

Corficolombiana

INDIVIDUAL FINANCIAL STATEMENTS

DECEMBER 2016

Corficolombiana

TAX AUDITOR'S REPORT

DECEMBER 2016

KPMG

TAX AUDITOR'S REPORT

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

Report on the financial statements

I have audited the individual financial statements of Corporacion Financiera Colombiana S.A. (the Company), which comprise the individual statement of financial position as of December 31, 2016 and the individual 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 individual financial statements

Management is responsible for the adequate preparation and presentation of these individual 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 individual 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 individual 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 individual financial statements are free of material misstatement.

An audit includes carrying out procedures to obtain evidence of the amounts and disclosures in the individual financial statements. The selected procedures depend on the tax auditor's judgement, including the assessment of risk of the material misstatements in the individual 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 individual financial statements mentioned, prepared according to the information faithfully taken from the books and enclosed to this report, reasonably present, in all material aspects, the individual financial position of the Company as of December 31, 2016, the individual results of its operations and its individual 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 call the attention to note 34 of the individual financial statements, which indicates that the Company has an indirect participation of 33% in Proyecto Ruta del Sol 2 through its Subordinated Estudios y Proyectos del Sol S.A.S. The deterioration of this investment was estimated at \$102,275 million and recorded as of December 31, 2016 based on the liquidation formula contained in the agreement subscribed by the National Infrastructure Agency and the Concessionaire Ruta del Sol dated February 22, 2017.

Other matters

The individual 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 auditing standards in Colombia and in my report of August 18, 2016 I expressed an unqualified opinion on the same.

Report on other legal and regulatory requirements

Based on the results of my tests, in my opinion during the semester of 2016:

- a) The Company's accounting has been kept according to legal standards and the accounting technique.
- b) The operations recorded in the books and the actions of the managers follow the bylaws and the decisions of the Shareholders Assembly.
- c) The correspondence, account receipts and minutes logs and share ledger are kept and duly preserved.
- d) There are adequate measures of internal control, which include the risk management systems implemented, of conservation and custody of the assets of the Company and of third parties held by it.
- e) Rules and instructions of the Finance Superintendence of Colombia had been fulfilled, related to the adequate management and provision of assets received as payment and with the implementation and impact in the statement of financial position and in the income statement of the applicable risk management systems.

- f) There is concordance between the financial statements enclosed and the management report prepared by the managers, which includes evidence by management of the free circulation of invoices issued by vendors and suppliers.
- g) The information contained in the self-liquidation statements for contributions to the comprehensive social security system, particularly relating to members and their base income for contribution, has been taken from the accounting records and supports. The Company is not in default for contributions to the comprehensive social security system.

I performed follow-up to the answers on recommendation letters addressed to the Company's management and there are no material matters pending that may affect my opinion.

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

February 24, 2017

Corficolombiana

INDIVIDUAL FINANCIAL STATEMENTS

DECEMBER 2016

CORPORACION FINANCIERA COLOMBIANA S.A.
Individual Statements of Financial Position
(Expressed in millions of Colombian Pesos)

	Notes	December 31, 2016	June 30, 2016
Assets			
Cash and cash equivalents	6	\$ 1,130,029	1,227,662
Active positions in money market operations	7	673,748	440,002
Investments, net			
Measured at fair value with changes in results	8(a)	793,944	784,766
Measured at fair value with changes in other comprehensive income (OCI)	8(b)	2,634,898	3,766,227
Financial Assets in Investment at amortized cost	9	54,050	69,030
Derivative financial instruments	10	93,477	253,876
Financial Assets, Net		5,380,146	6,541,563
Investments in related companies	12(c)	58,956	73,701
Investments in subordinates	12(a)	3,731,666	3,258,256
Impairment in equity investments	12(b)	(28,419)	(28,415)
Accounts Receivable, net	11	224,468	179,063
Tangible Assets			
Property and equipment, net	13	19,153	18,459
Investment properties, net	14	30,977	28,516
Intangible assets, net	15	8	394
Current tax assets	16	10,744	46,423
Other assets, net	17	772	658
Non-financial Assets, net		4,048,325	3,577,055
Total Assets		\$ 9,428,471	10,118,618
Liabilities			
Deposits and current liabilities	18	3,226,477	3,055,722
Derivative financial instruments	10	118,512	249,539
Passive positions in money market operations	19	3,118,249	3,781,433
Financial liabilities, net		6,463,238	7,086,694
Accounts Payable	22	42,537	81,941
Employee benefits	20	7,901	6,460
Other provisions	21	6,254	21,083
Deferred tax liability	16	1,814	1,442
Other liabilities		11	906
Non-financial liabilities, net		58,517	111,832
Total liabilities		\$ 6,521,755	7,198,526
Shareholder's Equity			
Subscribed and paid-in capital	23	2,317	2,268
Share placement premium		2,685,093	2,499,709
Reserves		621,655	637,054
Surplus through the equity method		(37,113)	4,491
First time adoption of IFRS		(435,191)	(435,191)
Convergence to IFRS		-	(42,389)
Other comprehensive result		10,921	(22,218)
Accumulated Profit previous periods		-	29,947
Profit of the period		59,034	249,421
Total Equity		2,906,716	2,920,092

Total Liability and Equity

\$ 9,428,471 10,118,618

See notes that make integral part of the Individual 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 KPMG Ltda.
(See my report of February 24, 2017)

- (*) The undersigned Legal Representative and Accountant certify that as of December 31, 2016 we have previously verified the statements contained in these Financial Statements and the same have been faithfully taken from the accounting books.

CORPORACION FINANCIERA COLOMBIANA S.A.**Individual Income Statements**

(Expressed in millions of Colombian Pesos, except profit per share)

	Notes	December 31, 2016	June 30, 2016
Profit in investment valuation in debt instruments, net		\$108,475	\$173,849
At amortized cost		68,108	103,591
At fair value		40,367	70,258
Profit in Equity Investments, net		197,333	326,706
At fair value		829	2,180
Equity Method, net	29	196,485	307,031
Dividends and Interest	8(b) and 30	19	17,494
Profit in Sale of Investments, net		7,081	39,265
		2,227	
Profit (loss) in derivatives and cash operations, net			11,188
In Derivatives		3,801	15,891
In Cash Operations		(1,574)	(4,703)
(Expense) return money market operations and other interests, net		(195,360)	(218,887)
Money market operations		(91,557)	(123,529)
Interest Client Deposits		(142,092)	(129,947)
Other interests		38,289	34,589
(Loss) in Exchange, net		(8,819)	(35,510)
Commissions and Fees, net	26	(943)	8,302
Profit in sale of properties and equipment	25	3,492	30
Employee benefits		(19,777)	(20,518)
(Expense) for Leases, net		(85)	(11)
Depreciation		(687)	(687)
Amortization		(297)	(372)
Other income	27	8,471	3,912
Other Expenses		(33,885)	(25,424)
Taxes and rates		(7,501)	(5,980)
Contributions, affiliations and transfers		(1,498)	(1,403)
Insurance		(5,312)	(5,018)
Maintenance and repairs		(2,241)	(1,217)
Impairment of receivables and other assets		(7,829)	(4,319)
Other expenses	28	(9,504)	(7,487)
Results before Income and Cree Taxes		<u>\$67,226</u>	<u>261,842</u>
Income and Cree tax		(8,192)	(12,421)
Net profit of the period		<u>\$59,034</u>	<u>249,421</u>

Net profit per basic share attributable to the shareholders (in Colombian pesos)

\$257,77

1,110.04

See notes that make integral part of the Individual Financial Statements

[Signed]
Bernardo Noreña Ocampo
President (*)

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

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

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CORPORACION FINANCIERA COLOMBIANA S.A.
Individual Statements of Other Comprehensive Income
(Expressed in millions of Colombian Pesos)

	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Net profit of the exercise	\$ 59,034	249,421
Items that can be subsequently reclassified in results		
Difference in conversion of foreign operations	946	(18,100)
Unrealized Profit of investments available for sale of Debt Securities	34,827	149,537
Unrealized net (loss) profit in Investments in Equity Securities	(2,485)	20,892
	<u>33,288</u>	<u>152,329</u>
Items that will not be reclassified in results		
Actuarial losses in plans of Employee Benefits	(149)	-
	<u>(149)</u>	<u>-</u>
Total other comprehensive income during the period, net of taxes	<u>33,139</u>	<u>152,329</u>
Total other comprehensive income of the period	<u>\$ 92,173</u>	<u>401,750</u>

See notes that make integral part of the Individual Financial Statements

[Signed]
Bernardo Noreña Ocampo
President (*)

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

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Diana Alexandra Rozo Muñoz
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CORPORACION FINANCIERA COLOMBIANA S.A.

Individual Cash Flow Statements

(Expressed in millions of Colombian Pesos)

	December 31, 2016	June 30, 2016
Cash flow of operational activities:		
Net profit of the semester	\$ 59,034	\$ 249,421
Reconciliation of net profit before income tax and CREE with the cash provided by (used in) operational activities		
Income and CREE tax	8,192	12,421
Depreciation	687	687
Amortization of deferred charges	297	372
Impairment for receivables	6,821	4,282
Impairment of non-financial assets, net	1,008	37
Profit in sale of investments, net	(7,081)	(39,265)
Loss in sale of goods received in payment	-	37
(Profit) in sale of property and equipment	(3,493)	(30)
(Profit) adjustment of fair value in investment properties	(3,370)	(146)
(Profit) in valuation of investments at fair value	(41,196)	(72,438)
(Profit) in valuation of financial derivative instruments, net	(2,227)	(11,189)
(Profit) in valuation of investments at amortized cost	(68,108)	(103,591)
Net variation in operational assets and liabilities		
Decrease (Increase), net of Financial Derivative Instruments	31,600	(139,053)
(Increase) Decrease in active positions of monetary market	(233,746)	54,362
Decrease (Increase) net of investments at amortized cost	16,446	(12,500)
Decrease in investments at fair value	1,265,659	715,630
(Increase) in accounts receivable	(159,485)	(67,307)
Proceeds of sale of goods received in payment	-	84
Net (Increase) in other assets	(30)	(72,086)
(Decrease) Increase Accounts Payable	(5,076)	53,810
Increase of Deposit and current liabilities	285,975	91,308
Increase labor obligations	1,292	179
(Decrease) Increase Provisions	(14,829)	13,220
(Decrease) Increase net in other liabilities	(894)	234
Use of reserve for Wealth tax	-	(14,800)
Taxes paid	(28,329)	(30,411)
Interests paid	(115,220)	(239,177)
Net cash provided (used) by operational activities	<u>\$ 993,927</u>	<u>394,091</u>
Cash flow of investment activities		
Acquisition of property, plant and equipment	(3,285)	(877)
Proceed of sale of properties and equipment	5,395	143
Decrease of investment properties	-	680
Net (Increase) Decrease of investments in subordinated and associated companies	(302,969)	30,773
Decrease other investments in equity securities	3,794	1,224
Revenues of ownership interest method	(196,485)	(307,032)
Dividends received in the period	142,939	113,597
Net cash used in investment activities	<u>\$ (350,611)</u>	<u>(161,492)</u>
Cash flow of financing activities:		
Dividends paid	(77,765)	(89,116)
(Decrease) of financial obligations	(663,184)	(165,231)
Net cash (used in) provided by financing activities	<u>(740,949)</u>	<u>(254,347)</u>

(Loss) in change of cash and cash equivalents	(97,633)	(21,748)
Cash and cash equivalents at the beginning of the period	1,227,662	1,249,410
Cash and cash equivalents at the end of the period	\$ 1,130,029	1,227,662

See notes that make integral part of the Individual Financial Statements

[Signed]
Bernardo Noreña Ocampo
President (*)

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

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CORPORACION FINANCIERA COLOMBIANA S,A,
Individual Statements of Changes in Equity
(Expressed in million Colombian pesos)

	Subscribed and paid-in capital	Legal Reserve		Statutory and occasional reserves	Unrealized profits (losses)			Surplus for Equity accounting method	Decreed Dividends in Shares	Previous Years' Income	Year's profit	Shareholders' Equity, net
		Appropriation of profits	Issue Premium		Other comprehensive income	First time Adoption to IFRS	IFRS Convergence					
Balance as of December 31, 2015	\$ 2,232	\$41,809	\$2,363,795	\$651,295	(\$174,547)	(\$434,444)	(\$42,389)	\$22,994	\$21,049	(\$81,425)	\$258,240	\$2,628,609
Transfer of the year's profits available to the shareholder to previous years' income	-	-	-	-	-	-	-	-	-	258,240	(258,240)	-
Release of reserve for future allocations	-	-	-	(108,111)	-	-	-	-	-	108,111	-	-
Release of Reserves on Valuation of Investments Decree 2336/95 (Realized Income)	-	-	-	(124,515)	-	-	-	-	-	124,515	-	-
Constitution of reserve for future allocations (not levied)	-	-	-	173,804	-	-	-	-	-	(173,804)	-	-
Constitution of Reserves on Valuation of Investments Decree 2336/95	-	-	-	11,631	-	-	-	-	-	(11,831)	-	-
Constitution of Reserve for Wealth Tax	-	-	-	5,827	-	-	-	-	-	(5,827)	-	-
Use of reserves for wealth tax	-	-	-	(14,800)	-	-	-	-	-	-	-	(14,800)
Dividend in cash (see Note 23)	-	-	-	1	-	-	-	-	-	(76,218)	-	(76,217)
Allocation of dividend in shares (January 2016) (see Note 23)	5	-	21,043	-	-	-	-	-	(21,049)	-	-	-
Capitalization of reserves Decree 2338/1995, in shares	31	-	114,871	113	-	-	-	-	-	(115,014)	-	-
Adjustments to the OCI:												
Financial instruments measured at fair value	-	-	-	-	149,537	(747)	-	-	-	-	-	148,790
Financial instruments measured at equity variation and others	-	-	-	-	(18,100)	-	-	-	-	-	-	(18,100)
Valorizations of investments in equity securities	-	-	-	-	(450)	-	-	-	-	-	-	(450)
Valuation for Method of Equity Interest Investments in subordinates and associates IFS 27	-	-	-	-	21,342	-	-	(18,503)	-	-	-	2,839
Year's profit	-	-	-	-	-	-	-	-	-	-	249,421	249,421
Balance as of June 30, 2016	\$ 2,266	\$41,809	\$2,499,709	\$595,245	(\$22,218)	(\$435,191)	(\$42,389)	\$4,491	-	\$26,947	\$249,421	\$2,920,092

