

Corficolombiana

**CORPORACIÓN FINANCIERA COLOMBIANA S.A.
AND SUBORDINATES**

Consolidated Financial Statements

As of December 31 and June 30, 2016

(In millions of Colombian pesos, except when stated otherwise)

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 Subordinates (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2016 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, 2016, the consolidated results of its operations and its consolidated cash flows for the semester 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 43 to the consolidated financial statements, which sets forth that Estudios y Proyectos del Sol S.A.S., a subordinated entity of Corporación Financiera Colombiana S.A., has a participation of 33% in the Ruta del Sol 2 project. The impairment of this investment was estimated at \$102,275 million and recorded as of December 31, 2016 based on the liquidation formula contained pursuant to the agreement executed between the National Infrastructure Agency and the Concessionaire Ruta del Sol dated February 22, 2017.

Other matters

The consolidated financial statements as of and for the semester ended on June 30, 2016 are exclusively submitted for comparison purposes and were audited by me according to the generally accepted international auditing standards in Colombia and in my report of August 24, 2016 I expressed an unqualified opinion on the same.

[Signed]
Diana Alexandra Rozo Muñoz
Tax Auditor of Corporacion Financiera Colombiana S.A.
PL 120741 – T
Member of KPMG Ltda.

February 24, 2017

CORPORACION FINANCIERA COLOMBIANA S.A. AND SUBORDINATES
Consolidated Financial Statements
(In millions of Colombian pesos, except as otherwise stated)

Consolidated Statements of Financial Position

	Notes	December 31, 2016	Restated June 30, 2016 See note 3	Restated January 1, 2016 See note 3
Assets				
Cash and cash equivalents	8	\$ 1,797,895	1,663,298	1,690,393
Active positions in money market operations	9	655,958	440,002	524,123
Investments measured at fair value with changes in results	10	1,481,066	1,421,316	2,000,707
Debt instruments		939,504	985,297	1,564,791
Equity instruments		541,562	436,019	435,916
Investment measured at fair value with changes in other comprehensive income	10	793,529	792,098	763,966
Equity Instruments		793,529	792,098	763,966
Investment measured at amortized cost	11	2,144,304	3,034,171	2,858,701
Debt instruments		2,144,304	3,034,171	2,858,701
Derivative financial instruments	12	101,655	274,604	242,074
Investments in related companies and joint ventures	13	932,586	988,087	924,400
Loan Portfolio	14	2,418,517	1,224,395	993,203
Accounts receivable	15	1,515,349	1,383,832	1,669,095
Financial assets in concession agreements	16	2,275,916	2,248,405	1,934,556
Financial Assets, Net		14,116,775	13,470,209	13,601,218
Property and equipment	17	2,499,355	2,756,071	2,472,701
Investment properties	18	148,160	142,429	132,322
Biological assets	19	48,003	48,794	33,927
Inventories	20	179,945	193,722	153,569
Capital gain	21	297,599	296,264	296,264
Rights in concession agreements	16	2,805,314	2,415,098	2,390,791
Current tax assets	22	72,276	167,422	117,454
Deferred tax assets	22	96,621	92,285	90,687
Other assets	23	248,664	246,220	223,372
Total non-financial assets, net		6,395,937	6,358,305	5,911,087
Non-current assets kept for sale	24	46,951	37,502	58,419
Total Assets		\$ 20,559,663	19,866,016	19,570,724

Continues

See notes that make integral part of the consolidated financial statements

CORPORACION FINANCIERA COLOMBIANA S.A. AND SUBORDINATES
Consolidated Financial Statements
(In millions of Colombian pesos, except as otherwise stated)

Consolidated Statements of Financial Position

	Notes	December 31, 2016	Restated June 30, 2016 See note 3	Restated January 1, 2016 See note 3
Liabilities and Equity				
Deposits and current liabilities	25	\$ 3,846,793	3,961,958	4,085,344
Passive positions in money market operations	26	3,124,947	3,865,512	4,027,333
Financial obligations	27	3,804,510	2,692,763	2,201,740
Derivative financial instruments	12	120,788	250,069	407,235
Securities issued	32	2,356,272	1,979,924	2,001,398
Accounts payable	28	992,968	871,753	897,625
Financial liabilities		14,246,278	13,621,979	13,620,675
Employee benefits	29	79,041	69,829	75,885
Other provisions	30	298,240	302,634	257,999
Current tax liability	22	140,691	87,809	159,723
Deferred tax liability	22	632,960	651,235	624,001
Other liabilities	31	213,574	237,598	209,022
Non-financial liabilities		1,364,506	1,349,105	1,326,630
Total liabilities		15,610,784	14,971,084	14,947,305
Subscribed and paid-in capital	33	2,317	2,268	2,232
Share placement premium	33	2,685,093	2,499,709	2,363,795
Dividends decreed in shares		-	-	21,049
Retained earnings	33	189,713	181,688	382,739
Profit of the period		44,778	257,017	-
Other comprehensive accrued result		87,102	83,423	63,368
Surplus through the equity method		7,493	5,701	6,933
Total controlled equity		3,016,496	3,029,806	2,840,116
Non-controlling interest	35	1,932,383	1,865,126	1,783,303
Total Equity		4,948,879	4,894,932	4,623,419
Total Liability and Equity		\$ 20,559,663	19,866,016	19,570,724

See notes that make integral part of the Consolidated Financial Statements

[Signed]
Bernardo Noreña Ocampo
President

[Signed]
Martha Cecilia Castro Ortiz
Accounting Manager
PL No. 40995-T

[Signed]
Diana Alexandra Rozo Muñoz
Tax Auditor
PL No. 120741-T
Member of KPMG S.A.S.
(See my report of February 24, 2017)

CORPORACION FINANCIERA COLOMBIANA S.A. AND SUBORDINATES
Consolidated Financial Statements
(Expressed in millions of Colombian Pesos, except as otherwise stated)
Consolidated Income Statements

	For the semester ended		
	Notes	December 31, 2016	Restated June 30, 2016 See note 3
Income from interest on loan portfolio and financial leasing operations		\$ 113,499	51,544
Interest, deposits and current liabilities, loans and other financial obligations		(297,826)	(278,324)
Interest on debt securities measured at amortized cost		73,216	107,071
Exchange difference, net		(17,105)	(20,282)
Income from interest, net		(128,216)	(129,991)
Profit on repo operations, simultaneous operations and other interests, net		(8,337)	1,926
Commissions and fees, net	37	21,580	26,859
Net profit on valuation of financial instruments		42,891	106,649
Net profit on sale of investments		7,113	17,847
Impairment of loan portfolio		(6,673)	(16,149)
Impairment of investments		(64,108)	(3,205)
Operating, financial income, net		(135,750)	3,936
Income from sale of goods and provision of services	38	3,294,736	3,053,345
Income from valuation of biological assets		1,979	12,665
Income from valuation of investment properties		5,409	11,615
Other operating income		65,741	12,512
Income from dividends and other interests	10	713	19,204
Income by equity method	13	59,318	142,640
Income from leases		1,789	1,834
Profit from sale of assets, net		4,822	9,521
Impairment of accounts receivable		(21,363)	(15,516)
Total operating income		3,277,418	3,251,756
Costs of sales and provision of services	38	2,166,481	2,000,832
Expenses for employee benefits		138,759	138,990
Other operating expenses	39	330,046	280,371
Loss for acquisition of control	7	12,418	-
Depreciation of tangible assets		32,596	37,077
Depreciation of intangible assets		141,586	135,737
Expense for provisions		4,495	4,434
Impairment of non-financial assets		13,474	7,494
Total operating costs and expenses		2,839,857	2,604,935
Profits before taxes		437,561	646,821
Income tax	22	202,744	194,624
Net profits for the year		234,817	
Attributable to:			
Controlling shareholders		44,778	257,017
Non-controlling interest		190,039	195,180
		\$ 234,817	452,197

See notes that make integral part of the Consolidated Financial Statements

[Signed]
Bernardo Noreña Ocampo
President

[Signed]
Martha Cecilia Castro Ortiz
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(See my report of February 24, 2017)

CORPORACION FINANCIERA COLOMBIANA S.A. AND SUBORDINATES
Consolidated Financial Statements
(Expressed in millions of Colombian Pesos, except as otherwise stated)
Consolidated Statements of Other Comprehensive Income

		For the semester ended	
	Notes	December 31, 2016	Restated June 30, 2016 See note 3
Net profits for the year		\$ 234,817	452,197
Net variation in cash flow hedges		(7,093)	15,853
Net (loss) profit on valuation of financial assets measured at fair value with change in other comprehensive income		(502)	51,163
Net actuarial (loss) profit on defined benefit plans		(1,006)	1,481
Adjustment to impairment model of Financial Superintendence Portfolio – NCIF		1,972	(210)
Other comprehensive income of associates or joint ventures in equity method		5,524	(20,778)
Conversion adjustment		2,500	513
Fiscal effect	22	2,284	(5,605)
Other comprehensive income for the year net of taxes controlling		3,679	42,417
Non-controlling interest	35	3,397	(12,206)
Other comprehensive income for the year net of taxes		7,076	30,211
 Comprehensive income for the year net of taxes		241,893	482,408
 Attributable to:			
Controlling shareholders		48,457	299,434
Non-controlling interest		193,436	182,974
		\$ 241,893	482,408

See notes that make integral part of the Consolidated Financial Statements

[Signed]
Bernardo Noreña Ocampo
President

[Signed]
Martha Cecilia Castro Ortiz
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[Signed]
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(See my report of February 24, 2017)

CORPORACION FINANCIERA COLOMBIANA S.A.
Consolidated Financial Statements
(Expressed in millions of Colombian Pesos, except as otherwise stated)

Consolidated Cash Flow Statements

	For the semester ended on	
	December 31, 2016	Restated June 30, 2016 See note 3
Cash flow of operational activities:		
Net profit of the year	\$ 234,817	452,197
Non-controlling interest	190,039	195,180
Net controlled profit	44,778	257,017
Reconciliation of net profit with the cash provided by (used in) operational activities		
Depreciation of tangible assets	32,596	37,077
Amortization of intangible assets	141,586	135,737
Income tax and CREE provision	219,810	182,614
Accrual of deferred taxes	(17,066)	12,010
Impairment for credit portfolios and accounts receivables, net	28,036	31,665
Impairment of investments, net	64,108	3,059
Loss (Profit) in sale of non-current assets kept for sale	160	(11,760)
(Profit) Loss in redemption of financial assets at amortized cost	(672)	1,287
(Profit) Loss in sale of property, plant and equipment of own use	2,773	65,678
(Profit) Loss in sale of investment properties	(1,280)	4
Loss (Profit) in biological assets	7,222	(4,043)
Reversal, impairment tangible assets	-	(21)
Reversal of adjustments in exchange	9,375	45,019
Valuation investment properties	(5,409)	3,077
Valuation biological assets	(1,979)	(20,839)
Interests financial instruments measured at amortized cost	(73,216)	(107,071)
Loss (Profit) in valuation of derivative instruments	28,257	(158,005)
Reversal restatement of notes	837	(2,314)
Adjustments at fair value of financial assets under concession	(86,991)	(86,988)
Participation method on profits in investments in associates and joint ventures	(59,318)	(142,640)
Net variation in operational assets and liabilities		
Decrease in financial assets at fair value	837,341	1,059,258
(Increase) credit portfolio	(1,629,955)	(191,001)
Decrease (Increase) in accounts receivable	56,301	(1,983)
(Increase) in non-current assets kept for sale	(127)	(42)
Net (Increase) Decrease in other assets	28,294	(28,978)
Net (Increase) Decrease in other liabilities and provisions	13,982	(79,032)
(Increase) Decrease of employee benefits	6,663	(4,372)
(Decrease) Deposit of Clients	(121,015)	(120,704)
(Decrease) of interbank loans and overnight funds	(419,531)	(220,525)
Interests received	63,679	6,787
Interests paid	(372,803)	(363,453)
Cree and income tax paid	(32,395)	(154,060)
Payment wealth tax	(2,233)	(36,357)
Net cash provided (used) by operational activities	\$ (1,048,153)	301,281
Cash flow of investment activities		
Product of the redemption of financial assets of investment at amortized cost	\$ 397,740	17,996
Acquisition of property, plant and equipment of own use	(376,193)	(309,966)
Acquisition of investment properties	(5,763)	(7,371)
Capitalization of costs of biological assets	(11,730)	(12,495)
Acquisition of financial assets at amortized cost	(160,408)	(162,167)

Acquisition of investments in associates and joint ventures	(3,075)	(15,610)
Capitalization costs in intangible assets under concession	(360,415)	(254,025)
Acquisition of other intangible assets	(7,899)	(6,245)
Product of the sale of properties, plant and equipment	39,912	13,832
Product of the sale of investment properties	-	3,604
Product of the sale of non-current assets kept for sale	10,415	45,140
Decrease in book values investment for control acquisition (See note 7)	26,302	-
Dividends received	36,641	59,550
Net cash (used) in investment activities	(414,473)	(627,757)
Cash flow of financing activities:		
Dividends paid	(168,895)	(213,688)
Acquisition of Financial Obligations	1,777,710	710,793
Payment of financial obligations	(665,456)	(219,534)
Issuance of investment in securities outstanding	500,000	(266)
Payment of investment in securities outstanding	(104,298)	(22,600)
Net transactions with non-controlling interests	-	23,014
Net cash provided by financing activities	1,339,063	277,719
Effect of profit or loss in change of cash and cash equivalents	258,160	19,055
Increase of cash and cash equivalents	134,597	(27,095)
Cash and cash equivalents at the beginning of the period	1,663,298	1,690,393
Cash and cash equivalents at the end of the period	\$ 1,797,895	1,663,298

See notes that make integral part of the Consolidated Financial Statements

[Signed]
Bernardo Noreña Ocampo
President

[Signed]
Martha Cecilia Castro Ortiz
Accounting Manager
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Member KPMG S.A.S.
(See my report of February 24, 2017)

CORPORACION FINANCIERA COLOMBIANA S,A, AND SUBORDINATES
Consolidated Financial Statements
(Expressed in million Colombian pesos, except as otherwise stated)

Consolidated Statements of Changes in Equity

	Subscribed and paid-in capital	Share Placement Premium	Decreed Dividends in Shares	Retained Profit	Profit of the Year	Other comprehensive income accumulated	Surplus for equity method	Controllers' Equity	Non- controlling Interest	Total Equity
Balance as of June 30, 201 restated	\$ 2,268	2,499,709	-	181,688	257,017	83,423	5,701	3,029,806	1,865,126	4,894,932
Other net comprehensive income of the year	-	-	-	-	-	3,679	-	3,679	3,397	7,076
Net profit of the year	-	-	-	-	44,778	-	-	44,778	190,039	234,817
Comprehensive income	-	-	-	-	44,776	3,679	-	48,457	193,436	241,893
Transfer of income	-	-	-	257,017	(267,017)	-	-	-	-	-
Share issue	49	185,384	-	-	-	-	-	185,438	-	185,433
Distribution of dividends in cash	-	-	-	(63,945)	-	-	-	(63,945)	-	(63,945)
Distribution of dividends in shares	-	-	-	(185,433)	-	-	-	(185,433)	-	(185,433)
Surplus for equity method	-	-	-	-	-	-	1,610	1,610	14	1,624
Liquidation of controlled entities	-	-	-	568	-	-	-	568	2,151	2,719
Balance acquired in business combinations	-	-	-	(182)	-	-	182	-	18,258	18,258
Non-controlling interest	-	-	-	-	-	-	-	-	(146,602)	(146,602)
Balance as of December 31, 2016	\$ 2,317	2,685,093	-	189,713	44,778	87,102	7,493	3,016,496	1,932,383	4,948,879

See notes that make integral part of the Consolidated Financial Statements

[Signed]
Bernardo Noreña Ocampo
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CORPORACION FINANCIERA COLOMBIANA S,A, AND SUBORDINATES
Consolidated Financial Statements
(Expressed in million Colombian pesos, except as otherwise stated)

Consolidated Statements of Changes in Equity

	Subscribed and paid-in capital	Share Placement Premium	Decreed Dividends in Shares	Retained Profit	Profit of the Year	Other comprehensive income accumulated	Surplus for equity method	Controllers' Equity	Non- controlling Interest	Total Equity
Balance as of December 31, 2015	\$ 2,232	2,363,795	21,049	181,545	212,902	63,368	6,933	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	-	63,368	6,933	2,840,116	1,783,303	4,623,419
Other net comprehensive income of the year	-	-	-	-	-	42,417	-	42,417	(12,206)	30,211
Net profit of the year	-	-	-	-	257,017	-	-	257,017	195,180	452,197
Comprehensive income	-	-	-	-	257,017	-	-	299,434	182,974	482,408
Transfer of other comprehensive income	-	-	-	22,362	-	(22,362)	-	-	-	-
Share issue	36	135,914	-	-	-	-	-	135,950	-	135,950
Distribution of dividends in cash	-	-	-	(76,215)	-	-	-	(76,215)	-	(76,215)
Distribution of dividends in shares	-	-	(21,049)	(114,901)	-	-	-	(135,950)	-	(135,950)
Payment of wealth tax	-	-	-	(28,553)	-	-	-	(28,553)	-	(28,553)
Surplus for equity method	-	-	-	(3,745)	-	-	(1,232)	(4,977)	(1,008)	(5,985)
Non-controlling interest	-	-	-	1	-	-	-	1	(100,143)	(100,142)
Balance as of June 30, 2016, restated	\$ 2,268	2,499,709	-	181,688	257,017	83,423	5,701	3,029,806	1,865,126	4,894,932

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, 2016, 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, 2016 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 24th day of February 2017.

[signature]

BERNARDO NOREÑA OCAMPO
Legal Representative

[signature]

MARTHA CECILIA CASTRO ORTIZ
Accountant
P.C. 40995-T

CORPORACIÓN FINANCIERA COLOMBIANA S.A. AND SUBORDINATES

Notes to the Consolidated Financial Statements

(In millions of Colombian Pesos, unless otherwise indicated)

(1) Corporate Information

Corporación Financiera Colombiana S.A. (Parent) 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 and June 30, 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, 2016 it had 316 direct employees, 58 indirect employees, 27 temporary employees and 3 apprentices. As of June 30, 2016, it had 314 direct employees, 59 indirect employees, 30 temporary employees and two 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., Organización Pajonales S.A. and subordinates, Hoteles Estelar S.A. and subordinates, Gas Comprimido del Peru S.A., Valora S.A.S. and subordinates, Proyectos de Infraestructura S.A. and subordinates, Estudios, Proyectos e Inversiones de los Andes S.A. and subordinates, 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 subordinates, Estudios y Proyectos del Sol S.A.S. and subordinates, Industrias Lehner S.A., 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 according to the definition of control given by the International Financial Reporting Standards, it has control over Promigas S.A. E.S.P. and subordinates. On

December 21 a shareholders' agreement was signed by means of which it acquires control over Casa de Bolsa S.A. – Sociedad Comisionista de Bolsa (See Note 7).

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 and 2131 of 2016. 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 main accounting policies applied in the preparation of the statement of opening financial condition and of the consolidated financial statements which shall be subsequently submitted under the IFRSC, 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.

As of December 31, 2016 the Company and subordinates have biannual accounting closings, except for Banco Corficolombiana (Panama) S.A., Gas Comprimido del Peru S.A., Promotora y Comercializadora Turistica Santamar S.A., Industrias Lehner S.A., Pizano S.A. and subordinates and Fiduciaria Corficolobiana S.A., which accounting closings are annual. The General Shareholders Assembly approved on September 26, 2016 the modification of the bylaws of the Company to establish the closing of the annual accounting year from January 1, 2017.

2.3.1 Investments in subordinates

According to the International Financial Reporting Standard IFRS 10, the Company and its subordinates 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 subordinate 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 in the previous six-month period 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 subordinates.

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, Duitama, Villavicencio 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 Compañia 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 strategy of Organizacion Pajonales mainly includes rice cultivation and wholesale trading of agricultural raw materials and livestock; it is a competitive, dynamic, innovative and efficient company leader in sustainable rural development and agro-industrial production, seeking to achieve business growth, social welfare and economic welfare, meeting the needs of markets through product innovation with cutting edge design and services, operating responsibly with society and the environment.

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.

Mavalle S.A.S. engages in the production, processing and marketing of technically specified natural rubber. Rubber cultivation is included as one of the priority late yield crops in the development of the agricultural sector and national exports due to its economic component and environmental benefits (CDM CO2 capture) and due to its capacity to create permanent jobs in the agricultural and livestock sector under the framework of Corporate Social Responsibility. This work is competitively, dynamically, innovatively and efficiently developed, being a leader in sustainable rural development and agro-industrial production, seeking to achieve business growth, social and economic welfare, satisfying the needs of the market through technically specified products and operating responsibly with society and the environment. It currently has 444 hectares of natural rubber in operation, in which it owns 7 clones of hevea brasiliensis (RRIM 600, FX 3864, IAN 873, PB 235, IAN 710, GT1 and PB 260) with an annual output of 700 tons of chipa rubber and marketing crepe natural rubber; in the second half of 2015 it completed the installation of the industrial plant to produce technically specified grade 20 rubber, with an initial capacity of 3 ton/hour.

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. The company may also make investments in companies (holding of securities) whose activities are related to those set forth above, thereby participating in Companies, Associations, Joint Ventures, Consortiums and other forms allowed by law.

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% and 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:

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.

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.

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.

Compañía de Inversiones en Infraestructura S.A. – It is a Colombian company, based in Cali, incorporated on March 24, 2000 by means of public deed number 988 issued by the 13th Notary Public of Cali, with legal validity until March 24, 2050. Its corporate purpose is the construction of public works under the concession system, as well as the partial or complete development of public and private construction works under any other alternative system other than concessions. The company has not developed its corporate purpose, management is taking steps to obtain contracts that allow generating revenue for the company in the future.

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. – 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.

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 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 subordinates, 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.

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.

The management agreement is subject to the Laws of the Republic of Colombia, especially to Law 142/1994 Public Utilities Regime and Law 143/1994 Regime for the generation, interconnection, transmission, distribution and commercialization of electric power in the country, whereby certain authorizations are granted and other provisions on energy matters are issued.

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.

