of the following significant items included in the consolidated statement of financial position:

Item	Basis of Measurement
Equity instruments	Fair value
Debt instruments measured at fair value through profit or loss	Fair value
Derivative Instruments	Fair value
Financial assets on concession agreements allocated at fair value	Fair value
Investment properties	Fair value
Biological assets related to biological products and livestock	Fair value less sale costs
Inventories	The lower between the cost and the net value of realization
Non-current assets held for sale	The lower of the carrying amount and its fair value less sales costs

2.3 Basis of presentation

In accordance with Colombian law, the Company must prepare individual and consolidated financial statements. Individual financial statements are the basis for the distribution of dividends and other appropriations by shareholders. The consolidated financial statements are only submitted to the General Shareholders Assembly with informative purposes.

The General Shareholders Assembly approved the amendment to the Corporation's bylaws in its article 30 of chapter VI and article 59 of chapter XII pursuant to minutes 087 of September 26, 2016, to establish the closing of the annual accounting period on January 1, 2017. With the purpose of comparing and because the fiscal closing for 2016 where biannual, consolidated income statements, other comprehensive income, changes in equity and proforma cash flows are prepared to show the corresponding figures at and for the year ended on December 31, 2016; as well as the corresponding notes.

Below are the annualized proforma consolidated financial statements and other comprehensive statements:

CORPORACIÓN FINANCIERA COLOMBIANA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (In millions of Colombian Pesos, unless otherwise indicated)

	First semester 2016 (1)	Second semester 2016 (2)	Annualized Financial Statements (1+2)
Income from interest on loan portfolio and financial leasing operations	61,544	113,499	175,043
Interest, deposits and current liabilities, loans and other financial obligations	(278,324)	(297,826)	(576,150)
Interest on debt securities measured at amortized cost	107,071	73,216	180,287
Exchange difference, net	(20,282)	(17,105)	(37,387)
Income from interest, net	(129,991)	(128,216)	(258,207)
Profit on repo operations, simultaneous operations and other interests, net	1,926	(8,337)	(6,411)
Commissions and fees, net	26,859	21,580	48,439
Net profit on valuation of financial instruments	106,649	42,891	149,540
Net profit on sale of investments	17,847	7,113	24,960
Impairment of loan portfolio	(16,149)	(6,673)	(22,822)
Impairment of investments	(3,205)	(64,108)	(67,313)
Operating financial income, net	3,936	(135,750)	(131,814)
Income from sale of goods and rendering of services	3,053,345	3,294,763	6,348,108
Income from valuation of biological assets	12,665	1,979	14,644
Income from valuation of investment properties	11,615	5,409	17,024
Other operating income	12,512	65,741	78,253
Income from dividends and other interests	19,204	713	19,917
Net income by equity method	142,640	59,318	201,958
Income from leases	1,834	1,786	3,620
Profit from sale of assets, net	9,521	4,822	14,343
Impairment of accounts receivable	(15,516)	(21,363)	(36,879)
Total operating income	3,251,756	3,277,418	6,529,174
Costs of sales and rendering of services	2,000,832	2,166,481	4,167,313
Expenses for employee benefits	138,990	138,759	277,749
Other operating expenses	280,371	330,048	610,419
Loss for acquisition of control	-	12,418	12,418
Depreciation of tangible assets	37,077	32,596	69,673
Amortization of intangible assets	135,737	141,586	277,323
Expense for provisions	4,434	4,495	8,929
Impairment of non-financial assets	7,494	13,474	20,968
Total operating costs and expenses	2,604,935	2,839,857	5,444,792
Profits before income taxes	646,821	437,561	1,084,382
Income tax	194,624	202,744	397,368
Net profits for the year	452,197	234,817	687,014
	First semester 2016 (1)	Second semester 2016 (2)	Annualized Financial Statements (1+2)
Net profit for the year	452,197	234,817	687,014
Items that will not be reclassified to results of year			

Other comprehensive income of associates or joint ventures in equity method	1,364	(1,217)	147
Conversion adjustment associates	(36,071)	12,136	(23,935)
Net actuarial profit on defined benefit plans	(8,068)	6,584	(1,484)
	(42,775)	17,503	(25,272)
	First semester 2016 (1)	Second semester 2016 (2)	Annualized Financial Statements (1+2)
Items that are or may be reclassified later to results of year			
Net variation in cash flow hedging	19,728	(9,111)	10,617
Net profit on financial assets measured at fair value with change in OCI	51,494	(570)	50,924
Adjustment to impairment model of portfolio (Individual – Consolidated)	(474)	1,058	584
Other comprehensive income for the year net of taxes	27,973	8,880	36,853
Comprehensive income for the year net of taxes	480,170	243,697	723,867
Attributable to:			
Controlling interest	298,201	50,250	348,451
Non-controlling interest	181,969	193,447	375,416
	480,170	243,697	723,867

As of December 31, 2017 the Corporation and subsidiaries have annual accounting closings, except for Promigas S.A. E.S.P.; Proyectos de Infraestructura S.A.; Gas Holdings S.A.S.; Concesionaria Vial del Pacifico S.A.S., whose accounting closings are biannual.

2.3.1 Investments in subsidiaries

According to the International Financial Reporting Standard IFRS 10, the Company and its subsidiaries must prepare consolidated financial statements with the entities over which it has control. The Company has control over another entity only if all of the following elements are fulfilled:

- Power over the invested company with the capacity to direct its relevant activities significantly affecting its performance.
- Exposure or right to variable returns from its involvement with the invested company.
- The ability to use its power over the invested company to affect the amounts of the returns for the investor.

In the consolidation process, the Company combines assets, liabilities and income of the entities on which it determines control, prior homogenization of its accounting policies and the conversion into Colombian pesos of the subordinate entities abroad. This process comprises the elimination of reciprocal transactions and unrealized profits between them. The share of non-controlling interests in subordinate entities is presented in equity separately from the equity of the Company's shareholders.

The financial statements of subsidiary companies abroad are translated into Colombian pesos in the consolidation process, their assets and liabilities at the closing exchange rate, the

income statement and other comprehensive income at the average exchange rate of the year and their equity at the historical exchange rate. The resulting net adjustment is included in equity as “adjustment by translation of financial statements” in a separate account.

Non-controlling interests

The non-controlling interests in the consolidated statement of financial position are shown in equity, separately from the equity of the owners of the controlling company. Changes in the ownership interest in a subsidiary that do not result in a loss of control are considered equity transactions.

The accompanying consolidated financial statements include the assets, liabilities, equity and comprehensive income of the Company and subsidiaries.

The accompanying consolidated financial statements include the following entities:

Leasing Corficolombiana S.A. Compañía de Financiamiento – It is a private business corporation established in accordance with Colombian law, incorporated on January 21, 1988 by means of Public Deed No. 116 issued by the First Notary Public of Cali. The Company is duly authorized to carry out any of the operations of a finance company; its main corporate purpose is to conduct financial leasing operations in all forms, raise funds through term deposit certificates, grant loans, factoring, bank acceptances and repo operations, among others. The main domicile of Leasing Corficolombiana S.A. is located in the city of Cali and it operates through offices in Bogota, Medellin, Ibague, and Bucaramanga.

Fiduciaria Corficolombiana S.A. – It is a private corporation subject to the control and surveillance of the Finance Superintendence of Colombia, established according to Colombian law on September 4, 1991 by means of Public Deed No. 2803 issued by the First Notary Public of Cali and its validity expires on October 7, 2107. By means of Resolution S.B. 3548 of September 30, 1991, the Finance Superintendence of Colombia authorized the operating permit.

The sole purpose of Fiduciaria Corficolombiana S.A. is the development of all fiduciary businesses regulated by the law and by any amending or adding rules, regarding all kinds of movable and immovable, tangible and intangible property. The main domicile of Fiduciaria Corficolombiana is located in the city of Cali and it operates through agencies in Bogota, Medellin, Barranquilla and Bucaramanga.

Banco Corficolombiana (Panama) S.A. – Banco Corficolombiana was incorporated on August 10, 2004 and operates in the Republic of Panama, according to Resolution S.B. No. 214/2004 issued on September 17, 2004 by the Superintendence of Banks of Panama. The Bank is incorporated and operates in the Republic of Panama with an International License that allows the Bank to exclusively perform, from an office established in Panama, transactions that are perfected, consummated or effected abroad and carry out any other activities authorized by the Superintendence of Banks of Panama.

Casa de Bolsa S.A. – Sociedad Comisionista de Bolsa – Private entity, established by means of public deed No. 6771 of July 22, 1993 and surveilled by the Finance Superintendence of Colombia. Its corporate purpose is the performance of the commission agreement for the purchase and sale of securities registered in the Colombia Stock Exchange and the National

Registry of Securities and Issuers (RNVE), the administration of Collective Investment Funds, the administration of securities, the performance of own operations, securities brokerage and the advisory in the capital market, among others. For the development of its own corporate purpose, the Finance Superintendence of Colombia granted Resolution No. 1024 of August 13, 1993. The legal validity of the entity is until 2043.

Organizacion Pajonales S.A. - It was incorporated as a corporation established under Colombian law, by means of public deed No. 1048 of May 2, 1980, issued by the Second Notary Public of Ibague (Tolima) and registered with the Ibague Chamber of Commerce on May 5, 1980 under No. 4331 of the respective book. According to public deed No. 0003509 of December 21, 2006 issued by the Third Notary Public of Ibague, registered on December 28, 2006 under No. 0035795 of book IX, the company changed its name from Compañía Agropecuaria e Industrial Pajonales S.A. to Organizacion Pajonales S.A. According to minutes No. 000065 of the Shareholders' Assembly of March 8, 2016, registered on April 20, 2016 under number 00059103 of book IX, the corporation underwent the following transformation: transformation from S.A. to S.A.S., for tax purposes it is registered under Tax ID (RUT) No. 890.704.021-6 and its head office is located at CR 5 No. 29-32 Cc La Quinta Oficina 292 Barrio Hipodromo in Ibague.

The corporate purpose of the Company is to industrially exploit agriculture, livestock farming and forestry; to invest or promote agricultural, livestock, forestry, agribusiness, construction, real estate, commercial and industrial enterprises.

Organizacion Pajonales S.A.S. is consolidated with the following company:

Mavalle S.A.S. was incorporated on December 23, 1986 by means of public deed No. 0003737 issued by the First Notary Public of Cali, registered on September 10, 2001 under number 00028547 of book IX with the Ibague Chamber of Commerce. It changed its name to Mavalle S.A. and it also changed its domicile from Cali to the city of Ibague by means of public deed No. 0001838 issued by the First Notary Public of Cali on June 8, 2001, registered on September 10, 2001 under number 00028560 of book IX with the Ibague Chamber of Commerce. According to minutes No. 049 of the shareholders' assembly held in Ibague on August 22, 2014, registered on September 30, 2014 under No. 00054232 of book IX, the company changed its name from Mavalle S.A. to Mavalle S.A.S.

Its main corporate purpose is the promotion and creation of business companies or the holding of interests in existing companies, to make investments or obtain savings in real or personal properties to thus obtain revenues for the company. The purchase, sale, import, export, promotion, financing and exploitation of natural and synthetic rubber and any other kind of materials suitable for manufacturing all kinds of rubber.

Hoteles Estelar S.A. - It was incorporated on April 10, 1968 by means of public deed No. 1740 issued by the Second Notary Public of Cali, with legal validity until December 31, 2220. Its corporate purpose is the promotion, construction, management, operation and exploitation of hotels of its own or of others, in the country and abroad; the organization of all activities aimed at promoting and developing the national and international hospitality industry by exploiting the country's resources; the promotion of companies whose purpose comprises real estate activities and the performance of all kinds of activities related to the construction of buildings and similar activities, as well as a partner or shareholder of

companies engaged in this activity; the management of properties and trade establishments of its own or of others, intended to provide accommodation, food or recreation for the community anywhere in the country and abroad.

Hoteles Estelar S.A. is consolidated with the following companies:

Esencial Hoteles S.A.S. – The Company was incorporated on November 28, 2003 by means of public deed No. 7887 issued by the 7th Notary Public of Cali, with legal validity until December 31, 2220. This company mainly engages in: 1) The investment, promotion, management and/or operation of hotels in any city or place in the country and/or abroad; 2) The acquisition, construction, renovation, expansion and/or disposal of hotels.

Compañía Hotelera de Cartagena de Indias S.A. – It is a business corporation incorporated under the rules provided in Colombian law, on December 24, 1971, headquartered in the city of Cartagena, with the following purposes: 1) The promotion, construction, management and operation of hotels in the city of Cartagena and in any other places in the country; 2) The organization of all activities intended to promote, develop and exploit the national and international hospitality industry, by leveraging on the country's resources for this industry; and 3) To participate in bids and public and private tenders or direct contracts, for the development of its corporate purpose. The legal validity of the company is until December 31, 2050.

Hoteles Estelar de Peru S.A.C. – Hoteles Estelar S.A. acquired control over such company in July 2011, which purpose is the development and management of hospitality activities that includes, among other things: 1) The promotion, construction, management, operation and exploitation of hotels of its own or of others in the country; 2) The organization of all activities intended to promote and develop the national and international tourism industry by exploiting the country's resources; 3) The promotion of companies whose purpose is comprised of real estate business activities and the performance of all kinds of activities related to the construction of buildings and similar activities. These activities also include its participation as a partner or shareholder of companies engaged in this activity; and 4) The management of real estate or trade establishments of its own or of third parties, intended to provide accommodation, food or recreation for the community anywhere in the country.

Hoteles Estelar Panama S.A. – The main purpose of the company is to engage in the Republic of Panama or in any other country, colony or foreign territory, in the purchase, sale, transfer, disposal, negotiation, financing, exchanging, holding, managing, lending or borrowing, opening and managing bank accounts in Panama or anywhere in the world, giving or taking all kinds of properties, whether movable or immovable, shares or rights as commission, mortgage, pledge, lease, use, usufruct or antichresis, and enter into and carry out all lawful acts, contracts, operations, businesses and transactions. The company may also engage in performing all acts, contracts, operations, businesses or transactions allowed by the law to corporations.

Gas Comprimido del Peru S.A. – Its corporate purpose is the transportation, distribution and marketing of natural gas. The company was incorporated on April 3, 2009 and notarized by means of a public deed before a notary public in the city of Lima, registered under No.

12302719 of the Sunarp. It is domiciled in Lima, Peru and it was created with an undefined legal term.

Valora S.A.S. – It was incorporated on September 23, 1993 by means of public deed No. 3040 issued by the First Notary Public of Cali, with an indefinite legal term. Its corporate purpose is to develop all kinds of lawful business activities, especially those related to the management, consulting, planning, promotion, marketing, commercialization, development, brokerage, investment and implementation of all kinds of activities in all sectors of the economy; the export, import, production, purchase and sale of all kinds of goods and services; the design, planning, budgeting, construction and supervision of all kinds of architecture, engineering and urban planning works.

Valora S.A.S. consolidates with the following 6 companies with an interest of 100%:

Agro Santa Helena S.A.S. – It was incorporated on September 27, 2011.

Plantaciones Santa Rita S.A.S. – It was incorporated on October 3, 2011.

Hevea de los Llanos S.A.S. – It was incorporated on October 3, 2011.

TSR20 Inversiones S.A.S. – It was incorporated on October 5, 2011.

Hevea Inversiones S.A.S. – It was incorporated on October 5, 2011.

Agro Casuna S.A.S. – It was incorporated on October 5, 2011.

These companies have a common corporate purpose involving the purchase, sale, import, export, production, financing and promotion of natural and synthetic rubber or any other kind of suitable materials for manufacturing rubber products and the like. To provide technical assistance and services to the production sectors contemplated in its corporate purpose, to organize, establish, manage, operate nurseries, multiplication centers and tree seed selection, to acquire for agriculture and forestry exploitation purposes, equipment, permits, licenses, patents, trademarks, trade names, industrial names and other real or personal property, give or take them on lease or on any other account that does not involve the ownership thereof. In general, to perform all acts and enter into all contracts directly related to its corporate purpose.

Proyectos de Infraestructura S.A. – It is a corporation established under Colombian law on March 26, 1985, by means of public deed No. 893 issued by the First Notary Public of Cali. The legal validity of the company is until March 1, 2058. The entity is supervised by the Superintendence of Transport and is currently controlled by the Finance Superintendence of Colombia.

The corporate purpose of Proyectos de Infraestructura S.A. mainly consists of the construction of public works under the concession system, as well as of the complete or partial development of private and public construction works under any system other than concessions.

On October 27, 2017 the liquidation minutes were registered before the Chamber of Commerce of Cali for the company Compañía de Inversiones en Infraestructura S.A.S.

Proyectos de Infraestructura S.A. is consolidated with the following companies:

Concesiones CCFC S.A. – It is a Colombian company, based in Bogota, incorporated on June 17, 1995 by means of public deed No. 1614 issued by the 16th Notary Public of Bogota. The legal validity of the Company is until June 17, 2045. Its corporate purpose is the construction of public works under the concession system and the partial or complete development of public and private construction works under any alternative system other than concessions.

Estudios, Proyectos e Inversiones de los Andes S.A. – It is a company legally incorporated by means of public deed No. 12202 of December 28, 1987 and registered on January 5, 1988, issued by the 5th Notary Public of Bogotá, as amended by public deed No. 2023 of March 13, 1995 issued by the 29th Notary Public of Bogota. Its main domicile is Bogota D.C., the legal validity of the company is established by its bylaws until October 5, 2036, but it may be dissolved or extended before such term. Its main corporate purpose is to develop infrastructure projects for public utilities, the construction of roads and road networks, to invest in all types of infrastructure projects at national or regional level.

Estudios, Proyectos e Inversiones de los Andes S.A. is consolidated with the following companies:

Concesionaria Vial de los Andes S.A. – It was incorporated on July 29, 1994 by means of public deed No. 6997. By means of minutes No. 50 of the Shareholders Assembly registered on July 22, 2015 under the number 02004652 of book IX, COVIANDES transformed from limited company to joint-stock company. Its legal validity extends until July 29, 2044. The corporate purpose of COVIANDES is to participate in different kinds of tenders for the development of infrastructure projects under the concession system and the performance of the projects that are awarded to it. In the development of its corporate purpose, the Concessionaire can carry out the design, construction, equipment, preservation, maintenance, financing, exploitation and operation activities under the concession system regarding the projects that may be awarded to it, the execution of all kinds of contracts, legal acts and the development of all activities that may be necessary or appropriate to achieve its purposes.

Promotora y Comercializadora Turistica Santamar S.A. – It is a company incorporated by means of public deed No. 0061 of January 20, 1998 issued by the 9th Notary Public of the Bucaramanga Circuit, as amended by public deed No. 410 dated February 10, 1998, with legal validity until June 6, 2034. Its main purpose is to engage in the hospitality business through one or more commercial establishments, the promotion of tourism projects, the management of timeshare subscriptions for the tourist project called Santamar Club, to invest its available funds in bonds, notes and other securities issued by private or public entities and generally hold any acts for the development of its corporate purpose; likewise, it may delegate either the operation, maintenance or management of these establishments. Today, Hoteles Estelar S.A. operates Hotel Santamar and the Convention Center located in Santa Marta.

Colombiana de Licitaciones y Concesiones S.A.S. – It was incorporated on November 30, 1994 by means of public deed No. 6626 issued by the 18th Notary Public of Bogota; its legal validity is until November 30, 2064. Its corporate purpose is the promotion, structuring and participation in all types of infrastructure projects, being able to enter into any type of contract, especially concession contracts, with the State and other decentralized entities at any level; the submission of proposals or bids in public and private tenders of any kind for infrastructure projects, especially public utilities, power generation and transformation,

transport and roads, ports and communications; to provide comprehensive advice to others in all kinds of infrastructure projects aimed at determining the feasibility and desirability thereof, their financial plans and formulate proposals, it can also obtain loans for their implementation and development. Its main domicile is located in Bogota.

Tejidos Sinteticos de Colombia S.A. – It was incorporated on June 27, 1985 by means of public deed number 1946 in the city of Bucaramanga; its legal validity is until December 31, 2085. Its corporate purpose is the assembly and operation of factories for the production of items made from plastic raw materials and other related materials. It is located in Giron, Santander.

Plantaciones Unipalma de los Llanos S.A. – It was incorporated by means of public deed No. 2627 issued by the 1st Notary Public of Cali on June 20, 1966. Its corporate purpose is the cultivation of different varieties of African palm and its industrial exploitation, as well as the provision of technical assistance services related to the cultivation and export of African palm. Its main domicile is located in the city of Bogota.

Pizano S.A. – It was incorporated on September 11, 1962 under public deed No. 4900 issued by the 4th Notary Public of Bogota. Its legal validity extends until December 31, 2050. The corporate purpose of the Company is the transformation of wood, the production of industrial items or products, construction materials, decoration and finished products made from wood, its main domicile is located in Barranquilla. In October 2015 through private document No. 276 of book XVIII registered with the Barranquilla Chamber of Commerce, the company reported the completion of the restructuring process, as evidenced in the administrative decision registered under No. 297 on October 23, 2015 where the Superintendence of Companies granted a definitive permit to the company to carry out its corporate purpose.

Pizano S.A. is consolidated with the following companies:

Manufacturas Terminadas S.A. Mantesa – It was incorporated on September 2, 1980; its corporate purpose consists of the manufacturing and marketing of coated wood panels, decorative paper for coated panels, doors and windows and in general, wood, metal and finished items for wood; the manufacturing of parts, pieces and components for furniture; products made from resin and plastics; adhesives, chemical aggregates, lacquers, paints and the commercialization of industrial surplus, as well as the provision of services to third parties; its main domicile is located in Tocancipa.

Manufacturas Terminadas S.A. is consolidated with the following entity:

Maderas del Darien S.A. The company was incorporated in 1960 by means of public deed No. 5940 issued by the 4th Notary Public of Bogota. Its legal validity extends until July 1, 2051. Its corporate purpose is to forecast, study and perform logging operations in the country, in artificial or natural forests, privately owned or belonging to the State or Public Entities on its own behalf or on behalf of third parties; to undertake activities related to reforestation, conservation, transportation, beneficiation and manufacturing of wood of its own or of third parties. Its main domicile is located in the city of Barranquilla.

Monterrey Forestal S.A.S. – The Company was incorporated in 1980 by means of public deed No. 74 issued by the 31st Notary Public of Bogota. Its legal validity is indefinite. Its corporate purpose consists of the exploitation of agricultural, livestock and forestry

activities and in general, the performance of any commercial, industrial and scientific activity especially related to livestock farming, fish farming, poultry farming, pig farming, crocodile farming, agriculture, forests and woods. Its main domicile is located in the city of Barranquilla.

C.I. Pizano Trading Venezuela C.A. – It was incorporated on July 10, 1992; it is a subordinate entity domiciled in Caracas (Venezuela); its corporate purpose is the marketing of timber products in Venezuela.

Aglomaderas S.A.S. – It was incorporated on September 23, 1999; its corporate purpose is to carry out foreign trade operations; its activities are particularly focused on the promotion and marketing of Colombian products. Its main domicile is located in Bogota.

Estudios y Proyectos del Sol S.A.S. – It was incorporated by means of public deed No. 10308 issued by the 71st Notary Public of Bogota on December 20, 2007, its legal validity is until December 20, 2097. Its domicile is located in Bogota. Its corporate purpose is the promotion, structuring and participation in all types of infrastructure projects, being able to enter into any type of contract, especially concession contracts, with the State and with other decentralized entities at any level; the submission of proposals or bids in public and private tenders of any kind for infrastructure projects, especially public utilities, power generation and transformation, transport and roads, ports and communications.

On December 27, 2012 Episol merged with its affiliate *Intrex Investment Inc.*, which was the parent company of the Colombian company “Concesionaria Panamericana S.A.”, a direct affiliate of Estudios y Proyectos del Sol S.A.S.

Estudios y Proyectos del Sol S.A.S. is consolidated with the following companies:

Concesionaria Panamericana S.A.S. – It is engaged in the design, construction, operation and exploitation of works under the concession system, in particular the project contracted with the Department of Cundinamarca under tender No. SV 01/97 “Los Alpes-Villeta, Chuguacal-Cambao Concession” contract OJ121- 97 that is currently being performed.

Constructura de Infraestructura Vial S.A.S. – It was incorporated by means of a private document issued by the Shareholders’ Assembly on October 15, 2010 and registered on October 21, 2010 under number 01423093 of book IX with an indefinite legal validity.

Its main corporate purpose is to participate in all kinds of infrastructure projects as a contractor or subcontractor of work and construction activities necessary for the implementation of any type of contract, especially turnkey or EPC contracts (Engineering, Procurement and Construction).

Peajes Electronicos S.A.S. - In October 2011, Episol created the company Peajes Electronicos S.A.S. with a 100% stake. Its corporate purpose is to directly or indirectly carry out or perform the operation, exploitation and overall management of the toll collection service. Its main domicile is located in the city of Bogota.

Concesionaria Vial Andina S.A.S. – It was incorporated as a trading limited company on May 7, 2015. The shareholders’ liability regime will be that set forth in Law 1258/2008,

in accordance with article 18 of Law 1682/2013. Its legal validity extends until December 31, 2075.

The corporate purpose of the concession company is the execution, performance, development, termination, liquidation and reversion of the Partnership Agreement under the PPP modality, awarded in instances of public tender No. VJ-VE-APP-IPV-002-2015 opened by the National Infrastructure Agency - ANI, whose purpose is the study, design, financing, construction, operation, maintenance, social, property and environmental management of a new road between Chirajara and the intersection of Fundadores, and the maintenance and operation of the Bogota-Villavicencio road.

Concesionaria Vial del Oriente S.A.S. – It was incorporated as a trading limited company on June 19, 2015. The liability regime of shareholders will be that set forth in Law 1258/2008, in accordance with article 18 of Law 1682/2013. Its legal validity extends until December 31, 2052

The corporate purpose of the concession company is the execution, performance, development, termination, liquidation and reversion of the Partnership Agreement under the PPP modality, awarded in instances of public tender No. VJ-VE-IP-LP-015-2013 opened by the National Infrastructure Agency - ANI, whose purpose is the financing, preparation of studies and designs, construction, restoration, improvement, operation and maintenance, social, property and environmental management and reversion of the Villavicencio-Yopal road.

Industrias Lehner S.A. in Liquidation– Its corporate purpose is the manufacturing and marketing of products used in the construction industry, made from aluminum, glass and wood. It was incorporated on October 5, 1957 by means of public deed No. 4714 issued by the 2nd Notary Public of Cali, with legal validity until May 7, 2096. Its main domicile is located in the city of Palmira. The company has not been operating since July 2012; it is currently in the process of negotiating the obligations it is responsible for. The Shareholders Assembly declared the company dissolved and in liquidation by means of Minutes No. 130 of September 8, 2017, filed before the Chamber of Commerce of Cali on September 14, 2017 under number 5644 of book IX.

Proyectos de Ingenieria y Desarrollos S.A.S. – It is a company incorporated by means of a private shareholders' document dated May 9, 2012, registered on May 17 of the same year under No. 01634716 of book IX. Its main corporate purpose is the development of any lawful activity, both in Colombia and abroad, and especially those related to the provision of advisory services, planning, studies, designs, supervision, auditing, oversight, management of works and projects and consulting services of all kinds, related to all fields of engineering, in different sectors, including but not limited to finance, architecture, public utilities, administration of information and communication technologies, computing, technological services, economy, urbanism, environmental and social sciences, geology and generally, the provision of services related to these specialties. The main domicile is located in the city of Bogota, D.C., the legal validity of the company will be indefinite.

CFC Gas Holding S.A.S. – It is a company incorporated by means of a private sole shareholder's document dated June 1, 2012 under No. 01639683 o book IX. The company may carry on any lawful business activity both in Colombia and abroad, especially those related to

the management and growth of its assets by supporting and promoting industrial and commercial activities. The legal validity of the company will be indefinite.

CFC Energy Holding S.A.S. – This company was initially incorporated on September 27, 2011 under the name of Goajira S.A.S. According to minutes number 005 issued by the shareholders' assembly on November 21, 2012 its name changed to CFC Energy Holding S.A.S.; the direct control exercised by Corporacion Financiera Colombiana S.A. was communicated by means of a private document on January 10, 2013; its main corporate purpose is to develop all kinds of lawful business activities, both in Colombia and abroad, and especially those related to the management and growth of its assets through the development and promotion of industrial and commercial activities, especially through investments in companies or other legal entities, regardless of their corporate purpose.

CFC Energy Holding S.A.S. is consolidated with the following companies:

Proyectos de Inversion Vial Andino S.A.S. It was incorporated on September 1, 2017; registered on September 5, 2017 under number 02256910 of book IX; the company's corporate purpose is the participation in all types of infrastructure projects acting as subcontractor and contractor in construction activities necessary for the performance of contracts with contractors, with the capacity to execute any type of agreement, especially with turnkey contracts or E.P.C. (Engineering, Procurement and Construction).

CFC Private Equity Holdings S.A.S. – It was incorporated on September 24, 2012 and registered on October 1, 2012 under number 01670269 of book IX; its corporate purpose is the creation of companies of any type, whether or not they are affiliates, being able to join or participate in the capital of existing companies, whether such companies are domestic or foreign; it may also carry out investment and marketing activities of all kinds of movable and immovable properties, manage such properties and collect any proceeds thereof; the legal validity of the company is indefinite.

Proyectos y Desarrollos Viales del Pacifico S.A.S.-It was incorporated on September 4, 2017, registered on September 5, 2017 under number 02256920 of Book IX; its corporate purpose is the promotion, structuring and participation in all types of infrastructure projects, with the capacity to enter into concession agreements with the State and other territorial entities or decentralized at any level, construction of civil works, construction and purchase and sale of all types of movable and immovable assets, construction of road corridors, highways, road tunnels, bridges, viaducts, housing, roads and any other related job.

Proyectos y Desarrollos Viales del Pacifico S.A.S. is consolidated with the following company:

Proyectos de Inversion Vial del Pacifico S.A.S.: It was incorporated on October 18, 2017; registered on October 25, 2017 under number 02270467 of book IX; its corporate purpose is participating in all types of infrastructure projects acting as subcontractor or contractor in activities related to construction necessary for the performance of any type of agreement, especially turnkey agreements or E.P.C. (Engineering, Procurement and Construction).

Proyectos y Desarrollos Viales del Oriente S.A.S.- It was incorporated on September 4, 2017, registered on September 5, 2017 under number 02256909 of Book IX; its corporate purpose

is the promotion, structuring and participation in all types of infrastructure projects, with the capacity to enter into concession agreements with the State and other territorial entities or decentralized at any level, construction of civil works, construction and purchase and sale of all types of movable and immovable assets, construction of road corridors, highways, road tunnels, bridges, viaducts, housing, roads and any other related job.

Proyectos y Desarrollos Viales del Oriente S.A.S. is consolidated with the following company:

Proyectos de Inversion Vial del Oriente S.A.S.: It was incorporated on October 18, 2017; registered on October 25, 2017 under number 02270610 of book IX; its corporate purpose is participating in all types of infrastructure projects acting as subcontractor or contractor in activities related to construction necessary for the performance of any type of agreement, especially turnkey agreements or E.P.C. (Engineering, Procurement and Construction).

Proyectos y Desarrollos Viales del Mar S.A.S.- It was incorporated on September 4, 2017, registered on September 6, 2017 under number 02257204 of Book IX; its corporate purpose is the promotion, structuring and participation in all types of infrastructure projects, with the capacity to enter into concession agreements with the State and other territorial entities or decentralized at any level, construction of civil works, construction and purchase and sale of all types of movable and immovable assets, construction of road corridors, highways, road tunnels, bridges, viaducts, housing, roads and any other related job.

Proyectos y Desarrollos Viales del Mar S.A.S. is consolidated with the following company:

Proyectos de Inversion Vial del Mar S.A.S.: It was incorporated on October 18, 2017; registered on October 25, 2017 under number 02270531 of book IX; its corporate purpose is participating in all types of infrastructure projects acting as subcontractor or contractor in activities related to construction necessary for the performance of any type of agreement, especially turnkey agreements or E.P.C. (Engineering, Procurement and Construction).

Promigas S.A. E.S.P. – It was incorporated in accordance with Colombian law on December 27, 1974 and its corporate purpose is the purchase, sale, transportation, distribution, exploitation and exploration of natural gas, oil and hydrocarbons in general and the development of gas and oil activities in all their forms. Additionally, it may sell or provide goods or services to third parties, whether financial or not, and finance the purchase of goods or services by third parties with its own resources. Its main domicile is located in the city of Barranquilla (Colombia) and its legal validity expires on December 27, 2074.

Promigas S.A. E.S.P. is consolidated with the following companies:

Surtidora de Gas del Caribe S.A. E.S.P. – Its corporate purpose is the purchase, storage, packaging and distribution of gases derived from hydrocarbons; the construction and operation of industrial, commercial and domestic natural gas pipelines and the purchase and sale of items, services and artifacts related to the sale and distribution of fuel gases and related products. The company is active in the departments of Bolivar, Sucre, Cordoba and in some municipalities of Antioquia and Magdalena. Its domicile is located in the city of Cartagena.

Transoccidente S.A. E.S.P. – Its corporate purpose is to transport fuel gas through the construction, operation and maintenance of transportation systems and subsystems. The assembly, construction, operation, maintenance and commercial exploitation of systems and subsystems anywhere in the country or abroad on its own behalf or on behalf of others. It operates in the city of Santiago de Cali.

Gases de Occidente S.A. E.S.P. – The provision of gas fuel distribution services. The purchase, sale, storage, transportation, packaging, distribution and marketing of natural gas or any other fuel, as well as hydrocarbons or any derivatives. The marketing and/or financing of any kinds of products directly or indirectly related to the activities or services provided, which activities are carried out in the department of Valle del Cauca and Cauca. The Nation awarded to Gases de Occidente S.A. E.S.P. the concession for a term of 50 years from the date when the pipeline enters into operation (September 23, 1997 for non-exclusive service areas and December 29, 1997 for exclusive service areas) to provide the public service of transport and distribution of liquefied petroleum gas and natural gas through the propane pipeline and gas pipeline, at least, in the city of Santiago de Cali.

Gases de Occidente S.A. E.S.P. is consolidated with the following companies:

Compañía Energetica de Occidente S.A.S. E.S.P. – On June 28, 2010 the company signed a management agreement with Cedelca S.A. E.S.P. in order to assume, on their own account and risk, the administrative, operational, technical and commercial management, the investment, expansion of coverage, renovation and preventive and corrective maintenance of infrastructure and other activities necessary for the provision of power distribution and marketing services in the Department of Cauca. The management agreement began on August 1, 2010 and has a term of 25 years.

Orion Call Center S.A.S. – Its corporate purpose is the provision of call center and contact center services, business process outsourcing services and personalized assistance services for all types of businesses. Its main domicile is located in the city of Santiago de Cali.

Transportadora de Metano S.A. E.S.P. – To transport fuel gas through the construction, operation and maintenance of transportation systems. This activity is carried out in the municipalities of Cimitarra, Puerto Berrio, Yolombo, Cisneros, Maceo, San Roque, Santodomingo, Barbosa, Guarne, Rionegro and Girardota. Its domicile is located in the city of Medellin.

Promisol S.A.S. – Its corporate purpose is the provision of compression and dehydration services for natural gas and any other service related to the natural gas industry and businesses directly related to these activities; the implementation of power management systems, the development of power diagnoses, the development and implementation of onsite or distributed power generation projects, change or replacement of technology, predictive power maintenance programs and comprehensive advice on the management, purchase, sale, distribution, exploitation, commercialization of products, professional and technical services. In the development of its corporate purpose, the company has made business offers to provide dehydration and compression services for natural gas from fields of Ballena and Chuchupa, before being transported. Its domicile is located in the city of Barranquilla. On May 31, 2016, the merger between Enercolsa S.A.S. with Promisol

S.A.S., the latter being the surviving company, was registered before the Chamber of Commerce of Barranquilla.

Promisol S.A.S. is consolidated with the following companies:

Zonagen S.A.S. – The Company's main corporate purpose is the generation, transmission and distribution of power to partner companies, associates, members or enterprises economically related to it. Its main domicile is located in Barranquilla.

Promisol Mexico S.A. de C.V. – This company was created on August 10, 2015 and its corporate purpose is the provision of compression and dehydration services for natural gas and any other service related to the natural gas industry and businesses directly related to these activities; the implementation of power management systems, the development of power diagnoses, the development and implementation of onsite or distributed power generation projects, change or replacement of technology, predictive power maintenance programs and comprehensive advice on the management, purchase, sale, distribution, exploitation and commercialization of products, professional and technical services. Its main domicile is located in Mexico City, Federal District.

Transportadora de Gas del Oriente S.A. E.S.P. - The corporate purpose of the company is the transport of fuel gas through the construction, operation and maintenance of trunk pipelines and branch lines. The assembly, construction, operation, maintenance and commercial exploitation of gas pipelines anywhere in the country or abroad, on its own behalf or on behalf of others. Its activities are carried out in the municipalities of Lebrija, Giron, Bucaramanga and its Metropolitan Area. Its main domicile is located in the city of Bucaramanga. By means of public deed No. 0042 of January 16, 2014 issued by the 9th Notary Public of the Bucaramanga circuit, the company changed its corporate name, it was formerly known as Transportadora del Oriente S.A. E.S.P.

Sociedad Portuaria El Cayao S.A. E.S.P. - The corporate purpose of the company is to make investments in the construction, maintenance and management of ports, loading and unloading, storage at ports and other services directly related to port activities. Its domicile is located in the city of Barranquilla.

Gases del Pacifico S.A.C. – The company's corporate purpose is the purchase, sale, production and marketing of power in any form, including but not limited to natural gas, electric power, petroleum hydrocarbons, coal and other fuels. The company's main domicile is located in Lima, Peru.

Gases del Norte del Peru S.A.C. – The company's corporate purpose is the purchase, sale, production and marketing of power in all its forms, including but not limited to natural gas, electric power, petroleum hydrocarbons, coal and other fuels. The company's main domicile is located in Lima, Peru.

Enlace Servicios Compartidos S.A.S. – Its corporate purpose is to contract with individuals and government entities, purchase, sell or permit the enjoyment of movable and immovable assets, perform financial operations, in general execute all

types of operations that allow it to obtain funds or other necessary assets for the development of the company. Its domicile is located in the city of Barranquilla.

Concesionaria Vial del Pacifico S.A.S.- Company incorporated on June 19, 2014; its corporate purpose is the subscription, execution, performance, termination, liquidation and reversal of the joint venture agreement under the PPP model executed with the Agencia Nacional de Infraestructura –ANI; whose purpose consists of the definitive studies and designs, financing, environmental, property and social management, construction, improvement, rehabilitation, operation, maintenance and recovery of the Pacifico I connection highway concession, of the project “Autopistas para la prosperidad”. It has legal validity until December 31, 2055. Its main domicile is located in the city of Medellin.

Concesionaria Nueva Via al Mar S.A.S.- Company incorporated on January 9, 2015; its corporate purpose is the subscription, execution, performance, termination, liquidation and reversal of the joint venture agreement under the PPP model executed with the Agencia Nacional de Infraestructura –ANI; whose purpose consists of the definitive studies and designs, financing, environmental, property and social management, construction, improvement, rehabilitation, operation, maintenance and recovery of the Pacifico I connection highway concession, of the project “Mulalo-Loboguerrero”. It has legal validity until December 31, 2055. Its main domicile is located in the city of Cali.

The consolidated entities and their interest in assets, liabilities, equity and income statements as of December 31, 2017 and 2016, were as follows:

Balances as of December 31, 2017

Trade Name	Shareholding Interest %	Assets	Liabilities	Controlled Equity	Total Equity
Corporacion Financiera Colombiana S.A.		9,192,994	5,954,992	3,238,002	3,238,002
Fiduciaria Corficolombiana S.A.	100.00	177,633	116,934	60,698	60,698
Banco Corficolombiana (Panama) S.A.	100.00	278,969	250,012	28,957	28,957
Colombiana de Concesiones y Licitaciones S.A.S.	100.00	442,479	2,121	440,359	440,359
Estudios y Proyectos del Sol S.A.S. and controlled	100.00	2,291,395	1,314,671	824,173	976,724
Valora S.A.S. y controladas	100.00	216,231	35,865	180,366	180,366
CFC Gas Holding S.A.S.	100.00	973,033	201	972,832	972,832
Proyectos de Ingeniería y Desarrollos S.A.S.	100.00	3,266	863	2,403	2,403
CFC Private Equity Holdings S.A.S.	100.00	46,920	1	46,919	46,919
CFC Energy Holding S.A.S.	100.00	115	1	115	115
Proyectos y Desarrollos Viales del Pacífico S.A.S.	100.00	166,455	20,268	146,187	146,187
Proyectos y Desarrollos Viales del Oriente S.A.S.	100.00	1	1	-	-
Proyectos y Desarrollos Viales del Mar S.A.S.	100.00	59,461	6,743	52,719	52,719
Concesionaria Nueva Vía al Mar S.A.S.	100.00	226,345	203,745	22,600	22,600
Leasing Corficolombiana S.A.	100.00	936,540	844,465	92,076	92,076
Estudios, Proyectos e Inversiones de los Andes S.A. and controlled	99.93	521,650	408,550	71,888	113,101
Tejidos Sintéticos de Colombia S.A.	99.65	28,158	5,622	22,536	22,536
Organización Pajonales S.A. and controlled	98.67	247,708	112,970	128,017	134,738
Gas Comprimido del Perú S.A.	91.87	67,709	66,906	803	803
Concesionaria Vial del Pacífico S.A.S.	89.90	444,157	441,683	2,474	2,474
Proyectos de Infraestructura S.A. and controlled	88.25	335,639	181,162	133,148	154,476
Hoteles Estelar de Colombia S.A.S. and controlled	84.96	802,195	430,556	324,409	371,638
Promotora y Comercializadora Turística Santamar S.A.	84.60	42,719	4,366	38,353	38,353
Plantaciones Unipalma de los Llanos S.A.	54.53	202,551	63,779	138,772	138,772
Industrias Lehner S.A. - In Liquidation	53.35	134	7,776	(7,641)	(7,641)
Promigas S.A. E.S.P. y controladas	50.23	9,634,659	6,455,781	2,962,662	3,178,877
Casa de Bolsa S.A.	40.77	46,805	15,112	31,693	31,693

Pizano S.A. y controladas	39.99	217,246	171,527	45,923	45,899
Eliminations due to Consolidation		(6,447,331)	(1,240,120)	(6,745,242)	(5,207,213)
		21,156,016	15,876,553	3,256,201	5,279,463

Balances as of December 31, 2017

Trade Name	Shareholding Interest %	Revenues	Profit before taxes	Income taxes	Results of the period
Corporacion Financiera Colombiana S.A.		2,347,324	234,214	(19,001)	215,213
Fiduciaria Corficolombiana S.A.	100.00	71,535	16,939	(7,278)	9,661
Banco Corficolombiana (Panama) S.A.	100.00	10,246	1,176	-	1,176
Colombiana de Concesiones y Licitaciones S.A.S.	100.00	76,914	73,762	(5,622)	68,140
Estudios y Proyectos del Sol S.A.S. and controlled	100.00	899,503	49,658	(74,893)	(25,235)
Valora S.A.S. y controladas	100.00	15,779	(4,570)	(1,226)	(5,796)
CFC Gas Holding S.A.S.	100.00	46,417	45,676	(302)	45,374
Proyectos de Ingeniería y Desarrollos S.A.S.	100.00	8,240	(497)	(45)	(542)
CFC Private Equity Holdings S.A.S.	100.00	2,012	(1,900)	(8)	(1,908)
CFC Energy Holding S.A.S.	100.00	5	(7)	(2)	(9)
Proyectos y Desarrollos Viales del Pacífico S.A.S.	100.00	37,468	4,061	(1,207)	2,854
Proyectos y Desarrollos Viales del Oriente S.A.S.	100.00	-	(1)	-	(1)
Proyectos y Desarrollos Viales del Mar S.A.S.	100.00	5,813	732	(125)	607
Concesionaria Nueva Vía al Mar S.A.S.	100.00	7,389	1,459	(532)	927
Leasing Corficolombiana S.A.	100.00	129,311	(3,729)	(2,217)	(5,946)
Estudios, Proyectos e Inversiones de los Andes S.A. and controlled	99.93	593,728	25,843	(5,768)	20,075
Tejidos Sintéticos de Colombia S.A.	99.65	39,767	3,307	(1,233)	2,074
Organización Pajonales S.A. and controlled	98.67	70,500	3,876	(1,696)	2,180
Gas Comprimido del Perú S.A.	91.87	33,173	2,280	(4,542)	(2,262)
Concesionaria Vial del Pacífico S.A.S.	89.90	63,159	93	2,134	2,227
Proyectos de Infraestructura S.A. and controlled	88.25	283,689	150,556	(63,513)	87,043
Hoteles Estelar de Colombia S.A.S. and controlled	84.96	340,721	26,478	(4,786)	21,692

Promotora y Comercializadora Turística Santamar S.A.	84.60	3,094	2,129	(777)	1,352
Plantaciones Unipalma de los Llanos S.A.	54.53	86,365	8,096	(1,371)	6,725
Industrias Lehner S.A. – In Liquidation	53.35	32	(1,104)	-	(1,104)
Promigas S.A. E.S.P. y controladas	50.23	3,909,773	931,136	(242,980)	688,156
Casa de Bolsa S.A.	40.77	47,448	1,007	(392)	615
Pizano S.A. y controladas	39.99	137,869	(78,296)	(5,884)	(84,180)
Eliminations due to Consolidation		(803,036)	(484,195)	(373)	(484,568)
		8,464,238	1,008,179	(443,639)	564,539

Balances as of December 31, 2016

Trade Name	Shareholding Interest %	Assets	Liabilities	Controlled Equity	Total Equity
Corporacion Financiera Colombiana S.A.		8,698,992	6,521,579	2,177,413	2,177,413
Leasing Corficolombiana S.A.	100.00	1,001,268	896,975	104,294	104,293
Fiduciaria Corficolombiana S.A.	100.00	94,895	32,920	61,976	61,975
Banco Corficolombiana (Panama) S.A.	100.00	303,202	272,280	30,922	30,922
Valora S.A.S. and controlled entities	100.00	171,177	17,572	153,605	153,605
Colombiana de Concesiones y Licitaciones S.A.S	100.00	344,900	11,921	332,978	332,979
Estudios y Proyectos del Sol S.A.S. and controlled entities	100.00	1,961,077	959,008	901,536	1,002,069
Proyectos de Ingenieria y Desarrollos S.A.S	100.00	3,747	801	2,945	2,946
CFC Gas Holding S.A.S	100.00	649,784	133	649,651	649,651
CFC Private Equity Holdings S.A.S.	100.00	16,695	46	16,649	16,649
CFC Energy Holding S.A.S.	100.00	124	1	123	123
Estudios, Proyectos e Inversiones de los Andes S.A. and controlled entities	99.93	752,775	658,863	58,729	93,912
Tejidos Sinteticos de Colombia S.A.	99.65	29,654	7,843	21,812	21,811
Organizacion Pajonales S.A. and controlled entities	98.13	209,780	119,334	88,756	90,446
Gas Comprimido del Peru S.A.	91.87	68,990	67,093	1,897	1,897
Proyectos de Infraestructura S.A. and controlled entities	88.25	308,926	162,426	131,311	146,500
Hoteles Estelar de Colombia S.A. and controlled entities	84.96	763,684	411,930	306,548	351,754
Promotora y Comercializadora Turistica Santamar S.A.	84.60	41,619	4,619	37,001	37,000
Plantaciones Unipalma de los Llanos S.A.	54.53	193,601	61,754	131,847	131,847
Industrias Lehner S.A.	53.35	473	7,010	(6,538)	(6,537)
Promigas S.A. and controlled entities	50.23	9,265,148	6,310,281	2,755,158	2,954,867
Casa de Bolsa S.A.	40.73	62,667	31,860	30,807	30,807
Pizano S.A. and controlled entities	39.99	272,145	141,508	130,579	130,637
Eliminations due to Consolidation		(4,655,660)	(1,086,973)	(5,103,503)	(3,568,687)
		20,559,663	15,610,784	3,016,496	4,948,879

Balances as of December 3, 2016

Trade Name	Shareholding Interest %	Revenues	Profit before taxes	Income taxes	Results of the period
Corporacion Financiera Colombiana S.A.		7,103,701	101,863	(20,613)	81,250
Leasing Corficolombiana S.A.	100.00	159,957	3,705	(1,900)	1,805
Fiduciaria Corficolombiana S.A.	100.00	63,248	24,792	(4,389)	20,403
Banco Corficolombiana (Panama) S.A.	100.00	15,464	2,823	-	2,823
Valora S.A.S. and controlled entities	100.00	9,659	5,982	(1,370)	4,612
Colombiana de Concesiones y Licitaciones S.A.S	100.00	15,575	13,628	(2,366)	11,262
Estudios y Proyectos del Sol S.A.S. and controlled entities	100.00	1,157,076	136,230	(54,169)	82,061
Proyectos de Ingenieria y Desarrollos S.A.S	100.00	6,371	(309)	(42)	(351)
CFC Gas Holding S.A.S	100.00	42,379	41,654	(183)	41,471
CFC Private Equity Holdings S.A.S.	100.00	1,022	(1,618)	(48)	(1,666)
CFC Energy Holding S.A.S.	100.00	-	(14)	(2)	(16)
Estudios, Proyectos e Inversiones de los Andes S.A. and controlled entities	99.93	677,538	35,084	(11,135)	23,949
Tejidos Sinteticos de Colombia S.A.	99.65	43,218	4,749	(1,484)	3,265
Organizacion Pajonales S.A. and controlled entities	98.13	56,076	13,885	(5,593)	8,292
Gas Comprimido del Peru S.A.	91.87	35,164	(1,736)	(1,188)	(2,924)
Proyectos de Infraestructura S.A. and controlled entities	88.25	296,282	164,063	(57,763)	106,300
Hoteles Estelar de Colombia S.A. and controlled entities	84.96	327,053	32,984	(7,403)	25,581
Promotora y Comercializadora Turistica Santamar S.A.	84.60	3,135	2,536	(783)	1,753
Plantaciones Unipalma de los Llanos S.A.	54.53	70,965	9,665	(1,405)	8,260
Industrias Lehner S.A.	53.35	201	(1,018)	(9)	(1,027)
Promigas S.A. and controlled entities	50.23	4,247,246	983,525	(227,456)	756,069
Casa de Bolsa S.A.	40.73	-	-	-	-
Pizano S.A. and controlled entities	39.99	187,312	(23,579)	2,485	(21,094)
Eliminations due to Consolidation		(359,333)	(464,512)	(522)	(465,064)
		14,159,309	1,084,382	(397,368)	687,014

- During 2017 the Corporation acquired a non-controlling interest of 0.04% in Casa de Bolsa S.A. to complete a stake of 40.77%; likewise a non-controlling interest of 0.54% in Organización Pajonales S.A.S. was acquired resulting in a stake of 98.67%.
- In September 2017 the following entities were incorporated: Proyectos y Desarrollos Viales del Pacifico S.A.S., Proyectos y Desarrollos Viales del Oriente S.A.S. and Desarrollos Viales del Mar S.A.S. in which the Corporation has a 100% stake.
- Through its stake in Episol S.A.S., Prodepacifico S.A.S. and Prodevimar S.A.S; the Corporation indirectly controls the entities Covipacifico S.A.S. and Covimar S.A.S. with 89.9% and 100% respectively.