CORPORACIÓN FINANCIERA COLOMBIANA S.A.
INDIVIDUAL STATEMENTS of Changes in Equity
(Expressed in million Colombian pesos)

	Subscribed & Paid-In Capital	Legal Reserve		Statutory and Occasional Reserves	Unrealized Profits (losses)			Surplus of Equity Accounting Method	Decreed of Dividends in Shares	Previous Years' Income	Year's profit	Shareholders' Equity
		Appropriation of Profits	Issue Premium		Other Comprehensive Income	First time Adoption to IFRS	IFRS Convergence					
Balance as of June 30, 2016	\$2,268	\$41,809	\$2,499,709	\$595,245	(\$22,218)	(\$435,191)	(\$42,389)	\$4,491	-	\$26,947	\$249,421	\$2,920,092
Transfer of the year's profit available to shareholder from previous years' income	-	-	-	-	-	-	-	-	-	249,421	(249,421)	-
Release of reserve for future allocations	-	-	-	(173,805)	-	-	-	-	-	173,805	-	-
Release of Reserves on Valuation of Investments Decree 2336/95 (Realized Income)	-	-	-	(11,631)	-	-	-	-	-	11,631	-	-
Release of Reserves on Valuation of Investments Decree 2336/95 (Unrealized Income)	-	-	-	(185,551)	-	-	-	-	-	185,551	-	-
Constitution of reserve for future allocations (MPU profits)	-	-	-	104,000	-	-	-	-	-	(104,000)	-	-
Constitution of Reserves on Valuation of Investments Decree 2336/95	-	-	-	20,460	-	-	-	-	-	(20,460)	-	-
Constitution of occasional reserves	-	-	-	231,009	-	-	-	-	-	(231,009)	-	-
Dividend in cash (see Note 23)	-	-	-	-	-	-	-	-	-	(63,945)	-	63,945
Distribution dividend in shares (see Note 23)	49	-	185,384	-	-	-	-	-	-	(185,433)	-	-
Use of profits retained to cover loses of previous years	-	-	-	-	-	-	42,389	-	-	(42,389)	-	-
Capitalization of reserves Decree 2338/1995, in shares	-	-	-	119	-	-	-	-	-	(119)	-	-
Adjustments to the OCI:												
Financial instruments measured at fair value	-	-	-	-	34,827	-	-	-	-	-	-	34,827
Translation adjustments	-	-	-	-	946	-	-	-	-	-	-	946
Financial instruments measured at equity variation and others	-	-	-	-	24	-	-	-	-	-	-	24
Actuarial calculation adjustment	-	-	-	-	(149)	-	-	-	-	-	-	(149)
Valuations of investments in equity securities	-	-	-	-	(2,509)	-	-	-	-	-	-	(2,509)
Valuation Method of Equity Interest Investments in subordinates and controlled companies	-	-	-	-	-	-	-	(41,604)	-	-	-	(41,604)
Year's net profit	-	-	-	-	-	-	-	-	-	-	59,034	59,034
Balance as of December 31, 2016	\$2,317	\$41,809	\$2,685,093	\$579,846	\$10,921	(\$435,191)	(\$37,113)	(\$37,113)	-	-	\$59,034	\$2,906,716

See notes that make integral part of the Individual 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 KPMG Ltda.
(See my report of February 24, 2017)

(*) The undersigned Legal Representative and Accountant certify that as of December 31, 2016 we have previously verified the statements contained in these Financial Statements and the same have been faithfully taken from the accounting books.

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

Corficolombiana

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

DECEMBER 2016

CORPORACIÓN FINANCIERA COLOMBIANA S.A.
Notes to the Individual Financial Statements
(In millions of Colombian Pesos, unless otherwise indicated)

(1) **Reporting Entity**

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.

As of June 21, 2016, Grupo Aval Acciones y Valores S.A. acquired direct control over the Company through a shareholders' agreement. Prior to this date, the company had been under the control of Banco de Bogotá S.A. (subsidiary of Grupo Aval Acciones y Valores).

The Company has its main offices in the city of Bogotá at Carrera 13 No. 26-45, 3rd, 6th, 7th and 8th floors, and it operates through its five regional offices and five agencies in different cities. 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 2 apprentices.

It has the following subsidiaries:

Investment	% of interest December 31, 2016	% of interest June 30, 2016
Financial Companies		
Banco Corficolombiana (Panamá) S.A.	100.00	100.00
Fiduciaria Corficolombiana S.A.	94.50	94.50
Leasing Corficolombiana S.A.	94.50	94.50
Casa de Bolsa S.A. Sociedad Comisionista de Bolsa	38.95	91.87
Energy, gas, mining		
CFC Gas Holding S.A.S.	100.00	100.00
CFC Private Equity Holdings S.A.S.	100.00	100.00
CFC Energy Holdings S.A.S.	100.00	100.00
Gas Comprimido del Perú S.A.	91.87	91.87
Infrastructure		
Colombiana de Licitaciones y Concesiones S.A.S.	100.00	100.00
Proyectos de Ingenieria y Desarrollos S.A.S.	100.00	100.00
Estudios y Proyectos del Sol S.A.S.	100.00	100.00
Estudios Proyectos e Inversiones de los Andes S.A.	99.93	99.93
Proyectos de Infraestructura S.A.	88.25	88.25
Concesionaria Vial de los Andes S.A.	0.25	0.25
Hotels		
Hoteles Estelar de Colombia S.A.	84.96	84.96
Promotora y Comercializadora Turística Santamar S.A.	84.60	84.60
Agribusiness and others		
Valora S.A.	100.00	100.00
Pyxis Inversiones S.A.S.	0.00	0.00
Tejidos Sinteticos de Colombia S.A.	94.99	94.99
Organizacion Pajonales S.A.	98.13	98.13
Plantaciones Unipalma de los Llanos S.A.	54.53	54.53
Industrias Lehner S.A.	52.48	52.48
Pizano S.A.	39.99	39.99
Mavalle S.A.	18.32	18.32

(2) Basis of preparation of financial statements 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 sole regulatory decree 2420/2015 amended by Decree 2496/2015 and by decree 2131/2016.. 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 December 31, 2013 and to the amendments made during the year 2014 by the IASB, especially regarding the amendment to IAS 27 Individual financial Statements.

The Company applies the following exceptions contemplated in Title 4 Special Regimes of Chapter 1 of Decree 2420 of 2015 to these individual financial statements:

- IAS 39 and IFRS 9 regarding the treatment, classification and valuation of investments, in these cases the provisions of Chapter I-1 of the Basic Accounting and Financial Circular of the Financial Superintendence of Colombia (SFC) continue to apply.

In addition, the Company applies the following guidelines in accordance with laws and other regulations in force in Colombia:

- Article 10 of Law 1739 of December 23, 2014, which allows the recognition of the wealth tax affecting the equity reserves, instead of the recognition of expenses as set forth in IAS 37.
- Exceptions established in External Circular 036 of the Financial Superintendence of Colombia dated December 12, 2014, for supervised and controlled companies.

2.2 Basis of measurement

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

Item	Basis of Measurement
Equity instruments (Note 8)	Capital variation Those that present prices in Infovalmer at fair value
Debt instruments measured at fair value through profit or loss (Note 8a)	Fair value
Debt instruments measured at fair value through OCI (Note 8b)	Fair value
Derivative Financial Instruments (Note 01)	Fair value
Investment properties (Note 14)	Fair value
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 financial statements. Individual financial statements are the basis for the distribution of dividends and other appropriations by shareholders.

The General Assembly of Shareholders approved the amendment of the Company's bylaws on September 26, 2016 to establish the closing of the annual accounting year as of January 1, 2017.

2.4 Functional and presentation currency

The Company's main activity is the investment in securities issued by the Republic of Colombia or by national entities, whether they are registered or not in the National Register of Securities and Issuers – RNVE in Colombian pesos; and investments in securities issued by foreign banks, securities issued by foreign companies in the real sector whose shares are listed on one or more internationally recognized stock exchanges, bonds issued by multilateral credit institutions, foreign governments or public entities. The Company's performance is measured and reported to its shareholders and to the general public in Colombian pesos. Due to the above, the Company's management considers that the Colombian peso is the currency that more accurately represents the economic effects of the Company's underlying transactions, events and conditions and for this reason the financial statements are presented in Colombian pesos as its functional currency.

Summary of the main significant accounting policies

The following accounting policies have been applied in the preparation of the individual financial statements. These financial statements were prepared to comply with the legal provisions that the Company must comply with as an independent legal entity; some accounting principles can differ from those principles applied on the consolidated financial statements and also, they do not include the adjustments or eliminations necessary for the presentation of the consolidated financial position and the consolidated comprehensive income of the Company and its subordinated companies. Therefore, the individual financial statements shall be read jointly with the consolidated financial statements of Corficolombiana and subordinated;

2.5 Transactions in foreign currency

Transactions in foreign currency are translated into Colombian pesos using the existing exchange rate on the date of the transaction. Monetary assets and liabilities in foreign currency are translated into the functional currency using the exchange rate prevailing on the cut-off date of the statement of financial position. Gains or losses resulting from the conversion process are included in the statement of income. As of December 31 and June 30, 2016, rates were \$3,000.71 and \$2,919.01, respectively. (Figures in Colombian pesos).

2.6 Cash and cash equivalents

Cash and cash equivalents include available cash, bank deposits and other short-term investments in active markets with original maturities of three months or less from the date of acquisition. The Company maintains cash equivalents, cash and deposits in Colombia's Central Bank for the purposes of complying with legal requirements. The Company presents the statement of cash flows using the indirect method.

2.7 Money market operations

It groups interbank funds, repo and simultaneous operations and the temporary transfer of securities:

- **Interbank funds**

Interbank funds are those that are placed or received by a financial institution or from another financial institution directly, without an investment transfer agreement or loan portfolio. Overnight transactions made with foreign banks using Company funds, as well as 'time deposits' are recorded as interbank funds.

Interest income generated from the transaction is recorded in the statement of income.

- **Repo operation**

A repo operation occurs when an entity acquires or transfers securities, in exchange for the delivery of a sum of money, assuming in said act and moment the commitment to transfer or acquire the ownership of securities of the same kind and characteristics once again from its "counterparty", the same day or at a later date and at a specified price.

The initial amount can be calculated with a discount on the market price of the securities subject of the operation; it may be established that during the validity of the operation, the values initially delivered by others are replaced and restrictions placed on the mobility of the securities subject of the transaction.

Yields recorded in this item are calculated exponentially during the term of the operation and are recognized in the statement of income.

The transferred securities subject to the repo operation are recorded in contingent debtor or creditor accounts, depending on whether it is an open or closed repo operation, respectively.

- **Simultaneous Operations**

Simultaneous operations take place when an entity acquires or transfers securities, in exchange for the delivery of a sum of money, assuming in said act and moment the commitment to transfer or acquire the ownership of securities of the same kind and characteristics once again the same day or at a later date and at a specified price.

The initial amount cannot be calculated with a discount on the market price of the securities subject of the operation, and the values initially delivered by others cannot be replaced during the validity of the operation. No restrictions are placed on the mobility of the securities subject of the transaction.

Yields accrued by the acquirer and paid by the seller as cost of the operation during the term thereof are recognized as the greater value of the simultaneous operation.

The difference between present value (cash delivery) and future value (final transfer price) is considered to be revenue from financial yields that is calculated exponentially during the term of the operation and is recognized in the statement of income.

The transferred securities subject of the simultaneous transaction are recorded in contingent debtor or creditor accounts for active or passive positions, respectively.

- **Temporary Transfer of Securities**

These operations take place when an entity transfers the ownership of some securities, with the agreement to retransfer them on the same date or at a later date. In turn, the counterparty transfers the ownership of other securities or a sum of money of equal or greater value to that of the securities subject of the transaction.

2.8 Investments

Includes investments acquired by the Company for the purpose of maintaining a secondary liquidity reserve, acquiring direct or indirect control over any company in the financial or services sector, complying with legal or regulatory provisions, or with the exclusive purpose of eliminating or reducing the market risk to which the assets, liabilities or other items in its financial statements are exposed.

The purpose of valuing investments is to calculate, record and disclose to the market the value or fair price of exchange at which a certain security may be traded on a particular date, according to its particular characteristics and within the conditions prevailing in the market on that date.

The determination of fair value must comply, as a minimum, with the following criteria:

Objectivity. The fair value of a security must be determined and allocated based on technical and professional criteria, which recognize the effects of changes in the behavior of all variables that may affect said price.

Transparency and representativeness. The fair value of a security is determined and allocated for the purposes of revealing a true, neutral, verifiable and representative economic result of the rights incorporated in the respective security.