The consolidated entities and their interest in assets, liabilities, equity and income statements as of December 31 and June 30, 2016 were as follows:

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
Casa de Bolsa S.A.	40.73	62,667	31,860	30,807	30,807
Organizacion Pajonales S.A. and controlled entities	98.13	209,780	119,334	88,756	90,446
Hoteles Estelar de Colombia S.A. and controlled entities	84.96	763,684	411,930	306,548	351,754
Gas Comprimido del Peru S.A.	91.87	68,990	67,093	1,897	1,897
Valora S.A.S. and controlled entities	100.00	171,177	17,572	153,605	153,605
Proyectos de Infraestructura S.A. and controlled entities	88.25	308,926	162,426	131,311	146,500
Estudios, Proyectos e Inversiones de los Andes S.A. and controlled entities	99.93	752,775	658,863	58,729	93,912
Promotora y Comercializadora Turistica Santamar S.A.	84.60	41,619	4,619	37,001	37,000
Colombiana de Concesiones y Licitaciones S.A.S	100.00	344,900	11,921	332,978	332,979
Tejidos Sinteticos de Colombia S.A.	99.65	29,654	7,843	21,812	21,811
Plantaciones Unipalma de los Llanos S.A.	54.53	193,601	61,754	131,847	131,847
Pizano S.A. and controlled entities	39.99	272,145	141,508	130,579	130,637
Estudios y Proyectos del Sol S.A.S. and controlled entities	100.00	1,961,077	959,008	901,536	1,002,069
Industrias Lehner S.A.	53.35	473	7,010	(6,538)	(6,537)
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	849,651	849,651
CFC Private Equity Holdings S.A.S.	100.00	16,695	46	18,649	18,649
CFC Energy Holding S.A.S.	100.00	124	1	123	123
Promigas S.A. and controlled entities	50.23	9,265,148	6,310,281	2,755,158	2,954,867
Eliminations due to Consolidation		(4,655,660)	(1,086,973)	(5,103,503)	(3,568,687)
		20,559,663	15,810,784	3,016,496	4,948,879

Balances as of December 31, 2016

Trade Name	Shareholding Interest %	Revenues	Profit before taxes	Income taxes	Results of the period
Corporacion Financiera Colombiana S.A.		2,966,122	2,607	(8,192)	(5,585)
Leasing Corficolombiana S.A.	100.00	83,554	4,559	(223)	4,336
Fiduciaria Corficolombiana S.A.	100.00	33,308	11,348	(351)	7,838
Banco Corficolombiana (Panama) S.A.	100.00	6,247	1,496	-	1,496
Casa de Bolsa S.A.	40.73	-	-	-	-
Organizacion Pajonales S.A. and controlled entities	98.13	28,332	2,244	(1,740)	504
Hoteles Estelar de Colombia S.A. and controlled entities	84.96	170,026	20,245	(4,911)	15,334
Gas Comprimido del Peru S.A.	91.87	16,943	(599)	(1,289)	(1,888)
Valora S.A.S. and controlled entities	100.00	8,853	7,308	(1,404)	5,904
Proyectos de Infraestructura S.A. and controlled entities	88.25	162,139	72,134	(28,816)	43,318
Estudios, Proyectos e Inversiones de los Andes S.A. and controlled entities	99.93	327,287	9,168	(3,061)	6,107
Promotora y Comercializadora Turistica Santamar S.A.	84.60	1,724	1,330	(649)	681
Colombiana de Concesiones y Licitaciones S.A.S	100.00	10,658	8,784	(1,931)	6,853
Tejidos Sinteticos de Colombia S.A.	99.65	20,453	1,557	(798)	759
Plantaciones Unipalma de los Llanos S.A.	54.53	32,677	(439)	798	359
Pizano S.A. and controlled entities	39.99	93,639	(10,134)	(857)	(10,991)
Estudios y Proyectos del Sol S.A.S. and controlled entities	100.00	642,968	25,654	(40,581)	(14,877)
Industrias Lehner S.A.	53.35	201	(520)	-	(520)
Proyectos de Ingenieria y Desarrollos S.A.S	100.00	3,990	(94)	(12)	(106)
CFC Gas Holding S.A.S	100.00	25,762	25,242	(98)	25,144
CFC Private Equity Holdings S.A.S.	100.00	1,022	(1,549)	(24)	(1,573)
CFC Energy Holding S.A.S.	100.00	-	(5)	(1)	(6)
Promigas S.A. and controlled entities	50.23	2,148,735	418,598	(106,648)	311,950
Eliminations due to Consolidation		(201,424)	(161,423)	(1,956)	(160,220)
		6,583,216	437,561	(202,744)	234,817

Balances as of June 30, 2016

Trade Name	Shareholding Interest %	Assets	Liabilities	Controlled Equity	Total Equity
Corporacion Financiera Colombiana S.A.		9,444,279	7,198,526	2,245,753	2,245,753
Leasing Corficolombiana S.A.	100.00	1,038,016	939,428	98,588	98,588
Fiduciaria Corficolombiana S.A.	100.00	137,998	84,215	53,783	53,783
Banco Corficolombiana (Panama) S.A.	100.00	292,626	263,705	28,921	28,921
Organizacion Pajonales S.A. and controlled entities	98.13	204,773	114,241	88,887	90,532
Hoteles Estelar de Colombia S.A. and controlled entities	84.96	713,211	377,012	293,923	336,199
Gas Comprimido del Peru S.A.	91.87	70,373	66,629	3,744	3,744
Valora S.A.S. and controlled entities	100.00	156,181	18,179	138,002	138,002
Proyectos de Infraestructura S.A. and controlled entities	88.25	372,935	229,500	127,813	143,435
Estudios, Proyectos e Inversiones de los Andes S.A. and controlled entities	99.93	913,903	826,087	53,472	87,816
Promotora y Comercializadora Turistica Santamar S.A.	84.60	40,690	4,370	36,320	36,320
Colombiana de Concesiones y Licitaciones S.A.S	100.00	150,906	21,847	129,059	129,059
Tejidos Sinteticos de Colombia S.A.	99.65	30,308	7,723	22,585	22,585
Plantaciones Unipalma de los Llanos S.A.	54.53	199,414	67,882	131,050	131,532
Pizano S.A. and controlled entities	39.99	290,376	152,275	139,836	138,101
Estudios y Proyectos del Sol S.A.S. and controlled entities	100.00	1,424,606	630,820	693,302	793,786
Industrias Lehner S.A.	53.35	579	6,597	(6,018)	(6,018)
Proyectos de Ingenieria y Desarrollos S.A.S	100.00	3,686	634	3,052	3,052
CFC Gas Holding S.A.S	100.00	610,796	70	610,726	610,726
CFC Private Equity Holdings S.A.S.	100.00	21,823	24	21,799	21,799
CFC Energy Holding S.A.S.	100.00	133	4	129	129
Promigas S.A. and controlled entities	50.23	7,656,917	4,778,619	2,695,368	2,878,298
Eliminations due to Consolidation		(3,908,513)	(817,303)	(4,580,288)	(3,091,210)
		19,888,018	14,971,084	3,029,806	4,894,932

Balances as of June 30, 2016

Trade Name	Shareholding Interest %	Revenues	Profit before taxes	Income taxes	Results of the period
Corporacion Financiera Colombiana S.A.		4,137,579	99,256	(12,421)	86,835
Leasing Corficolombiana S.A.	100.00	76,403	(854)	(1,677)	(2,531)
Fiduciaria Corficolombiana S.A.	100.00	29,940	13,444	(4,038)	9,406
Banco Corficolombiana (Panama) S.A.	100.00	9,217	1,327	-	1,327
Organizacion Pajonales S.A. and controlled entities	98.13	27,744	11,641	(3,853)	7,788
Hoteles Estelar de Colombia S.A. and controlled entities	84.96	157,027	12,739	(2,492)	10,247
Gas Comprimido del Peru S.A.	91.87	18,221	(1,137)	101	(1,036)
Valora S.A.S. and controlled entities	100.00	806	(1,326)	34	(1,292)
Proyectos de Infraestructura S.A. and controlled entities	88.25	134,143	91,929	(28,947)	62,982
Estudios, Proyectos e Inversiones de los Andes S.A. and controlled entities	99.93	350,251	25,916	(8,074)	17,842
Promotora y Comercializadora Turistica Santamar S.A.	84.60	1,411	1,206	(134)	1,072
Colombiana de Concesiones y Licitaciones S.A.S	100.00	4,917	4,844	(435)	4,409
Tejidos Sinteticos de Colombia S.A.	99.65	22,765	3,192	(686)	2,506
Plantaciones Unipalma de los Llanos S.A.	54.53	38,288	10,104	(2,203)	7,901
Pizano S.A. and controlled entities	39.99	93,673	(13,445)	3,342	(10,103)
Estudios y Proyectos del Sol S.A.S. and controlled entities	100.00	514,108	110,526	(13,588)	96,938
Industrias Lehner S.A.	53.35	-	(498)	(9)	(507)
Proyectos de Ingenieria y Desarrollos S.A.S	100.00	2,381	(215)	(30)	(245)
CFC Gas Holding S.A.S	100.00	16,617	16,412	(85)	16,327
CFC Private Equity Holdings S.A.S.	100.00	-	(69)	(24)	(93)
CFC Energy Holding S.A.S.	100.00	-	(9)	(1)	(10)
Promigas S.A. and controlled entities	50.23	2,098,511	564,927	(120,808)	444,119
Eliminations due to Consolidation		(157,909)	(303,089)	1,404	(301,685)
		7,576,093	646,821	(194,624)	452,197

During the six-month period ended on December 31, 2016, the Corporation acquired the control of Casa de Bolsa S.A., by means of a shareholders' agreement keeping its direct and indirect stake at 40.73%.

2.3.2 Investments in associates

The investments of the Corporation and subordinates 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 subordinates 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. (See note 13).

The following is the participation and corporate purpose of the investments made in associate companies as of December 31 and June 30, 2016:

Entity	Country of origin	Participation %		Corporate purpose
		December 31, 2016	June 30, 2016	
Aerocali S.A.	Colombia	50%	50%	Airport infrastructure projects
Casa de Bolsa S.A. (1)	Colombia	-	41%	Financial services – Stock brokerage
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

(1) On December 21, 2016 the control of Casa de Bolsa S.A. was acquired by means of a shareholders' agreement. See note 7.

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

As of December 31, 2016

	Total Assets	Total Liabilities	Total Equity	Total Income	Total Expenses
Aerocali S.A.	146,783	98,841	49,942	65,372	52,425
Colombiana de Extrusion S.A. - Extrucol	59,338	20,148	39,190	35,549	34,928
Concesionaria Tibitoc S.A.	88,521	27,894	80,627	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	711,884	902,725	823,051
Calidda S.A.	2,226,220	1,351,631	874,589	669,145	605,003
Energia Eficiente S.A.	48,008	31,519	16,489	485,616	473,872
Concentra Inteligencia en Energia S.A.S	2,092	165	1,927	1,870	1,196

As of June 30, 2016

	Total Assets	Total Liabilities	Total Equity	Total Income	Total Expenses
Aerocali S.A.	157,532	98,984	58,548	63,602	51,137
Casa de Bolsa S.A. Sociedad Comisionista de Bolsa	70,653	41,569	29,084	14,984	14,494
Colombiana de Extrusion S.A. - Extrucol	62,693	26,506	36,187	36,596	32,657
Concesionaria Tibitoc S.A.	85,838	25,527	60,311	27,424	12,659
Metrex S.A.	27,546	16,961	10,585	19,809	18,635
Ventas y Servicios S.A.	80,462	56,985	23,477	94,634	96,188
C.I. Acepalma S.A.	243,027	205,293	37,734	352,610	342,712
Gases del Caribe S.A. E.S.P.	2,107,123	1,373,252	733,871	771,434	671,634
Calidda S.A.	2,169,162	1,379,558	789,604	812,321	716,575
Energia Eficiente S.A.	51,162	35,034	16,128	307,921	301,093
Antillean Gas	1,006	16,112	(15,106)	-	7,741

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 separate financial statements of the Corporation and its subordinates 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, 2016	June 30, 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	51%	51%	Construction of civil works
Consorcio Constructor Mulalo	Colombia	51%	51%	Construction of civil works
Consorcio Constructor Ruta del Sol (see note 43)	Colombia	33%	33%	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 subordinates are recorded by the equity method in the same way as the investments in associates described in the note 2.3.2 above. (See note 13).

Participation %

Entity	Country of origin	December 31, 2016	June 30, 2016	Corporate purpose
Concesionaria Ruta del Sol S.A.S. (see note 43)	Colombia	33%	33%	Infrastructure projects
Concesionaria Vial del Pacifico S.A.S.	Colombia	50%	50%	Infrastructure projects
Concesionaria Nueva via al Mar. S.A.S.	Colombia	60%	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.	Malta	50%	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, 2016

	Total Assets	Total Liabilities	Total Equity	Total Income	Total Expenses
Concesionaria Ruta del Sol S.A.S. (see note 43)	3,653,227	2,578,230	1,074,997	759,647	705,402
Concesionaria Vial del Pacifico S.A.S.	246,184	243,221	2,963	29,963	31,005
Concesionaria Nueva via al Mar. S.A.S.	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	6,026	39	5,987	1,589	177

Ltda.

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

As of June 30, 2016

	Total Assets	Total Liabilities	Total Equity	Total Income	Total Expenses
Concesionaria Ruta del Sol S.A.S. (see note 43)	3,338,289	2,382,166	956,123	740,336	502,509
Concesionaria Vial del Pacifico S.A.S.	177,052	173,047	4,005	31,312	30,068
Concesionaria Nueva via al Mar. S.A.S.	87,973	70,470	17,503	11,251	8,882
CFC SK Capital S.A.S.	622	307	315	1,413	1,091
CFC SK El Dorado Latam Management Company Ltda.	4,501	48	4,453	1,414	204
CFC SK El Dorado Latam Fund. L.P.	29,572	48	29,524	-	3,250
CFC SK El Dorado Latam Capital Partners Ltda.	1,031	26	1,005	2	79

2.4. Functional and presentation currency

The management of the Corporation considered that the Colombian peso is the currency that best represents the economic effects derived from the underlying transactions, events and conditions of the Corporation and therefore the consolidated financial statements are presented in Colombian pesos as the functional currency.

The amounts reported in the individual financial statements of the subordinates 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 subordinates, 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 subordinates, 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, 2016	June 30, 2016
Peru	Soles	PEN/USD	3.36	3.29
Venezuela	United States Dollars	USD/COP	3,000.71	2,919.01
Panama	United States Dollars	USD/COP	3,000.71	2,919.01

Average Rate:

Countries	Currency	Expression	December 31, 2016	June 30, 2016
Peru	Soles	PEN/USD	3.40	3.27
Venezuela	United States Dollars	USD/COP	3,009.53	2,991.68
Panama	United States Dollars	USD/COP	3,009.53	2,991.68

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 subordinates have a functional currency different from the functional currency of the Corporation:

Subordinate	Functional Currency
Banco Corficolombiana (Panama) S.A.	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. The Corporation and its subordinates 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 subordinates commit to purchase or sell the asset.

The financial assets of the Corporation and its subordinates 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. (See note 10).

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 subordinates 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 subordinates 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 Corficolombiana and its subordinates 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). (See note 10).

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. (See note 11).

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, subordinates 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 subordinates 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. (See note 2.16 and 16).

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 subordinates 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 subordinates 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 subordinates 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 subordinates 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 subordinates. 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 subordinates 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 subordinates 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 subordinates 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 subordinates 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. (See note 28).

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 subordinates 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 Subordinated 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 20).

2.9 Properties, plant and equipment

The properties, plant and equipment includes the assets, in ownership or in leasing regime, that the Company and subordinates 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>
<u>Buildings of own use</u>	<u>1% - 4%</u>	<u>70 - 100</u>

<u>Furniture</u>	<u>8% - 10%</u>	<u>10- 20</u>
<u>Facilities</u>	<u>5% - 12%</u>	<u>5 - 20</u>
<u>Office and computer equipment</u>	<u>8% - 25%</u>	<u>3 - 10</u>
<u>Machinery and equipment</u>	<u>5% - 25%</u>	<u>5 -25</u>
<u>Private gas pipelines</u>	<u>1.43%</u>	<u>70</u>
<u>Compressors</u>	<u>3% - 13%</u>	<u>8 - 35</u>
<u>Production plants (Biological assets)</u>	<u>13% - 25%</u>	<u>25 - 35</u>

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 subordinates 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 subordinates 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 (See Note 17).

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 subordinates 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 subordinates 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. (See Note 4.10 and 18).

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 subordinates 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 subordinates 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 subordinates 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 (See note 24).

2.14 Biological Assets

The agricultural activities related to biological assets (animals or plants) of Organizacion Pajonales S.A. and subordinates, Plantaciones Unipalma de los Llanos S.A. and Valora S.A. and subordinates 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. (See note 2.14 and 19).

2.15. Business combination

The Company or its subordinates 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 subordinates 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. 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 (see note 7).

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 (See note 4.8 and 21).

2.16 Concession agreements

The concession agreements where the Company and subordinates 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 (See notes 2.7 and 2.17 respectively).

In accordance with the foregoing, the rights in concession agreements are recorded by the Company and subordinates 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 (see note 30).

The balances and movements related to concession agreements are shown in note 16.

2.17. Intangible assets

The intangible assets of the Company and its subordinates 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 subordinates 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 (see note 2.16 and 15).

2.18. Borrowing costs

The Company and its subordinates 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 (see note 16, 17, 18 and 19).

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 (see note 23).

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 subordinates 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 subordinates will estimate the impairment of such asset.

2.21. Employee benefits

Employee Benefits for their accounting recognition are all forms of consideration granted by the Company and its subordinates 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 subordinates 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 subordinates, 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 subordinates includes the service cost determined in the actuarial calculation plus the financial cost of the liability calculated (see note 4.15). 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 subordinates, 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 subordinates resulting from a unilateral decision taken by the Company or its subordinates 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 subordinates 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 (see Note 29).

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 subordinates of the Company are domiciled. The Management of the Company and its subordinates 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 (see note 4.6).

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 subordinates 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 subordinates.

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 (see note 22).

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 depreciation 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*.

32.23 Provisions.

Provisions for decommissioning and environmental restoration, financial guarantees, restructuring costs and legal claims are recognized when the Company and its subordinates 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. (See note 30).

3.212.24 Non-voting preferred shares

When the Company and its subordinates 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.

3.222.25 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 subordinates 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 subordinates' activities have been met, such as outlined below. The real sector subordinates of the Company determine their estimate of returns based on historical results for their sales prices, taking into account the type of customer, the type of operation and the specific characteristics of each agreement.

Provision of services

The Company and subordinates 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

Revenues from ordinary contractual activities include the initial amount of revenues from the ordinary activities agreed upon in the agreement plus amendments in the work contracted, as well as claims and incentives only to the extent that it is likely they will result in revenues from ordinary activities and they are capable of being reliably measured.

Customer loyalty programs

The subordinate 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 (see note 37).

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. (See note 10 and 13).

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 subordinates 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 (see note 38 and 39).

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. (See note 16).

3.232.27 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 subordinates have decided to apply such an exception and have registered the wealth tax accrued in 2015, 2016 and 2017 charged to their equity reserves provided that it has been approved by the Shareholders Assembly.

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

/2009. To date, the National Government has issued Decree 2420/2015, which includes the IFRS in force at an international level as of January 1, 2014. Due to the above, certain internationally issued standards are not yet applicable in Colombia and in turn certain standards that are not currently in force at an international level are applicable in Colombia. In addition, as explained in paragraph 2.27 above, the National Government allows entities to

record the wealth tax charged to the equity reserves, which under IFRS should be recorded against the results of the period.

The following is the detail of the impact on equity and results of the Company and its subordinates as of December 31 and June 30, 2016 due to the complete non-application of the standards in force at an international level. In relation to the recognition of the wealth tax, the early application of IFRS 9, which only includes two measurement classifications for debt securities and the effect of the application of the impairment model to the losses incurred in the loan portfolio and the difference used in the individual financial statement expected loss model applying what has been established by the Finance Superintendence of Colombia as well as the application of the discount rate for post-employment benefits established in Decree 2783/2001.

Concept	December 31, 2016		June 30, 2016	
	Equity	Results	Equity	Results
Registration of the wealth tax with charge to the equity reserve	-	-	-	(36,363)
Application of IFRS 9 issued in 2011, which is not in force at an international level in the classification of financial instruments in two categories. At fair value with adjustment to results and at amortized cost instead of three categories in accordance with IAS 39: Tradable, Available for Sale and Held to Maturity	(21,469)	(2,071)	(55,109)	(19,209)
Measurement of unlisted equity instruments under IFRS 9 by using their fair value in accordance with IAS 39 at their cost.	(27,547)	-	(27,011)	22,329
Registration of portfolio provision incurred loss model	-	1,971	-	(209)
Regulatory rate for the actuarial calculation of pension liabilities	(1,741)	82	252	(205)
Effect in deferred tax from previous differences	1,544	625	308	(1,553)
Total effect	(49,213)	607	(81,560)	(38,210)

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

Decree 2131 was issued on December 22, 2016 by Ministries of Trade and Industry which amends Decree 2420/2015 amended by Decree 2495/2015, amending the regulatory technical framework including the amendments to IAS7, IAS 12 and clarifications to the IFRS 9 and 15 (applicable as of January 1, 2018 although their early adoption is allowed). The impact of these standards is on the evaluation process by the management of the Company and its subsidiaries.

Amendment IAS 7 Cash Flows

Application as of January 1, 2018, it allows the early application. An entity will disclose information allowing the users of the financial statements to evaluate the changes on the liabilities derived from financing activities, including both the changes derived from cash flows and changes that are not cash.

Amendment IAS 12 Profit taxes

Application as of January 1, 2018, it allows early application, it clarifies the accounting of the deferred tax assets for unrealized losses in debt instruments valued at their fair value.

Amendments to the IFRS 15 Revenues of Ordinary Activities resulting from Agreements with Customers

Application as from January 1, 2018. Clarify the accounting of agreements related with goods and other services, determination of the nature of the commitments acquired by means of agreement, among others.

Financial Information Standard	Subject of the amendment	Detail
IAS 1 – Presentation of Financial Statements	Disclosure initiative. Regarding the presentation of financial statements, the amendment clarifies disclosure requirements.	<p>Below are some of the relevant matters contained in the amendments:</p> <ul style="list-style-type: none"> • IAS 1 materiality requirements. • Mentions the specific lines of income, comprehensive income and changes in financial situation statements that may be disaggregated. • Flexibility in the order in which the notes to the financial statements are presented. • The entity does not need to disclose specific information required by an IFRS if the resulting information is not material. <p>The application of these amendments does not have to be disclosed.</p>
IFRS 9 – Financial Instruments	Financial Instruments (in its 2014 revised version).	<p>The replacement project refers to the following stages:</p> <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 11 – Joint Operations	Accounting for the acquisition of holding interest in joint operations.	<p>Provides indications on the accounting for the acquisition of holding interests in joint operations in which the activities constitute a business as defined in IFRS 3 – Business Combinations. The entities must prospectively apply the amendments to the acquisitions of holding interests in the joint operations (in which the activities of the joint operations constitute a business as defined in IFRS 3).</p>
IFRS 10 – Consolidated financial statements IFRS 12 – Disclosure on interests in other entities. IAS 28 – Investment Entities	Application of the consolidation exception.	<p>We clarify that the exception to the preparation of consolidated financial statements applies for a controlling entity that is a subsidiary of an investment entity, when the investment entity measures all its subsidiaries at fair value pursuant to IFRS 10. It allows applying an interest method for an investor of an associate or joint venture if it is the subsidiary of an investment entity measuring all its subsidiaries at fair value.</p>

IFRS 10 – Consolidated Financial statement IAS 28 – Investment Entities	Sale or contribution of assets between an investor and its associate or joint venture.	Refers to IFRS 10 and IAS 28 in the treatment of losses of control of a subsidiary that is sold or contributed to an associate or joint venture. We clarify that the profit or loss resulting from the sale or contribution of assets represents a business as defined in IFRS 3, between the investor and its associate or joint venture and is completely recognized.
IFRS 14 – Regulatory deferral accounts	Deferral accounts for regulated activities.	It is an optional regulation that allows an entity, when adopting the IFRS for the first time, and whose activities are subject to tariff regulations, to continue to apply most of its preceding accounting policies for the regulated deferral accounts.
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 18 – Transfer of assets from clients, and • IAS 31 – Trade transactions including advertisement services.
IAS 16 – Properties, plant and equipment	Clarification of acceptable depreciation methods	Forbids the entities from using a depreciation method based on the revenue for the property, plant and equipment items.
IAS 38 – Intangible Assets	Clarification of acceptable amortization methods.	Establishes conditions related to the amortization of intangible assets regarding: <ol style="list-style-type: none"> a) When the intangible asset is expressed as a measurement of revenue. b) when it can be demonstrated that the revenue and the consumption of the economic benefits of the intangible assets are closely related.
2012-2014 annual improvements	These amendments reflect matters discussed by the IASB, which were subsequently included as amendments to the IFRS.	<ul style="list-style-type: none"> • IFRS 5 – non-current assets maintained for sale and discontinued operations. Changes in the methods for disposal of the assets. • IFRS 7 – Financial instruments: information to disclose (with the resulting amendments to IFRS 1) <ul style="list-style-type: none"> - Amendments related to service provision agreements. - Applicability of the amendments to IFRS 7 in the disclosure of compensations in the intermediate condensed financial statements. • IFRS 19 – Employee Benefits. Discount rate: regional market matters. • IFRS 34 – Intermediate financial information: disclosure of information included in any other section of the intermediate financial report.

2.30. New accounting statements issued by the International Accounting Standards Board – IASB at an international level:

During the second semester of 2016, the International Accounting Standards Board – IASB, issued new statements on the amendments related to previously issued standards, or new issues of standards that might imply an impact on the Company and its subsidiaries, as follows:

Annual Improvements IFRS 12 Information to be disclosed about participations on other entities

It establishes if the disclosure requirements of the IFRS 12 applies to participations on other entities when these are classified as non-current assets held for sale or discontinued operations pursuant the IFRS 5 Non-Current Assets Held for Sale or Discontinued Operations. The Board published the amendment in December 2016 with enforcement as of January 1, 2017.

Annual Improvements IAS 28 Investments in Associates and Joint Ventures

Clarifying if an entity has an investment option for investment to measure the participations at fair value in accordance with the IAS 28 for a risk capital organization, a loan fund, an investment fund or similar entities, including investment-related insurance funds. The Board published the amendment in December 2016 to be enforced as of January 1, 2018.

Amendment to the IAS 40 Investment Properties

It clarifies the enforcement of paragraph 57 of the IAS 40 Investment Properties by providing guidelines on transfers to, or from, investment properties. The Board published the amendment in December 2016 to be enforced as from January 1, 2018.

CINIIF 22 Transactions in Foreign Currency and considerations of advances

It provides requirements about which type of exchange must be used in the presentation of foreign currency transaction reports (such as revenue transactions) when the payment is made or received in advance. The Board published the amendment in December 2016 to be enforced as from January 1, 2018.

3. Restatement of Financial Statements Previously Submitted

Restatement of financial statements due to changes in the Accounting Policy related with the measurement of biological assets.

The Company has changed its accounting policy related to the measurement of biological assets of long-cycle by adopting in advance the amendment of the IAS 16 Properties, Plant and Equipment and IAS 41 Agriculture, contained in Decree 2496/2015 as of January 1, 2016. The change of accounting policy implies the retroactive restatement of the measurement of these assets, which means that the value of the related biological assets branched in two assets: production plants measured under the cost model in accordance with the IAS 16 and the biological products measured at fair value with changes in income in accordance with the IAS 41. The retrospective adjustment was applied to each of the affected equity items.