2.3.2 Investments in associates

The investments of the Corporation and subsidiaries in entities where they have no control or joint control but a significant influence are called “investments in associates” and are accounted for by the equity method. It is presumed that a significant influence is exercised in the other entity if directly or indirectly owning between 20% and 50% or more of the voting power of the investee, unless it can be clearly demonstrated that such influence does not exist.

According to IAS 28, the Corporation exercises significant influence directly or through its subsidiaries when several of the following conditions are met:

- When it has representation on the board of directors or equivalent governing body of the investee;
- When it participates in policy-setting processes, including decisions on dividends and other distributions;
- When there are material transactions between the entity and the investee;
- When there is an exchange of managerial personnel; or
- When essential technical information is provided.

The equity method is an accounting method whereby the investment is initially recorded at cost and is periodically adjusted due to the changes in the investor's share in the net assets of the investee. The profits or loss for the year and Other Comprehensive Income of the investee is included by the investor according to its participation.

The following is the participation and corporate purpose of the investments made in associate companies as of December 31, 2017 and 2016:

Entity	Country of origin	Participation %		Corporate purpose
		December 31, 2017	December 31, 2016	
Aerocali S.A.	Colombia	50%	50%	Airport infrastructure projects
Colombiana de Extrusion S.A. Extrucol	Colombia	30%	30%	Networks and Infrastructure
Concesionaria Tibitoc S.A.	Colombia	33%	33%	Infrastructure Projects
Metrex S.A.	Colombia	18%	18%	Manufacturing and marketing of industrial equipment
Ventas y Servicios S.A.	Colombia	20%	20%	Services

CI Acepalma S.A.	Colombia	11%	11%	Marketing of oil palm and derivatives
Gases del Caribe S.A. E.S.P.	Colombia	31%	31%	Gas distribution
Antillean Gas	Dominican Republic	20%	20%	Regasification of Liquefied Natural
Gas Natural de Lima y Callao	Peru	40%	40%	Gas distribution
Complejo Energetico del Este S.A.	Panama	33%	33%	Gas conversion
Concentra Inteligencia en Energia S.A.S	Colombia	24%	24%	Gas distribution
Energia Eficiente S.A. E.S.P.	Colombia	39%	39%	Gas distribution

The following are the balances of the financial statements of the investments in the most relevant associate companies:

As of December 31, 2017

	Total Assets	Total Liabilities	Total Equity	Total Income	Total Expenses
Aerocali S.A.	133,977	99,008	34,969	117,169	100,900
Colombiana de Extrusion S.A.	68,059	29,807	38,252	65,870	12,012
Concesionaria Tibitoc S.A.	79,566	19,069	60,497	47,125	12,063
Metrex	38,933	24,726	14,207	47,763	15,384
Ventas y Servicios S.A.	65,242	39,770	25,472	194,441	193,647
C.I. Acepalma S.A.	290,406	240,547	49,859	798,782	31,807
Gases del Caribe S.A. E.S.P.	2,363,464	1,481,320	882,144	1,577,041	306,462
Gas Natural de Lima y Callao S.A.	2,441,398	1,536,738	904,660	1,575,804	352,124
Energia Eficiente S.A.	40,853	23,142	17,711	92,170	4,982

As of December 31, 2016

	Total Assets	Total Liabilities	Total Equity	Total Income	Total Expenses
Aerocali S.A.	146,783	96,841	49,942	65,372	52,425
Colombiana de Extrusion S.A.	59,338	20,148	39,190	35,549	34,928
Concesionaria Tibitoc S.A.	88,521	27,894	60,627	25,581	17,765
Metrex	28,892	16,451	12,441	24,188	22,423
Ventas y Servicios S.A.	66,606	41,862	24,744	104,870	103,603
C.I. Acepalma S.A.	224,908	186,201	38,707	258,051	261,060
Gases del Caribe S.A. E.S.P.	2,247,971	1,536,107	711,864	902,725	823,051
Gas Natural de Lima y Callao S.A.	2,226,220	1,351,631	874,589	669,145	605,003
Energia Eficiente S.A.	48,008	31,519	16,489	485,618	473,872

2.3.3 Joint arrangements

According to IFRS 11, a joint arrangement is that whereby two or more parties maintain joint control according to the sharing of control contractually agreed upon in the shareholders' or consortium agreement, which exists only when the decisions on relevant activities require the unanimous consent of the parties sharing control.

Joint arrangements are divided in turn into joint operations where the parties involved are entitled to the assets and assume obligations with respect to the liabilities relating to the arrangement, and into joint ventures where the parties involved are entitled to the net assets of the arrangement. An entity shall determine the type of joint arrangement in which it is involved considering its rights and obligations. An entity will assess its rights and obligations by considering the structure and legal form of the arrangement, the clauses agreed by the parties to the arrangement and, where appropriate, other factors and circumstances.

Joint operations are included in the financial statements based on the basis of their proportionate and contractual participation of each in the assets, liabilities and profits of the contract or entity where there is the agreement.

Participation %

Entity	Country of origin	December 31, 2017	December 31, 2016	Corporate purpose
Consorcio Vial Andino	Colombia	100%	100%	Construction of civil works
Consorcio Obras CCFC	Colombia	67%	67%	Construction of civil works
Consorcio Constructor del Pacifico 1	Colombia	100%	51%	Construction of civil works
Consorcio Constructor Mulalo	Colombia	100%	51%	Construction of civil works
Consorcio para la Prosperidad	Colombia	33%	33%	Construction of civil works
Consorcio 4G Llanos	Colombia	100%	100%	Construction of civil works

The joint ventures of the Corporation and its subsidiaries are recorded by the equity method in the same way as the investments in associates described in the note 2.3.2.

Participation %

Entity	Country of origin	December 31, 2017	December 31, 2016	Corporate purpose
Concesionaria Vial del Pacifico S.A.S. (1)	Colombia	-	50%	Infrastructure projects
Concesionaria Nueva via al Mar. S.A.S.(1)	Colombia	-	60%	Infrastructure projects
CFC SK Capital S.A.S.	Colombia	50%	50%	Equity funds
CFC SK El Dorado Latam Management Company Ltda.	Cayman Islands	50%	50%	Manager
CFC SK El Dorado Latam Fund. L.P.(2)	Cayman Islands	-	50%	Equity funds
CFC SK El Dorado Latam Capital Partners Ltda.	Cayman Islands	50%	50%	Financial manager

The following are the balances of the financial statements of the investments made in Joint Ventures:

As of December 31, 2017

	Total Assets	Total Liabilities	Total Equity	Total Income	Total Expenses
CFC SK Capital S.A.S.	893	204	689	2,037	1,877
CFC SK El Dorado Latam Management Company Ltda.	9,169	34	9,135	3,584	374
CFC SK El Dorado Latam Capital Partners Ltda.	1,007	16	991	-	131

As of December 31, 2016

	Total Assets	Total Liabilities	Total Equity	Total Income	Total Expenses
Concesionaria Ruta del Sol S.A.S. (3)	3,653,227	2,578,230	1,074,997	759,647	705,402
Concesionaria Vial del Pacifico S.A.S.(1)	246,184	243,221	2,963	29,963	31,005
Concesionaria Nueva Via al Mar. S.A.S.(1)	122,884	104,274	18,610	15,216	12,151
CFC SK Capital S.A.S.	1,015	499	516	2,637	2,265
CFC SK El Dorado Latam Management Company Ltda.	6,026	39	5,987	1,589	177
CFC SK El Dorado Latam Fund. L.P.	37,545	12,582	24,963	1,953	6,408
CFC SK El Dorado Latam Capital Partners Ltda.	960	15	945	18	73

(1) On November 20, 2017, Iridium Colombia Concesiones Viarias S.A.S. and Dragados IBE Sucursal Colombia agreed with Corficolombiana by means of two subordinated vehicles the purchase of all of Iridium's shares in the concessionaires Covipacifico S.A.S. and Covimar S.A.S., in addition to the assignment of the subsidiary debts issued by Iridium and the consortium participations of Dragados in construction consortiums. The closing date of the transaction was December 12, 2017. The sum paid to Iridium for the assets and the subordinated debt was \$166,205, plus \$18,931 corresponding to the contributions to funds made by Dragados to Consorcios Constructores Conpacifico and Conmulalo. The entire sale price was paid on the closing date of the transaction.

(2) During 2017, the entity made a new assessment of the current context of CFC-SK Eldorado Latam Fund, L.P, and given the investment conditions it was established that they meet the conditions established to consider it an equity fund. As a result, CFC Private Equity Holdings S.A.S., decided to classify its participation in CFC SK El Dorado Latam Fund L.P., as an equity instrument and measure it under the scope of IFRS 9 "Financial Instruments" in other words, at fair value with changes in income.

(3) The investment in Concesionaria de Ruta del Sol S.A.S. is measured by its recoverable value as of December 31, 2016, due to the legal proceeding being faced by such entity.

2.4. Functional and presentation currency

Management assesses the performance of the Corporation in Colombian pesos and therefore deems it is currency that best represents the underlying economic effects of the transactions, events and conditions of the Corporation, therefore the consolidated financial statements are presented in Colombian pesos as the functional currency.

The amounts reported in the individual financial statements of the subsidiaries of Corficolombiana are expressed in the currency of the primary economic environment (functional currency) where each entity operates:

Country	Functional Currency
Colombia	Colombian pesos
Peru	Nuevos Soles
Venezuela	Restated under IAS 29 (Financial Information in

	Hyperinflationary Economies) to United States Dollars
Panama	United States Dollars
Mexico	Mexican Pesos

The consolidated financial statements are presented in millions of Colombian pesos, the presentation and functional currency of Corficolombiana. Consequently, all balances and transactions denominated in currencies other than the Colombian peso are considered as translated into foreign currency.

Corficolombiana and its subsidiaries, in accordance with IAS 21 Effects of changes in exchange rates of foreign currency, may submit their financial statements in any currency.

Conversion of functional currency to presentation currency:

The information reported in the consolidated financial statements of Corficolombiana and its subsidiaries, converted from the functional currency into presentation currency, are translated at the exchange rate prevailing on the date of the reporting period.

The monetary assets and liabilities denominated in foreign currencies are translated at the closing exchange rate of the functional currency ruling on the closing date of the reporting period. Non-monetary items measured in terms of historical cost in foreign currency are translated using the exchange rates prevailing on the date of the original transaction. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates on the date when such fair value is determined. All translation differences are recognized as a separate equity component.

Exchange rates, conversion from functional currency to presentation currency:

Closing Rate:

Countries	Currency	Expression	December 31, 2017	December 31, 2016
Peru	Soles	PEN/USD	3.24	3.36
Venezuela	United States Dollars	USD/COP	2,984.00	3,000.71
Panama	United States Dollars	USD/COP	2,984.00	3,000.71
Mexico	Mexican Pesos	USD/COP	19.74	20.62

Average Rate:

Countries	Currency	Expression	December 31, 2017	December 31, 2016
Peru	Soles	PEN/USD	3.25	3.40
Venezuela	United States Dollars	USD/COP	2,991.42	3,009.53
Panama	United States Dollars	USD/COP	2,991.42	3,009.53
Mexico	Mexican Pesos	USD/COP	19.15	20.52

The assets and liabilities of foreign operations are translated into Colombian pesos at the exchange rate prevailing on the closing date of the reporting period and income statements are translated at the average rates prevailing on the dates of the transactions. The equity is translated at its respective historical rate.

The following subsidiaries have a functional currency different from the functional currency of the Corporation:

Subordinate	Functional Currency
Banco Corficolombiana (Panama) S.A.	United States Dollars, USD
CFC Private Equity Holdings S.A.S.	United States Dollars, USD
Hoteles Estelar del Peru S.A.C.	Nuevos soles, PEN
Hoteles Estelar Panamá S.A.	United States Dollars, USD
Gas Comprimido del Peru S.A.	Nuevos soles, PEN
C.I. Pizano Trading Venezuela C.A.	United States Dollars, USD
Gases del Pacifico S.A.C.	Nuevos soles, PEN
Gases del Norte del Peru S.A.C.	Nuevos soles, PEN
Sociedad Portuaria El Cayao	United States Dollars, USD
Promisol Mexico S.A. de C.V.	Mexican pesos, MEX

2.5. Foreign currency transactions

Transactions in foreign currencies are translated into Colombian pesos using the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities in foreign currency are translated into the functional currency using the exchange rate ruling on the reporting date of the consolidated financial position statement and non-monetary foreign currency assets are measured at the historical exchange rate. Any gains or losses resulting from the conversion process are included in the income statement and in consolidated other comprehensive income.

2.6. Cash and cash equivalents

Cash and cash equivalents include the cash at hand, bank deposits and other short-term investments in active markets with original maturities of three months or less (from the date of acquisition). The Corporation and its subsidiaries submit their cash flow statement using the indirect method.

2.7. Financial Instruments

2.7.1. Financial Assets

Initial recognition and measurement

All financial assets are initially recognized at fair value; in the case of financial assets not carried at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition of the financial asset are added.

Purchases or sales of financial assets that require the delivery of the assets within a time frame established by market regulations or convention (conventional purchases and sales or *regular way trades*) are recognized on the date of the purchase or sale, i.e. on the date when Corficolombiana and its subsidiaries commit to purchase or sell the asset.

The financial assets of the Corporation and its subsidiaries include cash and short-term investments, trade receivables, loans and other receivables, debt and equity securities listed and unlisted, financial instruments and financial assets under concession.

Subsequent classification and measurement

Financial assets are classified as measured at amortized cost or at fair value on the basis of:

- a. The business model of the entity to manage portfolios of financial assets.
- b. The characteristics of the contractual cash flows of the financial asset.

Financial assets measured at fair value through profit or loss

Financial assets at fair value through profit or loss include the assets held for trading and the financial assets designated upon initial recognition at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing them in the near future. This category includes derivative financial instruments, if any, taken by the Company and not designated as hedging instruments in effective hedging ratios as defined by IFRS 9.

Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are recognized in the consolidated statement of financial position at fair value and the changes in fair value are recognized as financial income or costs in the consolidated statement of income.

Corficolombiana and its subsidiaries evaluate the financial assets held for trading that are not derivatives, to determine whether their intention to sell them in the short term is still appropriate. When Corficolombiana and its subsidiaries cannot trade these financial assets due to the existence of inactive markets and, therefore, must significantly change their intention of trading them in the near future, they may choose to reclassify these financial assets, but only in exceptional circumstances.

Criteria for the classification of financial assets or liabilities at fair value through profit or loss: The financial assets or liabilities at market prices through profit or loss are financial assets or liabilities that meet one of the following criteria:

- Assets classified as trading instruments under the following conditions:
 - If the asset or liability was acquired for the purpose of selling or repurchasing it in the short term.
 - If upon initial recognition it is part of a portfolio of identified financial instruments managed together with evidence that there is a current pattern of profit taking in the short term.
 - If referring to a derivative (except for derivatives that relate to a financial guarantee contract or a designated and effective hedging instrument).
 - If upon initial recognition it has been designated by the entity as an asset or liability at fair market value through profit or loss.

A company may use this designation permitted by IFRS 9 only when more relevant information is obtained when doing so and if it meets one or more of the following conditions:

- The valuation substantially eliminates or reduces an inconsistent measurement or recognition (“mismatch”) that would arise from a measurement of assets or liabilities made on a different basis.
- A group of financial assets, financial liabilities or both are managed and their return is evaluated based on the fair market value, in accordance with the documented risk management or investment strategy, and the information of the investment of Corfic Colombiana and its subsidiaries is provided on the same basis.
- The asset or liability includes one or more embedded derivatives, unless the embedded derivative does not substantially alter the cash flows or if the separation of the embedded derivative is prohibited.

Financial assets measured at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity instruments. The equity instruments designated at fair value through Other Comprehensive Income are those which are neither classified as held for trading nor as at fair value through profit or loss; this classification is irrevocable.

After initial recognition, financial assets measured at fair value through Other Comprehensive Income are measured at fair value, and unrealized gains or losses are presented as Other Comprehensive Income in the net gain (loss) item on financial assets measured at fair value, until the investment is written off. At that time, the cumulative gain or loss is reclassified as accumulated income (loss).

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if the asset is held within a business model whose objective is to hold assets to obtain contractual cash flows and if the contractual terms of the financial asset give rise, on specified dates, to cash flows that solely correspond to payments of principal and interest on the amount outstanding.

The amortized cost is the initial measurement of the asset or liability minus principal repayments, plus or minus the accumulated depreciation calculated with the effective interest rate method with any difference between the initial amount and the repayment amount at maturity, and minus any reduction due to impairment or uncollectibility.

The *effective interest rate* is the discount rate that exactly matches the estimated cash flows receivable over the expected life of the financial instrument (or, where appropriate, a shorter period) to the net carrying amount of the financial asset. To calculate the effective interest rate, cash flows are estimated considering all the contractual conditions of the financial instrument. The calculation includes all fees and interest paid or received by the parties to the contract, which integrate the effective interest rate, and transaction costs and all other premiums or discounts.

Debt Instruments

A debt instrument is measured at fair value when:

a) Speculation and Trading Portfolio

It is a portfolio of fixed income instruments the purpose of which is to obtain short-term results according to the rotation thereof depending on market movements. This portfolio includes TES securities from the National Government, corporate debt securities in pesos and dollars taking into account the risk policies established by the Corporation for determining credit quotas and the maturities of such securities.

A debt instrument is measured at amortized cost when:

a) Mandatory Investments:

1. The Corporation holds this investment portfolio in order to obtain contractual cash flows.
2. In this case, payments of principal and interest on the amount outstanding are related to an inflation index linked to the currency in which the instrument was issued.
3. The linking of the payments of principal and interest on the amount outstanding with an unleveraged inflation index has the effect of considering the time value of money, providing a present value, which means that the interest rate on the instrument reflects the 'real' interest rate.
4. Accordingly, the amounts of cash flows receivable from mandatory investments without interest and indexed to inflation in Colombia represent a consideration for the time value of money on the amount outstanding. Such instruments would comply with the *Solely Payments of Principal and Interest - SPPI test*, i.e. they only involve the payment of principal and interest.

b) Portfolio of TES securities or corporate debt in pesos and dollars solely intended to obtain contractual cash flows and maintain the corresponding security to maturity.

c) Structural Portfolio:

This portfolio only contemplates fixed-income instruments intended to obtain principal and interest flows for a certain period in which certain conditions on the minimum margin and profits must be met. That investment can be sold once this has taken place. These portfolios generate amounts of principal and interest once the condition on the margin estimated by the Corporation is met according to risk and liquidity levels.

These portfolios include TES securities from the National Government, corporate debt securities in pesos and dollars taking into account the risk policies established by the Corporation for determining credit quotas and the maturities of such securities.

Moreover, these portfolios may be sold at some point without meeting the profitability defined according to the liquidity conditions that the Senior Management of the Corporation believes that may affect the appropriate liquidity and solvency levels of the company or upon the occurrence of any of the following circumstances:

- a. Significant impairment of the conditions of the issuer, its parent, subsidiaries or related parties.
- b. Changes in the regulation that hinder holding the investment.

- c. Mergers or institutional reorganization processes involving the reclassification or the realization of the investment, in order to maintain the previous interest rate risk position or to adjust to the credit risk policy previously established by the merged entity.
- d. • In other cases where the Finance Superintendence of Colombia has given its prior express authorization.

Equity instruments measured at fair value

Equity instruments are measured at fair value through profit or loss except those designated through other comprehensive income because of being considered strategic. However, in specific circumstances, the cost may be an appropriate estimate of fair value. This may be the case if the recent information available is insufficient to measure such fair value, or if there is a wide range of possible fair value measurements and the cost represents the best estimate of the fair value within such range.

The indicators that the cost may not be representative of the fair value include:

- a. A significant change in the performance of the investee, when compared with budgets, plans or objectives.
- b. Changes in the expectations that the technical production objectives of the investee will be achieved.
- c. A significant change in the market for the equity instruments of the investee or its products or potential products.
- d. A significant change in the global economy or in the economy of the environment in which the investee operates.
- e. A significant change in the performance of its peers, or in the assessments suggested by the global market.
- f. Internal problems of the investee such as fraud, commercial disputes, litigation, changes in the management or strategy.
- g. Evidence from external transactions in the equity of the investee, whether caused by the investee itself (such as a recent issue of equity instruments) or by transfers of equity instruments between third parties.

The above list is not exhaustive. An entity shall use all the information on the performance and operations of the investee that becomes available after the date of initial recognition. To the extent that any of these relevant factors takes place, this may indicate that the cost may not be representative of the fair value. In these cases, the entity must measure the fair value.

Loan portfolio, financial leasing operations and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in any active market. After initial recognition, these financial assets are measured at amortized cost using the effective interest rate method, minus any impairment. The amortized cost is calculated taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The accrual of the effective interest rate is recognized as a financial income in the income statement. Any losses arising from impairment are recognized in the income statement as financial costs.

Financial assets on concession agreements

A financial asset is recognized when according to the contractual conditions there is an unconditional contractual right to receive cash or another financial asset for construction services from the grantor or from the Colombian State.

If the concession contract is classified as a financial asset, the asset arising from the contract is included in the account "financial assets under concession" and is recorded at present value of the future payments to which the Corporation and its subsidiaries are entitled, discounted using the effective interest rate, in the case of financial assets related to a mandatory sale at a fair price at the end of the contract; these financial assets are designated at fair value through profit or loss.

Operations with derivative financial instruments

According to IFRS 9, a derivative is a financial instrument whose value changes over time based on a variable called the underlying asset, it does not require an initial net investment or requires a small investment relative to the underlying asset and it is settled on a future date.

In the development of its operations, the Corporation generally trades financial instruments in financial markets with forward contracts, futures contracts, swaps and options that fall within the definition of a derivative.

All derivative transactions are recorded initially at fair value. Subsequent changes in fair value are adjusted with a charge or credit to income, as appropriate, unless the derivative is designated as a hedge according to the nature of the hedged item. Promigas S.A. and its subsidiaries designate hedging derivatives as:

Cash flow hedges for a particular risk associated with a recognized asset or liability or a highly probable transaction, in which case the effective portion of the changes in the fair value of derivatives is recognized in the other comprehensive income in equity. The gain or loss on the derivative related to the ineffective portion of the hedge or not corresponding to the risk covered is immediately recognized in the consolidated income statement.

The amounts accumulated in the Other Comprehensive Income account are carried to the profits for the period in which the hedged item is also carried to income.

The Corporation and its subsidiaries document, at the beginning of the transaction, the relationship between the hedging instrument and the hedged item as well as between the risk objective and the strategy for undertaking the hedge. The Corporation and its subsidiaries also document their assessment, both at the start date of the transaction and on a recurring basis, that the hedging ratio is highly effective in offsetting changes in the fair value or in the cash flows of hedged items.

Financial assets and liabilities from derivative transactions are not offset in the statement of consolidated financial position; however, when there is a legal and exercisable right to offset the amounts recognized and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously, these are presented on a net basis in the statement of financial position. (See note 12).

Financial guarantees

“Financial guarantees” are considered as contracts that require the issuer to make specific payments to reimburse the creditor for any loss incurred when a specified debtor fails to comply with its payment obligations in accordance with the conditions, original or modified, of a debt instrument, regardless of its legal form.

Upon initial recognition, the financial guarantees provided are accounted for by recognizing a liability at fair value, which is generally the present value of the fees and returns receivable from these contracts over their life, having the amount of the fees and returns received at the start of operations and the accounts receivable at the present value of future cash flows to be received as an offsetting item under assets.

Financial guarantees, irrespective of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required for them, which is determined by application of criteria similar to those established for quantifying impairment losses experienced on financial assets.

The financial guarantees are initially recognized on the date on which the entity becomes a part of the irrevocable commitment for purposes of applying the requirements of value impairment. Following the initial recognition, an issuer of said contracts will subsequently measure them unless they are appointed as financial liabilities measured at fair value through changes in income by the greater of:

- (i) the amount determined in accordance with the IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and
- (ii) the amount initially recognized less, when applicable, the accumulated amortization recognized in accordance with the IAS 18 *Income on ordinary activities*.

In the case of the contracts of financial guarantees granted, the demands to the guarantor (issuer of the guarantee) so that it complies with its commitment are contingent and therefore, it must be continuously assessed if the contract complies with the definition of onerous contract under IAS 37, that is, when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract will reflect the lowest net costs for settling it, or which is the same, the lowest amount between the cost of fulfillment of its clauses and the amount of the compensations or fines arising from failure to fulfill them.

If the entity has an onerous agreement, the present obligations arising from it must be recognized and measured in the financial statements as provisions. A provision is recognized if it is considered that an event occurred in the past has resulted in a present obligation if, taking into account all the evidence available at the end of the reporting period, the likelihood that there is a present obligation is greater than otherwise. I.e., when there is evidence that there is a high likelihood that the guarantees are enforced.

The amount recognized as provision must be the best estimate at the end of the reporting period of the disbursement required to fulfill the present obligation. In order to make the best estimate of the provisions, the risks and uncertainties that unavoidably surround most of the events and circumstances concurrent with the assessment thereof must be taken into account.

The term risk describes the variability in the possible outcomes. An adjustment for the existence of the risk can increase the amount for which an obligation is measured. It will be necessary to exercise caution, when making judgments under conditions of uncertainty, so that the assets or the revenues are not overestimated and the liabilities or the expenses are not underestimated.

In the event that the entity expects that a portion or the entire disbursement required to liquidate the provision is reimbursed by a third party, such reimbursement will be subject to recognition when and only when its receipt is practically safe if the entity fulfills the obligation subject to the provision. In this regard, if the entity that grants the guarantee has executed a counter-guarantee that forces directly, unconditionally and irrevocably the company that executed the guarantee to reimburse the sums disbursed by virtue of the guarantees granted, the amount of the counter-guarantee is considered as the expected reimbursement amount.

In such case, the reimbursement must be deemed as a separate asset. The amount recognized for the asset must not exceed the amount of the provision. In the comprehensive income statement, the expense related to the provision can be subject to presentation as a net item of the amount recognized for a reimbursement.

The asset recognized related to the reimbursement will be classified as an account receivable and will be measured in accordance with the IFRS 9.

The revenues obtained from guarantee instruments are recorded in the fee revenues account of income accounts and are calculated by applying the rate established in the contract on the nominal amount of the guarantee.

Impairment of financial assets

At the end of each reporting period, Corficolombiana and its subsidiaries assess whether there is any objective evidence that a financial asset or group of financial assets that are not recorded at fair value through profit or loss is impaired. A financial asset or group of financial assets is deemed impaired only if there is objective evidence of such impairment as a result of one or more events that have occurred after the initial recognition of the asset (a “loss generating event”) and if the event that has caused the loss has an impact on the estimated future cash flows of the financial asset or financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor or group of debtors are in significant financial difficulties, default or delinquency in the payment of principal or interests, when it is likely that they will be declared bankrupt or undergo any other form of financial reorganization, and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as adverse changes in the status of delinquent payments or in the economic conditions that are related to such defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, first it is assessed whether there is individual objective evidence of the impairment of the financial assets that are individually or collectively significant for financial assets that are not individually relevant. If it is determined that there is no objective evidence of the impairment of a financial asset assessed individually, regardless of its relevance, the asset will be included in a group of financial assets with similar credit risk

characteristics and will be evaluated together to determine whether there is any impairment. Assets that are assessed individually to determine whether there is impairment and for which an impairment loss is recognized or continues to be recognized, are not included in a collective assessment of impairment.

If there is objective evidence of impairment, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future expected credit losses not yet incurred). The present value of estimated future cash flows is obtained from discounting the original effective interest rate of financial assets. If a loan accrues a variable interest rate, the discount rate for measuring any impairment will correspond to the current effective interest rate.

The carrying amount of the asset is reduced through an impairment account and the amount of the loss is recognized in the consolidated income statement. The interests earned continue to be accrued on the basis of the reduced book value of the asset, using the effective interest rate used to discount future cash flows for purposes of measuring the impairment.

The interests earned are recorded as financial income in the consolidated income statement. The loans and the corresponding impairment are recognized as a loss when there is no expectation of any future recovery and all collaterals thereon were used or transferred to Corficolombiana and its subsidiaries. If, in a subsequent year, the estimated amount of the impairment loss increases or decreases due to an event occurring after recognizing the impairment, the impairment loss recognized above is increased or decreased by adjusting the impairment account. If an item that was recognized as a loss is subsequently recovered, such recovery is credited as a lower financial cost in the consolidated income statement.

Derecognition of financial assets

A financial asset or a part of a financial asset or part of a group of similar financial assets is derecognized:

- Upon the expiry of contractual rights over the assets' cash flows;
- When the contractual rights to the asset's cash flows are transferred or an obligation to pay all cash flows to a third party is assumed without a significant delay and through a transfer agreement;
- When the risks and rewards of ownership of the asset are substantially retained, but control of the asset has been transferred.
- When all risks and benefits of ownership of the asset have been substantially transferred;

Where Corficolombiana and subsidiaries have transferred their contractual rights to receive the asset's cash flows, or has entered into a transfer agreement but has not substantially transferred or retained all the risks and benefits ownership of the asset, or transferred the control over the same, the asset continues to be recognized to the extent of its enforcement. In this case, it also recognizes the related liabilities. The asset transferred and the related liabilities are measured in a way to reflect the rights and obligations that Corficolombiana and subsidiaries have retained. A continued implication taking the form of a guarantee on the transferred asset is measured as the lower amount between the original amount on the asset

books and the maximum compensation amount that Corficolombiana and its subsidiaries would be required to return.

2.7.2. Financial liabilities

Recognition and initial measurement

All the financial liabilities are initially recognized at their fair value minus, in the case of loans and accounts payable, the directly attributable transaction costs.

The financial liabilities of Corficolombiana and subsidiaries include trade accounts payable, loans and other accounts payable, financial guarantee agreements and derivative financial instruments.

Subsequent classification and measurement

The subsequent measurement of the financial liabilities depends on its classification, as follows:

Financial liabilities at fair value with changes in profit and loss

The financial liabilities at fair value with changes in profit and loss include the financial liabilities maintained to negotiate and the financial liabilities designated at the moment of their initial recognition as at fair value with changes in profit and loss.

The financial liabilities are classified as maintained to trade if they are contracted with the purpose to deal with them in the near future. This category includes the derivative financial instruments taken by the companies that are not designated as hedge instruments in hedge relationships as defined by the IFRS 9.

Loans and accounts payable

Upon the initial recognition, the loans and accounts payable accruing interests are measured at the amortized cost by using the effective interest rate method. The profits and losses are recognized in the consolidated income statement when the liabilities are derecognized, as well as through the amortization process by using the effective interest rate method.

The amortized cost is calculated by taking into account any discount or premium in the acquisition and the commissions or the costs that are an integral part of the effective interest rate. The effective interest rate is recognized as financial cost in the consolidated income statement.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the corresponding agreement has been paid or cancelled, or has expired.

When an existing financial liability is replaced by another resulting from the same lender under substantially different conditions, or if the conditions of an existing liability are substantially amended, said exchange or amendment is treated as a derecognition of the

original liability and the recognition of a new liability and the difference on the respective book values are recognized in the income statement.

Set off of financial instruments

A financial asset and liability will be offset and their net amount will be submitted in the financial position statement when and only when_

- a. The legally enforceable right to offset the amounts recognized is available at the current time; and
- b. There is the intention to liquidate for the net amount or to realize the asset and liquidate the liability in a simultaneous basis.

The entity will not offset the asset transferred with the associated liability in the accounting of a transfer of a financial asset that does not meet the requirements for the derecognition.

Reclassification of financial instruments

When and only when, the Company or its subsidiaries change their business model for the management of their financial assets, it will reclassify all the affected financial assets. Notwithstanding, no financial liability can be reclassified.

The following changes in the circumstances are not reclassifications:

- a. An item that was previously designated as an efficient hedge instrument in a coverage of cash flows or a net investment hedge that has ceased to meet the requirements to be considered as such;
- b. An item that has passed to be a designated and efficient hedge instrument in a hedge of cash flows or a hedge of net investment; and
- c. Changes in the measurement when designating a credit exposure at fair value with changes in profit and loss.

2.8 Inventories

The inventories of the subsidiary Entities of the Company are valued at the cost or net value of realization, whichever is lower. The cost of these inventories is calculated by using the weighted average cost. The net realization value is the estimated sale value during the normal course of business less the termination costs and estimated sale expenses. The impairment of the inventories is counted to cover eventual losses for obsolescence lacks or impairment thereof, as a result of the analysis of each of the items that make part of the inventory group. The inventories in transit accumulate the FOB value and the related import costs; do not include costs for purposes of conversion of foreign currency rates to the functional currency.

The acquisition cost of the inventories comprises the purchase price, the import tariffs and other taxes (which are not recoverable after from the local authorities), the transportations, storage and other costs directly attributable to the acquisition of commodities, materials or services. The commercial discounts, rebates and other similar items will be deducted to determine the acquisition cost. (See Note 19).

2.9 Properties, plant and equipment

The properties, plant and equipment includes the assets, in ownership or in leasing regime, that the Company and subsidiaries keep for their current use and which they expect to use during more than one year. Likewise, it includes the material assets received by the consolidated entities for the total or partial liquidation of financial assets representing collection rights before third parties and which are intended to have a continuous use.

The properties, plant and equipment are recorded on the consolidated balances for their acquisition cost, less their corresponding cumulative depreciation and if applicable, the estimated losses resulting from comparing the net accounting value of each item with its corresponding recoverable value.

The depreciation is calculated by applying the straight line method, on the acquisition cost of the assets less their residual value: understanding that the lands on which the buildings and others are built have an undefined useful life and therefore, they are not subject to depreciation. Said depreciation recorded with charge to results is calculated based on the useful lives below:

Percentages of depreciation and useful lives of Properties, Plant and Equipment

<u>Asset</u>	<u>Percentage</u>	<u>Useful life (years)</u>
Buildings of own use	1% - 4%	70 - 100
Furniture	8% - 10%	10- 20
Facilities	5% - 12%	5 - 20
Office and computer equipment	8% - 25%	3 - 10
Machinery and equipment	5% - 25%	5 -25
Private gas pipelines	1.43%	70
Compressors	3% - 13%	8 - 35
Production plants (Biological assets)	13% - 25%	25 - 35

The depreciation is recorded in the result of the period incurred as management expense in the item "management expenses" or in the "sale cost" when dealing with operational assets; however, at times where the future economic benefits incorporated to an asset are incorporated to the production of other assets. In this case, the charge for depreciation will make part of the cost of the other asset and will be included in its book value.

The criteria of the Company and subsidiaries to determine the useful life of these assets and in particular of the buildings of own use, is based on independent appraisals in determined moments, unless there are signs of impairment.

The Company and subsidiaries analyze if there are signs, both external and internal, that a material can be deteriorated in every accounting close. If there is impairment evidence, the entity analyzes if said impairment effectively exists by comparing the net book value of the asset with its recoverable value (as the higher between its reasonable value less the disposal costs and its value in use). When the book value exceeds the recoverable value, the book value is adjusted up to its recoverable value by amending the future charges in depreciation, in accordance with its new remaining useful life.

Similarly, when there are signs that the value of a material asset has been recovered, the Company estimates the recoverable value of the asset and recognizes it in the consolidated income account, by recording the reversion of the loss for impairment accounted in previous periods and adjusting as a consequence the future charges in amortization. In no case, the reversion of the loss for impairment can suppose the increment of its book value above that it would have if no losses for impairment would have been recognized in previous years.

The preservation and maintenance expenses of the properties and equipment are recognized as expense in the period where they are incurred and are recorded in the item “management expenses” or in the “sale cost” when they are operational assets.

When the use of a property changes from occupied by the owner to investment properties, this is measured at fair value and is reclassified to investment properties. Any increment in the book value is recognized in results to the extent that said increment is the reinvestment of a loss for impairment of the value, previously recognized for that property.

2.10 Investment Properties

The investment properties are those lands or buildings fully deemed, in part or in both owned by the Company and subsidiaries to obtain rents, valuation of the asset or both instead of its use for own purposes. The investment properties are initially recorded at cost, which includes the costs associated to the transaction and subsequently said assets are measured at their fair value with changes in the fair value recorded in the consolidated income statement. The Company and subsidiaries have made the choice to record said assets in their balance at fair value. Said fair value is determined based on appraisals periodically made by independent experts by using level three valuation techniques described on IFRS 13 Measurement of Fair Value.

2.11 Goods received under lease

Assets received under lease at their initial reception are also classified in financial or operational leases as well as the goods delivered under lease. The lease agreements classified as financial leases are included in the balance as properties, plant and equipment or as investment properties according to their purpose and are initially accounted in the asset and in the liabilities simultaneously for a value equal to the fair value of the good received under lease or good by the present value of the minimum lease payments, if lower. The present value of the minimum lease payments is determined by using the interest rate implied in the lease agreement and if it is not available, an average interest rate of the bonds placed by the Company or its subsidiaries in the market is used. Any initial direct cost of the lessee is added to the amount recognized as asset. The value recorded as liability is included in the account of financial liabilities and is recorded in the same way.

2.12 Assets delivered under lease.

Assets delivered under lease by the Company and subsidiaries are classified upon the execution of the respective contract as financial or operating leases. A lease is classified as a financial lease when it substantially transfers the risks and advantages inherent in the property. The lease agreements classified as financial leases are included in the balance sheet within the item of “financial assets for credit portfolio at amortized cost” and are accounted as

the other credits granted. The lease agreements classified as operational leases are included in the account of properties, plant and equipment and are accounted and depreciated as this type of assets.

2.13 Non-current assets held for sale

The goods received in payment of credits and the non-current assets held for sale on which the Company and subsidiaries have the purpose to sell them in a term not exceeding one year and their sale is deemed highly probable, are recorded as “non-current assets held for sale”, said goods are recorded at the lower of their book value at the time of transfer to this account and their fair value less estimated sale costs.

2.14 Biological Assets

The agricultural activities related to biological assets (animals or plants) of Organizacion Pajonales S.A. and subsidiaries, Plantaciones Unipalma de los Llanos S.A. and Valora S.A. and subsidiaries are separately recorded in this account both in the moment of their initial recognition as at the end of the period where it is informed at its fair value less the sale costs, except for short cycle crops where their fair value less sale costs are reflected in results through their sale and for long-term cycle crops for which the amendment of AIS 16 and AIS 41 is applied.

The biological assets complying with the concept of producing plant must be accounted as properties, plant and equipment in accordance with the IAS 16, however, the products growing on the producing plants will continue to be accounted in accordance with IAS 41 (See note 19).

A producing plant is a living plant that meets the characteristics below:

- a. is used in the elaboration or supply of agricultural products
- b. is expected to produce during more than one period; and
- c. has a remote probability to be sold as agricultural products, except for incidental sales of thinning and pruning.

In this sense, the crops of rubber and African palm would comply with this definition since these producing plants are only maintained to harvest products throughout its economically useful life. According to the regulatory change, the biological assets related to producing plants must be recognized and measured separately, producing plant (holder of the biological product) under IAS 16 and the biological product under IAS 41.

2.14.1 Treatment of the Production Plant under IAS 16

The production plants in establishment and growing stage are subject to a biological transformation which must be reflected through an approach of accumulated cost to its maturity, which for the case of African palm is year 2 of the cultivation and for rubber year 7. When reaching maturity, the production plants are completely developed and therefore, the single economic future benefits resulting from the production plants arise from the sale of the agricultural products they produce.

According to the foregoing, the production plants will be measured at their cost less the cumulative depreciation and any loss for impairment. The useful life is the production period of the plants that for the case of rubber are 35 years and for African palm, 25 years. The depreciation method to be used is production units in order to reflect the use of the asset, in the case the plant can be recovered at the end of the production period as timber plants, this recoverable value will be taken as the residual value of the asset.

2.14.2 Treatment of the Biological Product under IAS 41

The agricultural products harvested or collected from the biological assets of an entity must be measured in the harvest or collection point, at their fair value less the estimated costs in the point of sale. Said measurement is the cost on said date, when the IAS 2, Inventories is applied. The losses or gains arising from the initial and subsequent recognition at fair value of the agricultural products are included in the net gain or loss of the period. The costs incurred in the agricultural production process are also carried directly to the income statement.

2.15. Business combination

The Company or its subsidiaries when acquiring the control on a business, it is accounted in the consolidated financial statements by the so-called “acquisition method”. Under said method, the acquisition price is distributed between the identifiable assets acquired, including any intangible asset and assumed liability, on the basis of their respective fair values. When in the acquisition of the entity control there are non-controlling minority interests, those minority interests are recorded at selection of the Company and subsidiaries at fair value, or at the proportional participation of the current property instruments, in the amounts recognized of the net identifiable assets of the entity acquired. In a combination of businesses by stages, the Corporation measures once again the participation had before in the equity of the entity acquired and the fair value on the date of the acquisition and recognizes the resulting profit or loss.

The difference between the price paid and the value of the non-controlling interests and the net value of the assets and liabilities acquired determined as indicated above, is recorded as Capital Gain.

The Capital Gain recorded is not subsequently amortized but is subject to an annual evaluation for impairment. In addition to the foregoing, the accounts of the consolidated income statement of the entity acquired in the consolidated financial statements are only included from the date in which the acquisition was legally completed.

2.16 Concession agreements

The concession agreements where the Company and subsidiaries related to the infrastructure, energy and gas sector undertake with the Colombian State in the construction or maintenance of infrastructure works during a specified period and in which those companies receive the revenues during the term of the agreement, whether through direct contributions of the State or through rates collected from the users, according to the accounting construction CINIIF 12 Service Concession Agreement, are accounted as financial assets and/or intangible assets. In some cases, there can be mixed agreements where a part of the agreement is a financial asset and another is an intangible asset.

In accordance with the foregoing, the rights in concession agreements are recorded by the Company and subsidiaries as follows:

- a. During the construction phase of the work under concession, according to the International Accounting Standard IAS 11 Construction Agreements, all estimated revenues from the construction and the costs associated with the construction are recorded in the consolidated income statement with reference to the completion level of the project at the end of the period. Any additional expected loss is immediately recorded as an expense.
- b. During the operation phase of the infrastructure under concession, the operator accounts for the revenues from ordinary activities and the costs related to operating services in accordance with IAS 18.

When there are obligations to maintain or restore the infrastructure to a specified operation condition before handing it over to the grantor at the end of the service arrangement. These contractual obligations to maintain or restore infrastructure must be recognized and measured in accordance with IAS 37, i.e. according to the best estimate of the expenditure that would be required to settle that obligation at the end of the reporting period.

2.17. Intangible assets

The intangible assets of the Company and its subsidiaries that have not been acquired in the business combination processes described in paragraph 2.15 and from the concessions described in the paragraph below, which relate mainly to computer software, are initially measured at the cost incurred on the acquisition or in their internal development phase (see note 23). The costs incurred in the research phase are directly carried to income. Subsequent to their initial recognition, these assets are amortized over their estimated useful life, which, in the case of computer software, is 3 years or according to the period defined in the contractual terms agreed upon.

Licenses

The licenses of the applications used by the Company and its subsidiaries are recorded at cost minus accumulated amortization. The amortization is calculated by using the straight-line method to charge the cost to income at the end of their useful life.

Software

Software maintenance-related costs are recognized as an expense when incurred. The amortization is calculated by using the straight-line method to charge the cost to income in the term of the contract.

Intangible assets on concession agreements

An intangible asset is recognized when the concession agreement does not grant any unconditional right to receive cash and revenues are conditioned to the extent of use by the public of the service provided by the asset under concession.

If the concession agreement is qualified as an intangible asset, the accrued revenues accumulated as an asset during the construction phase of the project are recognized as intangible assets and are amortized against income from the date when the construction is

completed and the corresponding asset is made available to users, during the term of the concession agreement. The payments received from tolls or fees upon the completion and commissioning of the construction are recorded when actually received.

2.18. Borrowing costs

The Company and its subsidiaries capitalize borrowing costs when they are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of such assets, provided that they are likely to produce future economic benefits for the entity and can be measured reliably. Otherwise, they are recognized as an expense in the period in which they have been incurred.

2.19. Prepaid expenses and prepaid assets

Prepaid expenses mainly comprise insurance, services, prepaid lease and are amortized on a monthly basis according to the contractual deadline established, with a charge to income.

Insurance

Insurance is recognized at cost; amortization is calculated by using the straight-line method to assign the cost to income at the end of the term of the policy, i.e. one (1) year.

2.20. Impairment of non-financial assets

A test for impairment is made when there is evidence that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount of an asset is the higher of its fair value minus disposal costs and its value in use. The Company and its subsidiaries assess at the end of each period whether there is any indication that an asset has been impaired. If this is the case, the Company and its subsidiaries will estimate the impairment of such asset.

2.21. Employee benefits

The calculation of the obligations for the established benefits is done every year by a qualified actuary, pursuant to the parameters established in decree 2783/2001, as required by Decree 2496 of December 2015. The method used is that of the projected credits unit. When the calculation results in a potential asset for the Corporation and subsidiaries, the recognition of the asset is limited to the present value of the available financial benefits as future reimbursements of the plan or reductions in future contributions to the same. To calculate the present value of the financial benefits, any minimum financing requirement must be considered.

For defined contribution plans, the Corporation and its affiliates pay contributions to public or private pension plan managers with regards to a mandatory, contractual or voluntary base. There are no further payment obligations once the contributions have been paid. The contributions are recognized as personnel expenses when provided. The contributions paid in advance are recognized as an asset provided that a cash reimbursement or reduction of future payments is available.

Employee Benefits for their accounting recognition are all forms of consideration granted by the Company and its subsidiaries in exchange for the services provided by employees, which are divided into four classifications:

Short-term benefits

According to Colombian labor standards, these benefits correspond to salaries, legal and extralegal bonuses, vacations, severance pay and non-tax contributions made to state entities that are paid 12 months before the end of the period. These benefits are accumulated by the accrual system charged to income.

Post-employment benefits

These are benefits paid by the Company and its subsidiaries to their employees at the time of retirement or after completing their employment period, other than indemnification. These benefits, according to the Colombian labor standards, correspond to retirement pensions directly assumed by the Company or its subsidiaries, severance payable to employees who continue in the labor regime prior to Law 50 and certain extralegal benefits agreed upon in collective agreements.

The liability for post-employment benefits is determined on the basis of the present value of the estimated future payments to be made to employees, calculated based on actuarial studies prepared by the projected credit unit method, using for this purpose actuarial assumptions on mortality rates, salary increases and staff turnover, and interest rates determined according to the parameters established in Decree 2783/2001. Under the projected credit unit method, the future benefits to be paid to employees are carried to each accounting period where the employee provides his services. Therefore, the expenditure for these benefits recorded in the income statement of the Company and its subsidiaries includes the service cost determined in the actuarial calculation plus the financial cost of the liability calculated (see note 3.15). Any changes in liabilities due to changes in actuarial assumptions are recorded in Other Comprehensive Income.

Changes in the actuarial liability due to changes in the labor benefits granted to employees with a retroactive effect are recorded as an expense in the first of the following dates:

- Upon the modification of the labor benefits granted.
- When provisions for restructuring costs are recognized by a subordinate or by a business of the Company.

Other long-term employee benefits

These correspond to all employee benefits other than short-term, post-employment and termination employee benefits. According to the collective bargaining agreements and the regulations of the Company and its subsidiaries, such benefits relate mainly to seniority bonuses.

Liabilities for long-term employee benefits are determined in the same way as the post-employment benefits described in letter b) above, with the only difference that changes in the actuarial liabilities due to changes in actuarial assumptions are also recorded in the income statement.

Benefits from the termination of the employment agreement with employees

These benefits correspond to payments to be made by the Company and its subsidiaries resulting from a unilateral decision taken by the Company or its subsidiaries to terminate the agreement or from the employee's decision to accept an offer from the Company for benefits in exchange for the termination of the employment agreement. According to Colombian law, such payments correspond to severance and other benefits that the Company unilaterally decides to grant to its employees in these cases.

Termination benefits are recognized as a liability charged to income in the first of the following dates:

- When the Company and its subsidiaries have formally communicated to the employee their decision to terminate the employment agreement.
- When provisions for restructuring costs are recognized by a subordinate or by a business of the Company that entails the payment of termination benefits.

2.22. Income taxes

The income tax expense comprises current tax and deferred tax. The tax expense is recognized in the consolidated income statement except for the portion corresponding to items recognized in Other Comprehensive Income. In this case, the tax is also recognized in said statement.

The current income tax is calculated on the basis of the tax laws in force in Colombia at the closing date of the financial statements or in the country where some of the subsidiaries of the Company are domiciled. The Management of the Company and its subsidiaries periodically evaluate the positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation and establishes provisions, where appropriate, on the basis of the amounts expected to be paid to the tax authorities.

Deferred taxes are recognized on temporary differences arising between the tax bases of assets and liabilities and the amounts recognized in the consolidated financial statements, which will result in amounts that are deductible or taxable when determining the profit or loss corresponding to future periods when the carrying amount of the asset is recovered or when the carrying amount of the liabilities is liquidated. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill unless their tax amortization is deducted from income; deferred taxes are not accounted for either if they arise from the initial recognition of an asset or liability in a different transaction from a business combination that at the time of the transaction does not affect the accounting or tax profit or loss. Deferred tax is determined by using the tax rates in force at the balance sheet date and which are expected to be applied when the deferred tax asset is realized or when the deferred tax liability is offset.

Deferred tax assets are recognized on deductible temporary differences from investments in subsidiaries, associates and joint ventures only to the extent it is likely that the temporary difference will reverse in the future and there is sufficient taxable profit against which the temporary difference can be used. Deferred tax assets are recognized only to the extent where

it is probable that future taxable income will be available against which the temporary differences can be used.