Ongoing evaluation and analysis. The fair value attributed to a security is based on the ongoing evaluation and analysis of the conditions of the market, other issuers and the respective issuance. Variations in such conditions reflect changes in previously allocated prices, with the frequency established for the valuation of investments.

Professionalism. The determination of the fair value of a security is based on the conclusions obtained by a prudent and diligent expert in the analysis and study of all relevant information available so that the price that is determined reflects the funds would reasonably be received by its sale.

The Company classifies investments according to the business model defined by the entity. For these purposes, the business model corresponds to the strategic decision adopted by the Board of Directors, on the form or activities through which it will perform its corporate purpose.

Investments are classified in the categories of marketable or available for sale debt securities, debt securities held to maturity and participatory securities, which are classified as investments in subsidiaries and associates.

The following is the way in which the different types of investment are classified, valued and accounted for:

Classification	Characteristics	Valuation	Accounting
Marketable Investments (measured at fair value)	Securities and in general, any type of investment that has been acquired for the main purpose of obtaining profits from short-term price fluctuations.	<p>According to the price provided by the price vendor designated as official for the corresponding segment, according to the instructions established in the Basic Accounting Circular.</p> <p>Marketable securities represented by debt securities should be valued at fair price based on the price determined by the price vendor.</p> <p>For exceptional cases where it does not exist, for the valuation date fair value should be determined subject to exponential valuation based on the Internal Rate of Return.</p> <p>Fair value of the respective investment must be estimated or approximated by calculating the sum of the present value of future flows for returns and capital, with the procedure of estimating the future flows of funds by way of income and capital.</p> <p>The Company will determine the yields according to:</p> <ol style="list-style-type: none"> 1. Fixed-rate debt securities. 2. Variable-rate debt securities. 3. Securities with prepayment option. 	<p>Marketable investments must be initially recorded at their acquisition cost and from that same day must be valued at fair value.</p> <p>The accounting for changes between acquisition cost and fair value of investments will be made from the date of purchase, individually, for each security.</p> <p>The accounting of these investments must be made in the respective "Investments at Fair Value through Profit and Loss" accounts of the Unified Financial Information Catalogue for supervisory purposes.</p> <p>In the case of debt securities, outstanding taxable yield is recorded as a higher value of the investment. Consequently, the collection of such yield must be accounted for as a lower value of the investment.</p>
Available-for-sale investments	Available-for-sale investments are securities and, in general, any type of investment, which is not classified as marketable investments or as investments held to maturity.	According to the price provided by the price vendor designated as official for the corresponding segment, according to the instructions established in the Basic Accounting Circular.	<p>They must be initially recorded at their acquisition cost and from that same day must be valued at fair value.</p> <p>The accounting for changes</p>

	<p>Securities classified as available-for-sale investments may be delivered as collateral in a central counterparty clearing house in order to support compliance with the operations accepted by the counterparty for clearing and settlement.</p> <p>Likewise, with these investments, money market (repurchase or repo transactions, simultaneous or temporary transfer of securities) operations can be made and delivered as collateral.</p>	<p>Available-for-sale securities represented by debt securities should be valued at fair price based on the price determined by the price vendor.</p> <p>For exceptional cases where it does not exist, for the valuation date fair value should be determined subject to exponential valuation based on the Internal Rate of Return.</p> <p>Fair value of the respective investment must be estimated or approximated by calculating the sum of the present value of future flows for returns and capital, with the procedure of estimating the future flows of funds by way of income and capital.</p>	<p>between acquisition cost and fair value of investments will be made from the date of purchase, individually, for each security.</p> <p>The accounting of these investments must be made in the respective "Investments at Fair Value through Other Comprehensive Income – OCI" accounts of the Unified Financial Information Catalogue for supervisory purposes.</p>
Debt securities held to maturity (measured at fair value)	<p>Securities and, in general, any type of investment in respect of which the investor has the purpose and legal, contractual, financial and operational capacity to hold the same until the expiration of their term of maturity or redemption. The purpose of holding investments is the positive and unequivocal intention not to transfer the security.</p> <p>With these investments, money market operations (repurchase or repo, simultaneous operations or temporary transfer of securities) cannot be carried out, except in the case of forced or compulsory investments subscribed in the primary market and provided that the counterparty of the transaction is the Central Bank, the General Directorate of Public Credit and the National Treasury or the entities under the supervision of the Financial Superintendence of Colombia.</p>	<p>Exponentially based on the Internal Rate of Return calculated at the time of purchase, based on a 365-day year.</p> <p>When the conditions of the issuance establish the use of the value of the indicator of the date of commencement of the period to be paid, the Internal Rate of Return must be recalculated each time the value of the face indicator changes and when coupons expire.</p> <p>In these cases, the present value on the recalculation date, excluding the outstanding taxable income, should be taken as the purchase value.</p> <p>When the conditions of the issuance establish the use of the value of the indicator of the date of expiration of the period to be paid, the Internal Rate of Return must be recalculated each time the value of the face indicator changes.</p>	<p>The accounting of these investments must be made in the respective "Investments at Amortized Cost" accounts of the Unified Financial Information Catalogue for supervisory purposes.</p> <p>The updating of the present value of this type of investments should be recorded as a higher value of the investment, affecting the results of the period.</p> <p>Outstanding taxable yield is recorded as a higher value of the investment. Consequently, the collection of such yield must be accounted for as a lower value of the investment.</p>

		<p>In the case of securities incorporating prepayment options, the Internal Rate of Return must be recalculated whenever future flows and payment dates change for valuation purposes. In these cases, the present value on the recalculation date of the future flows should be taken as the purchase value.</p>	
Participatory securities	<p>Securities, and in general any type of investment, which are not classified as marketable investments or as investments held to maturity.</p>	<p>Investments in subsidiaries, affiliates and interests in joint ventures: Investments in subsidiaries must be valued such that the books of the parent or controlling company are recognized by the equity method in the individual financial statements.</p> <p>In cases where the rules of the Commercial Code or other legal provisions do not provide for the accounting treatment of investments in subsidiaries, affiliates and associates, they shall comply with the provisions of IAS 27, IAS 28 and IFRS 11, as appropriate.</p> <p>The Company applies IAS 27 and will anticipate the valuation of its investments in participatory securities in subsidiaries, affiliates and associates.</p> <p>Participatory securities registered in the National Register of Securities and Issuers (RNVE): Participatory securities registered in the RNVE and listed on a stock exchange in Colombia, other than investments in subsidiaries, affiliates, associates and interests in joint ventures, shall be valued in accordance with the price determined by valuation price vendors authorized by the SFC at fair value.</p> <p>Investments in collective investment funds, private</p>	<p>Investments in subsidiaries, affiliates and interests in joint ventures are initially recorded at cost and adjusted periodically using the equity method. Dividends received in cash are recognized as the lower value of the investment.</p> <p>Participatory securities registered in the National Register of Securities and Issuers (RNVE): The effect of the valuation of the investor's interest is accounted for in the respective unrealized gains or losses (OCI) accounts charged or credited to the investment.</p> <p>Dividends distributed in cash or in kind must be recorded as income, adjusting the corresponding unrealized gains or losses account (up to their accumulated value) and, if necessary, also the value of the investment in the amount of the surplus over that account.</p> <p>Investments in collective investment funds, private equity funds, hedge funds and mutual funds are accounted for by adjusting the value of the unit as a higher or lower value of the fund, and with a corresponding entry in the statement of income.</p> <p>Participatory securities that are listed only on stock exchanges abroad: The effect of the valuation of</p>

		<p>equity funds, hedge funds, mutual funds, among others, and securities issued in the development of securitization processes should be valued taking into account the unit value calculated by the management company on the day immediately prior to the date of valuation.</p> <p>Participatory securities that are listed only on stock exchanges abroad: These investments, other than investments in subsidiaries, affiliates, associates and interests in joint ventures should be valued in accordance with the price determined by valuation price vendors authorized by the SFC at fair value. In case the price determined by the price vendor is in a denomination other than Colombian pesos, it should be converted into the Colombian legal tender.</p> <p>Participatory securities not listed on the stock exchange. When the price vendor designated as official of the relevant segment does not have a valuation methodology for these investments, entities must increase or decrease the acquisition cost in the interest percentage corresponding to the investor on the subsequent variations of the respective issuer's equity.</p> <p>For this purpose, the variation in the issuer's equity will be calculated based on the certified financial statements as of June 30 and December 31 of each year. However, when more recent certified financial statements are known, they should be used to establish the respective variation. Entities will have a</p>	<p>the investor's interest is accounted for in the respective unrealized gains or losses (OCI) accounts charged or credited to the investment.</p> <p>Participatory securities not listed on the stock exchange are recorded by subsequent variations in the respective issuer's equity as a higher or lower value of the investment against the respective "unrealized gains or losses (OCI) account".</p> <p>Dividends distributed in cash or in kind must be recorded as income, adjusting the corresponding unrealized gains or losses account (up to their accumulated value) and, if necessary, also the value of the investment in the amount of the surplus over that account.</p>
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		maximum term of three (3) months after the cutoff date of the financial statements to provide the respective update.	
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Derecognition of assets

A financial asset (or, as the case may be, part of a financial asset or part of a group of similar financial assets) is derecognized:

- Upon the expiry of contractual rights over the asset's 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 all risks and benefits of ownership of the asset have been substantially transferred;
- When the risks and rewards of ownership of the asset are substantially retained, but control of the asset has been transferred.

Where the Company has transferred its 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.

Reclassification of investments

The Company may reclassify its investments only in accordance with the following provisions:

Reclassification of investments at amortized cost to investments through profit and loss

There is a possibility to reclassify an investment from the category of investments at amortized cost to the category of investments through profit and loss when any of the following circumstances occur:

- A significant impairment in the conditions of the issuer, its parent company, its subsidiaries or its affiliates;
- Changes in regulation that prevent holding the investment;
- Merger or institutional reorganization processes that entail the reclassification or realization of the investment, in order to maintain the previous position of interest rate risk or to comply with the credit risk policy previously established by the surviving entity;
- In other cases in which the Financial Superintendence of Colombia has given its prior and express authorization.

Reclassification of investments through other comprehensive income to investments through marketable income or to investments at amortized cost

Investments may be reclassified in the category of investments through other comprehensive income to any of the other categories:

- When the composition of the company's significant activities is redefined as a result of circumstances such as changes in the business cycle or market niche in which the regulated entity is acting or in its risk appetite;
- When the assumptions of adjustment in the management of the investments that the business model has previously defined materialize;
- When investors lose its parent or controlling interest, and such circumstance also implies the decision to dispose of the investment in the short term as of that date; or
- When any of the circumstances contemplated in the reclassification of the investments to hold marketable investments to maturity takes place.

Provisions applicable to the reclassification of investments

In relation to reclassification of investments, the following rules must be observed:

- When investments at amortized cost are reclassified to investments through profit and loss, the rules on the valuation and accounting of the same must be observed;
- When investments through other comprehensive income are reclassified to investments through profit and loss, the result of the reclassification of investments must be recognized and maintained in "Other Comprehensive Income (OCI)" as unrealized gains or losses, until the sale of the corresponding investment is made;
- When investments through other comprehensive income are reclassified to investments at amortized cost, the rules on the valuation and accounting of the same must be observed. Consequently, unrealized gains or losses, which are recognized in OCI must be written off against the registered value of the investment, since the effect of the fair value will no longer be realized given the decision to reclassify to the category of investments at amortized cost. This way the investment must be registered as if it had always been classified in the category of investments at amortized cost. Likewise, as of that date the investment must be valued under the same conditions of Internal Rate of Return of the day prior to the reclassification;
- When the General Directorate of Public Credit and the National Treasury of the Ministry of Finance and Public Credit carry out debt management operations or transitory liquidity operations on public debt securities, entities subject to the inspection and supervision of the Financial Superintendence of Colombia may reclassify such securities from the "available-for-sale" or "held-to-maturity" investments category to the "marketable investments" category. In any case, only securities may be reclassified in those transactions carried out with the fulfillment of the assumptions and conditions provided, for the amount effectively traded.

Impairment or losses by issuer risk rating.

For the impairment of investments in debt securities, as well as equity securities that are valued at equity variation, the Company adjusts them on each valuation date based on:

- The rating applicable to the issuer and/or the security in question whenever it exists;
- Objective evidence that an impairment loss has been incurred or could be incurred in asset value.

For the purposes of measuring and recognizing the impairment of investments in subsidiaries, affiliates and associates in the individual financial statements, the Company must comply with the provisions of IAS 36 contained in the Technical Framework of the Annex to Decree 2784 of 2012 or the rules that amend or replace the same.

When there is likelihood of impairment, the provisions to be realized are estimated according to Chapter I-1 of the Basic Accounting and Financial Circular.

Securities from unrated issuances or issuers:

Securities that do not have an external rating or that are issued by entities that are not rated will be classified as follows:

Category	Risk	Characteristics	Impairment
A	Normal	They comply with the terms agreed in the security and have an adequate ability to pay principal and interest.	Not applicable.
B	Acceptable	Corresponds to issuances that present uncertainty factors that could affect the ability to continue to adequately comply with debt services. Likewise, their financial statements and other available information exhibit weaknesses that may affect their financial situation.	Net value cannot exceed 80% of the acquisition cost, net nominal value of the amortizations made up to the valuation date.
C	Appreciable	Corresponds to issuances that exhibit high or medium probability of default in the timely payment of principal and interest. Likewise, their financial statements and other available information show deficiencies in their financial situation that jeopardize the recovery of the investment.	In the case of debt securities, the value for which they are accounted for may not exceed sixty percent (60%) of their nominal value, net of amortizations made up to the valuation date. In the case of participatory securities, the value for which they are accounted for cannot exceed sixty percent (60%) of their

			investment value by the equity method at the valuation date.
D	Significant	Corresponds to those issuances that exhibit breaches in the terms agreed in the security, as well as the investments in issuers that according to their financial statements and other available information present marked deficiencies in their financial situation.	In the case of debt securities, the value for which they are accounted for may not exceed forty percent (40%) of their nominal value, net of amortizations made up to the valuation date. In the case of participatory securities, the net value of credit risk provisions (carrying value less provision) at which they are accounted for cannot exceed forty percent (40%) of their investment value by the equity method at the valuation date.
E	Uncollectible	Corresponds to those investments by issuers estimated to be uncollectible according to their financial statements and other available information.	The value of these investments is fully provisioned.