The detail of the accounts affected in the retroactive restatement process related to this change on the financial statement as of June 30 and January 1, 2016 is shown below:

	Balance	Adoption of	
As of January 1, 2016	previously	Biological Assets	Restated Balance
	submitted	Amendment	

Properties, plant and equipment	2,264,524	188,177	2,472,701
<i>Production Plants under IAS 16</i>	-	188,177	188,177
Biological Assets	240,212	(206,285)	33,927
<i>Long-cycle crops</i>	230,452	(230,452)	-
<i>Biological products under IAS 41</i>	-	24,167	24,167
<i>Other Biological Assets</i>	9,760	-	9,760
Total restated balances in the asset	2,624,736	(18,108)	2,606,628
Deferred tax liabilities	630,178	(6,177)	624,001
Total restated balances in the liabilities	630,178	(6,177)	624,001
<i>Reserves</i>	1,075,555	-	1,075,555
<i>First time adoption of IFRS</i>	(592,099)	(13,810)	(605,909)
<i>Adjustment of IFRS to profit 2014</i>	(77,551)	4,920	(72,631)
<i>Cumulative (Loss) Profit</i>	(11,458)	(2,818)	(14,276)
Retained profits	394,447	(11,708)	382,739
Total restated balances in controlled equity	394,447	(11,708)	382,739
Non-controlling interest	1,783,526	(223)	1,783,303
Total restated balances in equity	2,177,973	(11,931)	2,166,042

As of June 30, 2016	Balance previously submitted	Adoption of Biological Assets Amendment	Restated Balance
Properties, plant and equipment	2,559,241	196,830	2,765,071
<i>Production Plants under IAS 16</i>	-	196,830	196,830
Biological Assets	266,339	(217,545)	48,794
<i>Long-cycle crops</i>	253,162	(253,162)	-
<i>Biological products under IAS 41</i>	-	35,617	35,617
<i>Other Biological Assets</i>	13,177	-	13,177
Total restated balances in the asset	2,825,580	(20,715)	2,804,235
Deferred tax liabilities	658,957	(7,722)	651,235
Total restated balances in the liabilities	668,957	(7,722)	651,235
<i>Reserves</i>	1,154,925	-	1,154,925
<i>First time adoption of IFRS</i>	(595,969)	(13,810)	(809,779)
<i>Adjustment of IFRS to profit 2014</i>	(84,257)	4,920	(79,337)
<i>Cumulative (Loss) Profit</i>	(281,303)	(28,18)	(2,84,121)
Retained profits	193,396	(11,708)	181,688
Year results	258,538	(1,521)	257,017
Total restated balances in controlled equity	461,934	(13,229)	438,706
Non-controlling interest	1,864,890	236	1,865,126
Total restated balances in equity	2,316,824	(12,993)	2,303,831

As of June 30, 2016	Balance previously submitted	Adoption of Biological Assets Amendment	Restated Balance
Revenue for valuation of biological assets	20,839	(8,174)	12,665
Costs of sales	2,006,399	(5,567)	2,000,832
Profit before taxes	649,428	(2,807)	646,821
Profit taxes	196,170	(1,546)	194,624
Total restated balances in the result	453,258	(1,061)	462,197
<i>Attributable to:</i>	<i>258,538</i>	<i>(1,521)</i>	<i>257,017</i>
<i>Controlling shareholders</i>	<i>194,720</i>	<i>460</i>	<i>195,180</i>
<i>Non-controlling interest</i>	<i>-</i>	<i>-</i>	<i>-</i>

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

The Company and subordinates 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:

4.1. 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 subordinates, 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.

4.2. 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 subordinates 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 subordinates 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.

4.3. Impairment of loan portfolio and other receivables

The Company and its subordinates 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 subordinates, 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 subordinates. 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.

4.4. 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 note 10 and 12.

4.5. 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.

4.6. Deferred income tax

The Company and its subordinates evaluate the performance over time of deferred income tax assets. Deferred income tax asset represents income and CREE taxes recoverable through future deductions from taxable profits and are recorded in the statement of financial position. Deferred tax assets are recoverable to the extent in which the realization of related tax benefits is likely. Tax revenues and the amount of tax benefits that are likely in the future are based on medium-term plans prepared by Management. The business plan is based on Management's expectations that are believed to be reasonable under the circumstances (see note 22).

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, based on the current regulations in Colombia and in the countries in which the affiliates are domiciled, in order to verify tax profits and find the real effective tax rate of each of the entities.

The most important assumptions to prepare fiscal forecasts that allow each entity to recover deferred tax assets are the following:

Promigas S.A. E.S.P. and subordinates

The deferred tax recorded is represented mainly in the items of intangible assets in concession assets, non-deductible liability provisions, tax credits, leasing operations and other items.

Within the fiscal analysis of the Promigas group, some companies take as tax benefit that contemplated in Article 158-3 of the Tax Code, "Special deduction for investment in real tangible production assets acquired" (40% of the value of the assets acquired), for the case of companies that subscribed a legal stability agreement, the deductions for investments in reforestation and tax deductions due to investments in regional sewage companies do not generate deferred taxes.

Concesionaria Vial de los Andes S.A.

The concessionaire signed the legal stability agreement whereby stability is granted by Article 158-3 of the Tax Code, "Special deduction for investment in real tangible production assets acquired", such deduction generates tax losses corresponding to the performance of works in 2015 and 2016, since the legal stability agreement ends in the last year.

To the extent that the term of the concession expires in September 2018 and according to the tax forecast it is unlikely to have future tax profits to recover tax losses; according to the current standards, in principle there is no expectation of recovery and the return of the resulting credit balances will be requested.

As of December 31 and June 30, 2016, the Management of the Company and its subordinates estimates that the losses on the deferred income tax asset would be recoverable as a function of the estimates of future taxable profits.

The deferred tax asset, including tax credits, was limited to the possible reversal of the deferred tax liability, i.e. the amount of the liability was only recognized in determining the taxable profit for future periods, when temporary differences will be reversed, because fiscal forecasts do not indicate that there will be sufficient taxable profits enabling to support the use of the entire deferred tax asset.

Pizano S.A. and subordinates

Pizano has recognized deferred tax assets regarding deductible temporary differences related to property, plant and equipment and tax credits.

During 2015, Pizano left Law 550, a Law on structural reactivation and restructuring which aims to promote the reactivation of the economy and employment by restructuring companies belonging to the productive sectors of the economy. During 2016, there were greater gross revenues with respect to the previous years by showing improvements on the operation; however, expenses with important amounts corresponding to the curing process of the entity were charged during the period and for that reason, no tax income recovering the deferred tax asset are shown for this period. Notwithstanding the foregoing, it is projected by the entity and it is supported by the economy evolution and the economic growth of the construction sector that tax revenues are generated in the next periods with which the recorded deferred tax asset can be recovered.

The companies Mantesa S.A., Maderas del Darien S.A., Monterrey Forestal Ltda. show no deferred tax assets since tax projections indicate that there will be no taxable profits in future periods with which the deductible temporary differences that form the basis of the deferred tax asset can be reversed.

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.

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 subordinates

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.

4.7. Initial recognition of related party transactions

The Company and its subordinates 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. The terms and conditions of transactions with related parties are disclosed in Note 40.

4.8 Impairment of Goodwill

The Management of Corficolombiana and its subordinates 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., the quoted price at the end of the period published by the Colombia Stock Exchange was used as reference.

Goodwill on the subordinates 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.

The methodologies and assumptions used for the valuation of different cash-generating units allocated to goodwill were properly reviewed by the management and based on this review, it has been concluded that as of December 31 and June 30, 2016 it was not necessary to record goodwill impairment.

Goodwill on Concesionaria Panamericana S.A.S.

- The valuation of the company is made by discounting the free cash flows at a rate of 8.62%, which is calculated under the WACC methodology, with a capital structure of 88% - 14%.
- 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 and June 30, 2016 it was not necessary to record goodwill impairment. The following is the summary of the tests conducted (see note 21).

Cash-generating units	Goodwill	Equity value	Recoverable amount	Surplus
Gas Natural de Lima y Callao S.A.C.	20,913	374,191	946,048	571,857
Compañía Energetica de Occidente S.A.S. E.S.P.	448	56,674	147,977	91,303
Gases de Occidente S.A. E.S.P.	65,577	253,813	1,335,618	1,081,805
Promioriente S.A. E.S.P.	2,845	247,679	449,856	202,177
Promisol S.A.S.	92	64,378	161,931	97,553
Enercolsa S.A.S. (1)	2,043	-	-	-
Surtidora de Gas del Caribe S.A. E.S.P.	35,415	216,769	657,182	440,413
Transportadora de Metano E.S.P. S.A.	922	155,006	307,223	152,217
Sociedad Portuaria El Cayao S.A. E.S.P.	330	89,719	108,966	19,247
Transoccidente S.A. E.S.P.	234	7,241	10,480	3,239
Compañía Hotelera de Cartagena de Indias S.A.	6,661	90,794	97,950	7,162
Concesionaria Panamericana S.A.S.	119,916	35,585	370,248	334,663
Promigas S.A. E.S.P.	40,868	1,319,800	2,964,106	1,644,305
Casa de Bolsa S.A.	1,335	12,549	13,884	1,335

4.9. Determination of functional currency

The determination of the functional currency of the Corporation and its subordinates 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 subordinates 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.

4.10. 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 subordinates is determined. (See note 18).

Forced sale transactions are excluded in the preparation of the assessment reports of the investment properties of the Corporation or its subordinates. 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. (See note 6).

4.11. Valuation of biological assets

The valuation of the biological assets held by the Corporation and its subordinates 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 sensitivity to the most significant variables of the model is shown in note 5.6.

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 \$1,816.6) 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.

	Tons of dry rubber per hectare per year
<i>Year 7</i>	0.60
<i>Year 8</i>	0.90
<i>Year 8</i>	1.40
<i>Year 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 14.20%. Additionally, a debt rate of 6.47% was obtained and therefore a WACC of 11.29% using a standard market financing rate.

2. African Palm Plantations

Price forecast: A historical average since 2000 (USD \$672.96 per ton) 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 reseeding 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	4.25
5	9.91
6	11.73
7	21.58
7 to 18	21.80

Over 18	36.10
Weighted Average	17.56

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	21
Weighted Average	22.14

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 14.31%. Additionally, a debt rate of 7.11% was obtained and therefore a WACC of 11.60% using a standard market financing rate. The valuations of biological assets are considered in tier III of the fair value measurement hierarchy. (See note 6).

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

Promigas and its subordinates 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. (See note 16).

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 0.71).
- 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 2004-2013.
- 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	+100 bps	-100 bps
Discount interest rates	(-25.77%)	39.08%
Growth in perpetuity slope	20.95%	(-14.16%)

The valuations of financial assets are considered at tier III of the fair value measurement hierarchy. (See note 6).

4.13. Estimation of the fair value of unlisted equity instruments

The Corporation and its subordinates 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	Discounted cash flows	In the case of an operating and active company.
	Contractual exit price	In the case of a company which has a contractually established exit price.

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, 2016, no significant changes occurred according to the assessments made on assumptions. (See note 10).

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:

Variation	Favorable Impact	Unfavorable Impact
+/- 10%	13.04%	(-14.13%)

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.

Variable	Range used in the valuation
Revenues (5-year growth percentage)	(-0.5)% - 14.60%
Slope of growth in perpetuity	3%
Discount interest rates	16.97%

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

Variable	Variation	Favorable Impact	Unfavorable Impact
Revenues (5-year growth percentage)	+/- 1%	5.10%	(-2.00)%
Slope of growth in perpetuity	+/- 10%	3.76%	(-0.47)%
Discount interest rates	+/- 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. (See note 6).

4.14. Provision for contingencies

The Corporation and its subordinates 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. (See note 30).

4.15. 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. (See note 29).

The discount rate allows establishing future cash flows at present value on the measurement date. The Corporation and its subordinates 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 subordinates 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, 2016		June 30, 2016	
	Pension Liabilities (1)	Long-term Benefits	Pension Liabilities	Long-term Benefits
Discount rate	9.96%	7.16%	7.82%	8.80%
Inflation rate	4.93%	3.50%	2.88%	3.50%
Wage increase rate	4.93%	3.50%	2.88%	3.50%
Pension increase rate	4.93%	3.50%	2.88%	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:

	Change in the variable	Increase in the variable	Decrease in the variable
Discount rate	-50bp and +50 bp	835.90	(790.37)
Wage increase rate	-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
2017	4,761	786
2018	4,723	1,238
2019	4,823	1,036
2020	4,879	1,124
2021	4,863	1,032
Years 2022-2026	23,756	3,417

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

	December 31, 2016	June 30, 2016
Post-employment participants	724	748
Long-term participants	2,931	2,890

5. Risk Management

The activities of the Corporation and its subordinates 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 subordinates 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 subordinates 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 submit 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 subordinates, 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.

5.1 Market risks

The market risk of the Corporation and its financial subordinates 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 subordinates, 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 subordinates 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 subordinates 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 2016 was equal to \$150,920 million pesos due to the effect of a change of 10.91% basis points in the solvency ratio of the Corporation and its financial subordinates. The VaR indicators presented by the Corporation and its financial subordinates during the period between July and December 2016 are summarized below:

	Minimum	Average	Maximum	Last
Interest rate in Pesos	111,466	154,041	217,127	121,088
Interest rate in foreign currency	5,091	5,491	6,082	5,143
Interest rate in UVR	12,603	20,491	28,378	15,322
Exchange rate	1,943	3,096	3,820	3,263
Shares	10,122	11,218	12,295	11,975
Collective portfolios	2,130	2,767	3,498	2,906
Total VaR	146,968	197,102	268,682	169,697

Finally as a result of the behavior of the VaR, the Market Risk Weighted Assets remained on average around 10.98% 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.

5.2. 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 subordinates review their available resources on a daily basis.

The Corporation and its financial subordinates 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 subordinates 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 subordinates 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. The following is an analysis of the contractual maturities of the financial assets and liabilities of Corficolombiana and its financial subordinates as of December 31, 2016:

	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	1,222	0	0	0	0	0
Money market operations	149	0	37	93	130	57
Tradable investments in debt securities	397	0	0	4	1	19
Tradable investments in equity securities	8	0	0	0	0	0
Investments held to maturity	90	0	0	7	7	10
Other liabilities and creditor contingencies	22	0	0	0	0	0
Subtotal	1,888	0	37	104	438	86
<u>Contractual maturities of assets</u>						
Ordinary interbank funds sold	149	507	0	49	556	58
Contractual maturities of all investments held to maturity - TES	33	0	0	7	7	0
Transfer rights of investments	0	1,972	185	53	2,210	57
Loan portfolio	31	4	7	20	31	64
Derivative financial instruments	0	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
<u>Contractual maturities of liabilities</u>						
Money market operations	126	2,346	185	54	2,584	144
Term deposit certificates	76	66	40	238	343	828
Derivative financial instruments	0	10	12	13	35	28
Financial obligations	0	1	1	1	3	18
Other liabilities	22	0	0	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%	261%	174%	229%	100%
Accumulated LRI	0	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.

To control the liquidity risk between assets and liabilities, the Corporation and its financial subordinates carry out statistical analyzes to quantify, with a predetermined confidence level, the stability of deposits with and without contractual maturity. The following is an analysis of the contractual maturities of financial assets and liabilities as of June 30, 2015:

	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	1,342	-	-	-	-	-
Money market operations	123	382	-	-	382	71
Tradable investments in debt securities	335	2,440	579	201	3,220	82
Tradable investments in equity securities	39	-	-	-	-	-
Investments held to maturity	95	5	-	1	6	124
Other liabilities and creditor contingencies	11	-	-	-	-	-
Subtotal	1,945	2,827	579	202	3,608	277
<i>Contractual maturities of assets</i>						
Ordinary interbank funds sold	-	3	-	-	3	-
Contractual maturities of all investments held to maturity - TES	32	-	-	-	-	-
Transfer rights of investments	-	2,517	579	200	3,296	72
Loan portfolio	36	5	7	21	33	64
Derivative financial instruments	1	64	14	13	91	247
Flow of revenues with contractual maturities of assets and off-balance positions - FIVC	69	2,589	600	234	3,423	383
<i>Contractual maturities of liabilities</i>						
Money market operations	137	2,703	583	197	3,483	139
Term deposit certificates	79	42	109	164	315	429
Derivative financial instruments	1	25	27	62	114	80
Financial obligations	-	1	1	1	3	6
Other liabilities	11	-	1	2	3	7
Flow of expenditures with contractual maturities of liabilities and off-balance positions - FEVC	228	2,771	721	426	3,918	661
Net flow (estimated) of non-contractual maturities - FNVNC						
Net flow	(159)	(182)	(121)	(192)	(495)	(278)
Net estimated liquidity requirement - RLN (2)		693	180	191	979	278
Partial LRI	-	281%	223%	183%	199%	155%

Accumulated LRI	-	1,252	1,072	880	965	688
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(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 subordinates 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 and June 30, 2016:

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	1,246,589	3,770,438	13,211,027

As of June 30, 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	111,770	91,090	1,487	45,722	-	250,069
Subtotal	111,770	91,090	1,487	45,722	-	250,069
AT AMORTIZED COST						
Money market operations	3,691,512	174,000	-	-	-	3,865,512
Customer Deposits	492,584	165,707	711,195	873,164	1,719,309	3,961,958
Short-term financial obligations	48,370	397,634	146,252	1,378,382	637,114	2,607,752
Obligations with rediscount entities	549	1,569	9,024	61,272	12,597	85,011
Securities issued	105,851	-	1,278	519,852	1,352,943	1,979,924
Subtotal	4,338,866	738,910	867,748	2,832,670	3,721,963	12,500,157
FINANCIAL LIABILITIES	4,450,636	830,000	869,236	2,878,392	3,721,963	12,750,228

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

The Corporation and its subordinates 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 subordinates 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 subordinates:

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	3,494,262
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

As of June 30, 2016

	United States Dollars	Euros	Other Currencies	Total Colombian Pesos
Assets				
Cash and cash equivalents	160,074	456	452	180,982
Asset positions in money market operations	58,512	-	-	58,512
Investments in debt securities at fair value	39,291	-	-	39,291
Investments in debt securities at amortized cost	28,158	-	-	28,158
Investments in equity instruments	869	-	-	869
Derivative financial instruments	1,922,933	156,447	18,141	2,097,521
Financial assets by loan portfolio at amortized cost	37,170	-	-	37,170
Other accounts receivable	22,280	-	-	22,280
Total Assets	2,269,287	156,903	18,693	2,444,783
Liabilities				
Customers Deposits	124,677	-	-	124,677
Liability positions in money market operations	137,352	-	-	137,352
Derivative financial instruments	1,077,156	155,735	10,480	1,243,371
Other liabilities	487,964	52	-	488,016
Total Liabilities	1,827,149	155,767	10,480	1,993,418
Asset Position Net (Liabilities)	442,138	1,116	8,113	451,367

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 by derivatives. The estimated increase of 1% compared to the exchange rate as of December 31, 2016 is a decrease of 23,268 million pesos in assets and a decrease of 8,277 million in equity and an increase of 39,834 million pesos and 96,052 million pesos, respectively, as of June 30, 2016.

United States Dollars	Exchange rate	Effect on earnings before taxes	Effect on net equity
December - 16	30.01	(10,538)	(8,277)
June - 16	29.19	952	96,052

Hedge accounting

Promigas and its subordinates 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 12b).

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 subordinates 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 subordinates 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.

5.4. Price risk

As of December 31, 2016

The Corporation and its subordinates 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., the last two investments are acquired during 2016 due to the control acquisition of Casa de Bolsa 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 \$7,211 and \$7,236 million pesos before taxes as of December 31 and June 30, 2016, respectively. (See note 10).

5.5. Credit risk

The Corporation, through Leasing Corficolombiana S.A. and Promigas S.A. and its subordinates, 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 subordinates 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 subordinates are recorded in the credit Manuals of both the Corporation and its subordinates 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 subordinates, 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 Corporation and its financial subordinates 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 and June 30, 2016, 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, 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	81,681	3.4%
Wholesale and retail trade; repair of motor vehicles and motor bikes	140,967	-	73,110	214,077	8.9%
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	8,614	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	311,609	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,	9,441	-	5,327	14,768	0.6%

Sector	Commercial	Consumption	Financial Leasing	Total	Part. %
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					
Total by economic use	482,594	303,722	1,632,201	2,418,517	100.0%

As of June 30, 2016

Sector	Commercial	Consumption	Financial Leasing	Total	Part. %
Agriculture, cattle farming, forestry and fishing	29,301		19,767	49,068	4.0%
Mining and quarrying	3,233	-	13,260	16,493	1.3%
Manufacturing industries	69,132	-	61,724	130,856	10.7%
Supply of power, gas, steam and air conditioning	4,563	-	9,139	13,702	1.1%
Supply of water; drainage of wastewater, waste management and decontamination	1,545	-	3,077	4,622	0.4%
Construction	46,238	-	39,992	86,230	7.0%
Wholesale and retail trade; repair of motor vehicles and motor bikes	147,556	-	73,963	221,519	18.1%
Transport and storage	75,194	-	73,096	148,290	12.1%
Lodging and food service activities	18,093	-	5,630	23,723	1.9%
Information and communications	8,053	-	9,371	17,424	1.4%
Financial and insurance activities	18,967	-	2,502	21,469	1.8%
Real estate activities	14,353	-	24,133	38,486	3.1%
Professional, scientific and technical activities	24,744	-	20,193	44,937	3.7%
Administrative and support service activities	5,236	-	20,836	26,072	2.1%
Public and defense administration; social security plans of mandatory affiliation	1,891	-	13	1,904	0.2%
Teaching	3,192	-	561	3,753	0.3%
Human health care and social welfare activities	9,783	-	28,318	38,101	3.1%
Artistic, recreational and entertainment activities	767	-	5,736	6,503	0.5%
Other service activities	3,472	-	4,315	7,787	0.6%
Employees: Natural persons or unsettled successions, whose revenues come from the employment, legal or regulatory relationship or originating therefrom	15,471	283,501	5,668	304,640	24.9%
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	12,507	-	6,309	18,816	1.5%

Sector	Commercial	Consumption	Financial Leasing	Total	Part. %
difference between the invested amount or the amount provided and the future amount and/or amount paid to the provider or investor					
Total by economic use	513,291	283,501	427,603	1,224,395	100%

By geographic location

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	2,418,617

As of June 30, 2016

	Commercial	Consumption	Financial Leasing	Total
Colombia	507,337	283,501	427,603	1,218,441
Panama	5,954	-	-	5,954
Total	513,291	283,501	427,603	1,224,395

By maturity

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	482,694
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	615,300	1,111,348	2,418,517

As of June 30, 2016

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Commercial	46,826	180,156	109,460	176,849	513,291
Consumption	146,579	74,110	60,927	1,885	283,501
Financial Leasing	29,914	123,947	168,105	105,637	427,603
Total portfolio	223,319	378,213	338,492	284,371	1,224,395

By type of guarantee:

As of December 31, 2016

	Commercial	Consumption	Financial Leasing	Total
Unsecured loans	148,832	-	-	148,832
Loans secured by other banks	-	-	-	-
Collateralized loans:	215,798	141	2,491	218,430
<i>Houses</i>	-	-	-	-
<i>Other real estate</i>	215,798	141	2,491	218,430
<i>Investments in equity instruments</i>	-	-	-	-
<i>Deposits in cash or cash equivalents</i>	-	-	-	-
Other assets	117,964	303,581	1,629,710	2,051,255
Total	482,594	303,722	1,632,201	2,418,517

As of June 30, 2016

	Commercial	Consumption	Financial Leasing	Total
Unsecured loans	167,836	-	-	167,836
Loans secured by other banks	-	-	-	-
Collateralized loans:	214,977	927	1,095	216,999
<i>Houses</i>	-	-	-	-
<i>Other real estate</i>	214,977	927	1,095	216,999
<i>Investments in equity instruments</i>	-	-	-	-
<i>Deposits in cash or cash equivalents</i>	-	-	-	-
Other assets	130,478	282,574	426,508	839,560
Total	482,594	303,722	427,603	1,224,395

By currency:

As of December 31, 2016

	Legal currency	Foreign currency	Total
Commercial	451,807	30,787	482,694
Consumption	303,722	-	303,722
Financial Leasing	405,612	1,226,589	1,832,201
Total portfolio	1,161,141	1,257,376	2,418,517

As of June 30, 2016

	Legal currency	Foreign currency	Total
Commercial	476,121	37,170	513,291
Consumption	283,501	-	283,501
Financial Leasing	427,603	-	427,603
Total portfolio	1,187,225	37,170	1,224,395

By credit quality:

As of December 31, 2016

	Commercial	Consumption	Financial Leasing	Total
A	434,630	268,844	1,586,700	2,290,174
B	16,141	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

As of June 30, 2016

	Commercial	Consumption	Financial Leasing	Total
A	470,116	244,715	377,537	1,092,368
B	21,039	26,045	22,409	69,493
C	11,681	4,838	8,653	25,172
D	8,077	4,856	18,436	31,369
E	2,378	3,047	568	5,993
Total	513,291	283,501	427,603	1,224,395

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.