Deferred tax liabilities are provided on arising account taxable temporary differences, except for the deferred tax liability on investments in subsidiaries, associates and joint ventures when the opportunity to reverse the temporary difference is controlled by the Company and its subsidiaries and it is likely that the temporary difference will not be reversed in the near future. Generally, the Company does not have the ability to control the reversal of temporary differences on investments in associates but it does on investments in its subsidiaries.

Deferred tax assets and liabilities are offset when there is a legal right to offset deferred taxes against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same tax authority on the same entity or on different entities when intending to offset the balances on net basis pursuant to IAS 12.

Recognition of deferred taxes on entities paying taxes under presumptive income

For the determination of the taxable basis of the income tax, the Colombian legislation provides two systems: the Ordinary System (normal deputation of the taxable basis) and Presumptive Income System. In the first one, the net income (net enrichment) is determined by starting from the revenues by subtracting the costs and deductions authorized in the Colombian Tax Statute. In the second one, this rule sets forth in its article 188 a minimum estimated profitability amount of 3% of net equity as of December 31 of the year immediately preceding the taxable year. Every year, the taxpayer must calculate and compare the income obtained by both systems and it will liquidate the tax on the highest value resulting from both.

The Company has analyzed new technical positions with respect to the recognition of deferred taxes in entities paying taxes on the presumptive income system and where this situation has been recurrent and in accordance with the tax projections in the foreseeable future it is not expected to change said tax behavior.

Now, IAS 12 "Profit tax" only refers to the term profit tax including all taxes, whether national or international, based on taxable profits; in that sense, when the taxes are paid through the presumptive income system, the tax payable is determined on other tax basis based on a presumption of the net equity profitability and not on the ordinary income or tax profit. Under this presumptive system the temporary differences will not generate greater or lower payments of taxes in future periods while the Entity continues liquidating its tax on this system.

The above in accordance with the provisions of IAS 12, where the recognition of deferred taxes is based on the recovery of the carrying amount of the value of assets or liquidation of liabilities by originating greater or lower payments of taxes in future periods related to Tax Profits determined on the ordinary deputation system. Therefore, the Management of the Company deems that in order for its Financial Statements to facilitate the decision-making, when providing relevant information adjusted to its taxation system, it will not recognize a deferred income tax; except on temporary differences generated by the complementary tax to the income tax for Sundry Income, provided that no change is expected on the nature of its operations in the foreseeable future amending the taxation basis. The situation above must be reviewed at each close in order to determine the most appropriate treatment for the recognition of deferred taxes in accordance with IAS 12 *Profit Taxes*.

2.23 Provisions.

Provisions for decommissioning and environmental restoration, financial guarantees, restructuring costs and legal claims are recognized when the Company and its subsidiaries have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions include lease termination penalties and employee termination payments.

When there are several similar obligations, the probability that a cash outflow is required is determined by considering the type of obligations as a whole. A provision is recognized even if the probability of the outflow of a cash flow with respect to any item included in the same class of obligations can be measured reliably.

Provisions are valued at the present value of the disbursements expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the value of money over time and of the specific risks of the obligation. The increase in the provision due to the passage of time is recognized as a financial expense..

2.24 Non-voting preferred shares

When the Company and its subsidiaries issue a non-derivative financial instrument, they evaluate its conditions to determine if it contains liability and equity components. These components are classified separately as financial liabilities or equity instruments for the issuer. According to the above, the Company has evaluated this requirement in connection with the preferred shares without voting rights that it has issued as of the closing submitted in this consolidated financial statement and has concluded that such shares do not exhibit the characteristics of financial liabilities and therefore, are recognized as a greater equity amount.

2.25 Revenues

Revenues are measured at the fair value of the consideration received or receivable, and represent amounts receivable for goods delivered, net of discounts, returns, and value added tax. The Company and subsidiaries recognize revenues when their amount can be reliably measured, when it is probable that the company will obtain future economic benefits and when the specific criteria for each of the Company's and subsidiaries' activities have been met, such as outlined below.

Provision of services

The Company and subsidiaries provide services of different kinds. The recognition of revenues from the provision of services is done in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction and evaluated on the basis of the actual service provided as a proportion of the total services to be provided. When services are rendered through an undetermined number of acts over a specified period of time, revenues from ordinary activities are recognized in a linear fashion over the agreed time interval.

Revenues from construction agreements

Pursuant to IAS 11 Construction Contracts, recognition of income, costs and expenses is made based on how far along the certified project is. Under this method, the income from ordinary activities of the contract is recognized in the income for the period, throughout the accounting periods in which the project is performed. The costs of the contract shall be recognized as expenses in the income statement for the period in which the associated work is performed.

Customer loyalty programs

The affiliate Hoteles Estelar S.A. is carrying out a loyalty program where customers accumulate points for purchases made which entitle them to redeem points for prizes according to the policies and the awards plan in force on the date of redemption. Reward points are recognized as a separately identifiable component of the initial sales transaction by allocating the fair value of the consideration received between the reward points and the other components of the sale, so that loyalty points are initially recognized as deferred revenue at fair value. Revenues from reward points are recognized when redeemed.

Commission revenues

Commissions are recognized as revenues in the consolidated income statement as follows:

- a. Commissions for financial services are recognized when the respective services are rendered.
- b. The commissions incurred in the granting of new loans are deferred and carried to revenue during the term thereof, net of the costs incurred, using the effective interest rate method

Interest income

Interest income is recorded using the effective interest rate method for all financial instruments measured at amortized cost. The effective interest rate is the rate that exactly discounts the estimated cash payments or collections during the expected life of the financial instrument, or a shorter period, when applicable, to the net book value of the financial asset or liability. Interest income is recorded as financial income in the statement of income.

Dividends

Revenues are recognized when Corficolombiana's right to receive the corresponding payment is established, which usually happens when the shareholders approve the dividend. The dividend is recognized in profit or loss for the period unless the investment is recorded through the equity method, in which case the dividend will be recognized as a reduction in the carrying amount of the investment.

Revenues received as dividends or profit sharing methods are considered as operating income when these are directly related to the corporate purpose of the entity and if these are recurring or when they come from entities that have a similar corporate purpose.

Lease income

Revenues from operating leases in real estate investments are recognized throughout the lease period and are included as ordinary revenue due to their nature as operating revenue.

2.26. Expenses

The Company and its subsidiaries recognize their costs and expenses as economic events that take place so that they are systematically recorded in the corresponding accounting period (accrual) regardless of the flow of monetary or financial resources (cash).

An expense is recognized immediately when a payment does not generate future economic benefits or when it does not meet the requirements for being recognized as an asset.

Costs on construction agreements

Costs related to construction agreements include costs that are directly related to the specific agreement, the costs related to the contracting activity in general and can be attributed to the specific agreement and any other costs that can be charged to the customer, under the terms agreed upon in the agreement.

The costs incurred related to future activities on the agreement are recorded as an asset provided it is likely that they will be recovered in the future. These costs represent amounts due from the customer and are often classified as constructions in progress.

2.27 Wealth Tax

In December 2014 the National Government issued Law 1739, which created the wealth tax to be paid by all entities in Colombia with a net worth of more than \$1 billion, which is settled such as described below. The Law establishes that for accounting purposes in Colombia such tax can be registered charged to equity reserves within equity. The Company and its subsidiaries have decided to apply such an exception and have registered the wealth tax accrued in 2016 and 2017 charged to their equity reserves provided that it has been approved by the Shareholders Assembly.

2.28 Segments of operation

The Corporation is organized in business units based on the economic sectors where they hold investments; there are five main sectors and a sixth one that comprises the entities that do not reach the qualitative threshold to be considered an operative segment; therefore, the defined segments in the Corporation are: Financial Sector (includes financial leasing, trusts, foreign banking and brokerage), Gas Sector (Includes natural gas and power transportation and distribution deals), Infrastructure Sector (Includes road infrastructure projects, mainly construction and operation and maintenance services), Hotels Sector (Includes hotel services mainly), Agro-industrial Sector (Includes mainly timber, palm oil, rubber and rice businesses).

2.29 Differences in the application of International Financial Reporting Standards in force and Accounting and Financial Reporting Standards Accepted in Colombia.

Some standards issued subsequently at an international level are not yet applicable in Colombia and in turn certain standards not currently in force at an international level are applicable in Colombia. Additional, as explained in paragraph 2.27 above the National Government allows entities to record the wealth tax in equity reserves which under IFRS must be recorded in the earnings of the period.

2.30 New non-adopted standards and interpretations with subsequent application issued by the Ministries of Finance and Public Credit and Trade, Industry and Tourism

On December 22, 2016 Decree 2131 was issued by the Ministry of Industry and Trade which modifies Decree 2420/2015 modified by Decree 2496/2015, modifying the technical standards framework including modifications to IAS 7, IAS 12 and clarifications to IFRS 9 and IFRS 15 (applicable as of January 1, 2018, although early adoption is allowed).

Financial Information Standard	Subject of the amendment	Detail
IFRS 9 – Financial Instruments	Financial Instruments (in its 2014 revised version).	The replacement project refers to the following stages: <ul style="list-style-type: none"> • Stage 1: Classification and measurement of financial assets and liabilities. • Stage 2: Impairment methodology. • Stage 3: Hedge Accounting, in July 2014, the IASB completed the reform to the financial instruments accounting and issued IFRS 9 – Accounting of financial instruments (in its 2014 revised version), to replace IAS 39 – Financial instruments: recognition and measurement after the expiration of their preceding term.
IFRS 15 – Revenue from Contracts with Customers	Revenue from contracts with customers	Establishes a five-step model applicable to revenue from contracts with customers. It will replace the following rules and interpretations of revenue after its effective date: <ul style="list-style-type: none"> • IAS 18 – Revenue; • IAS 11 – Construction Contracts, • IFRIC 15 – Agreements for the construction of real estate • IFRIC 18 – Transfer of assets from clients, and • IAS 31 – Trade transactions including advertisement services.
IAS 7 – Cash Flow Statement	Initiative on information to be disclosed	Require that the entities provide information to be disclosed that allows the users of the financial statements to assess the changes in the liabilities that derive from the financing activities.
IAS 12 – Income Tax	Recognition of Deferred Tax Assets for Unrealized Losses	Clarify the requirements of recognition of deferred tax assets for unrealized assets in debt instruments measured at fair value.

IFRS 15 – Revenue of ordinary activities from contracts with customers	Clarifications	The purpose of these modifications is to clarify the IASB intentions when developing the IFRS 15 requirements, without changing the underlying principles of IFRS 15.
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IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board (IASB) issued the final version of the International Financial Reporting Standard No. 9 (IFRS 9) “Financial Instruments” for its mandatory application in the annual periods that begin on or from January 1, 2018, this rule replaces the International Accounting Standard No. 39 (IAS 39) and in Colombia it replaces the previous version of IFRS 9 “Financial Instruments” that had been issued in 2010 and that was included in decree 2420/2015.

The evaluation being presented is preliminary considering that not all the transition work has been completed. The current impact of adopting IFRS 9 can change because:

- ✓ IFRS 9 will require that the Corporation and its subsidiaries review their processes and internal accounting control and these changes have not been completed.
- ✓ Although parallel tests have been performed on the systems in the second semester of 2017 the modifications to the associated systems and controls implemented have not been operational for a longer period.
- ✓ The Corporation and its subsidiaries have not finalized the evaluation and test of the controls for their new technological systems and changes in their control environment.
- ✓ The Corporation and its subsidiaries are refining and finalizing their models for the calculation of allowances for the expected loss impairment model.
- ✓ The new accounting policies, assumptions and judgments are subject to change until the Corporation and its subsidiaries prepare their first intermediate financial statements as of March 31, 2019 which will include the initial date of application.

I. Classification and Measurement – Financial Assets

The new IFRS 9 contain a new classification and measurement approach for financial assets that reflects the business model where these assets are managed and their cash flow characteristics.

The new IFRS 9 includes three main classification categories for financial assets: measured at amortized cost (AC), at fair value with changes in other comprehensive income and at fair value with changes recognized in profit or loss (FVPL).

The new standard supplements the two existing categories in the IRFS 9 above of AC and FVPL which are currently in force in Colombia for the consolidated financial statements adding the category of Debt Instruments at Fair Value with changes in Equity in the other comprehensive income account (OCI)

A financial asset is measured at its amortized cost and not at its fair value with changes recognized in profit or loss if it meets both of the following conditions:

1. The asset is kept in a business model whose purpose is keeping assets to obtain contractual cash flows; and
2. The contractual terms of the financial asset establish specific dates for the cash flows derived exclusively from payments of principal and interests over the outstanding balance.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and it has not been designated as a FVPL:

1. The asset is kept in a business model whose purpose is achieved by collecting contractual cash flows and selling these financial assets; and
2. The contractual terms of the financial asset establish specific dates for the cash flows derived exclusively from payments of the principal and interests over the outstanding balance.

During the initial recognition of investments in equity instruments not kept for trading, the Corporation and its subsidiaries may irrevocably choose to record the subsequent changes in fair value as part of other comprehensive income in equity. This choice must be made on an instrument by instrument basis.

All financial assets not classified as measured at amortized cost or fair value with changes in OCI as described above, are measured at fair value with changes recognized in profit or loss.

Additionally, in the initial recognition, the Corporation and its subsidiaries may irrevocably designate a financial asset that meets the measuring requirements of AC or FVOIC to be measured at FVPL if by doing so it eliminates or significantly reduces an accounting asymmetry that may otherwise occur. The Corporation and its subsidiaries for the time being will not use this option.

A financial asset is classified into one of the aforementioned categories at the time of its initial recognition.

Under the new IFRS 9, the implicit derived contracts or incorporated in other contracts, where the main contract is a financial asset under the scope of IFRS 9, are not separate and instead the financial instrument is measured and recorded together as one instrument at fair value with changes recognized in profit or loss.

Assessment of the business model

The Corporation and subsidiaries will assess the objectives of the business models in which it keeps the different financial instruments at a portfolio level to reflect, in the best way possible, how each entity manages the business and how the information is provided to management.

The information considered included:

- Policies and objectives indicated for each portfolio of financial instruments and the operation of these policies in practice. These include whether management's strategy is aimed at collecting income from contractual interests, maintaining a concrete interest return profile or coordinate the maturity of financial assets with the liabilities

used to finance them or the expected cash outputs or make cash flows through the sale of assets;

- How the yields of portfolios are assessed and informed to the key personnel of management of each affiliate;
- The risks that affect the yield of the business model (and the financial assets kept in the business model) and the way such risks are managed;
- How the business managers are compensated (for example, if compensation is based on fair value of the assets managed or over the contractual cash flows obtained); and
- The frequency, value and sales calendar in previous periods, the reasons for those sales and the expectations regarding the activity of future sales. However, the information regarding the sales activity is not considered isolated, but as part of an assessment regarding how the objectives established by each entity to manage the financial assets are achieved and how the cash flows are realized.

The financial assets kept to negotiate those whose yield is assessed or managed based on fair value, are measured at fair value with changes recognized in profit or loss because they are not kept in the business models to collect contractual cash flows, nor to obtain contractual cash flows and sell those financial assets.

Assess if the contractual cash flows are only payments of principal and interest

For purposes of this assessment, “principal” is defined as the fair value of the financial asset at the time of the initial recognition. “Interest” is defined as the consideration of the value of the money in time and the credit risk associated to the sum of the principal outstanding for a specific period of time and other basic risks of a loan agreement and other related costs (example: liquidity risk and administrative costs), as well as the profit margin.

When assessing if the contractual cash flows are only payments of principal and interests, the entity shall consider the contractual terms of the instrument. This includes the assessment to determine if the financial asset contains a contractual term that could change the time period or the contractual cash flow amounts, so as not to meet the condition. When making the assessment the following shall be considered:

- Contingent events that will change the amount and frequency of the cash flows
- Leverage conditions
- Early payment terms and extensions
- Terms that limit the Corporation to receive cash flows from specific assets (example: assets without recourse agreements); and
- Characteristics that modify the considerations for the value of money in time, example: periodic review of interest rates.

Interest rates over certain consumer and commercial loans are based on variable interest rates established at the discretion of the Corporation. The variable rates are usually established in Colombia based on the DTF (Fixed term deposit: Indicator that represents the average interest rates being paid by financial institutions for term deposit certificates – 90 day CDTs) published by the Central Bank, and in other countries pursuant to local practices, plus certain additional discretionary points. In these cases, Corficolombiana and its subsidiaries will assess if the discretionary characteristics are consistent with the criteria of only paying interests considering a number of factors that include whether:

- ✓ Debtors have the capability to make early payment of loans without significant penalties. In Colombia the law prohibits charging for early payment of loans.
- ✓ The competitive market factors ensure that the interest rates are consistent among the Banks;
- ✓ Any regulatory rule for the protection of clients in the Country that requires Banks to treat clients in a reasonably fair manner.

All consumer and commercial fixed rate loans have early payment conditions.

A characteristic of early payment is consistent with the criteria of only principal and interests if the sums paid early substantially represent sums not paid to the principal and interests over the outstanding principal amount, which can reasonably include compensation for early termination of the agreement.

Additionally, a characteristic of early payment is considered consistent with this criteria, if a financial asset is acquired or originates in a premium or discount of its contractual face value, and the sum paid early substantially represents the contractual amount plus the contractual accumulated interests outstanding (which can include reasonable compensation for early payment), and the reasonable amount of the early payment characteristic is negligible in its initial recognition.

Assessment of the preliminary impact of the classification of financial assets.

Based on the senior level preliminary assessment regarding possible changes in the classification and measurement of financial assets held as of December 31, 2017 the results were the following:

- The negotiable and derivative assets held to manage risks that are classified at fair value with changes recognized in profit or loss under the previous IFRS 9 will maintain this measurement under the new IFRS 9; and there will be no reclassification of financial assets measured at fair value with changes recognized in profit or loss at fair value with changes in OCI.
- Debt instruments classified at amortized cost under the previous IFRS 9, as of December 31, 2017 will not be reclassified to the category of measured at fair value with changes in OCI under the new IFRS 9.
- Investments in equity classified as fair value with changes in OCI under the previous IFRS 9 will maintain that measurement under the new IFRS 9.
- Certain investments classified as amortized cost under the previous IFRS 9, shall be classified at fair value with changes recognized in profit or loss, at \$23,854, having an effect of \$285 in cumulative profit or loss.
- Loans to clients of the Corporation and subsidiaries classified as loan portfolios and accounts receivable and measured at amortized cost under the previous IFRS 9 will maintain this measurement under the new IFRS 9.

The Corporation has estimated that with the adoption of the new IFRS 9 as of January 1, 2018 its effects before taxes will be a reduction of equity of approximately \$2,999.

II. Impairment of financial assets

The new IFRS 9 will replace the “incurred loss” model of IAS 39 for a model of “expected credit loss” (ECL). This new model will require a considerable judgment effort with regard to changes in economic factors that affect the ECL, which will be determined on a weighted average basis.

The new impairment model will apply to the following financial assets not measured at FRPL:

- Debt instruments,
- Leases receivable,
- Other accounts receivable,
- Loan portfolio,
- Financial guarantees agreements issued,
- Loan commitments issued, and
- Financial assets given in concession measured at amortized cost

Under the new IFRS 9, the loss due to impairment does not have to be recognized for investment in equity instruments.

The new IFRS 9 requires recognizing an allowance for impairment equivalent to an expected loss due to impairment in a twelve month period after the closing date of financial statements or during the remaining life of the loan. The expected loss in the remaining life of the loan is the expected loss resulting from all possible impairment events throughout the expected life of the financial instrument, while the expected losses during a twelve month period are a portion of the expected losses resulting from possible impairment events during the following twelve month period after the date when the financial statements are reported.

Under the new IFRS 9, the losses reserve is recognized at a sum equivalent to the ECL during the life of the asset, except in the following cases in which the amount recognized is equivalent to the ECL of the following 12 months to the date of measurement:

- Investments in debt instruments determined to reflect a low credit risk on the date of the report; and
- Other financial instruments (other than short-term accounts receivable) where the credit risk has not increased significantly from its initial recognition.

The impairment requirements of IFRS 9 are complex and require judgments on estimates and assumptions by management especially in the following areas:

- ✓ Assess whether the credit risk has increased significantly since its initial recognition and;
- ✓ Include projected information in the measurement of losses due to expected impairment.

Measurement of Expected Credit Loss – ECL

The ECL is the weighted average probability of credit loss and it is measured as follows:

- *The financial assets that do not present credit impairment to date of reporting:* the present value of all default contractual cash payments (ex. The difference between the

cash flows owed to the entity pursuant to the contract and the cash flows that the Corporation and subsidiaries expect to receive);

- *Financial assets that are impaired at the date of reporting*: the difference between the book value and the present value of the estimated future cash flows;
- *Loan commitments outstanding*: present value of the difference between contractual cash flows owed to the Corporation and subsidiaries in case the commitment is enforced and cash flows expected to be received; and
- *Financial guarantee agreements*: expected payments to reimburse the holder less any sum that the Corporation and subsidiaries expect to recover.

The impaired financial assets are defined by IFRS 9 in a similar way as impaired financial assets under IAS 39.

Definition of impairment indication

Under IFRS 9, Corficolombiana and subsidiaries will consider that a financial asset shows indications of impairment when:

- It is unlikely that a debtor will pay its credit obligations in full, without recourses by Corficolombiana or subsidiaries to take actions such as enforce the guarantee (if any); or
- The debtor is more than 90 days delinquent in any significant credit obligation. Overdrafts will be considered delinquent once the client has exceeded the recommended limit or has been given a lower limit than the pending balance. Except in housing portfolios where 90 days were refuted and fixed income instruments where the objective evidence of impairment is 1 day.

When assessing if a debtor shows indications of impairment, the following indicators will be considered:

- Qualitative – ex. breach of contractual clauses
- Quantitative – ex. default status and delinquency in other obligations of the same issuer; and
- Based on information developed internally and obtained from external sources

The resources used in the assessment of whether a financial instrument shows indications of impairment and its importance can vary in time to reflect changes in the circumstances.

Significant increase in credit risk

Under IFRS 9, when the credit risk of a financial asset is determined to have significantly increased since its initial recognition, the Corporation and its subsidiaries will consider reasonable and supported relevant information and available at zero cost or disproportionate efforts, including both quantitative and qualitative information and analysis, based on past experience, as well as expert credit assessment including projected information.

Corficolombiana and its subsidiaries expect to identify whether there has been a significant increase in credit risk by comparing:

- The probability of default (PD) during the remaining life at the reporting date; with
- The PD during the remaining life at this point in time which was estimated at the initial recognition of the exposure.
- Qualitative aspects and the backstop of the standard will also be considered (30 days).

The assessment of whether the credit risk has increased significantly since the initial recognition of a financial asset requires identifying the initial date of recognition of the instrument. For certain revolving credits (credit cards, overdrafts etc., the date when the credit was first granted may be a very long time ago). The modification of the contractual terms of a financial asset may also affect that assessment that is discussed below.

Rating by credit risk categories

Corficolombiana and its subsidiaries shall assign a credit risk rating to each exposure based on a variety of information determined to be predictive of PD and applying expert judgment, these ratings are to be used for purposes of identifying significant increases in credit risks under the new IFRS 9. Credit risk ratings are defined using qualitative and quantitative factors that are indicators of risks of loss. These factors can vary depending on the nature of the exposure and the type of borrower.

The credit risk ratings are defined and calibrated so that the risk of loss increases exponentially as the credit risk is impaired and, so that, for example, the difference in the risk of loss between ratings 1 and 2 is less than the difference in credit risk between ratings 2 and 3.

Each exposure shall be given a credit risk rating at the initial credit risk recognition based on available information of the debtor. The exposures will be subject to continuous monitoring which can result in changes of an exposure to a different credit risk rating.

Creating the term structure for Probability of Default - PD

We expect credit risk ratings to be the main source to determine the term structure for the probability of default for different exposures. Corficolombiana and affiliates have the intention of obtaining performance and loss information for credit risk exposures analyzed by jurisdiction or region, type of product and debtor as well as by the credit risk rating. For some portfolios, the information bought from external credit risk agencies can also be used.

Corficolombiana and subsidiaries will use statistical models to analyze the data collected and will generate probability estimates of impairment in the remaining life of the exposures and how those probabilities of impairment will change in time.

This analysis will include the identification and calibration of relationships between changes of impairment rates and key macroeconomic factors as well as a deep analysis of certain impairment risk factors (for example write offs of bad debt). For most credits the key economic factors probably include gross domestic product increases, changes in market interest rates and unemployment.

For exposures in specific industries and/or regions, the analysis can extend to relevant products and/or real estate prices.

The approach to prepare projected economic information in its assessment is indicated below.

Significant increase in credit risk

Corficolombiana and subsidiaries have established a general framework that includes quantitative and qualitative information to determine if the credit of an asset has increased significantly since its initial recognition.

The initial framework is aligned with the internal process of the Corporation and affiliates to manage credit risks. The criteria to determine whether the credit risk has increased significantly vary by portfolio and include limits based on delinquencies.

Corficolombiana and subsidiaries assess whether the credit risk of a particular exposure has increased significantly since its initial recognition if based on the quantitative models of the Corporation and its subsidiaries, the probability of expected impairment in the remaining life will increase significantly since its initial recognition. When determining the increase in credit risk the expected loss due to expected impairment is adjusted by changes in maturity.

In certain circumstances, using the judgment of experts in credit and when relevant historic information is possible, Corficolombiana and subsidiaries may determine that an exposure has experienced a significant increase in credit risk if specific qualitative factors point to that and those factors may not be captured completely by their quantitative analysis performed periodically. As a limit, and as required by IFRS 9 a significant increase in credit risk is presumed to have occurred at the latest when the asset is in default for more than 30 days. Default days are determined by counting the number of days from the last date when full payment was not received.

Corficolombiana and affiliates monitor the effectiveness of the criteria used to identify significant increases in credit risks based on regular reviews to confirm that:

- ✓ The criteria are capable of identifying significant increases in credit risk before an exposure to that impairment.
- ✓ The criterion is not aligned with the point in time when an asset is over 30 days delinquent.
- ✓ The average time to identify a significant increase in credit risk and default appears reasonable.
- ✓ Exposures are not generally transferred directly from Corficolombiana and subsidiaries from the expected impairment probability in the following twelve months to the group of impaired assets.
- ✓ There is no unjustified volatility in the allowance for impairment in transfers between groups with an expected loss probability in the next twelve months and the probability of expected loss in the remaining life of the credits.

Amended financial assets

The contractual terms of credits can be amended for a number of reasons, including changes in market conditions, client retention and other factors not related to a current or potential impairment of the client's credit. An existing loan whose terms have been amended can be removed from the balance and the credit renegotiated recognized as a new loan at fair value.

When the terms of a financial asset are amended under IFRS 9 and the amendment does not result in a removal of the asset from the balance sheet, the determination of whether the credit risk has increased significantly is shown by comparing:

- ✓ The probability of an indication of impairment during its remaining life to the date of the balance sheet based on the amended terms with
- ✓ The probability of an indication of impairment during its remaining life based on the date of initial recognition and the original contract terms.

Corficolombiana and subsidiaries renegotiate loans with clients with financial difficulties to maximize the chances of collection and minimize the risk of default. Under the renegotiation policies of the financial affiliates, clients with financial difficulties are offered deals that usually correspond to lowering interest rates, extensions, discounts over money owed or a combination of these.

For amended financial assets, as part of the renegotiation policies of Corficolombiana and financial affiliates, the estimate of PD will reflect if the amendments have improved or restored the capability to collect the interests and principal and prior experience in similar actions. As part of this process compliance with payments by the debtor will be assessed against the amended terms of the debt and will consider several indicators of behavior for such group of amended debtors.

Generally, restructuring indicators are a relevant factor in the increase of credit risks. Therefore, a restructured debtor has to demonstrate a consistent payment behavior over a period of time before no longer being considered an impaired credit or that the PD has decreased so that the allowance can be reversed and the credit can be measured for impairment for a period of twelve months after the date of closing of the financial statements.

Inputs in the measurement of ECL

The key inputs in the measurement of ECL are usually the term structures of the following variables:

- Probability of default (PD)
- Losses due to default (LDD)
- Exposure to default (ED)

The above parameters will be derived from internal statistical models and other historical information used to leverage the regulatory models for purposes of the Superintendence of Finance. These models will be adjusted to reflect prospective information as described below:

PDs are estimated at a given date, which will be calculated based on classification statistical models and assessed using classification tools adjusted to the different counterparty and exposure categories. These statistical models are based on data compiled internally including both quantitative and qualitative factors. If a counterparty or exposure changes between different classifications then this will lead to the estimated PD. The PDs will be estimated considering contractual maturity terms for the exposures and estimated rates of early payment.

The LDD is the extent of the probable loss in case of default. Corficolombiana and subsidiaries will estimate the parameters of the LDD based on the loss recovery rate history versus the unpaid parts. The LDD models will consider the structure, collateral and priority of the debt lost, the counterparty's industry and the recovery costs of any collateral included in the financial asset. For loans guaranteed with properties, indexes associated with the value of the guarantee with regards to the loan (LTB), will probably be parameters used in determining the LDD. LDD estimates will be calibrated to different financial scenarios and for guaranteed loans with real estate with variations in price indexes of these goods. Such loans will be calculated based on discounted cash flows using the loan's effective interest rate.

The ED represents the expected exposure in the event of default. Corficolombiana and subsidiaries will derive the ED from the current exposure of the counterparty and the potential changes in the current amount permitted under the terms of the agreement including amortization and early payments. For loan commitments and financial guarantees the ED will consider the sum withdrawn as well as, potential future sums that could be withdrawn or collected under the agreement, which will be estimated based on historic observations and projected prospective information for certain financial assets. The ED will be determined by modeling a range of possible results of exposures at various points in time using scenarios and statistics techniques. As described above and subject to using no more than one twelve month PD for which the credit risk has significantly increased. Corficolombiana and affiliates will measure the ED considering the risk of default during the maximum contractual period, (including extension options for clients) regarding which there is a credit risk exposure, even if, for purposes of managing risks, a longer period is considered. The maximum contractual period is extended to the date when Corficolombiana and subsidiaries have the right to demand payment of a loan or terminate a loan commitment or granted guarantee.

For consumer overdrafts, credit card balances and certain revolving credits that include both a loan and a loan commitment component, not yet withdrawn by the client, Corficolombiana and its affiliates will measure the ED over a period greater than the maximum contractual period, if the contractual capacity to require its payment and cancel the commitment not yet withdrawn does not limit the exposure of the Corporation and subsidiaries to credit losses during the contractual period of the agreement. These instruments do not have a fixed term or collection structure and are handled collectively. Corficolombiana and subsidiaries can cancel them effective immediately but this contractual right is not forced in the normal day to day operations of management, but only exclusively when the Corporation and financial affiliates learn of an increase in credit risk for each individual loan. This greater time period will be estimated taking into account the credit risk management actions that are expected to be taken and that help mitigate ED. These measures include a reduction in limits and cancelation of loan agreements.

Where modeling of parameters is performed based on collective financial instruments these will be grouped based on shared risk characteristics that include:

- Instrument type
- Credit risk rating
- Guarantee
- Initial recognition date
- Remaining time to maturity

- Industry
- Geographic location of the debtor

The groups above will be subject to regular reviews to ensure that the exposures of a group in particular will remain properly homogeneous.

Projected prospective information

Under the new IFRS 9, the Corporation and its subsidiaries will include information with projections of future conditions, both in their assessment of whether the credit risk of an instrument has increased significantly since its initial recognition as well as its LDD measurement. Based on the recommendations of Corficolombiana's Market Risk Committee, the use of economic experts and consideration of a variety of current and projected internal information, Corficolombiana and its affiliates will formulate a "base case" for the projection of relevant economic variables as well as a representative range of other possible projected scenarios. This process includes developing two or more additional economic scenarios and considers relative probabilities of each outcome.

The external information can include economic data and publication of projections by government committees and monetary authorities in countries where the Corporation and its affiliates operate, supranational organizations such as OECD and the International Monetary Fund, and academic and private sector projections.

We expect that the base case represents the most probable outcome and aligned with the information used by Corficolombiana and subsidiaries for other purposes, such as strategic planning and budgeting. The other scenarios will represent a more optimistic and pessimistic outcome. Corficolombiana and affiliates also plan to carry out periodic stress tests to calibrate the determination of the other representative scenarios.

Corficolombiana and subsidiaries are in the process of identifying and documenting key credit risk and credit loss guides for each financial instrument portfolio and, by means of an analysis of historic data, estimate the relationships between macroeconomic variables, credit risk and credit losses.

Preliminary impact evaluation of the change of loss allowance model due to impairment of financial instruments

The most significant impact in the Corporation and subsidiaries in implementing IFRS 9 we expect will be the new impairment requirements. The losses due to impairment will increase and will become more volatile for financial assets in the scope of the impairment models of IFRS 9.

The impairment allowances for credit products without guarantee with a longer expected life, such as overdrafts and credit cards will be affected the most by the new impairment requirements.

Below is general information of impact measurements in the classification and impairment of investments in debt securities as of December 31, 2017:

	Classification Adjustment	Measurement Adjustment	Impairment Adjustment	Total IFRS 9 Adjustment	Controlling Interest	Non-Controlling Interest
Financial Sector						
Investments at fair value with changes in income	(11,319)	-	-	(11,319)	-	-
Investments at fair value with changes in OCI	1,732,301	(2,632)	(1,127)	1,728,542	(3,818)	59
Investments at amortized cost	(1,720,982)	-	(76)	(1,721,058)	(76)	-
Deferred tax effect	-	(652)	-	(652)	(652)	-
	-	(3,284)	(1,203)	(4,487)	(4,546)	59
Gas and Energy Sector						
Investments at fair value with changes in income	23,854	285	-	24,139	73	212
Investments at fair value with changes in OCI	-	-	-	-	-	-
Investments at amortized cost	(23,854)	-	-	(23,854)	-	-
	-	285	-	285	73	212
Total Consolidated	-	(2,999)	(1,203)	(4,202)	(4,473)	271

(*) The changes in measurement, classification and impairment of investments result in a reduction of equity of \$4,202.

Below is the impact of the increase in impairment of the credit portfolio, accounts receivable and financial assets in concession measured at amortized cost consolidated as of December 31, 2017:

	Financial Sector	Gas & Energy Sector	Infrastructure Sector	Hotel Sector	Agroindustry Sector	Sector Others	Total Consolidated (*)	Controlling Interest	Non-Controlling Interest
Financial Leasing	(3,948)	(3,296)	-	-	-	-	(7,244)	(4,989)	(2,255)
Non-banking financing	-	(6,712)	-	-	-	-	(6,712)	(3,321)	(3,391)
Accounts receivable	5,775	(16,190)	(1,577)	71	(166)	15	(12,072)	(4,020)	(8,052)
Financial assets in concession	-	-	(397)	-	-	-	(397)	(382)	(15)
Total impairment recognition	1,827	(26,198)	(1,974)	71	(166)	15	(26,425)	(12,712)	(13,713)
Deferred tax effect	1,425	9,353	0	(26)	-	(6)	10,747	5,900	4,847
	3,252	(16,845)	(1,974)	45	(166)	9	(15,678)	(6,812)	(8,866)

(*) The impairment of loan portfolios, accounts receivable and financial assets in concession measured at amortized cost result in an equity reduction of \$26,425 with a deferred tax effect of \$10,747 for a net value of \$15,678.

I. Hedge Accounting

In the initial application of IFRS 9, Corficolombiana and affiliates can choose as an accounting policy to continue applying the hedge accounting requirements of IAS 39 instead of those included in IFRS 9. The Corporation and subsidiaries have chosen to continue applying hedge accounting under IAS 39. However, the Corporation will provide extended disclosures of hedge accounting introduced by amendments to IFRS 9 and IFRS 7 "Disclosures for financial instruments", because the selection of accounting policies does not provide exemption for these disclosure requirements.

II. Disclosures

IFRS 9 requires new extensive disclosure requirements, especially hedge accounting, credit risk and allowances for expected credit losses.

III. Transition

The changes in accounting policies resulting from the adoption of IFRS are generally applied retroactively except as described below:

- The Corporation and its affiliates will not restate comparative information for previous periods with regards to changes in classification and measurement (including impairment); the differences in sums of the financial assets resulting from the adoption of IFRS 9 will, in general, be recognized in retained earnings not appropriated as of January 1, 2018.
- The following assessments have been made based on facts and circumstances that exist to the date of the initial application
 - ✓ The determination of the business models under which the financial assets are maintained
 - ✓ The designation of certain investments in equity instruments not held to negotiate at fair value adjusted to OCI
- If an investment in a debt instrument has a low credit risk as of January 1, 2018, then it will be determined that the credit risk of the asset has not increased significantly since its initial recognition.

IFRS 15 Revenue resulting from contracts in ordinary activities with customers

In July 2014, IASB issued IFRS 15 “revenue resulting from contracts in ordinary activities with customers”, this new standard mandatory as of January 1, 2018 requires that all revenue from ordinary activities with customers other than those that originate from financial instruments and financial leasing agreements be recognized with the specific standards for its recording. This standard provided a comprehensive framework for the recognition of revenue resulting from contracts in ordinary activities with customers, and therefore, replaces all other standards that addressed the different aspects of recognizing revenue, IAS 11 Construction Agreements, IAS 18 Revenue from Ordinary Activities, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue-Barter Transactions Involving Advertising Services.

Pursuant to this new standard, recognition of revenue resulting from contracts with customers, is directly associated with satisfying the performance obligations of the agreement. The basic principle of IFRS 15 is that an entity recognizes revenue as to represent the transfer of goods or services committed to the customer in exchange for a sum that reflects the compensation to which the entity expects to be entitled in exchange for such goods or services. An entity recognizes revenue pursuant to the basic principle by applying the following stages:

1. Identification of the contract with the customer.
2. Identification of the performance obligations in the contract.
3. Determining the transaction price.
4. Establishing the price of the transaction within the performance obligations.

5. Revenue recognition provided that Grupo Aval satisfies each performance obligation with its clients.

To analyze the application of the stages described above in the Corporation and its affiliates, there is no evidence of an impact except for fourth generation (4G) concessions, as the recognition criteria currently used in the entities comply with the provisions of IFRS 15.

In the specific case of the fourth generation (4G) concessions, revenue being recognized by the concessionaires result from concession agreements executed between each concessionaire and Agencia Nacional de Infraestructura – ANI – the Grantor. Pursuant to the agreements in force, concessionaires deal with two independent services (Construction and operation and maintenance). Concession agreements do not establish a differentiated compensation sum for services rendered (Construction and operation) and therefore, the compensation price of services being provided is deemed variable.

Under IFRS 15, the transaction price must be assigned to each performance obligation at a sum that represents the sum of the compensation that the entity expects to be entitled to in exchange for satisfying each performance obligation. That designation determines revenue from ordinary activities that an entity recognizes when (or provided that) it satisfies each performance obligation. The standard states that if an entity does not have an observable price to sell a good or service separately, the entity shall then estimate an independent price.

Due to the nature of the agreements, the designation of the price to the services rendered is based on contractual fees of the Concessionaire from each agreement signed. Therefore, to designate the price of services a costs plus margin approach will be used. Management of each concessionaire considered all information reasonably available on the facts and circumstances of each agreement and compensation for indirect costs and expenses which are specifically attributable to the client, under the terms agreed in the concession agreement.

Corficolombiana and subsidiaries wish to adopt the standard using a modified retroactive approach, which means that the cumulative impact of the adoption will be recognized in retained earnings as of January 1, 2018.

It is estimated that the effect after taxes of the implementation of IFRS 15 as of January 1, 2018 will be \$40,127.

2.31. Standards and amendments applicable as of January 1, 2019

According to the provisions of Decree 2170 of December 2017, below is a list of standards issued applicable as of 2019. The impact of these standards is being assessed by the Corporation's management.

Financial Information Standard	Subject of the Amendment	Details
IFRS 16 – Leases	Recognition, measurement, presentation and information to disclose regarding leases	IFRS 16 of Leases establishes the principles for the recognition, measurement, presentation and information to disclose of leases. The objective is to ensure that the lessees and

		lessors provide relevant information to accurately represent these transactions. This information provides a basis to users of financial statements to assess the effects that the leases have on the financial situation, the financial yields and the entity's cash flows.
IAS 40 – Investment properties	Investment property transfers	Modifies paragraph 57 as to reflect the principle that a change in use implies (a) an assessment of whether a property meets or no longer meets the definition of investment property; and (b) having evidence that supports the change in use. By applying this principle an entity will transfer properties under construction or in development to, or from, investment properties when, and only when, there is a change in use of that property supported by evidence.
IFRS 2 –Share-based payments	Classification and measurement of transactions with share-based payments	Considerations to address accounting for a modification in the terms and conditions of share-based payments that changes the classification of a transaction paid in cash to one paid with an equity instrument, the classification of a transaction with share-based payments to one by net tax obligation withholdings and accounting for the effects of the conditions, for the irrevocability of the concession over the measurement of a payment based on shares paid in cash.
IFRS 4 – Insurance contracts	Application of IFRS 9 Financial instruments with IFRS 4 Insurance Contracts	Addresses the concerns suggested of the different validity dates of IFRS 9 and the next standard on insurance contracts. The modifications include a temporary exemption of IFRS 9 for insurance companies that meet specific criteria and an option to apply the designated financial asset for the overlay approach.
Annual improvements to IFRS Standards 2014-2016 cycle	Modifications to IFRS 1 First time adoption of International Financial Reporting Standards. Modifications to IFRS 12 Disclosure of interests in other entities	Elimination of short term exemption for entities adopting IFRS standards for the first time
		Clarification of the scope of the standard

Modification of IAS 28
Investment in associates
and joint ventures

Measurement at fair value of an associate
or joint venture

IFRS 16 Leases

IFRS 16 was issued by IASB in 2016 with effective date for entities as of January 1, 2019, allowing for early adoption; however in Colombia it has yet to be included in accounting standards regulatory decrees.

IFRS 16 replaces the existing guides for accounting for leases, including IAS 17 leases, IFRIC 4 determining whether an arrangement contains a lease, SIC 15 Operating lease incentives and SIC 27 evaluating the substance of transactions in the legal form of a lease.

IFRS 16 introduces a single accounting recording model for lease agreements in the status of financial situation for lessees. A lessee recognizes an asset by right of use represented in the right to use the asset taken as lease and a liability for the lease represented in its obligation to make lease payments. There are optional exemptions for short term leases or leases of goods of very low value. Accounting treatment of lease agreements for lessors remains similar to the current accounting standards in which the lessor classifies the lease agreements as financial or operating leases.

Corficolombiana and subsidiaries have begun assessing the potential impacts to its consolidated financial statements; so far the most significant impact identified is recognizing a new asset and liability in its operating lease agreements especially for used properties for office use. Likewise, the nature of the expenses that correspond to the operating lease agreements acting as lessee will change with IFRS 16, from lease expenses to depreciation of rights of use of the asset and financial expenses in the liabilities of leases. To date the Corporation has not calculated a preliminary impact in the adoption of this new standard but no significant impact to the consolidated financial statements is expected, and it does not expect to carry out an early adoption of such standard.

3. Critical accounting judgements and estimates in the application of the Accounting Policies.

The Company and subsidiaries make estimates and assumptions that affect the amounts recognized in the financial statements and the carrying amount of the assets and liabilities within the subsequent fiscal year. The judgements and estimates are continuously assessed and are based on the experience of the Management and other factors, including the expectations of future events believed to be reasonable under the circumstances. The Management also makes certain judgements in addition to those involving estimates in the process of applying the accounting policies. The judgments with the most significant effects on the recognized amounts in the financial statements and the estimates that may cause a significant adjustment in the assets and liabilities book value for the next year include:

3.1. Going Concern:

The Management prepares the financial statements based on a going concern. When making this judgement, the Management considers the current financial position of the Company and

subsidiaries, their current intentions, the result of the operations and the access to financial resources in the financial market, and analyzes the impact said factors have in future operations of the group. As of the date of this report, we are not aware of any situation that makes us believe that the Company will not be able to continue as a going concern.

3.2. Investment in debt securities classified at amortized cost:

The Management applies judgments on assessing if the debt securities of the consolidated financial statements may be categorized at amortized cost particularly considering their business model to manage the financial assets and if they meet the conditions for said financial assets to be included at amortized cost. The Company and subsidiaries may sell these assets when it complies with the risk policies established by the Company for determining the credit quotas and the maximum term of the securities. On the other hand, these portfolios may be sold at any time without meeting the profitability defined pursuant to the liquidity conditions that the Senior Management of the Company considers may affect the appropriate liquidity and solvency levels of the company, or upon the occurrence of any of the following circumstances:

- a) Significant impairment in the conditions of the issuer, its parent company, its subsidiaries or its affiliates.
- b) Changes in the regulations preventing keeping the investment.
- c) Merger or institutional reorganization processes that imply a reclassification or the realization of the investment with the purpose of maintaining the previous interest rate risk position or of adjusting to the credit risk policy previously established by the resulting entity.
- d) In the other cases where the Financial Superintendence of Colombia has granted its prior and express authorization.

3.3. Impairment of loan portfolio and other receivables

The Company and its subsidiaries regularly review their loan portfolio and other receivables for impairment when determining whether such impairment must be recorded against the profits for the year. The Management makes judgments as to whether there is observable data indicating a decrease in the estimated cash flow of the loan portfolio before the decrease in such flow can be identified for a particular loan in the portfolio. This evidence may include data indicating that there has been an adverse change in the behavior of the debtors in each loan portfolio (commercial, consumer, and leasing), in the Company and its subsidiaries, especially Leasing Corficolombiana S.A., or in the country or in local economic conditions that correlate with defaults on the assets of the Company and its subsidiaries. The Management uses estimates based on historical experiences of loans with similar credit risk characteristics and objective evidence of similar impairments in the loans of the portfolio upon the expiration of their future cash flows.

The methodologies and assumptions used to estimate the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and the current loss experience.

3.4. Fair value of financial instruments and derivative instruments

Information on the fair values of financial instruments and derivatives valued by using assumptions not based on observable market data is disclosed in corresponding note.

3.5. Elimination of financial assets from the balance sheet

Management applies judgments to determine if all substantially significant risks and returns of financial assets ownership are transferred to third parties.

3.6. Deferred income tax

Deferred tax arises from the evaluation of the differences of facts recognized in the financial statements or in tax returns and which are going to have a future tax consequence.

Deferred tax assets and liabilities shall be valued by using the expected tax rates for the periods in which the assets are to be realized or the liabilities are to be liquidated based on the rates and laws in force or practically enacted on the date of the statement of financial position. When there are different tax rates according to the tax benefit levels, the deferred tax assets and liabilities are valued at the rates known for each of the future periods in which it is expected that the temporary differences will be reversed.

The assumptions of the Company generated during 2017 in the business were the following:

Industrias Lehner S.A. in Liquidation– Its main domicile is located in the city of Palmira. The company has not been operating since July 2012, therefore it does not meet the hypothesis of going concern; it is currently in the process of negotiating the obligations it is responsible for. The Shareholders Assembly declared the company dissolved and in liquidation by means of Minutes No. 130 of September 8, 2017, filed before the Chamber of Commerce of Cali on September 14, 2017 under number 5644 of book IX.

The following Entities were incorporated:

Proyectos y Desarrollos Viales del Pacifico S.A.S.-It was incorporated on September 4, 2017, registered on September 5, 2017 under number 02256920 of Book IX; its corporate purpose is the promotion, structuring and participation in all types of infrastructure projects, with the capacity to enter into concession agreements with the State and other territorial entities or decentralized at any level, construction of civil works, construction and purchase and sale of all types of movable and immovable assets, construction of road corridors, highways, road tunnels, bridges, viaducts, housing, roads and any other related job.

Proyectos y Desarrollos Viales del Pacifico S.A.S. is consolidated with the following company:

Proyectos de Inversion Vial del Pacifico S.A.S.: It was incorporated on October 18, 2017; registered on October 25, 2017 under number 02270467 of book IX; its corporate purpose is participating in all types of infrastructure projects acting as subcontractor or contractor in activities related to construction necessary for the performance of any type of agreement, especially turnkey agreements or E.P.C. (Engineering, Procurement and Construction).

Proyectos y Desarrollos Viales del Oriente S.A.S.- It was incorporated on September 4, 2017, registered on September 5, 2017 under number 02256909 of Book IX; its corporate purpose is

the promotion, structuring and participation in all types of infrastructure projects, with the capacity to enter into concession agreements with the State and other territorial entities or decentralized at any level, construction of civil works, construction and purchase and sale of all types of movable and immovable assets, construction of road corridors, highways, road tunnels, bridges, viaducts, housing, roads and any other related jobs.

Proyectos y Desarrollos Viales del Oriente S.A.S. is consolidated with the following company:

Proyectos de Inversion Vial del Oriente S.A.S.: It was incorporated on October 18, 2017; registered on October 25, 2017 under number 02270610 of book IX; its corporate purpose is participating in all types of infrastructure projects acting as subcontractor or contractor in activities related to construction necessary for the performance of any type of agreement, especially turnkey agreements or E.P.C. (Engineering, Procurement and Construction).

Proyectos y Desarrollos Viales del Mar S.A.S.- It was incorporated on September 4, 2017, registered on September 6, 2017 under number 02257204 of Book IX; its corporate purpose is the promotion, structuring and participation in all types of infrastructure projects, with the capacity to enter into concession agreements with the State and other territorial entities or decentralized at any level, construction of civil works, construction and purchase and sale of all types of movable and immovable assets, construction of road corridors, highways, road tunnels, bridges, viaducts, housing, roads and any other related jobs.

Proyectos y Desarrollos Viales del Mar S.A.S. is consolidated with the following company:

Proyectos de Inversion Vial del Mar S.A.S.: It was incorporated on October 18, 2017; registered on October 25, 2017 under number 02270531 of book IX; its corporate purpose is participating in all types of infrastructure projects acting as subcontractor or contractor in activities related to construction necessary for the performance of any type of agreement, especially turnkey agreements or E.P.C. (Engineering, Procurement and Construction).

The key assumptions in the business plan are as follows:

- Forecasts were made with a five-year horizon based on the expected results of entities.
- Non-deductible expenses and non-taxable revenues were identified, in order to verify tax profits and find the real effective tax rate of each of the entities.

Promigas S.A. E.S.P. and subsidiaries

Deferred income tax is recognized by using the liability method on the temporary differences between the taxable basis of assets and liabilities and their respective book values at the closing date of the reporting period, calculated with the tax rates expected to be enforced in the period in which the asset is realized or the liability is canceled, based on the rates approved or practically upon the termination of the approval process by the Government.

Deferred tax liabilities are recognized for all the taxable temporary differences, except the taxable temporary differences related to the investments in subsidiaries, associates and interests in joint ventures, when the opportunity of the reversion of the temporary differences can be controlled and it is probable that those temporary differences are not reversed in the near future.