Securities from issuances or issuers with external ratings

Long-term rating (*)	Maximum Value %	Short-term rating	Maximum value %
BB+, BB, BB-	Ninety (90)	3	Ninety (90)
B+, B, B-	Seventy (70)	4	Fifty (50)
CCC	Fifty (50)	5 and 6	Zero (0)
DD, EE	Zero (0)	5 and 6	Zero (0)

(*) Corresponds to the rating code reported by the Financial Superintendence of Colombia for long-term issuers, "Speculative Investment Category"

In any case, if the impairment on investments classified at amortized cost and in respect of which a fair value can be established; such impairment corresponds to the difference between the registered value of the investment and the fair value, when this is lower.

For the effect of estimating impairment on term deposits, the rating of the respective issuer should be taken into consideration.

External ratings must be made by a securities rating company authorized by the Financial Superintendence or Colombia or by an internationally recognized securities rating company, in the case of securities issued by foreign entities and placed abroad.

In the event that the investment or issuer has rating from more than one rating company, the lowest rating must be taken into account, if they were issued within the last three (3) months, or the most recent when more than three months have elapsed between the two ratings.

2.9 Accounts Receivable

Accounts receivable are non-derivative financial assets with fixed or determinable payments that are not listed in an active market. After initial recognition, these financial assets are measured at amortized cost using the effective interest rate method, less any impairment. Amortized cost is calculated taking into account any discount or premium on the acquisition and the commissions or costs that are an integral part of the effective interest rate. The accrual of the effective interest rate is recognized as financial income in the statement of income. Losses resulting from impairment are recognized in the statement of income as financial costs.

2.10 Transactions with derivative financial instruments.

In accordance with International Financial Reporting Standard 9 a derivative is a financial instrument, whose value changes over time based on an underlying variable, does not require a net initial investment or requires a small investment in relation to the underlying asset and is settled at a future date.

In the performance of its operations the Company generally trades in the financial markets in financial instruments with forwards, futures, swaps and options that comply with the definition of derivative.

All derivative transactions are initially recorded at fair value with subsequent changes in fair value adjusted with a charge or credit to profit and loss.

Financial assets and liabilities for derivative transactions are not offset in the statement of financial position; However, when there is a legal and enforceable right to offset recognized securities and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously they are presented net in the statement of financial position.

The Company, as of December 31, 2016 and June 30, 2016, has not applied hedge accounting in derivative financial instruments.

2.11 Assets delivered under lease.

Assets delivered under lease by the Company 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. A lease is classified as an operating lease if it does not substantially transfer all the risks and benefits inherent in the property. The Company holds assets leased to its subsidiaries and are classified as operating leases.

2.12 Property and equipment for own use.

Property and equipment for own use include the assets owned or leased by the Company for current or future use and which it expects to use for more than one fiscal year. It also includes the tangible assets received for the total or partial liquidation of financial assets that represent collection rights to third parties and which are expected to be used continuously.

Property and equipment for own use are recorded in the balance sheets at cost, less accumulated depreciation and, if applicable, estimated losses resulting from comparing the net book value of each item with its corresponding recoverable value.

Depreciation is calculated using the straight-line method on the acquisition cost of the assets, less their residual value; it being understood that the land on which the buildings and other constructions are built have an indefinite useful life and that, therefore, are not subject to depreciation. This depreciation charged to income is calculated based on the following useful lives:

Component	Useful Life	Residual Value	Method
Buildings	70	20%	Straight line
Adaptations	20	10%	Straight line
Office equipment and furniture	10	0%	Straight line
Computer equipment	5	0%	Straight line
Vehicles	5	10%	Straight line
Mobilization equipment	20	0%	Straight line

At each accounting close, the Company analyzes whether there are indications, both external and internal, that a material asset may be impaired. If there is evidence of impairment, the entity analyzes whether there is in fact such impairment by comparing the net book value of the asset with its recoverable value (as the greater of its fair value less disposal costs and its value in use). When the carrying amount exceeds the recoverable amount, the carrying amount is adjusted to its recoverable amount, modifying future amortization charges, in accordance with its new remaining useful life.

Similarly, when there are indications that the value of a tangible asset has been recovered, the Company estimates the recoverable value of the asset and recognizes it in the statement of income, recording the reversal of the impairment loss accounted for in previous periods, and adjust future charges for depreciation accordingly. In no case the reversal of the impairment loss of an asset may result in an increase in its carrying amount above that which would have been incurred if there were no impairment losses recognized in prior years.

The maintenance expenses of property and equipment are recognized as an expense in the year in which they are incurred and recorded under "Administrative expenses".

At least once a year, the Company assesses the useful lives and their residual value, and will make adjustments in the financial statements if necessary. See note 13.

2.13 Investment Properties

In accordance with International Accounting Standard IAS 40 "Investment Properties" investment properties are defined as those lands or buildings considered wholly, in part or both that are held by the Company to obtain income, valuation of the asset or both in lieu of their use for purposes of the Company.

Investment properties are initially recorded at cost, which includes all costs associated with the transaction. Subsequently such assets can be measured at depreciated cost in the same way as property, plant and equipment or at their fair value. Changes in the fair value variation are recognized in the statement of income.

Such fair value is determined on the basis of appraisals conducted periodically by independent experts using level three valuation techniques described in IFRS 13 "Measurement of Fair Value".

This category includes Assets Received in Payment or Refunded which, in accordance with the provisions of circular 036 of 2014 of the Financial Superintendence of Colombia must be provisional regardless of their accounting classification, in accordance with the instructions established in Chapter III of the Basic Accounting and Financial Circular.

Realizable assets received as payment – Registers the value of the assets received by the Company in payment of uncollected balances from loans in its favor.

Assets received in payment represented in real estate are received based on a technically determined commercial appraisal based on market value.

The following conditions are taken into account for the registration of assets received in payment:

- The initial registration is made according to the value determined in the legal award or that agreed with debtors;
- When the property received in payment is not disposed of, its cost is increased with the necessary expenses incurred for the sale.
- If, between the value at which the asset is received and the amount of the loan to be canceled there is a positive balance in favor of the debtor, this difference is accounted for as an account payable. If the value of the asset does not cover the entire obligation, a provision is created for the amount equivalent to the difference.

Provision for realizable assets received in payment – Individual provisions for real estate are created by applying the model developed by the Company and approved by the Financial Superintendence of Colombia. The model estimates the maximum expected loss in the sale of the assets received in payment, according to its history of recoveries on assets sold, the inclusion of expenses incurred in the receipt, maintenance and sale of the same and the grouping of these expenses in common categories for estimating the base rate of provision. This rate is adjusted monthly to eighty percent (80%) of the provision.

Once the legal term for sale has expired without an extension being authorized, the provision must be one hundred percent (100%) of the remaining book value. In the event of an extension, thirty percent (30%) of the provision may be created at the end of the same. See note 14.

2.14 Assets received under lease.

Assets received under lease at initial receipt are also classified as financial or operating leases in the same way as the leased assets described in 2.11. Leases that are classified as financial leases are included in the balance sheet as property, plant and equipment for own use or as investment properties according to their subject matter and are initially recorded in assets and liabilities simultaneously for an amount equal to the fair value of the asset received under lease or by the present value of the minimum rent, whichever is lower. The present value of the minimum rent is determined using the unimpaired interest rate in the lease, or if it does not have an interest rate, the average interest rate on the bonds placed by the Company in the market. Any initial direct cost of the lessee is added to the amount recognized as an asset. The amount recorded as a liability is included in the financial obligations account and recorded in the same manner.

2.15 Intangible Assets.

The intangible assets held by the Company are acquired in the performance of its corporate purpose and correspond mainly to computer software. These are measured initially at the cost incurred in the acquisition and after their initial recognition, these assets are amortized over their estimated useful life which for software is a period of no more than three (3) years. However, in the case of advanced technology software that are deemed to be global platform that will allow the future growth of the entity in line with market developments and whose development or acquisition costs exceed 30% of the technical capital of the respective entity, including the hardware, subject to the favorable opinion of the the Financial Superintendence of Colombia may be deferred to five (5) years from the moment each product begins its productive stage, through a gradual and upward program with percentages of 10%, 15%, 20 %, 25% and 30%, respectively or similar percentages.

2.16 Financial Liabilities.

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

Financial liabilities are only derecognized when the obligations they generate are extinguished or when they are acquired (either with the intention of canceling them or with the intention of replacing them). See note 18 and 19.

2.17 Employee Benefits.

In accordance with International Accounting Standard IAS 19 "Employee Benefits", for the purposes of recognition are all forms of consideration granted by the Company in exchange for services rendered by employees and are divided into four classes:

a) Short-term benefits

According to Colombian employment standards, these benefits correspond to salaries, legal and extralegal premiums, vacations, severance and social security contributions to state entities that are paid 12 months after the end of the period. These benefits are accrued by the accrual system, charged to results.

b) Post-employment benefits

These are benefits that the Company pays to its employees at the time of their retirement or after completing their period of employment, other than compensation. These benefits, according to Colombian labor standards correspond to retirement pensions assumed by the Company directly.

c) Other benefits to long-term employees

These are all employee benefits other than short-term and post-employment benefits and severance payments. In accordance with the Company's regulations, these benefits essentially correspond to seniority premiums.

The liability for long-term benefits is determined based on the present value of the estimated future payments to be made to employees, calculated on the basis of actuarial studies prepared by the projected unit credit method using actuarial assumptions of mortality rates, salary increases and staff turnover, and interest rates determined with reference to the current market yields of bonds at the end of the period of National Government emissions or high quality business obligations. Under the projected unit credit method, future benefits to be paid to employees are assigned to each accounting period in which the employee renders the service. Therefore, the corresponding expense for these benefits recorded in the Company's statement of income includes the present service cost assigned in the actuarial calculation plus the financial cost of the calculated liability. Variations in the liability for changes in actuarial assumptions are recorded in equity in the other comprehensive income account.

d) Benefits of termination of employment contract with employees

These benefits correspond to payments that have to be made by the Company from a unilateral decision of the Company to terminate the contract or by an employee decision to accept a benefits offer from the Company in exchange for the termination of the employment contract. In accordance with Colombian law, these payments correspond to severance payments and to other benefits that the Company unilaterally decides to grant to its employees in these cases.

Termination benefits are recognized as a liability charged to results on the first of the following dates:

- When the Company formally notifies the employee of its decision to terminate the employment contracts;
- When provisions for restructuring costs are recognized by a subsidiary or business of the Company that involves the payment of termination benefits.

The Company currently has no restructuring plans in place. See note 22

2.18 Accounts Payable

After initial recognition, interest-bearing accounts payable are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of income when liabilities are derecognized, as well as through the amortization process using the effective interest rate method.

The amortized cost is calculated taking into account any discount or premium on the acquisition and the commissions or costs that are an integral part of the effective interest rate. The effective interest rate is recognized as a financial cost in the statement of income. See note 22.

2.19 Income tax

Income tax expense includes current tax and deferred tax. The tax expense is recognized in the statement of income except in the portion corresponding to items recognized in the of other comprehensive income account in equity. In this case the tax is also recognized in said account.

The current income tax is calculated on the basis of the tax laws in force in Colombia at the date of the financial statements. The Company's Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulations are subject to interpretation and establish provisions where appropriate on the basis of expected amounts 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 financial statements that give rise to amounts that are deductible or taxable when determining the future taxable profit or loss when the book value of the asset is recovered or the liability is settled. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred tax is not accounted for if the initial recognition of an asset or liability arises in a transaction other than a business combination that at the time of the transaction does not affect the accounting or taxable profit or loss. Deferred tax is determined using tax rates that are in effect at the balance sheet date and are expected to be applied when the deferred tax asset is realized or when the deferred tax liability is offset.

Taking into account that IAS 12 "Income Taxes" only refers to the term income tax, which includes all taxes, whether domestic or foreign, based on tax gains. In that sense, when taxed by the presumptive income system, the company's tax payable is determined on a different tax base based on a presumption of the net assets' profitability and not on ordinary income or tax gains. Under this presumptive system temporary differences will not generate higher or lower tax payments in future periods as long as the entity continues to pay its taxes under this system.

This is in accordance with IAS 12, where the recognition of deferred taxes is based on the recovery of the carrying amount of the assets or settlement of the liabilities, resulting in higher or lower tax payments in future related periods with tax gains determined on the ordinary system.

Therefore, Management considers that in order for its Financial Statements to facilitate decision-making, by providing relevant information adjusted to its tax system it will not recognize deferred income taxes except on temporary differences resulting in supplementary taxes on irregular

income, since a change in the nature of its operations that would modify the tax base is not expected in the foreseeable future. This situation should be reviewed at each cutoff date in order to determine the most appropriate treatment for the recognition of deferred taxes in accordance with IAS 12 Income Taxes.

Deferred tax assets are recognized only to the extent that it is probable that future taxable income will be available against which temporary differences may be used.