5.6 Price risk of biological assets

The Corporation and its subordinates 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 (see note 19).

During the first and second half of 2016 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
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	1,907	5%	15,628	679	91,350
December 16	1,817	-	14,606	503	90,446
	1,726	-5%	13,564	327	89,542
	2,184	5%	15,001	10,614	91,437
June 2016	2,080	-	14,020	7,766	90,532
	1,976	-5%	13,039	5,062	89,627

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
	637	5%	23,109	486	133,165
December 16	606	-	21,597	350	131,847
	576	-5%	20,085	234	130,529
	707	5%	15,001	10,666	132,847
June 2016	673	-	14,020	7,901	131,532
	639	-5%	13,039	5,136	130,217

5.7 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, 2016 there are operational risk matrices for the 23 processes of the Entity, in which 396 risks and 863 controls have been identified. As of June 30, 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, 2016	June 30, 2016
Processes	23	23
Risks	396	396
Controls	863	863

The losses for operational risk events in the first half of 2016 amounted to \$25 million, the largest corresponding to:

- 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
- Draft to TIN and mistaken name of bank guarantee payment which generated additional expenses for Corficolombiana, as follows: a) Commission fifth cycle \$4.9 million b) VAT \$0.8 million and c) GMF for a total of \$5.7 million

Financial subordinates

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 subordinates

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 second half of the year 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 will be implemented during 2016.

5.8 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 the second half of 2016, 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.

5.9 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, 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.

Training and Instruction to Officials

In order to contribute to the improvement of the well being of the officials to make right financial decisions, during 2016 the internal training plan was developed, which included several activities, including:

- The publication of the virtual training module through the e-learning platform, in this occasion focused on personal finance
- Regular publications sent to all the employees of the Company, with educational content including topics in terms of savings, financial services, recommendations in banking security, campaigns to prevent money laundering, among others, so they have the tools allowing them to know healthy practices for their financial life
- 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 is also a member of the guild education project for financial consumers "Know More, Be More" of Asobancaria, As part of this program, the Company participated in the campaigns "International week of financial education in children and youth", "Prevention of money laundering and terrorism financing" and "October, the month of savings" through bulletins sent to its employees.

Thanks to the covenant entered into between Asobancaria and La Republica, 200 copies of the work "Education for all pockets" were provided to officials in the city of Bogota.

Material was also received from the Central Bank (posters and pocket-sized booklets), corresponding to the issuance of the new group of bills in Colombia. Said material was published in the facilities of the building and distributed among the officials and visitors.

Financial Consumer Information

We have provided our information channels such as the web page, customer service line and personalized attention points 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.

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.

5.10 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 30 to these financial statements describes the most significant processes against the Company and its most significant subordinates.

5.11 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 the second half of 2016 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.

6. 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 subordinates 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 subordinates 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 subordinates 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 subordinates measured at fair value at December 31, 2016 and June 30, 2016 on a recurring basis.

As of December 31, 2016 on a recurring basis

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	-	337,603	-	377,603
Corporate bonds	-	2,504	-	2,504
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	2,075,675
Non-financial assets				
Investment properties	-	-	148,160	148,160
Biological assets	-	-	41,720	41,729
Total assets measured at fair value on a recurring basis	1,116,690	667,378	2,824,848	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

As of June 30, 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	803,771	-	-	803,771
Bonds from other entities of the Colombian Government	326	2,038	-	2,366
Corporate bonds	-	178,160	-	179,160
Equity instruments				
Equity funds and collective portfolios	-	436,019	-	436,019
Corporate shares	649,817	75,233	67,046	792,098
Derivative financial instruments				
Forward agreements	-	174,423	-	174,423
Swap agreements	-	91,942	-	91,942
Other derivatives	-	8,239	-	8,239
Other financial assets				
Financial assets under concession	-	-	1,978,680	1,976,680
Non-financial assets				

Investment properties	-	-	142,429	142,429
Biological assets	-	-	39,339	39,339
Total assets measured at fair value on a recurring basis	1,453,916	967,054	2,227,496	4,648,466
Liabilities				
Liabilities at fair value through profit and loss				
Derivative financial instruments				
Forwards agreements	-	124,690	-	124,690
Swaps agreements	-	116,466	-	116,466
Other derivatives	-	8,713	-	8,713
Total liabilities measures at fair value on a recurring basis	-	250,059	-	250,069

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 4 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, 2016	73,949	1,691,692	24,633	132,322
Adjustment of valuation with effect on results	-	86,988	12,665	3,077
Adjustment of valuation with effect in OCI	16,240	-	-	-

Additions	100	-	2,837	7,371
Transfers	-	-	-	(312)
Sales/withdrawals	(23,241)	-	(796)	(29)
Balance as of June 30, 2016	67,048	1,978,680	39,339	142,429
Adjustment of valuation with effect on results	-	93,995	1,980	5,409
Adjustment of valuation with effect in OCI	(13,111)	-	-	-
Additions	-	-	947	5,763
Transfers	-	-	-	(5,441)
Sales/withdrawals	-	-	(537)	-
Balance as of December 31, 2016	63,937	2,072,675	41,729	146,160

The management of Corficolombiana and its subordinates 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, 2016.

	Tier 1 to Tier 2	Tier 2 to Tier 1
Assets		
TES treasury securities issued by the Colombian Government	140	-
Balance as of December 31, 2016	140	-

The transfer from Tier 2 to Tier 1 of certain securities issued by the Colombian Government is due mainly to the reduction in the negotiation of the UVR securities.

(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, 2016		June 30, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
ASSETS				
Cash and cash equivalents	1,797,895	1,797,895	1,663,298	1,663,298
Money market operations	655,958	6,55,958	440,002	440,002
Debt instruments				
At fair value with changes in results	939,504	939,504	985,297	985,297
At amortized cost	2,144,304	2,144,304	3,034,171	2,979,340
Equity instruments				
At fair value with changes in results	541,562	541,562	436,019	436,019

At fair value through other comprehensive income	793,529	793,529	792,098	792,098
Derivative financial instruments	101,655	274,604	274,604	274,604
Financial instruments under concession				
At fair value with changes in results	2,065,671	2,065,671	1,978,680	1,978,680
At amortized cost	203,241	203,241	269,726	269,726
Investments in associates and joint ventures	932,586	932,586	988,087	988,087
Loan portfolio	2,418,517	2,418,517	1,224,395	1,315,133
Accounts receivable	1,515,349	1,515,349	1,383,632	1,383,932
Total Assets	14,116,775	14,259,831	13,470,209	13,506,116
LIABILITIES				
Deposits and current liabilities	3,846,783	3,893,607	3,961,958	3,968,931
Money market operations	3,124,947	3,124,947	3,665,512	3,865,512
Financial obligations	3,804,510	3,565,923	2,692,763	2,664,256
Derivatives	120,788	120,766	250,069	250,069
Securities issued	2,356,272	2,356,272	1,979,924	1,979,924
Accounts payable	992,966	993,074	871,753	871,753
Total Liabilities	12,246,278	14,054,611	13,621,979	13,620,446

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 subordinates 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, 2016 and June 30, 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.

(7) Combination of business on entities under common control

On December 21, 2016, by means of the subscription of a shareholders agreement on Casa de Bolsa S.A., Corporación Financiera Colombiana S.A., acquired the control of said entity keeping its direct stock participation at 38.95% and without transfer of compensation for this economic event. This change in control obeys to the intention of strengthening the operational synergies between Casa de Bolsa and Corficolombiana, in addition to the commercial synergies between the commission agent and the subordinated financial entities of the Company.

Since the prior controller Banco de Bogota S.A., as well as the Company are controlled by Grupo Aval Acciones y Valores S.A., this business combination complies with the definition of business combinations on entities under common control pursuant to the IFRS 3 Business Combinations. In this sense, although this transaction is not under the scope of the IFRS 3 as the nature of the same, the acquisition method has been applied for its accounting in the financial statements of the Company.

Transferred consideration

Pursuant to the IAS 27 Individual Financial Statements, when the control of an entity is acquired without transferring consideration and only by means of an agreement, the consideration shall be measured at fair value as of the control acquisition date. In order to determine the fair value of Casa de Bolsa S.A. given that this entity is not listed and there are no recent transactions that are comparable, the Company decided to use the income approach of the IFRS 13 measurement at fair value for its determination.

The flows were projected for a horizon of 10 years, the current value of Cash Flow related to the expected dividends 2017-2016 discounted at cost of the WACC plus a perpetual flow after the period of explicit projection.

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:

Assets

Cash and cash equivalents	10,455
Debt instruments	32,441
Measured at fair value with changes in P&L	32,441
Equity instruments	4,308
Measured at fair value with changes in PLG	1,975
Measured at fair value with changes in OCI	2,333
Loans portfolio, net	22
Accounts receivable, net	4,413
Properties, plant and equipment	1,247
Current tax asset	8,795
Other assets, net	986

Total assets	62,667
Liabilities	
Lending positions in currency market operations	27,329
Accounts payable	2,487
Employee Benefits	824
Other provisions	1,069
Current tax liability	151
Total liabilities	31,860
Total net acquired assets	30,807

Due to the nature of the assets and liabilities of Casa de Bolsa S.A. there is no significant difference between its carrying value, taking into account that both its operational assets and liabilities have been measured at fair value. The Company did not find intangible assets related to brands or customer lists, among others, which are significant and that may be separated from the acquired commercial credit.

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 and the non-controlling interest. The fair value of the non-controlling interest on Casa de Bolsa S.A. was determined by means of the calculation of the non-controlling interests in the net acquired assets as this is not a company listed and, therefore, there is no market information available. The value of the capital gain obtained is submitted below:

Consolidated stock option	40.73%
Transferred consideration	13,884
Net assets fair value	30,807
Non-controlled share	18,258
Capital gain	1,335

Control acquisition effect

The Company before acquiring the control on Casa de Bolsa S.A. was measuring this investment under the equity interest method as it has a significant influence and as in the opening financial condition statement (ESFA) for this investment its fair value as of January 1, 2014 was taken as attributed cost, its prior carrying value at the control acquisition. The effect on the result of the period for the control acquisition pursuant to IFRS 10 Consolidated Financial Statements is submitted below:

Carrying value	26,302
Fair value	13,884
Loss for control acquisition	(12,418)

(8) Cash and cash equivalents

See accounting policy in note 2.6. The balances of cash and cash equivalents as of December 31, 2016 and June 30, 2016 comprise the following:

	December 31, 2016	June 30, 2016
In Colombian pesos		
Cash on hand	1,473	1,948
In the Central Bank of Colombia	154,923	103,121
Banks and other on demand financial entities	1,478,862	1,350,534
Subtotal in Colombian pesos	1,636,258	1,455,603
In foreign currency		
Banks and other on demand financial entities	105,324	150,982
Subtotal in foreign currency	108,324	160,982
Restricted cash (1)	66,313	46,713
TOTAL CASH AND CASH EQUIVALENTS	1,797,895	1,663,298

(1) The balance comprising the restricted cash items is detailed below:

Entity	December 31, 2016	Detail on cash restrictions
Banco Corficolombiana Panama S.A.	2,616	Margin calls
Banco Corficolombiana Panama S.A.	9	Security deposit
Banco Corficolombiana Panama S.A.	750	Deposit in National Bank of Panama
Banco Corficolombiana Panama S.A.	9	Deposit Asobancaria
Banco Corficolombiana Panama S.A.	23	Deposit in Severance Fund
Gas Comprimido del Peru S.A.	233	Securities deposited banks corresponding to the drawdowns made on third parties, this account only allows payments to SUNAT
Concesionaria Vial del Oriente S.A.S.	49,106	Toll collection (future compensation and Fosevi payment) (a)
Concesionaria Vial del Oriente S.A.S.	2,519	Audit and supervision of the project
Concesionaria Vial del Oriente S.A.S.	215	For minor works of the concession
Concesionaria Vial del Oriente S.A.S.	703	Account for the fund of mediator
Concesionaria Vial del Oriente S.A.S.	544	For contractual support of the project
Concesionaria Vial del Oriente S.A.S.	1	Corfidiario
Surtidora de Gas del caribe S.A. E.S.P.	27	Seizure Municipality of Zaragoza on ICA
Surtidora de Gas del caribe S.A. E.S.P.	1	Seizure Municipality of Turbaco on ICA
Orion Call Center S.A.S.	12	Cash on hand basis for collection process
Total cash restricted	66,313	

The amounts above are not subject to restrictions or limitations except for the previous comment.

The following is a detail of the credit rating of the cash and cash equivalents kept in bank entities except for the restricted cash:

	December 31, 2016	June 30, 2016
Credit rating		
Central Bank	154,923	103,121
Investment grade	1,583,119	1,509,329
Speculative	1,956	2,187
Unrated	111	-
Total	1,740,109	1,614,637

9. Active positions in money market operations

The following is the detail of the money market operations:

	December 31, 2016		June 30, 2016	
Operations agreed between 0 and 90 days				
In Colombian pesos				
Transfer Commitments on Investments in Simultaneous Operations	564,775	6.47%	381,490	7.30%
Subtotal Colombian pesos	564,775		381,490	
Operations agreed greater than 90 days				
Foreign currency				
Ordinary interbank funds sold	91,183	2.78%	58,512	2.78%
Subtotal Foreign Currency	91,183		58,512	
Total Monetary Operations	655,958		440,002	

The previous amounts are not subject to restrictions or limitations.

10. Investments measured at fair value

See accounting policy, note 2.7.1. The balance of investments in debt instruments and equity instruments at fair value as of December 31 and June 30, 2016 comprises the following:

Financial assets measured at fair value with changes in income

	December 31, 2016	June 30, 2016
DEBT INSTRUMENTS		
In Colombian pesos		
Issued or secured by the Colombian Government	544,388	803,771
Issued or secured by other entities of the Colombian Government	14,680	2,515
Issued by national issuers	331,614	139,720
Other securities	2,604	-
Total debt instruments in Colombian pesos	901,164	946,008
In foreign currency		
Issued or secured by Foreign Governments	330	38,291
Issued by foreign issuers	45,988	-
Total debt instruments in foreign currency	46,318	39,291

TOTAL DEBT INSTRUMENTS IN FOREIGN CURRENCY	939,504	985,297
EQUITY INSTRUMENTS		
In Colombian pesos		
Corporate shares	1,588	-
Funds and Collective Portfolios (1)	539,974	436,019
TOTAL EQUITY INSTRUMENTS	541,582	436,019
TOTAL INVESTMENTS AT FAIR VALUE WITH CHANGES IN INCOME	1,481,088	1,421,316

(1) The Company and Subordinates 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, 2016 these amounts increase to \$72,884 million pesos.

Investments measured at fair value with changes in Other Comprehensive Income

	December 31, 2016	June 30, 2016
In Colombian pesos		
Corporate shares	792,627	791,229
In foreign currency		
Corporate shares	902	869
TOTAL EQUITY INSTRUMENTS AT FAIR VALUE WITH CHANGES IN OTHER COMPREHENSIVE INCOME	793,629	792,098
TOTAL INVESTMENTS MEASURED AT FAIR VALUE	2,274,595	2,213,414

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 subordinates deem strategic or with commitment to stability.

	Participation	December 31, 2016	June 30, 2016
Acueducto y Alcantarillado de Barranquilla	0.66%	486	486
Aeropuerto de Barranquilla S.A.	9.76%	33	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%	417	403
Bolsa de Valores de Colombia	3.36%	15,604	11,305
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%	593	551
Camara de Compensacion de la Bolsa Nacional Agropecuaria	0.00%	0	0
Camara de Riesgo Central de Contraparte de Colombia S.A.	1.09%	405	383
Cci Marketplace S.A.	7.22%	138	176
Centro de Eventos Exposiciones del Caribe SAS	0.13%	100	100
Centro de Eventos Valle del Pacifico	0.99%	640	684
Centro de Ferias Exposiciones y Convenciones de Bucaramanga	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.	5.02%	11,510	9,881
Edubar S.A.	0.91%	25	25
Empresa de Energia de Bogota S.A. E.S.P.	3.56%	592,142	583,964
Etemit Colombiana S.A.	0.00%	0	0
Fiduciaria Bogota S.A.	0.00%	0	0
Fiduciaria de Occidente S.A.	4.44%	13,660	14,802
Fogansa S.A. IN LIQUIDATION	0.07%	90	90
Fondo Ganadero del Tolima S.A.	0.62%	22	23
Forestal Monterrey Colombia S.A.S.	16.71%	28,394	28,3894
Forestal Monterrey GWR S.A.S.	20.00%	13	13
Fundacion para El Desarrollo del Caribe	1.00%	0	14
Gas Natural S.A. E.S.P.	1.68%	74,624	74,624
Gestion y Contacto S.A.	1.02%	127	127
Granabastos S.A.	0.22%	6	6
Inducarbon	0.09%	0	0
Industria Colombo Andina Inca S.A.	0.67%	19	19
Inmobiliaria Selecta – Triple A Barranquilla	0.00%	25	25
Inversiones Argos	0.00%	6	6
Inversiones Sides S.A.S.	0.38%	61	61
Mineros S.A.	8.54%	42,913	54,535
Nutresa S.A.	0.00%	7	8
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%	540	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%	84	82
Sociedad Aeroportuaria de la Costa S.A.	11.55%	9,046	8,972
Sociedad Hotelera Cien Internacional S.A. (Hotel Bogota Royal)	0.39%	58	57
Soforestal S.A.	0.00%	176	175
Textiles el Espinal S.A.	8.56%	0	0
In Colombian pesos		792,627	791,229
Bladex S.A.	0.01%	183	170
Corporacion Andina de Fomento	0.00%	719	699
Petroleos Colombianos Limited	0.05%	0	0
In foreign currency		902	869
Total equity instruments measured at fair value and through OCI		793,528	792,098

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 and June 30, 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 (see note 4.13 and 5.5).

The following investments have impairment at closing:

Investment	December 31, 2016			June 30, 2016		
	Investment	Impairment	Fair	Investment	Impairment	Fair

	value	value	value	value	value
Inducarbon S.A.S.	0	0	0	0	0
Petroleos Colombianos Limited	149	(149)	0	145	(145)
Petroleos Nacionales S.A.	125	(125)	0	125	(125)
Promotora de Inversiones Ruitoque S.A. (Promision)	576	(135)	541	676	(135)
Promotora la Alborada S.A.	316	(316)	0	316	(316)
Promotora la Enseñanza S.A.	183	(70)	113	183	(70)
Reforestadora de Santa Rosalia	12	(12)	0	12	(12)
Textiles el Espinal S.A.	2,399	(2,399)	0	2,399	(2,399)
Total impaired investments	3,880	(3,208)	654	3,858	(3,202)

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, 2016	June 30, 2016
Investment grade	1,623,310	1,727,430
No rating or unavailable rating	651,365	468,936
Speculative	-	28,048
Total	2,274,695	2,213,414

The detail of the dividends received by the investments in companies is as follows:

As of December 31, 2016

Investment	Total dividend value	Amount in cash	Amount in shares
Sociedad Aeroportuaria de la Costa	693	693	-
Banco Av Villas	15	15	-
Bladex S.A. Class E	5	5	-
	713	713	-

As of June 30, 2016

Investment	Total dividend value	Amount in cash	Amount in shares
Banco AV Villas	15	15	-
Bladex S.A. Class E	5	5	-
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.	1,444	1,444	-
	19,204	19,020	184

Currently there are no restrictions related to the debt or equity instruments except for numeral (1).

11. Investments measured at amortized cost

See accounting policy note 2.7.1. As of December 31 and June 30, 2016, the balance of the investments measured at amortized cost comprises the following:

	<u>December 31, 2016</u>	<u>June 30, 2016</u>
DEBT INSTRUMENTS		
In Colombian pesos		
Issued or secured by the Colombian Government	1,792,724	2,640,984
Issued or secured by other entities of the Colombian Government	94,346	168,886
Issued by national issuers	47,228	196,143
TOTAL DEBT INSTRUMENTS IN COLOMBIAN PESOS	<u>1,934,298</u>	<u>3,006,013</u>
In foreign currency		
Issued or secured by Foreign Governments	83,713	28,158
Issued by foreign issuers	39,954	28,158
Other securities	86,339	28,158
TOTAL DEBT INSTRUMENTS IN FOREIGN CURRENCY	<u>210,008</u>	<u>28,158</u>
TOTAL INVESTMENTS MEASURED AT AMORTIZED COST	<u>2,144,304</u>	<u>3,034,171</u>

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:

	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Credit quality		
Issued and secured by the Nation and/or Banco de la Republica	-	2,809,870
Investment grade	2,144,304	196,143
Speculative	-	28,158
Total	<u>2,144,304</u>	<u>3,034,171</u>

As of December 31 and June 30, 2016, the Company and its subordinates had no indications of impairment in debt instruments. Currently there are no restrictions related to Financial Assets in Investments.

12. Derivative Financial Instruments

See accounting policy 2.7.1

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 subordinates are parties.

Derivative financial instruments include the following:

Item	<u>December 31, 2016</u>		<u>June 30, 2016</u>	
	Notional amount	Fair value	Notional amount	Fair value
ASSETS				
Speculative derivatives financial instruments				
Forwards for purchase of foreign currency	895,473	4,249	442,431	6,970
Forwards for sale of foreign currency	3,555,650	78,023	3,856,126	143,965
Forwards for purchase of securities	-	-	78,000	1,843
SUBTOTAL	<u>4,451,123</u>	<u>82,272</u>	<u>4,376,667</u>	<u>1,62,578</u>
Interest rate swaps	253,548	1,099	431,548	3,347
Cross currency swaps	2,000,097	7,175	2,167,569	88,696

SUBTOTAL	2,263,646	8,274	2,598,117	91,942
Futures for purchase of foreign currency	4,502	-	-	-
SUBTOTAL	4,502	-	-	-
Currency call options	197,568	2,305	304,414	8,239
SUBTOTAL	197,568	2,305	304,414	8,239
Total speculative derivatives financial instruments	6,906,838	92,865	7,280,088	252,789
Hedging derivatives financial instruments				
Forwards for sale of foreign currency	677,104	8,800	628,331	21,845
Total hedging derivatives financial instruments	677,104	8,800	628,331	21,845
TOTAL ASSETS	7,583,942	101,666	7,908,419	274,604
LIABILITIES				
Forwards for purchase of foreign currency	2,491,360	(55,858)	2,647,174	(70,576)
Forwards for sale of foreign currency	1,195,063	(46,245)	673,662	(42,811)
Forwards for purchase of securities	120,000	19	-	-
Forwards for sale of securities	1,015,000	(1,511)	397,277	(11,439)
SUBTOTAL	4,821,423	(103,596)	3,718,113	(124,826)
Interest rate swaps	116,721	(487)	697,900	(7,188)
Cross currency swaps	2,260,705	(10,827)	2,481,156	(109,278)
SUBTOTAL	2,377,426	(11,314)	3,179,056	(116,468)
Futures for sale of foreign currency	4,502	-	-	-
SUBTOTAL	4,602	-	-	-
Currency put options	105,823	(4,038)	168,241	(8,713)
SUBTOTAL	106,823	(4,038)	168,241	(8,713)
Total speculative derivatives financial instruments	7,309,174	(118,947)	7,055,410	(250,005)
Hedging derivatives financial instruments				
Forwards for purchase of foreign currency	26,953	(510)	-	-
Forwards for sale of foreign currency	355,055	(1,331)	73,439	(64)
Total hedging derivative financial instruments	382,008	(1,841)	73,439	(64)
TOTAL LIABILITIES	7,691,182	(120,788)	7,138,849	(250,069)
NET POSITION	15,276,124	(19,133)	15,047,268	24,636

The following is a summary of the credit quality of the Active Derivative Financial Instruments:

Credit quality	December 31, 2016	June 30, 2016
Investment grade	69,677	202,348
Without rating or unavailable rating	31,978	72,256
Total	101,655	274,604

The following is a summary of the credit quality of the Passive Derivative Financial Instruments

Credit quality	December 31, 2016	June 30, 2016
Investment grade	(72,844)	(129,145)
Without rating or unavailable rating	(47,944)	(120,924)
Total	(120,788)	(250,089)

The derivative financial instruments contracted by the Company and subordinates 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, 2016 the Company and subordinates have obligations to deliver financial assets in debt securities or foreign currency with a fair value of \$120,788 million (\$250,069 million as of June 30, 2016) and receive financial assets or foreign currency with a fair value of \$101,655 million (\$274,604 million as of June 30, 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, 2016		June 30, 2016	
	Assets	Liabilities	Assets	Liabilities
Type of instrument:				
Currency Forwards	8,800	(1,841)	21,845	(64)

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, 2106	6,959	-	-
June 30, 2016	21,781	-	-

During the second half of 2016, net earnings amounted to \$15,395, while the net earnings in the first half of 2016 amounted to \$21,340 in relation to the effective portion of cash flows recognized in other comprehensive income.

During 2016 there were no inefficiencies in relation to hedging.