Deferred tax assets are recognized for all the deductible temporary differences and by the future set-off of tax credits and unused taxable losses to the extent that the availability of future taxable gains is likely, against which these tax credits or unused taxable losses can be charged, except for the deductible temporary differences related to the investments in subsidiaries, associates and interests in joint ventures.

Concesionaria Panamericana S.A., Proyectos de Infraestructura S.A. PISA and Concesiones CCFC

Concesionaria Panamericana S.A., Proyectos de Infraestructura S.A. PISA and Concesiones CCFC have recognized deferred tax assets regarding deductible temporary differences related to the concession intangible asset and deferred revenues from Concessions, mostly generated by stand-alone trust funds.

These deductible temporary differences are estimated to be reversed as tax revenues fiscally realized and the infrastructure works recorded as intangible assets amortized by enforcing Article 32 of TC structured in Tax Reform Law 1819/2016.

In addition, PISA records deferred tax asset to the extent that the amount of the taxable temporary differences related to the same fiscal entity is much greater than the deductible temporary differences (see note 22).

Estudios y Proyectos del Sol S.A. EPISOL

Deferred tax recognized is represented mainly in items of capitalized studies and projects, which have been recognized as an expense in IFRS, while it is fiscally classified as an asset and is pending to be amortized.

Deferred tax asset is also recorded on Forward Valuations that at closing are generating a loss, deferred revenues that will be reversed to the extent they are amortized and recognized as revenue on the following periods, Industry and Trade Tax and other minor taxes.

These deductible temporary differences are estimated to be reversed as the capitalized studies and projects are amortized, the losses carried on the valuation of derivatives are fiscally realized and the industry and trade tax is paid in the next fiscal year.

Valora S.A. and subsidiaries

The deferred tax recorded is represented mainly by tax credits and deductible temporary differences identified on biological assets whose administrative and banking expenses are recognized as expenses in accordance to the IFRS accounting and are fiscally capitalized during the non-productive stage of the crops.

Rubber plantations owned by Valora are currently in a non-productive stage, which is why it is generating no revenues for its crops and is paying taxes on the Income Tax by the Presumptive Income method. According to Law 939, the net tax income generated on the productive stage will be exempted income for a period of ten years on the income tax and complementary. Notwithstanding, said exempted income is accrued at the rate of 9% in accordance with the

most recent amendment incorporated by Law 1819/2006. It is estimated that the crops start their productive stage in 2019.

The deferred tax calculated on crops is only at the rate of 9%, so only the differences reversed are expected to affect the tax accrued at this rate when the production stage has started.

3.7. Initial recognition of related party transactions

The Company and its subsidiaries conduct transactions with related parties in the normal course of business. IFRS 9 requires the initial recognition of financial instruments based on their fair values, determining whether the transactions are carried out at market values of interest rates when there is no active market for such transactions, it is applied as judgment. The bases of such judgment consist on evaluating similar transactions with unrelated parties and an analysis of effective interest rates.

3.8 Impairment of Goodwill

The Management of Corficolombiana and its subsidiaries annually perform an impairment assessment of commercial loans recorded in their financial statements in accordance with IAS 36 Impairment of Assets, unless the most recent detailed calculations are used for the impairment test of that unit in the current period, provided the following criteria are met:

- a. The assets and liabilities that comprise that unit have not changed significantly from the most recent calculation of the recoverable amount.
- b. The calculation of the most recent recoverable amount resulted in a figure that exceeded the carrying amount of the unit by a substantial margin.
- c. Based on an analysis of the events that have occurred and the circumstances that have changed since the most recent recoverable amount calculation, the probability of determining the current recoverable amount as lower than the current carrying amount of the unit is remote.

These studies are made on the basis of valuations of cash-generating units having the respective goodwill assigned in their acquisition by the discounted cash flow method, taking into account factors such as the economic situation of the country and the sector in which the company operates, historical financial information and projected revenue growth and the costs of the company over the next five years and thereafter growth in perpetuity by considering the capitalization rates of profits, discounted at the risk-free interest rates adjusted to the risk premium required pursuant to the circumstances of each company.

The following are the main assumptions used in the impairment assessment of the most significant goodwill:

Goodwill on Promigas S.A. E.S.P.

- To determine the fair value of the controlling interest on Promigas S.A. E.S.P., the quoted price at the end of the period published by the Colombia Stock Exchange was used as reference.

Goodwill on the subsidiaries of Promigas S.A. E.S.P.

- Valuation horizon:
 - 10 years for mature companies (stable flows as of year 11).
 - 17 years for Calidda (BOOT agreement expires on 2033), transfer of assets is assumed in 2033
 - 21 years for CEO (term of the agreement), without value in perpetuity.
 - 18 years for Promioriente (18 years of Gibraltar – UPME reserve data).
 - 10 years for SPEC (term of the agreement), without value in perpetuity.
 - 21 years for GDP (concession agreement, zero transfer value)
- Taxes are directly assumed from the operational flow
- The wealth tax in 2017 is assumed in costs and expenses.
- Long-term traffic growth of 3%.
- The valuation of the company is made by discounting the free cash flows at a rate of 12.49%, which is calculated under the WACC methodology, with a capital structure of 23%-77%.
- The risk-free rate corresponds to the 80-year geometric average of the U.S. Treasury bonds “T Bonds”.
- The country risk premium is taken from the publications of Damodaran.

As of December 31, a financial analysis of the results of each Company was performed in order to monitor financial soundness indicators reflected if there has been impairment on the businesses. In order to determine if there is impairment of goodwill, the following criteria were evaluated.

- Significant reduction in the fair value of an asset or cash generating unit – long-term CGU.
- Significant adverse changes in the way in which the long-term asset is being used or in its physical condition.
- Adverse changes in the legal or business environment factors that can affect the asset value.
- Accumulation of costs higher than the originally expected amount in the acquisition or construction of the asset.
- A current period or history of operating losses in the movement of cash supposing continuous losses.
- A current expectation, of high probability, that a long-term asset is sold or released before its estimated useful life.

No reduction in the value of long-term assets or group assets was found. No significant changes are recognized in the legal or business environment factors that can affect the asset value.

Goodwill on Concesionaria Panamericana S.A.S.

- The valuation of the company is made by discounting the free cash flows at a rate of 11.43%, which is calculated under the WACC methodology, with a capital structure of 3.10.

- The risk-free rate corresponds to the average of treasuries for a period of ten years in order to reflect the effects of the economic cycle.
- The country risk premium is taken from the publications of Damodaran.

The methodologies and assumptions used for the valuation of different cash-generating units allocated to goodwill were properly reviewed by management and based on this review, it has been concluded that as of December 31, 2017 and 2016 it was not necessary to record goodwill impairment. The following is the summary of the tests conducted (see note 21).

Cash-generating units	December 31, 2017				December 31, 2016			
	Goodwill	Equity value	Recoverable amount	Surplus	Goodwill	Equity value	Recoverable amount	Surplus
Gas Natural de Lima y Callao S.A.C.	20,913	384,052	845,095	461,043	20,913	374,191	946,048	571,857
Compañía Energetica de Occidente S.A.S. E.S.P.	448	59,715	277,033	217,318	448	56,674	147,977	91,303
Gases de Occidente S.A. E.S.P.	65,577	289,300	1,571,935	1,282,635	65,577	253,813	1,335,618	1,081,805
Promioriente S.A. E.S.P.	2,845	272,225	497,002	224,777	2,845	247,679	449,856	202,177
Promisol S.A.S. (1)	2,135	81,270	271,708	190,438	2,135	64,378	161,931	97,553
Surtidora de Gas del Caribe S.A. E.S.P.	35,415	479,756	760,548	280,792	35,415	216,769	657,182	440,413
Transportadora de Metano E.S.P. S.A.	922	159,583	337,241	177,658	922	155,006	307,223	152,217
Sociedad Portuaria El Cayao S.A. E.S.P.	330	93,725	123,709	29,984	330	89,719	108,966	19,247
Transoccidente S.A. E.S.P.	234	7,223	11,862	4,639	234	7,241	1,048	3,239
Compañía Hotelera de Cartagena de Indias S.A.	6,661	98,688	179,420	80,732	6,661	90,794	97,956	7,162
Concesionaria Panamericana S.A.S.	119,916	169,451	261,223	91,772	119,916	35,585	370,248	334,663
Promigas S.A. E.S.P.	40,868	1,826,849	4,696,133	2,869,284	40,868	1,319,800	2,964,106	1,644,305
Casa de Bolsa S.A.	1,335	13,680	13,680	-	1,335	12,549	13,884	1,335
Concesionaria Vial del Pacifico S.A.S (see note 6)	102,376	104,600	111,026	6,426	-	-	-	-

(1) It includes Enercolsa – acquired company

3.9. Determination of functional currency

The determination of the functional currency of the Corporation and its subsidiaries was carried out on the basis of the correlative economic conditions of the country where they conduct their operations. This determination requires judgment. In making this judgment the Corporation and its subsidiaries evaluate, among other factors, the location of activities, sources of income, the risks associated with these activities and the denomination of the operating currencies of different entities.

3.10. Valuation of investment properties

Investment properties are reported in the balance sheet at their fair value determined in the reports prepared by independent experts at the end of each reporting period. Due to the current conditions of the country, the frequency of property transactions is low; however, the Management estimates that there are enough market activities to provide comparable prices for orderly transactions of similar properties when the fair value of the investment properties of the Corporation and its subsidiaries is determined.

Forced sale transactions are excluded in the preparation of the assessment reports of the investment properties of the Corporation or its subsidiaries. Management has reviewed the assumptions used in the valuations made by independent experts and considers that factors such as inflation, interest rates, etc., have been properly determined based on market conditions at the end of the reporting period; nevertheless, Management believes that the valuation of investment properties is currently subject to a high degree of judgment and to an increased probability that current revenues from the sale of such assets may differ from their book value. The valuations of investment properties are considered in tier III of the fair value measurement hierarchy.

3.11. Valuation of biological assets

The valuation of the biological assets held by the Corporation and its subsidiaries in late-yield crops is determined on the basis of reports prepared internally by experts in the development of such crops and in the preparation of valuation models. Due to the nature of such crops and the lack of comparable market data, the fair value of these assets is determined on the basis of discounted cash flow models for each crop, taking into account the future estimated quantities of the products to be harvested, the current prices of such products and the estimated costs for their growth, maintenance and harvesting in the future, discounted at risk-free interest rates adjusted for the risk premiums required in such circumstances.

The main assumptions used in determining the fair values of different crops are detailed below:

1. Rubber Plantations

Price forecast: An average of the price of the last three years of the TSR20 per ton since year 2014 was established to forecast the price of natural rubber and it is averaged with the future prices of the next 3 months USD\$1,542.8 as of December 31, 2017 and USD \$1,816.6 as of December 2016 so as to reflect the behavior of the commodity during a full economic cycle. Once this average was obtained, it was projected making annual adjustments according to the U.S. inflation rate.

Yield per hectare: Taking into account the composition of the plantation and the planting years of different clones, a phased yield per hectare was estimated from the seventh year reaching stable production in the tenth year.

<i>Year</i>	<i>Tons of dry rubber per hectare per year</i>
7	0.60
8	0.90
9	1.40
<i>10 and forward</i>	1.80

Costs and expenses: The forecast of the costs of the project took into account the different activities carried out during the life of the natural rubber project. The cost per hectare per year is projected for each of the general activities, such as the maintenance and exploitation of mature plants.

Discount rate: Based on the “*Farming/Agriculture*” sector of the Global Markets database of *Damodaran Online*, parameters were obtained with which the equity cost inherent in the forest cover was calculated as 15.23% as of December 2017 and 14.20% as of December 2016. Additionally, a debt rate of 5.84% as of December 2017 and 6.47% as of December 2016 was obtained and therefore a WACC of 11.71% as of December 2017 and 11.29% as of December 2016 using a standard market financing rate.

2. African Palm Plantations

Price forecast: A historical average since 2015 (USD \$650.58 per ton 2017 and USD\$606.20 per ton 2016) was established for the forecast of the price of palm oil so as to reflect the behavior of the commodity during a full economic cycle.

The official source of information for the indicators of international prices for the consumer market of Colombia is the following:

- a. Crude Palm Oil: BURSA MALAYSIA DERIVATIVES (BMD) - Crude Palm Oil Futures (FCPO) - 3rd position. It is a quote from the relevant international market, it is easily accessible by the public and comes from an objective and transparent source.
- b. The CPO futures available in the market are used for the projection of the price and this growth was projected in the future according to the average US inflation rate; it is estimated at 2.00% annually for the duration of the project.

Yield per hectare: Given that a phased reseeded process is used since 2006, the ages and yields of crops are different as shown in the table below. For the end of the period the yield per hectare of the plantation is broken down as follows:

Year	Tons of fresh fruit per hectare
From 0 to 3	-
4	4
5	10
6	12
7	22
7 to 18	22
Over 18	36
Weighted Average	18

Extraction Rate: The oil extraction rate (OER) is a factor that determines the amount of crude palm oil produced, it is a crucial factor in determining the profits of an oil producing company, the age of the plantation also affects the extraction percentage and varies depending on the detail shown below:

Year	Extraction Percentage (%)
From 0 to 3	19
4	23
5	23
6	23

7	23
7 to 18	23
Over 18	22
Weighted Average	22

Costs and expenses: The cost forecast takes account the different agricultural activities involved in the process. A cost per hectare is projected for the period in each of the general activities, such as the establishment of crops, the maintenance and exploitation of the plantation, harvesting and transportation costs.

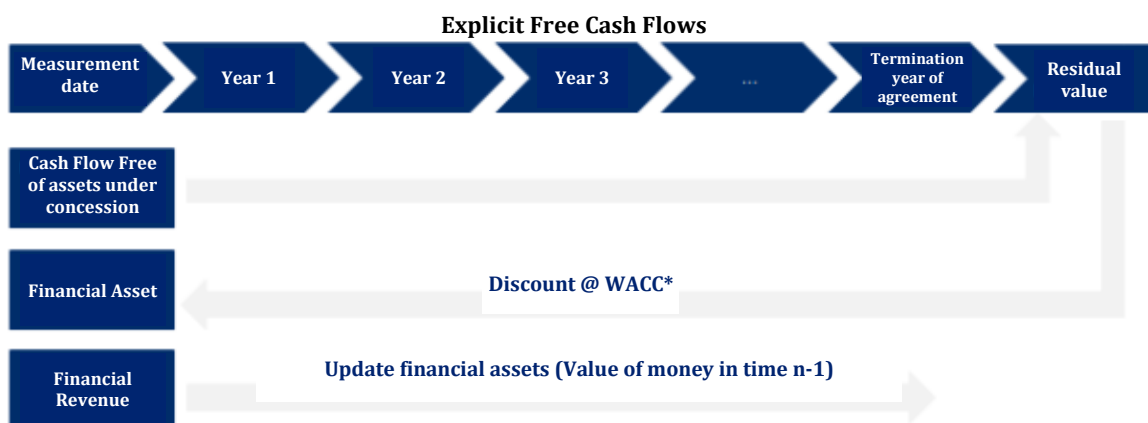
Discount rate: Based on the “*Farming/Agriculture*” sector of the Global Markets database of *Damodaran Online*, parameters were obtained with which the equity cost inherent in the forest cover was calculated as 15.23% (14.31% as of December 2016). Additionally, a debt rate of 5.84% (7.11% as of December 2016) was obtained and therefore a WACC of 11.71% (11.60% as of December 2016) using a standard market financing rate. The valuations of biological assets are considered in tier III of the fair value measurement hierarchy, see in note 5.

3.12. Estimation of the fair value of financial assets under concession

Promigas and its subsidiaries designate the group of financial assets related to concession agreements governed by the oil law at fair value through profit or loss due to the contractual nature of the assets, considering that the Government will carry out the purchase at the end of the agreement at fair price in accordance with article 51 of the Oil Code. The income approach is applied in order to determine fair value. Discounted cash flows correspond to the residual value (perpetuity) of the cash flows generated by the assets under concession, i.e. these are the estimated flows that these assets would generate from the end of the concession onwards; subsequently the value of a financial asset will be adjusted in each period; this adjustment will take into account new changes in the assumptions used for determining the discount rate of the company (WACC) and the new horizon for the completion of the concession.

The assumptions used in the calculation of Financial Assets are as follows:

- The financial asset per company is calculated taking into account the date of termination of the respective concession agreement.
- The operating cash flows of these assets under concession are only taken into account. The calculation method is as follows:



Detail:

- FCF: Free cash flow generated solely by assets under concession.
- n: expiration of the concession.
- Residual value: Value in perpetuity of the free cash flow FCF for year n.
- Financial asset: Current value of the residual value @ WACC.
- Financial income: Annual adjustment of the financial asset @ WACC.

* Nominal **WACC** calculated using the CAPM methodology for each company (the *WACC* that will be updated year to year). The following variables are used to determine the discount rate:

- Unleveraged beta for U.S.A. (*Oil/Gas Distribution*): Damodaran. [Unleveraged beta of 0.69 (0.71 in 2016)].
- Risk-Free Rate, Source: 10-year Geometrical Average of U.S. Treasury bonds "*T-Bonds*".
- Return of the Market, Source: 10-year Geometrical Average. Damodaran "*Stocks*" USA.
- Market Premium: Return of the Market – Risk-Free Rate.
- Country Risk Premium: Average of the last 5 years EMBI (Difference between 10 year sovereign bonds of Colombia and 10 year "*T-Bonds*". Damodaran Emerging Market: Equity Premium Emerging Countries (Lambda - Damodaran).

The following is the sensitivity of the fair value of the financial assets under concession measured at fair value with changes in the following variables:

Variable	2017		2016	
	+100 pbs	-100 pbs	+100 bps	-100 bps
Discount interest rates	(-26.20%)	40.44%	(-25.77%)	39.08%
Growth in perpetuity slope	21.83%	(-15.41%)	20.95%	(-14.16%)

The valuations of financial assets are considered at tier III of the fair value measurement hierarchy.

3.13. Estimation of the fair value of unlisted equity instruments

The Corporation and its subsidiaries estimate fair values using valuation techniques widely used by the market. Below is a summary of the different techniques used:

APPROACH	APPLICATION TECHNIQUE	WHEN IS IT USED
Market	Recent trading price	If there are recent transactions or transactions comparable to equity instruments in the investment evaluated.
	Comparable multiples	When there are benchmark companies that meet the basic requirements of comparability criteria (macroeconomic environment, industry, size and growth stage).
Net adjusted value of assets		In the case of a capital-intensive company. Therefore, the value of the company largely comes from its assets and not from its revenue-generating capacity.
Income	Present value adjusted per discount rate	Under the conservative growth assumptions and with a basic detail level to estimate the projection of dividend flows.

Valuations are carried out annually at the end of each year since it is assumed that there are no significant changes in the assumptions used in the valuations. As of December 31, 2017, no significant changes occurred according to the assessments made on assumptions.

Equity instruments measured at their asset-adjusted net value

It is a Valuation technique in which the net value is calculated by assigning the market value to assets and subtracting liabilities at market value, according to the value that a market participant would pay. The Balance Sheet as of December 31, 2015 was used to apply this technique and it was subsequently assessed what assets and liabilities had a chance of being realizable. The difference between the total realizable assets and total liabilities is equal to the Adjusted Net Value or Fair Value. A calculation factor of 100% was allocated for the calculation of assets and liabilities likely to be realizable. The investments measured, using this valuation technique, are the following:

- Camara Central de Riesgo de Contraparte de Colombia S.A.

The following is the sensitivity to changes in the price per share as of December 2017:

Variation	Favorable Impact	Unfavorable Impact
+/- 10%	1.04%	(-0.87%)

Equity instruments measured using discounted cash flows

Flows are projected for a 5-year horizon, the present value of the 2017-2021 Operating Free Cash Flow discounted at the WACC cost plus a flow in perpetuity after the explicit forecast period. According to the behavior of the flows, the Terminal Value is calculated assuming growth in perpetuity.

The investments measured, using this valuation technique, are the following:

- Camara de Compensacion de Divisas de Colombia S.A.
- Centro de Eventos del Valle del Pacifico S.A.
- CCI Marketplace S.A.
- Fiduciaria Occidente S.A.
- Forestal Monterrey de Colombia S.A.
- Deceval S.A.

The following is the sensitivity to changes in the price per share:

Variable	Variation	2017		Variation	2016	
		Favorable impact	Unfavorable impact		Favorable Impact	Unfavorable Impact
Revenues (5-year growth percentage)	+/- 1%	4.32%	(-4.69%)	+/- 1%	5.10%	(-2.00)%
Slope of growth in perpetuity	+/- 10%	1.18%	(-1.41)%	+/- 10%	3.76%	(-0.47)%
Discount interest rates	+/- 50PB	2.84%	(-2.71)%	+/- 50 bps	3.99%	(-0.66)%

The valuations of those equity instruments that are not publicly traded and for which valuation techniques were used are considered in Tier II and III of the fair value measurement hierarchy depending on the importance of the market parameters used in such valuations.

3.14. Provision for contingencies

The Corporation and its subsidiaries estimate and record a provision for contingencies in order to cover possible losses resulting from labor cases, civil and commercial proceedings and tax claims or other depending on the circumstances, based on the opinion of external legal counsels, which are considered likely to produce a loss and can be reasonably estimated. Given the nature of many of the claims, cases and/or proceedings, it is not possible in some opportunities to make an accurate forecast or to reasonably quantify the amount of the loss, so the actual amount of the disbursements made for such claims, cases and/or proceedings is constantly different from the amounts estimated and initially provisioned, and such differences are recognized in the year in which they are identified.

3.15. Pension plan

The measurement of pension obligations, costs and liabilities is dependent on a variety of long-term premises based on actuarial assumptions, including estimates of the present value of future projected pension payments for participants in the plan, considering the likelihood of potential future events such as increases in minimum urban wages and demographic experience. These premises may have an effect on the amount of future contributions if there is any variation. In addition, the plan trustee conducts an independent valuation of the fair value of the assets of the pension plan.

The discount rate allows establishing future cash flows at present value on the measurement date. The Corporation and its subsidiaries determine a long-term rate that represents the market rate of high-quality fixed income investments or Government bonds that are denominated in the currency in which the benefits will be paid, and considers the timing and amounts of payments of future benefit, for which the Corporation has selected Government bonds.

The Corporation and its subsidiaries use other key premises used to value actuarial liabilities, which are calculated on the basis of the specific experience of the Company combined with published statistics and market indicators. The variables used to calculate the projected obligations of different retirement and long-term benefits of employees are shown below:

December 31, 2017

December 31, 2016

	Pension Liabilities (1)	Long-term benefits	Pension Liabilities	Long-term Benefits
Discount rate	10.82%	6.45%	9.96%	7.18%
Inflation rate	5.74%	3.50%	4.93%	3.50%
Wage increase rate	5.74%	3.50%	4.93%	3.50%
Pension increase rate	5.74%	3.50%	4.93%	3.50%

(1) As established in Decree 2420/2015, the actuarial assumptions used for the calculations of pension liabilities are based on Decree 2783/2001.

The expected life of employees is calculated based on the mortality tables published by the Finance Superintendence of Colombia, which have been prepared on the basis of the mortality information provided by different insurance companies operating in Colombia.

The sensitivity analysis of the liability for retirement benefits to employees with respect to various financial and actuarial variables is as follows, keeping other variables constant:

	2017			2016		
	Change in the variable	Increase in the variable	Decrease in the variable	Change in the variable	Increase in the variable	Decrease in the variable
Discount rate	-50bp and +50 bp	871.61	(809.03)	-50bp and +50 bp	835.90	(790.37)
Wage increase rate	-50bp and +50 bp	(907.36)	972.40	-50bp and +50 bp	(888.17)	80.57

The Corporation estimates that the payment of future expected benefits will be as follows:

Year	Post-employment benefits	Other Long-Term benefits
2018	2,330	1,238
2019	2,418	1,036
2020	2,472	1,124
2021	2,466	1,032
Years 2022-2026	12,321	5,024

The participation of the employees included within the post-employment and long-term benefit plan is as follows:

	December 31, 2017	December 31, 2016
Post-employment participants	698	724
Long-term participants	2,964	2,931

Differences between the calculation of pensions under IFRS and Local Standard Decree 2496/2015

Table below shows a summary of the results of the Pension Plan of Corficolombiana:

	Reserve under IFRS	Reserve under local standard
Pension plan	26,192	22,612

The differences are explained by the financial hypothesis used in each of the calculations as shown in the table below:

	<u>Under IFRS</u>	<u>Under local standard</u>
Long-term inflation (increment of pensions)	It is established by taking into account the long-term expectations of the International Monetary Fund and the target inflation of Banco de la Republica. The rate used is 3.50%. For the first year, a rate of 4.50% is used.	The rate is equivalent to the average of adding three (3) times the inflation of year k-1, plus one (1) time the inflation of year k-3 in accordance with Art. 1 of Dec. 2783/2001. This rate is denominated DANE Rate, for 2017 it is equal to 5.7426%
Discount rate	It is established in accordance with the market conditions and according to the governmental bonds TES with cut-off as of October 31, 2017, whose amended durations are approximated to the duration of the obligation, which on average for pension plans was 5.47. Rounding the average of the rate Ask and Bid at nearest 25pb, a rate of 6.25% is obtained.	The nominal discount rate is calculated by considering the real technical interest of 4.8% defined in Art. 1 of Decree 2783/2001 and DANE rate. Likewise, the nominal rate for 2017 is 10.8172%.

4. Risk Management

The activities of the Corporation and its subsidiaries expose it to variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. In addition to the above, the Corporation and its subsidiaries are exposed to operational and legal risks.

The risk assumption philosophy is consistent with the general policies of the management of assets and liabilities and considers aspects such as economic analyses, technical analyses, fundamental analyses and the effect of changes in the banking book and in the treasury book. The Board of Directors is the body responsible for approving the risk appetite and the risk policies of each entity, ensuring the proper organization, monitoring and tracking of the different business lines in which it operates. This responsibility includes setting limits for taking risks in such activities and take organizational measures to limit the risks inherent in each business. The Board of Directors also has the authority to approve the procedures to be followed if the limits are exceeded or if facing strong and unexpected changes in the market. This body is also responsible for analyzing and evaluating both internal and external management and accounting reports.

The Corporation and its financial subsidiaries have an ALCO Committee (Assets & Liabilities Committee) or its equivalent. Its main functions are to establish and recommend policies, objectives, limits and procedures for managing the Treasury business risk to the Board of Directors; monitor the risk management plan to be adopted, which will include operating, monitoring and control procedures of the risk tolerance levels established; monitor limit compliance reports and authorize excesses based on the powers granted by the Board of Directors; implement contingent action procedures in the event of losses at the maximum levels permitted and approve maximum variation values and variable costs for realizing

sensitivities. There is also a Credit Committee; the main function of this Committee is to establish and recommend credit and counterparty quotas for Treasury customers to the Board of Directors.

On the other hand, the function of the Operational Risk Committee is to support the Presidency of Corficolombiana in the adequate identification, measurement, control and monitoring of Corporate Risk. Likewise, from the operating risk view, its functions are to submit the operational risk management policies and standards for approval by the Board of Directors and the Senior Management and carry out monitoring and control activities. Design the operational risk management strategy of the Corporation and lead its implementation. Establish procedures and mechanisms by approving methodologies and systems for the proper management of operational risks; be aware of and understand the operational risks assumed by the Corporation, permanent evaluating risk exposure; participate in the evaluation of whether to participate in new markets and the negotiation of new products; develop strategies for building an organizational operational risk management culture in the Corporation; assess contingency and business continuity plans and establish the resources necessary for their timely implementation.

There is also a Treasury Committee in which two members of the Board of Directors participate. This Committee can make decisions on temporary and atypical situations in the market and/or in the Corporation related to Treasury issues, which cannot wait for the next meeting of the Board of Directors. The Treasury Committee, in the development of the above actions, will have the same powers as the Board of Directors on issues related to treasury and its decisions shall be reported to the Board of Directors. Finally, regarding non-financial subsidiaries, the Board of Directors is ultimately responsible for knowing and understanding the risks assumed by each entity. It defines risk management policies and establishes management strategies so that each management office has clear and accurate risk management lines.

4.1 Market risks

The market risk of the Corporation and its financial subsidiaries is measured through various analyzes carried out using recognized financial risk management techniques in order to control the levels of loss to which the investments in financial assets of the Corporation may be exposed due to the volatility in the markets in which it participates.

The Senior Management and the Board of Directors of the Corporation are actively involved in the management and control of risks by analyzing a reporting protocol established and by conducting various Committees that comprehensively carry out both technical and critical monitoring on the different variables that influence markets both internally and externally, in order to support strategic decisions.

The risks assumed in conducting operations are consistent with the overall business strategy of the Corporation and its financial subsidiaries, these are reflected in a structure of limits for positions in different instruments according to their specific strategy, the depth of the markets in which they operate, the impact on the risk weighted assets, solvency level and balance sheet structure. Based on the above, the following limit scheme is used by Corficolombiana and by every financial affiliate, considering the risk profile of each entity.

Portfolio position. The nominal value of the position in public debt securities is limited taking into consideration the risk appetite of the Corporation as well as its rate characteristics: fixed or variable and the maturity thereof. The position in negotiable securities other than public debt securities is limited considering the same aspects mentioned above and the corresponding issuer quotas.

Currency position - The value of the dollar position (Short or Long) is limited, both intraday and nextday, according to the risk profile of the entity. Positions in other currencies such as Swiss Franc, Japanese Yen, British Pound, Euro, Australian Dollar, Canadian Dollar, Brazilian Real, Mexican Peso and Chilean Peso are also limited, considering the same aspects mentioned above.

Daily P&L: It is the main control tool the middle office has to monitor the treasury activities of the entity. It is also essential in defining the maximum losses authorized by the Board of Directors for each entity.

VaR (Value at Risk): With internal management parametric and nonparametric models based on the VaR methodology, which allow complementing the market risk management through the identification and analysis of variations in factors risk (interest rates, exchange rates and price indices) on the value of the different instruments that make up the portfolios. These models are the JP Morgan *Risk Metrics* and historical simulation. The methodologies used for measuring the VaR are periodically evaluated and subject to backtesting which determine their effectiveness. In addition, the Corporation has tools for stress and/or sensitization testing of portfolios under simulated extreme scenarios.

CVaR (Conditional Value at Risk): It is a trigger for meeting the VaR limit of the entity, since it is a risk measure that takes into account the size of the losses exceeding the VaR. The CVaR is defined as the expected value of the losses exceeding the VaR.

MAT (Management Action Trigger): It is the maximum loss that the Corporation or a subordinate is willing to assume bearing also in mind the equity and solvency capacity of the entity. The MAT limits total losses to the amount of accrued and potential losses (VaR) associated with the current portfolio under normal circumstances. The MAT is equal to 30-day Profits plus VaR.

DV01 (Dollar Value of 1 basis point - Sensitivity of the value to 1 basis point): It is the change in the market value of the fixed income or derivative portfolio resulting from a change of 1 basis point in the discount rate.

These limits are monitored daily and are reported monthly to the Board of Directors of each entity. Similarly, the Corporation and its financial subsidiaries use the standard model for the measurement, control and management of the market risk of interest rates, exchange rates and the stock price in the Treasury and Banking books, in accordance with the requirements of the Finance Superintendence of Colombia contained in Chapter XXI of the Basic Accounting and Financial Circular Letter. These exercises are performed on a daily basis for each risk exposure.

Similarly, the Corporation and its financial subsidiaries have established counterparty and trading quotas per operator for each one of the trading platforms available in the markets in which they operate. Trading limits per operator are allocated to the different hierarchical

levels of the Treasury based on the experience of the officer in the market, in the negotiation of this type of products and in the management of portfolios. Finally, the monitoring of operations includes control over various aspects of negotiations such as the conditions agreed upon, unconventional or off-market transactions, operations with related parties, unusual operations with P&L or with null effect, among others.

According to the standard model, the market value at risk VaR as of December 2017 was equal to \$159,214 million pesos due to the effect of a change of 10.91% basis points in the solvency ratio of the Corporation and its financial subsidiaries. The VaR indicators presented by the Corporation and its financial subsidiaries during the period between January and December 2017 are summarized below:

	Minimum	Average	Maximum	Last
Interest rate	81,334	104,098	144,232	144,232
Exchange rate	656	2,332	4,041	4,041
Shares	9,691	10,601	11,072	10,800
Collective portfolios	116	891	2,669	140
Total VaR	95,312	117,460	159,214	159,214

Finally as a result of the behavior of the VaR, the Market Risk Weighted Assets remained on average around 10.96% of the Total Risk Weighted Assets APR.

On the other hand, the non-financial affiliates of the Corporation do not calculate the standard model of market value at risk VaR, since the regulations of the Finance Superintendence of Colombia do not apply to them. However, each entity evaluates the balance sheet items exposing it to losses associated with the decrease in the value of their investments through its Board of Directors. These investments are not material in the portfolio of the consolidated balance sheet.

4.2. Liquidity risk

The liquidity risk is related to the inability to meet the obligations acquired with customers and counterparties in the financial market at any time, currency and place, for which the Corporation and its financial subsidiaries review their available resources on a daily basis.

The Corporation and its financial subsidiaries manage the liquidity risk according to the standard model established in Chapter VI of the Basic Accounting and Financial Circular Letter issued by the Finance Superintendence of Colombia and in accordance with the rules on the management of liquidity risk through of the basic principles of the Liquidity Risk Management System (SARL), which establishes the minimum prudential parameters to be monitored by entities in their operations to efficiently manage the liquidity risk to which they are exposed.

To measure the liquidity risk, the Corporation and its financial subsidiaries calculated weekly Liquidity Risk Indicators (LRI) in periods of 7, 15 and 30 days, as set out in the standard model of the Finance Superintendence of Colombia and in accordance with internal models. As part of the liquidity risk analysis, the Corporation and its financial subsidiaries measure the volatility of deposits, debt levels, the structure of assets and liabilities, the liquidity of assets, the availability of financing facilities and the overall effectiveness of the management of assets

and liabilities; the above in order to maintain sufficient liquidity (including liquid assets, guarantees and collateral) to deal with possible own or systemic stress scenarios.

The quantification of the funds obtained in the money market is an integral part of the liquidity measurement carried out by the Corporation. On the basis of technical studies, primary and secondary liquidity sources are determined to diversify the sources of the funds, with the purpose of ensuring the stability and adequacy of resources and minimize the concentrations of sources. Once the sources of the funds have been established, these are allocated to different businesses according to the budget, the nature and depth of the markets.

The availability of resources is monitored on a daily basis not only to meet reserve requirements, if applicable, but also to foresee and/or anticipate any changes in the liquidity risk profile of the entity and thus take strategic decisions as appropriate. In this regard, the Corporation has liquidity alert indicators in place that allow establishing and determining the scenario to which it is subject, as well as the strategies to be followed in each case. Such indicators include, among others, the LRI, the concentration levels of deposits, the use of liquidity quotas of the Banco de la Republica, among others.

Through the ALCO Committee or its equivalent in each financial institution, the Senior Management is aware of the liquidity situation of the company and takes the necessary decisions taking into account the high-quality liquid assets to be maintained, the tolerance in the management of liquidity or minimum liquidity, the strategies for lending and raising funds, the policies on the placement of liquidity surplus, changes in the characteristics of existing products and new products, the diversification of the sources of funds to avoid the concentration of deposits in a few investors or savers, hedging strategies, the results of the Corporation and changes in the structure of the balance sheet.

As of December, 2017	Highly liquid (1)	Less than 7 days	8 to 15 days	16 to 30 days	Total less than 30 days	31 to 90 days
ASSETS						
<u>Liquid Assets</u>						
Cash and deposits in banks	1,123	-	-	-	-	-
Money market operations	157	-	3	30	33	162
Tradable investments in debt securities	207	-	-	-	-	4
Tradable investments in equity securities	11	-	-	-	-	-
Investments held to maturity	97	-	-	8	8	-
Other liabilities and creditor contingencies	8	-	-	-	-	-
Subtotal	1,604	-	3	38	41	166
<i>Contractual maturities of assets</i>						
Ordinary interbank funds sold	154	6	-	30	36	162
Contractual maturities of all investments held to maturity - TES	40	-	-	8	8	-
Transfer rights of investments	-	1,889	282	43	2,214	132
Loan portfolio	23	8	6	18	32	53
Derivative financial instruments	-	4	3	4	11	6
Flow of revenues with contractual maturities of assets and off-balance positions - FIVC	217	1,906	292	103	2,301	352
<u>Contractual maturities of liabilities</u>						
Money market operations	110	2,087	283	56	2,425	195

Term deposit certificates	86	30	59	216	306	444
Derivative financial instruments	-	2	2	4	8	7
Financial obligations	-	1	1	2	4	7
Other liabilities	8	-	1	2	4	6
Flow of expenditures with contractual maturities of liabilities and off-balance positions - FEVC	204	2,120	347	280	2,747	660
Net flow (estimated) of non-contractual maturities - FNVNC	-	55	62	117	234	190
Net flow	14	(269)	(118)	(293)	(680)	(497)
Net estimated liquidity requirement - RLN (2)	-	544	118	293	745	497
Partial LRI	-	295%	243%	168%	215%	129%
Accumulated LRI	-	1,060	942	649	858	361

As of December 31, 2016

ASSETS

Liquid Assets

	Highly liquid (1)	Less than 7 days	8 to 15 days	16 to 30 days	Total less than 30 days	31 to 90 days
Cash and deposits in banks	1,222	-	-	-	-	-
Money market operations	149	-	37	93	130	57
Tradable investments in debt securities	397	-	-	4	1	19
Tradable investments in equity securities	8	-	-	-	-	-
Investments held to maturity	90	-	-	7	7	10
Other liabilities and creditor contingencies	22	-	-	-	-	-
Subtotal	1,888	-	37	104	138	86

Contractual maturities of assets

Ordinary interbank funds sold	149	507	-	49	556	58
Contractual maturities of all investments held to maturity - TES	33	-	-	7	7	-
Transfer rights of investments	-	1,972	185	53	2,210	57
Loan portfolio	31	4	7	20	31	64
Derivative financial instruments	-	3	8	8	17	37
Flow of revenues with contractual maturities of assets and off-balance positions - FIVC	213	2,486	198	137	2,821	216

Contractual maturities of liabilities

Money market operations	126	2,346	185	54	2,584	144
Term deposit certificates	76	66	40	238	343	828
Derivative financial instruments	-	10	12	13	35	26
Financial obligations	-	1	1	1	3	16
Other liabilities	22	-	-	3	4	6
Flow of expenditures with contractual maturities of liabilities and off-balance positions - FEVC	224	2,423	238	309	2,969	1,020

Net flow (estimated) of non-contractual maturities – FNVNC						-
Net flow	(11)	(13)	(127)	(334)	(474)	(1,068)
Net estimated liquidity requirement – RLN (2)	-	625	127	334	824	1,068
Partial LRI	0%	302%	251%	174%	229%	100%
Accumulated LRI	-	1,263	1,137	82	1,064	(4)

(1) Liquid Assets are equal to the sum of the assets defined by the Finance Superintendence of Colombia as liquid assets. As established by the LRI Regulatory Model paragraph 2.3 - Annex 1 - Chapter VI of the Basic Financial and Accounting Circular Letter issued by the Finance Superintendence of Colombia.

(2) It corresponds to the net estimated liquidity requirement for the first band or the sum of the three (3) first time bands, as appropriate, as established by the LRI Regulatory Model paragraph 2.4 - Annex 1 - Chapter VI of the Basic Financial and Accounting Circular Letter issued by the Finance Superintendence of Colombia.

The Corporation and its financial subsidiaries carry out statistical analyzes to quantify, with a predetermined confidence level, the stability of deposits with and without contractual maturity. To meet requirements of the Banco de la Republica and the Finance Superintendence of Colombia, the Corporation must maintain cash at hand and in banks as part of the legal reserve required according to the following percentages of average daily deposits in the following accounts:

	Requirement
Deposits and current liabilities on demand and before 30 days	11%
Deposits of official establishments	11%
Deposits and current liabilities after 30 days	11%
Ordinary savings deposits	11%
Term savings deposits	11%
Repurchase commitments of traded investments	11%
Other accounts other than deposits	11%
Term deposit certificates:	
With maturity of less than 540 days	4.5%
With maturity equal to or greater than 540 days	0%

The Corporation has properly complied with this requirement.

Finally, the non-financial affiliates of the Corporation do not calculate the LRI, since the regulations of the Finance Superintendence of Colombia are not applicable to them and their activity does not include receiving funds from the public. Notwithstanding the foregoing, each entity, through its Board of Directors, evaluates the contingency of being unable to timely and efficiently meet the expected, current and future cash flows without affecting the normal course of the financial condition of each entity.

Exposure to liquidity risk

The following is the contractual maturity of liabilities as of December 31, 2017 and 2016:

As of December 31, 2017

DESCRIPTION	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
FINANCIAL LIABILITIES						
AT FAIR VALUE						
Derivative financial instruments	7,974	9,440	1,771	5,336	-	24,521
Subtotal	7,974	9,440	1,771	5,336	-	24,521
AT AMORTIZED COST						
Money market operations	2,610,623	11,652	-	-	-	2,622,275
Customer Deposits	1,149,456	1,559,989	472,572	547,309	365,039	4,094,365
Short-term financial obligations	182,029	627,594	213,638	721,657	2,046,124	3,791,042
Obligations with rediscount entities	130	3,434	10,092	44,585	43,069	101,310
Securities issued	-	-	416,685	432,416	1,511,225	2,360,326
Subtotal	3,942,238	2,202,669	1,112,987	1,745,967	3,965,457	12,969,318
FINANCIAL LIABILITIES	3,950,212	2,212,109	1,114,758	1,751,303	3,965,457	12,993,839

As of December 31, 2016

DESCRIPTION	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
FINANCIAL LIABILITIES						
AT FAIR VALUE						
Derivative financial instruments	38,214	71,391	710	10,473	-	120,788
Subtotal	38,214	71,391	710	10,473	-	120,788
AT AMORTIZED COST						
Money market operations	3,015,209	109,738	-	-	-	3,124,947
Customer Deposits	1,461,973	1,184,353	752,008	105,846	-	3,804,510
Short-term financial obligations	121,437	737,021	676,751	551,895	-	3,722,123
Obligations with rediscount entities	87	2,526	2,308	66,248	-	82,387
Securities issued	-	19,974	-	512,427	-	2,356,272
Subtotal	4,598,706	2,053,612	1,431,067	1,236,416	3,770,438	13,090,239
FINANCIAL LIABILITIES	4,636,920	2,125,003	1,431,777	1,246,889	3,770,438	13,211,027

4.3. Risk of changes in the exchange rate of foreign currency

The Corporation and its subsidiaries operate internationally and are exposed to variations in the exchange rate arising from exposures in several currencies, primarily with respect to United States dollars and Euros. The exchange rate risk arises from the assets and liabilities recognized and the investments made in foreign subsidiaries and branches and in future commercial transactions.

Financial corporations in Colombia are authorized by the Banco de la Republica to trade currencies and maintain balances of foreign currencies in accounts overseas. The laws in Colombia require the Corporation to maintain a daily position in a particular foreign currency determined by the difference between the rights and obligations denominated in foreign currency and recorded off and on the balance sheet on an average of three business days, which cannot exceed twenty percent (20%) of the regulatory capital; likewise, said average of three business days in foreign currency may be negative without exceeding five percent (5%) of the regulatory capital expressed in United States dollars.

It must also meet its own cash position determined by the difference between the assets and liabilities denominated in foreign currencies, excluding derivatives and some investments. The average of three business days of this cash position shall not exceed fifty percent (50%) of the technical capital of the entity; similarly, it cannot be negative. In addition, it must meet the limits of the gross leverage position, which is defined as the sum of the rights and obligations in future contracts denominated in foreign currency: cash transactions denominated in foreign currency with maturity between one banking day (t+1) and three banking days (t+3) and other exchange rate derivatives. The average of three business days of the gross leverage position may not exceed five hundred percent (500%) of the amount of the regulatory capital of the entity.

The determination of the maximum or minimum amount of its own daily position and its own cash position in foreign currency must be established based on the regulatory capital of the Corporation on the last day of the previous second calendar month, translated at the exchange rate set by the Finance Superintendence of Colombia at the end of the immediately preceding month. Substantially all the assets and liabilities in foreign currency of the Corporation and its subsidiaries are maintained in dollars of the United States of America. The following is a breakdown of the assets and liabilities in foreign currency held by the Corporation and its subsidiaries:

As of December 31, 2017

	United States Dollars	Euros	Other Currencies	Total Colombian Pesos
Assets				
Cash and cash equivalents	\$ 242,692	828	1,031	244,551
Asset positions in money market operations	244,906	-	-	244,906
Investments in debt securities at fair value	34,145	-	-	34,145
Investments in debt securities at amortized cost	217,780	-	-	217,780
Investments in equity instruments	1,796	-	-	1,796
Derivative financial instruments	2,012,392	80,894	14,525	2,107,811
Financial assets by loan portfolio at amortized cost	1,665,494	-	-	1,665,494
Other accounts receivable	411,844	-	-	411,844
Total Assets	4,831,049	81,722	15,556	4,928,327
Liabilities				
Customer Deposits	170,023	-	-	170,023
Liability positions in money market operations	302,156	-	-	302,156
Derivative financial instruments	2,124,769	80,219	14,686	2,219,674

Other liabilities	1,884,063	197	-	1,884,260
Total Liabilities	4,481,011	80,416	14,686	4,576,113
Asset Position Net (Liabilities)	\$ 350,038	1,306	870	352,214

As of December 31, 2016

	United States Dollars	Euros	Other Currencies	Total Colombian Pesos
Assets				
Cash and cash equivalents	104,044	1,242	1,058	106,344
Asset positions in money market operations	91,183	-	-	91,183
Investments in debt securities at fair value	46,318	-	-	46,318
Investments in debt securities at amortized cost	210,006	-	-	210,006
Investments in equity instruments	902	-	-	902
Operations with asset derivatives	1,650,955	103,529	5,359	1,759,843
Financial assets by loan portfolio at amortized cost	1,257,376	-	-	1,257,376
Other accounts receivable	22,280	-	-	22,280
Total Assets	3,383,064	104,771	6,417	3,494,252
Liabilities				
Customer Deposits	144,527	-	-	144,527
Liability positions in money market operations	125,546	-	-	125,546
Operations with liability derivatives	399,029	104,478	4,020	507,527
Other liabilities	362,418	52	-	362,470
Total Liabilities	1,031,520	104,530	4,020	1,140,070
Asset Position Net (Liabilities)	2,351,544	241	2,397	2,354,182

The Management of the Corporation has established policies that require its affiliates to manage their exchange rate risk with their functional currency. The subordinate companies are required to economically hedge their exposure to the exchange rate using derivative financial instruments.

The Corporation holds various investments abroad, the net assets of which are exposed to the risk of conversion of their financial statements for consolidation purposes. The exposure arising from the assets in foreign operations is covered mainly by obligations in foreign currency or derivatives.

Hedge accounting

Promigas and its subsidiaries generate revenue from the provision of gas transportation services under a regulated United States dollar rate. To mitigate the exchange rate risk, hedging positions are taken with non-delivery forward contracts to cover expected cash flows based on the income forecasts of each entity and each contract. The company's policy is to

ensure at least the revenues budgeted by the company, neutralizing the currency risk without speculating with the currency. (See note 11).

Item Hedged	First revenues recognized on account of gas transportation, up to the face value of the corresponding forwards in each month. Specifically for the portion determined using the COP-USD ratio, which could reach the total (100%) of the revenues forecasted for a specific period.
Type	Highly probable expected transactions
Currency	USD
Total Period	18 months

The high probability of occurrence of the transaction is based on the financial planning of the company, specifically on the annual budget.

Based on the above information, the exposure to currency risk that will exist in different time horizons is estimated. These figures are backed by customer contracts.

Promigas and its subsidiaries consider that the following is true:

- It is a future transaction anticipated by the company, based on estimates of the determinants of volumes and sales.
- It is an identifiable transaction (or a group of identifiable transactions).
- Transactions share the same risk.
- It is a highly probable transaction.

The status of “highly probable” has been evaluated on the basis of:

- the frequency of similar transactions in the past.
- the financial and operational ability to perform these operations.
- the substantial investment in resources for the particular business activity.
- the extent of the loss or disruption of transactions in the business plans of the entity and the timing of such transactions.

Promigas contractually monetizes monthly invoices with the average TRM for the current month; thus hedging contracts must replicate the TRM of the contract. There is an option through non-delivery forward contracts to take as many forwards as business days in the month, since these are negotiated (settled) daily, with an averaged basis of the revenues to be covered with different strike rates. At the end of the month, the average rate at which revenues are contractually settled is simulated with the sum of the forwards liquidated.

The risk management strategy of Promigas and its subsidiaries consists of adjusting the amount of the hedging instrument periodically, so as to reflect any changes in the hedged position. In order to measure the expected efficiency at the beginning of the hedge and the actual efficiency during the hedging period, the Mark to Market - MtM valuation methodology and the Dollar Offset methodology are used with an efficiency range between 80 and 125 percent. Below is a descriptive summary of the hedging relationships:

Type	Cash flow hedging for a group of highly probable expected transactions (TEAP).
Risk	Risk of change in the magnitude of the cash flows associated with the portion of gas transportation revenues denominated in USD and liquidated in COP, due to

	fluctuations in the COP-USD parity.
Objective	Mitigate the uncertainty with respect to the magnitude of flows of the portion of gas transportation revenues which allows setting the contribution margin for this activity.
Strategy	Successive taking of forwards for the sale of foreign currency in the future to set the exchange rate at which the portion of the flows denominated in foreign currency is expressed. This is carried out for maturities of up to 18 months.

4.4. Price risk

As of December 31, 2017

The Corporation and its subsidiaries have exposures to the price risk of financial assets in listed equity instruments (equity investments) (*Bladex S.A. Class E. Alimentos Derivados de la Caña, AV Villas, Gas Natural E.S.P., Colombia Stock Exchange, Empresa de Energia de Bogota, Mineros S.A., Almacenes Exito S.A. and Bancolombia S.A.*) which are exposed to changes in the prices of such investments; if the closing prices of these investments had been 1% above or below, the lesser or greater impact on the Other Comprehensive Income of the Corporation would be \$7,952 and \$7,211 million pesos before taxes as of December 31, 2017 and 2016, respectively.

4.5. Credit risk

The Corporation, through Leasing Corficolombiana S.A. and Promigas S.A. and its subsidiaries, has exposures to credit risk which is that the debtor will cause a financial loss to the entity for failing to meet its obligations. The exposure of the Corporation to the credit risk is the result of its lending activities and transactions with counterparties that give rise to financial assets.