Deferred tax liabilities are provided on taxable temporary differences arising, except for the deferred tax liability on investments in subsidiaries, associates and joint ventures when the opportunity for reversal of the temporary difference is controlled by the Company and it is probable 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 in investments in associates.

Deferred tax assets are recognized on deductible temporary differences of investments in subsidiaries and associates only to the extent that it is probable that the temporary difference will be reversed in the future and there is sufficient fiscal profit against which the temporary difference can be used.

Deferred tax assets and liabilities are offset when there is a legal right to offset deferred taxes against tax liabilities and when deferred tax assets and liabilities are related to taxes levied by the same tax authority on the same entity or different entities when there is an intention to offset balances on net bases. See note 16.

2.20 Provisions.

Provisions for legal claims are recognized when the Company has a present or assumed legal obligation as a result of past events, it is probable that an outflow of resources is required to settle the obligation and the amount has been estimated reliably. Restructuring provisions include penalties for cancellation of leases and payments for dismissal of employees.

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 21.

2.21 Non-voting preferred shares

In accordance with IFRS 32 "Financial Instruments: Presentation", the issuer of a non-derivative financial instrument must evaluate its conditions to determine whether it contains liability and equity components. These components are classified separately as financial liabilities or equity instruments for the issuer. In accordance with the foregoing, the Company has evaluated this

requirement in relation to the non-voting preferred shares it has issued as of the cutoff dates of this financial statement and has concluded that these shares do not have the characteristics of financial liabilities and are therefore recognized as a greater value of equity.

2.22 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 recognizes revenues when their amount can be reliably measured, it is probable that the company will obtain future economic benefits and when the specific criteria for each of the Company's activities have been met, such as outlined below:

Provision of services

The Company provides services of different kinds. The recognition of revenues from the provision of services is effected 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.

Commission income

Corficolombiana's investment banking department generates commission income for structuring and advising on syndicated loans, corporate bonds and investment project research.

Among the products offered by Corficolombiana investment banking are:

- Funding: project financing and capital market (equity and debt);
- Corporate finance: mergers, acquisitions and sale of companies and capitalizations;
- Advice and structuring: structuring of projects, consultancies and financial diagnostics.

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.

Equity method

Corresponds to increases or decreases in the equity of subsidiaries and/or associates originating in the results of the period and in the variations of other equity items, which must be cleaned and reconciled. This value in the proportion proportional to the Company's interest will be recognized as a higher or lower value of the investment at the date of the calculation. Its counterpart will be an income or expense in the statement of income or effects in equity, as appropriate. See note 29.

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 entity chooses to use 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 30.

Lease income

Revenues from operating leases in real estate investments are recognized on a straight-line basis over the lease period and are included as ordinary revenue due to their nature as operating income.

2.23 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. The Law establishes that for accounting purposes in Colombia such tax can be registered charged to reserves within equity. The Company has decided to apply such an exception and has registered the wealth tax accrued in 2016 and 2015 charged to equity reserves.

2.24 Net Earnings per Share

To determine net earnings per share, the Company divides the net profit for the period by the weighted average number of shares outstanding during the year. As of December 31 and June 30, 2016, the weighted average of the shares was 229,018,001 and 224,694,982 respectively.

2.25 Differences in the application of international financial reporting standards in force at an international level and accounting and financial reporting standards accepted in Colombia.

In accordance with Colombian law, the financial information standards applicable in Colombia are those issued by the National Government through the regulatory decrees of Law 1314 of 2009. To date, the National Government has issued Decrees 3023 of 2013 and 2267 of 2014, which include the IFRS in force at an international level as of December 31, 2013, in which it is established that IFRS will be applied in individual financial statements, except as regards the treatment of the loan portfolio and its impairment and the classification and valuation of investments in IAS 39 and IFRS 9, for which the accounting provisions issued by the Financial Superintendence included in the Basic Accounting and Financial Circular are applied.

Additionally, as explained in paragraph 2.23 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 for the semesters ended December 31 and June 30, 2016, 2015, due to the complete non-application of the International Financial Reporting Standards:

Concept	December 31, 2016		June 30, 2016	
	Equity	Results	Equity	Results
Investments in subsidiaries and associates (they are recognized by the Equity Method. Under International regulations and by policy they are recognized at cost)	(902,307)	(151,604)	(782,799)	(206,808)
Investments in Debt Securities (Application of IFRS 9 issued in 2011 which is not currently in force at the international level in the classification of financial instruments into two categories: At fair value through profit and loss and amortized cost in three categories in accordance with IAS 39: marketable, available-for-sale and held-to-maturity)	27,461	1,355	59,306	19,456
Investment Properties - BRP (Effects of the application of EC 036-2014 Issued by the Financial Superintendence) on the treatment of provisions of the assets received in payment.)	47,943	910	48,776	12,706
Total effect	(826,903)	(149,339)	(674,717)	(174,646)

2.26 New regulations and amendments not adopted

Regulations and amendments applicable as of January 1, 2017

On December 22, 2016, Decree 2131 was issued by the Ministry of Trade, Industry and Tourism, which amends Decree 2420/2015 amended by Decree 2496/2015, amending the technical regulatory framework including the amendments to IAS 7, IAS12 and clarifications to the IFRS 9 and 15. The impact of these regulations is being assessed by the administration of the Corporation.

Amendment to IAS 7 Cash flows

Application as of January 1, 2018 allows its early application. An entity shall disclose information that allows the users of the financial statements to assess the changes in the liabilities derived from financing activities, including both changes derived from cash flows and changes that are not in cash.

Amendment to IAS 9 Financial instruments

Application as of January 1, 2018 allows its early application. It defines the following phases for financial instruments: Phase 1: Classification and measurement of the financial

assets and liabilities, Phase 2: Impairment methodology, Phase 3: Hedge Accounting. It replaces IFRS 39 and replaces IFRS 9, adopted under decree 2784/2012.

Amendment to IAS 12 Income Taxes

Application as of January 1, 2018 allows its early application. Clarify the accounting of deferred taxes assets due to losses not realized in debt instruments appraised at their fair value.

Modifications to the IFRS 15 Revenues of ordinary activities derived from agreements with customers

Application as of January 1, 2018. Clarify the accounting of agreements related to different goods and services, determination of the nature of the commitments undertaken by means of agreements, 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.	Below are some of the relevant matters contained in the amendments: <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. The application of these amendments does not have to be disclosed.
IFRS 9 – Financial Instruments	Financial Instruments (in its 2014 revised version).	The replacement project refers to the following stages: <ul style="list-style-type: none"> • Stage 1: Classification and measurement of financial assets and liabilities. • Stage 2: Impairment methodology. • Stage 3: Hedge Accounting, in July 2014, the IASB completed the reform to the financial instruments accounting and issued IFRS 9 – Accounting of financial instruments (in its 2014 revised version), to replace IAS 39 – Financial instruments: recognition and measurement after the expiration of their preceding term.

IFRS 11 – Joint Operations	Accounting for the acquisition of holding interest in joint operations.	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).
IFRS 10 – Consolidated financial statements IAS 28 – Investment Entities	Application of the consolidation exception.	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.
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 16 – Properties, plant and equipment IAS 41 – Agriculture	Properties plant and equipment	Defines the concept of production plant, additionally, requires the biological assets complying with this definition to be accounted for as property, plant and equipment under IAS 16 instead of IAS 41. Regarding the amendments, the production plants may be measured using the cost model or the revaluation model established in IAS 16. Products growing in production plant continue to be accounted for pursuant to IAS 41.
IAS 27 – Separate financial statements	Method of participation in separate financial statements	Use of the participation method is allowed to account for investments in subsidiaries, joint businesses and associates in its separate financial statements. The modifications clarify that when a holding entity ceases to be an investment entity, or becomes an investment entity, the change must be accounted as of the date on which it is produced.
IAS 38 – Intangible Assets	Clarification of acceptable amortization methods.	Establishes conditions related to the amortization of intangible assets regarding: 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.

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

In accordance with the provisions in Decree 2131/2016, the regulations issued applicable as of 2018 are listed below, which correspond to the amendments made by the IASB, published in Spanish during year 2016:

Annual improvements IFRS 12 Information to be disclosed on participations in other entities

It sets out whether the disclosure requirements of the IFRS 12 are applicable to participations in other entities when they are classified as non-current assets kept for sale or discontinued operations under the IFRS 5 Non-current Assets Kept for Sale or Discontinued Operations.

The Council published the amendment in December 2016 with application as of January 1, 2017.

Annual improvements IAS 28 Investments in associates and joint businesses

Clarify whether an entity has an option of investment due to an investment to measure the participations at a fair value under the IAS 28 for a risk capital organization, a mutual fund, an investment fund or similar entities, including investments-related insurance funds.

The Council published the amendment in December 2016 with application as of January 1, 2018.

Amendment to the IAS 40 Investment properties

It clarifies the application of paragraph 57 of the IAS 40 Investment Properties, providing guides on transfers to or from investment properties.

The Council published the amendment in December 2016 with application as of January 1, 2018.

IFRIC 22 Foreign currency transactions and advances considerations

It provides requirements regarding the type of exchange rate to use in foreign currency transactions reports (such as the revenues transactions) when payment is made or received in advance.

The Council published the amendment in December 2016 with application as of January 1, 2018.

(4) Critical accounting judgments and estimates in the application of the Policies.

The Company makes estimates and assumptions that affect the amounts recognized in the financial statements and the carrying amount of the assets and liabilities within the subsequent accounting period. The judgements and estimates are continuously assessed and are based on the experience of the Company and other factors, including the expectations of future events believed to be reasonable under the circumstances.

The Company 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 subsequent accounting period include:

4.1. Going Concern: The Company prepares the financial statements based on a going concern. When making this judgement, the Company considers the current financial position, 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. 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 (Note 9): The Company assesses if the debt securities of the 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 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.

4.3. Removal of financial assets from the balance sheet: The management applies judgments to determine if substantially all the significant risks and returns of the property of the financial assets are transferred to third parties, particularly what are the most significant risks and returns.

4.4. Appraisal of investment properties (Note 14): The investment properties are reported in the balance sheet at their fair value as 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 transactions with properties is low; however, management estimates that there is sufficient market activity to provide comparable prices for the ordered transactions with similar properties when determining the fair value of the investment properties of the Company, except for the properties where the Company has no control or these have legal or public problems.

The Company has revised the assumptions used for the appraisal by the independent experts and considers that factors such as inflation, interest rates, etc., have been

appropriately determined considering the market conditions as of the end of the reporting period; notwithstanding the foregoing, management considers that the appraisal of the investment properties is currently subject to a high degree of judgement and an increase probability that the current income for the sale of said assets may differ from its carrying amount.

- 4.5. Estimates for contingencies (Note 21):** The Company calculates and registers an estimate for contingencies with the purpose of covering its possible losses for labor cases, civil and commercial proceedings, and tax provisions or others according to the circumstances that, based on the opinion of internal or external legal advisors, are considered probable losses and may be reasonably quantified.

Considering the nature of many of the claims, cases and/or proceedings, in some cases it is not possible to make an accurate forecast or quantify an amount of losses in a reasonable way, for which the actual amount of the disbursements effectively made by the claims, cases and/or proceedings constantly differs from the initially estimated and provisions amounts, and said differences are recognized in the year in which they are identified.

- 4.6. Retirement Plan (Note 20):** The measurement of the pensions obligations, costs and liabilities greatly depend on long-term premises determined over actuarial bases, including estimates of the current value of the projected future pension payments for the members of a plan, considering the probability of future potential events, such as increases in the minimum salary and demographic experience. These premises may affect the amount and the future contributions in the event of any variation.

The discount rate allows establishing future cash flows at the current value as of the date of measurement. The Company determines a long-term rate that represents the high-quality fixed-income investment market rate or for Government Bonds in the currency in which the benefit will be paid, and considers the opportunity and amounts of the payments of future benefits, for which the Company has selected Government bonds.

4.7. Business Model.

Corficolombiana manages several investment models according to the strategy it develops in Treasury:

1. A speculative or tradable portfolio is where every value or security acquired with the main purpose of obtaining profit due to the market price fluctuations. This portfolio is funded by the money market and short-term deposits. It has position limits, value at risk, sensibility for movement of base points in the rates (DVO1) and maximum losses.
2. A portfolio to be held until maturity, created with the purpose of maintaining the securities during the entire term and with the purpose of receiving the contractual cash flows. This portfolio shall mainly hold mandatory investments. This portfolio contains securities issued by the National Government (Debt Reduction Securities),

which have a zero rate and are issued at UVR currency. The term of these securities is 10 years, but there will be no new issuances. The maximum date of maturity of these notes is 2015. It also includes securities issued by Finagro, a governmental entity. These securities have a one-year maturity and a variable effective DTF rate minus some basic points. These securities are constituted on a quarterly basis on January, April, July and October.

3. Structural or Available for Sale portfolios are created with the purpose of investing in Debt Securities both in local and foreign currency in order to optimize the resulting financial margin. This portfolio has position, DVO1, MAT, and VAR limits, and depends on the duration of the securities.

(5) Risk Management

The activities of the Company expose it to several financial risks: market risk (including foreign exchange risk, interest rate fair value risk, interest rate cash flow risk and price risk), credit risk, liquidity risk, and operating and legal risks.

According to the regulations established by the Finance Superintendence of Colombia, the risk management process of the company is within the guidelines designed by Senior Management, in line with the general management guidelines approved by the Board of Directors.