13. Investments in Associates and Joint Ventures

See accounting policy in notes 2.3.2 and 2.3.3. The detail of investments in associates and joint ventures is shown below:

	December 31, 2016	June 30, 2016
Associates	651,349	842,533
Joint ventures	281,237	345,554
Total investments	932,586	988,087

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, 2016		As of June 30, 2016	
	Participation %	Investment	Participation %	Investment
Aerocali S.A.	50%	24,971	50%	29,274

Casa de Bolsa S.A. Sociedad Comisionistas de Bolsa (1)	0%	-	41%	25,600
Colombiana de Extrusion S.A. Extrucol	30%	11,354	30%	9,490
Concesionaria Tibitoc S.A.	33%	20,209	33%	20,104
Ventas y Servicios S.A.	20%	7,721	20%	7,469
Metrex S.A.	18%	2,239	18%	1,905
C.I. Acopalma S.A.	11%	4,367	11%	4,249
Gases del Caribe S.A. E.S.P.	31%	218,431	31%	221,268
Antillean Gas	20%	-	20%	966
Calidda S.A.	40%	354,822	40%	315,842
Concentra Inteligencia en energia S.A.S.	24%	557	24%	478
Energia Eficiente S.A.	39%	6,678	39%	5,886
		<u>651,349</u>		<u>842,633</u>

(1) On December 31, 2016 the Company acquired control of Casa Bolsa (See note 7)

The following are the participation percentages and investment amounts in each of the joint ventures:

Investment in Associates	As of December 31, 2016		As of June 30, 2016	
	Participation %	Investment	Participation %	Investment
Concesionaria Ruta del Sol S.A.S. (See note 43)	33%	252,474	33%	315,521
Concesionaria Vial del Pacifico S.A.S.	50%	1,479	50%	1,998
Concesionaria Nueva Via al Mar S.A.S.	60%	11,166	60%	10,502
CFC SK Capital S.A.S.	50%	258	50%	158
CFC SK El Dorado Latam Management Company Ltda.	50%	2,993	50%	2,227
CFC SK El Dorado Latam Fund LP.	50%	12,395	50%	14,645
CFC SK El Dorado Latam Capital Partners Ltda.	50%	472	50%	503
		<u>281,237</u>		<u>345,664</u>

The movement of investments in associates and joint ventures is shown below:

	Associates	Joint Ventures	TOTAL
Balance as of December 31, 2016	651,040	273,360	924,400
Capitalizations (Decapitalizations)	(4,746)	17,634	12,888
Participation in the period income	86,512	56,128	142,640
Participation in other comprehensive income	(27,479)	(1,336)	(28,815)
Impairment of Investments	(3,059)	-	(3,059)
Reclassifications and transfers	-	(249)	(249)
Purchases of the period	-	17	17
Dividends received	(59,735)	-	(59,735)
Balance as of June 30, 2016	642,533	345,554	988,087
Capitalizations (Decapitalizations)	-	(369)	(369)
Participation on the period income	60,624	(1,306)	59,318
Participation in other comprehensive income	12,088	405	12,493
Investment impairment	(968)	(63,047)	(64,015)
Purchases of the period	15	-	15
Write-off for control acquisition (See Note 7)	(26,302)	-	(26,302)
Dividends received	(36,641)	-	(36,641)
Balance as of December 31, 2016	651,349	281,237	932,586

Currently there are no restrictions related to the investments on associates or in the joint ventures.

14. Loan Portfolio

See accounting policy note 2.7.1.

The classification of the consolidated loan portfolio per type of risk is submitted below:

	December 31, 2016	June 30, 2016
SUITABLE GUARANTEE		
Commercial		
"A" Normal Risk	388,460	325,886
"B" Acceptable Risk	15,106	11,243
"C" Appreciable Risk	5,873	5,938
"D" Significant Risk	5,414	2,286
"E" Uncollectibility Risk	287	125
COMMERCIAL SUBTOTAL	415,140	345,456
SUITABLE GUARANTEE		
Leasing		
"A" Normal Risk	1,586,700	377,537
"B" Acceptable Risk	22,468	22,409
"C" Appreciable Risk	11,124	8,853
"D" Significant Risk	9,917	18,436
"E" Uncollectibility Risk	1,992	568
LEASING SUBTOTAL	1,632,201	427,603
OTHER GUARANTEES		
Consumption		
"A" Normal Risk	268,844	244,715
"B" Acceptable Risk	24,156	26,045
"C" Appreciable Risk	5,664	4,838
"D" Significant Risk	4,236	4,856
"E" Uncollectibility Risk	822	3,047
CONSUMPTION SUBTOTAL	303,722	283,501
SUITABLE GUARANTEE		
NO GUARANTEES		
Commercial		
"A" Normal Risk	46,170	144,232
"B" Acceptable Risk	3,035	9,796
"C" Appreciable Risk	7,388	5,745
"D" Significant Risk	7,890	5,811
"E" Uncollectibility Risk	2,971	2,251
COMMERCIAL SUBTOTAL	67,454	167,835
TOTAL PORTFOLIO FOR RATING	2,418,617	1,224,385

(1) The leasing portfolio as of December 31, 2016 includes the balance of 3 leasing agreements of Promigas and Subsidiaries corresponding to:

(a) Leasing for \$1,145,728 corresponding to the agreement executed by Sociedad Portuaria el Cayao on October 29, 2014 with Zona Franca Celsia S.A. E.S.P. Termobarranquilla S.A. E.S.P. and Termocalendaria S.C.A E.S.P. in order to provide them design, construction, operation and maintenance services on the Terminal, for the receipt of imports of Liquefied Natural Gas – LNG, its storage, regasification and placement on the Entry Point to the National Transportation System –SNT; provide the port infrastructure of storage, regasification and connection to the Entry Point to the SNT that is necessary and be in charge and answer for the construction and management of the Terminal under the terms established in the agreements subscribed with them.

a) International Leasing Agreement ILA executed between Sociedad Portuaria El Cayao and HÖEGH LNG HOLDINGS for the exploitation and services as to a LNG storage and regasification floating unit (FSRU). The agreement will have a term of 10 years.

b) Leasing agreement for \$59,736 million executed between Promisol S.A. and Canacol, whose term is 5 years counted as of December 1, 2016 and are located in the station Jobo., The assets related to said agreement will be transferred at the end of the leasing.

The following is a breakdown of provisions for credit risk impairment established as of December 31 and June 30, 2016, taking into account how they were determined, individually for loans greater than \$2,000 million 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, 2016				
Impairment:				
Loans individually evaluated	12,390	-	13,174	25,564
Loans collectively evaluated	14,208	4,175	14,892	33,275
Total impairment	26,698	4,175	28,086	58,839
Gross balance of the financial assets for loan portfolio:				
Loans individually evaluated	18,942	4,419	28,814	52,175
Loans collectively evaluated	463,652	299,303	1,603,387	2,366,342
Total financial assets for loan portfolio	482,694	303,722	1,632,201	2,418,517
As of June 30, 2016				
Impairment:				
Loans individually evaluated	10,191	-	16,892	27,083
Loans collectively evaluated	12,242	2,679	12,812	27,733
Total impairment	22,433	2,679	29,704	54,816
Gross balance of the financial assets for loan portfolio:				
Loans individually evaluated	12,534	-	27,356	39,890
Loans collectively evaluated	500,757	283,501	400,247	1,184,505
Total financial assets for loan portfolio	513,291	283,501	427,603	1,224,395

The allocation of loan portfolio of the Company for maturity period as of December 31, 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 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	46,825	180,156	109,460	176,850	513,291
Consumption	146,579	74,110	60,926	1,886	283,501
Portfolio	193,404	254,266	170,386	178,736	796,792

Commercial leasing	29,864	123,675	167,934	105,635	427,108
Consumption leasing	51	272	172	-	495
Financial leasing	29,915	123,947	168,106	105,635	427,603
Total portfolio	223,319	378,213	338,492	284,371	1,224,395

The allocation of the loan portfolio per currency is submitted below:

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 June 30, 2016			
	Legal currency	Foreign currency	Total
Commercial	476,119	37,172	513,291
Consumption	283,501	-	283,501
Portfolio	759,620	37,172	796,792
Commercial leasing	427,109	-	427,109
Consumption leasing	494	-	494
Financial leasing	427,603	-	427,603
Total portfolio	1,187,223	37,172	1,224,395

As of December 31, 2016 the financial assets of the loan portfolio are pledged as collateral for an amount of \$92,454 (June 30, 2016 \$94,807) 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, 2016	June 30, 2016
Total gross rents to be received in the future	3,076,704	560,423
Residual estimated value of assets delivered in lease (unsecured)	20,033	23,846
Gross investment in leasing agreements	3,098,737	584,269
Net investment in leasing agreements	1,660,267	457,308
Provision for impairment of net investment in leasing agreements	28,066	29,705
Leasing agreements net of impairment	1,632,201	427,603

The detail of the gross investment and net investment in leasing agreements to be received as of December 31, and June 30, 2016 in each of the following periods:

As of December 31, 2016		As of June 30, 2016	
Net investment	Gross investment	Net investment	Gross investment

Up to 1 year	77,317	284,139	24,918	31,631
Between 1 and 5 years	834,806	1,426,006	288,344	368,41
More than 5 years	920,078	1,386,592	144,048	184,028
Total	1,632,201	3,096,737	457,308	684,269

15 Accounts Receivable

See accounting policy, note 2.7.1. Below are the movements of other accounts receivable as of December 31 and June 30, 2016:

	December 31, 2016	June 30, 2016
Trade accounts receivable	1,310,287	1,196,305
Less: Impairment of the trade accounts receivable	106,976	90,797
Trade accounts receivable, net	1,203,311	1,106,608
Other accounts receivable	198,715	241,213
Payment for customer account (*)	81,365	-
Deposits	31,958	37,111
Total accounts receivable	1,616,348	1,383,832

(*) This item recognizes all the financial obligations in favor of the Company with Electricaribe, for execution of guarantees and financial associated costs supported with counter-guarantee agreements subscribed.

The detail of the accounts receivable as of December 31 and June 30, 2016 is as follows:

	December 31, 2016	June 30, 2016
Interest	26,481	23,315
Dividends	1,564	31,702
Commissions	9,933	16,719
Leases	374	1,596
Customers	1,013,020	944,597
Deposits	31,958	37,111
Taxes	22,255	8,497
Advance payments	252	267
Agreement withholdings	5,540	3,568
Payment for customer account (*)	81,365	-
Other accounts receivable	198,715	215,350
Related accounts receivable	230,868	191,907
Total trade accounts	1,622,325	1,474,629
Impairment of other accounts receivable	(106,976)	(90,797)
Total other accounts receivable	1,515,349	1,383,832

The most significant item corresponds to accounts receivable related to the sale of goods and the provision of services related to Promigas and Subordinates, mainly consisting of accounts receivable for gas transport, distribution and marketing services provided amounting to \$199,996 million pesos. As of December 31, 2016 the accounts receivable for distribution and commercialization of energy in Gases de Occidente S.A. E.S.P. had an increase due to the granting of subsidies by the Ministry of Mines. At closing it has a balance of \$368,850.

In addition, as of December, 2016 the account receivable for power distribution and marketing in Compañía Energetica del Occidente S.A. E.S.P. showed an increase in the listed price of power on the wholesale power market and refinancing for payment agreements, consequently these increases have resulted in an increased rate to end users which has a balance as of the reporting date of \$144,538 million pesos, and other receivables related to the sale of materials,

goods and services, labor, installed meters, lease receivables, conversion kit, commissions, fees, connection rights, consultancy, project planning, review and installation of inspections labor and other related services in an amount of \$114,288 million pesos.

The following is the movement of impairment of receivables:

Balance as of December 31, 2015	87,389
Impairment	17,505
Portfolio write-offs	(14,440)
Reimbursements	(1,989)
Transfers	2,489
Adjustment in changes	(157)
Balance as of June 30, 2016	90,797
Impairment	24,162
Portfolio write-offs	(7,058)
Reimbursements	(2,422)
Balance acquired in business combinations	2,145
Adjustment in changes	(648)
Balance as of December 31, 2016	106,978

Currently there are no restrictions related to other accounts receivable

16. Rights on Concession Agreements

See accounting policy in note 2.16. The balance of the assets recognized on concession agreements as of December 31 and June 30, 2016 includes the following:

	December 31, 2016	June 30, 2016
Rights on concession agreements		
Promigas S.A. and its controlled entities	2,118,200	1,792,200
Concesionaria Vial de los Andes S.A.	291,236	315,528
Proyectos de Infraestructura S.A.	245,101	239,025
Episol S.A.S. and its controlled entities	150,777	68,345
Total rights on concession agreements	2,805,314	2,415,088
Financial assets under concession		
Promigas S.A. and its controlled entities	2,072,675	1,978,680
Concesionaria Vial de los Andes S.A.	-	168,447
Episol S.A.S. and its controlled entities	203,241	101,279
Total financial concession assets	2,276,916	2,248,406

The detail of the movement of rights on concession agreements is as follows:

	Promigas S.A. and its controlled entities	Concesionaria Vial de los Andes S.A.	Proyectos de Infraestructura S.A.	Episol S.A.S. and its controlled entities	Total
Cost					
As of December 31, 2015	1,884,565	554,037	262,407	72,390	2,773,399
Additions	206,889	46,839	297	-	254,025
Reclassifications – change in estimates	(102,633)	-	3	1	(102,629)
As of June 30, 2016	1,988,821	600,876	262,707	72,391	2,924,795
Additions	216,574	49,782	10,853	83,208	360,415
Reclassification	171,220	-	-	-	171,220
Sales or removals	(6,666)	(17)	-	-	(6,703)
As of December 31, 2016	2,369,929	650,641	273,660	155,587	3,449,727

Cumulative amortization					
As of December 31, 2015	(149,743)	(210,657)	(18,971)	(3,237)	(382,608)
Amortization in the period	(47,168)	(74,691)	(4,708)	(809)	(127,376)
Reclassification	290	-	(3)	-	287
As of June 30, 2016	(196,621)	(285,348)	(23,682)	(4,046)	(509,697)
Amortization in the period	(53,682)	(74,057)	(4,777)	(774)	(133,290)
Reclassification	(2,392)	-	-	-	(2,392)
Sales or removals	966	-	-	-	965
As of December 31, 2016	(251,729)	(359,405)	(28,459)	(4,820)	(644,413)
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 June 30, 2016	1,792,200	315,528	239,026	86,345	2,415,098
Net balance as of December 31, 2016	2,118,200	291,236	245,101	150,777	2,805,314

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 its controlled entities	Concesionaria Vial de los Andes S.A.	Episol S.A.S. and its controlled entities	Total
At fair value through profit or loss				
As of December 31, 2015	1,891,692	-	-	1,891,692
Fair value adjustments	86,988	-	-	86,988
As of June 30, 2016	1,978,680	-	-	1,978,680
Fair value adjustments	93,995	-	-	93,995
As of December 31, 2016	2,072,676	-	-	2,072,675
At amortized cost				
Net balance as of December 31, 2015	-	-	42,864	42,864
Payments received	-	(136)	-	(136)
Adjustments for interest	-	38,290	3,590	41,880
Additions	-	134,001	54,825	188,826
Reclassification – changes in estimates	-	(3,708)	-	(3,708)
Net balance as of June 30, 2016	-	168,447	101,279	269,726
Payments received	-	(302,465)	(21,230)	(323,695)
Adjustments for interest	-	29,947	8,118	38,065
Additions	-	104,139	115,074	219,213
Reclassification – changes in estimates	-	(68)	-	(68)
Balance as of December 31, 2016	-	-	203,241	203,241
Total Financial Assets				
Balance as of December 31, 2015	1,891,692	-	42,864	1,934,556
Balance as of June 30, 2016	1,978,680	168,447	101,279	2,248,406
Balance as of December 31, 2016	2,072,875	-	203,241	2,275,916

The movement of the revenues obtained and the costs incurred during the construction phase of concession agreements:

	Promigas S.A. and its controlled entities	Concesionaria Vial de los Andes S.A.	Proyectos de Infraestructura S.A.	Episol S.A.S. and its controlled entities	Total
Accumulated revenues capitalized as intangible assets or financial assets recorded in the income statement					
Balance as of December 31, 2015	48,833	315,942	13,874	34,717	413,366
Accruals in the period of revenues from concession agreements	267,790	289,773	142,257	59,331	759,151
Accrual of financial returns	86,988	38,290	-	3,466	128,744
Balance as of June 30, 2016	354,778	328,063	142,257	62,797	887,895
Accruals in the period of revenues from concession agreements	315,228	260,308	171,637	134,379	881,552
Accrual of financial returns	93,995	29,947	-	8,118	132,060
Balance as of December 31, 2016	409,223	290,255	171,637	142,497	1,013,612
Accumulated costs incurred in the concession recorded in the income statement					
Balance as of December 31, 2015	48,833	307,183	13,874	34,098	403,988
Construction costs incurred in the period	262,640	180,841	26,841	33,322	503,644
Financial costs incurred in the period	611	21,075	-	5,587	27,273
Balance as of June 30, 2016	263,251	201,916	26,841	38,909	530,917
Construction costs incurred in the period	315,228	153,920	50,625	167,900	687,673
Financial costs incurred in the period	1,787	16,719	-	8,903	27,409
Balance as of December 31, 2016	317,015	170,639	50,625	176,803	715,082

As of December 31 and June 30, 2016 financial costs were capitalized in the amount of \$27,409 and \$25,356 million pesos with weighted average rates of 22% and 27%, respectively (see accounting policy in note 2.18).

A summary of the concession agreements of the Company and its subordinates is shown below:

Promigas S.A. and its subordinates

Promigas and its transport companies with its infrastructure under concession or without concession, currently carry 50% of the natural gas consumed in the country by customers in thermal, industrial, commercial and residential sectors. The country's transport infrastructure is comprised of approximately 7,000 km of gas pipelines, of which 2,896 km correspond to Promigas together with the transport companies in its portfolio, of which Promigas holds 2,371 km under concession.

Contractually with concessions, Promigas is engaged in the international construction and operation, in complying with all the international standards and that is why its natural gas infrastructure constructions are carried out by means of engineering developments that meet the operating conditions required, meeting the designs and specifications established, to ensure the quality expected by customers. Its designs and constructions are focused on high levels of integrity, so that operations and maintenance are safe and reliable.

All phases that Promigas and its subordinates involve to provide gas transportation and distribution services over the years, from the construction and improvement to infrastructure, its maintenance and operation, is remunerated through the rates established by the Government through the Energy and Gas Regulatory Commission - CREG.

The concession agreements entered into between Promigas 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.

Port Concession Agreement No. 001/2015 Sociedad Portuaria El Cayao S.A. E.S.P.

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.

The investment plan that shall be executed by the Company during the first 3 years of concession, amounts to USD\$38,170,000, which is in accordance with the schedule and with the investment plan accepted by the National infrastructure Agency.

The reference value of the port concession contract is equal to the net present value of the considerations corresponding to the sum of USD\$3,931,493 payable monthly. Payment must be made in Colombian pesos.

Proyectos de Infraestructura S.A. PISA S.A.

Pisa holds a concession agreement in the department of Valle del Cauca, by means of Resolution No. 0832 of December 30, 1993 Proyectos de Infraestructura S.A. was awarded 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 Bogota (Fontibon) - 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.

Coviandes S.A. has recognized a financial asset, initially measured at fair value, for construction services, which represents the present value of the minimum annual guaranteed payments receivable from the grantor, on which it has a contractual right, discounted at a rate of 9.18% per annum. Similarly, it has recognized an intangible asset representing the difference between the fair value of construction services and the fair value of the financial asset. 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

Bogota to Puente Real and the maintenance and operation of the road from Puente Real Villavicencio.

Estudios y Proyectos del Sol S.A.S. and Subordinates

Concesionaria Panamericana S.A.S.

In the development of its corporate purpose, concession agreement OJ 121-97 was entered into on December 16, 1997 between the Government of Cundinamarca and Concesionaria Panamericana S.A.S.

The purpose of the agreement is as follows: "The Concessionaire undertakes to carry out under the concession system, as established in article 32 paragraph 4 of Law 80/1993 and Law 105/1994, what has been offered in the bid under Public Award SV-01-97 in accordance with the respective specifications and with this Agreement, 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, 2014, 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.

Its corporate purpose contemplates the execution, performance, development, termination, liquidation and reversal of the partnership agreement under the PPP scheme, awarded during public tender No. vj-ve-ip-lp-015-2013 opened by the National Infrastructure Agency-ANI, the purpose of which is the financing, preparation of studies and designs, construction, restoration, improvement, operation and maintenance, land management, social management and environmental management and reversal of the Villavicencio - Yopal road corridor.

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.

As of December 31 and June 30, 2016, the Company and its subordinates 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.

17. Properties, plant and equipment

See accounting policy in note 2.9. The following is the net balance in books as of December 31 and June 30, 2016:

	December 31, 2016	Restated June 30, 2016
Cost	2,740,432	2,957,672
Cumulative depreciation	(238,994)	(200,906)
Impairment	(2,083)	(695)
Total	2,499,355	2,758,071

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. These assets are submitted in note 19.

The following is the movement of the accounts of property, plant and equipment except for biological assets related to production plants (note 19), including the cumulative depreciation as of December 31 and June 30, 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	188,778	20,478	2,638,434
(+)Capitalized purchases or expenses (net)	9,584	2,290	222,605	1,739	3,242	7,724	55,078	4,841	9,959	2,863	319,925
(-)Withdrawals / Sales (net)	-	(2,484)	(66,024)	(652)	(1,425)	(1,851)	(10,867)	(1,166)	-	-	(84,469)
(+/-)Reclassifications and Transfers	(10,085)	(55,983)	169,901	2,624	1,446	21,096	(32,021)	394	-	-	97,372
(+/-)Translation adjustments	(1,100)	(1,621)	(8,648)	(85)	(57)	(87)	(1,947)	-	-	(45)	(13,590)
Restated balance as of June 30, 2016	351,756	571,803	490,243	18,848	35,893	68,313	402,508	796,847	198,165	23,296	2,957,672
(+)Capitalized purchases or expenses (net)	9,377	6,302	254,385	1,941	8,376	-	82,244	2,097	925	11,471	377,118
(-)Withdrawals / Sales (net)	(2,304)	(23,965)	(5,083)	(347)	(667)	(430)	(1,910)	(3,523)	-	(125)	(39,074)
(+/-)Reclassifications and Transfers	6,356	9,238	(188,516)	64	1,822	-	(3,294)	30,472	-	(3,349)	(147,207)
(+/-) Transfers to leasing agreements (1)	-	-	(289,452)	-	-	-	(30,385)	-	-	-	(419,207)
(+) Combination of business	-	-	-	271	1,870	81	-	-	-	-	2,222
(+/-)Translation adjustments	455	(18,408)	8,523	18	(101)	3	18,911	-	-	136	9,539
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
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	-	(5,608)	-	(1,242)	(3,461)	(6,910)	(12,600)	(7,104)	-	(152)	(37,077)
(+) Depreciation of capitalized year	-	-	-	-	-	-	-	-	(1,306)	-	(1,306)

(+/-) Reclassifications and Transfers	-	267	-	(1,085)	(1,251)	(13,844)	(17,728)	29,050	-	(4,591)	
(-)Withdrawals / Sales	-	56	-	561	1,322	1,469	3,156	(6)	-	6,558	
(+/-)Translation adjustments	-	228	-	(4)	85	64	175	-	-	548	
Restated balance as of June 30, 2016	-	(25,380)	-	(6,035)	(18,036)	(35,585)	(80,207)	(29,963)	(1,335)	(4,364)	(200,908)
(+)Depreciation with charge to expenses	-	(4,868)	-	(1,053)	(2,482)	(176)	(4,922)	(33)	(187)	(13,721)	
(+) Depreciation with charge to costs	-	(571)	-	(426)	(985)	-	(9,941)	(6,929)	(23)	(18,875)	
(+) Depreciation of capitalized year	-	(595)	-	(16)	(44)	-	(4,468)	(105)	(1,330)	(17)	(6,575)
(-)Withdrawals / Sales	-	1,421	-	177	502	176	1,101	374	16	3,767	
(+/-) Reclassifications and Transfers	-	(147)	-	(149)	(1,163)	-	(88)	-	(275)	(1,822)	
(+)Combination of business	-	-	-	(267)	(627)	(81)	272	-	-	(703)	
(+/-)Translation adjustments	-	(102)	-	(12)	(7)	(2)	(36)	-	-	(159)	
Balance as of December 31, 2016	-	(30,242)	-	(7,781)	(22,842)	(35,569)	(98,289)	(36,656)	(2,665)	(4,850)	(238,994)
Cumulative deterioration											
Restated balance as of December 31, 2015	-	-	-	-	-	(239)	-	-	-	(456)	(695)
Restated balance as of June 30, 2016	-	-	-	-	-	(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)
Net balance:											

Restated balance as of December 31, 2015	363,357	609,278	172,409	10,957	17,956	24,827	339,056	740,875	188,177	16,810	2,472,701
Restated balance as of June 30, 2016	351,756	546,423	480,243	12,813	17,857	32,488	322,301	766,684	196,830	18,476	2,756,071
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

As of December 31 and June 30, 2016 financial costs were capitalized for a value of \$21,115 and \$36,380 million pesos with weighted average rates of 8% and 8% E.A. respectively. (See accounting policy 2.18)-

(1) The transfer of assets to leasing agreements as of December 31, 2016 includes the balance of 3 financial agreements of Promigas and Subsidiaries that correspond to:

a) Leasing for \$1,145,728 corresponding to the agreement executed by Sociedad Portuaria El Cayao dated October 29, 2014 with Zona Franca Celsia S.A. E.S.P. Termobarranquilla S.A. E.S.P. and Termocalendaria S.C.A. E.S.P. in order to provide design, construction, operation and maintenance services on the Terminal for the receipt of imports of Liquefied Natural Gas – LNG, its storage, regasification and placement on the Entry Point to the National Transportation System – SNT, provide the port infrastructure for storage, regasification and connection to the necessary Entry Point to the SNT and be in charge and answer for the construction and management of the Terminal under the terms established in the agreements subscribed between them.

b) Pursuant to the international leasing ILA entered into between Sociedad Portuaria El Cayao and HÖEGH LNG HOLDINGS for the exploitation and services with regard to a floating unit of storage and regasification of LNG (FSRU). The agreement shall have a validity of 10 years.

c) Financial lease agreement for \$59,736 million entered into between Promisol S.A. and Canacol which term is 5 years from December 1, 2016 and are located in the Jobo station. At the end of the lease the assets related to said agreement shall be transferred.