The Corporation and its financial subsidiaries assume on a daily basis the credit risk on the following fronts: credit activities, including commercial, consumer, leasing and treasury activities, which include interbank transactions and counterparty quotas. Despite being independent business, the nature of the solvency risk of the counterparty is equivalent and therefore the criteria managed are the same.

The principles and rules for the management of credit and credit risk in the Corporation and its subsidiaries are recorded in the credit Manuals of both the Corporation and its subsidiaries with financial intermediation operations such as Leasing Corficolombiana and Banco de Panama Corficolombiana, which have been conceived for both traditional banking and treasury activities. The instructions given by the Credit Risk and Treasury Committee comprise the evaluation criteria used to measure the credit risk.

The highest authority on credit matters is the Board of Directors of the different entities, whether of the parent or the subsidiaries, which guides the general policy and has the power to grant the highest credit levels allowed. In financial intermediation operations, the authority to grant quotas and credits depend on the amount, term and guarantees provided by the customer. The Board of Directors has delegated its lending authority to different levels and officials, who handle credit applications and are responsible for the analysis, monitoring and results thereof.

The Board of Directors approves operation and counterparty quotas for treasury activities. In addition, the probability of default, the recovery rate of the collateral received, the term of the

loans and the concentration by economic sectors are taken into account, among other considerations, for the approval of loans.

The financial subsidiaries of the Corporation have a Credit Risk Management System (SARC) in place, which is administered by the Risk Management at corporate level and by the Risk and Strategic Planning Management in the case of Leasing Corficolombiana, which contemplates, among others, the design, implementation and evaluation of the risk policies and tools defined by the Risk Committee and the Board of Directors.

The effect of the counterparty credit risk is included for the valuation of operations with derivative financial instruments through the incorporation of the Credit Value Adjustment CVA and Debit Value Adjustment DVA.

For commercial loans, Leasing Corficolombiana specifically evaluates its portfolio every month according to the sample selected depending on the payment behavior, the behavior in the financial sector and the evolution of financial indicators. To review the entire portfolio, a semiannual analysis and evaluation of the customer in the portfolio is carried out on the basis of up-to-date financial information of customers, compliance with the terms agreed upon, the guarantees received and inquiries made with risk agencies; based on this information customers are classified in categories according to their risk levels (AA-A-BB-B-CC-D and E) and according to the reference model provided by the Finance Superintendence of Colombia.

The companies Promigas, Surtigas and CDO, leveraging on their network of users, have developed a business line known as Non-Banking Financing (hereinafter referred to as FNB), which purpose is to allow customers to finance various products such as construction materials, home appliances, gas appliances, furniture and fixtures, computer equipment, education loans and school supplies, among others. Due to this financing service the companies receive a commission that is equal to the difference between the market price of the good funded and the amount paid to the supplier, plus interest charged monthly to the user due to the financing of the good acquired. The model of provisions for incurred losses is based on taking the portfolio by maturity and getting the percentage of recoveries (the percentage of the value of a maturity that does not pass to the next maturity in the following month), and the average percentage for the last 2 years is calculated for greater precision in the final step of the calculation of the provision. (See note 14).

Portfolio concentration

Under the credit risk management, the concentration risk is continuously monitored by analyzing the portfolio, reviewing exposure limits and establishing credit policies. As of December 31, 2016 and 2017, the entity does not hold risk concentrations greater than 1% for individual borrowers. The following is the distribution of the consolidated loan portfolio under various categories for different reporting dates:

By economic use

As of December 31, 2017

Sector	Commercial	Consumption	Financial Leasing	Total	Part. %
Agriculture, cattle farming, forestry and fishing	22,264	-	13,328	35,592	2%

Sector	Commercial	Consumption	Financial Leasing	Total	Part. %
Mining and quarrying	7,657	-	5,159	12,816	1%
Manufacturing industries	60,022	-	66,247	126,269	5%
Supply of power, gas, steam and air conditioning	3,363	-	5,669	9,032	0%
Supply of water; drainage of wastewater, waste management and decontamination	817	-	5,139	5,956	0%
Construction	34,044	-	43,420	77,464	3%
Wholesale and retail trade; repair of motor vehicles and motor bikes	109,694	-	73,070	182,764	8%
Transport and storage	53,590	-	1,395,742	1,449,332	59%
Lodging and food service activities	16,377	-	3,900	20,277	1%
Information and communications	5,220	-	6,805	12,025	1%
Financial and insurance activities	12,113	-	898	13,011	1%
Real estate activities	7,845	10,684	25,624	44,153	2%
Professional, scientific and technical activities	13,521	-	21,469	34,990	1%
Administrative and support service activities	6,893	-	24,097	30,990	1%
Public and defense administration; social security plans of mandatory affiliation	628	-	8	636	0%
Teaching	2,621	-	549	3,170	0%
Human health care and social welfare activities	9,272	-	21,031	30,303	1%
Artistic, recreational and entertainment activities	491	-	3,279	3,770	0%
Other service activities	3,773	-	2,913	6,686	0%
Employees: Natural persons or unsettled successions, whose revenues come from the employment, legal or regulatory relationship or originating therefrom	10,613	318,984	6,447	336,044	14%
Capital landlords only for Natural Persons: natural persons or unsettled successions, whose revenues come from interest, discounts, benefits, earnings, profits and in general, anything representing investment returns or a difference between the invested amount or the amount provided and the future amount and/or amount paid to the provider or investor	8,155	-	4,026	12,181	0%
Total by economic use	388,973	329,668	1,728,820	2,447,461	100%

As of December 31, 2016

Sector	Commercial	Consumption	Financial Leasing	Total	Part. %
Agriculture, cattle farming, forestry and fishing	23,425	-	18,003	41,428	1.7%
Mining and quarrying	3,154	-	6,059	9,213	0.4%
Manufacturing industries	66,463	-	61,951	128,414	5.3%
Supply of power, gas, steam and air conditioning	2,138	-	7,059	9,197	0.4%
Supply of water; drainage of wastewater, waste management and decontamination	1,503	-	2,697	4,200	0.2%
Construction	38,891	-	42,770	81,661	3.4%
Wholesale and retail trade; repair of motor vehicles and motor bikes	140,967	-	73,110	214,077	8.9%

Sector	Commercial	Consumption	Financial Leasing	Total	Part. %
Transport and storage	68,475	-	1,293,420	1,361,895	56.3%
Lodging and food service activities	18,363	-	3,971	22,334	0.9%
Information and communications	11,410	-	7,615	19,025	0.8%
Financial and insurance activities	10,335	-	1,793	12,128	0.5%
Real estate activities	12,573	11,138	24,065	47,776	2.0%
Professional, scientific and technical activities	26,590	-	19,396	45,986	1.9%
Administrative and support service activities	17,299	-	21,099	38,398	1.6%
Public and defense administration; social security plans of mandatory affiliation	998	-	12	1,010	0.0%
Teaching	3,447	-	451	3,898	0.2%
Human health care and social welfare activities	6,976	-	27,654	34,630	1.4%
Artistic, recreational and entertainment activities	1,947	-	4,667	6,614	0.3%
Other service activities	2,751	-	3,955	6,706	0.3%
Activities of the homes as employers; non-differentiated activities of the homes as producers of goods and services for their own use	647	-	-	647	0.0%
Activities of organizations and extraterritorial bodies	3,004	-	-	3,004	0.1%
Employees: Natural persons or unsettled successions, whose revenues come from the employment, legal or regulatory relationship or originating therefrom	11,797	292,584	7,127	311,508	12.9%
Capital landlords only for Natural Persons: natural persons or unsettled successions, whose revenues come from interest, discounts, benefits, earnings, profits and in general, anything representing investment returns or a difference between the invested amount or the amount provided and the future amount and/or amount paid to the provider or investor	9,441	-	5,327	14,768	0.6%
Total by economic use	482,594	303,722	1,632,201	2,418,517	100.0%

By geographic location

As of December 31, 2017

	Commercial	Consumption	Financial Leasing	Total
Colombia	387,606	329,668	1,728,820	2,446,094
Guatemala	1,367	-	-	1,367
Total	388,973	329,668	1,728,820	2,447,461

As of December 31, 2016

	Commercial	Consumption	Financial Leasing	Total
Colombia	480,939	303,722	1,632,201	2,416,862
Panama	1,655	-	-	1,655
Total	482,594	303,722	1,632,201	2,418,517

By maturity

As of December 31, 2017

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Commercial	68,380	105,917	60,126	154,553	388,973
Consumption	192,208	102,801	34,345	314	329,668
Financial Leasing	220,846	304,928	368,849	834,197	1,728,820
Total portfolio	481,434	513,646	463,317	989,064	2,447,461

As of December 31, 2016

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Commercial	5,919	203,876	97,577	175,222	482,594
Consumption	175,525	85,328	26,821	16,048	303,722
Financial Leasing	77,317	243,904	390,902	920,078	1,632,201
Total portfolio	258,761	533,108	515,300	1,111,348	2,418,517

By type of guarantee:

As of December 31, 2017

	Commercial	Consumption	Financial Leasing	Total
Unsecured loans	121,620	-	-	121,620
Collateralized loans:	198,492	1,043	4,207	203,742
<i>Other real estate</i>	198,492	1,043	4,207	203,742
Other assets	68,861	328,625	1,724,613	2,122,099
Total	388,973	329,668	1,728,820	2,447,461

As of December 31, 2016

	Commercial	Consumption	Financial Leasing	Total
Unsecured loans	148,832	-	-	148,832
Collateralized loans:	215,798	141	2,491	218,430
<i>Other real estate</i>	215,798	141	2,491	218,430
Other assets	117,964	303,581	1,629,710	2,051,255
Total	482,594	303,722	1,632,201	2,418,517

By currency:

As of December 31, 2017

Legal currency	Foreign currency	Total
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	Legal currency	Foreign currency	Total
Commercial	365,859	23,114	388,973
Consumption	329,668	-	329,668
Financial Leasing	617,279	1,111,541	1,728,820
Total portfolio	1,312,806	1,134,655	2,447,461

As of December 31, 2016

	Legal currency	Foreign currency	Total
Commercial	451,807	30,787	482,594
Consumption	303,722	-	303,722
Financial Leasing	405,612	1,226,589	1,632,201
Total portfolio	1,161,141	1,257,376	2,418,517

By credit quality:

As of December 31, 2017

	Commercial	Consumption	Financial Leasing	Total
A	331,105	285,976	1,668,174	2,285,255
B	27,571	30,494	29,920	87,985
C	12,762	7,518	17,185	37,465
D	14,961	4,420	12,214	31,595
E	2,574	1,260	1,327	5,161
Total	388,973	329,668	1,728,820	2,447,461

As of December 31, 2016

	Commercial	Consumption	Financial Leasing	Total
A	434,630	268,844	1,586,700	2,290,174
B	18,141	24,156	22,488	64,765
C	13,261	5,664	11,124	30,049
D	13,304	4,236	9,917	27,457
E	3,258	822	1,992	6,072
Total	482,594	303,722	1,632,201	2,418,517

The subordinate Leasing Corficolombiana carries out loan restructuring activities for customers in financial distress. Such restructurings consist mainly of extending the deadline initially agreed upon, providing grace periods for payments, decreases in interest rates, forgiveness of a portion of the debt or a combination of the above conditions.

4.6 Price risk of biological assets

The Corporation and its subsidiaries obtain a portion of their revenue from the sale of biological assets from African palm and rubber plantations. Sometimes, the Group uses

derivative financial instruments to hedge the risks of variation in the dollar-peso exchange rate and changes in international market prices. The Group does not produce African palm oil from Malaysia nor sell its product on the Rotterdam market; however, the Group has determined that its African palm oil is highly correlated with the palm oil prices traded in those two places.

During 2017 excluding the effect of hedging activities, if the average price of technically specified rubber (TSR20) would have been 5% higher or lower, with all other variables kept constant, the earnings before taxes for the period for the companies would have been as follows:

Rubber plantations

Rubber plantations	Reference price for TSR20 USD/Ton	Change in year closing price	Biological asset value	Effect on earnings before taxes	Effect on net equity
December 2017	1,620	5%	25,366	5,084	135,548
	1,543	-	24,158	3,876	134,738
	1,466	-5%	22,950	2,668	133,929
December 2016	1,907	5%	15,335	10,642	92,301
	1,817	-	14,604	9,912	91,812
	1,726	-5%	13,874	9,182	91,322

African palm plantations

African palm plantations	Reference CPO price USD/ton	Change in year closing price	Biological asset value	Effect on earnings before taxes	Effect on net equity
December 2017	683	5%	27,883	9,423	139,661
	651	-	26,555	8,096	138,772
	618	-5%	25,228	6,768	137,882
December 2016	637	5%	23,956	8,547	132,612
	606	-	22,815	7,406	131,847
	576	-5%	21,675	6,265	131,083

4.7 Operational risk

The Company has an Operational Risk Management System (SARO) in place that has been implemented in accordance with the guidelines established in Chapter XXIII of the Basic Accounting and Financial Circular (External Circular 100/1995) issued by the Finance Superintendence of Colombia. This system is managed by the risk area of the entity.

This system features:

1. An Operational Risk Policy Manual approved by the Board of Directors whereby the guidelines under which the SARO was developed in the Corporation are established
2. Procedure manuals describing how the Operational Risk Policies are met

3. Organizational Structure: the Board of Directors, the Legal Representative, the Risk Management and the Operational Risk Unit participate in the SARO
4. Operational Risk Matrices in which risks and controls are identified and rated, matrices of inherent and residual risk are constructed per process and are periodically updated for changes in processes or due to evidence obtained in the record of Operational Risk Events
5. A database consisting of the record of Operational Risk Events that have taken place since August 2007
6. Expense accounts where the events that generated the loss due to Operational Risk are accounted
7. Periodic reports to the Senior Management, the Operational Risk Committee and the Board of Directors
8. Annual training to officers
9. Biannual audit on the effectiveness of the system by the Comptroller and the External Auditor

The following are some figures of Corficolombiana:

As of December 31, 2017 there are operational risk matrices for the 23 processes of the Entity, in which 401 risks and 867 controls have been identified. As of December 31, 2016 there were operational risk matrices for the 23 processes of the Entity, in which 396 risks and 863 controls have been identified.

The evolution of the figures resulting from each update of the operational risk profile of the Corporation is shown below:

	December 31, 2017	December 31, 2016
Processes	23	23
Risks	401	396
Controls	867	863

The losses for operational risk events in 2017 correspond to two (2) operational risk events of type A amounting to \$94.7. The largest corresponds to:

Payment of default interests on Bank Guarantee paid with two days of delay. The interests paid were \$93.9.

172 events of type B (without impact in results) and 83 events type C (quasi losses) complete the record.

According to the classification of the 257 events registered as of December 31, 2017, the risk factor with greatest participation was Technological Platform with 103 events (40%), Processes with 70 events (27%), Human Resources with 59 events (23%), External Events with 23 events (9%) and Infrastructure with 2 (1%).

Operational risk losses recorded in 2016 correspond to fourteen (14) operational risk events Type A amounting to \$159.7. The most representative correspond to:

4X1000 assumed by the entity on CDT of \$25,000 cancelled by mistake and whose instruction of the customer was to renew. The loss assumed for the mistake was \$100.

Result of the audit visit of payments of social security and payroll taxes of 2011 and 2013, the UGPP for interpretation arguments according to Resolution RDC291 on June 10, 2016, ordered the Company to pay the sum of \$14 million as sanction due to inaccuracy.

171 events type B (without impact on results) and 91 events type C (quasi losses) complete the record.

Financial subsidiaries

Since the financial subsidiaries belong to the financial sector, they have also implemented an Operational Risk Management System (SARO) according to the guidelines of the Corporation and the provisions of chapter XXIII of the Basic Accounting and Financial Circular Letter (External Circular 100/1995) issued by the Finance Superintendence for the Colombian case and Agreement 007/2011 of the Superintendence of Banks of Panama for the case of Banco Corficolombiana Panama.

The most common risks in these entities are associated with failures in human resources, processes and technology. To mitigate the above, controls have been implemented aimed at improving the skills of the personnel involved in the performance of processes, controls associated with authorization levels, segregation of duties, reconciliations, management reviews and exception reporting, among others. In the case of technology, controls associated with the protection of data have been implemented such as daily backups, data masking and access control, segregation protocols for environments and procedures to control the software versions, control over access matrix for applications and data, the monitoring of databases and privileged users. These entities also have contingency plans that allow them to operate in exceptional conditions due to incidents or events that impact the normal development of activities.

Non-financial subsidiaries

The Company is working with non-financial affiliates in the implementation of an Operational Risk Management System (SARO), following the guidelines set out in chapter XXIII of the Basic Accounting and Financial Circular Letter (External Circular 100/1995) issued by the Finance Superintendence of Colombia tailored to the needs of each affiliate.

The following is a summary of the findings made in these entities, grouped by sector:

Power and Gas Sector

The most significant operational risks in the sector are associated with those impacting the revenues of the entity. These include the following among others: invoicing errors, delays in invoicing time and attacks on fuel pipelines. To mitigate the first two, review, authorization and monitoring controls have been implemented for the invoicing and collection process to ensure the timeliness thereof. The third risk described involves internal and external monitoring and control strategies.

Infrastructure Sector

This sector includes road concessions and operational risks are associated with failures in bidding processes, failures in the construction process of the road network that is part of the concession, management failures regarding the road under concession and failures in the toll collection process.

For failures that may take place in bidding processes, the Company, through its group of lawyers, monitors compliance with the bidding terms and that the required documents are sent. In the construction process, controls are applied to ensure that procurement processes meet the standards defined by the entity and the Corporation and controls are implemented to ensure that the construction is carried out within the time and budget defined.

In the management of roads under concessions, controls are applied to ensure that the road network is maintained in optimum conditions of use and safety.

An electronic toll system has been implemented for the collection of tolls, whereby the vehicular circulation and toll collection process is optimized.

Agro-industrial sector

In the agro-industrial sector, the most significant operational risks are associated with those affecting animal production and agricultural processes. In agricultural processes the following may be mentioned: failure in the use of productive land, failures in planting processes, failures in pest control processes, failures in irrigation processes, failures in collection processes, failures in storage and distribution processes. To mitigate the above, technological renovation plans, land use planning, land preparation and fertilization, programmed irrigation systems, water quality controls, monitoring of pest control plans, adaptation of collection and drying silos, environmental control and monitoring of delivery plans of products have been implemented, among others.

In animal production, operational risks are associated with failures in animal reproduction processes and failures in animal care. In the first, controls associated with the selection of animals to be reproduced and with the monitoring of the reproductive process are applied. In animal care, controls are applied to mitigate the illness or death of animals.

Hospitality Sector

In the entities belonging to the hospitality sector, specifically Hoteles Estelar, hired the services of a firm to provide support in the process of identifying operational risks. This activity is being monitored by the Corporation and was implemented during 2017.

4.8 Risk of money laundering and terrorist financing

The risk of money laundering and terrorist financing is understood as the possibility of economic loss or reputation damage that could be suffered by the Entity if it were used directly or through its operations as a money laundering instrument or for the channeling of resources towards the execution of terrorist activities, or when assets from such activities are intended to be concealed through the Entity.

In view of the above, and in recognition of its commitment to fight criminal organizations, the Company, in compliance with the provisions of the Financial Superintendence of Colombia,

adopted the necessary mechanisms to avoid the occurrence of events that may adversely affect its results and its business of capital investments portfolio and financial intermediation.

Thus, the entity has policies, procedures and mechanisms for the administration of the possible risk situations to which it is exposed, derived from its participation as capital investor in subordinated entities.

Financial Affiliates

The Money Laundering and Terrorism Financing Risk Management Systems of the financial entities subordinated to Corficolombiana have similar characteristics with the SARLAFT of the Company in order to eliminate possible arbitration between them (External Basic Legal Circular issued by the Finance Superintendence of Colombia Part I - Title IV - Chapter IV paragraph 4). In fact, Fiduciaria Corficolombiana and Leasing Corficolombiana have implemented the SARLAFT according to the guidelines given by the Company and the provisions of said External Circular Letter and Decree 663/1993 of the Financial System Organic Statute. Similarly, in the case of the affiliate Banco Corficolombiana (Panama), this entity has a Money Laundering and Terrorism Financing Risk Prevention and Control System in place, in compliance with the instructions of the Company and the provisions of Agreement 12/2005 of the Superintendence of Banks of that country, and Law 23 of April 27, 2015 issued by the National Assembly of the Republic of Panama.

The aforementioned money laundering and terrorism financing management systems are composed of steps, elements, policies, procedures and methodologies for the identification, evaluation, control and monitoring of these risks, as well as know your customer mechanisms and mechanisms for operations, the monitoring of transactions, the training of staff and collaboration with the authorities. The entities have a Compliance Officer appointed by the Board of Directors, who is responsible for evaluating prevention and control mechanisms in order to establish their effectiveness and the fulfillment thereof by all officials of the entities.

Non-Financial Affiliates

On the other hand, the Company has developed activities for the promotion of anti-money laundering and anti-terrorism financing systems for companies in the real sector that make up its portfolio of equity investments, in order to prevent contagion risks associated with money laundering and terrorism financing that may arise from these companies. During 2017, Corficolombiana continued carrying out monitoring and support activities for these companies to implement the money laundering and terrorism financing risk control and self-management system (LAFT) established by means of External Circular Letter number 100-00005 issued in 2014 by the Superintendence of Companies, which established that monitored entities which gross income in the previous year was equal to or greater than 160,000 minimum legal salaries were subject to it.

The self-management and control system designed by the Superintendence of Companies is of special interest to the partners of business companies, since it provides standards and guidelines for them to design and implement policies, procedures, methodologies and structures that operate in an integrated manner to prevent the occurrence of money laundering or terrorism financing events, which are harmful to the economy of the country and threaten the competitiveness, productivity and sustainability of companies.

The portfolio companies of Corficolombiana that meet the parameters of the Circular Letter issued by the Superintendence of Companies have complied with the requirements of the regulations and have structured prevention systems within due legal term.

4.9 Financial Customer Service System SAC

Due to the relevance this matter has for Corficolombiana, we continue strengthening and optimizing the Financial Customer Service System SAC, looking to consolidate an environment of attention, respect and service to the financial consumers including those in disability situation, adopting systems for the appropriate supply of information, strengthening the procedures for the attention of complaints, requests and claims, implementing mechanisms for the protection of their rights, as well as the financial education thereof in a comprehensive manner for everyone.

Training and Instruction to Officials

In order to consolidate an environment of respect and provide tools allowing the improvement of service experience for the disabled financial consumer, the virtual training module was developed in 2017 through e-learning platform, addressed in this opportunity to the comprehensive culture and assistance.

In addition, all the officers received the publication developed by Asobancaria: "*Cultura incluyente en el sector bancario*", a portfolio promoting actions helping to ensure an adequate assistance to the disabled financial consumer and which provides practical tools to reinforce our commitment with the construction and equality of a "Bank for everyone" by providing basic knowledge of the comprehensive language, comprehensive treatment and types of disability.

On the other part, publications are periodically sent to all employees of the Corporation with educational contents including topics such as financial security, rights of financial consumers, pension schemes in Colombia, adequate handling of debts, among others.

In the SAC section in the Intranet the material supporting the training activities is updated in order to make it available for permanent consultation of the employees of the entity, whenever they wanted to deepen or learn about the programs of Financial Education of AMV and Asobancaria.

Financial Education

The entity develops financial education plans and programs aimed at financial consumers through forums, seminars and participation in conferences with guest speakers. These activities were carried out both directly and through collaboration agreements with third parties.

The Company, as a member of the committee of Financial Education of Asobancaria has been participating in the financial education program "Know More With You" in agreement with German Foundation, with the participation of the officers of the financial entities on financial planning, savings, credit and financial services issues.

During the first semester of 2017, a diagnosis was made through the “Financimetro”, a tool measuring knowledge and aptitudes, before and after the program, through a survey and the date of the “credit score” of the participants.

In Corficolombiana, 80 officers participated which received free access for six months to “Midatacredito.com”.

Likewise, a report with the performance of the officers, recommendations, strengths to be preserved and weaknesses to work on was received.

As part of the results contained in this report, it was disclosed that Corficolombiana is in the Acceptable range with 697.46 points of 1,000; the Credit topic block had the best performance while the budget topic was the worst in the evaluation.

In addition, the Corporation participated in the campaign *Navidad Segura* through the publication of graphic pieces in the digital billboards during December for the knowledge of all its employees.

Financial Consumer Information

Information channels such as the web page, customer service line and personalized attention points have been provided so our financial consumers have true, sufficient, clear and timely information in order to make informed decisions with regard to the negotiations to be performed with our entity.

Therefore, in compliance with the regulatory requirements in that regard, the document “Information on products and services” is regularly updated. This document describes the portfolio of products offered by Corficolombiana, its general characteristics, fees, tax charges, as well as the models of the adherence agreements used, the existence and functions of the Financial Consumer Ombudsman and the other general information and of Corficolombiana considered of interest for the public.

In addition, the section “*Avoid frauds*” is periodically updated to warn and inform the citizenship that unethical persons are offering credit services in the national territory in a fraudulent manner by using the name of Corporacion Financiera Colombiana S.A. through flyers, press notices, emails, web sites and social media.

Financial Consumer Ombudsman

In development of clear constitutional and legal principles, Corficolombiana S.A. has the service of the Financial Consumer Ombudsman, which may be used by all our financial consumers. Pursuant to the appointment made by the General Shareholders Assembly, the post is currently held by Defensoria del Cliente laguado Giraldo Ltda., firm that appointed Mr. Dario Languado Monsalve as main ombudsman, who has duly taken possession before the Finance Superintendence of Colombia.

As informed to the financial consumers through other means, including the website of Corficolombiana S.A., the ombudsman office constitutes a protection mechanism for the rights of the financial consumers, to which it has been given, among other functions, that of acting as spokesperson before the institution and attending autonomously, objectively and for free the

claims emerging due to the development or performance of the services it provides or of the products offered. Likewise, it is responsible for processing the conciliation requests of the controversies emerging between the financial consumer and the Company.

Within the fundamental purposes of the Corporation we have the permanent satisfaction of its consumers, tasks in which all the personnel has been involved, which is fully aware of its importance, which allowed that there were no complaints or claims filed through this protection mechanism during 2017.

4.10 Legal Risk

The Legal Division supports the legal risk management in the operations carried out by the Company. In particular, it defines and establishes the procedures necessary to properly control the legal risks of operations, ensuring that these comply with the legal regulations and that are documented, and analyzes and draws-up the contracts that support the operations performed by different business units. In relation to legal situations with respect to the Company, it should be noted that, in the cases required, the respective contingencies have been adequately provisioned.

The Company, in accordance with the instructions given in External Circular Letter 066/2001 issued by the Finance Superintendence of Colombia and IAS 37 Provisions, contingent assets and contingent liabilities, assessed the claims of the proceedings against it based on the analyses and opinions of the attorneys in charge.

With regard to copyrights, the Company only uses software or licenses legally acquired and it does not allow the use of software other than that officially approved on its computers. Note 28 to these financial statements describes the most significant processes against the Company and its most significant subsidiaries.

4.11 Anticorruption Risk

In compliance with the provisions issued by the Finance Superintendence of Colombia and the guidelines of the shareholders and the Board of Directors, Corficolombiana has an ANTIFRAUD AND ANTICORRUPTION POLICY in place which main objectives are to ensure the development of coordinated actions by the entity and its related parties to prevent fraudulent events, promote transparency in the administration, deter misconducts and encourage the commitment of its stakeholders against fraud and corruption. The policy contains guidelines and rules mainly related to gifts, entertainment and gratuities, use of intermediaries, recruitment, donations, sponsorships, mergers and acquisitions and internal control measures over the financial reporting process; it also includes guidelines on high-risk accounts, the assessment of the system by internal auditors and compliance with the external regulatory framework, especially the Foreign Corrupt Practices Act FCPA of the United States of America.

During 2017 training was given in these matters to officials of the first line of defense of the Company and its financial affiliates to strengthen their knowledge and skills, as a mechanism for preventing the risk of fraud and corruption.

5. Estimate of Fair Value

The fair value of financial assets and liabilities that are traded in active markets (such as financial assets in debt and equity securities and derivatives actively traded on stock exchanges or interbank markets) are based on market prices at the close of trading at the year-end date. If a significant variation in fair value occurs after the close of trading until midnight on the year-end date, valuation techniques are used to determine fair value.

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

The fair value of financial assets and liabilities that are not traded in an active market is determined by valuation techniques. The Company and subsidiaries use a variety of methods and assumes that they are based on existing market conditions as of the end of each year. Valuation techniques used for non-standardized financial instruments such as options, currency swaps and over-the-counter derivatives include the use of similar recent transactions on equal terms, references to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants who make the most use of market data and rely as little as possible on entity-specific data.

The fair value of the biological assets has been determined based on the valuations made by internal professionals with sufficient experience in valuations of this kind using cash flow models discounted from the corresponding biological asset. The cash flow expected of the total life of the plantation is determined using the market price and the estimated productive life of the plants, net of maintenance and harvest costs and of any cost required to keep the plant during its production period. The estimated productive life of the plants is estimated depending on the age of the plant, its location and the kind of product. The market value of the product of the plants is very sensitive to the current market prices of each product. Therefore, to make a more reasonable price, the following information is considered:

- a. Historical series of market prices, calculating an average at least of the last ten years
- b. Price projections, adjusted in the future years for the estimated value of inflation in the United States

The Company and subsidiaries may use internally developed models for instruments that do not have active markets. Such models are generally based on generally accepted valuation methods and techniques in the financial sector. Valuation models are mainly used to value financial instruments of unlisted equity, debt securities and other debt instruments for which the markets were or have been inactive during the financial period. Some inputs from these models may not be observable in the market and therefore are estimated on the basis of assumptions.

The output (result) of a model is always an estimate or approximation of a value that cannot be determined with certainty, and the valuation techniques used may not fully reflect all factors relevant to the Company's positions. Therefore, the valuations are adjusted, if necessary, to allow additional factors, including model risks, liquidity risks and counterparty risks.

The fair value hierarchy has the following levels:

- Tier 1 entries are quoted (unadjusted) prices in active markets for assets or liabilities identical to those that the entity can access at the measurement date.
- Tier 2 entries are entries other than quoted prices included in Tier 1 that are observable for the asset or liability, either directly or indirectly.
- Tier 3 entries are unobservable inputs for the asset or liability.

Tiers in the fair value hierarchy within which the measurement of fair value is classified as a whole are determined based on the entry of the lowest tier that is significant for the measurement of fair value as a whole. For this purpose, the importance of an entry is evaluated in relation to the measurement of the fair value as a whole. If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, such measurement is a Tier 3 measurement. The assessment of the importance of a particular input to the measurement of fair value in its entirety requires judgment, taking specific asset or liability factors into consideration.

The determination of what "observable" is requires significant judgment by the Company; the Company considers market data that are already available, that are regularly distributed or updated, that are reliable and verifiable, that do not have proprietary data, and which are provided by independent sources actively involved in the market in question as observable data.

In Colombia there are no markets quoting prices of Collective Investment Funds. The value of the contributions in a collective investment fund is measured through units that represent shares of the equity value of the respective fund. The value of the unit, which represents the yields that have been obtained, is determined by the total amount of resources contributed more or less the returns of the investments that make up the portfolio. These yields are given by the valuation of the assets invested by the fund and therefore the hierarchy tier is determined by the tiers of these assets. The Company and subsidiaries have investments in collective investment plans which investment portfolios are composed only of fixed-income securities that are valued by means of the prices published by INFOVALMER. Therefore, since these assets are Tier 1 or Tier 2, the Company has classified its investments in collective investment funds as Tier 2.

(a) Measurements of fair value on a recurring basis

Measurements of fair value on recurring basis are those that IFRS require or permit in the statement of financial position at the end of each accounting period. The following table analyzes, within the fair value hierarchy, the assets and liabilities (by class) of the Company and subsidiaries measured at fair value at December 31, 2017 and 2016 on a recurring basis.

As of December 31, 2017

Assets	Tier 1	Tier 2	Tier 3	Total
Assets at fair value through profit and loss				
Debt instruments				
Treasury securities TES issued by the Government	803,110	8,914	-	812,024
Bonds from other entities of the Colombian Government	1,613	10,282	-	11,896

Corporate bonds	9,102	257,004	-	266,106
Equity instruments				
Equity funds and collective portfolios	9,207	-	430,963	440,170
Corporate shares	659,795	117,704	152,581	930,080
Derivative financial instruments				
Forward agreements	-	28,173	-	28,173
Swap agreements	-	6,151	-	6,151
Other derivatives	-	6,949	-	6,949
Other financial assets				
Financial assets under concession	-	-	2,282,611	2,282,611
Non-financial assets				
Investment properties	-	-	161,015	161,015
Biological assets	-	-	60,011	60,011
Total assets measured at fair value on a recurring basis	1,482,827	435,177	3,087,181	5,005,185

Liabilities

Liabilities at fair value through profit and loss

Derivative financial instruments

Forwards agreements	-	13,417	-	13,417
Swaps agreements	-	7,229	-	7,229
Other derivatives	-	3,875	-	3,875
Total liabilities measures at fair value on a recurring basis	-	24,521	-	24,521

As of December 31, 2016

Assets	Tier 1	Tier 2	Tier 3	Total
Assets at fair value through profit and loss				
Debt instruments				
Treasury securities TES issued by the Government	520,888	23,500	-	544,388
Bonds from other entities of the Colombian Government	330	14,680	-	15,010
Financial entities bonds	-	377,603	-	377,603
Corporate bonds	-	2,503	-	2,503
Equity instruments				
Equity funds and collective portfolios	1,628	538,346	-	539,974
Corporate shares	593,744	147,436	53,937	795,117
Derivative financial instruments				
Forward agreements	-	91,076	-	91,076
Swap agreements	-	8,274	-	8,274
Other derivatives	-	2,305	-	2,305
Other financial assets				
Financial assets under concession	-	-	2,072,675	2,072,675
Non-financial assets				

Investment properties	-	-	148,160	148,160
Biological assets	-	-	41,729	41,729
Total assets measured at fair value on a recurring basis	1,116,690	1,205,723	2,316,501	4,638,814

Liabilities

Liabilities at fair value through profit and loss

Derivative financial instruments

Forwards agreements	-	105,436	-	105,436
Swaps agreements	-	11,314	-	11,314
Other derivatives	-	4,038	-	4,038
Total liabilities measures at fair value on a recurring basis	-	120,788	-	120,788

Investments whose amounts are based on market prices quoted in active markets and are therefore classified in Tier 1, include active equity investments on stock exchanges, exchange traded derivatives, treasury bonds of the US government and certain non-US sovereign obligations. The Collective Portfolio is not adjusted to the quoted price for these instruments.

The financial instruments listed in markets not considered active but valued according to quoted market prices, broker quotes or alternative pricing sources supported by observable inputs, are classified as Tier 2. This includes investment grade corporate bonds and certain non-US sovereign obligations, investments in stock exchanges and OTC derivatives. As Tier 2 investments include positions not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity or non-transferability, which are generally based on available market information.

Investments classified in Tier 3 have significant unobservable inputs given they are infrequently traded. Tier 3 instruments include private investments and corporate debt securities. As observable prices are not available for these securities, the Collective Portfolio has used valuation techniques to determine fair value.

Note 3 summarizes the valuation techniques and inputs used in measuring the fair value for each Tier 2 and 3 measurement.

The reconciliation of the movement of fair value measurements classified in Tier 3 is shown below:

	Equity instruments	Financial assets under concession agreements	Biological assets	Investment properties
Balance as of December 31, 2015	73,949	1,891,692	24,633	132,322
Adjustment of valuation with effect on results	-	180,983	14,645	8,486
Adjustment of valuation with effect in OCI	3,129	-	-	-
Additions	100	-	3,784	13,134
Transfers	-	-	-	(5,753)

Sales/withdrawals	(23,241)	-	(1,333)	(29)
Balance as of December 31, 2016	53,937	2,072,675	41,729	148,160
Adjustment of valuation with effect on results	-	209,936	13,503	8,839
Adjustment of valuation with effect in OCI	65,383	-	-	-
Additions	-	-	5,580	7,252
Transfers	-	-	-	(3,143)
Sales/withdrawals	-	-	(801)	(93)
Balance as of December 31, 2017	119,320	2,282,611	60,011	161,015

The management of Corficolombiana and its subsidiaries revise Tier 3 valuations periodically. The appropriateness of the inputs used in the valuation model and the result of the valuation is analyzed using various standardized assessment methods and techniques of the industry. In selecting the most appropriate valuation model, the committee conducts the tests again and considers which are the results of the model that are historically more accurate with the actual market transactions.

The following table shows the transfers between tiers for the period ended on December 31, 2017.

	Tier 1 to Tier 2	Tier 2 to Tier 1
Assets		
Corporate bonds	31,075	-
Total Assets	31,075	-

The transfer from Tier 2 to Tier 1 occurred in some securities in Dollars issued by Ecopetrol and Grupo Aval.

(b.) Fair value of assets not measured at fair value

The following is a comparison of the carrying value and the fair value of each class of financial instruments that the Company presents in its financial statements:

	December 31, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
ASSETS				
Cash and cash equivalents	1,971,359	1,971,359	1,797,895	1,797,895
Money market operations	317,275	317,275	655,958	6,55,958
Debt instruments				
At fair value with changes in results	1,090,025	1,090,025	939,504	939,504
At amortized cost	1,805,470	1,804,232	2,144,304	2,124,623
Equity instruments				
At fair value with changes in results	519,899	519,899	541,562	541,562
At fair value through other comprehensive income	850,351	850,351	793,529	793,529
Derivative financial instruments	41,273	41,273	101,655	101,655
Financial instruments under concession				
At fair value with changes in results	2,282,611	2,282,611	2,072,675	2,072,675

At amortized cost	786,018	786,018	203,241	203,241
Loan portfolio	2,447,461	2,447,461	2,418,517	2,418,517
Accounts receivable	1,379,101	1,379,101	1,515,349	1,515,349
Total Assets	13,490,843	13,489,605	13,184,189	13,164,508

LIABILITIES

Deposits and current liabilities	4,094,365	4,054,284	3,846,783	3,893,607
Money market operations	2,622,275	2,622,275	3,124,947	3,124,947
Financial obligations	3,892,351	3,617,718	3,804,510	3,565,923
Derivatives	24,521	24,521	120,788	120,788
Securities issued	2,360,326	2,360,326	2,356,272	2,356,272
Accounts payable	1,334,273	1,334,273	992,968	993,074
Total Liabilities	14,328,111	14,013,397	12,246,268	14,054,611

The fair value of assets and liabilities is determined on the basis of the amount at which the instrument could be exchanged in a transaction between interested parties, other than a forced or liquidated sale. The following methods and hypotheses were used to estimate fair values:

- For cash and cash equivalents, active and passive monetary operations, accounts receivable, accounts payable and other current liabilities, the fair value corresponds to the carrying amount due in large part to the short-term maturities of these instruments.
- Long-term loans receivable with fixed and variable interest rates are assessed by the Company and its subsidiaries depending on parameters such as interest rates, the risk factors specific to the entity, the creditworthiness of the individual customer and the risk characteristics of the project financed. Based on this assessment, the impairment for losses incurred on these accounts receivable is included. As of December 31, 2017 and 2016, the carrying amounts of these receivables net of impairment are not materially different from their fair values.
- The fair value of the securities issued is based on quoted prices on the closing date. The fair value of unlisted instruments, bank loans and other financial liabilities, finance lease debentures and other non-current financial liabilities are estimated by discounting future cash flows using rates currently available for debts which conditions, credit risk and the remaining maturities are similar.
- The financial assets under concession measured at amortized cost are not likely to be measured at fair value since each concession contract has its own characteristics and are not comparable in the market for the risks assumed by the concessionaire and the specific conditions of the contracts.

6. Combination of business

On November 20, 2017, Iridium Colombia Concesiones Viarias S.A.S. and Dragados IBE Sucursal Colombia agreed with Corficolombiana through two subordinated vehicles, Prodepacifico S.A.S. and Prodevimar S.A.S., the purchase of the entirety of the shares and the assignment of the subordinated debts owned by Iridium in the companies Concesionaria Vial del Pacifico S.A.S. and Concesionaria Nueva Via al Mar S.A.S. (hereinafter Covipacifico and Covimar, or the concessionaires), and the consortium participations owned by Dragados in

Conpacifico and Conmulalo. This operation was performed because the Company was interested in acquiring the control of these concessionaires.

Covipacifico is a concessionaire that intends to conduct the studies, designs, financing, construction, operation and maintenance of the Pacifico I connection highway concession, of the project Autopistas para la prosperidad. Covimar is a concessionaire that intends to conduct the studies, designs, financing, construction, operation and maintenance of the project Mulalo – Loboguerrero. Conpacifico and Conmulalo (CML) are the construction consortia of each of these concessionaires by means of which the construction of the works related to the concession agreements is developed.

Prior to the acquisition, Corficolombiana, by means of Estudios y Proyectos del Sol S.A.S. owned a direct interest in Covipacifico (49.90%), Covimar (60%), Conpacifico (51%) and CML (51%). In accordance with the shareholders' agreements and/or consortium agreements, Episol does not exercise control on such investments, but a joint control given that the relevant decisions are unanimously made by the parties that share control (Episol and Iridium and/or Dragados).

Iridium's interest in the concessionaires was 40%, an interest that was acquired by Prodepacifico and Prodevimar in an operation executed on December 12, 2017, date on which the following two conditions precedent were met:

- i. With regard to the financing documents, the written consent of the local and international creditors to conduct the Purchase or, failing this, the written cancellation of the commitments of willingness as well as the termination thereof; and
- ii. The ANI's authorization set forth in section 19.5(b) of the General Part of the Concession Agreements for the acquisition of the Shares on Sale by the Buyers.

The price of the assets on sale was convened at \$166,205 for the acquisition of the capital stock and the subordinated debt provided by Iridium in the concessionaires, plus \$18,931, corresponding to the fund contributions made by Dragados to the Construction Consortia. The entirety of the price of the assets on sale was paid on the closing date of the transaction.

The price paid for the acquisition of the shares and the assignment of the subordinated debts was allocated as follows:

- The value paid for the subordinated debt corresponds to the balance due of the capital plus interests accrued and capitalized until the closing date of the transaction.
- The purchase value of the capital stock corresponds to the difference between the total value paid less the value paid for the subordinated debt acquired.

Taking into account that the additional shareholding interest is acquired through other subordinated vehicles of the Company and Episol which is the entity of the group that has the previous investment does not acquire control, the Company acquired the indirect control of Covipacifico and Covimar, because the Company owns 100% of the shareholding interest in Episol, Covipacifico and Covimar.

A. Assignment in benefit of the issuance of subordinated debts by Iridium

According to the IFRS 9 Financial Instruments, in the initial recognition a financial asset (assignment in benefit of the account receivable) is measured at its fair value, which is usually the transaction prices less incremental costs [IFRS 9.5.1.1]. In the case of the analyzed transaction, it corresponds to the transaction price, given that no incremental costs were generated. As they are reciprocal operations with subordinates as of December 31, 2017, the balances of the subordinated debts have been removed in the consolidation process. Below is the value paid for the assignment of the subordinated debts:

	Covipacifico	Covimar	Total
Principal	52,244	41,480	93,724
Interests	13,074	5,030	18,103
Subordinated Debt	65,318	46,510	111,828

B. Control acquisition over Covipacifico and Covimar

Because the Company held an interest prior to the control acquisition on Covipacifico and Covimar through Episol S.A.S., under IFRS 3 Business Combinations, this transaction is considered as a combination by stages and for its recognition, the acquisition method has been applied, which requires as follows:

- Recognition and measurement at fair value of the identifiable assets, the liabilities and the non-controlling interests.
- Identify any difference between:
 - the sum of the transferred consideration, any non-controlling interest in the acquired party and, in a business combination by stages, the fair value of the date of acquisition of the acquirer's interest previously held in the equity of the acquired party.

The difference will be generally recognized as capital gain. The impairment of the recognized capital gain value must be proven at least annually, and whenever there is any indication that it may be impaired, such as required by IAS 36 Impairment of Assets Value.

Transferred consideration

The value of purchase of the capital stock corresponds to the difference between the total value paid less the value paid for the acquired subordinated debt. In the case of the price allocated for the acquisition of Covimar, it was taken into account that this concessionaire as of the closing date of the transaction is in a preconstruction stage due to the procurement of the Environmental License, the value that it would be willing to pay for this entity is similar to the carrying value of its equity. Therefore, the highest value paid is allocated in its entirety to Covipacifico. No contingent considerations were agreed in the transaction.

Pursuant to IFRS 3 Business Combinations, when an entity acquires control on an investment and previously has a shareholding non-controlling interest, it is considered as a combination by stages and therefore, the acquirer again measures its previous interest in the equity of the acquired party at its fair value on the date of acquisition and recognizes the loss or profit listed in the income statement, in order to reflect the economic effect of the control acquisition through the recognition of such loss or profit.

Determination of the fair value of the previously held interest

In order to determine the fair value of the previously held interest, the transaction price was taken as reference under IFRS 13 Fair Value Measurement, because the value of the purchase includes the control acquisition premium. Below is the profit or loss to be recognized, related to the adjustment at fair value of the interest held prior to the control acquisition:

	Covipacífico	Covimar	Total
Purchase multiple (shareholding interest)	224.38x	1.00x	
Previous shareholding interest	49.90%	60.00%	
Previous Interest's Fair Value	57,021	13,066	70,087
(-) Carrying value investment	(254)	(13,066)	(13,320)
Profit/(Loss) Control Acquisition	56,767	-	56,767

Net assets acquired and assumed

In order to establish the fair value of all the assets and liabilities identifiable as of the date of their acquisition, the nature of said assets and liabilities were analyzed as well as their measurement in books, in this sense, given that the main assets and liabilities are submitted in financial instruments measured at their fair value and given that the remaining assets and liabilities are current, no significant adjustments were made.

The fair value of the assets and liabilities identifiable of the acquirer as of the acquisition date is the following:

	Covipacífico	Covimar
Assets		
Cash and cash equivalents	110,833	59,676
Measured at fair value with income	20,054	29,294
Accounts receivable, net	4,905	1,665
Financial assets on concession agreements	282,186	97,613
Properties, plant and equipment	2,011	361
Current and deferred tax asset	1,840	69
Other assets, net	3,059	53
Total Assets	424,888	188,731
Liabilities and Equity		
Financial obligations	125,631	152
Accounts payable	220,818	163,295
Employee Benefits	239	114
Current tax liability	440	3,497
Other Liabilities	77,514	-
Total Liabilities	424,642	167,058
Total Net Acquired Assets	246	21,673

The above were the amounts recognized from the date of acquisition for each of the assets acquired and the liabilities assumed.

Due to the nature of the assets and liabilities of the concessionaires, there is no significant difference between its carrying value and its fair value. The above, given that the entity is in a preconstruction stage.

- For the accounts receivable and early payments, the accounts payable and the other current liabilities at fair value correspond to the carrying value due to the short-term expirations of these instruments.
- The financial assets granted measured at amortized cost are not subject to be measured at their fair value given that each concession agreement has its own characteristics and are not comparable in the market for the risks assumed by the concessionaire nor are the specific conditions of the agreement.
- The fixed assets mostly correspond to office equipment, furniture and fixtures, computer equipment and vehicles as well as intangible assets (software licenses), therefore, no significant difference is expected with its market value under the conditions of use of each asset.
- The carrying value of the subordinated debt as well as the long-term liabilities is not expected to significantly differ from its fair value given that the interest rate convened is in market terms as well as any other credit conditions and they are recent liabilities.
- No intangible assets that can be recognized separate from the capital gain are identified such as trademarks, list of customers or agreements other than the concession agreement. The purpose of the concessionaire only corresponds to the performance of the concession agreement.
- Due to the fact that for the case of Covipacifico, the financial closing was cancelled because the banks of Grupo Aval had a significant interest and when consolidating the entity, the credit limit to entities of the same group was exceeded and in addition, taking into account that the interests of the subordinated debt taken for the value paid for the assignment is reciprocal with the balances of the concessionaires and given that there are no other significant transactions between November 30 and December 11, 2017, date on which the control is taken, it has been decided to adjust the carrying value of the assets and liabilities of the concessionaires acquired as of November 30, 2017 including the two aforementioned transactions.

From the date on which the interest in the concessionaires was acquired, the investment was accounted by using the equity accounting method, the difference between the investment cost and the part of the entity in the net fair value of the identifiable assets and liabilities of the investee company was accounted as a capital gain.

Determination of the capital gain obtained

The capital gain recognized is an asset representing the future economic benefits derived from the assets acquired in the combination of businesses that are not individually identified and recognized separately. In the case of the capital gain generated in the acquisition of

Covipacífico, it is not subject to be allocated a cash generating unit beyond the business related to the performance of the concession agreement of the concessionaire.

The capital gain will be subject to an impairment verification every year.

The value of the capital gain is impaired when its carrying amount exceeds its recoverable amount, which is the highest between its fair value less the costs of disposal and its value in use. It is not always necessary to determine the fair value of the asset less the costs of disposal and its value in use. If any of those amounts exceeds the carrying amount of the asset, it would not suffer an impairment of its value and it would not be necessary to estimate the other amount. For tax purposes, the recognized capital gain will not be tax deductible.

Iridium Acquisition interest	Covipacífico	Covimar	Total
Investments Purchase value	45,708	8,669	54,377
Fair Value of Previous Interest	57,021	13,066	70,087
Transferred consideration	102,729	21,735	124,464
(-) Net Acquired Asset Value	(404)	(21,735)	(22,139)
(+) Non-controlling interest	51	-	51
Total Acquired Interest	89.90%	100.00%	-
Goodwill	102,376	-	102,376

C. Acquisition of investments in joint operations (Conpacífico - Conmulalo)

Under IFRS 11, for the measurement of the acquisition of the consortium interest in the construction consortia, the acquisition method was applied under IFRS 3 Business Combinations.

The transferred consideration for the acquisition of the consortium interest of Dragados on the construction consortia was determined as follows:

- \$18,931 million pesos corresponding to the fund contributions made by Dragados to the Construction Consortium.
- (plus) \$7,516 contributions not transferred by Dragados to the Construction Consortium, according to those called to contributions made by the consortia.
- (plus) \$5,571 of the contributions not transferred by Dragados to the Construction Consortium, assumed by Episol, as the case may be.
- (plus) \$2,196 of withholding taxes.