The Company has a Quotas Committee and an ALCO Committee where members of the Board of Directors participate, who periodically meet to discuss, measure, control and analyze the credit (SARC), the treasury (SARM) risk management of the Company and the management of assets, liabilities and liquidity through the Liquidity Risk Management System (SARL); matters related to the Operating Risk Management System are developed in the Operating Risk Committee on a semiannual basis by the Legal Representative, who reports to the Board of Directors. Compliance with legal risks is monitored by the general secretary of the Company.

Objectives – The treasury activities of the Company are made within a limit and policies framework established by the Board of Directors, and are monitored and controlled by Risk Management. The decisions are made within said framework based on the permanent and continuous monitoring of the internal and external economic variables. All with the purpose of maximizing the risk/return ratio of the managed portfolios, of optimizing the return of the commercial relationship with the clients of the Company and capturing the opportunities detected in the different markets in which it participates:

- Internal Public Debt (as Market Creator)
- Private Debt
- Currencies
- Derived instruments in local currency
- Derived instruments in foreign currency

Risk taking philosophy – To ensure that the treasury activities adhere to the objectives and strategies of the Company, the Board of Directors permanently monitors the risk profile by monitoring the treasury positions, the Market Risk, Credit Risk, Liquidity Risk and Operating Risk limits.

The risk assumption philosophy is consistent with the general policies for asset and liability management and considers aspects such as economic analysis, technical analysis, fundamental analysis and the effect of environmental changes in the bank ledger and the treasury ledger.

Management

Board of Directors – The board of directors is the body in charge of approving the policies for the treasury operations; it ensures the proper organization, monitoring or surveillance of the treasury activities. This responsibility includes establishing the risk-taking limits on said activities, and adopting the organizational measures necessary to limit the risks inherent to the treasury business.

Likewise the board of directors approves the policies, strategies and regulations for acting to be followed by the entity in performance of treasury activities, such as approving credit operations in the local and/or foreign currency, the market or markets in which it is allowed to act, the procedures to measure, analyze, monitor, control and manage the risks, as well as the limits of the risk positions according to the type of risk, the business, the counterparty, the product or the organizational area.

The Board of Directors also has the power to approve the procedures to be followed in the event that the limits are exceeded or in the event of strong and sudden changes in the market. Likewise, this body is responsible for analyzing and assessing both the internal and external types of management and accounting reports.

ALCO Committee – The main duties are to establish and recommend to the Board of Directors the policies, objectives, limits and procedures for managing risks. Monitor the risk management plan adopted, which shall include procedures for the operation, monitoring and control of the tolerance levels for a specific risk. Monitor the limit compliance report and authorize excesses based on the powers granted by the Board of Directors. Implement contingent action procedures in the event of losses in the maximum permitted levels and approve maximum variation values and variable benchmarks for sensibilities.

Quotas Committee – Its main duty is to establish and recommend the policies, limits and procedures for the management of the credit risk, as well as recommend the clients and counterparties quotas of the Treasury to the Board of Directors. The Quotas Committee is the first instance of decision, and all the quotas requests are filed therein.

Operating Risk Committee – Its main duties are to present, for the approval by the Board of Directors and senior management, the policies and rules for managing the operating risk and monitoring and controlling them. Design the operating risk management strategy for the Company and lead its execution. Establish the procedures and mechanisms, approving the methodologies and systems, for an appropriate operating risk management. Know and understand the operating risks assumed by the Company, permanently assessing the exposure to said risk. Participate in the assessment of the participation in new markets and in the negotiation of new products. Develop strategies for the construction of an operating risk management organizational culture within the Company. Assess the contingency and business continuity plans and establish the resources necessary for their timely execution.

Executive Vice-president – The Executive Vice-president reports to the Chairman, and its main duties are, among others, to establish and recommend the policies, objectives, limits and procedures for risk management to the Board of Directors. Control compliance with the quotas and portfolio, issuer and counterparty limits set forth by the Board of Directors.

Risk Manager – The Risk Manager reports to the Executive Vice-president and its main duties are to measure the risks, to verify compliance with the established limits and policies, and to perform the risk analysis. Likewise, this area is in charge of preparing the reports on compliance with the policies and limits and the levels of exposure to different risks.

There is an Operating Risk Director and one analyst, who are in charge of developing the Operating Risk Management System (SARO) within the Company and its financial affiliates.

Likewise, there is a Risk Coordinator and three analysts, who are specialists in the different risks of the treasury, such as market, credit and liquidity risk, who report to the Manager. Note that the legal risk is handled by the Legal Vice-presidency.

Finally, there is the Credit Risk Coordinator and 1 analyst in charge of designing and implementing the financial models for the credit and counterparty quotas analysis; they are also responsible for presenting the quotas requested in the Quotas Committee.

5.1. Market risk

The market risk of the Company is measured through the different analysis made based on recognized techniques for managing the financial risk with the purpose of controlling the levels of loss to which the Company may be exposed in its investments on financial assets due to the volatility of the markets in which it may participate.

The Senior Management and the Board of Directors of the Company actively participate in the risk management and control by analyzing an established reports protocol and by holding several Committees who jointly technically and fundamentally monitor the different variables

that affect the markets at an internal and external level with the purpose of supporting strategic decisions.

The risks assumed with the operations are consistent with the general business strategy for the company and are contained within a limits structure for the positions in different instruments according to their specific strategy, the depth of the markets in which there are operations, their impact in the weighing of assets per risk and the level of solvency as well as the structure of the balance sheet.

Pursuant to the foregoing, Corficolombia and each financial affiliate use the following limits scheme, considering the risk profile for each entity.

Portfolio position – The par value of the long-term, short-term and net position in public debt securities is limited considering the risk appetite of the Corporation and their rate characteristics: fixed or variable, and according to their maturity. Likewise, it limits the position in negotiable securities different to public debt securities, considering the aforementioned aspects and respective issuer quotas.

Currency Position – Limits the value of the position in Dollars (Short-term and Long-term), both in the “intraday” and “next day”, according to the risk profile of the entity. Likewise, it limits the positions in other currencies, such as the Swiss Franc, the Japanese Yen, the Pound Sterling, the Euro, the Australian Dollar, the Canadian Dollar, the Brazilian Real, the Mexican Peso and the Chilean Peso, considering the aforementioned aspects.

Daily P&L – Is the main control tool available to the middle office to monitor the treasury of the entity. Additionally, it is critical in defining the maximum losses authorized by the Board of Directors for each entity.

VaR (Value at Risk) – With parametrical and non-parametrical internal management models based on the VaR methodology, which have allowed to complement the market risk management based on the identification and the analysis of the variations of the risk factors (interest rates, exchange rates and price indexes) over the value of the different instruments comprising the portfolios. Said models are Risk Metrics by JP Morgan and historical simulation. The methodologies used for measuring the VaR are periodically assessed and subject to back testing to determine their effectiveness. Additionally, the Company has tools for conducting stress tests and/or portfolio sensitization under extreme scenario simulation.

CVaR (Conditioned Value at Risk) – It is a trigger for compliance with the VaR limit of the entity, considering that it is a risk measurement that considers 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 the Company or the affiliate is willing to assume considering the equity and solvency capacity of the entity. The MAT limits the total losses to the sum of the actual and potential losses (VaR) related to the current portfolio under normal conditions. The MAT is equal to the 30 Days Revenue plus the VaR.

DV01 (Sensibility of 1 base point) – Is the change in the market value of the fixed income portfolio or derivative product of 1 base point in the discount rate.

Cost to close public debt (Cost to close the positions) – Potential cost to close the open positions of the treasury, including the liquidity of the title in the securities market.

These limits are monitored daily and are reported to the Board of Directors of each entity.

Likewise, the Company uses the standard model for measuring, controlling and managing the market risk of the interest rates, the exchange rates and the stock prices in the Treasury and Banking ledgers, pursuant to the requirements of the Finance Superintendence contained in Chapter XXI of the Basic Accounting and Financial Circular Letter. These exercises are made daily for each of the risk exposures.

Likewise, the Company has established counterparty and negotiation quotas per operator for each of the negotiation platforms of the markets in which they operate. The trading limits per operator are assigned to the different hierarchical levels of the Treasury based on the experience the officer has in the market, the trading of this type of products and the management of portfolios.

Finally, as part of monitoring the operations, different aspects of the trades such as the conditions agreed, unconventional or outside of market operations, operations with partners, operations with unusual P&L or with a null effect, etc. are controlled.

Pursuant to the standard model, the market value at risk (VaR) as of December 31, 2016 was \$147,471 with an effect of 14.27% base points, and as of June 30, 2016 was of \$267,548 with an effect of 21.36% base points in the individual solvency ratio of the Company. Below is the VaR of the Company as of December 31 and June 30, 2016.

	December 31, 2016			
	Minimum	Average	Maximum	Latest
Interest rate in Pesos	106,930	148,444	210,859	114,060
Interest rate in foreign currency	4,511	5,071	5,486	4,511
Interest rate in UVR	11,531	19,379	27,223	14,264
Exchange rate	1,612	2,851	3,801	2,892
Stock	8,944	9,157	9,733	8,944
Collective Investment Funds	2,126	2,728	3,496	2,800
Total VaR Second Semester	137,822	187,629	260,599	147,471

	June 30, 2016			
	Minimum	Average	Maximum	Latest
Interest rate in Pesos	203,5477	221,797	245,374	219,214
Interest rate in foreign currency	5,121	5,667	6,207	5,222
Interest rate in UVR	23,855	29,503	35,021	26,042
Exchange rate	1,245	4,811	8,712	6,069
Stock	8,045	9,267	9,894	8,045
Collective Portfolios	317	1,576	2,956	2,956
Total VaR First Semester	258,354	272,621	286,834	267,548

Finally, and a consequence of the VaR behavior, as of December 31 and June 30, 2016, the Assets Weighed per Market Risk were, on average, at 11.68% and 22.76%, respectively, of the Total Assets Weighed per Risk (APR).

Risk of foreign exchange rate variation:

The Company operates internationally and is exposed to changes in the exchange rate arising from exposures to different currencies, mainly regarding the United States Dollars and the Euro. The foreign exchange rate risk arises from recognized assets and liabilities and investments in subordinates and subsidiaries abroad and in future commercial transactions.

The Financial Companies in Colombia are authorized by Banco de la República to negotiate in currencies and to maintain balances in foreign currencies in offshore accounts. The legal regulations in Colombia oblige the Company to maintain its own daily position in foreign currency, determined by the difference between the rights and obligations in foreign currency registered in and outside of the balance sheet in an average of three business days, which may not exceed twenty percent (20%) of the technical equity; likewise, said three business day average in foreign currency may be negative without exceeding five percent (5%) of the technical equity expressed in United States Dollars.

Likewise, it must comply with its own upfront position, which is determined by the difference between the assets and liabilities in foreign currency, excluding derivatives and some investments. The three-day average for this own upfront position may not exceed fifty percent (50%) of the technical equity of the entity; likewise, it may not be negative. Additionally, it shall comply with the gross leverage position limits, which is defined as the sum of the rights and obligations in agreements with future compliance in foreign currency; the upfront operations in foreign currency with compliance between one bank day (t+1) and three bank days (t+3) and other derivatives over the exchange rate. The three business days average of the gross leverage position may not exceed five hundred fifty (550%) percent of the amount of the technical equity of the entity.

The maximum or minimum amount of the own daily position and the own upfront position in foreign currency must be determined based on the technical equity of the Company on the

last day of the second preceding calendar month, converted at the exchange rate set by the Finance Superintendence at the end of the immediately preceding month. Substantially all of the foreign currency assets and liabilities of the Company are maintained in United States Dollars and in Euros.

Below is a summary of the foreign currency assets and liabilities (in Colombian Pesos) maintained by the Company as of December 31 and June 30, 2016.

Account	December 31, 2016			
	U.S. Dollars	Euros	Other Currencies	Total
Assets				
Cash and cash equivalents	80,290	1,222	1,058	82,570
Active operations in the money market	91,183	-	-	91,183
Investments in debt securities at fair value	7,649	-	-	7,649
Investments in debt securities at amortized cost	-	-	-	-
Investments in debt securities at fair value with changes in OCI	146,093	-	-	146,093
Investments in equity instruments	33,859	-	-	33,859
Instruments derived from negotiation	3,409,136	103,529	5,359	3,518,024
Other accounts receivable	28,034	-	-	28,034
Total Assets	3,796,244	104,751	6,417	3,907,412
Liabilities				
Deposits from Clients	15,813	-	-	15,813
Instruments derived from negotiation	3,576,340	104,478	4,020	3,684,838
Commitments of transfer in repo operations	148,717	-	-	148,717
Other liabilities	1,770	52	-	1,822
Total Liabilities	3,742,640	104,530	4,020	3,851,190
Net Active Position (Liability)	53,604	221	2,397	56,222

Account	June 30, 2016			
	U.S. Dollars	Euros	Other Currencies	Total
Assets				
Cash and cash equivalents	88,770	456	452	89,678
Active operations in the money market	58,512	-	-	58,512
Investments in debt securities at fair value	7,459	-	-	7,459
Investments in debt securities at amortized cost	6,768	-	-	6,768
Investments in debt securities at fair value with changes in OCI	159,189	-	-	159,189
Investments in equity instruments	33,833	-	-	33,833
Instruments derived from trading	3,183,261	156,447	18,141	3,357,849
Other accounts receivable	22,036	648	-	22,684
Total Assets	3,559,828	157,551	18,593	3,735,972
Liabilities				
Deposits from Clients	12,785	-	-	12,785
Instruments derived from negotiation	3,420,761	155,735	10,480	3,586,976
Commitments of transfer in repo operations	122,514	-	-	122,514
Other liabilities	1,415	659	3	2,077

Total Liabilities	3,557,475	156,394	10,483	3,724,352
Net Active Position (Liability)	2,353	1,157	8,110	11,620

The Management of the Company has established policies requiring a management of its foreign exchange risk against its operating currency. The Company economically covers its exposure to the exchange rate by using derivative operations.