18. Investment Properties

See accounting policy in note 2.10. The balance of investment properties as of December 31, 2016 and June 30, 2016 is as follows:

	<u>As of December 31, 2016</u>	<u>As of June 30, 2016</u>
Investment properties	148,160	142,429

The following are the movements of investment properties as of December 31, 2016 and June 30, 2016:

	<u>Land</u>	<u>Buildings</u>	<u>Others</u>	<u>Total</u>
Balance as of December 31, 2016	83,873	42,957	5,492	132,322
Purchases or expenses capitalized, net	3,473	3,898	-	7,371
Withdrawals/Sales (net)	(29)	(3,046)	(5,492)	(8,567)
Changes in fair value	11,178	437	-	11,615
Transfers to non-current assets held for sale	-	(312)	-	(312)
Balance as of June 30, 2016	98,495	43,934	-	142,429
Purchases or expenses capitalized (net)	5,433	330	-	5,763
Changes in fair value	5,064	345	-	5,409
Transfers to non-current assets held for sale	(5,277)	(164)	-	(5,441)
Balance as of December 31, 2016	103,716	44,445	-	146,180

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 (see Note 4.10).

The above amounts are not subject to any limitations or restrictions.

19. Biological Assets

See accounting policy in note 2.14. The following is a breakdown of biological assets as of December 31 and June 30, 2016:

	<u>As of December 31, 2016</u>	<u>Restated, as of June 30, 2016</u>
Measured under the cost model		
Short cycle crops	2,898	6,330
Fish farming	3,376	3,125
Total	6,274	9,455
Measured at fair value less sales costs		
Biological products	37,421	35,617
Livestock	4,308	3,722
Total	41,729	39,339

Total biological assets	48,003	46,794
Productive plants (see note 17)	196,425	196,830
Total biological assets with productive plants	244,428	245,624

The following is a breakdown of the movements in the amount of biological assets including productive plants pursuant to their measurement:

	Productive plants	Biological products	Short cycle crops	Livestock	Fish Farming	Total
Measured under the cost model:						
Balance as of January 1, 2016, restated	188,206	-	6,283	-	3,011	197,500
Purchases or expenses capitalized, net	9,959	-	6,540	-	919	16,416
Withdrawals/Sales (net)	-	-	(5,493)	-	(805)	(6,298)
Balance as of June 30, 2016, restated	198,166	-	6,330	-	3,125	207,620
Purchases or expenses capitalized, net	925	-	6,950	-	908	10,783
Withdrawals/Sales (net)	-	-	(12,362)	-	(657)	(13,039)
Balance as of December 31, 2016	199,090	-	2,898	-	3,376	205,364
Accrued depreciation:						
Balance as of January 1, 2016 restated	(29)					(29)
Year depreciation charged to costs	(1,306)	-	-	-	-	(1,306)
Balance as of June 30, 2016 restated	(1,335)	-	-	-	-	(1,335)
Year depreciation charged to costs	(1,330)	-	-	-	-	(1,330)
Balance as of December 31, 2016	(2,665)	-	-	-	-	(2,665)
Net balance:						
Balance as of January 1, 2016 restated	188,177	-	6,283	-	3,011	197,471
Balance as of June 30, 2016 restated	196,830	-	6,330	-	3,125	206,285
Balance as of December 31, 2016	196,426	-	2,898	-	3,375	202,699
Measured at fair value less sales costs						
Balance as of January 1, 2016 restated	-	24,167	-	466	-	24,633
Purchases or expenses capitalized, net	-	-	-	2,837	-	2,837
Withdrawals/Sales (net)	-	-	-	(796)	-	(796)
Changes in fair value	-	11,450	-	1,215	-	12,665
Balance as of June 30, 2016 restated	-	35,617	-	3,722	-	39,339
Purchases or expenses capitalized, net	-	-	-	947	-	947
Withdrawals/Sales (net)	-	-	-	(637)	-	(637)
Changes in fair value	-	1,604	-	176	-	1,980
Balance as of December 31, 2016	-	37,421	-	4,308	-	41,729
Total biological assets						
Balance as of June 30, 2016 restated	196,830	35,617	6,330	3,722	3,126	245,624
Balance as of December 31, 2016	196,425	37,421	2,898	4,308	3,376	244,428

As of December 31, 2016 no capitalizations of financial costs were made charged to the biological assets and on June 30, 2016, the financial costs were capitalized at a value of \$15 million pesos with weighted average rates of 8% E.A., respectively. (See accounting policy 2.18)

The detailed balances of the long cycle crops according to their stage are:

	<u>As of December 31, 2016</u>	<u>Restated, as of June 30, 2016</u>
Long cycle crops		
African palm tree		
Productive plants	58,687	60,123
Biological products	22,815	21,597
Rubber plantations		
Productive plants	137,738	136,707
Biological products	14,606	14,020
TOTAL	233,846	232,447

The methodologies and assumptions used to calculate fair value are shown in note 4.11 and the price risk in note 5.6.

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 and June 30, 2016:

	<u>As of December 31, 2016</u>	<u>As of June 30, 2016</u>
Areas sowed in hectares		
In production process (a)	5,164	5,164
In growing process (b)	93	93
Total	5,257	6,257

(a) The following is the breakdown of hectares expected per years of production as of December 31 and June 30, 2016:

<u>As of December 31, 2016</u>	<u>As of June 30, 2016</u>
--------------------------------	----------------------------

Areas sowed in hectares		
Less than 1 year	0	0
Between 1 and 5 years	279	279
Between 5 and 10 years	2,530	2,530
More than 10 years	2,355	2,355
Total	5,164	5,164

(b) The following is the breakdown of the time expected of entry into production as of December 31 and June 30, 2016:

	As of December 31, 2016	As of June 30, 2016
Areas sowed in hectares		
Less than 1 year	93	93
Between 1 and 5 years	-	-
Between 5 and 10 years	-	-
More than 10 years	-	-
Total	93	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 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 and June 30, 2016:

	As of December 31, 2016	As of June 30, 2016
Areas sowed in hectares		
In production process (a)	1,504	1,504
In growing process (b)	5,902	5,902
Total	7,406	7,406

(a) The following is the breakdown of hectares expected per years of production as of December 31 and June 30, 2016:

	As of December 31, 2016	As of June 30, 2016
Areas sowed in hectares		
Less than 1 year	650	650
Between 1 and 5 years	410	410

Between 5 and 10 years	-	-
More than 10 years	444	444
Total	1,504	1,504

(b) The following is the breakdown of the time expected of entry into production as of December 31 and June 30, 2016:

	As of December 31, 2016	As of June 30, 2016
Areas sowed in hectares		
Less than 1 year	3,025	3,025
Between 1 and 5 years	72	72
Between 5 and 10 years	2,805	2,805
More than 10 years	0	0
Total	5,902	5,902

During the periods ended on December 31 and June 30, 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, 2016	As of June 30, 2016
Sales revenues	25,424	13,606
Changes in fair value of the biological assets	1,979	12,512
Subtotal (revenue)	27,403	36,120
Costs and expenses	(17,671)	(9,396)
General expenses of administration and sales	(2,260)	(2,119)
Financial expenses	(1,606)	(479)
Subtotal (Expenses)	(21,737)	(11,994)
Total net revenue	5,666	24,126

The above amounts regarding Biological Assets are not subject to any limitations or restrictions.

20. Inventories

See accounting policy in note 2.8. The following tables show the balances as of December 31 and June 30, 2016.

	Cost	Inventories at fair value less sales cost (VNR)	Impairment	Impairment net cost
As of December 31, 2016	189,490	191,025	(9,545)	179,945
As of June 2016	201,177	202,060	(7,455)	193,722

The following is the movement per type of inventories:

	Cost	Inventories at fair value less sales cost (VNR)	Impairment	Impairment net cost
Balance as of December 31, 2016	162,006	163,851	(6,437)	153,569
Raw materials	25,109	25,109	(168)	24,942
Goods produced	13,002	13,023	(9)	12,992
Products in process	10,839	10,952	(131)	10,706
Performing agreements	57,230	57,230	(28)	57,202
Finished goods	-	-	-	-
Goods manufactured by the company	31,769	32,518	(135)	31,633
Livestock	-	-	-	-
Materials, spare parts and accessories	46,455	48,455	(6,984)	41,472
Inventories in transit	14,767	14,767	-	14,767
Inventories held by third parties	6	6	-	6
Balance as of December 31, 2016	201,177	202,060	(7,465)	193,722
Raw materials	20,663	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	1,601	-	1,801
Finished goods	-	-	-	-
Goods manufactured by the company	77,409	78,409	(1,166)	76,243
Livestock	-	-	-	-
Materials, spare parts and accessories	54,772	47,460	(7,312)	47,450
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

As of December 31, 2016 the Company and its subsidiaries held an inventory of \$179,945 million including an amount of \$53,520 million from Pizano and its subsidiaries; \$82,744 million from Promigas and its subsidiaries; \$10,793 million from Episol and its subsidiaries; \$9,819 million from Organizaciones Pajonales and its subsidiaries and the remaining balance from other entities in the group. As of June 30, 2016, the affiliates have a balance of \$193,722 million including an amount of \$56,015 million from Pizano and its subsidiaries; \$42,305 million from Promigas and its subsidiaries; \$65,224 million from Episol and its subsidiaries.

The consolidated balances as of December 31 and June 30, 2016 of the inventories and impairment adjustment per sector to reach a Consolidated are shown below.

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	11,530	64,701	6,983	87,794	8,837	179,945

As of June 30, 2016

	Infrastructure	Agroindustry	Hospitality	Energy and Gas	Others	Consolidated
Inventory	65,225	68,487	4,972	54,267	8,226	201,177
Impairment	-	(858)	-	(6,593)	(4)	(7,455)
Net inventory	65,225	67,629	4,972	47,674	8,222	193,722

There are no balances regarding inventories in the financial sector.

The above amounts are not subject to any limitations or restrictions.

21. Goodwill

See accounting policy in note 2.15. The goodwill recognized by the subordinates of the Corporation as of December 31 and June 30, 2016 is as follows:

	December 31, 2016	June 30, 2016
Promigas S.A. and Subsidiaries	128,819	128,819
<i>Gas Natural de Lima y Callao S.A.C.</i>	20,913	20,913
<i>Compañía Energetica de Occidente S.A.S. E.S.P.</i>	448	448
<i>Gases de Occidente S.A. E.S.P.</i>	65,577	65,577
<i>Promioriente S.A. E.S.P.</i>	2,845	2,845
<i>Promisol S.A.S.</i>	92	92
<i>Surtidora de Gas del Caribe S.A. E.S.P.</i>	35,415	35,415
<i>Transportadora de Metano S.A. E.S.P.</i>	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
<i>Enercolsa S.A.S.</i>	2,043	2,043
Hoteles Estelar – Hoteles Cartagena de Indias	6,661	6,661
Episol – Panamericana	119,916	119,916
Corficolombiana – Promigas	40,868	40,868
Corficolombiana – Casa de Bolsa S.A.	1,335	-
Total	297,699	296,264

- 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. extract to the Notes to the Consolidated Financial Statements Episol S.A.S. on December 31, 2011: “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.”.
- The acquisition in December 2008 of Compañía Hotelera de Cartagena de Indias S.A by Hoteles Estelar S.A. by absorption of losses.
- 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.

- As of December 21, 2016, the Corporation acquired the control on Casa de Bolsa generating goodwill for \$1,335 million. (See note 7).

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 and June 30, 2016 it was not necessary to record any provision for impairment of goodwill. (See note 4.8).

The above amounts of intangibles are not subject to any limitations or restrictions.

22. Income taxes

See accounting policy in note 2.22. and estimates to determine the recoverability of deferred tax assets in note 4.6.

Provision for income and CREE tax

The income tax expense for the six-month periods ended on December 31 and June 30, 2016 includes:

a. Breakdown of the income tax expense (income) in the Income Statement

	<u>December 31, 2016</u>	<u>Restated June 30, 2016</u>
Current income tax	137,094	102,769
CREE income tax	52,902	51,132
CREE income surtax	34,640	32,102
Subtotal current tax	224,636	186,003
Adjustment of previous periods	(4,733)	(3,721)
Adjustment by uncertain tax positions in previous periods	-	(122)
Surplus provisions of the period	(93)	454
Deferred tax		
Net deferred tax for the period	(18,531)	12,010
Deferred tax assets considered as irrecoverable of previous periods	1,465	-
Deferred tax subtotal	(17,066)	12,010
Total	202,744	194,624

The balances related to the current tax assets and liabilities are shown below:

<u>December 31, 2016</u>	<u>June 30, 2016</u>
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Current tax asset	72,278	167,422
Current tax liability	(140,691)	(87,809)
Net total	(68,415)	79,613

b. Reconciliation 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 2015 and 2016 set forth, among others, the following:

- i. Up to December 31, 2016, taxable income of the companies is taxed at a rate of 25% by way of income tax.
- ii. Additionally, the companies must liquidate the corporate income tax for equity referred to as "CREE" at the rate of 9%, with a surcharge of 5% for year 2015 and 6% for year 2016; a surcharge of 8% was also provided for year 2017 and 9% for year 2018- This Tax and the surcharge were derogated as of January 1, 2017 by Law 1819/2016.
- iii. As of January 1, 2017, by means of Law 1819/2016, the income rate is established for year 2017 of 34% together with a surcharge of 6%, for year 2018, a rate of 34% together with a surcharge of 4% and for year 2019 and following a rate of 33%.
- iv. The windfall profit tax is taxed at the rate of 10%.
- v. The basis for determining the income tax and the CREE income tax for equity of a company cannot be less than 3% of its tax assets on the last day of the immediately preceding fiscal year. As of January 1, 2017, the applicable rate will be of 3.5%.
- vi. The fiscal losses originated from the taxable year 2007 fiscally readjusted may be offset without percentage limitation at any time, with the future ordinary liquid income, both to determine the income tax and the CREE.
- vii. 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.
- viii. The fiscal losses occurred until the taxable year 2016 continue to be deductible under the same terms described in the tax rules applicable until said year, but they cannot be fiscally readjusted. The fiscal losses generated as of taxable year 2017 may be compensated with the ordinary liquid income obtained by the companies in the twelve (12) next taxable years and the returns in which they are originated will be in force under the same term they have to offset them; if the fiscal loss is offset in any of the last two years, the term of validity will be extended as of said offset for three more years as of said offset, that is, the return might be open to inspection for 15 years and lastly the tax returns and their corrections where losses are offset are in force in six (6) years counted as of the date of their presentation.

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 28% in 2016.

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 six-month periods ended on December 31 and June 30, 2016, respectively:

	December 31, 2016	Restated June 30, 2016
Earnings before income tax and CREE	437,581	646,821
Total tax rate in force in Colombia	40%	40%
Theoretical tax expense calculated according to tax rates in force	175,024	259,771
Non-deductible expenses	62,108	26,374
Difference in presumptive income surplus that did not generate deferred taxes	14,247	15,071
Difference in tax losses on which no deferred tax was calculated	42,239	98,665
Wealth tax	220	1,436
Dividends received not constituting income	(1,365)	(6,922)
Revenues through equity method not constituting income	(23,727)	(57,056)
Profit (loss) in sale of valuation of investments not constituting income	5,694	6,230
Interest and other nontaxable revenues	(2,543)	(74,316)
Exempt revenues	(6,178)	(3,304)
Intangibles not subject to deferred tax	-	(150)
Other income with different tax rates	(148)	214
Deductions with different rates for the CREE tax	531	550
Tax benefit for acquisition of productive assets	(17,974)	(38,616)
Profit from domestic subsidiaries	-	141
Profit (loss) of subsidiaries in tax-free countries	(599)	(531)
Profit (loss) of subsidiaries in countries with different tax rates	(1,374)	1,355
Effect of deferred taxes due to application of different tax rates	(45,271)	(20,594)
Deferred tax assets considered not recoverable from previous periods	1,465	-
Adjustment of previous periods	(4,733)	(3,721)
Adjustment for uncertain tax positions	-	(122)
Excess provision for the period	(92)	454
Temporary deductible differences on which no deferred tax was calculated	(4)	(401)
Other items	5,224	(8,861)
Total tax expense for the period	202,744	194,624

c. Tax losses and excess presumptive income:

The following is a breakdown as of December 31 and June 30, 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 subordinates have not registered deferred tax assets due to the uncertainty inherent to their recovery.

	December 31, 2016	June 30, 2016
Tax losses to expire on:		
Without expiration date (1)	492,590	376,908
Tax losses subtotal	492,590	376,908
Excess presumptive income to expire on:		
December 31, 2016	393	2
December 31, 2017	3,423	3,732
December 31, 2018	44,296	42,257
December 31, 2019	65,214	83,381
December 31, 2020	54,167	53,069
December 31, 2021 (1)	68,158	49,600
Excess presumptive income subtotal	236,651	232,041
Total tax credits	728,241	608,949

(1) The balance reported as of June 30, 2016 includes tax losses of \$269,616 and excess presumptive income of \$49,600 corresponding to the basis of estimated calculation of current taxes, which were only consolidated at the end of the fiscal year on December 31, 2016.

In addition to the above, the Group had deductible temporary differences as of December 31 and June 30, 2016 for \$269,616 and \$232,800, 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 and June 30, 2016, the Corporation has taxable temporary differences on investments in subsidiaries and associates amounting to \$6,055 and \$17,431 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 and June 30, 2016 based on the tax rates currently in force for the years in which those temporary differences will reverse.

As of December 31, 2016

Restated	Translation	Effect on	Effect on Other	December
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	June 30, 2016	adjustment	income	Comprehensive Income	31, 2016
Deferred tax assets					
Valuation of debt instruments	1,007	-	(23)	-	984
Valuation of equity instruments	-	-	38	-	38
Valuation of derivatives	457	-	(176)	-	281
Accounts receivable	240	-	(13)	-	227
Differences between accounting and tax bases of loan portfolio	4,775	-	773	-	5,548
Impairment for loan portfolio	4,016	-	2,203	-	6,219
Impairment for accounts receivable	2,272	-	862	-	3,134
Intangible assets in concession agreements	20,839	-	1,864	-	22,703
Differences between accounting and tax bases of goods received in lieu of payment	6,050	-	4,945	-	1,105
Differences between accounting and tax bases of the cost of property, plant and equipment	37,938	25	243,788	-	281,751
Differences between accounting and tax bases for the accrual of the depreciation of property, plant and equipment	1,502	-	1,263	-	2,765
Biological assets	141	-	(40)	-	101
Differences between accounting and tax bases on other intangible assets	59,811	(405)	10,685	-	70,091
Tax losses	34,687	188	(7,477)	-	27,398
Excess presumptive income	4,279	-	15,202	-	19,481
Non-deductible liability provisions	92,283	-	(8,549)	-	83,734
Employee benefits	2,925	(13)	(117)	383	3,178
Deferred revenues	65,973	-	47,407	-	113,380
Financial leasing agreements	7,464	-	(218)	-	7,246
Others	21,882	445	33,601	-	55,938
Total deferred tax asset	368,541	250	336,128	383	705,302
Deferred tax liabilities					
Valuation of equity instruments	(16,546)	(211)	(892)	(228)	(17,877)
Valuation of derivatives	(11,968)	3,242	2,073	3,042	(3,611)
Accounts payable	(2,723)	-	(257,898)	-	(260,621)
Differences between accounting and tax bases of loan portfolio	(1,257)	-	(16,966)	-	(18,223)
Impairment for loan portfolio	(2,477)	-	(495)	(913)	(3,885)
Impairment for accounts receivable	-	-	(5,593)	-	(5,593)
Differences between accounting and tax bases of the cost of property, plant and equipment	(101,599)	53	25,615	-	(75,925)
Differences between accounting and tax bases for the accrual of the depreciation of property, plant and equipment	(44,201)	(73)	(19,922)	-	(64,196)
Differences between accounting and tax bases of deferred charges of intangible assets	(19,512)	-	5,499	-	(14,013)
Profits not transferred from investments in subsidiaries	(1,502)	-	(710)	-	(2,212)
Non-deductible liability provisions	(1,958)	-	1,487	-	(471)

Employee benefits	(693)	-	195	-	(498)
Goodwill	(3,883)	-	(728)	-	(4,611)
Deferred revenues	(30,778)	-	(5,173)	-	(35,951)
Others	(7,235)	-	(466)	-	(7,701)
Financial assets in concession agreements	(543,161)	-	(9,197)	-	(552,358)
Intangible assets in concession agreements	(126,390)	-	(39,748)	-	(166,138)
Biological assets	(9,620)	-	3,250	-	(6,370)
Financial leasing agreements	(1,994)	-	607	-	(1,387)
Total deferred tax liabilities	(927,491)	3,011	(319,062)	1,901	(1,241,641)
Net total	(558,950)	3,261	17,066	2,284	(536,339)

As of June 30, 2016

	Restated December 31, 2015	Translation adjustment	Effect on income	Effect on Other Comprehensive Income	Restated June 30, 2016
Deferred tax assets					
Valuation of debt instruments	-	-	1,007	-	1,007
Valuation of equity instruments	285	-	(285)	-	-
Valuation of derivatives	6,014	-	(5,557)	-	457
Accounts receivable	-	-	240	-	240
Differences between accounting and tax bases of loan portfolio	4,082	-	693	-	4,775
Impairment for loan portfolio	18,119	-	(14,102)	-	4,017
Impairment for accounts receivable	167	-	2,105	-	2,272
Intangible assets in concession agreements	11,929	-	(8,910)	-	20,839
Differences between accounting and tax bases of goods received in lieu of payment	-	-	6,050	-	6,050
Differences between accounting and tax bases of the cost of property, plant and equipment	40,233	-	(2,295)	-	37,938
Differences between accounting and tax bases for the accrual of the depreciation of property, plant and equipment	1,124	-	378	-	1,502
Biological assets	369	-	(228)	-	141
Differences between accounting and tax bases on other intangible assets	54,306	-	5,503	-	59,809
Tax losses	36,010	(863)	(460)	-	34,687
Excess presumptive income	2,898	-	1,381	-	4,279
Non-deductible liability provisions	23,461	(23)	68,845	-	92,283
Employee benefits	3,839	(12)	(757)	(145)	2,925
Goodwill	6,947	-	(6,947)	-	-
Deferred revenues	35,856	-	30,116	-	65,972
Financial leasing agreements	8,414	-	(950)	-	7,464
Others	92,951	-	(71,067)	-	21,884
Total deferred tax asset	347,004	(898)	(22,580)	(145)	368,541
Deferred tax liabilities					
Valuation of debt instruments	(874)	-	874	-	-

Valuation of equity instruments	(14,681)	-	(2,211)	345	(16,547)
Valuation of derivatives	(847)	(7,307)	2,130	(5,944)	(11,968)
Accounts payable	-	-	(2,723)	-	(2,723)
Differences between accounting and tax bases of loan portfolio	(6,540)	-	5,283	-	(1,257)
Impairment for loan portfolio	(1,494)	-	(717)	(266)	(2,477)
Impairment for accounts receivable	-	-	(1)	-	(1)
Differences between accounting and tax bases of the cost of property, plant and equipment	(88,326)	110	(13,377)	-	(101,593)
Differences between accounting and tax bases for the accrual of the depreciation of property, plant and equipment	(56,128)	-	11,927	-	(44,201)
Differences between accounting and tax bases of deferred charges of intangible assets	(15,963)	-	(3,549)	-	(19,512)
Profits not transferred from investments in subsidiaries	(2,333)	-	831	-	(1,502)
Non-deductible liability provisions	(503)	-	(1,455)	-	(1,958)
Employee benefits	(746)	-	52	-	(694)
Goodwill	(9,899)	-	6,015	-	(3,884)
Fiduciary rights	(19)	-	19	-	-
Deferred revenues	(26,933)	-	(3,845)	-	(30,778)
Others	(15,750)	75	8,042	(405)	(7,228)
Financial assets in concession agreements	(498,380)	-	(44,782)	-	(543,162)
Intangible assets in concession agreements	(129,286)	-	2,896	-	(126,390)
Biological assets	(11,402)	-	1,782	-	(9,620)
Financial leasing agreements	(215)	-	(1,781)	-	(1,996)
Total deferred tax liabilities	(880,319)	(7,122)	(34,590)	(5,460)	(927,491)
Net total	(533,314)	(8,020)	(12,010)	(5,605)	(558,950)

f. Deferred taxes off-set

The balances of deferred tax assets and liabilities recorded in the statement of financial position as of December 31 and June 30, 2016, after offsets as provided in paragraphs 73 and 74 of IAS 12, is as follows:

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)	-	(636,339)

As of June 30, 2016 restated	Deferred Tax Calculated	Offset Adjustment	Deferred Tax Balance
Deferred tax asset	368,541	(276,256)	92,285
Deferred tax liability	(927,491)	276,256	(651,235)
Net Deferred Tax	(558,950)	-	(668,950)

g. The analysis of use of deferred tax assets and liabilities as of December 31 and June 30, 2016 is as follows:

	December 31, 2016	Restated June 30, 2016
Deferred tax assets to be recovered after more than 12 months	557,065	262,271
Deferred tax assets to be recovered within 12 months	148,237	106,270
Deferred tax assets:	75,302	368,541
Deferred tax liabilities to be recovered after more than 12 months	(1,186,779)	(805,894)
Deferred tax liabilities to be recovered within 12 months	(74,862)	(129,319)
Deferred tax liabilities:	(1,241,641)	(927,491)
Net deferred tax (liabilities)	(636,339)	(668,950)

h. 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, 2016			June 30, 2016		
	Amount before taxes	Tax expense (income)	Net	Amount before taxes	Tax expense (income)	Net
Items that can be reclassified later into income						
Net variation of the cash flow hedges	(7,093)	3,043	(4,050)	15,853	(5,944)	9,909
Subtotal	(7,093)	3,043	(4,050)	15,853	(5,944)	9,909
Adjustments for translation	2,500	-	2,500	513	-	513
Net (loss) profit in valuation of financial assets measured at fair value through other comprehensive income	5,022	(228)	4,794	30,385	750	31,135
Net actuarial profit (loss) of defined benefit plans	(1,006)	383	(623)	1,481	(145)	1,335
Adjustment of portfolio model impairment of Finance Superintendencia -NCIF	1,972	(914)	1,058	(210)	(266)	(475)
Subtotal	8,488	(759)	7,729	32,169	339	32,508
Total other comprehensive income during the period	1,395	2,284	2,284	48,022	(5,605)	42,417

i. Uncertainty in open tax positions

	Leasing Corficolombiana S.A.	Hoteles Estelar S.A. and subordinates	TOTAL
Balance as of December 31, 2016	103	19	122
Increase in the provisions for the year	-	-	-

	Leasing Corficolombiana S.A.	Hoteles Estelar S.A. and subordinates	TOTAL
Amounts reversed due to unused provisions	(103)	(19)	(122)
Balance as of June 30, 2016	-	-	-
Increase in the provisions for the year	-	-	-
Amounts reversed due to unused provisions	-	-	-
Balance as of December 31, 2016	-	-	-

23. Other assets

See accounting policy in notes 2.17 and 2.19. The other assets that due to their insignificant value do not fall into this category and therefore fall into this classification are listed below:

	December 31, 2016	June 30, 2016
Other assets		
Prepaid expenses	173,373	159,928
Art and cultural assets	990	982
Minor intangibles (1)	74,286	84,914
Other minor assets (2)	15	396
Total	248,664	246,220

(1) Mainly corresponds to the renewal of the insurance policies of concessions, credit quota availability commissions and advances to suppliers related to construction contracts.

(2) Mainly correspond to expenses related to intangibles connected with software and programs related to the automation of the toll collection.

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	3,645	2,311	185	6,245
Reclassification – changes in estimates	(917)	3,314	5,149	(71)	(256)	7,219
Sales or withdrawals	-	(5,033)	(153)	(84)	(505)	(5,775)
As of June 30, 2016	11,465	5,392	84,497	4,801	9,107	115,262
Additions	-	-	4,130	1,704	2,065	7,899
Business Combination	-	-	808	331	-	1,139
Reclassification – changes in estimates	(11,797)	-	2,460	(1,814)	32	(11,119)
Sales or withdrawals	332	-	(178)	427	(114)	(387)
As of December 31, 2016	-	5,392	91,717	4,595	11,090	112,794
Accumulated amortization						
As of December 31, 2015	(2,187)	(1,238)	(13,397)	(467)	(1,710)	(18,999)

Amortization for the period	(242)	(1,056)	(5,306)	(1,521)	(236)	(8,361)
Reclassification – changes in estimates	2,190	(2,058)	(3,766)	(128)	66	(3,696)
Sales or withdrawals	-	-	119	84	505	708
As of June 30, 2016	(239)	(4,352)	(22,350)	(2,032)	(1,375)	(30,348)
Amortization for the period	-	(1,040)	(5,914)	(1,066)	(276)	(8,296)
Business Combination	-	-	(385)	(226)	-	(611)
Reclassification – changes in estimates	259	-	(755)	535	(22)	17
Sales or withdrawals	(20)	-	342	408	-	730
As of December 31, 2016	-	(5,392)	(29,062)	(2,381)	(1,673)	(38,508)
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 June 30, 2016	11,226	1,040	62,147	2,769	7,732	84,914
Net balance as of December 31, 2016	-	-	62,655	2,214	9,417	74,286

The above amounts are not subject to any limitations or restrictions.

24. Non-current assets held for sale

See accounting policy in note 2.13. The following is a breakdown of non-current assets held for sale:

	December 31, 2016	June 30, 2016
Real estate	8,422	8,370
Vehicles	5,885	5,965
Equipment and machinery	32,644	23,167
Total	46,951	37,502

The following are the balances of the non-current assets held for sale of the Corporation and its subordinates:

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	48,951	-	0%	46,951

As of June 30, 2016

	Book Value	Impairment	Impairment %	Recoverable Amount
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Real estate	8,370	-	0%	8,370
Vehicles	5,965	-	0%	5,965
Others	23,167	-	0%	23,167
Total	37,502	-	0%	37,502

The movements in non-current assets held for sale in the period are as follows:

	Real Estate	Vehicles	Others	Total
Balance as of December 31, 2015	25,261	5,825	27,333	58,419
Additions	-	757	17,141	17,898
Assets sold (1)	(15,522)	(617)	(21,164)	(37,303)
Penalties	-	-	-	-
Reclassifications	(1,369)	-	(136)	(1,505)
Translation adjustments	-	-	(7)	(7)
Balance as of June 30, 2016	8,370	5,965	23,167	37,502
Additions	718	373	13,623	14,714
Assets sold	(6,081)	(430)	(4,199)	(10,710)
Reclassifications	5,415	(23)	53	5,445
Balance as of December 31, 2016	8,422	6,885	32,644	46,951

(1) 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 subordinates are undertaking efforts for the realization of these assets within the time limits set by the Finance Superintendence of Colombia.

The above amounts are not subject to any limitations or restrictions.

25. 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 in the development of its deposit-taking operations:

	December 31, 2016	June 30, 2016
By nature		
Savings accounts	319,345	474,656
Other deposits on demand	16,584	17,928
Total on demand	330,129	492,584
Total term deposit certificates	3,616,664	3,469,374
Total	3,846,793	3,961,958

The following are the balances of customer deposits by currency:

	December 31, 2016	June 30, 2016
By currency		

In Colombian pesos	3,702,268	3,837,281
In US dollars	144,527	124,677
Total	3,846,793	3,961,958

The following is a breakdown of the effective interest rates applied on customer deposits.

As of December 31, 2016

	In Domestic Currency		In Foreign Currency	
	Minimum Rate	Maximum Rate	Minimum Rate	Maximum Rate
Savings accounts	1.00%	6.35%	0.05%	0.05%
Term deposit certificates	4.50%	12.64%	0.05%	2.50%

As of June 30, 2016

	In Domestic Currency		In Foreign Currency	
	Minimum Rate	Maximum Rate	Minimum Rate	Maximum Rate
Savings accounts	0.33%	2.80%	0.05%	4.00%
Term deposit certificates	2.48%	9.39%	0.05%	4.00%

The following is the detail of the concentration of customer deposits by economic sector:

	December 31, 2016	June 30, 2016
Sector		
Colombian government or governmental entities	328,165	335,471
Manufacturing	248	260
Real Estate	5	5
Commerce	169,568	143,055
Agriculture and livestock farming	1,132	11
Individuals	313,481	308,343
Others	3,034,194	3,174,813
Total	3,846,793	3,961,958

The expense originated from the interest accrued by deposits and current liabilities as of December 31 and June 30, 2016 amounts to \$172,643 and \$162,081, respectively.

26. Liabilities in money market operations

The following is the summary of market operations by currency held by the Corporation as of December 31 and June 30, 2016, with the main purpose of financing its operations:

December 31, 2016	June 30, 2016
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Domestic currency		
Ordinary interbank funds acquired	379,794	224,535
Repo operations	370,147	610,000
Simultaneous operations	1,762,051	2,649,614
Commitments arising from short positions	487,409	244,011
Total convened operations in domestic currency	2,999,401	3,728,160
Foreign currency		
Repo operations	125,546	137,352
Total operations in Foreign Currency	125,546	137,352
Total convened operations	3,124,947	3,865,512

The following is a breakdown of the effective interest rates applied to short-term financial obligations:

	December 31, 2016		June 30, 2016	
	Minimum Rate	Maximum Rate	Minimum Rate	Maximum Rate
Domestic currency				
Interbank funds	7.50%	7.55%	4.45%	4.68%
Foreign currency				
Interbank funds	3.17%	4.48%	5.56%	5.83%

The expense generated by the interests accrued for the passive positions in market operations as of December 31 and June 30, 2016 amounts to \$621,660 and \$617,773 respectively.

27. Financial obligations

See accounting policy in note 2.7.2. The following is the summary of the financial obligations of the Corporation as of December 31 and June 30, 2016, with the main purpose of financing its operations:

	December 31, 2016	June 30, 2016
Financial obligations with promotion entities	82,387	85,011
Financial obligations with financial entities	3,722,123	2,607,752
Total	3,804,510	2,692,763

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 and June 30, 2016:

	December 31, 2016	June 30, 2016
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BANCOLDEX	71,350	74,208
FINAGRO	10,526	9,864
FINDETER	511	939
Total	82,387	85,011

The following is the detail of the expiration of financial obligations with promotion entities as of December 31 and June 30, 2016:

	December 31, 2016	June 30, 2016
2016	-	1,288
2017	2,784	4,969
2018	9,084	13,173
2019	15,198	20,325
After 2019	55,321	45,256
Total	82,387	85,011

Financial obligations with financial entities

	December 31, 2016	June 30, 2016
Domestic Financial Entities	1,684,450	1,921,125
Foreign banks (1)	909,465	417,915
Bank checking account discoveries	1,350	924
Financial Leasing (2)	1,126,858	267,788
Total	3,722,123	2,607,752

(1) It includes new credits obtained specially by Sociedad Portuaria El Cayao S.A. E.S.P., for an amount of \$266,439 million Pesos intended to cover commitments undertaken due to the entry into operation of its ordinary activities.

(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 million pesos.

Long-term financial obligations due to financial leasing operations

The Corporation and its subordinates 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, 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
Balance as of June 30, 2016				
Minimum lease payments to be made in future years	51,527	126,536	91,608	269,671
Minus future financial costs	(420)	(1,134)	(329)	(1,883)

Present value of minimum lease payments	51,107	125,402	91,279	267,788
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28. Accounts payable

See accounting policy in note 2.7.2. Accounts payable include the following:

	December 31, 2016	June 30, 2016
Commissions and fees	3,990	3,505
Suppliers and services	267,011	287,040
Taxes	45,884	49,312
Dividends	116,094	74,442
Leases	2,010	1,674
Labor withholdings and contributions	37,561	21,078
Acquisition of capital goods	347,608	296,164
Hotel operations	98,731	86,771
Other accounts payable	74,079	51,767
TOTAL ACCOUNTS PAYABLE	992,968	871,753

The most significant item of accounts payable corresponds to suppliers and other costs and expenses payable of Promigas S.A. and its subordinates in an amount of \$570,887 and \$480,406 as of December 31 and June 30, 2016, respectively.

29. 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 and June 30, 2016:

	December 31, 2016	June 30, 2016
Short-term benefits	50,978	42,750
Postemployment benefits	22,143	21,267
Long-term benefits	5,920	5,812
Total	79,041	69,829

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 4.15.

Long-term employee benefits

The Corporation and its subordinates 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 and June 30, 2016:

	Pension Plans		Other Benefits	
	December 31, 2016	June 30, 2016	December 31, 2016	June 30, 2016
Balance at the beginning of the period	21,267	21,169	5,812	5,795
Costs incurred in the period	13	13	296	296
Interest cost	984	816	218	218
Cost subtotal	997	829	514	514
(Profit)/loss for changes in demographic assumptions	1,307	334	-	-
(Profit)/loss for changes in financial assumptions	(216)	-	-	-
Profit - loss subtotal	1,091	334	-	-
Payments to employees	(1,212)	(1,065)	(406)	(497)
Balance at the end of the period	22,143	21,267	5,920	5,812

30. 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 and June 30, 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	3,559	6,375	3,276	13,210
Increase in existing provisions	4,815	5,072	104	9,991
Provisions used	(565)	(12,549)	(4,553)	(17,667)
Reverted unused provisions	(745)	-	(354)	(1,099)
Increase due to adjustments from by the passing of time	3	1,225	-	1,228
Increase (decrease) by changes in discount rate	-	6,688	-	6,688
Reclassifications in the period	1,527	31,889	(1,132)	32,284
Balance as of June 30, 2016	81,359	212,462	8,813	302,634
New provisions	4,646	12,553	24,631	41,830
Increase (decrease) in existing provisions	2,869	6,747	(190)	9,426

Acquisitions made through business combinations	-	-	1,069	1,069
Provisions used	(2,052)	(27,930)	(24,394)	(54,376)
Reverted unused provisions	(3,167)	(1,119)	(16)	(4,302)
Increase due to adjustments arising from the passing of time	3	83	-	86
Increase (decrease) by changes in discount rate	-	2,334	-	2,334
Reclassifications in the period	-	(461)	-	(461)
Balance as of December 31, 2016	83,668	204,669	9,913	298,240

Below is a summary of the most significant provisions recognized in relation to legal processes:

Fiduciaria Corficolombiana S.A.

Tax Responsibility Process No. 203 with the Special Investigations Unit against Corruption – Cross-sector Comptroller’s Office No. 2 of the Comptroller General of the Republic, against Franklin German Chaparro Carrillo, Carlos Alirio Gomez Villaraga, Agustin Gutierrez Garavito, Alfonso Maria Liborio Alvarado, Hector Manuel Caamaño Chacon, Miguel Gonzalez Roncancio, William Eduardo Borrero Torreyes, Omayra Caballero Reina, Hector Gabriel Garcia Ortiz, Jose Enrique Ruiz Lopez, William Guevara Cagueño, Maria Elena Melo Fajardo, Jose Joaquin Diaz Herrera, Agustin Hortua Rodriguez, Jasmine Lucero Machado Rivera, Maria Elisa Martinez Vergara, Guillermo Jose Gonzalez Jimenez, Cooperativa Nacional de Caficultores de Calarca, Fiduciaria Corficolombiana, Visemsa S.A. and Comercializacion Internacional Exportadora de Cafe CI Eco cafe S.A., in which the affected entity was the Municipality of Villavicencio.

The process ended with a tax responsibility decision in which the liable parties were severally sentenced to pay the amount of \$13,621 million pesos. Fiduciaria Corficolombiana provisioned \$2,724 million pesos corresponding to its share in the sentence, in accordance with Administrative Order No. 2014065094-000-000 dated July 18, 2014 issued by the Finance Superintendence of Colombia.

Fiduciaria Corficolombiana filed Appeal for Annulment and Reinstatement of Rights against the tax liability decision in question, which is currently being heard by the First Section of Sub-Section B of the Administrative Tribunal of Cundinamarca and is currently pending.

Transportadora de Gas del Oriente S.A. E.S.P.

The process with the Cosacol-Confurca consortium to solve any differences arising during the agreement for the construction of the Gibraltar-Bucaramanga gas pipeline is currently before the Council of State, since an appeal for annulment was filed with that Court against the arbitration award handed down by the arbitration tribunal. A provision of \$25,622 was recorded; in addition to this process default interests are being liquidating, which as of December 31, 2016 amounted to \$17,030.

Compañía Hotelera de Cartagena de Indias S.A.

On August 16, 2001 Mr. Norberto Gari Garcia filed a class action against the Nation Ministry of National Defense - National Navy; the Nation - General Maritime Directorate (DIMAR); the Nation - Ministry of the Environment; the Nation - Ministry of Transport; the Nation -

Superintendence of Notaries and Registries - Office of Public Instruments of Cartagena; the Tourism and Cultural District of Cartagena de Indias and Compañía Hotelera de Cartagena de Indias S.A., a company in which Hoteles Estelar S.A. holds a stake of 50.2%, a stake of 39.5% in the Financial Institutions Guarantee Fund FOGAFIN, a stake of 6.7% in Grupo Bavaria and a stake of 2.5% in Hilton International, among others.

The lawsuit claimed the violation of collective rights and interests of administrative morality, the enjoyment of public space, the enjoyment of a healthy environment and the existence of ecological balance and the rational management and utilization of the natural resources belonging to the state be declared, and that, as a result of such violation, to order the restitution to the State of an area of 37,018 m² as a result of accretions over the sea and the illegal supply of five lots delivered by the Municipality of Cartagena.

The matter was decided by a first instance ruling that denied the claims of the lawsuit, but such ruling was appealed. On March 15, 2013, Subsection C of the Third Section of the Contentious Administrative Court of the Honorable Council of State issued a second instance judgment in which, (i) in respect of the land donated by the Municipality of Cartagena for the establishment of Compañía Hotelera de Cartagena de Indias S.A., it was found that there had been no violation to collective rights subject to protection by means of a popular action; and (ii) it revoked the ruling appealed and instead declared the violation of the collective rights and interests to the defense of public goods and public property. Consequently, it issued an order for the restitution of the land considered as public equivalent to 26,961.51 square meters and, if there are buildings in the same, it ordered Compañía Hotelera de Cartagena de Indias S.A., as a compensatory measure, to acquire a plot of land so that in a non-extendible period not exceeding three (3) years, it would build a park intended for the use and recreation of the entire community. This park would be managed by the District of Cartagena and maintenance costs would be borne by Compañía Hotelera de Cartagena de Indias S.A. during the first thirty (30) years.

Within due legal term and through its attorney, the Company made requests for clarification and supplementation, which were decided by the Council of State through ruling of May 8, 2013, in which two paragraphs of the operative part of the judgment were clarified, a new paragraph was added and the remaining requests for clarification and supplementation were denied. The decision entered into force on May 30, 2013.

Given that the ruling violated the fundamental right to due process and the constitutional principles of good faith and legitimate trust, Compañía Hotelera de Cartagena de Indias S.A. filed a constitutional remedy (*tutela*) on August 5, 2013 with the Fourth Section of the Council of State, an action that was denied in first and second instance and currently subject to a final decision since it was not selected by the Constitutional Court for review.

Given these circumstances, Compañía Hotelera de Cartagena de Indias S.A. filed on August 13, 2015 with the Administrative Tribunal of Cundinamarca a claim for direct compensation against the Nation - Ministry of Defense - National Navy - General Maritime Directorate - Municipality or District of Cartagena, which was admitted and is being processed.

The lawsuit seeks to declare that the respondents, with their supposedly legal actions, created in CHCI legitimate expectations of legality in the acquisition of the plots of land and the enforcement of the constitutional remedy caused unlawful damages to the claimants, for which the respondents had to be declared as joint and severally liable for such damages and

indemnify such damages estimated at \$94,000 million for CHCI and at \$17,000 million for Hoteles Estelar.

In view of the rulings issued, as of December 31, 2014 the Company calculated the best estimate based on the information available, resulting in a provision of \$24,815 and whose deducted amount as of December 31 and June 30, 2016 amounts to \$23,289 and \$22,498 million pesos respectively. This estimate was calculated based on the operative part and the grounds for the Judgment issued by the Council of State on March 6, 2013 ordering the restitution of 26,961.51 square meters, an area that the Company reduced to 14,948.57 square meters as a result of discounting a non-constructed area of 12,012.94 square meters. The area to be returned of 14,948.57 square meters was multiplied by the price per square meter obtained as a result of the appraisal conducted in 2014 by a specialized expert.

Provisions for major contractual maintenance correspond to the obligations acquired by the concessionaires to maintain the infrastructure operated in optimal conditions. As of December 31, 2016 provisions have been recognized by Compañía Energetica de Occidente S.A., direct subordinate of Promigas S.A for \$155,124 million pesos, corresponding to the investment plan for the expansion, replacement and improvement of the infrastructure for the development of the marketing services of Cedelca. Promigas and its subordinates carry out quality inspections on the gas pipelines under concession whose provision amounts to \$8,455 million and maintenances were recognized for \$41,091 million pesos by road infrastructure concessionaires.

The estimates made for the recognition of provisions and contingencies are shown in note 4.14.

31. Other liabilities

Other liabilities include the following:

	December 31, 2016	June 30, 2016
Income received in advance	74,412	116,002
Income received for third parties (2)	108,497	93,387
Retention of guarantees on contracts (1)	11,912	12,036
Other liabilities	18,753	16,173
Total Other Liabilities	213,574	237,598

(1) Corresponds to retention on contracts, the guarantee is returned to the manufacturer once they are satisfactorily delivered.

(2) Corresponds mainly to income received for third parties for concession contracts.

31. Securities issued outstanding

See accounting policy in note 2.7. The details of the bonds of subordinated companies issued by the Corporation as of December 31 and June 30, 2016 by issuance date and expiration date are as follows:

Issuer	Type of Issue	Maturity	December 31, 2016	June 30, 2016	Interest Rate	Date of Issue	Date of Expiration
Industrias Lehner S.A - Fogafin	Bond	11 YEARS	1,053	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	7 YEARS	-	80,000	CPI + 4.95%	08/27/2009	08/27/2016
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 (1)	Bond	4 YEARS	100,000	-	CPI + 3.29%	09/08/2016	09/08/2020
Promigas S.A E.S.P (1)	Bond	10 YEARS	150,000	-	CPI + 3.74%	09/08/2016	09/08/2026
Promigas S.A E.S.P (1)	Bond	20 YEARS	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	7 YEARS	-	24,294	CPI + 5.39%	07/23/2009	07/23/2016
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			2,358,669	1,962,953			
(-) Issuance costs			(21,308)	-			
(+) Interest accrued			18,921	16,971			
TOTAL BONDS VALUE			2,356,272	1,979,924			

33. Controlled equity

See accounting policy in note 2.3.1. The number of shares authorized, issued and outstanding as of December 31 and June 30, 2016 is as follows:

	December 31, 2016	June 30, 2016
Number of shares authorized, issued and outstanding	250,000,000	250,000,000
Number of shares subscribed and paid-in	231,686,588	226,834,611
Total shares	231,606,588	226,834,611
Subscribed and paid-in capital	2,317	2,268
Share issue premium	2,685,093	2,499,709

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 \$792.15 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 and June 30, 2016 is as follows:

	December 31, 2016	June 30, 2016
Item		
Common stock	4,559,149	2,887,176
Preferred stock	292,828	185,366
Total shares issued	4,851,977	3,072,542
Price per share	38,218.00	37,396.14
Value of the issuance	185,433	114,901
Issuance commission %	0%	0%
Net value of issuance	183,433	114,901
Accounting:		
Capital	49	31
Share issue premium	185,384	114,870
Total accounting of issuances	185,433	114,901

Retained earnings

	December 31, 2016	June 30, 2016
Reserves (1)	1,330,133	1,154,925
Accumulated losses	(464,742)	(284,121)
IFRS adjustment to 2014 profits	(63,894)	(79,337)
First-time adoption of IFRS	(611,784)	(609,779)
Retained earnings	189,713	181,688

(1) The detail of Reserves is shown below.

Legal Reserve

In accordance with current regulations, the Corporation and its financial subordinates 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, 2016	June 30, 2016
Legal reserve	299,563	272,598
Statutory reserve	33,844	33,844
Occasional reserve	996,726	848,483
Total	1,330,133	1,154,925

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, 2016	Balance as of June 30, 2016
Non-consolidated profits of immediately preceding year	249,241	149,647
	276	336

Dividends paid in cash (1)	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 20 th 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).	Cash dividend of \$336 per share on 210,248,194 common shares and 13,513,875 preferred shares subscribed outstanding on January 31, 2016. In addition, the same cash dividend is applicable to 3,072,542 shares to be issued due to the capitalization of reserves of Decree 2336. This dividend will be paid in five monthly installments on the 15 th day of each month starting on April 2016.
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Common outstanding shares	213,135,370	210,248,194
Preferred outstanding shares	13,699,241	13,513,875
Total outstanding shares	226,834,611	223,762,069
Total shares to be issued	4,851,977	3,072,542
Total dividends decreed (2)	249,947	78,215

(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.