Net assets acquired and assumed

This operation represents in the consortia a consortium replacement and therefore there is no net asset acquired. However, in order to establish the fair value of all the identifiable assets and liabilities as of the date of their acquisition, the natures of such assets and liabilities were analyzed as well as their measurement in their books, in this sense, given that their main assets and liabilities are represented in financial instruments measured at their fair value and given that their remaining assets and liabilities are current, no significant adjustments were made.

Due to the nature of the assets and liabilities of the construction consortia, there is no significant difference between the carrying value and their fair value. The above, given that the entity is in a preconstruction stage.

- For the accounts receivable and early payments, the accounts payable and the other current liabilities, the fair value corresponds to the carrying value due to the short-term expirations of these instruments.
- The fixed assets mostly correspond to machinery, office equipment, furniture and fixtures, computer equipment and vehicles as well as intangible assets (software licenses), therefore, no significant difference is expected with their market value under the conditions of use of each asset, due to the fact that they have been acquired in the last year.
- The deferred liabilities correspond to the withholdings to the agreements that are performed to the subcontractors as well as the revenues invoiced to the concessionaire above the value of the revenues recognized by degree of progress according to the annex to the construction agreement signed with the concessionaire.
- No intangible assets that can be recognized separate from the capital gain are identified such as trademarks, list of customers or agreements other than the concession agreement. The purpose of the concessionaire only corresponds to the performance of the concession agreement.

Determination of the capital gain obtained

The capital gain was determined as the subtraction of the value of the consideration transferred less the fair value of the net acquired assets. The value of the capital gain obtained is submitted below:

	Conpacífico	Conmulalo	Total
Value paid	20,264	(1,333)	18,931
(+) Contributions payable	20,275	1,788	22,063
(+) Profits	2,316	-	2,316
(-) Anticipated profits	-	(2,500)	(2,500)
(-) Withholdings assigned	(1,575)	(621)	(2,196)
Net acquired interest	49%	49%	
Net profit of the operation	(752)		(752)

The negative capital gain was recognized as a gain resulting in income on the acquisition date.

7. Cash and cash equivalents

The balances of cash and cash equivalents as of December 31, 2017 and 2016 comprise the following:

	December 31, 2017	December 31, 2016
In Colombian pesos		
Cash on hand	3,198	1,473

In the Central Bank of Colombia	96,477	154,923
Banks and other on demand financial entities	1,264,314	1,478,862
Subtotal in Colombian pesos	1,363,989	1,635,258
In foreign currency		
Cash on hand	121	-
Banks and other on demand financial entities	141,010	105,324
Subtotal in foreign currency	141,131	108,324
Restricted cash (1)	466,239	56,313
TOTAL CASH AND CASH EQUIVALENTS	1,971,359	1,797,895
Restricted cash	466,239	56,313
Unrestricted cash	1,505,120	1,741,582
TOTAL CASH AND CASH EQUIVALENTS	1,971,359	1,797,895

The following is the breakdown of the credit quality of cash and cash equivalents held in banking entities except for restricted cash:

	December 31, 2017	December 31, 2016
Credit quality		
Central Bank of Colombia	96,477	154,923
Investment grade	1,405,256	1,583,119
Speculative	68	1,956
Without rating	3,319	1,584
Total	1,505,120	1,741,582

(1) The balance comprising the restricted cash items is detailed below:

Entity	Detail on cash restrictions	December 31, 2017
In Colombian Pesos		
Gas Comprimido del Peru S.A.	<i>Corresponds to cash held as security in case of contingencies for offices and for computer equipment</i>	178
Concesionaria Vial Andina S.A.S.	<i>Bank accounts of the ANI which is the only one who can order expenses</i>	3,269
	<i>Toll collection (future compensation of concession and Fosevi payment)</i>	95,440
	<i>Funds to conduct the Inspection and Supervision of the project under APP010 agreement</i>	1,353
	<i>Values that are transferred from the returns of the other subaccounts in favor of the ANI and that will be used to compensate minor works according to the contents under APP010 agreement</i>	425
Concesionaria Vial del Oriente S.A.S.	<i>Account for the mediator's fund if the use of this figure in an eventual conciliation is necessary)</i>	483,
	<i>For contractual Support of the project (corresponds to the funding performed by Covioriente to pay to whoever provides contractual support of the project as convened in the APP010 agreement)</i>	937
	<i>Environmental compensation and properties</i>	153,193

Surtidora de Gas del Caribe S.A. E.S.P.	<i>Seizures</i>	1,661
Orion Call Center S.A.S.	<i>Cash on hand basis for collection</i>	12
Concesionaria Nueva Via al Mar S.A.S.	<i>Corresponds to the accounts of the concession agreement as project accounts that are contractually restricted for exclusive use and specific allocation for which they were created (Purchase of properties) and it also corresponds to the moneys deposited by the National Infrastructure Agency for future terms</i>	88,111
Concesionaria Vial del Pacifico S.A.S.	<i>Set forth in agreement and management of the ANI, it is only used when the ANI authorizes it.</i>	119,524
TOTAL COLOMBIAN PESOS		464,586
In foreign currency		
Banco Corficolombiana Panama S.A.	<i>Security deposits / Banco Central de Panama / Asobancarias / Severance funds</i>	800
	<i>Called to margin</i>	853
TOTAL FOREIGN CURRENCY		1,653
TOTAL RESTRICTED CASH (Special Funds)		466,239

The amounts of cash and cash equivalents are not subject to restrictions or limitations except for the previous comment. To date, there are no reconciliatory items with average seniority and there is no evidence of impairment.

8. Active positions in money market operations

The following is the detail of the money market operations as of December 31, 2017 and 2016:

	<u>December 31, 2017</u>		<u>December 31, 2016</u>	
Operations agreed between 0 and 90 days				
In Colombian pesos				
Transfer Commitments on Investments in Simultaneous Operations	226,512	4.49%	564,775	6.47%
Subtotal Colombian pesos	226,512		564,775	
Operations agreed greater than 90 days				
Foreign currency				
Ordinary interbank funds sold	90,763	2.82%	91,183	2.78%
Subtotal Foreign Currency	90,763		91,183	
Total Monetary Operations	317,275		655,958	

The previous amounts are not subject to restrictions or limitations.

9. Investments measured at fair value

The balance of investments in debt instruments and equity instruments at fair value as of December 31, 2017 and 2016 comprises the following:

Investments measured at fair value with changes in income

	December 31, 2017	December 31, 2016
DEBT INSTRUMENTS		
In Colombian pesos		
Issued or secured by the Colombian Government	812,442	542,308
Issued or secured by other entities of the Colombian Government	2	2,058
Issued by national issuers	254,464	356,798
Total debt instruments in Colombian pesos	1,066,908	901,164
In foreign currency		
Issued or secured by Foreign Governments or other foreign issuers	23,117	38,340
Total debt instruments in foreign currency	23,117	38,340
TOTAL DEBT INSTRUMENTS	1,090,025	939,504
EQUITY INSTRUMENTS		
In Colombian pesos		
Corporate shares	572	1,588
Funds and Collective Portfolios (1)	519,327	539,974
TOTAL EQUITY INSTRUMENTS	519,899	541,582
TOTAL INVESTMENTS AT FAIR VALUE WITH CHANGES IN INCOME	1,609,924	1,481,066

(1) The Company and Subsidiaries have financial instruments represented in collective portfolios with restriction of use related to the contributions made by the National Infrastructure Agency as well as the collection of tolls that can only be used when all the conditions established on the concession agreements are met. As of December 31, 2017 these amounts increase to \$43,629 million pesos (\$72,884 million in 2016).

Investments measured at fair value with changes in other comprehensive income OCI

	December 31, 2017	December 31, 2016
In Colombian pesos		
Corporate shares	849,470	792,627
In foreign currency		
Corporate shares	881	902
TOTAL EQUITY INSTRUMENTS AT FAIR VALUE WITH CHANGES IN OCI	850,351	793,529
TOTAL INVESTMENTS MEASURED AT FAIR VALUE	2,460,275	2,274,595

The investments at fair value are valued based on observable market data, which also reflects the credit risk associated with the asset. The equity instruments designated at fair value with changes in Other Comprehensive Income are those that the Company and subsidiaries deem strategic or with commitment to stability.

	Participation	December 31, 2017	December 31, 2016
Acueducto y Alcantarillado de Barranquilla S.A. E.S.P.	0.66%	4,480	486
Aeropuerto de Barranquilla S.A.	9.76%	0	33
Agrogranadera del Valle del Cauca S.A. in liquidation	0.25%	4	4
Alimentos derivados de la Caña (Adecaña)	0.32%	37	37
Banco Colpatría Multibanca Colpatría S.A.	0.00%	0	0
Banco Comercial AV Villas S.A.	0.03%	415	417
Bolsa de Valores de Colombia S.A. (1)	5.98%	39,448	15,604
C.I. Confecciones y Textiles Internacionales S.A. in liquidation	0.00%	0	0
Camara de Compensacion de Divisas de Colombia S.A.	3.19%	917	593
Camara de Compensacion de la Bolsa Mercantil de Colombia S.A. - In liquidation	-	0	0

Camara de Riesgo Central de Contraparte de Colombia S.A.	1.09%	427	405
Cci Marketplace S.A.	7.22%	139	138
Centro de Eventos Exposiciones del Caribe SAS	-	0	100
Centro de Eventos Valle del Pacifico S.A.	0.95%	645	640
Centro de Ferias Exposiciones y Convenciones de Bucaramanga S.A.	2.80%	480	480
Ciudad Chipichape S.A.	2.85%	0	0
Cooperativa Serviarroz S.A.	1.20%	19	19
Deposito Central de Valores – Deceval S.A. (1)	-	0	11,510
Edubar S.A.	0.91%	25	25
Empresa de Energia de Bogota S.A. E.S.P.	3.56%	659,208	592,142
Etemit Colombiana S.A.	0.00%	0	0
Fiduciaria Bogota S.A.	0.00%	0	0
Fiduciaria de Occidente S.A.	4.44%	26,885	13,660
Fogansa S.A. IN LIQUIDATION	-	0	90
Fondo Ganadero del Tolima S.A.	0.62%	28	22
Forestal Monterrey Colombia S.A.S. (2)	-	0	28,394
Forestal Monterrey GWR S.A.S.	20.00%	13	13
Fundacion para El Desarrollo del Caribe	-	0	0
Gas Natural S.A. E.S.P.	1.68%	49,998	74,624
Gestion y Contacto S.A.	1.02%	127	127
Granabastos S.A.	0.22%	0	6
Inducarbon Ltda.	0.09%	0	0
Industria Colombo Andina Inca S.A.	0.67%	19	19
Inmobiliaria Selecta – Triple A Barranquilla	3.52%	25	25
Grupo Argos S.A.	0.00%	7	6
Inversiones Sides S.A.S.	0.38%	61	61
Mineros S.A.	8.54%	56,546	42,913
Nutresa S.A.	0.00%	8	7
Petroleos Nacionales S.A.	19.54%	0	0
Proenergia Internacional	0.00%	0	0
Promesa S.A.	0.28%	4	4
Promisan S.A. In liquidation	0.05%	26	26
Promotora de Inversiones Ruitoque S.A. (Promision)	4.34%	541	541
Promotora Industrial Comercial y Turistica de Sevilla S.A.	0.27%	0	0
Promotora la Alborada S.A.	1.83%	0	0
Promotora la Enseñanza S.A.	4.27%	113	113
Reforestadora de Santa Rosalia	0.00%	0	0
Semillas e Insumos Algodoneros	10.78%	64	64
Sociedad Aeroportuaria de la Costa S.A.	11.55%	8,528	9,046
Sociedad Hotelera Cien Internacional S.A. (Hotel Bogota Royal)	0.39%	58	58
Soforestal S.A.	0.18%	175	175
Textiles el Espinal S.A.	8.56%	0	0
In Colombian pesos		849,470	792,627
Bladex S.A.	0.01%	165	183
Corporacion Andina de Fomento	0.00%	716	719
Petroleos Colombianos Limited	0.05%	0	0
In foreign currency		881	902
Total equity instruments measured at fair value and through OCI		850,351	793,529

(1) Bolsa de Valores de Colombia and Deposito Centralizado de Valores de Colombia (Deceval S.A.) signed an agreement to perform a corporate integration through the exchange of shares of the two entities. On March 24, 2017, the General Extraordinary Shareholders Assembly of Deceval S.A., approved the amendment to the bylaws and remove the preemptive right of the shares. Moreover, on March 28, 2017, the General Ordinary Shareholders' Assembly of Bolsa de Valores de Colombia S.A. approved the issuance of ordinary shares of the company. On December 14, 2017, the Finance Superintendence of Colombia approved the closing of the operation of integration, defining that per each share of Deceval S.A., the holders will receive 33,500 shares of Bolsa de Valores de Colombia

S.A. On the same day, the shareholders were instructed to conduct the process of recognition of purchase of the shares of Bolsa de Valores de Colombia S.A.

The Company and subsidiaries recognized revenues for the exchange of shares, resulting from the comparison of the net carrying value prior to the exchange of shares in Deceval S.A. and the recognition of the shares acquired from Bolsa de Valores de Colombia at market value.

(2) On December 2017, Pizano S.A. transferred to Global Timber Spainy Forestal Monterrey Colombia S.A.S. 14.52% of the interest owned in Forestal Monterrey Colombia S.A.S. as a result of the transaction agreement signed for a value of \$8,491.

The variations in fair values fundamentally reflect variations in the market conditions mainly due to changes in the interest rates and other economic conditions of the country where the investment is made. As of December 31, 2017 and 2016, the entity deems that there have been no important losses in the fair value of the financial assets for conditions of credit risk impairment of those assets.

The following investments have impairment at closing:

Investment	December 31, 2017			December 31, 2016		
	Investment value	Impairment	Fair value	Investment value	Impairment	Fair value
Petroleos Colombianos Limited	149	(149)	-	149	(149)	-
Petroleos Nacionales S.A.	125	(125)	-	125	(125)	-
Promotora de Inversiones Ruitoque S.A. (Promision)	676	(135)	541	676	(135)	541
Promotora la Alborada S.A.	316	(316)	-	316	(316)	-
Promotora la Enseñanza S.A.	183	(70)	113	183	(70)	113
Reforestadora de Santa Rosalia	12	(12)	-	12	(12)	-
Textiles el Espinal S.A.	2,399	(2,399)	-	2,399	(2,399)	-
Total impaired investments	3,860	(3,206)	654	3,860	(3,206)	654

The detail of the credit quality determined by independent rating risk agents of the main counterparties in debt securities and investments in equity instruments in which the Company has financial assets at fair value is submitted below.

Credit quality	December 31, 2017	December 31, 2016
Investment grade	1,706,718	1,623,310
No rating or unavailable rating	753,557	651,285
Total	2,460,275	2,274,595

10. Investments measured at amortized cost

As of December 31, 2017 and 2016, the balance of the investments measured at amortized cost comprises the following:

	December 31, 2017	December 31, 2016
DEBT INSTRUMENTS		
In Colombian pesos		
Issued or secured by the Colombian Government	1,452,115	1,792,724
Issued or secured by other entities of the Colombian Government	91,964	94,346
Issued by national issuers	20,295	47,228
TOTAL DEBT INSTRUMENTS IN COLOMBIAN PESOS	1,564,374	1,934,298
In foreign currency		

Issued or secured by Foreign Governments	106,997	83,713
Issued by foreign issuers	60,082	39,954
Other securities	74,017	86,339
TOTAL DEBT INSTRUMENTS IN FOREIGN CURRENCY	241,096	210,006
TOTAL INVESTMENTS MEASURED AT AMORTIZED COST	1,805,470	2,144,304

The detail of the credit quality determined by independent risk agents of major counterparties in debt instruments in which the Company holds financial assets at amortized cost is as follows:

Credit quality	December 31, 2017	December 31, 2016
Issued and secured by Governments (National or Foreign)	1,619,740	1,945,812
Investment grade	122,436	175,746
Without rating or unavailable rating	63,294	22,476
Total	1,805,470	2,144,304

As of December 31, 2017 and 2016, the Company and its subsidiaries had no indications of impairment in debt instruments. Currently there are no restrictions related to Financial Assets in Investments.

11. Derivative Financial Instruments

Below is the breakdown of the derivatives as of December 31, 2017 and 2016:

a. Derivative financial instruments

The following table shows the fair values at the end of the period of forwards, futures and interest rate and foreign currency swaps to which the Company and its subsidiaries are parties.

Derivative financial instruments include the following:

Item	December 31, 2017		December 31, 2016	
	Notional amount	Fair value	Notional amount	Fair value
ASSETS				
Speculative derivatives financial instruments				
Forwards for purchase of foreign currency	704,964	2,508	895,473	4,249
Forwards for sale of foreign currency	2,472,253	24,976	3,555,650	78,023
Forwards for purchase of securities	283,000	349	-	-
Forwards for sale of securities	820,070	340	-	-
SUBTOTAL	4,280,287	28,173	4,451,123	82,272
Interest rate swaps	250,200	661	253,548	1,099
Cross currency swaps	2,103,720	5,490	2,000,097	7,179
SUBTOTAL	2,353,920	6,151	2,253,645	8,278
Futures for purchase of foreign currency	2,976	-	4,502	-
SUBTOTAL	2,976	-	4,502	-
Currency call options	358,378	1,795	197,568	2,305
SUBTOTAL	358,378	1,795	197,568	2,305
Total speculative derivatives financial instruments	6,995,561	36,119	6,906,838	92,865
Hedging derivatives financial instruments				
Forwards for sale of foreign currency	393,143	5,153	677,104	8,800

Forwards for purchase of foreign currency	22,328	1		
Total hedging derivatives financial instruments	415,471	5,154	677,104	8,800
TOTAL ASSETS	7,411,032	41,273	7,583,942	101,655
LIABILITIES				
Forwards for purchase of foreign currency	822,973	8,028	2,491,360	55,858
Forwards for sale of foreign currency	1,153,863	4,498	1,195,063	46,245
Forwards for purchase of securities	356,000	167	120,000	(19)
Forwards for sale of securities	804,200	724	1,015,000	1,511
SUBTOTAL	3,137,036	13,417	4,821,423	103,595
Interest rate swaps	273,392	1,144	116,721	487
Cross currency swaps	1,645,841	6,085	2,260,705	10,827
SUBTOTAL	1,919,233	7,229	2,377,426	11,314
Futures for sale of foreign currency	2,982	-	4,502	-
SUBTOTAL	2,982	-	4,502	-
Currency put options	151,289	3,710	105,823	4,038
SUBTOTAL	151,289	3,710	105,823	4,038
Cash operations	11,938	-	-	-
Total speculative derivatives financial instruments	5,222,478	24,356	7,309,174	118,947
Hedging derivatives financial instruments				
Forwards for purchase of foreign currency	24,080	119	26,953	510
Forwards for sale of foreign currency	5,790	46	355,055	1,331
Total hedging derivative financial instruments	29,870	165	382,008	1,841
TOTAL LIABILITIES	5,252,348	24,521	7,691,182	120,788
NET POSITION	2,158,684	16,752	(107,240)	(19,133)

The following is a summary of the credit quality of the active derivative financial instruments:

Credit quality	December 31, 2017	December 31, 2016
Investment grade	18,195	69,677
Without rating or unavailable rating	23,078	31,978
Total	41,273	101,655

The following is a summary of the credit quality of the passive derivative financial instruments:

Credit quality	December 31, 2017	December 31, 2016
Investment grade	15,083	72,844
Without rating or unavailable rating	9,438	47,944
Total	24,521	120,788

The derivative financial instruments contracted by the Company and subsidiaries are generally traded in organized markets and with customers of the financial, real and offshore sector. Derivative instruments have favorable net (asset) or unfavorable (liability) conditions as a result of fluctuations in foreign exchange rates and in the interest rate market or in other variables related to their conditions. The cumulative amount of the fair values of assets and liabilities in derivative instruments may vary significantly from time to time.

As of December 31, 2017 the Company and subsidiaries have obligations to deliver financial instruments in debt securities or foreign currency with a fair value of \$24,521 (\$120,788 as of December 31, 2016) and receive financial instruments or foreign currency with a fair value of \$41,273 (\$101,655 as of December 31, 2016).

Currently there are no restrictions related to derivative financial instruments.

b. Coverage of cash flows of foreign debt securities issued:

The fair values of the derivatives designated as cash flow hedges are as follows:

Item	December 31, 2017		December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
Type of instrument:				
Currency Forwards	5,154	165	8,800	1,841

The periods of time in which hedged cash flows are expected to occur and affect the comprehensive income for the year are as follows:

	Within 1 year	1-5 years	More than 5 years
December 31, 2017	4,986	-	-
December 31, 2016	6,959	-	-

During year 2017, net earnings amounted to \$31,395, while the net earnings of 2016 amounted to \$36,735 in relation to the effective portion of cash flows recognized in other comprehensive income.

During 2017 and 2016, there were no inefficiencies in relation to hedging.

12. Investments in Associates and Joint Ventures

The detail of investments in associates and joint ventures is shown below:

	December 31, 2017	December 31, 2016
Associates	702,934	651,349
Joint ventures	117,190	281,237
Total investments	820,124	932,586

The following are the participation percentages and investment amounts in each of the associates and their corporate purpose:

Investment in Associates	As of December 31, 2017		As of December 31, 2016	
	Participation %	Investment	Participation %	Investment
Aerocali S.A.	50%	17,632	50%	24,971
Colombiana de Extrusion S.A. Extrucol	30%	11,476	30%	11,354
Concesionaria Tibitoc S.A.	33%	20,165	33%	20,209
Ventas y Servicios S.A.	20%	2,559	20%	7,721
Metrex S.A.	18%	5,069	18%	2,239
C.I. Acopalma S.A.	11%	5,625	11%	4,367
Gases del Caribe S.A. E.S.P.	31%	269,739	31%	218,431
Calidda S.A.	40%	363,139	40%	354,822
Concentra Inteligencia en energia S.A.S.	24%	6,927	24%	557
Energia Eficiente S.A.	39%	603	39%	6,678
		702,934		651,349

The movement of investments in associates and joint ventures is shown below:

	Associates	Joint Ventures	TOTAL
Balance as of December 31, 2015	651,040	273,360	924,400
Decapitalizations (Capitalizations)	(4,746)	17,265	12,519
Participation in the period income	147,136	54,822	201,958
Participation in other comprehensive income	(15,391)	(931)	(16,322)
Impairment of Investments (1)	(4,027)	(63,047)	(67,074)
Reclassifications and transfers	-	(249)	(249)
Purchases of the period	15	17	32
Business combination	(26,302)	-	(26,302)
Dividends received	(96,376)	-	(96,376)
Balance as of December 31, 2016	651,349	281,237	932,586
Capitalizations	-	87	87
Participation on the period income	157,592	1,616	159,208
Participation in other comprehensive income	(5,271)	(8)	(5,279)
Reclassifications and transfers	-	(12,405)	(12,405)
Business combination	-	(12,645)	(12,645)
Dividends received	(100,737)	-	(100,737)
Investment impairment (1)	-	(140,691)	(140,691)
Balance as of December 31, 2017	702,934	117,190	820,124

- (1) Concesionaria Ruta del Sol S.A.S. (the "Concessionaire"), is the awardee company of Concession Agreement No. 001 dated January 14, 2010, whose purpose was the construction, operation and maintenance of Sector 2 of the Ruta del Sol Road Project, comprised between Puerto Salgar and San Roque and its modifications (the "Concession Agreement").

Due to the investigations conducted by Colombian authorities as a result of the corruption acts in twelve countries, including Colombia, confessed before the United States justice by the Brazilian firm Odebrecht S.A., which participates as a controlling party of the Concessionaire (62.01%) through its affiliates Constructora Norberto Odebrecht S.A. Sucursal Colombia and Odebrecht Latinvest Colombia S.A.S., such authorities have taken some measures concerning the Concession Agreement.

Thus, on February 16, 2017, and after several visits conducted to the concessionaire, the Superintendence of Industry and Trade-SIC issued Resolution 5216/2017, by means of which it decreed as an interim measure, the suspension or cessation of the effects of the conducts allegedly contrary to the free economic competition deployed by the National Infrastructure Agency-ANI and the Concessionaire, which is why the SIC ordered the ANI to terminate the Concession Agreement immediately. Then, on February 17, 2017, the Superintendence of Ports and Transport subjected the Concessionaire to control by means of Resolution 2809/2017.

Additionally, on January 26, 2017, the Attorney General of the Nation filed a popular action against the ANI and the Concessionaire based on the corruption facts of Odebrecht that were reported by the media and the Prosecutor's Office. Within the framework of said process, the Administrative Court of Cundinamarca decreed the following interim measures:

- Suspension of the effects of the Concession Agreement, executed between the Ruta del Sol Concessionaire and the ANI.
- Order the President of the Republic to appoint the authority that would administer the project, taking immediate possession of the works. Such measure was materialized with the infrastructure delivery from the Concessionaire to the ANI on October 20, 2017.
- Seizure of accounts and dividends obtained by the Concessionaire, its shareholders and other related persons up to an amount of \$191,118.
- Seizure of real estate.

Considering the previous measures, the Concessionaire and the ANI executed an agreement on February 22, 2017 and an amendment thereto on March 27, 2017, whereby it provided the early termination and settlement of the Concession Agreement, as well as the formula for the settlement thereof (the "Agreement"). Based on the settlement formula of the Agreement, and preliminary values thereof, the Company and Estudios y Proyectos del Sol S.A.S. ("Episol"), a company 100% owned by the Company, which is the holder of 33% of

the shareholding capital of the Concessionaire, recognized an adjustment by impairment for a value of \$102,275 with regard to such investment on December 31, 2016.

It is hereby stated that, subsequently, by means of writ dated September 14, 2017, the Court decreed supplementary interim measures, related to the delivery of sections to the INVIAS, assignment of environmental and mining licenses, registration of title deeds, guarantees, payment to suppliers and creditors. In execution of the order issued by the Administrative Court of Cundinamarca, on October 20, 2017, the Concessionaire executed with the ANI the "Minutes of material delivery of the sections corresponding to the physical scope of Concession Agreement No. 001/2010, in compliance with the interim measure decreed in popular action proceeding No. 2007-0083".

Additionally, during 2017, extensions were made for the payment of the interests of the long-term debt in Dollars and Pesos with the lenders of the project. In that regard, on December 22, 2017, the ANI authorized the payment of \$792,603 as a contribution for the payment of the financial obligations arising from the loan agreement corresponding to the debt in Dollars and Pesos of the Concessionaire. Also, during 2017, the process of demobilization of the staff that was linked to the project was carried out. Likewise, the Concessionaire and the Consortium made the payment of the majority of suppliers, workers and third parties.

Taking into account the above and that, to date, the claims of the parties, the Agreement, the settlement formula of the Concession Agreement, the value of liquidation of the work and the amounts to be recognized are subject to discussion within the framework of the Arbitration Court which will settle the differences between the Concessionaire and the ANI, the Company and Episol have decided to prudentially recognize an adjustment by impairment to the investment for a value of \$140,691 additional to the amount recognized on the financial statements corresponding to the second half of 2016. The remaining value of the investment (\$111,783) corresponds to the contributions made by Episol to the concessionaire between years 2009 to 2012, updated by CPI as of December 31, 2017.

The carrying value of the investment of Episol in the Concessionaire amounts to \$111,783 (net of impairment) with a cut-off date on December 31, 2017 and \$252,474 (net of impairment) with a cut-off date on December 31, 2016.

Below are the ownership interests and investment amount in each of the joint ventures:

Investment in Joint Ventures	As of December 31, 2017		As of December 31, 2016	
	Participation %	Investment	Participation %	Investment
Concesionaria Ruta del Sol S.A.S. (See note 43)	33%	111,783	33%	252,474
Concesionaria Vial del Pacifico S.A.S.	-	-	50%	1,479
Concesionaria Nueva vía al Mar. S.A.S.	-	-	60%	11,166
CFC SK Capital S.A.S.	50%	345	50%	258
CFC SK El Dorado Latam Management Company Ltda.	50%	4,567	50%	2,993
CFC SK El Dorado Latam Fund. L.P. (See note 2.3.3)	-	-	50%	12,395
CFC SK El Dorado Latam Capital Partners Ltda.	50%	495	50%	472
		117,190		281,237

Currently there are no restrictions related to the investments on associates or in the joint ventures.

13. Loan Portfolio

The classification of the consolidated loan portfolio per type of risk is submitted below:

	December 31, 2017	December 31, 2016
SUITABLE GUARANTEE		
Commercial		
"A" Normal Risk	240,769	388,460
"B" Acceptable Risk	21,336	15,106
"C" Appreciable Risk	2,503	5,873
"D" Significant Risk	8,921	5,414
"E" Uncollectibility Risk	1,233	287
COMMERCIAL SUBTOTAL	274,762	415,140
SUITABLE GUARANTEE		
Leasing		
"A" Normal Risk	1,668,174	1,586,700
"B" Acceptable Risk	29,920	22,468
"C" Appreciable Risk	17,185	11,124
"D" Significant Risk	12,214	9,917
"E" Uncollectibility Risk	1,327	1,992
LEASING SUBTOTAL	1,728,820	1,632,201
OTHER GUARANTEES		
Consumption		
"A" Normal Risk	285,976	268,844
"B" Acceptable Risk	30,494	24,156
"C" Appreciable Risk	7,518	5,664
"D" Significant Risk	4,420	4,236
"E" Uncollectibility Risk	1,260	822
CONSUMPTION SUBTOTAL	329,668	303,722
SUITABLE GUARANTEE		
NO GUARANTEES		
Commercial		
"A" Normal Risk	90,336	46,170
"B" Acceptable Risk	6,235	3,035
"C" Appreciable Risk	10,259	7,388
"D" Significant Risk	6,040	7,890
"E" Uncollectibility Risk	1,341	2,971
COMMERCIAL SUBTOTAL	114,211	67,454
TOTAL PORTFOLIO FOR RATING (1)	2,447,461	2,418,517

(1) Leasing Corficolombiana S.A.: For the closing of 2017, it closed with a portfolio balance of \$808,664 compared to a closing of 2017 of \$922,475 which represents a decrease of 12.34%. Such variation is in line with the slowdown economic cycle that the country is experiencing. The aspects to highlight in the portfolio include the fact of the recomposition by product thereof with the leasing operations having a greater weight within the total portfolio going from 48% at the end of 2016 to 52% as of December 2017 with regard to the product of credit notes. The other relevant point to mention is the increase in the level of risk of the portfolio associated with the aforementioned with regard to the slowdown of the economic cycle and the impact it has had in the customers of Leasing Corficolombiana to be able to fulfill its obligations. Based on the foregoing, as of December 2016, the risk portfolio of the entity, classified as the one ranked in a risk level higher than "A" was at \$147,854 and at the end of 2017, the latter was located at \$176,362 registering a growth of 19.3%. The Entity is making all necessary efforts in order to be able to normalize this portfolio and reduce the exposure at risk as of the cut-off date.

The following is a breakdown of provisions for credit risk impairment established as of December 31, 2017 and 2016, taking into account how they were determined, individually for loans greater than \$2,000 and collectively for other loans. The following annexes show the balance in the portfolio including the interest accrued measured at amortized cost.

	Consumption	Commercial	Commercial leasing	Total
As of December 31, 2017				
Impairment:				
Loans individually evaluated	-	10,289	17,589	27,878
Loans collectively evaluated	5,161	14,657	12,029	31,847
Total impairment	5,161	24,946	29,618	59,725
Net balance of the financial assets for loan portfolio:				
Loans individually evaluated	-	36,177	49,235	85,412
Loans collectively evaluated	329,668	352,796	1,679,585	2,362,049
Total financial assets for loan portfolio	329,668	388,973	1,728,820	2,447,461
As of December 31, 2016				
Impairment:				
Loans individually evaluated	-	12,390	13,174	25,564
Loans collectively evaluated	4,175	14,208	14,892	33,275
Total impairment	4,175	26,598	28,066	58,839
Net balance of the financial assets for loan portfolio:				
Loans individually evaluated	4,419	18,942	28,814	52,175
Loans collectively evaluated	299,303	463,652	1,603,387	2,366,342
Total financial assets for loan portfolio	303,722	482,694	1,632,201	2,418,517

The allocation of loan portfolio of the Company for maturity period as of December 31, 2017 is shown below:

	Between 1 and 3 years	Up to 1 year	Between 3 and 5 years	More than 5 years	Total
Commercial	108,337	62,968	62,185	155,645	389,135
Consumption	102,801	192,047	34,344	314	329,506
Portfolio	211,138	255,015	96,529	155,959	718,641
Commercial leasing	304,162	219,795	362,003	842,698	1,728,658
Consumption leasing	131	31	-	-	162
Financial leasing	304,293	219,826	362,003	842,698	1,728,820
Total portfolio	515,431	474,841	458,532	998,657	2,447,461

The allocation of loan portfolio of the Company for maturity period as of June 30, 2016 is shown below:

	Between 1 and 3 years	Up to 1 year	Between 3 and 5 years	More than 5 years	Total
Commercial	5,919	203,876	97,577	175,222	482,594
Consumption	175,525	85,328	26,821	16,048	303,722
Portfolio	181,444	289,204	124,398	191,270	786,316
Commercial leasing	77,302	243,706	390,744	920,078	1,631,830

Consumption leasing	15	198	158	-	371
Financial leasing	77,317	243,904	390,902	920,078	1,632,201
Total portfolio	258,761	533,108	515,300	1,111,348	2,418,517

The allocation of the loan portfolio per currency is submitted below:

	As of December 31, 2017		
	Legal currency	Foreign currency	Total
Commercial	366,021	23,114	389,135
Consumption	329,506	-	329,506
Portfolio	695,527	23,114	718,641
Commercial leasing	617,117	1,111,541	1,728,658
Consumption leasing	162	-	162
Financial leasing	617,279	1,111,541	1,728,820
Total portfolio	1,312,806	1,134,655	2,447,461

	As of December 31, 2016		
	Legal currency	Foreign currency	Total
Commercial	451,807	30,787	482,594
Consumption	303,722	-	303,722
Portfolio	755,529	30,787	786,316
Commercial leasing	405,244	1,226,589	1,631,833
Consumption leasing	368	-	368
Financial leasing	405,612	1,226,689	1,632,201
Total portfolio	1,161,141	1,267,376	2,418,517

As of December 31, 2017 the financial assets of the loan portfolio are pledged as collateral for an amount of \$101,309 and as of December 31, 2016 for \$92,454 in support of financial obligations with rediscount entities.

The following is the conciliation of gross investments in financial leasing and the present value of the minimum payments to be received on such dates:

	December 31, 2017	December 31, 2016
Total gross rents to be received in the future	2,962,127	3,076,704
Residual estimated value of assets delivered in lease (unsecured)	35,478	20,033
Gross investment in leasing agreements	3,000,605	3,098,737
Net investment in leasing agreements	1,758,438	1,660,267
Impairment of net investment in leasing agreements	29,618	28,066
Leasing agreements net of impairment	1,728,820	1,632,201

The detail of the gross investment and net investment in leasing agreements to be received as of December 31, 2017 and 2016 in each of the following periods:

	As of December 31, 2017		As of December 31, 2016	
	Net investment	Gross investment	Net investment	Gross investment
Up to 1 year	220,846	396,844	77,317	284,139
Between 1 and 5 years	673,777	1,412,705	834,806	1,426,006
More than 5 years	834,197	1,191,056	920,078	1,386,592
Total	1,728,820	3,000,605	1,632,201	3,096,737

Below is the summary of the movement of the portfolio impairment:

Balance as of December 31, 2015	38,289
Impairment	24,443
Portfolio write-offs	(3,893)
Balance as of December 31, 2016	58,839
Impairment	3,484
Portfolio write-offs	(2,598)
Balance as of December 31, 2017	59,725

14. Accounts Receivable, net

Below are the balances of other accounts receivable as of December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Trade accounts receivable	1,200,650	1,310,287
Less: Impairment of the trade accounts receivable	171,180	106,976
Trade accounts receivable, net	1,029,470	1,203,311
Other accounts receivable	200,377	198,715
Payment for customer account	79,018	81,365
Deposits	70,236	31,958
Total accounts receivable	1,379,101	1,515,349

The detail of the accounts receivable as of December 31, 2017 and 2016 is as follows:

	December 31, 2017	December 31, 2016
Interest	34,310	26,481
Dividends	870	1,564
Commissions	17,180	9,933
Leases	157	374
Customers	1,007,694	1,013,020
Deposits (1)	70,236	31,958
Taxes	18,415	22,255
Advance payments	1,775	252
Agreement withholdings	5,829	5,540
Payment for customer account (2)	79,018	81,365
Other accounts receivable	200,377	198,715
Related accounts receivable (3)	114,420	230,868

Gross total trade accounts	1,550,281	1,622,325
Impairment of accounts receivable	(171,180)	(106,976)
Net total accounts receivable	1,379,101	1,515,349

(1) On January 26, 2017, the Attorney General of the Nation filed a popular action against the National Infrastructure Agency and the Concessionaire Ruta del Sol S.A.S., due to the alleged infringement of the collective rights to administrative morality, the defense of public equity and access to utilities. Within the framework of said process, the Administrative Court of Cundinamarca included Episol, among others, and decreed interim measures that include, among others, the seizure of accounts and dividends obtained by the Concessionaire, its shareholders and other related persons. Given that the funds came out from the banks and were transferred to the judicial deposits of Banco Agrario, Episol S.A. registered in the item deposits on behalf of Banco Agrario, an account receivable for \$24,834.

(2) This item recognizes financial obligations in favor of the Company with Electricaribe, due to the performance of guarantees and related financial costs supported with counterguarantee agreements executed.

(3) Below is the summary of the accounts receivable with related parties as of December 31, 2017:

Entity	Detail of other accounts receivable	December 31, 2017
CFC Private Equity Holdings S.A.S.	Account receivable to CFC-SK Eldorado Latam Fund for the return of the investment decreed, from the value corresponding to the capital call number nine, for the value of this capital return, it constituted an account receivable and its recovery is expected in the short term. The value is USD 9,435,651 with the closing rate of \$2,984 equivalent to \$28,156.	28,156
Estudios Y Proyectos del Sol S.A.S. and subsidiaries	It corresponds to the payment of contributions on behalf of Dragados for \$5,600 and a loan to the concessionaire Ruta del Sol for the payment of the arbitration court \$1,445.	7,045
Estudios Proyectos e Inversiones de los Andes S.A. and subsidiaries	It corresponds to the value for Autorenta de los Consorcios 4G Llano and Conandino.	201
Hoteles Estelar S.A. and subsidiaries	Its internal operations between the "C.O." Center of Operations or Branches owned by Hoteles Estelar at a national level in the provision of the service. Similarly it is managed in Peru and its branches.	79,018
Total		114,420

Below is the movement of the impairment of the other accounts receivable:

Balance as of December 31, 2015	87,389
Impairment	41,667
Portfolio write-offs	(21,498)
Reimbursements	(4,411)
Balance acquired in business combinations	2,145
Transfers	2,489
Adjustment in change	(805)
Balance as of December 31, 2016	106,976
Impairment (1)	32,789
Portfolio write-offs	(13,497)
Reclassifications	47,555
Reimbursements	(2,648)
Adjustment in change	5
Balance as of December 31, 2017	171,180

(1) The impairment registered during 2017 mainly corresponds to the following affiliates: Promigas S.A. E.S.P. and subsidiaries for \$17,019, Pizano S.A. and subsidiaries for \$3,415, Fiduciaria Corficolombiana S.A. for \$7,603 (includes \$7,116 of 100% of the account receivable of Ruta del Sol) and Episol S.A. and subsidiaries for \$3,223 (Includes \$1,897 of the account receivable to Concesionaria Ruta del Sol S.A.S.).

Currently there are no restrictions related to other accounts receivable

15. Assets on Concession Agreements

The balance of the assets recognized on concession agreements as of December 31, 2017 and 2016 includes the following:

	December 31, 2017	December 31, 2016
Rights on concession agreements		
Promigas S.A. E.S.P. and subsidiaries	2,176,164	2,118,200
Concesionaria Vial de los Andes S.A.	219,061	291,236
Proyectos de Infraestructura S.A. and subsidiaries	264,324	245,101
Episol S.A.S. and subsidiaries	454,618	150,777
Total rights on concession agreements	3,114,167	2,805,314
Financial assets under concession		
Promigas S.A. and subsidiaries	2,282,611	2,072,675
Episol S.A.S. and subsidiaries	389,550	203,241
Concesionaria Nueva Via al Mar S.A.S.	99,716	-
Concesionaria Vial Del Pacifico S.A.S.	296,752	-
Total financial concession assets	3,068,629	2,275,916

The detail of the movement of rights on concession agreements is as follows:

	Promigas S.A. and subsidiaries	Concesionaria Vial de los Andes S.A.	Proyectos de Infraestructura S.A. and subsidiaries	Episol S.A.S. and subsidiaries	Total
Cost					
As of December 31, 2015	1,884,565	554,037	262,407	72,390	2,773,399
Additions	423,463	96,621	11,150	83,208	614,440
Sales or removals	(6,686)	(17)	-	-	(6,703)
Reclassification - Change in estimates	68,587	-	3	1	68,591
As of December 31, 2016	2,369,929	650,641	273,660	155,587	3,449,727
Additions	193,489	82,628	29,305	305,486	610,908
Reclassification - Change in estimates	(14,408)	-	-	-	(14,408)
Sales or removals	(1,915)	(1,590)	-	-	(3,505)
Adjustment by conversion	(1,041)	-	-	-	(1,041)
As of December 31, 2017	2,546,054	731,679	302,865	461,083	4,041,681
Cumulative amortization					
As of December 31, 2015	(149,743)	(210,657)	(18,971)	(3,237)	(382,608)
Amortization in the period	(100,850)	(148,748)	(9,485)	(1,583)	(260,666)
Sales or removals	966	-	-	-	966
Reclassification	(2,102)	-	(3)	-	(2,105)
As of December 31, 2016	(251,729)	(359,405)	(28,459)	(4,820)	(644,413)
Amortization in the period Expense	(17,351)	(153,213)	(10,082)	(1,645)	(182,291)
Amortization in the period Cost	(102,198)	-	-	-	(102,198)
Reclassification - Change in estimation	842	-	-	-	842
Sales or removals	630	-	-	-	630
Adjustments by conversion	(84)	-	-	-	(84)
As of December 31, 2017	(369,890)	(512,618)	(38,541)	(6,465)	(927,514)
Total intangible assets					
Net balance as of December 31, 2015	1,734,822	343,380	243,438	69,163	2,390,791
Net balance as of December 31, 2016	2,118,200	291,236	245,101	150,777	2,805,314
Net balance as of December 31, 2017	2,176,164	219,061	264,324	454,618	3,114,167

The rights on concession agreements, recorded as intangible assets, correspond to the remuneration for the provision of construction services for the infrastructure under concession; in this regard, the amortization of intangible assets is positively correlated to the generation of operating revenues from users of the public service. This means that an operating asset that generates cash flows related to the right to charge users who use such infrastructure is considered.

The detail of the movement of financial assets on concession agreements at fair value and amortized cost is as follows:

	Promigas S.A. and subsidiaries	Concesionari a Vial de los Andes S.A.	Episol S.A.S. and subsidiaries	Concesionar ia Nueva Via al Mar S.A.S.	Concesionari a Vial del Pacifico S.A.S.	Total
At fair value through profit or loss						
As of December 31, 2015	1,891,692	-	-	-	-	1,891,692
Fair value adjustments	93,995	-	-	-	-	93,995
As of December 31, 2016	2,072,676	-	-	-	-	2,072,675
Fair value adjustments	209,936	-	-	-	-	209,936
As of December 31, 2017	2,282,611	-	-	-	-	2,282,611
At amortized cost						
Net balance as of December 31, 2015	-	-	42,864			42,864
Payments received	-	(302,601)	(21,230)	-	-	(323,831)
Adjustments for interest	-	68,237	11,708	-	-	79,945
Additions	-	238,140	169,899	-	-	408,039
Reclassification – changes in estimates	-	(3,776)	-	-	-	(3,776)
Net balance as of December 31, 2016	-	-	203,241	-	-	203,241
Business combination	-	-	-	97,613	233,677	331,290
Payments received	-	(140,232)	(22,039)	-	-	(162,271)
Adjustments for interest	-	24,439	20,780	1,080	-	46,299
Additions	-	115,793	187,568	1,023	63,075	367,459
Balance as of December 31, 2017	-	-	389,550	99,716	296,752	786,018
Total Financial Assets						
Balance as of December 31, 2015	1,891,692	-	42,864	-	-	1,934,556
Balance as of December 31, 2016	2,072,675	-	203,241			2,275,916
Balance as of December 31, 2017	2,282,611	-	389,550	99,716	296,752	3,068,629

As of December 31, 2017 and 2016, financial costs were capitalized for a value of \$27,902 and \$52,765 million pesos, with a weighted average rate of 17.80% and 22% E.A. respectively.

The movement of the revenues obtained and the costs incurred during the construction phase of concession agreements:

	Promigas S.A. and subsidiaries	Concesionaria Vial de los Andes S.A.	Proyectos de Infraestructura S.A. and subsidiaries	Episol S.A.S. and subsidiaries	Concesionaria Nueva Via al Mar S.A.S.	Concesionaria Vial del Pacifico S.A.S.	Total
Accumulated revenues capitalized as intangible assets or financial assets recorded in the income statement							
Balance as of December 31, 2015	549,299	1,004,540	211,522	134,801	-	-	1,875,162
Accruals in the period of revenues from concession agreements	583,018	334,762	77,466	150,147	-	-	1,145,393
Accruals in the period of revenues from tolls	-	215,319	213,294	73,922	-	-	502,535
Accruals in the period of revenues from AOM service	-	-	-	37,436	-	-	37,436
Accrual of adjustment by interests	-	68,237	-	3,351	-	-	71,588
Total revenues from participation in concessions	583,018	618,318	290,760	264,856	-	-	1,756,952
Revenues for valuation of financial assets	180,983	-	-	-	-	-	180,983
Balance in the period as of December 31, 2016	764,001	618,318	290,760	264,856	-	-	1,937,935
Accrued balance as of December 31, 2016	1,288,300	1,622,858	502,282	399,657	-	-	3,813,097
Accruals in the period of revenues from concession agreements	193,185	217,954	51,939	413,203	104	63,149	939,534
Accruals in the period of revenues from tolls	-	236,790	228,642	40,841	-	-	506,273
Accruals in the period of revenues from AOM service	-	-	-	67,468	919	-	68,387
Accrual of adjustment by interests	-	24,439	-	20,780	1,080	-	46,299
Total revenues from participation in concessions	193,185	479,183	280,581	542,292	2,103	63,149	1,560,493
Revenues for valuation of financial	209,936	-	-	-	-	-	209,936

assets							
Balance in the period as of December 31, 2017	403,121	479,183	280,581	542,292	2,103	63,149	1,770,429
Accrued balance as of December 31, 2017	1,691,421	2,102,041	782,863	941,949	2,103	63,149	5,583,526
Accumulated costs incurred in the concession recorded in the income statement							
Balance as of December 31, 2015	214,050	738,006	13,874	-	-	-	965,930
Construction costs incurred in the period	583,018	334,762	77,466	150,147	-	-	1,145,393
Financial costs incurred in the period	2,398	37,793	-	-	-	-	40,191
Balance in the period as of December 31, 2016	585,416	372,555	77,466	150,147	-	-	1,185,584
Accrued balance as of December 31, 2016	799,466	1,110,561	91,340	150,147	-	-	2,151,514
Construction costs incurred in the period	193,185	209,055	51,939	214,105	104	11,993	680,381
Financial costs incurred in the period	3,308	-	-	39,388	4,908	-	47,604
Balance in the period as of December 31, 2017	196,493	209,055	51,939	253,493	5,012	11,933	727,985
Accrued balance as of December 31, 2017	995,959	1,319,616	143,279	403,640	5,012	11,993	2,879,499

A summary of the concession agreements of the Company and its subsidiaries is shown below:

Promigas S.A. and its subsidiaries

The concession agreements entered into between Promigas S.A. E.S.P. and the Government, whereby the latter grants to Promigas the right to build, operate, maintain, exploit and manage a public service gas pipeline for the transport of hydrocarbons are within the scope of IFRIC 12 Concession Agreements, thus recognizing an intangible asset for the right to charge users according to the consideration for construction services and financial assets related to the obligation to carry out sales at a fair price at the end of the concession and its extensions, if any.

Sociedad Portuaria El Cayao S.A. E.S.P. - Port Concession Agreement No. 001/2015

The Ministry of Transportation, by means of Resolution No. 594 dated March 5, 2015 indicates the terms in which the port concession would be established to temporarily and exclusively occupy a public area over 20 years in order to develop an unloading platform, submarine gas

pipeline and ground connection to the gas pipeline connected to the National Transportation System for the import, export and coastal trade of liquefied natural gas in the Department of Bolivar, district of Cartagena de Indias, in the modality of public service.

Proyectos de Infraestructura S.A. and subsidiary

The department of Valle del Cauca, by means of Resolution No. 0832 of December 30, 1993 awarded to Proyecto de Infraestructura S.A. the concession agreement number 01/1993 for an initial term of fifteen (15) years, extended to 20 years by means of Minutes No. 14 of December 20, 1995, for the construction and maintenance of a new road, the improvement and maintenance of the existing road Buga - Tuluá - La Paila, in the sector between the abscissa K67+100 and K128+100.

The subordinated companies of Pisa include Concesiones CCFC S.A. The Company is performing Concession Agreement number 937/1995 entered into with the National Roads Institute (INVIAS) on 30 June 1995, the purpose of which is the performance through the concession system, of final studies and designs, restoration and construction works, the operation and maintenance of the road Bogotá (Fontibón) - Facatativa - Los Alpes, of Section 8 of Route 50, in the Department of Cundinamarca, which will expire in March 2024.

Concesionaria Vial de los Andes S.A. Coviandes S.A.

The purpose of the concession is to perform through the concession system, final studies and designs, restoration and construction works, operation and maintenance of the road from Bogotá to Puente Real and the maintenance and operation of the road from Puente Real Villavicencio.

Estudios y Proyectos del Sol S.A.S. and Subsidiaries

Concesionaria Panamericana S.A.S.

; the purpose of the agreement is to perform the studies, final designs, restoration and construction works, maintenance and operation of the Western Central Road Corridor of Cundinamarca, composed of the sections Los Alpes - Villeta and Chuguacal – Cambao, including access to the municipalities of Guayabal de Siquima, Bituima, Viani and San Juan de Rioseco”.

The concession agreement is monitored and controlled by the Inspection contracted by the Government of Cundinamarca through the Concessions Institute of Cundinamarca - ICCU.