The estimated effect for a 1% increase in the rate regarding the exchange rate for December 31 and June 30, 2016 corresponds to an increase in the assets for \$39,074 and \$37,243; and equity changes for \$339 and \$338, respectively.

	December 31, 2016	June 30, 2016
Change in the exchange rate of 1%	30.0071	29.1901
Effect in profit before taxes	224	(222)
Effect on net equity	338	339

As of December 31, 2016, there is an account receivable for COP\$4,282 as a result of an operation with the client Integración de la Ingeniería Mecánica y Afines S.A. – QMA S.A. for USD 7,000,000 at a forward rate of 2,441.05 pesos per Dollar; this operation matured on July 28, 2015. On said date, Corficolombiana and QMA reached an agreement for the partial liquidation of the operation, paying USD 1,400,000 (par value) by the client, leaving a remnant of USD 5,600,000 (par value) payable on August 6, 2015 at a forward rate of 2,442.74 Pesos per Dollar. On said date, there was a mutual agreement to modify the expiration of the operation on August 14, 2015 at a forward rate of 2,443.18. On this date there is a new amendment for the expiration on August 24, 2015 at a forward rate of 2,443.68. Finally, on August 24, QMA S.A. requests a new extension, which was not authorized by Corficolombiana because the counterparty failed to constitute the securities requested, generating an account receivable that has not been paid to date and is 100% provisioned.

QMA S.A. was admitted to the intervention proceedings set forth in Law 1116/2006 by means of writ 400-000958 dated January 22, 2016, issued by the Superintendence of Companies, during which the obligation with the Company was not duly rated by the debtor so, as of December 31, 2016, the control entity had set January 18, 2017 as the date for the settlement hearing, in which failure to reach an agreement will result in attending the summary verbal proceedings set forth in said law.

As of the date of this report, the Superintendence of Corporations postponed such date for the settlement hearing for February 2, 2017.

5.2. Operating Risk

The Company has an Operating Risk Management System (SARO) implemented pursuant to the guidelines set forth in Chapter XXIII of the Basic Accounting and Financial Circular Letter

(External Circular 100/1995) issued by the Finance Superintendence of Colombia. This system is managed by the risk area of the entity.

This system includes:

- Manual with Operating Risk Policies, approved by the Board of Directors, establishing the guidelines under which the Company’s SARO is performed.
- Procedure manuals describing how to comply with the Operating Risk Policies.
- Organizational Structure: the Board of Directors, the Legal Representative, the Risk Management and the Operating Risk Unit participate in the SARO.
- Operating Risk Matrices, which identify and rate the risks and controls, constructs inherent and residual risk matrices per process and periodically update them due to changes in the processes or evidence obtained from the Operating Risk Events record.
- A database comprised by the Operating Risk Events records that occurred since August 2007.
- Accounts to be registered in expenses, where the events that caused losses due to Operating Risk are accounted for.
- Periodical reports for the Senior Management, the Operating Risk Committee and the Board of Directors.
- Annual training of officers.
- Semiannual audit of the effectiveness of the system by the Comptroller and the Tax Auditor.

Below are some figures:

As of June 30, 2016, there are operating risk matrices for the 23 processes of the Company, in which it has identified 396 risks and 863 controls.

Below is the evolution of the figures resulting from every updated operating risk profile of the Company:

	December 31, 2016	June 30, 2016
Processes	23	23
Risks	396	396
Controls	863	863

The losses registered from seven (7) events of Type A operating risk registered as of December 31, 2016 were for \$ 25 million Pesos. The most representative are:

- Result of the visit of taxation of payments to social security and parafiscal contributions of year 2011 and 2013, the UGPP due to arguments of interpretation under Resolution RDC291 dated June 10, 2016, decreed to the Company to pay the sum of \$14, as a penalty for inaccuracy.

- On Thursday, October 20, 2016, the area of Credit and Support Operations Management, requested to generate an urgent payment of a performance due to bank guarantees to the company XM Compañía de Expertos en Mercados S.A. ESP, through the SAP application for an amount of \$9,176. The analyst of accounts payable and receivable role conducted the accrual of the transfer for an amount of \$9,176 on behalf of a wrong TIN and name. This process generated some additional costs for the Company as follows: a) fifth cycle fee; b) VAT and c) GMF for a total of \$6.

70 Type B events (without impact in income) and 52 Type C events (near losses) complete the registry.

According to the classification of the 129 events registered as of December 31, 2016, the largest risk factor is the Human Resource, with 41 events (32%), Technological Framework, with 35 events (27%), followed by Proceedings with 32 events (25%), External Occurrences, with 19 events (15%) and Infrastructure, with 2 (2%)

The losses registered from seven events of operating risk registered as of June 30, 2016 were for \$ 108, the most representative are:

- GFM (4 x mil) for the cancellation of a security of Fiducolombia's client who had to be renewed and cancelled by mistake. The error caused losses for \$ 100 million.
- \$5 million, corresponding to the cost for breach of an interbank loan to the client Findeter.
- \$2 million, penalty for default in paying the withholding tax in the city of Bucaramanga.

101 Type B events (without impact in income) and 38 Type C events (near losses) complete the registry.

According to the classification of the 146 events registered as of June 30, 2016, the largest risk factor is the Technological Framework, with 47 events (32%), followed by External Occurrences, with 43 events (29%), Human Resource, with 27 events (18%), Proceedings with 27 events (18%), and infrastructure, with 2 (1%).

5.3. Interest Rate Risk

The Company is exposed to the effects of fluctuations in the interest rate market, which affect its financial position and its future cash flows. The interest margins may be increased as a result of changes in the interest rates, but may also be reduced and generate losses in the event of unexpected movements in said rates.

The table below summarizes Corficolombiana's exposure to changes in the interest rates. The table shows the accrued amounts of the assets and liabilities of the entity at their carrying amount and their respective rate. There is a sensibility exercise at the margin by adding and subtracting 50 base points, with the results as of December 31 and June 30, 2016, respectively:

December 31, 2016					
DETAILS OF ACCOUNT	SEMESTER AVERAGE (1)	INCOME EXPENSES FOR INTERESTS (2)	AVERAGE INTEREST RATE (3)	50 PB VARIATION OF IN THE INTEREST RATE (4)	
				Favorable	Unfavorable
Financial assets that generate interests					
Active operations in the money market in Colombian Pesos	478,515	55,218	23.1%	1,196	(1,196)
Investments in debt securities at amortized cost in Colombian Pesos	59,552	1,465	4.9%	149	(149)
Total Financial Assets generating Interests	538,067	56,683	21.1%	1,345	(1,345)
Financial Liabilities with Financial Cost					
Passive operations in the money market in Colombian Pesos	2,949,184	92,441	6.3%	7,373	(7,373)
Clients deposits in savings accounts and CDAT in Colombian Pesos	512,549	20,855	8.1%	1,281	(1,281)
Clients Deposits in Fixed-term Deposit certificates CDT in Colombian Pesos	2,632,934	121,237	9.2%	6,582	(6,582)
Total Financial Liabilities with Financial Cost	6,094,667	234,533	7.7%	15,236	(15,236)
Total Net Financial Assets subject to interest rate risk	(5,556,600)	(177,850)	6.4%	(13,891)	13,891

June 30, 2016					
DETAILS OF ACCOUNT	SEMESTER AVERAGE (1)	INCOME EXPENSES FOR INTERESTS (2)	AVERAGE INTEREST RATE (3)	50 PB VARIATION IN THE INTEREST RATE (4)	
				Favorable	Unfavorable
Financial assets that generate interests					
Active operations in the money market in Colombian Pesos	462,087	53,713	23.2%	1,155	(1,155)
Investments in debt securities at amortized cost in Colombian Pesos	56,300	1,066	3.8%	141	(141)
Total Financial Assets generating Interests	518,387	54,779	21.1%	1,296	(1,296)
Financial Liabilities with Financial Cost					

Passive operations in the money market in Colombian Pesos	3,987,031	112,033	5.6%	9,968	(9,968)
Clients deposits in savings accounts and CDT in Colombian Pesos	732,783	26,243	7.2%	1,832	(1,832)
Clients Deposits in Fixed-term Deposit certificates CDT in Colombian Pesos	2,539,788	103,704	8.2%	6,349	(6,349)
Total Financial Liabilities with Financial Cost	7,259,602	241,980	6.7%	18,149	(18,149)
Total Net Financial Assets subject to interest rate risk	(6,741,215)	(187,201)	5.6%	(16,853)	16,853

5.4. Liquidity Risk

The liquidity risk is related to the impossibility of complying with the obligations acquired with the clients and counterparties of the financial market at any time, currency and place, for which the Company reviews the funds available on a daily basis.

The Company manages the liquidity risk according to the standard model set forth in Chapter VI of the Basic Accounting and Financial Circular Letter issued by the Finance Superintendence of Colombia and pursuant to the regulations regarding the management of the liquidity fund through the basic principles of the Liquidity Risk Management System (SARL), which provides the minimum prudential parameters to be monitored by the entities during their operations for an efficient management of the liquidity risk to which they are exposed.

In order to measure the liquidity risk, the Company calculates Liquidity Risk Indicators (IRL) for 7, 15 and 30 day terms on a weekly basis, as provided in the standard model of the Finance Superintendence of Colombia and pursuant to internal models.

As part of the liquidity risk analysis, the Company measures the volatility of deposits, the indebtedness levels, the structure of the assets and liabilities, the degree of liquidity of the assets, the availability of funding lines, and the general effectiveness of the assets and liabilities management. This, with the purpose of maintaining sufficient liquidity (including liquid assets, securities and collateral) to face possible own or systemic stress scenarios.

The quantification of the funds obtained in the money market is an integral part of the liquidity measurement by the Company. Supported in technical studies, we determine the main and secondary sources of liquidity to diversify the fund providers with the purpose of ensuring the stability and sufficiency of the resources and of minimizing the concentrations of the sources. After establishing the sources of the resources, these are allocated to the different business depending on the budget, the nature and the depth of the markets.

The availability of resources is monitored daily not only to comply with the reserve requirements, if applicable, but to foresee and/or anticipate possible changes in the liquidity risk profile of the entity and to be able to make strategic decisions, as the case may be. In this sense, the Company has liquidity warning indicators that allow establishing and determining its current scenario, as well as the strategies to follow in each case. Said indicators include, among others, the IRL, the deposit concentration levels, the use of liquidity quotas of Banco de la Republica, among others.

Through the ALCO Committee, the Senior Management knows the liquidity situation of the entity and makes the decisions necessary considering the high-quality liquid assets to be maintained, the tolerance in the management of liquidity or the minimum liquidity, the strategies for granting loans and the collection of resources, the policies on the placement of liquidity surplus, the changes in the characteristics of the current products as well as new products, the diversification of the sources of funds to prevent the concentrations of collections in few investors or savers, the coverage strategies, the results of the Company and the changes in the balance structure.

Below is an analysis of the contractual expirations of the financial assets and liabilities as of December 31 and June 30, 2016:

DESCRIPTION	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						
Liquid Assets						
Cash and cash equivalents	1,122,163	-	-	-	-	-
Operations in the money market	-	47	36,992	43,542	80,581	-
Investments negotiable in debt securities	275,664	69	169	816	1,054	18,539
Investments negotiable in holding securities	6,917	-	-	-	-	-
Investments to hold to maturity	48,999	-	-	7,467	7,467	10,353
Other liabilities and credit contingencies	22,093	-	-	-	-	-
Subtotal	1,475,836	116	37,161	51,825	89,102	28,892
Active contractual maturities						
Ordinary interbank funds sold	-	502,516	47	114	502,677	403
Contractual maturities of all the investment to hold to maturity – TES.	-	-	-	7,467	7,467	-
Investment Transfer Rights	-	1,909,148	184,589	53,079	2,146,815	57,433

DESCRIPTION	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
Derivative financial instruments	-	3,177	6,489	7,745	17,411	37,141
Income flow with Contractual Maturities of the assets and out of balance positions – FIVC	-	2,414,840	191,125	68,405	2,674,370	94,977
Passive contractual maturities						
Operations in the money market	-	2,283,039	184,620	53,699	2,521	66,801
Fixed-term deposit certificates- CDT	-	48,498	19,812	188,539	257	61
Derivative financial instruments	-	10,199	12,131	12,780	35	26,411
Other liabilities	22,093	-	-	-	-	-
Flow of Expenses with Contractual Maturities of the liabilities and out of balance positions – FEVC	22,093	2,341,736	216,563	255,018	2,813,316	708,390
Net Flow (estimate) of Non-Contractual Maturities – FNVNC	-	79,096	86,967	163,063	326,126	264,682
Net Flow	(22,093)	(2,992)	(112,405)	(349,675)	(465,072)	(878,095)
Estimated Net liquidity requirement RLN (2)	-	604,458	112,405	349,676	784,861	878,095
Partial IRL	0%	244%	206%	319%	188%	89%
Accrued IRL	-	871,378	758,973	409,297	690,975	597,741

DESCRIPTION	As of December 31, 2016					
	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	38,254	70,937	710	8,418	-	118,320
Subtotal	38,254	70,937	710	8,418	-	118,320
AT AMORTIZED COST						
Operations in the money market	2,588,717	42,123				2,630,840
Client Deposits	1,414,386	774,891	581,188	119,494	336,518	3,226,477
Subtotal	4,003,103	817,014	581,188	119,494	336,518	5,857,317
TOTAL FINANCIAL LIABILITIES	4,041,357	887,951	581,898	127,912	336,518	5,975,637