34. 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 subordinates. 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 the periods ended on December 31 and June 30, 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 and June 30, 2016:

	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Technical equity		
Ordinary basic equity		
Subscribed and paid capital	2,177	2,131
Issue premium	2,685,093	2,499,709
Appropriation of net profits	54,805	54,573
Cumulative losses	(467,341)	(498,537)
Investments made from other financial institutions	(32,388)	(28,391)
Adjustment for translation of financial statements	9,690	8,219
Deferred income tax	(4,805)	(3,576)
	<u>2,247,231</u>	<u>2,034,128</u>
Additional equity		

Subscribed and paid capital	140	137
Unrealized cumulative losses in Debt Securities	(37,244)	(43,494)
Unrealized cumulative profits (losses) in Participation Titles	6,919	6,369
Devaluation (Valuation) in Investments	306,905	294,070
50% of tax reserve	119,505	207,806
	396,225	464,878
Total Technical Equity	2,643,456	2,499,006
Risk-weighted assets		
Credit risk		
Category II (High security assets weighting at 20%)	91,626	90,706
Category III (High security assets but with low liquidity weighting at 50%)	574,440	595,147
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.	4,867,873	4,652,134
Total credit risk	5,533,939	5,337,987
Market risk	1,676,891	2,979,309
Total risk-weighted assets	1,676,891	5,337,987
Total solvency risk rate	36.66%	30.05%
Basic solvency risk rate	31,16%	24,46%

35. Non-Controlling Interests

See accounting policy in note 2.3.1. The following tables show the financial information for each of the direct subordinates in which the Company holds significant non-controlling interests:

Balance as of December 31, 2016

	Country	Interest	Equity value of interest	Participation in profits
Organizacion Pajonales S.A. and subordinates	Colombia	1.87%	1,657	(31)
Hoteles Estelar de Colombia S.A.S. and subordinates	Colombia	15.04%	91,313	4,796
Gas Comprimido del Peru S.A.	Peru	8.13%	6,702	10
Proyectos de Infraestructura S.A. and subordinates	Colombia	11.75%	30,616	8,041
Estudios, Proyectos e Inversiones de los Andes S.A. and subordinates	Colombia	0.07%	34,797	877
Promotora y Comercializadora Turistica Santamar S.A.	Colombia	15.40%	5,699	105
Tejidos Sinteticos de Colombia S.A.	Colombia	0.35%	76	3
Plantaciones Unipalma de los Llanos S.A.	Colombia	45.47%	59,950	(26)
Pizano S.A. and subordinates	Colombia	60.01%	78,424	(1,246)
Estudios y Proyectos del Sol and subordinates	Colombia	0.00%	36,444	13,388
Industrias Lehner S.A.	Colombia	46.65%	(3,050)	(242)
Caja de Bolsa S.A.	Colombia	59.27%	18,257	-
Promigas S.A. and subordinates	Colombia	49.77%	1,571,498	166,365
TOTAL			1,932,383	190,039

	Assets	Liabilities	Revenues	Net profit	Other comprehensive income
Organizacion Pajonales S.A. and controlled entities	3,916	2,227	529	10	(277)
Hoteles Estelar de Colombia S.A.S. and controlled entities	114,864	61,957	25,573	1,866	33
Gas Comprimido del Peru S.A.	5,611	5,457	1,378	(154)	(9)
Proyectos de Infraestructura S.A. and controlled entities	36,295	19,083	19,049	4,380	(6)
Estudios, Proyectos e Inversiones de los Andes S.A. and controlled entities	584	494	245	4	-
Promotora y Comercializadora Turistica Santamar S.A.	6,411	711	266	105	-
Tejidos Sinteticos de Colombia S.A.	103	27	71	3	-
Plantaciones Unipalma de los Llanos S.A.	88,029	28,079	14,858	164	(1,052)
Pizano S.A. and subordinates	163,326	84,925	56,196	(6,574)	(217)
Industrias Lehner S.A.	220	3,271	94	(242)	-
Caja de Bolsa S.A. Comisionista de Bolsa	37,141	18,883	14,242	169	-

As of June 30, 2016 Restated

	Country	Interest	Equity value of interest	Participation in profits
Organizacion Pajonales S.A. and controlled entities	Colombia	1.87%	1,671	93
Hoteles Estelar de Colombia S.A.S. and controlled entities	Colombia	15.04%	86,484	2,897
Gas Comprimido del Peru S.A.	Peru	8.13%	305	(76)
Proyectos de Infraestructura S.A. and controlled entities	Colombia	11.75%	30,639	10,625
Estudios, Proyectos e Inversiones de los Andes S.A. and controlled entities	Colombia	0.07%	33,964	5,192
Promotora y Comercializadora Turistica Santamar S.A.	Colombia	15.40%	5,594	144
Tejidos Sinteticos de Colombia S.A.	Colombia	0.35%	78	6
Plantaciones Unipalma de los Llanos S.A.	Colombia	45.47%	59,807	2,591
Pizano S.A. and controlled entities	Colombia	40.52%	82,186	(4,171)
Industrias Lehner S.A.	Colombia	46.65%	(2,808)	(241)
Promigas S.A. and controlled entities	Colombia	49.77%	1,530,310	172,744
Estudios y Proyectos del Sol S.A.S. and controlled entities		0.00%	36,896	5,376
TOTAL			1,065,128	195,180

	Assets	Liabilities	Revenues	Net profit	Other comprehensive income
Organizacion Pajonales S.A. and controlled entities	4,213	2,225	696	113	(32)
Hoteles Estelar de Colombia S.A.S. and controlled entities	107,267	50,344	23,617	1,116	(201)
Gas Comprimido del Peru S.A.	5,724	5,419	1,482	(76)	(10)
Proyectos de Infraestructura S.A. and controlled entities	43,815	25,128	15,760	3,999	(5)
Estudios, Proyectos e Inversiones de los Andes S.A. and controlled entities	640	554	245	7	-
Promotora y Comercializadora Turistica Santamar S.A.	6,268	673	217	144	-
Tejidos Sinteticos de Colombia S.A.	106	27	80	6	-
Plantaciones Unipalma de los Llanos S.A.	90,578	31,254	16,776	2,109	9
Pizano S.A. and subordinates	117,965	62,566	38,055	(2,747)	830
Industrias Lehner S.A.	270	3,078	-	(241)	9
Promigas S.A. and controlled entities	3,810,941	2,287,331	1,044,455	160,916	(12,415)

During the semester ended on December 31, 2016, the Company acquired the control of Casa Bolsa S.A. by means of a shareholders agreement by keeping the non-controlled interest of 59.27%. There were no other significant transactions made with non-subordinated interests of the Company and subordinates, as well as protective or restriction rights in the access to the use of assets or cancellation of liabilities thereof.

36. Commitments and contingencies

Commitments

a) Credit commitments

See accounting policy in note 4.14. 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 and June 30, 2016:

	December 31, 2016		June 30, 2016	
	Notional Value	Fair Value	Notional Value	Fair Value
Guarantees	15,012	15,012	187,000	187,000
Others	355,351	355,351	400,112	400,112
Total	370,363	370,363	687,112	587,112

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, 2016	June 30, 2016
Credit commitment per currency		
Colombian pesos	355,931	587,112
Others	14,432	-
Total	370,363	587,112

37. Commissions and fees, net

See accounting policy note 2.21 and 2.26. Below is the detail of income and expenses for commissions for the semesters ending on December 31 and June 30, 2016.

	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Income		
Bank guarantees	1,069	1,115.0
Fiduciary businesses (commissions and fees)	10,119	5,427
Services from office network	19	17
Drafts	3	3
Management of Collective Investment Funds	13,805	14,218
Others	9,531	16,040
Total Income	34,646	39,818
Expenses		
Bank services	966	1,190
Fiduciary businesses	205	337
Service from office network	103	-
Commissions on sales and services	1,173	1,362
Others	10,519	10,070
Total Expenses	12,966	12,969
Income and expenses for commissions, net	21,580	26,859

38. Revenues and costs for sale of goods and provision of services

The breakdown of the revenues and costs of sales for the semesters ended as of December 31 and June 30, 2016 is below:

	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Revenues		
Supply of electricity, gas and water	1,562,568	1,596,935
Infrastructure	863,676	754,998
Participation in concessions	526,820	376,726
Hotel and tourism services	161,629	149,403
Agriculture	139,569	139,279
Wholesale and retail trade	40,540	35,501
Real estate activities	51	504
Total revenues	3,294,763	3,053,345
Costs		
Supply of electricity, gas and water	1,280,759	1,276,290
Infrastructure	501,444	483,710
Participation on concessions	188,212	74,881
Hotel and tourism services	52,075	45,806
Agriculture	121,455	116,256
Wholesale and retail trade	22,536	3,061
Real estate activities	-	828
Total revenues	2,166,481	2,000,832

39. Other operational expenses

The detail of other operational expenses for the semesters ended on December 31 and June 30, 2016 is submitted below:

	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Services	33,321	30,614
Legal	3,783	817
Fees	50,048	33,621
Taxes	50,052	46,024
Leases	10,336	9,588
Contributions and affiliations	6,189	5,779
Insurance	13,383	12,035
Maintenance and repairs	58,787	40,274
Travel expenses	4,820	4,748
Transportation	13,193	13,306
Stationery and supplies	1,409	1,316
Publications and subscriptions	2,475	2,537
Donations	6,176	5,966
Other operational expenses	76,076	73,746
Total administrative expenses	<u>330,048</u>	<u>280,371</u>

40. Related Parties

See accounting policy in note 4.7. 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 and June 30, 2016 with related parties are as follows:

As of December 31, 2016

<u>Group-</u>	<u>Board and</u>	<u>Associated</u>	<u>Other key</u>	<u>Total</u>
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	related entities	Management personnel	Companies	personnel of another entity	
Assets					
Cash and cash equivalents	1,396,437	-	1,396,437	1,538,892	4,331,766
Investments	4,037,683	-	4,037,683	3,151,409	11,226,776
Portfolio	25,131	103	25,131	10,336	60,701
Accounts receivable	1,031,836	168	1,031,836	333,574	2,397,418
Hedging derivatives	1,336	-	1,336	-	2,872
Other assets	701	(1)	701	26,614	28,016
Total assets	6,493,126	270	6,493,126	6,060,826	16,047,347
Liabilities					
Deposits	332,209	1,137	332,209	499,950	1,166,506
Financial obligations	269,455	-	269,455	236,860	776,770
Dividends payable	149,699	54	149,699	70,398	369,850
Liabilities hedging derivatives	577	-	577	-	1,154
Employee benefits	-	197	-	22	219
Other accounts payable	102,162	95	102,162	80,278	284,897
Bonds	102,024	-	102,024	39,325	243,373
Other liabilities	251,129	-	251,129	1,676,940	2,239,198
Total Liabilities	1,237,255	1,483	1,237,255	2,603,773	5,079,766

As of June 30, 2016

	Group- related entities	Board and Management personnel	Associated Companies	Other key personnel of another entity	Total
Assets					
Cash and cash equivalents	1,068,053	-	-	1,254,450	2,322,603
Investments	3,448,710	-	99,121	2,831,080	6,378,911
Portfolio	14,830	118	316	12,877	28,141
Accounts receivable	644,040	342	114,631	150,235	909,248
Hedging derivatives	1,780	-	-	111	1,891
Other assets	1,521	-	27,557	34,966	64,044
Total assets	5,178,936	460	241,625	4,283,719	9,704,738
Liabilities					
Deposits	23,688	1,967	1,167	276,451	303,273
Financial obligations	230,731	-	-	196,988	427,719

Dividends payable	145,900	31	-	34,564	180,495
Liabilities hedging derivatives	279	-	-	279	568
Employee benefits	-	359	-	3	362
Other accounts payable	3,603	131	15,835	10,766	30,336
Bonds	86,880	-	-	-	86,880
Other liabilities	221,875	407	1,674	226,289	450,226
Total Liabilities	712,398	2,895	18,677	744,762	1,478,732

The most representative transactions for concept of revenues and expenses with related parties for the six-month periods ended on December 31 and June 30, 2016 include the following:

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	81,342	34,772	197,489
Commissions	4,171	-	4,171	2,422	10,764
Leases	2,046	-	2,046	359	4,451
Other revenues	248,037	490	248,037	46,603	543,167
Total revenues	335,596	503	335,596	84,196	755,851
Expenses					
Interests	40,258	97	40,258	122,902	203,515
Commissions	2,489	-	2,489	2,328	7,306
Fees	8,875	1,416	8,875	2,196	21,382
Leases	1,929	-	1,929	282	4,140
Short-term personnel	81	4,244	81	645	5,051
Other expenses	190,509	1,604	190,509	52,324	434,946
Total expenses	244,141	7,361	244,141	180,677	676,320

As of June 30, 2016

	Group-related entities	Board and Management personnel	Associated Companies	Other key personnel of another entity	Total
Revenues					
Interests	51,504	8	83	46,617	98,212

Commissions	2,779	0	1,499	1,111	5,389
Leases	1,143	1	21	355	1,520
Other revenues	129,967	3	106,717	299,713	536,400
Total revenues	185,393	12	108,320	347,796	641,521
Expenses					
Interests	20,538	33	0	83,284	103,866
Commissions	1,322	0	225	1,774	3,321
Fees	3,191	960	22	1,010	5,083
Leases	1,030	0	0	74	1,104
Short-term personnel	1	3,053	0	1	3,055
Other expenses	101,469	10,183	92,780	349,102	563,634
Total expenses	127,551	14,129	93,027	435,245	669,552

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 4.7.

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, 2016	June 30, 2016
Salaries	19,942	28,986
Short-term employee benefits	4,621	3,825
Other long-term benefits	454	854
Total	25,017	33,465

The compensation of key management personnel includes wages, benefits other than cash and contributions to a post-employment defined benefit plan (See note 29).

The following is the conformation of key personnel of the organization:

	No. of executive directors	
	December 31, 2016	June 30, 2016
Close relatives and its affiliates	-	12
Group directors, key personnel and affiliates	10	10
Department managers	13	31
Area managers	37	50
Managers	56	51

Directors	55	13
Non-consolidated related companies	1	4
Shareholders	10	13
Consolidated related companies	8	2
Related companies with Directors	100	144
Total	290	330

41. Operating Segments

For management purposes, the Company is organized into business units based on the economic sectors where its investments are made. There are five main sectors and a sixth sector grouping those that do not meet the quality threshold to be considered as an operating segment:

Financial sector: It includes financial leasing, fiduciary, foreign banking and brokerage businesses.

Gas and power sector: It includes natural gas and power transportation and distribution businesses.

Infrastructure sector: It includes road infrastructure projects, mainly construction, operating and maintenance services.

Hotel sector: It mainly includes hotel services.

Agribusiness sector: It mainly includes timber, palm oil, rubber and rice businesses.

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.

As of December 31, 2016

	Financial	Power and Gas	Infrastructure	Hospitality	Agroindustry	Others	Adjustments and eliminations	Consolidated
Financial assets	5,860,229	442,694	1,089,694	60,439	52,119	4,343	(486,853)	7,022,322
Investments in associates and joint ventures	–	577,281	244,251	–	4,367	–	3,379	929,378
Credit portfolio and accounts receivable	1,134,803	2,359,242	701,676	164,286	55,856	10,024	(492,021)	3,933,866
Assets under concession	–	4,183,870	890,354	–	–	–	–	5,074,224
Fixed assets	110,316	1,283,939	134,043	551,971	401,326	4,927	(35,432)	2,451,090
Biological assets and inventories	–	67,796	1,163	6,983	309,128	8,837	(1)	413,906
Goodwill	–	128,819	119,915	6,661	–	–	42,204	297,599
Current assets	2,933	81,411	36,879	8,819	10,028	846	746	141,662
Other assets	35,468	178,996	59,924	6,144	13,876	1,151	57	295,616
Total Assets	7,143,749	9,324,048	3,377,656	805,303	846,700	30,128	(967,921)	20,559,663
Financial liabilities	7,553,382	1,840	577	1,893	32	–	(465,211)	7,092,513
Financial obligations and debt issuance	113,102	4,798,136	989,734	179,907	188,014	6,986	(115,097)	6,160,782
Accounts payable	65,412	600,908	577,740	162,436	81,632	5,557	(500,611)	993,074
Benefits to employees	12,581	20,430	11,737	8,591	24,217	1,672	(187)	79,041
Tax liability	7,017	631,890	66,036	29,998	37,371	221	(872)	773,661
Provisions	3,416	224,645	44,077	23,303	2,623	178	(2)	298,240
Other liabilities	707	99,793	101,163	10,417	5,496	238	(4,341)	213,473
Total liabilities	7,755,617	6,377,642	1,793,084	416,545	339,385	14,852	(1,066,321)	15,610,784
Operating income	44,447	1,776,266	1,018,318	166,801	155,434	19,327	(20,074)	3,160,519
Operating costs and expenses	110,787	1,295,657	893,574	134,427	149,980	18,580	(23,865)	2,579,140
Financial market	(112,802)	(31,566)	38,042	(5,372)	(6,317)	329	1,097	(116,589)
Valuations of financial instruments	59,329	–	–	–	(313)	–	(9,012)	50,004
Dividends income and other shares	143,011	47,277	38,887	–	698	–	(132,724)	96,949
Depreciations and amortizations	2,756	76,212	89,453	5,427	541	36	(243)	174,182
Profit before taxes	20,442	420,108	112,020	21,575	(1,019)	1,040	(136,605)	437,561
Taxes	12,068	106,571	74,426	5,560	3,202	798	119	202,744
Net profit	8,374	313,537	37,594	16,015	(4,221)	242	(136,724)	234,617

As of June 30, 2016

	Financial	Power and Gas	Infrastructure	Hospitality	Agroindustry	Others	Adjustments and eliminations	Consolidated
Financial assets	7,023,749	351,446	348,101	56,801	57,676	6,030	(218,314)	7,625,469
Investments in associates and joint ventures	249	544,443	412,649	–	4,249	–	26,497	988,087
Credit portfolio and accounts receivable	1,139,236	1,018,411	636,096	125,937	54,887	10,169	(363,231)	2,621,505
Assets under concession	–	3,770,879	692,626	–	–	–	(2)	4,663,503
Fixed assets	110,305	1,598,242	97,528	534,188	387,519	4,480	(30,592)	2,701,670
Biological assets and inventories	–	53,972	55,225	4,972	306,955	6,222	1	439,347
Goodwill	–	128,819	119,915	6,661	–	–	40,869	296,264
Current assets	60,626	86,636	254,053	18,271	23,994	1,405	(198,556)	246,429
Other assets	24,309	174,572	61,664	7,070	15,462	581	64	283,722
Total Assets	8,358,474	7,727,420	2,887,857	753,900	850,742	30,667	(743,264)	19,886,016
Financial liabilities	8,226,821	47	279	1,908	–	–	(151,516)	8,077,539
Financial obligations and debt issuance	115,706	3,479,309	803,615	183,632	183,393	6,530	(99,698)	4,672,687
Accounts payable	87,353	431,605	479,818	128,037	80,124	5,098	(359,030)	853,005
Benefits to employees	9,925	18,000	9,882	6,626	23,664	1,726	4	69,829
Tax liability	22,176	611,544	227,195	32,536	52,424	326	(200,796)	745,404
Provisions	21,735	215,535	51,242	22,510	3,826	175	–	315,022
Other liabilities	2,155	89,215	136,685	6,136	9,150	461	(6,204)	237,598
Total liabilities	6,485,671	4,845,255	1,708,917	381,395	352,580	14,318	(817,242)	14,971,084
Operating income	48,808	1,873,714	866,712	154,129	150,028	21,360	(4,400)	3,110,351
Operating costs and expenses	81,066	1,407,105	671,425	128,262	141,863	19,705	(4,4342)	2,445,084
Financial market	(132,797)	(20,880)	27,990	(4,726)	(4,726)	413	(7,959)	(144,945)
Valuations of financial instruments	122,503	–	–	–	–	–	1,995	124,498
Dividends income and other shares	139,859	77,043	60,183	1,099	1,099	–	(116,340)	161,844
Depreciations and amortizations	2,273	65,736	64,182	470	470	68	281	159,643
Profit before taxes	95,534	456,038	199,278	4,068	4,068	2,000	(122,643)	646,821
Taxes	16,136	120,708	51,098	2,680	2,680	695	(1,319)	194,624
Net profit	76,698	335,328	149,180	1,389	1,389	1,305	(121,324)	452,197

The consolidated balances of the figures of all operating segments is as follows:

	December 31, 2016	June 30, 2016
Assets of segments	21,527,584	21,296,578
Banks and trusts	(360,930)	(8,377)
Financial assets	(8,875)	(719,435)
Leasing operations	(9,872)	(10,654)
Accounts receivable	(482,149)	(263,859)
Tangible assets	(35,433)	(30,592)
Elimination of dividends	3,379	(91,124)
Monetary operations	(171,048)	(125,178)
Deferred tax adjustment	746	(199,608)
Other minor	42,261	41,980
Consolidated assets	20,559,663	19,886,731
Liabilities of segments	16,697,105	15,796,110
Financial obligations	(478,278)	(164,239)
Securities issued	(102,030)	(86,973)
Accounts payable	(500,611)	(359,033)
Other minor	(5,402)	(207,059)
Consolidated liabilities	15,610,784	14,978,806
Income of segments	371,541	573,521
Net operating income	(11,641)	(10,120)
Net financial income	4,172	2,080
Valuation of investments	(9,012)	1,995
Commissions	(8,051)	4,784
Sale of tangible assets	(1,285)	(934)
Exchange difference	(2,429)	(8,948)
Dividends	(132,724)	(116,340)
Leases	(437)	(404)
Other revenues	694	1,183
Other expenses	23,989	5,380
Consolidated profits	234,817	452,197

As of December 31 and June 30, 2016 there are no discontinued segments-

The revenues per countries other than Colombia are detailed below:

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

As of June 30, 2016

	Financial	Agricultural Industry	Power and Gas	Hotel	TOTAL
Panama	9,217	-	-	349	9,566

Peru	-	-	38,686	13,026	51,712
Venezuela	-	253	-	-	253
Total consolidated revenues	9,217	253	38,686	13,375	61,531

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. 1840 dated February 24, 2017 to be submitted to the General Shareholders' Assembly for approval.

43. Events occurred after the reporting period

Concesionaria Ruta del Sol S.A.S (the "Concessionaire") is the awardee company of the Concession Agreement No. 001 dated January 14, 2010 whose purpose is the construction, operation and maintenance of Sector 2 of the Proyecto Vial Ruta del Sol, comprised between Puerto Salgar and San Roque and its modifications (the "Agreement").

Regarding this Agreement, Leasing Corficolombiana S.A. has granted an operating leasing to the Concessionaire for a total value of \$81 million as of December 31, 2018, which represents 0.0004% of the total consolidated assets of the Corporation and \$110 million as of June 30, 2016, which represented 0.0007% of the total consolidated assets as of such date.

Estudios y Proyectos del Sol S.A.S ("Episol"), a company 100% owned by the Corporation is the holder of 33% of the share capital of the Concessionaire. The book value of the investment of Episol in the Concessionaire amounts to \$252,474 million (net of impairment) with a cut-off date as of December 31, 2016 and \$315,521 million with a cut-off date as of June 30, 2016.

Upon the investigations and processes advanced by criminal, judicial and administrative authorities as a result of the corruption acts in twelve countries, including Colombia, confessed before the justice of the United States by the Brazilian company Odebrecht S.A., which participates as a controlling party of the Concessionaire (62.01%) through its affiliates Construtora Norberto Odebrecht S.A. and Odebrecht Latinvest S.A.S., such Agreement has been subject to recent measures and enactments issued by Colombian superintendencies and judges.

Considering the foregoing, in order to allow the prompt continuity of the project Ruta del Sol Sector 2 and in compliance with orders issued on this matter, the Concessionaire and the National Infrastructure Agency executed on February 22, 2017 an agreement which contemplated the early termination of the Agreement, as well as the formula for liquidation thereof (the "Agreement").

Based on the liquidation formula of the Agreement, and preliminary values thereof, the Corporation estimates that the liquidation bases of the Agreement will allow Episol to partially recover its investment in the Concessionaire, which is why the financial statements of the second half of 2016 (ended on December 31) of Episol and therefore the Corporation, incorporate an impairment adjustment for a value of \$102,275 million concerning said investment. Regarding the operating leasing granted by Leasing Corficolombiana S.A, the Corporation and said entity estimate to recover the entirety of the capital owed by the Concessionaire, as well as the interests accrued until the reversal date of the concession to the

ANI. The Agreement sets out that these resources are delivered to the financial entities, between the years 2017 and 2021 charged to future validities.