As of December 31, 2017, 28 additional contracts to Concession Agreement OJ-121-97 have been signed, of which the additional concession contracts No. 7 and 28 are active. The formalization of the minutes of liquidation of the works is pending for other additional concession contracts.

Concesionaria Vial del Oriente S.A.S. COVIORIENTE S.A.S.

In development of its purpose, a concession agreement was signed on July 23, 2015 between the National Infrastructure Agency (ANI) and Concesion Vial del Oriente (Covioriente), under the Public Private Partnership scheme PPP No. 010 under the terms of Law 1508/2012. The

purpose of the agreement is to develop and promote a road network connecting the capital of the department of Meta, Villavicencio, with the capital of the department of Casanare, Yopal, and improve mobility on the same.

Concesionaria Vial Andina S.A.S. COVIANDINA S.A.S.

Concession Agreement No. 005 of June 9, 2015 under the public private partnership scheme under the terms of Law 1508/2012, which purpose is to grant a concession so that, in accordance with the provisions of this agreement, the Concessionaire, at its own risk, carries out studies and designs, financing, construction, operation, maintenance, social management, land management and environmental management of a new road between Chirajara and the Fundadores intersection, and the maintenance and operation of the entire Bogota – Villavicencio road corridor.

Concesionaria Vial del Pacifico S.A.S. – Covipacifico S.A.S

The Concession Agreement under PPP scheme No. 007/2014 executed between the National Infrastructure Agency and Concesionaria Vial del Pacifico S.A.S., on September 15, 2014 as part of the tender process VJ-VE-IP-LP-007-2013, classification 4G.

With the mission of performing studies and definitive designs, financing, environmental, property and social management, construction, improvement, recovery, operation, maintenance and reversal of Concesion Autopista Conexion Pacifico 1, of the program “Autopistas para la Prosperidad”.

Section Ancon Sur-Bolombolo in the Department of Antioquia, with a 25 year term counted from November 11, 2014, if it reaches or exceeds VPIP; 29 years counted from November 11, 2014, in case VPIP is not obtained.

Concesionaria Nueva Via al Mar S.A.S. – Covimar

Agreement signed on January 22, 2015, under the Public Private Partnership scheme under the terms of Law 1508/2012, acting as Concessionaire and with the National Infrastructure Agency (ANI), for the financing, construction, recovery, improvement, operation, maintenance and reversal of the corridor Mulao-Loboguerrero

As of December 31, 2017 and 2016, the Corporation and subsidiaries had no contingent assets on account of revenues receivable originated by any contractual dispute with any concession, other than any recognition of rates. There are no contingent liabilities on account of fines or penalties imposed by the Government on the development of the concession contract due to any contractual breaches.

Currently there are no restrictions related to assets on concessions.

16. Properties, plant and equipment

See accounting policy in note 2.9. The following is the net balance in books as of December 31, 2017 and 2016:

December 31, 2017

December 31, 2016

Cost	2,759,943	2,740,432
Cumulative depreciation	(286,096)	(238,994)
Impairment	(1,965)	(2,083)
Total	2,471,885	2,499,355

Currently there are no restrictions related to Properties, Plant and equipment.

According to the amendment of the IAS 16 Properties, plant and equipment, the biological assets related to the production plants will be recognized and measured according to this standard..

The following is the movement of the accounts of property, plant and equipment, including the cumulative depreciation as of December 31, 2017 and 2016:

	Land	Buildings and constructions	Ongoing constructions	Office equipment, furniture and fixtures	Computing, communication and network equipment	Vehicles	Mobilization, Machinery, Plant and Equipment under Assembly	Gas Pipelines, networks, lines and cables	Production plants (Biological Assets)	Other property, plant and equipment	Total
Cost:											
Restated balance as of December 31, 2015	353,357	629,601	172,409	15,222	32,687	41,431	392,265	792,778	188,206	20,478	2,638,434
(+)Capitalized purchases or expenses (net)	18,691	8,592	476,990	3,680	11,618	7,724	137,322	6,938	10,884	14,334	697,043
(-)Withdrawals / Sales (net)	(2,304)	(26,449)	(71,827)	(999)	(2,092)	(2,281)	(12,777)	(4,689)	-	(125)	(123,543)
(+/-)Reclassifications and Transfers	(3,729)	(46,745)	(18,615)	2,688	3,268	21,096	(35,315)	30,866	-	(3,349)	(49,835)
(+/-) Transfer to financial lease agreements	-	-	(389,452)	-	-	-	(30,386)	-	-	-	(419,838)
(+) Combination of businesses	-	-	-	271	1,870	81	-	-	-	-	2,222
(+/-)Translation adjustments	(645)	(20,029)	(125)	(67)	(158)	(84)	16,964	-	-	93	(4,051)
Balance as of December 31, 2016	365,640	544,970	169,380	20,795	47,193	67,967	468,073	825,893	199,090	31,431	2,740,432
(+)Capitalized purchases or expenses (net)	1,076	20,795	(146,940)	3,284	7,166	2,429	178,168	7,381	21,124	1,197	95,680
(-)Withdrawals / Sales (net)	(45)	(9,098)	(267)	(214)	(1,034)	(2,480)	(24,309)	(89)	(774)	(1,283)	(39,593)
(+/-)Reclassifications and Transfers	3,965	12,470	122,411	(167)	2,753	(66)	(163,218)	43,343	-	74	21,565
(+/-) Entity Splits	-	(1,465)	-	(201)	(1,088)	-	(63,949)	-	-	-	(66,703)
(+) Combination of business	-	26	--	320	1,202	2,980	824	-	-	-	5,352
(+/-)Translation adjustments	409	(18,408)	1,643	49	1886	(101)	(9)	12	18,911	961	3,210

Balance as of December 31, 2016	371,045	569,341	144,633	23,903	56,183	70,842	396,550	876,528	219,440	31,478	2,759,943
Cumulative Depreciation Restated balance as of December 31, 2015	-	(20,323)	-	(4,265)	(14,731)	(16,365)	(53,210)	(51,903)	(29)	(4,212)	(165,038)
(+) Depreciation through profit or loss	-	(11,047)	-	(2,721)	(6,928)	(7,068)	(27,463)	(14,066)	-	(362)	(69,673)
(+) Depreciation of capitalized year	-	(595)	-	(16)	(44)	-	(4,468)	(105)	(2,636)	(17)	(7,881)
(-) Withdrawals / Sales	-	1,477	-	738	1,824	1,645	4,257	368	-	16	10,325
(+/-) Reclassifications and Transfers	-	120	-	(1,234)	(2,414)	(13,844)	(17,816)	29,050	-	(275)	(6,413)
(+) Combination of business	-	-	-	(267)	(627)	(81)	272	-	-	-	(703)
(+/-) Translation adjustments	-	126	-	(16)	78	61	139	-	-	-	389
Balance as of December 31, 2016	-	(30,242)	-	(7,781)	(22,842)	(35,569)	(98,289)	(36,656)	(2,665)	(4,850)	(238,994)
(+) Depreciation with charge to expenses	-	(9,983)	-	(2,016)	(5,708)	(2,429)	(8,865)	(90)	(3,405)	(2,180)	(34,676)
(+) Depreciation with charge to costs	-	(208)	-	(536)	(2,048)	(644)	(24,509)	(12,996)	(977)	-	(41,918)
(+) Depreciation of capitalized year	-	(300)	-	(27)	(91)	(436)	(11,355)	(181)	-	(50)	(12,440)
(-) Withdrawals / Sales	-	354	-	166	889	1,081	6,155	35	-	1,082	9,762
(+/-) Reclassifications and Transfers	-	(977)	-	(95)	44	(55)	(887)	(34)	-	185	(1,819)
(+/-) Entity splits	-	877	-	122	755	-	34,506	-	-	-	36,260

(+)Combination of business	-	(8)	-	(188)	(485)	(996)	(167)	-	-	-	(1,844)
(+/-)Translation adjustments	-	(437)	-	(41)	(7)(2)	(6)	83	-	-	(21)	(424)
Balance as of December 31, 2016	-	(40,924)	-	(10,396)	(29,488)	(39,154)	(103,328)	(49,922)	(7,047)	(5,834)	(286,093)

	Land	Buildings and constructions	Ongoing constructions	Office equipment, furniture and fixtures	Computing, communication and network equipment	Vehicles	Mobilization, Machinery, Plant and Equipment under Assembly	Gas Pipelines, networks, lines and cables	Production plants (Biological Assets)	Other property, plant and equipment	Total
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Cumulative deterioration

Restated balance as of December 31, 2015	-	-	-	-	-	-	(239)	-	-	(456)	(695)
(+) Deterioration through profit and loss	(1,451)	-	-	(4)	-	-	(32)	-	-	-	(1,487)
(+) Reversal of impairment	-	-	-	4	-	-	32	-	-	63	99
Balance as of December 31, 2016	(1,451)	-	-	-	-	-	(239)	-	-	(393)	(2,083)
(+) Reversal of impairment	(1,451)-	-	-	-	-94	(32)-	24	-	-	-	118
Balance as of December 31, 2017	(1,451)	-	-	-	94	(239-	(215)	-	-	(393)	(1,965)

Net balance:

Restated balance as of December 31, 2015	353,357	609,278	172,409	10,957	17,956	24,827	339,055	740,875	188,177	15,810	2,472,701
Balance as of December 31, 2016	364,189	514,728	169,380	13,014	24,351	32,059	369,784	789,237	196,425	26,188	2,499,355
Balance as of December 31,	369,594	528,417	144,633	13,507	26,789	31,473	293,222	826,606	212,393	25,251	2,471,885

As of December 3, 2017 and 2016 financial costs were capitalized for a value of \$17,102 and \$57,495 with weighted average rates of 8.67% and 8% E.A. respectively.

The most representative variations in property, plant and equipment correspond to:

- a) Episol S.A.S. machinery and transportation equipment item: During 2017 the split of Consorcio Ruta del Sol – Consol took place which resulted in a net decrease of (\$30,456) and the purchase of new assets from consorcio Conandino S.A.S., for a sum of \$31,101.
- b) Hoteles Estelar S.A. and subsidiaries presented an increase in the item buildings of \$13,033 which included Compañía Hotelera Cartagena de Indias S.A. with \$3,463 corresponding to the activation of the site Society Bar 2017 and the remodeling of Salon Cartagena and Hoteles Estelar S.A. with the remodeling of hotels owned for a sum of \$8,352.
- c) Promigas S.A. E.S.P. and subsidiaries presented the following variations during the year 2017 as follows: Promioriente S.A. E.S.P. purchased an office for a sum of \$1,116 and a building that is part of the compressor station Los Pinos for a sum of \$1,011 million. The machinery item for Promisol S.A.S., decreased by (\$71,217) for the transfer of assets to the completed Treatment Plants of Hocol. In networks, cables and lines the most representative variations correspond to Surtigas S.A. E.S.P., with increased additions of \$7,200 of non-concession networks in the following territories: Cartagena, Achi, Margarita, El Peñon, Norosi, Tierrabomba and San Pelayo and the transfer of concession assets for \$18,682 and Gases de Occidente S.A. E.S.P., which present an increase in network activations in the municipality of Valle and Cauca for \$19,326.

17. Investment Properties

See accounting policy in note 2.10. The balance of investment properties as of December 31, 2017 and 2016 is as follows:

	<u>As of December 31, 2017</u>	<u>As of December 31, 2016</u>
Investment properties	161,015	148,160

The following are the movements of investment properties as of December 31, 2017 and 2016:

	<u>Land</u>	<u>Buildings</u>	<u>Others</u>	<u>Total</u>
Balance as of December 31, 2015	83,873	42,957	5,492	132,322
Purchases or expenses capitalized, net	8,906	4,228	-	13,134
Withdrawals/Sales (net)	(29)	(3,046)	(5,492)	(8,567)
Changes in fair value	16,242	782	-	17,024
Transfers to non-current assets held for sale	(5,277)	(476)	-	(5,753)
Balance as of December 31, 2016	103,715	44,445	-	148,160
Purchases or expenses capitalized, net	5,529	1,723	-	7,252
Withdrawals/Sales (net)	(93)	-	-	(93)
Changes in fair value	5,042	3,797	-	8,839
Transfers to non-current assets held for sale	(615)	-	-	(615)
Transfers between investment properties	(2,528)	-	-	(2,528)
Balance as of December 31, 2017	111,050	49,965	-	161,015

Real estate investments are valued annually at fair value based on market values determined by qualified independent experts with enough experience in the valuation of similar properties. The significant methods and assumptions used in determining the fair value are in line with the provisions of IFRS 13.

The above amounts are not subject to any limitations or restrictions.

18. Biological Assets

See accounting policy in note 2.14. The following is a breakdown of biological assets as of December 31, 2017 and 2016:

	<u>As of December 31, 2017</u>	<u>As of December 31, 2016</u>
Measured under the cost model		
Short cycle crops	2,453	2,898
Fish farming	3,675	3,376
Total	6,128	6,274
Measured at fair value less sales costs		
Biological products	54,939	37,421
Livestock	5,072	4,308
Total	60,011	41,729

Total biological assets	66,139	48,003
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The following is a breakdown of the movements in the amount of biological assets including productive plants pursuant to their measurement:

	Biological products	Short cycle crops	Livestock	Fish Farming	Total
Measured under the cost model:					
Balance as of January 1, 2016, restated	-	6,283	-	3,011	9,294
Purchases or expenses capitalized, net	-	14,490	-	1,827	16,317
Withdrawals/Sales (net)	-	(17,875)	-	(1,462)	(19,337)
Balance as of December 31, 2016	-	2,898	-	3,376	6,274
Purchases or expenses capitalized, net	-	16,974	-	1,855	18,829
Withdrawals/Sales (net)	-	(17,419)	-	(1,556)	(18,975)
Balance as of December 31, 2017	-	2,453	-	3,675	6,128
Net balance:					
Balance as of January 1, 2016 restated	-	6,283	-	3,011	9,294
Balance as of December 31, 2016	-	2,898	-	3,376	6,274
Balance as of December 31, 2017	-	2,453	-	3,675	6,128
Measured at fair value less sales costs					
Balance as of January 1, 2016 restated	24,167	-	466	-	24,633
Purchases or expenses capitalized, net	-	-	3,784	-	3,784
Withdrawals/Sales (net)	-	-	(1,333)	-	(1,333)
Changes in fair value	13,254	-	1,391	-	14,645
Balance as of December 31, 2016 restated	37,421	-	4,308	-	41,729
Purchases or expenses capitalized, net	4,167	-	1,413	-	5,580
Withdrawals/Sales (net)	(12)	-	(789)	-	(801)
Changes in fair value	13,363	-	140	-	13,503
Balance as of December 31, 2017	54,939	-	5,072	-	60,011
Total biological assets					
Balance as of December 31, 2016	37,421	2,898	4,308	3,376	48,003
Balance as of December 31, 2017	54,939	2,453	5,072	3,675	66,139

As of December 31, 2017 no capitalizations of financial costs were made charged to the biological assets and on December 31, 2016, the financial costs were capitalized at a value of \$15 with weighted average rates of 8% E.A., respectively.

The detailed balances of the long cycle crops according to their stage are:

	As of December 31, 2017	As of December 31, 2016
Long cycle crops		
African palm tree		
Biological products	26,555	22,815

Rubber plantations

Biological products	24,158	14,606
TOTAL	50,713	37,421

The above amounts are not subject to any limitations or restrictions.

African palm plantations

The account of palm oil biological assets does not include the land where trees are grown or the plants and equipment used in the harvesting process. The biological process begins with the initial preparation of the site and planting and ends with the harvest and dispatch of fruit to oil production plants, in which oil is extracted from the palm fruit. The growth process of the plant until its entry into production lasts approximately 3 to 4 years and its subsequent production process lasts approximately 30 years.

Note 3 details the main assumptions of unobservable data in the market used for the valuation of the biological assets of African palm.

The following is a detail of the hectares sowed by the Group in growing process and in production process as of December 31, 2017 and 2016:

	As of December 31, 2017	As of December 31, 2016
Areas sowed in hectares		
In production process (a)	5,179	5,164
In growing process (b)	96	93
Total	5,275	5,257

(a) The following is the breakdown of hectares expected per years of production as of December 31, 2017 and 2016:

	As of December 31, 2017	As of December 31, 2016
Areas sowed in hectares		
Between 1 and 5 years	138	279
Between 5 and 10 years	2,074	2,530
More than 10 years	2,967	2,355
Total	5,179	5,164

(b) The following is the breakdown of the time expected of entry into production as of December 31, 2017 and 2016:

	As of December 31, 2017	As of December 31, 2016
Areas sowed in hectares		
Less than 1 year	-	93
2 years	96	-
Total	96	93

Rubber plantations

The account of rubber biological assets does not include the land where trees are grown or the plants and equipment used in the harvesting process. The biological process begins with the initial preparation of the site and planting and ends with the harvest and delivery of technically specified rubber to production plants. The growth process of the plant until its entry into production lasts approximately 6 to 7 years and the subsequent production process lasts approximately 35 years.

Note 3 details the main assumptions of unobservable data in the market used for the valuation of the biological assets of rubber plantations.

The following is a detail of the hectares sowed by the Group in growing process and in production process as of December 31, 2017 and 2016:

	As of December 31, 2017	As of December 31, 2016
Areas sowed in hectares		
In production process (a)	2,552	1,504
In growing process (b)	5,653	5,902
Total	8,205	7,406

(a) The following is the breakdown of hectares expected per years of production as of December 31, 2017 and 2016:

	As of December 31, 2017	As of December 31, 2016
Areas sowed in hectares		
Less than 1 year	1,168	650
Between 1 and 5 years	940	410
Between 5 and 10 years	-	-
More than 10 years	444	444
Total	2,552	1,504

(b) The following is the breakdown of the time expected of entry into production as of December 31, 2017 and 2016:

	As of December 31, 2017	As of December 31, 2016
Areas sowed in hectares		
Less than 1 year	2,049	3,025
2 years	-	72
Between 2 and 4 years	2,805	2,805
More than 4 years	799	0
Total	5,653	5,902

During the periods ended on December 31, 2017 and 2016 the Group recorded revenues and costs on account of biological assets in the income statement according to the following breakdown:

	As of December 31, 2017	As of December 31, 2016
Sales revenues	43,788	39,032
Changes in fair value of the biological assets	13,503	14,491
Subtotal (revenue)	57,291	53,523
Costs and expenses	(37,313)	(27,067)
General expenses of administration and sales	(7,278)	(4,379)
Financial expenses	(4,136)	(2,285)
Subtotal (Expenses)	(48,727)	(33,731)
Total net revenue	8,564	19,792

The above amounts regarding biological assets are not subject to any limitations or restrictions.

19. Inventories, net

The following tables show the balances as of December 31, 2017 2016.

	Cost	Inventories at fair value less sales cost (VNR)	Impairment	Impairment net cost
As of December 31, 2017	207,742	215,373	(11,231)	196,511
As of December 31, 2016	189,490	191,025	(9,545)	179,945

The following is the balances per type of inventories:

	Cost	Inventories at fair value less sales cost (VNR)	Impairment	Impairment net cost
Balance as of December 31, 2015	162,006	163,851	(8,437)	153,569
Raw materials	20,683	27,009	(552)	20,131
Goods produced	11,476	11,584	(377)	11,099
Products in process	11,298	12,711	(138)	11,160
Performing agreements	1,801	1,801	-	1,801
Goods manufactured by the company	77,409	78,409	(1,166)	76,243
Materials, spare parts and accessories	54,772	47,460	(7,312)	47,460
Inventories in transit	12,037	12,037	-	12,037
Inventories held by third parties	14	14	-	14
Balance as of December 31, 2016	189,490	191,025	(9,545)	179,945
Raw materials	16,992	17,349	(1,054)	15,938
Goods produced	15,064	15,699	(780)	14,284
Products in process	11,915	15,790	(283)	11,632
Performing agreements	17,070	17,070	-	17,070
Goods manufactured by the company	77,752	80,470	(1,241)	76,511
Materials, spare parts and accessories	59,243	59,289	(7,873)	51,370
Inventories in transit	5,720	5,720	-	5,720

Inventories held by third parties	3,986	3,986	-	3,986
Balance as of December 31, 2017	207,742	215,373	(11,231)	196,511

As of December 31, 2017 the subsidiaries of the Company held an inventory of \$ 196,511 including an amount of \$42,313 from Pizano and its subsidiaries; \$86,923 from Promigas and its subsidiaries; \$22,841 from Episol and its subsidiaries; \$13,647 from Organizaciones Pajonales and its subsidiaries and the remaining balance from other entities in the group. As of December 31, 2016, the affiliates have a balance of \$179,945 including an amount of \$53,520 from Pizano and its subsidiaries; \$82,744 from Promigas and its subsidiaries; \$10,793 from Episol and its subsidiaries, \$9,819 from Organizaciones Pajonales and its subsidiaries; and the remaining balance from the other entities of the group.

The consolidated balances of the inventories and impairment adjustment as of December 31, 2017 and 2016 per sector to reach a Consolidated are shown below.

As of December 31, 2017

	Infrastructure	Agroindustry	Hospitality	Energy and Gas	Others	Consolidated
Inventory	26,761	64,520	8,274	98,836	9,351	207,742
Impairment	-	(4,308)	-	(6,919)	(4)	(11,231)
Net inventory	26,761	60,212	8,274	91,917	9,347	196,511

As of December 31, 2016

	Infrastructure	Agroindustry	Hospitality	Energy and Gas	Others	Consolidated
Inventory	11,630	67,228	6,983	94,807	8,842	189,490
Impairment	-	(2,527)	-	(7,013)	(5)	(9,546)
Net inventory	11,630	64,701	6,983	87,794	8,837	179,945

There are no balances regarding inventories in the financial sector. The above amounts are not subject to any limitations or restrictions.

20. Goodwill

The goodwill recognized by the subsidiaries of the Corporation as of December 31, 2017 and 2016 is as follows:

	December 31, 2017	December 31, 2016
Promigas S.A. and Subsidiaries	128,819	128,819
Gas Natural de Lima y Callao S.A.C.	20,913	20,913
Compañía Energetica de Occidente S.A.S. E.S.P.	448	448
Gases de Occidente S.A. E.S.P.	65,577	65,577
Promioriente S.A. E.S.P.	2,845	2,845
Promisol S.A.S.	2,135	2,135
Surtidora de Gas del Caribe S.A. E.S.P.	35,415	35,415
Transportadora de Metano S.A. E.S.P.	922	922

<i>Sociedad Portuaria el Cayao S.A. E.S.P.</i>	330	330
<i>Transoccidente S.A. E.S.P.</i>	234	234
Hoteles Estelar – Hoteles Cartagena de Indias (1)	6,661	6,661
Episol – Panamericana (2)	119,916	119,916
Corficolombiana – Promigas (3)	40,868	40,868
Corficolombiana – Casa de Bolsa S.A. (4)	1,335	1,335
Corficolombiana – Concesionaria Vial del Pacífico S.A.S. (5)	102,376	-
Total	399,975	297,599

(1) Acquisition on December 2008 of Compañía Hotelera de Cartagena de Indias S.A. by Hoteles Estelar S.A. by means of absorption of losses

(2) The goodwill acquired as a result of the merger of Estudios y Proyectos del Sol S.A.S. and Intrex Investments Inc. originated from the purchase of Concesionaria Panamericana S.A.S. On June 24, 2011 took place the disposal process of 100% of the shares of the Concesionaria Panamericana S.A. to Intrex Investment Inc., a subsidiary of Corficolombiana S.A. on 30 December 2012. Intrex Investment Inc. was merged with Episol S.A.S..

(3) The goodwill recognized by the Corporation on Promigas amounting to 40,868 million pesos, adopting the exception of IFRS 1 (First-time Adoption of IFRS) for business combinations, i.e. not restated under IFRS 3 (business combinations) taking the carrying amount under the previous GAAP.

(4) As of December 21, 2016, the Corporation Financiera Colombiana S.A. acquired the control on Casa de Bolsa S.A. generating goodwill for \$1,335 million.

(5) On December 12, 2017, Prodepacifico S.A.S. 100%-affiliate of Corficolombiana acquired a total amount of shares that Iridium had on the concessionaire Covipacifico and the subordinated debt issued to the concessionaires by Iridium. The sale price for the capital acquisition and the subordinated debt was agreed on \$111,026 million pesos generating goodwill of \$102,376.

The goodwill recorded is not subsequently amortized but is subject to an annual assessment for impairment in accordance with IAS 36 Impairment of Assets. These studies are performed based on valuations of cash-generating units assigned with the respective goodwill upon their acquisition by the discounted cash flow method, taking into account factors such as the economic situation of the country and the sector in which the company operates, historical financial information, and projected growth of the revenues and costs of the company in the next five years.

The methodologies and assumptions used for the valuation of different cash-generating units with goodwill assigned were properly reviewed by management and based on this review it concluded that as of December 31, 2017 and 2016 it was not necessary to record any provision for impairment of goodwill.

The above amounts of intangibles are not subject to any limitations or restrictions.

21. Income taxes

See accounting policy in note 2.22. and estimates to determine the recoverability of deferred tax assets in note 3.6.

Provision for income tax

The income tax expense for the years ended on December 31, 2017 and 2016 includes:

a. Breakdown of the income tax expense (income) in the Income Statement

	December 31, 2017	December 31, 2016
Current income tax	326,902	239,863
Income surtax	44,201	-
CREE income tax	-	104,034
CREE income surtax	-	66,742
Subtotal current tax	371,103	410,639
Adjustment of previous periods	(1,903)	(8,454)
Adjustment by uncertain tax positions in previous periods	-	(122)
Surplus provisions of the period	(321)	361
Deferred tax	-	-
Net deferred tax for the period	74,787	(6,521)
Deferred tax assets considered as irrecoverable of previous periods	-	1,465
Deferred tax subtotal	74,787	(5,056)
Total	443,639	397,368

The balances related to the current tax assets and liabilities are shown below:

	December 31, 2017	December 31, 2016
Current tax asset	83,888	72,276
Current tax liability	(119,209)	(140,691)
Net total	(35,321)	(68,415)

b. Conciliation of tax rate in accordance with the tax provisions and the effective rate:

In Colombia

The tax legislation applicable in Colombia concerning the income and complementary taxes applicable during the years 2017 and 2016 set forth, among others, the following:

- i. Income tax rates for 2017, 2018 and 2019 and following are 40%, 37% and 33%, respectively (including income surtax, only for 2017 of 6% and 2018 of 4%). For 2016 the income and CREE tax rate was 40%.
- ii. From January 1, 2017, the minimum income (presumptive income) to determine the income tax cannot be less than 3.5% of net equity on the last day of the immediately preceding taxable year (3% up to December 31, 2016),
- iii. Up to December 31, 2016, tax losses could be offset with the unearned taxable income without having a time limit. From 2017, tax losses can be offset with ordinary net income obtained during the following 12 taxable periods.
- iv. Excesses of presumptive income can be offset in the following 5 taxable periods.

- v. The windfall profit tax is taxed at the rate of 10%.
- vi. The tax returns of the income tax of the companies are valid after two years subsequent to their presentation. As of January 1, 2017, the term of validity of the tax returns will be three years counted as of the maturity of the term to declare or as of the extemporaneous presentation or request of credit balance.

In other countries

The tax rate for the subsidiary Banco Corficolombiana Panama is 0% since they have an international license and for the subsidiaries of Peru, the applicable rate is 29.5% in 2017.

The following is the detail of the conciliation between the total income tax expense calculated at the tax rates currently in force and the actual tax expense recorded in the income statement of the period for the years ended on December 31, 2017 and 2016, respectively:

	December 31, 2017	December 31, 2016
Earnings before income tax and CREE	1,008,178	1,084,382
Total tax rate in force in Colombia	40%	40%
Theoretical tax expense calculated according to tax rates in force	403,271	433,753
Non-deductible expenses	145,135	88,482
Difference in presumptive income surplus that did not generate deferred taxes	7,737	29,318
Difference in tax losses on which no deferred tax was calculated	95,023	140,904
Wealth tax	396	1,656
Dividends received not constituting income	(18,902)	(8,287)
Revenues through equity method not constituting income	(63,682)	(80,783)
Profit (loss) in sale of valuation of investments not constituting income	(17,507)	11,924
Interest and other nontaxable revenues	(102,565)	(76,859)
Exempt revenues	(3,964)	(9,482)
Intangibles not subject to deferred tax	-	(150)
Hotel, Agroindustry and other income at different rates	(4,604)	-
Other income with different tax rates	-	66
Deductions with different rates for surtax (Income or CREE)	(11,788)	1,081
Tax benefit for acquisition of productive assets	(10,703)	(56,590)
Profit from domestic subsidiaries	-	141
Profit (loss) of subsidiaries in tax-free countries	2,523	(1,130)
Profit (loss) of subsidiaries in countries with different tax rates	(1,519)	(19)
Effect of deferred taxes due to application of different tax rates	21,276	(65,865)
Deferred tax assets considered not recoverable from previous periods	-	1,465
Adjustment of previous periods	(1,930)	(8,454)
Adjustment for uncertain tax positions	-	(122)
Excess provision for the period	(321)	362
Temporary deductible differences on which no deferred tax was calculated	-	(405)
Other items	5,763	(3,638)

	December 31, 2017	December 31, 2016
Total tax expense for the period	443,639	397,368

c. Tax losses and excess presumptive income:

The following is a breakdown as of December 31, 2017 and 2016 of the best estimate of tax losses and excess presumptive income of the companies of the Group that have not been used and on which the Corporation and its subsidiaries have not registered deferred tax assets due to the uncertainty inherent to their recovery.

	December 31, 2017	December 31, 2016
Tax losses to expire on:		
December 31, 2019	4,732	-
December 31, 2020	1,758	-
December 31, 2029	160,084	-
Without expiration date (1)	481,791	492,590
Tax losses subtotal	648,365	492,590
Excess presumptive income to expire on:		
December 31, 2016	-	393
December 31, 2017	-	3,423
December 31, 2018	43,668	44,296
December 31, 2019	64,100	65,214
December 31, 2020	47,754	54,167
December 31, 2021	63,280	68,158
December 31, 2022	46,727	-
Excess presumptive income subtotal	265,529	236,651
Total tax credits	913,894	728,241

In addition to the above, the Group had deductible temporary differences as of December 31, 2017 and 2016 for \$251,870 and \$269,616, respectively, for which deferred tax assets were not recognized due to the uncertainty inherent to their recovery.

d. Deferred taxes in respect of subsidiaries, associates and joint ventures:

Pursuant to paragraph 39 of IAS 12, the Group did not record deferred income tax liabilities related to temporary differences from investments in subsidiaries and associates, mainly by items corresponding to earnings not transferred to Colombia from such affiliates and the translation adjustment of the financial statements recorded in Equity. This is because: i) the Group has control over its subsidiaries and, therefore can decide on the reversal of such temporary differences; and ii) the Group has not planned their realization in the medium term; therefore, it is likely that such temporary differences will not reverse in the foreseeable future.

Therefore, as of December 31, 2017 and 2016, the Corporation has taxable temporary differences on investments in subsidiaries and associates amounting to \$697,538 and \$6,055 on which no deferred tax liabilities have been recorded.

e. Deferred taxes by type of temporary difference:

The differences between the carrying amounts of assets and liabilities and the tax bases thereof give rise to the following temporary differences that generate taxes deferred, calculated and recorded in the six-month periods ended on December 31, 2017 and 2016

based on the tax rates currently in force for the years in which those temporary differences will reverse.

As of December 31, 2017

	Balance on January 1, 2017	Translation adjustment	Effect on income	Effect on Other Comprehensive Income	Balance on December 31, 2017
Deferred tax assets					
Valuation of debt instruments	984	-	132	-	1,116
Valuation of equity instruments	38	-	(30)	-	8
Valuation of derivatives	281	-	(82)	(145)	54
Accounts receivable	227	10	129	-	366
Differences between accounting and tax bases of loan portfolio	5,548	-	7,750	-	13,298
Impairment for loan portfolio	6,219	-	112	-	6,331
Impairment for accounts receivable	3,134	-	1,515	-	4,649
Provision for goods received in lieu of payment	1,105	-	(637)	-	468
Intangible assets in concession agreements	22,703	125	5,705	-	28,533
Differences between accounting and tax bases of the cost of property, plant and equipment	281,751	-	78,298	-	360,049
Differences between accounting and tax bases for the accrual of the depreciation of property, plant and equipment	2,765	-	9,225	-	11,990
Biological assets	101	-	67	-	168
Differences between accounting and tax bases on other intangible assets	70,091	-	73,941	-	144,032
Tax losses	27,398	55	16,423	-	43,876
Excess presumptive income	19,481	-	(16,953)	-	2,528
Non-deductible liability provisions	83,734	-	2,308	-	86,042
Employee benefits	3,178	-	(994)	42	2,226
Deferred revenues	113,380	-	(113,380)	-	-
Financial leasing agreements	7,246	-	(436)	-	6,810
Others	55,938	1,159	26,852	-	83,949
Total deferred tax asset	705,302	1,349	89,945	(103)	796,493
Deferred tax liabilities					
Valuation of debt instruments	-	-	(1,694)	-	(1,694)

Valuation of equity instruments	(17,877)	608	2,192	(2,253)	(17,330)
Valuation of derivatives	(3,611)	3	1,676	1,312	(620)
Accounts payable	(260,621)	-	(45,926)	-	(306,547)
Differences between accounting and tax bases of loan portfolio	(18,223)	-	(20,029)	-	(38,252)
Impairment for loan portfolio	(3,885)	-	135	3,750	-
Impairment for accounts receivable	(5,593)	-	5,366	-	(227)
Differences between accounting and tax bases of the cost of property, plant and equipment	(75,925)	(38)	(10,172)	-	(86,135)
Differences between accounting and tax bases for the accrual of the depreciation of property, plant and equipment	(64,196)	(129)	(26,027)	-	(90,352)
Differences between accounting and tax bases of deferred charges of intangible assets	(14,013)	-	(63,289)	-	(77,302)
Profits not transferred from investments in subsidiaries	(2,212)	-	610	-	(1,602)
Non-deductible liability provisions	(471)	-	(1,859)	-	(2,330)
Employee benefits	(498)	-	(6)	157	(347)
Goodwill	(4,611)	-	3,807	-	(804)
Deferred revenues	(35,951)	-	(4,583)	-	(40,534)
Others	(7,701)	-	(3,164)	-	(10,865)
Financial assets in concession agreements	(552,358)	(2,790)	49,097	-	(506,051)
Intangible assets in concession agreements	(166,138)	-	(9,559)	-	(175,697)
Biological assets	(6,370)	-	(10,213)	-	(16,583)
Financial leasing agreements	(1,387)	-	(31,094)	-	(32,481)
Total deferred tax liabilities	(1,241,641)	(2,346)	(164,732)	2,966	(1,405,753)
Net total	(536,339)	(997)	(74,787)	2,863	(609,260)

As of December 31, 2016

	Restated balance on January 1, 2016	Translation adjustment	Effect on income	Effect on Other Comprehensive Income	Balance on December 31, 2016
Deferred tax assets					
Valuation of debt instruments	-	-	984	-	984
Valuation of equity instruments	285	-	(247)	-	38

Valuation of derivatives	6,014	-	(5,733)	-	281
Accounts receivable	-	-	227	-	227
Differences between accounting and tax bases of loan portfolio	4,082	-	1,466	-	5,548
Impairment for loan portfolio	18,119	-	(11,900)	-	6,219
Impairment for accounts receivable	167	-	2,967	-	3,134
Provision for goods received in lieu of payment	-	-	1,105	-	1,105
Intangible assets in concession agreements	11,929	-	10,774	-	22,703
Differences between accounting and tax bases of the cost of property, plant and equipment	40,233	-	241,518	-	281,751
Differences between accounting and tax bases for the accrual of the depreciation of property, plant and equipment	1,124	-	1,641	-	2,765
Biological assets	369	-	(268)	-	101
Differences between accounting and tax bases on other intangible assets	54,306	(405)	16,190	-	70,091
Tax losses	36,010	(675)	(7,937)	-	27,398
Excess presumptive income	2,898	-	16,583	-	19,481
Non-deductible liability provisions	23,461	(23)	60,296	-	83,734
Employee benefits	3,839	-	(899)	238	3,178
Goodwill	6,947	-	(6,947)	-	-
Deferred revenues	35,856	-	77,524	-	113,380
Financial leasing agreements	8,414	-	(1,168)	-	7,246
Others	92,951	455	(37,468)	-	55,938
Total deferred tax asset	347,004	(648)	358,708	238	705,302

Deferred tax liabilities

Valuation of debt instruments	(874)		874		-
Valuation of equity instruments	(14,681)	(211)	(3,102)	117	(17,877)
Valuation of derivatives	(847)	(4,065)	4,203	(2,902)	(3,611)
Accounts payable	-	-	(260,621)	-	(260,621)
Differences between accounting and tax bases of loan portfolio	(6,540)	-	(11,683)	-	(18,223)
Impairment for loan portfolio	(1,494)	-	(1,212)	(1,179)	(3,885)
Differences between accounting and tax bases of goods received in payment	(88,326)	164	12,237	-	(75,925)

Impairment for accounts receivable		-	(5,593)	-	(5,593)
Differences between accounting and tax bases of the cost of property, plant and equipment	(56,128)	-	(8,068)	-	(64,196)
Differences between accounting and tax bases of deferred charges of intangible assets	(15,963)	-	1,950	-	(14,013)
Profits not transferred from investments in subsidiaries	(2,333)	-	121	-	(2,212)
Non-deductible liability provisions	(503)	-	32	-	(471)
Trust rights	(19)	-	19	-	-
Employee benefits	(746)	-	248	-	(498)
Goodwill	(9,899)	-	5,288	-	(4,611)
Deferred revenues	(26,933)	-	(9,018)	-	(35,951)
Others	(15,750)	-	7,644	405	(7,701)
Financial assets in concession agreements	(498,380)	-	(53,978)	-	(552,358)
Intangible assets in concession agreements	(129,286)	-	(36,852)	-	(166,138)
Biological assets	(11,402)	-	5,032	-	(6,370)
Financial leasing agreements	(214)	-	(1,173)	-	(1,387)
Total deferred tax liabilities	(880,318)	(4,112)	(353,652)	(3,559)	(1,241,641)
Net total	(533,314)	(4,760)	5,056	(3,321)	(536,339)

f. Deferred taxes off-set

The balances of deferred tax assets and liabilities recorded in the statement of financial position as of December 31, 2017 and 2016, after offsets as provided in paragraphs 73 and 74 of IAS 12, is as follows:

As of December 31, 2017	Deferred Tax Calculated	Offset Adjustment	Deferred Tax Balance
Deferred tax asset	796,493	(702,727)	93,766
Deferred tax liability	(1,405,753)	702,727	(703,026)
Net Deferred Tax	(609,260)	-	(609,260)

As of December 31, 2016	Deferred Tax Calculated	Offset Adjustment	Deferred Tax Balance
Deferred tax asset	705,302	(608,681)	96,621
Deferred tax liability	(1,241,641)	608,681	(632,960)
Net Deferred Tax	(536,339)	-	(536,339)

g. Effect of current and deferred tax on each component of the other comprehensive income account in equity:

The effects of current and deferred taxes on each component of the other comprehensive income account are detailed below:

	December 31, 2017			December 31, 2016		
	Amount before taxes	Tax expense (income)	Net	Amount before taxes	Tax expense (income)	Net
Items not to be reclassified later into income						
Other comprehensive income of associates or businesses	(838)	-	(838)	(91)	238	147
Associates conversion adjustment	776	137	913	(30,257)	-	(30,257)
Net actuarial profit of defined benefit plans	(1,028)	196	(832)	4,838	-	4,838
Subtotal	(1,090)	333	(757)	(25,510)	238	(25,272)
Items that are or can be reclassified later into income						
Net variation of the cash flow hedges	(1,973)	995	(978)	13,517	(2,901)	10,616
Net profit by financial assets measured at fair value through other comprehensive income	65,384	(2,216)	63,168	50,402	522	50,924
Adjustment of portfolio model impairment (Separate or Consolidated)	(8,126)	3,751	(4,375)	1,765	(1,180)	585
Subtotal	55,285	2,530	57,815	65,684	(3,559)	62,125
Total other comprehensive income during the period	54,195	2,863	57,058	40,174	(3,321)	36,853

h. Uncertainty in open tax positions

	Leasing Corficolombiana S.A.	Hoteles Estelar S.A. and subsidiaries	TOTAL
Balance as of December 31, 2015	103	19	122
Increase in the provisions for the year	-	-	-
Amounts reversed due to unused provisions	(103)	(19)	(122)
Balance as of December 31, 2016	-	-	-
Increase in the provisions for the year	-	-	-
Amounts reversed due to unused provisions	-	-	-
Balance as of December 31, 2017	-	-	-

i. Tax Reform

By Law 1819 of December 29, 2016, the structural tax reform was issued, by which provisions on tax matters in Colombia are amended and added. The main effects and changes regarding the income tax, besides the changes already noted in point b, are:

- Duty free zone income rate

From January 1, 2017, the income tax rate for users of duty free zones shall be 20% (Art. 240-1 TC)

- The following income will be taxed at the rate of 9%:

Services provided in new hotels constructed in municipalities of up to two hundred thousand inhabitants, as certified by the competent authority as of December 31, 2016, within ten (10) years following the effective date of the Law, for a term of 20 years. (Paragraph 5, Art. 240 TC)

Hotel services provided in remodeled and/or expanded hotels in municipalities of up to two hundred thousand inhabitants, as certified by the competent authority as of December 31, 2016, within ten (10) years following the effective date of the Law, for a term of 20 years. The exemption provided shall correspond to the proportion represented by the value of the remodeling and/or expansion in the tax cost of the Urban Planning Office or otherwise the Major's Office of the location of the remodeled and/or expanded property. (Paragraph 5, Art. 240 TC)

Income for the use of new crops with late return (palm, cacao, rubber and citrus fruits (Art. 235-2 TC)

- In concession agreements and Public Private Partnerships, for income and complementary tax purposes, construction, management, operation and maintenance stages are included, the intangible asset model shall be considered. (Art. 32 TC)

23. Other assets, net

The other assets as of December 31, 2017 and 2016, that due to their insignificant value do not fall into this category:

	December 31, 2017	December 31, 2016
Other assets		
Prepaid expenses	152,244	173,373
Art and cultural assets	990	990
Minor intangibles (1)	82,828	74,286
Other minor assets	702	15
Total	236,764	248,664

(1) Corresponds to the renewal of the insurance policies of concessions, credit quota availability commissions and advances to suppliers related to construction contracts.

Detail of minor intangibles:

	Patents and Intellectual Property	Other Rights	Licenses	Computer Software and Applications	Other Intangible Assets	Total
Cost						
As of December 31, 2015	12,382	7,007	75,856	2,645	9,683	107,573
Additions	-	104	7,775	4,015	2,250	14,144

Business consolidation	-	-	808	331	-	1,139
Reclassification – changes in estimates	(12,714)	3,314	7,609	(1,885)	(224)	(3,900)
Sales or withdrawals	332	(5,033)	(331)	(511)	(619)	(6,162)
As of December 31, 2016	-	5,392	91,717	4,595	11,090	112,794
Additions	333	91	8,612	3,042	11,159	23,237
Reclassification – changes in estimates	5,153	-	(2,784)	14,569	(20,632)	(3,694)
Sales or withdrawals	-	(5,392)	(146)	(514)	-	(6,052)
Business consolidation	-	168	489	-	-	657
Entities deconsolidation	-	-	(28)	-	-	(28)
Conversion adjustments	-	-	(5)	11	-	6
As of December 31, 2017	5,486	259	91,855	21,703	1,617	126,920
Accumulated amortization						
As of December 31, 2015	(2,187)	(1,238)	(13,397)	(467)	(1,710)	(18,999)
Amortization for the period	(242)	(2,096)	(11,220)	(2,587)	(512)	(16,657)
Business consolidation	-	-	(385)	(226)	-	(611)
Reclassification – changes in estimates	2,449	(2,058)	(4,521)	407	44	(3,679)
Sales or withdrawals	(20)	-	461	492	505	1,438
As of December 31, 2016	-	(5,392)	(29,062)	(2,381)	(1,673)	(38,508)
Amortization for the Period expense	-	-	(7,630)	(2,054)	(728)	(10,412)
Amortization for the Period cost	(107)	-	(4,460)	(63)	-	(4,630)
Reclassification – changes in estimates	(386)	-	2,442	(238)	1,876	3,694
Sales or withdrawals	-	5,392	150	511	-	6,053
Business Combination	-	-	(161)	-	-	(161)
Conversion adjustment	-	-	(117)	(11)	-	(128)
As of December 31, 2017	(493)	-	(38,838)	(4,236)	(525)	(44,092)
Total Intangible Assets						
Net balance as of December 31, 2015	10,195	5,769	62,459	2,178	7,973	88,574
Net balance as of December 31, 2016	-	-	62,655	2,214	9,417	74,286
Net balance as of December 31, 2017	4,993	259	59,017	17,467	1,092	82,828

The above amounts are not subject to any limitations or restrictions.

23. Non-current assets held for sale

The following is a breakdown of non-current assets held for sale as of December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Real estate	1,009	8,422

Vehicles	511	5,885
Equipment and machinery	19,419	32,644
Total	20,939	46,951

The following are the balances of the non-current assets held for sale of the Corporation and its subsidiaries:

As of December 31, 2017

	Book Value	Impairment	Impairment %	Recoverable Amount
Real estate	1,009	-	%	1,009
Vehicles	511	-	%	511
Others	19,419	-	%	19,419
Total	20,939	-	%	20,939

As of December 31, 2016

	Book Value	Impairment	Impairment %	Recoverable Amount
Real estate	8,422	-	0%	8,422
Vehicles	5,885	-	0%	5,885
Others	32,644	-	0%	32,644
Total	46,951	-	0%	46,951

The movements in non-current assets held for sale in the period are as follows:

	Real Estate	Vehicles	Machinery and Equipment	Total
Balance as of December 31, 2015	25,261	5,825	27,333	58,419
Additions	718	1,130	30,764	32,612
Assets sold (1)	(21,603)	(1,047)	(25,363)	(48,013)
Reclassifications	4,046	(23)	(83)	3,940
Translation adjustments	-	-	(7)	(7)
Balance as of December 31, 2016	8,422	5,885	32,644	46,951
Additions	-	-	156	156
Impairment	-	(152)	(1,011)	(1,163)
Assets sold	(615)	(6,508)	(12,982)	(20,105)
Discontinued operation	-	-	74	74
Reclassifications	(6,798)	1,286	538	(4,974)
Balance as of December 31, 2017	1,009	511	19,419	20,939

(1) During 2017, the sales made were: Lerasing Corficolombiana S.A. \$9,404 Machinery and \$7,120 Vehicles corresponding to goods returned under leasing contracts; Pizano \$3,347 corresponding to land. For 2016, the entities that sold assets during the period are the following: Pizano S.A. with \$21,457 relating to land, Leasing Corficolombiana with \$3,338 for goods returned under leasing contracts and Corficolombiana with \$8,468 including \$8,347 received from the discontinued operation of Pixys.

These assets will not produce significant adverse effects on the financial statements. Currently the Corporation and its subsidiaries are undertaking efforts for the realization of these assets within the time limits set by the Finance Superintendence of Colombia.

As of December 31, 2017 and 2016 there are no balances by impairment of non-current assets held for sale.

The above amounts are not subject to any limitations or restrictions.

24. Deposits and current liabilities

See accounting policy in note 2.7.2. The following is a breakdown of the balances of customer deposits received by the Corporation and its subsidiaries in the development of its taking operations:

	December 31, 2017	December 31, 2016
By nature		
Savings accounts	402,463	319,345
Other deposits on demand	32,950	16,584
Total on demand	435,413	330,129
Total term deposit certificates	3,658,952	3,616,664
Total	4,094,365	3,846,793

The following are the balances of customer deposits by currency:

	December 31, 2017	December 31, 2016
By currency		
In Colombian pesos	3,924,142	3,702,268
In US dollars	170,223	144,527
Total	4,094,365	3,846,793

Expiration of the term deposit certificates

	December 31, 2017	December 31, 2016
Up to 1 year	503,535	455,292
Between 1 and 5 years	706,455	832,280
More than 5 years	2,448,962	2,229,092
Total	3,658,952	3,516,664

The following is a breakdown of the effective interest rates applied on customer deposits.

As of December 31, 2017

In Domestic Currency		In Foreign Currency	
Minimum Rate	Maximum Rate	Minimum Rate	Maximum Rate

Savings accounts	1.00”	5.00”	0.05%	0.50%
Term deposit certificates	2.50%	8.94%	0.05%	2.75%

As of December 31, 2016

	In Domestic Currency		In Foreign Currency	
	Minimum Rate	Maximum Rate	Minimum Rate	Maximum Rate
Savings accounts	1.00%	8.35%	0.05%	0.05%
Term deposit certificates	4.50%	12.64%	0.05%	2.50%

The following is the detail of the concentration of customer deposits by economic sector:

	December 31, 2017	December 31, 2016
Sector		
Colombian government or governmental entities	20,428	328,165
Manufacturing	7,242	248
Real Estate	6,198	5
Commerce	76,372	169,568
Agriculture and livestock farming	13,376	1,132
Individuals	297,062	313,481
Others	3,673,687	3,034,194
Total	4,094,365	3,846,793

25. Liabilities in money market operations

The following is the summary of market operations by currency held by the Corporation and its subsidiaries as of December 31, 2017 and 2016, with the main purpose of financing its operations:

	December 31, 2017	December 31, 2016
Domestic currency		
Ordinary interbank funds acquired	188,031	379,794
Repo operations	-	370,147
Simultaneous operations	2,156,024	1,762,051
Commitments arising from short positions	130,207	487,409
Total convened operations in domestic currency	2,474,262	2,999,401
Foreign currency		
Repo operations	148,013	125,546
Total operations in Foreign Currency	148,013	125,546
Total convened operations	2,622,275	3,124,947

The following is a breakdown of the effective interest rates applied to short-term financial obligations:

	December 31, 2017		December 31, 2016	
	Minimum Rate	Maximum Rate	Minimum Rate	Maximum Rate
Domestic currency				
Interbank funds	4.69%	4.79%	7.50%	7.55%
Foreign currency				
Interbank funds	2.89%	2.79%	3.17%	4.48%

26. **Financial obligations**

See accounting policy in note 2.7.2. The following is the summary of the financial obligations of the Corporation and its subsidiaries as of December 31, 2017 and 2016, with the main purpose of financing its operations:

	December 31, 2017	December 31, 2016
Financial obligations with promotion entities	101,310	82,387
Financial obligations with financial entities	3,791,042	3,722,123
Total	3,892,352	3,804,510

Financial obligations with promotion entities

The Colombian Government has established certain credit programs to promote the development of specific sectors of the economy, including foreign trade, agriculture, tourism, housing construction and other industries. These programs are managed by various governmental entities such as the Bank of Foreign Trade ("BANCOLDEX"), the Fund for Financing the Agricultural Sector ("FINAGRO") and Financiera de Desarrollo Territorial ("FINDETER").

The following is the detailed balance of the loans obtained by the Corporation with promotion entities as of December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Bancoldex	88,245	71,350
Finagro	13,065	10,526
Findeter	-	511
Total	101,310	82,387

The following is the detail of the expiration of financial obligations with promotion entities as of December 31, 2017 and 2016:

Expiration	December 31, 2017	December 31, 2016
2017	4	2,784
2018	3,561	9,084
2019	10,092	15,198
2020	23,028	16,596

After 2020	64,625	38,725
Total	101,310	82,387

Financial obligations with financial entities

	December 31, 2017	December 31, 2016
Domestic Financial Entities	1,742,384	1,684,450
Foreign banks (1)	982,176	909,465
Bank checking account discoveries	547	1,350
Financial Leasing (2)	1,065,935	1,126,858
Total	3,791,042	3,722,123

(1) On December 23, 2016, Promigas S.A. E.S.P. and Gases del Pacifico S.A.C. executed a syndicated loan for USD\$200,000,000, of which USD\$125,000,000 and USD\$75,000,000 correspond to them respectively. Promigas allocated a part of the syndicated loan as hedge instrument, as it has identified the fluctuation risk in the exchange rate by the translation of the investments with dollar functional currency.

(2) During the second half of 2016, Sociedad Portuaria El Cayao S.A. E.S.P. undertook a long-term financial lease of the FSRU (Floating Storage Regasification Unit) for \$793,936.

Long-term financial obligations due to financial leasing operations

The Corporation and its subsidiaries have acquired property and equipment through financial leasing operations. The following table summarizes the credit operations obtained through the financial leasing system by expiration:

	Less than 1 year	Between 1 and 5 years	More than 5 years	TOTAL
Balance as of December 31, 2017				
Minimum lease payments to be made in future years	180,382	719,248	550,536	1,450,166
Minus future financial costs	(77,918)	(229,540)	(76,772)	(384,230)
Present value of minimum lease payments	102,464	489,708	473,764	1,065,936
Balance as of December 31, 2016				
Minimum lease payments to be made in future years	927,559	118,120	83,748	1,129,427
Minus future financial costs	(641)	(1,298)	(630)	(2,569)
Present value of minimum lease payments	926,918	116,622	83,118	1,126,868

27. Accounts payable

See accounting policy in note 2.7.2. Accounts payable include the following:

	December 31, 2017	December 31, 2016
Commissions and fees	4,294	3,990
Suppliers and services	485,326	267,011
Taxes	39,611	45,884
Dividends	31,110	116,094

Leases	2,996	2,010
Labor withholdings and contributions	45,476	37,561
Acquisition of capital goods	254,195	347,608
Related parties (1)	453,479	98,731
Other accounts payable	17,786	74,079
TOTAL	1,334,273	992,968

For 2017, accounts payable increased by 34.37% in connection to the preceding year, this mainly due to the increase in the following items: Accounts receivable from related parties with 22.71% and suppliers and services with 9.18%.

(1) In October 2017, Covioriente achieved the definite financial closing and received from Grupo Aval the approval of a 10 year loan under the Bullet modality for USD 550,000,000, from which the charge of the payment of an Upfront Fee equal to 1% charged with the second disbursement and a Commitment Fee equal to 0.75% of the non-disbursed amount on a quarterly basis were agreed, the fixed reference rate is 6.8% based on the quarter then ended. The expiration of the loan is in 10 years; however, incentives motivating the loan payment in advance by the end of June 2022 were agreed. These incentives are comprised by the payment of an Additional Fee in case of failure to pay before June of that year; the renegotiation of the fee depending on the lender's funding cost to that date and the payment of a penalty for payment in advance of the loan not available if paid before the month referred.

The suppliers and services item is the most relevant from the total accounts payable, with a share of 36.37% as of December 2017. From this value, Hoteles Estelar S.A. and subsidiaries participates with \$100,341 and Concesionaria Nueva Vía al Mar with \$84,246.

28. Employee benefits

See accounting policy in note 2.21. The following is a breakdown of the balances of provisions for employee benefits as of December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Short-term benefits	53,192	49,497
Postemployment benefits	23,398	22,499
Long-term benefits	8,311	7,045
Total	84,901	79,041

Post-employment benefits

In Colombia the retirement pension of employees who retire after reaching certain age and seniority are assumed by public or private pension funds based on defined contribution plans to which companies and employees contribute on a monthly basis the amounts defined by the law to have access to retirement pension; however, in the case of some employees hired by companies of the Corporation prior to 1968 that met the requirements of age and seniority, pensions are assumed directly by the companies of the Corporation.

Certain employees hired by companies of the Corporation before 1990 are entitled to receive on the date of retirement, at the choice of the employee or the company, a compensation corresponding to the last month's salary multiplied by each year of work.

The Corporation recognizes additional extra-legal bonuses or additional bonuses under collective agreements to employees who retire upon reaching the age and seniority to enjoy the pension paid by pension funds. The actuarial assumptions are presented in note 3.15.

Long-term employee benefits

The Corporation and its subsidiaries provide their employees with long-term extra-legal bonuses during their working life depending on the number of years of service, five, ten, fifteen and twenty years, etc., calculated as days of salary (between 30 and 90 days) for each payment.

The following is the movement of post-employment benefits and long-term benefits for the periods ended on December 31, 2017 and 2016:

	Pension Plans		Other Benefits	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Balance at the beginning of the period	22,499	21,169	7,045	5,795
Costs incurred in the period	33	27	644	592
Interest cost	2,097	1,800	464	436
Cost subtotal	2,130	1,827	1,108	1,028
(Profit)/loss for changes in demographic assumptions	981	1,653	942	898
(Profit)/loss for changes in financial assumptions	165	128	451	423
Profit - loss subtotal	1,146	1,781	1,393	1,321
Payments to employees	(2,377)	(2,278)	(1,235)	(1,100)
Balance at the end of the period	23,398	22,499	8,311	7,044

29. Other provisions

See accounting policy in note 2.23. The following is a breakdown of the movement of provisions for legal contingencies and other provisions during the periods ended on December 31, 2017 and 2016.

	Legal processes, fines, penalties and indemnifications	Major contractual maintenance	Other provisions	Total
Balance as of December 31, 2015	72,765	173,762	11,472	257,999
New provisions	8,205	18,928	27,907	15,040
Increase (decrease) in existing provisions	7,684	11,819	(86)	19,417
Acquisitions made by business consolidation	-	-	1,069	1,069
Provisions used	(2,617)	(40,479)	(28,947)	(72,043)
Reverted unused provisions	(3,912)	(1,119)	(370)	(5,401)
Increase due to adjustments from by the passing of time	6	1,308	-	1,314

Increase (decrease) by changes in discount rate	-	9,022	-	9,022
Reclassifications in the period	1,527	31,428	(1,132)	31,823
Balance as of December 31, 2016	83,658	204,669	9,913	298,240
New provisions	3,671	18,994	7,140	29,805
Increase (decrease) in existing provisions	10,840	26,082	15,839	52,761
Acquisitions made through business combinations	(656)	-	-	(656)
Provisions used	(2,722)	(12,596)	(4,191)	(19,509)
Reverted unused provisions	(5,095)	(7,904)	(501)	(13,500)
Increase due to adjustments arising Entities deconsolidation	-	-	(768)	(768)
Increase (decrease) by net exchange differences	-	2201	-	201
Balance as of December 31, 2017	89,696	229,446	27,432	346,574

Below is a summary of the most significant provisions recognized in relation to legal processes:

Promigas S.A. E.S.P. and Subsidiaries

- Promigas S.A. E.S.P.: It has a balance of \$4,207 from the proceeding 2002-004438 of the Judicial Court of the Council of State – previously the Administrative Court of the Circle of Riohacha, according to group action of Luis Carlos Martínez and others against the entity, which intends to declare Promigas S.A. E.S.P. civilly liable for the explosion that took place on October 21, 2001 of the oil pipeline from Manaure to Barranquilla and that subsequently compensates the victims of such explosion.
- Promigas S.A. E.S.P.: It presents a balance of \$11,568 for the abandonment cost of the compressor stations of Sahagún, Caracolí, Filadelfia and Palomino 1. In the construction licenses there are decommissioning requirements. Considering the historical records obtained of the decommissioning of Heroica compressor station, the scope provided by ANLA – National Authority of Environmental licenses – for the decommissioning of compressor stations, and the adjustments based on the opinion from experts of the organization, a percentage of 5% of the total cost of the investment was established as the value to be considered for the compressor station decommissioning costs.

At the time a partial decommissioning of a compressor station or asset component is required, the manager leading the decommissioning project will notify the Financial Results Management, in order to make the relevant identification and application of the provision the asset has at that time, any difference will be recognized against results.

- Promioriente S.A. E.S.P.: It recognized \$50,107 since July 2014, for a lawsuit according to proceeding 00100-2014 of the Superior Tribunal Civil Court of Bogota, because of the differences in the construction of Gibraltar Gas Pipeline (Bucaramanga) between Promioriente S.A. E.S.P. and Cosacol-Confurca Consortium. Additions to this provision by arbitration award are made monthly.

- **Compañía Energética de Occidente S.A.:** According to concession agreement of the electric networks, that for 2017 has a balance of \$147,537. The entity makes from 2017 an estimate of the Investment plan by the commitment to perform an expansion, replacement and improvement plan of the infrastructure for the development of commercialization services of Cedelca.
- **Sociedad Porturia del Cayao S.A. E.S.P.:** In April 2017, and for the end of the same year there is a provision of \$17,451. It is recognized for the replacement of LNG by the burn in the storage provided in the agreements with the thermal plants TermoBarranquilla, TermoCalendaria and Zona Franca Celsia. The gas is mainly from the thermal plants; however, there is a minimum availability that SPEC must secure at the time the thermal plant will make its regasification. This minimum gas in circulation undergoes a decrease because it evaporates, so SPEC records a provision for the replacement of such gas.

Pizano S.A. and Subsidiaries

- Pizano S.A. has a process for different Labor lawsuits for \$1,487 by means of Compensations for unfair termination rated as probable due to conviction in first instance, compensation for the death of a worker with rated as probable as the evidence demonstrates liability by the company.
- Maderas del Darien S.A. has ongoing lawsuits where it is intended for the entity to be convicted to pay and transfer the retirement title prior actuarial calculation by the entire time no security payment was made before the coverage by ISS in the region of Urabá. The dates for proceeding and trial hearing will be between January and March 2018. Rated probable for \$778.

30. Other liabilities

As of December 31, 2017 and 2016, the other liabilities item includes the following:

	December 31, 2017	December 31, 2016
Income received in advance	45,857	74,412
Income received for third parties (1)	140,136	108,497
Retention of guarantees on contracts (2)	10,458	11,912
Other liabilities	93,775	18,753
Total Other Liabilities	290,226	213,574

(1) Corresponds to income received for third parties under concession contracts.

Corresponds to the guarantee retentions on contracts with different suppliers and contractors, which are returned once the goods or services are satisfactorily delivered.

31. Securities issued outstanding

The details of the bonds of subordinated companies issued by the Corporation as of December 31, 2017 and 2016 by issuance date and expiration date are as follows:

Issuer	Type of Issue	Maturity	December 31, 2017	December 31, 2016	Interest Rate	Date of Issue	Date of Expiration
Industrias Lehner S.A - Fogafin	Bond	11 YEARS	-	1,053	Term Deposit Rate, per annum	06/09/2000	11/28/2014
Proyectos de Infraestructura S.A.	Floating	10 YEARS	57,400	57,400	15.38%	05/20/2009	05/20/2019
Fiducoldex	Floating	15 YEARS	80,000	80,000	CPI + 4.25% TV	10/25/2012	10/25/2027
Promigas S.A E.S.P	Ordinary Bonds	10 YEARS	150,000	150,000	CPI+ 5.40%	08/27/2009	08/27/2019
Promigas S.A E.S.P	Ordinary Bonds	15 YEARS	170,000	170,000	CPI+ 5.99%	08/27/2009	08/27/2024
Promigas S.A E.S.P	Ordinary Bonds	7 YEARS	99,821	99,821	CPI+ 3.05%	01/29/2013	01/29/2020
Promigas S.A E.S.P	Ordinary Bonds	10 YEARS	150,179	150,179	CPI+ 3.22%	01/29/2013	01/29/2023
Promigas S.A E.S.P	Ordinary Bonds	20 YEARS	250,000	250,000	CPI+ 3.64%	01/29/2013	01/29/2033
Promigas S.A E.S.P	Ordinary Bonds	4 YEARS	105,000	105,000	CPI+ 2.55%	03/11/2015	03/11/2019
Promigas S.A E.S.P	Ordinary Bonds	7 YEARS	120,000	120,000	CPI+ 3.34%	03/11/2015	03/11/2022
Promigas S.A E.S.P	Ordinary Bonds	15 YEARS	175,000	175,000	CPI + 4.37%	03/11/2015	03/11/2030
Promigas S.A E.S.P	Bond	4 YEARS	100,000	100,000	CPI + 3.29%	09/08/2016	09/08/2020
Promigas S.A E.S.P	Bond	10 YEARS	150,000	150,000	CPI + 3.74%	09/08/2016	09/08/2026
Promigas S.A E.S.P	Bond	20 YEARS	250,000	250,000	CPI + 4.12%	09/08/2016	09/08/2036
Surtidora de Gas del Caribe S.A. E.S.P	Ordinary Bonds	10 YEARS	130,000	130,000	CPI+ 3.25%	02/12/2013	02/12/2023
Surtidora de Gas del Caribe S.A. E.S.P	Ordinary Bonds	20 YEARS	70,000	70,000	CPI+ 3.64%	02/12/2013	02/12/2033
Gases de Occidente S.A. E.S.P.	Ordinary Bonds	10 YEARS	100,206	100,206	CPI + 5.89%	07/23/2009	07/23/2016
Gases de Occidente S.A. E.S.P.	Ordinary Bonds	10 YEARS	110,362	110,362	CPI + 3,75%	12/11/2012	12/11/2022
Gases de Occidente S.A. E.S.P.	Ordinary Bonds	20 YEARS	89,618	89,618	CPI + 4.13%	02/11/2012	12/11/2032
TOTAL FACE VALUE			2,357,606	2,358,669			
(-) Issuance costs			(29,038)	(21,308)			
(+) Interest accrued			31,758	18,921			
TOTAL BONDS VALUE			2,360,326	2,356,272			

32. Controlled equity

The number of shares authorized, issued and outstanding as of December 31, 2017 and 2016 is as follows:

	December 31, 2017	December 31, 2016
Number of shares authorized, issued and outstanding	250,000,000	250,000,000
Number of shares subscribed and paid-in	233,717,234	231,686,588
Total shares	233,717,234	231,686,588
Subscribed and paid-in capital	2,337	2,317
Share issue premium	2,742,400	2,685,093

The Preferred Stock issued in 1993 grant the right to receive minimum preferred dividends on the net profits of the Corporation after (i) paying any losses from previous fiscal years and (ii) allocating any amount legally required to establish the statutory reserve. The minimum dividend earned by each share with preferred dividend without voting rights, will be equal to 2% per annum of the subscription price in Colombian pesos. In any case, the dividend per share to be paid for these securities may not be less than the dividend per share of common stock. The minimum preferred dividend referred to above will be adjusted each year in an amount equal to one hundred percent of the change in the consumer price index ("CPI") certified annually by the competent authority in Colombia for the applicable calendar year (to date the value of such dividend is \$824.55 per share).

Any unpaid minimum dividend will be cumulative if, in any fiscal year, the sum of the net profits of the Corporation is not enough to pay for it. In this case, any outstanding balance in respect of the minimum dividend in any year shall be accumulated, until fully paid, with the corresponding minimum dividend for the following three (3) years.

The detail of share issues as of December 31, 2017 and 2016 is as follows:

	December 31, 2017	December 31, 2016
Item		
Common stock	3,040,319	4,559,149
Preferred stock	260,184	292,828
Total shares issued	3,300,503	4,851,977
Price per share	28,360	38,218
Price per preferred stock	21,300	-
Value of the issuance	91,765	185,433
Issuance commission %	0%	0%
Net value of issuance	91,765	183,433
Accounting:		
Capital	20	49
Share issue premium	57,307	185,384
Total accounting of issuances	57,327	185,433

Retained earnings

	December 31, 2017	December 31, 2016
Reserves (1)	1,534,082	1,330,133
Accumulated results	(712,213)	(464,742)
IFRS adjustment to 2014 profits	(63,060)	(63,894)
First-time adoption of IFRS	(612,936)	(611,784)
Retained earnings	145,873	189,713

(1) The detail of Reserves is shown below.

Legal Reserve

In accordance with current regulations, the Corporation and its financial subsidiaries must create a statutory reserve by appropriating ten percent (10%) of the net profits of each year until reaching an amount equal to fifty percent (50%) of the capital subscribed. This reserve may be reduced below fifty percent (50%) of the subscribed capital to offset losses in excess of retained earnings. The statutory reserve cannot be lower than the above percentage except to cover losses in excess of retained earnings.

Mandatory and voluntary reserves

Mandatory and voluntary reserves are determined during Shareholders' Assemblies; the balances of the reserves of the entity are shown below:

	December 31, 2017	December 31, 2016
Legal reserve	105,744	299,563
Statutory reserve	65,538	33,844
Occasional reserve	1,362,800	996,726
Total	1,534,082	1,330,133

Dividends declared

Dividends are declared and paid to shareholders based on the non-consolidated net profits of the previous six-month period. The dividends declared were as follows:

	Balance as of December 31, 2017	Balance as of December 31, 2016
Non-consolidated profits of immediately preceding year	59,034	249,241
Dividends paid in cash (1)	-	276

Cash dividend of \$276 per share on 213,135,370 common shares and 13,699,241 preferred shares subscribed outstanding on June 30, 2016. In addition, the same cash dividend is applicable to 4,854,965 shares to be issued due to the capitalization of reserves of Decree 2336. This dividend will be paid in five monthly installments on the 20th day of each month from October 2016 (in case it is a non-business day, the payment will be made on the first following business day).

Common outstanding shares	217,694,519	213,135,370
Preferred outstanding shares	13,992,069	13,699,241
Total outstanding shares	<u>231,686,588</u>	<u>226,834,611</u>
Total shares to be issued	<u>3,300,503</u>	<u>4,851,977</u>
Total dividends decreed (2)	<u>59,034</u>	<u>249,947</u>

(1) It corresponds to the total number of shares outstanding in accordance with the proposed distribution of shares approved by the General Shareholders Assembly, which differ from the number of shares outstanding as of the reporting date of these financial statements since they have already been issued.

(2) The payment of the dividends in shares, by express mandate of Decree 2336/1995, must be mandatorily made on shares, since the profits to be allocated for this concept must be generated as a consequence of the application of special unrealized investment valuation systems at market prices held by the company. The fractions resulting from the capitalization will be returned to the reserve of Decree 2336/1995.

Net profit per share

The table below summarizes the net profit per share for years 2017 and 2016:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Net profit of the period	564,539	687,014
Controlled net profit of the year	210,808	301,795
Number of subscribed and paid, ordinary and preemptive shares	<u>233,034,712</u>	<u>226,856,491</u>
Net profit per share of controlling interests (in Colombian pesos)	<u>904.62</u>	<u>1,330.33</u>

Other cumulative comprehensive income

As of December 31, 2017 and 2016, the effect of the valuation by the equity method of the investments in associates is included in the other cumulative comprehensive income.

33. Capital Adequacy Management

The objectives of the Company as to the management of its adequate capital are addressed towards meeting the capital requirements established by the Colombian Government to financial institutions that are subsidiaries of the Company in Colombia.

The technical equity cannot be less than nine percent (9%) of risk-weighted assets plus the market risk premium (in domestic and foreign currency), as stated in article 2.1.1.1.2 of Decree 2555/2010, formerly article 2 of Decree 1720/2001. Individual compliance is verified monthly and quarterly on a consolidated basis with its financial subsidiaries. The classification of risk assets in each category is made by applying the percentages determined by the Finance Superintendence of Colombia to each of the items of assets, contingent accounts, business and trusteeships established in the Single Account Plan. As of January 30, 2002, market risks are also included as part of the risk-weighted assets.

During years 2017 and 2016, the various financial entities that consolidate the Company have adequately complied with capital requirements. The following is a breakdown of the solvency of each of the entities and the consolidated financial result as of December 31, 2017 and 2016:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Technical equity		
Ordinary basic equity		
Subscribed and paid capital	2,197	2,177

Issue premium	2,742,400	2,685,093
Appropriation of net profits	54,425	54,805
Cumulative losses	(465,952)	(467,341)
Investments made from other financial institutions	(40,611)	(32,388)
Adjustment for translation of financial statements	9,489	9,690
Deferred income tax	(6,020)	(4,805)
	2,295,928	2,247,231
Additional equity		
Subscribed and paid capital	140	140
Unrealized cumulative losses in Debt Securities	(2,467)	(37,244)
Unrealized cumulative profits in Participation Titles	30,571	6,919
Valuation in Investments	342,315	306,905
50% of tax reserve	-	119,505
	370,559	396,225
Total Technical Equity	2,666,487	2,643,456
Risk-weighted assets		
Credit risk		
Category II (High security assets weighting at 20%)	71,607	91,626
Category III (High security assets but with low liquidity weighting at 50%)	689,747	574,440
Category IV (Other assets in risk weighting at 100%) and includes other categories of credit risk having special weightings for credit risk, according to Decree 1771/2012.	4,659,443	4,867,873
	5,420,797	5,533,939
Market risk	1,769,040	1,676,891
Total risk-weighted assets	7,189,837	7,210,830
Total solvency risk rate	37.09%	36.66%
Basic solvency risk rate	31.93%	31,16%

34. Non-Controlling Interests

The following tables show financial information in accordance with the non-controlling participations in each of the subsidiaries in which the Company holds significant non-controlling interests:

As of December 31, 2017

	Country	Interest	Assets	Liabilities	Equity	Revenues	Profits
Organizacion Pajonales S.A. and subsidiaries	Colombia	1.33%	3,287	1,499	1,683	936	27
Hoteles Estelar de Colombia S.A.S. and subsidiaries	Colombia	15.04%	120,656	64,759	96,023	51,247	6,747
Gas Comprimido del Peru S.A.	Peru	8.13%	5,507	5,442	65	2,698	(184)
Proyectos de Infraestructura S.A. and subsidiaries	Colombia	11.75%	39,433	21,284	36,972	33,330	21,038
Estudios, Proyectos e Inversiones de los Andes S.A. and subsidiaries	Colombia	0.07%	391	306	40,764	445	6,200
Promotora y Comercializadora Turistica Santamar S.A.	Colombia	15.40%	6,580	672	5,908	477	208
Tejidos Sinteticos de Colombia S.A.	Colombia	0.35%	98	20	78	138	7
Plantaciones Unipalma de los Llanos S.A.	Colombia	45.47%	92,099	29,000	63,099	39,270	3,103
Pizano S.A. and subsidiaries	Colombia	60.01%	130,486	102,941	27,536	82,741	(50,493)
Estudios y Proyectos del Sol and subsidiaries	Colombia	0.00%	50,658	12,257	38,401	71,728	2,006
Industrias Lehner S.A.	Colombia	46.65%	63	3,628	(3,565)	15	(515)
Caja de Bolsa S.A.	Colombia	59.23%	27,722	8,950	18,772	28,103	365
Concesionaria Vial del Pacifico S.A.S.	Colombia	10.10%	44,860	44,610	250	6,379	225
Promigas S.A. and subsidiaries	Colombia	49.77%	4,795,287	3,213,121	1,697,276	1,945,942	364,997
TOTAL					2,023,262		353,731

As of December 31, 2016

	Country	Interest	Assets	Liabilities	Equity	Revenues	Profits
Organizacion Pajonales S.A. and subsidiaries	Colombia	1.87%	3,916	2,227	1,657	642	62
Hoteles Estelar de Colombia S.A.S. and subsidiaries	Colombia	15.04%	114,864	61,957	91,313	26,739	7,693
Gas Comprimido del Peru S.A.	Peru	8.13%	5,611	5,457	6,702	2,860	(66)
Proyectos de Infraestructura S.A. and subsidiaries	Colombia	11.75%	36,295	19,083	30,616	20,609	16,666
Estudios, Proyectos e Inversiones de los Andes S.A. and subsidiaries	Colombia	0.07%	564	494	34,797	490	6,069
Promotora y Comercializadora Turistica Santamar S.A.	Colombia	15.40%	6,411	711	5,699	483	249
Tejidos Sinteticos de Colombia S.A.	Colombia	0.35%	103	27	76	151	9
Plantaciones Unipalma de los Llanos S.A.	Colombia	45.47%	88,029	28,079	59,950	31,634	2,564
Pizano S.A. and subsidiaries	Colombia	60.01%	163,326	84,925	78,424	94,251	(5,417)
Estudios y Proyectos del Sol and subsidiaries	Colombia	0.00%	-	-	36,444	-	18,764
Industrias Lehner S.A.	Colombia	46.65%	220	3,271	(3,050)	94	(483)
Caja de Bolsa S.A.	Colombia	59.27%	37,141	18,883	18,257	14,242	-
Promigas S.A. and subsidiaries	Colombia	49.77%	4,606,295	3,140,836	1,571,498	1,064,816	339,109
TOTAL					1,932,383		385,219

During the semester ended on December 31, 2017, the Company acquired the indirect control of Concesionaria Vial del Pacifico S.A.S. (Covipacifico) by means of its direct participation in the affiliates Episol 100% and Prodepacifico 100%, which in turn, hold 49.9% and 40% of Covipacifico, respectively, the remaining 10.1% corresponds to the non-controlled interest.

In addition, there is a reduction in the non-controlling percentage of Organizacion Pajonales S.A. going from 1.87% to 1.33% due to a capitalization made by Corficolombiana in the entity and in which the minority shareholder did not participate in the transaction.

There were no other significant transactions performed with non-controlling interests of the Corporation and subsidiaries, as well as protection rights or restrictions in the access to the use of the assets or cancellation of liabilities thereof.

35. Commitments and contingencies

Commitments

a) Credit commitments

In the development of their normal operations the financial institutions of the Group grant guarantees or letters of credit to its customers in which the Group irrevocably agrees to make payments to third parties if customers fail to fulfill their obligations to such third parties, with the same credit risk as the financial assets in the loan portfolio. The granting of guarantees and letters of credit is subject to the same approval policies for the disbursement of loans in terms of the credit quality of customers and the guarantees deemed appropriate given the circumstances are obtained.

Commitments for the extension of loans represent unused portions of authorizations to extend credits in the form of loans, using credit cards or letters of credit. With respect to the credit risk on commitments to grant credit facilities, the Group is potentially exposed to losses in an amount equal to the total amount of unused commitments, if such unused amount were to be removed completely; however, the amount of the loss is less than the total amount of unused commitments since most commitments to grant loans are contingent once the

customer maintains specific credit risks standards. The Group monitors the expiration of commitments related to credit quotas because long-term commitments have a higher credit risk than short-term commitments.

The following is a breakdown of guarantees, letters of credit and loan commitments in unused credit facilities as of December 31, 2017 and 2016:

	December 31, 2017		December 31, 2016	
	Notional Amount	Fair Value	Notional Value	Fair Value
Guarantees	7,000	7,000	15,012	15,012
Unused credit card limits	8,222	8,222	-	-
Others	264,199	264,199	355,351	355,351
Total	279,421	279,421	370,363	370,363

The outstanding balances of unused credit lines and guarantees do not necessarily represent future cash requirements because such limits may expire and not be completely or partially used. Below is the detail of credit commitments per currency:

	December 31, 2017	December 31, 2016
Credit commitment per currency		
Colombian pesos	279,421	370,363
Total	279,421	370,363

36. Commissions and fees, net

Below is the detail of income and expenses for commissions for the semesters ending on December 31, 2017 and 2016.

	December 31, 2017	December 31, 2016
Income		
Bank guarantees	5	2,184
Fiduciary businesses (commissions and fees)	25,215	18,546
Services from office network	-	36
Drafts	3	6
Commission agreements	7,823	-
Management of Collective Investment Funds	41,250	28,021
Others	22,262	25,571
Total Income	96,558	74,364
Expenses		
Bank services	2,489	2,156
Fiduciary businesses	717	542
Service from office network	90	103
Commissions on sales and services	2,823	2,535
Others	21,143	20,589
Total Expenses	27,262	25,925
Income and expenses for commissions, net	69,296	48,439

37. Revenues and costs for sale of goods and provision of services

The breakdown of the revenues and costs of sales for the years ended as of December 31, 2017 and 2016 is below:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Revenues		
Supply of electricity, gas and water	2,941,311	3,159,503
Infrastructure (1)	315,685	1,618,674
Participation in concessions	1,560,493	903,546
Hotel and tourism services	325,520	311,032
Agriculture	254,023	278,848
Wholesale and retail trade	83,800	75,951
Real estate activities	422	554
Total revenues	<u>5,481,254</u>	<u>6,348,108</u>
Costs		
Supply of electricity, gas and water	2,118,405	2,557,049
Infrastructure (1)	131,105	985,154
Participation on concessions	727,985	263,093
Hotel and tourism services	115,323	97,881
Agriculture	237,521	237,711
Wholesale and retail trade	35,874	25,597
Real estate activities	1,729	828
Total revenues	<u>3,67,942</u>	<u>4,167,313</u>

(1) During 2017, a review process was carried out over the methodology of revenue recognition in the construction consortiums in order to reflect in a more adequate manner the revenues of the project. In that sense, a change was made by going from a methodology of a Gross-up measured based on the expected total revenues and costs to a methodology based on the degree of progress of the certified project. This change in the methodology applied for the determination of revenues corresponds to a change in the accounting estimation and therefore, it is made in a prospective manner.

38. Revenues from dividends and other interests

The breakdown of dividends received from the investments measured at fair value during 2017 and 2016 is as follows:

As of December 31, 2017:

Investment	<u>Total dividend value</u>	<u>Amount in cash</u>	<u>Amount in shares</u>
Almacenes Exito S.A.	25	25	-
Banco Comercial AV Villas S.A.	30	30	-
Bancolombia S.A.	15	15	-
Bladex S.A. Clase E	9	9	-
Bolsa de Valores de Colombia S.A.	647	647	-
Camara de Compensacion de Divisas de Colombia S.A.	49	49	-
Deceval S.A.	1,211	1,211	-
Ecopetrol S.A.	22	22	-
Empresa de Energia de Bogota S.A. E.S.P.	32,388	32,388	-
Fiduciaria de Occidente S.A.	1,214	245	969
Gas Natural S.A. E.S.P.	4,633	4,633	-
Grupo Nutresa S.A.	2	2	-
Mineros S.A.	3,165	3,165	-
Pacific Rubiales Energy Corp.	1	1	-
Sociedad Aeroportuaria de la Costa S.A.	2,552	2,552	-
Sociedad de Acueducto, Alcantarillado y Aseo de Barranquilla S.A. E.S.P.	523	523	-
	<u>46,486</u>	<u>45,517</u>	<u>969</u>

As of December 31, 2016

Investment	Total dividend value	Amount in cash	Amount in shares
Banco Comercial AV Villas S.A.	30	30	-
Bladex S.A. Clase E	10	10	-
Bolsa de Valores de Colombia S.A.	559	559	-
Camara de Compensacion de Divisas de Colombia S.A.	38	38	-
Deceval S.A.	991	991	-
Empresa de Energia de Bogota S.A. E.S.P.	7,994	7,994	-
Fiduciaria de Occidente S.A.	805	621	184
Gas Natural S.A. E.S.P.	4,402	4,402	-
Mineros S.A.	2,951	2,951	-
Sociedad Aeroportuaria de la Costa S.A.	2,137	2,137	-
	19,917	19,733	184

39. Other operational expenses

The detail of other operational expenses for the years ended on December 31, 2017 and 2016 is submitted below:

	December 31, 2017	December 31, 2016
Services	76,156	69,935
Legal	1,878	4,600
Fees	94,727	83,669
Taxes	108,462	96,076
Leases	24,107	19,924
Contributions and affiliations	14,223	11,968
Insurance	35,892	25,418
Maintenance and repairs	72,382	99,061
Travel expenses	9,552	9,568
Transportation	26,576	26,499
Stationery and supplies	3,752	2,725
Publications and subscriptions	4,823	5,012
Donations	12,679	12,142
Other operational expenses (1)	168,878	149,822
Total administrative expenses	654,087	610,419

(1) The detail of the other operational expenses as of December 2017 and 2016 is submitted below:

Concept	December 31, 2017	December 31, 2016
Co-owners income	40,193	37,464
Other commissions, fees and services	32,026	41,489
Royalties and remaining hotel services	6,393	7,834
Taxes assumed	3,992	6,466
Other costs and expenses	84,870	54,953
Systematization expenses	754	1,421
Operational risk	650	195
	168,878	149,822

40. Related Parties

Under IAS 24 Information to be disclosed about related parties, a related party is a person or entity that is related to the entity preparing its financial statements in which control or joint

control over the reporting entity could be exercised; exercise significant influence over the reporting entity; or be considered a member of the key management personnel of the reporting entity or of a controlling entity of the reporting entity. The definition of related party includes: a) persons and/or relatives related to the entity, entities that are members of the same group (controlling company and subordinate), associates or joint ventures of the entity or entities of the group, post-employment benefit plans for employees of the reporting entity or a related entity.

The related parties of the Company are as follows;

1. Shareholders: it includes major shareholders together with transactions with related parties as defined in IAS 24.
2. Board Members: it includes main and alternate Board members together with transactions with related parties as defined in IAS 24.
3. Key management personnel: it includes the President and Vice-Presidents of the company, who are involved in the planning, direction and control of the company. Some key management personnel, or their related parties, hold positions in other entities, resulting in them having significant control or influence over the financial or operating policies of these entities.
4. Associated companies: it includes companies over the Company has significant influence, which is generally considered when owning a share between 20% or more of their voting power.

The most representative balances as of December 31, 2017 and 2016 with related parties are as follows:

As of December 31, 2017

	Group-related entities	Board and Management personnel	Associated Companies	Other key personnel of another entity	Total
Assets					
Cash and cash equivalents	1,136,332	-	11	768	1,137,111
Investments	6,144,591	-	748,119	763,682	7,656,392
Portfolio	119,587	28	187	3,163	122,695
Accounts receivable	870,398	922	15,302	2,641	889,263
Other assets	82,817	4	156,628	2,735	242,184
Total assets	8,353,725	954	920,247	772,989	10,047,915
Liabilities					
Deposits	51,429	1,333	8,829	350,243	411,834
Financial obligations	608,298	-	-	26,902	635,200
Dividends payable	31,868	2	3,152	3,152	38,174

Liabilities hedging derivatives	23	-	-	-	23
Employee benefits	-	287	-	2	289
Other accounts payable	602,737	30	616	103	603,486
Bonds	87,025	-	-	-	87,025
Other liabilities	182,979	33	(490)	(388)	182,134
Total Liabilities	1,564,359	1,685	12,107	380,014	1,958,165

As of December 31, 2016

	Group-related entities	Board and Management personnel	Associated Companies	Other key personnel of another entity	Total
Assets					
Cash and cash equivalents	1,396,437	-	-	1,538,892	2,935,329
Investments	4,037,683	-	94,700	3,151,409	7,283,792
Portfolio	25,131	103	271	10,336	35,841
Accounts receivable	1,031,836	168	143,325	333,574	1,508,905
Hedging derivatives	1,336	-	-	-	1,336
Other assets	701	(1)	40,166	26,614	67,480
Total assets	6,493,126	270	278,462	6,060,826	11,832,683
Liabilities					
Deposits	332,209	1,137	30	499,950	833,326
Financial obligations	269,455	-	,445	236,860	515,760
Dividends payable	149,699	54	-	70,398	220,151
Liabilities hedging derivatives	577	-	-	-	577
Employee benefits	-	197	-	22	219
Other accounts payable	102,162	95	6,529	80,278	189,064
Bonds	102,024	-	-	39,325	141,349
Other liabilities	251,129	-	1,223	1,676,940	1,959,292
Total Liabilities	1,237,255	1,483	17,227	2,603,773	3,859,738

The most representative transactions for concept of revenues and expenses with related parties for the year ended on December 31, 2017 and 2016 include the following:

As of December 31, 2017

	Group-related entities	Board and Management personnel	Associated Companies	Other key personnel of another entity	Total
Revenues					
Interests	122,451	80	2,926	2,940	128,397
Commissions	9,096	15	7,587	-	16,698
Leases	1,816	8	41	-	1,865
Other revenues	460,422	12	233,573	77,364	771,371
Total revenues	593,785	115	244,127	80,304	918,331
Expenses					
Interests	70,318	85	262	2,102	72,767
Commissions	5,304	-	48	114	5,466
Fees	13,749	2,011	80	10	15,850
Leases	2,068	-	-	13	2,081
Short-term personnel	5	4,108	-	250	4,363
Personnel exceeding 12 months	-	-	3,572	3,572	7,144
Shares-based payments	41	-	-	-	43
Other expenses	223,659	5,607	10,011	56,662	295,939
Total expenses	315,144	11,811	13,973	62,723	403,651

As of December 31, 2016

	Group-related entities	Board and Management personnel	Associated Companies	Other key personnel of another entity	Total
Revenues					
Interests	81,342	13	168	34,772	116,295
Commissions	4,171	-	1,665	2,422	8,258
Leases	2,046	-	-	359	2,405
Other revenues	248,037	490	165,371	46,603	460,501
Total revenues	335,596	503	167,204	84,196	587,459
Expenses					
Interests	40,258	97	-	122,902	163,258
Commissions	2,489	-	276	2,328	5,093
Fees	8,875	1,416	73	2,196	12,560
Leases	1,929	-	-	282	2,211
Short-term personnel	81	4,244	-	645	4,970

Other expenses	190,509	1,604	179,850	52,324	424,287
Total expenses	244,141	7,361	180,200	180,677	612,379

The amounts outstanding are not guaranteed and will be paid in cash. No guarantees have been granted or received. No expense has been recognized in the current period or in prior periods with respect to uncollectible or doubtful accounts related to amounts owed by related parties. Transactions with related parties are made at market rates and therefore, there are no preferential rates. See initial recognition analysis of transactions with related parties in note 3.7.

Remuneration of key management personnel:

Key management personnel include the members of the Board of Directors, Audit Committee, President and Vice-Presidents. The remuneration received by key management personnel consists of the following:

Items	December 31, 2017	December 31, 2016
Salaries	48,678	48,928
Short-term employee benefits	14,186	8,446
Other long-term benefits	871	1,108
Total	63,735	58,842

The compensation of key management personnel includes wages, benefits other than cash and contributions to a post-employment defined benefit plan.

The following is the conformation of key personnel of the organization:

	No. of executive directors	
	December 31, 2017	December 31, 2016
Group directors, key personnel and affiliates	8	10
Department managers	19	13
Area managers	47	37
Managers	68	56
Directors	74	55
Non-consolidated related companies	6	1
Shareholders	3	10
Consolidated related companies	13	8
Related companies with Directors	91	100
Total	331	290

41. Operating Segments

Management separately monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. The performance of segments is evaluated based on the result of their operation and is consistently measured with the operating income disclosed in the consolidated financial statements.

Transfer pricing between operating segments are similar to those applied to transactions with third parties; i.e. at market prices.

The financial information of the Corporation and its subsidiaries for the operational segments as of December 31, 2017 and 2016 is submitted below:

As of December 31, 2017

	Financial	Power and Gas	Infrastructure	Hospitality	Agroindustry	Others	Adjustments and eliminations	Consolidated
Financial assets	5,270,145	1,346,649	1,048,633	74,988	58,505	4,913	(1,208,181)	6,595,652
Investments in associates and joint ventures	4,293,005	640,407	301,774	-	5,625	-	(4,420,687)	820,124
Credit portfolio and accounts receivable	898,962	2,564,347	1,079,104	140,585	58,142	8,585	(923,163)	3,826,562
Assets under concession	-	4,458,774	1,724,022	-	-	-	-	6,182,796
Properties, plant and equipment, investment properties and ANCMV	134,246	1,185,418	146,128	601,251	623,579	4,207	(40,990)	2,653,839
Biological assets and inventories	-	91,917	26,761	8,274	126,351	9,347	-	262,650
Goodwill	-	128,819	119,915	6,661	-	-	144,580	399,975
Tax assets	31,267	89,018	37,474	7,809	10,344	594	1,148	177,654
Other assets	5,315	170,052	54,071	5,347	1,370	646	(37)	236,764
Total Assets	10,632,940	10,675,401	4,537,882	844,915	883,916	28,292	(6,447,330)	21,156,016
Financial liabilities	6,932,118	66,640	1,045	-	-	(192,808)	6,741,161	
Financial obligations and debt issuance	174,618	5,107,232	727,356	173,630	211,910	7,107	(149,175)	6,252,678
Accounts payable	51,175	403,204	1,456,105	189,710	87,858	4,187	(857,966)	1,334,273
Benefits to employees	16,641	21,508	10,291	9,787	25,444	1,232	(2)	84,901
Tax liability	2,138	655,865	100,180	26,204	37,956	-	(108)	822,235
Other Provisions	3,624	257,522	54,691	24,828	7,970	673	(2,734)	346,574
Other liabilities and discontinuous operations	1,198	77,394	230,545	9,718	13,004	196	(37,324)	294,731
Total liabilities	7,181,512	6,522,891	2,579,808	434,922	384,142	13,395	(1,240,117)	15,876,553
Total Equity	3,451,428	4,152,510	1,958,074	409,993	499,774	14,897	(5,207,213)	5,279,463
Non-financial operating income	64,053	3,201,616	1,829,085	337,925	301,410	38,936	(133,889)	5,639,136
Financial operating costs and expenses, net	1,269	184,122	(206,967)	(8,471)	(17,483)	(756)	(16,402)	(64,688)
Income for dividends, MPP and other interests	445,901	188,687	57,700	-	1,681	-	(488,275)	205,694
Operating costs and expenses	(199,338)	(2,408,121)	(1,167,725)	(288,276)	(327,528)	(35,079)	93,441	(4,332,626)
Provisions and impairment	(56,801)	(20,128)	(21,115)	(1,829)	(27,728)	(818)	65,206	(63,213)
Depreciations and amortizations	(5,476)	(167,084)	(187,221)	(10,738)	(1,247)	(82)	(4,277)	(376,125)
Profit before taxes	249,608	979,092	303,757	28,611	(70,895)	2,201	(484,196)	1,008,178
Profit Taxes	(28,888)	(247,824)	(149,580)	(5,562)	(10,177)	(1,233)	(375)	(443,639)
Net profit	220,720	731,268	154,177	23,049	(81,072)	968	(484,571)	564,539

As of December 31, 2016

	Financial	Power and Gas	Infrastructure	Hospitality	Agroindustry	Others	Adjustments and eliminations	Consolidated
Financial assets	5,813,025	1,078,430	1,089,350	60,441	52,121	4,343	(1,123,303)	6,974,407
Investments in associates and joint ventures	2,990,879	580,489	344,351	-	4,367	-	(2,987,500)	932,586
Credit portfolio and accounts receivable	1,130,366	2,373,293	701,673	164,285	55,858	10,023	(501,632)	3,933,866
Assets under concession	4,190,875	890,355	-	-	-	-	5,081,230	
Properties, plant and equipment, investment properties and ANCMV	139,828	1,287,459	134,121	551,971	610,182	5,091	(34,186)	2,694,466
Biological assets and inventories	-	87,795	11,630	6,983	112,704	8,836	-	227,948
Goodwill	-	128,819	119,915	6,661	-	-	42,204	297,599
Tax assets	20,536	81,410	36,879	8,819	10,028	846	10,379	168,897
Other assets	3,723	175,477	59,845	6,143	1,444	987	1,045	248,664
Total Assets	10,098,357	9,984,047	3,388,119	805,303	846,704	30,126	(4,592,993)	20,559,663
Financial liabilities	7,526,051	1,840,577	1,893,32	-	(437,865)	7,092,528		
Financial obligations and debt issuance	113,101	4,798,135	989,734	179,907	188,015	6,986	(115,096)	6,160,782
Accounts payable	62,926	600,914	577,739	162,438	81,631	5,558	(498,238)	992,968
Benefits to employees	11,756	20,430	11,738	8,592	24,216	1,672	637	79,041
Tax liability	6,865	631,752	68,036	29,999	38,155	221	(1,377)	773,651
Other Provisions	2,348	224,645	44,077	23,302	2,622	178	1,068	298,240
Other liabilities and discontinuous operations	707	99,792	101,164	10,417	5,496	237	(4,239)	213,574
Total liabilities	7,723,754	6,377,508	1,793,065	416,548	340,167	14,852	(1,055,110)	15,610,784
Total equity	2,374,603	3,606,539	1,595,054	388,755	506,537	15,274	(3,537,883)	4,948,879
Non-financial operating income	35,591	3,815,936	1,938,040	323,463	308,965	41,665	12,332	6,475,992
Financial operating costs and expenses, net	(11,025)	(46,341)	(10,792)	(14,856)	(12,890)	(244)	(35,666)	(131,814)
Income for dividends and other interests	282,798	168,419	59,642	-	1,797	-	(290,781)	221,875
Operating costs and expenses	(173,422)	(2,845,992)	(1,482,845)	(262,476)	(281,262)	(37,755)	15,853	(5,067,899)
Provisions and impairment	(14,285)	(33,476)	(13,077)	(248)	(3,495)	(522)	(1,673)	(66,776)
Depreciations and amortizations	(4,610)	(142,948)	(177,543)	(11,259)	(10,074)	(105)	(457)	(346,996)
Profit before taxes	115,047	915,598	313,425	34,624	3,041	3,039	(300,392)	1,084,382
Profit taxes	(30,060)	(228,828)	(125,522)	(8,186)	(5,882)	(1,493)	2,603	(397,368)
Net profit	84,987	686,770	187,903	26,438	(2,841)	1,546	(297,789)	687,014

The consolidated balances of the figures of all operating segments is as follows:

	December 31, 2017	December 31, 2016
Assets of segments	27,603,346	25,152,656
Banks and trusts	(8,306)	(291,306)
Financial assets	(5,460,644)	(3,648,446)
Leasing operations	(8,500)	(9,850)
Accounts receivable	(888,733)	(374,742)
Tangible assets	(40,990)	(34,186)
Elimination of dividends	(25,930)	(117,041)
Monetary operations	(159,918)	(171,049)
Deferred tax adjustment	339	-
Other minor	145,352	53,627
Consolidated assets	21,156,016	20,559,663
Liabilities of segments	17,116,670	16,665,894
Financial obligations	(253,589)	(450,932)
Securities issued	(88,394)	(102,029)
Accounts payable	(857,966)	(498,239)
Other minor	(40,168)	(3,910)
Consolidated liabilities	15,876,553	15,610,784
Income of segments	1,049,110	984,800
Net operating income	(504,542)	36,239
Net financial income	(721)	(30,752)
Valuation of investments	(11,323)	(3,217)
Commissions	(3,519)	9,262
Sale of tangible assets	(2,236)	(2,220)
Exchange difference	(177)	(9,918)
Dividends	(46,935)	(308,047)
Leases	(1,062)	(842)
Other revenues	(3,513)	(4,618)
Other expenses	89,457	16,327
Consolidated profits	564,539	687,014

The revenues per countries other than Colombia are detailed below:

As of December 31, 2017

	Financial	Agricultural Industry	Power and Gas	Hotel	TOTAL
Panama	10,246	-	-	608	10,854
Peru	-	-	80,511	20,726	101,237
Venezuela	-	2	-	-	2
Total consolidated revenues	10,246	2	80,511	21,334	112,093

As of December 31, 2016

	Financial	Agricultural Industry	Power and Gas	Hotel	TOTAL
Panama	6,247	-	-	318	6,565
Peru	-	-	51,959	13,000	64,959
Venezuela	-	5	-	-	5
Total consolidated revenues	6,247	5	51,959	13,318	71,529

Largest customers of the parent company

The Corporation has no customer representing more than 10% of the total income of the parent company during the periods ended on December 31, 2017 and 2016.

42. Approval of Financial Statements

The Consolidated Financial Statements and accompanying notes were authorized by the Board of Directors and the Legal Representative in accordance with Minutes No. 1866 dated February 18, 2018 to be submitted to the General Shareholders' Assembly for approval.

43. Events occurred after the reporting period

1. Partial damage Chirajara bridge

Last January 15, 2018, there was a partial collapse of Chirajara bridge, new road located in KM64 of road Bogota – Villavicencio that is under construction and whose causes are still ignored and are under investigation. This infrastructure makes part of the scope agreed in the Addendum No. 1 to the concession agreement No. 444/1994 subscribed on January 22, 2010 with INCO (currently, ANI), in which Concesionaria Vial de los Andes S.A. ("Coviandes") is the successful awardee of the agreement and therefore, the concessionaire. Constructora de Infraestructura S.A.S. ("Coninval"), by means of agreement 444-12310 dated November 5, 2010, is the construction contractor of the work, to which the bridge construction belongs. In turn, Coninval was performing the construction of Chirajara bridge through a design and construction agreement with the subcontractor Gisaico S.A.

Corficolombiana S.A. is the direct and indirect holder (through Estudios, Proyectos e Inversiones de los Andes S.A.S.) of 59.77% in the concessionaire. In addition, Estudios Proyectos del Sol S.A.S. ("Episol"), a company wholly owned by the Corporation, is the holder of 60.00% of the share capital of Coninval.

Coviandes engaged the services of MODJESKI & MASTERS, a reputed American consultant expert in forensic studies of cable-stayed bridges, to determine the causes of the event. Upon knowing the results of the investigation, the implications and related costs of the incident may be determined.

2. Admission liquidation process Pizano S.A.

Once the results of Pizano S.A. as of December 31, 2017 were evaluated, the shareholders of the company in a meeting held on January 29, 2018, decided to authorize the management to request before the Superintendence of Companies the admission to a legal liquidation process under the terms of Law 1116/2006; the determination above was adopted in order to protect the asset of the company by avoiding its impairment and thus make payment of the existing liabilities.

Once the legal representative made the request, the Superintendence of Companies, in a writ notified on February 14, 2018, admitted the company to a legal liquidation process.