DESCRIPTION	As of June 30, 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						
Liquid Assets						
Cash and cash equivalents	1,219,118	-	-	-	-	-
Operations in the money market	-	381,669	36	63	381,768	273
Investments with changes in Results	247,199	2,439,960	579,309	201,474	3,220,744	82,635
Investments						
negotiable in holding securities	39,135	-	-	-	-	-
Investments at amortized cost	56,760	5,136	-	571	5,707	123,743
Other liabilities and credit contingencies	10,867	-	-	-	-	-
Subtotal	1,573,079	2,826,765	579,345	202,108	3,608,2019	206,651
<i>Active contractual maturities</i>						
Ordinary interbank funds sold	-	31	-	-	31	-
Investment Transfer Rights	-	2,444,901	579,248	201,083	3,225,323	71,960
Derivative financial instruments	-	63,728	14,104	12,913	90,745	247,119
Income flow with Contractual						
Maturities of the assets and out of balance positions – FIVC	-	2,508,660	593,352	213,996	3,316,008	319,079
<i>Passive contractual maturities</i>						
Operations in the money market	-	2,630,662	583,118	197,054	3,410,835	78,400
Fixed-term deposit certificates- CDT	-	28,516	91,954	137,647	258,117	253,153
Derivative financial instruments	-	24,713	27,352	61,494	113,559	80,040
Other liabilities	10,867	-	-	-	-	-
Flow of Expenses with Contractual						
Maturities of the liabilities and out of balance positions – FEVC	10,867	2,683,891	702,424	396,195	3,782,511	411,593
Net Flow (estimate) of Non-Contractual						
Maturities – FNVNC	-	-	-	-	-	-
Net Flow	-10,867	-175,231	-109,072	-182,199	-766,503	-82,514
Estimated Net						
liquidity requirement RLN (2)	0	670,973	175,606	182,200	945,628	102,898
Partial IRL	0%	234%	186%	440%	166%	150%
Accrued IRL	-	902,105	726,499	544,300	627,450	1,470,180

DESCRIPTION	As of June 30, 2016					Total
	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	
FINANCIAL LIABILITIES AT FAIR VALUE						
Derivative Instruments	112,148	92,449	1,570	43,372	-	249,539
Subtotal	112,148	92,449	1,570	43,372	-	249,539
AT AMORTIZED COST						
Operations in the money market	3,485,465	51,957	-	-	-	3,537,421
Client Deposits	962,230	1,450,504	311,078	49,360	264,621	3,037,794
Subtotal	4,447,695	1,502,491	311,078	49,360	264,621	6,575,216
TOTAL FINANCIAL LIABILITIES	4,559,843	1,594,910	312,648	91,732	264,621	6,824,755

To control the liquidity risk between the assets and liabilities, the Company conducts statistical analysis that allows quantifying the stability of the collections with and without contractual maturity with a predetermined reliability.

To comply with the requirements by Banco de la República and the Finance Superintendence, the Company must maintain cash and restricted banks as part of the required legal reserve pursuant to the following percentages over the daily average of the deposits in the following accounts:

Item	Required
Deposits and liabilities on demand before 30 days	11.0%
Deposits of official establishments	11.0%
Deposits and liabilities after 30 days	11.0%
Ordinary savings deposits	11.0%
Term savings deposits	11.0%
Negotiated investments repurchase commitments	11.0%
Other accounts different to deposits	11.0%
Term deposit certificates:	
Less than 540 days	4.5%
Equal or greater than 540 days	0.0%

The Company has appropriately complied with this requirement.

5.5. Price risk

Within the equity instruments listed on the stock exchange (Bladex S.A., Alimentos Derivados de la Caña, AV Villas, Gas Natural ESP, Bolsa de Valores de Colombia, Empresa de Energía de Bogotá, Mineros S.A.), the Company is exposed price variations in said investments; as of December 31

and June 30, 2016, if the prices of these investments were 1% above or below, the minor or major impact on the Company's Other Comprehensive Income (OCI) would be \$7,210 and \$7,236 respectively.

As of December 31, 2016					
Name of investment	Number of shares	Stock price (*)	Investment value	Effect on OCI +/- 1%	
				Favorable	Unfavorable
Bladex S.A.	2,070	88,341	183	1.8	(1.8)
Alimentos derivados de la Caña	52,000	4,137	215	2.2	(2.2)
AV Villas (Ordinary Shares)	45,677	6,325	289	2.9	(2.9)
AV Villas (Preferred Shares)	20,763	5,998	125	1.2	(1.3)
Gas Natural ESP	621,866	114,963	71,492	714.9	(714.9)
Bolsa de Valores de Colombia	628,047,243	22	13,629	136.3	(136.3)
Empresa de Energía de Bogotá	327,150,500	1,810	592,142	5,921.4	(5,921.4)
Mineros S.A.	22,350,263	1,920	42,913	429.1	(429.1)
Total			720,988	7,209.8	(7,209.8)

As of June 30, 2016					
Name of investment	Number of shares	Stock price (*)	Investment value	Effect on OCI +/- 1%	
				Favorable	Unfavorable
Bladex S.A.	2,070	110,747	229	2.3	(2.3)
Alimentos derivados de la Caña	52,000	4,224	220	2.2	(2.2)
AV Villas (Ordinary Shares)	45,677	6,190	283	2.8	(2.8)
AV Villas (Preferred Shares)	20,763	5,969	124	1.2	(1.2)
Gas Natural ESP	621,866	117,386	72,998	730.0	(730.0)
Bolsa de Valores de Colombia	628,047,243	18	11,305	113.0	(113.0)
Empresa de Energía de Bogotá	327,150,500	1,785	583,964	5,839.6	(5,839.6)
Mineros S.A.	22,350,263	2,440	54,534	545.3	(545.3)
Total			723,657	7,236.4	(7,236.4)

* Stock prices are expressed in Colombian pesos.

5.6. 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. For this reason, Corficolombiana has a Money Laundering and Terrorism Financing Risk Management System [SARLAFT for its acronym in Spanish] which is composed of stages, elements, policies, procedures and methodologies for the identification, evaluation, control and monitoring of these risks, as well as the knowledge of clients, their operations with the Company and the market segments served. The system, which is contained in the SARLAFT Manual approved by the Board of Directors, also considers the monitoring of transactions, staff training and collaboration with authorities, and is managed by the Compliance Officer, who has the responsibility of evaluating the prevention and control mechanisms and establish their effectiveness and compliance by all the Company's officers.

Within the framework of the regulation of the Financial Superintendence of Colombia and especially following the instructions given in Part I Title IV Chapter IV of the Basic Legal Circular, Corficolombiana presents satisfactory results in the activities performed in relation to the Money Laundering and Terrorism Financing Risk Management System [SARLAFT], which are in accordance with current regulations, policies and methodologies adopted by the Board of Directors and the Recommendations of the International Standards related to the subject.

SARLAFT activities were conducted taking into account the methodologies adopted by the Company, which made it possible to continue with the mitigation of risks as a result of the application of controls designed for each of the risk factors defined in Part I Title IV Chapter IV of the Basic Legal Circular of the Financial Superintendence of Colombia (Client, Product, Channel and Jurisdiction). In accordance with the measurements made during the second half of 2016 based on SARLAFT, the entity maintains in average "moderate" risk levels, which are monitored quarterly.

The Company has technological tools that have enabled it to implement its client knowledge policy and the monitoring of warning signs for the purposes of identifying unusual operations and reporting suspicious transactions to the Financial Information and Analysis Unit (UIAF) in the terms established by law. The system also contains SARLAFT risk factor segmentation models (client, product, channel and jurisdiction) that allow the entity to identify risks and detect unusual operations based on the profile of the segments.

In order to promote and consolidate a culture of prevention, the Company has an institutional training program for employees, which transmits knowledge and relevant information and provides guidelines on the regulatory framework and mechanisms of control over money laundering and terrorist financing.

As regards the duty of collaboration with the authorities, and in compliance with legal provisions, the Company timely submitted its institutional reports to the Financial Information and Analysis Unit (UIAF) and responded to the requests for information submitted by the authorities.

The Compliance Officer is in charge of the direct supervision of controls to prevent these risks. The Internal Auditor and the Statutory Auditor, as well as Management and the Board of Directors, carry out supervision through the reports periodically presented by the Compliance Officer and the Statutory Auditor. According to the results of the different stages of SARLAFT, the reports issued by the Company's control bodies and the opinion of the Board of Directors on the reports presented by the Compliance Officer on a quarterly basis, the entity is able to appropriately manage the money laundering and terrorism financing risk. During the second half of 2016, the reports presented by the Comptroller and Statutory Auditor on SARLAFT were taken into account

in order to implement the recommendations aimed at optimizing the System. According to the reports received, the Entity's management of SARLAFT is considered satisfactory.

5.7. Financial customer service system

The Company, in order to continue providing an efficient care, during the second half of 2016, in addition to complying with the policies established in the Financial Customer Service [SAC for its acronym in Spanish] Manual, applied the procedures for the implementation of the elements and stages of the system in accordance with current regulations on the matter. Likewise, it had the adequate infrastructure for the correct administration and operation of the SAC. All the above allowed the satisfaction of the financial consumers, so that none of them filed complaints or claims during this period.

As stated in the reports issued by the Company's Comptroller and Statutory Auditor, the design and application of policies and procedures are adequate within the framework of the SAC. The opportunities for improvement that were identified in those reports were duly implemented and/or requested before the responsible areas.

The entity continues preparing 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.

Likewise, as a member of the ASOBANCARIA's financial education committee, the Company participated in the campaigns "Prevention of money laundering and terrorism financing" and "October, month of saving". The participation was made by means of bulletins sent to its collaborators.

In addition, it received material from the Banco de la Republica corresponding to the issue of new banknotes of \$20,000, \$5,000 and \$2,000 (figures in Pesos). Posters were published in the facilities of the building and leaflets were distributed to officers and visitors through the building's administration.

5.8. Anti-Fraud and Anti-Corruption Risk

In compliance with the provisions issued by the Financial Superintendence of Colombia and the guidelines of the shareholders and the Board of Directors, Corficolombiana has an Anti-Fraud and Anti-Corruption Policy which main objectives are to ensure the performance of coordinated actions to prevent fraudulent events within the Company, to promote transparency in the actions undertaken by Management, to discourage misconduct and to support the commitment of its stakeholders against fraud and corruption. The policy contains guidelines mainly in relation to gifts and gratifications, the use of intermediaries, contracts, donations, sponsorships, mergers and acquisitions and internal control measures on the financial reporting process. It also includes guidelines on high-risk accounts, system evaluation by the internal audit department and compliance with the external regulatory framework, in particular the United States' Foreign Corrupt Practices Act (FCPA).

During the second half of 2016, training was provided in this regard in order to strengthen their knowledge and skills as a mechanism for preventing the risk of fraud and corruption.

5.9. Corporate Governance

Corporación Financiera Colombiana S.A. has incorporated principles that govern the entity's good corporate governance, as well as the protection of the rights of shareholders and investors.

Board of Directors and Senior Management – The Board of Directors and Senior Management determine the entity's strategies, policies and risk profiles. The Board of Directors is permanently informed of the processes and business carried out by the Company.

The Board approves the limits of loans granted and exposure to market risk, liquidity and credit risk management for the Company's different businesses. The Executive Vice-President, through the Risk Management Office, is in charge of the identification, administration, measurement, control and monitoring of the risks inherent in treasury and other business operations. This department is in charge of generating risk control mechanisms and informing the Senior Management and Board of Directors of the Company's exposure to risk.

Policies and division of functions – Risk management policies are approved by the Board of Directors and are in line with the Company's different lines of business. These policies have specific elements for each type of risk (credit, market, liquidity and operational) and are rigorously monitored in compliance by the Risk Management.

Reports to the Board of Directors – The Board of Directors is permanently informed of the risk exposures of the different businesses carried out by the Company.

The Board of Directors is presented with a report containing a description of the operations performed by the money desk, the results of the business, the levels of risk and compliance with the limits established, if applicable on a monthly basis. Transactions with affiliates are submitted to the Board of Directors for consideration.

The limits of maximum portfolio positions, maximum losses and value at risk are controlled by the Risk Management Office and reported daily to the Company's Senior Management.

Technological Infrastructure – The Company has appropriate technological infrastructure that allows it to efficiently support the transactional requirements of its daily operations.

Methodology for the measurement of risk – Corporación Financiera de Colombia is classified as a financial institution and for its business role in the different fronts where it operates (money desk products, investment banking, equity investments, etc.) and as such it is exposed to a variety of risks brought about by the evolution of the environment in all its spheres.

Based on the above, it is clear that risk management has become an essential factor for achieving one of the main purposes of Corficolombiana, which is obtaining a satisfactory return for its shareholders, and therefore is in the definition of each and every one of the institutional strategies and decision-making processes for all the Company's businesses and activities.

The Company defined that the risk management processes must comply with the following stages:

Identification of risk – The risks associated with each of the products are determined by seeking to identify undue concentrations of risk and to implement new technologies to manage them.

Measurement of risks – The processes for measuring and managing the different risks are determined. Monitoring systems must operate accurately and cover all the defined aspects, so as to facilitate management. Risk measurement involves the availability of trained human resources and technical tools to facilitate the quantification of risks inherent to each business.

Allocation of limits - Limits are determined for each of the risks separately (market, credit and/or counterparty, operational and liquidity), even though they are connected to each other. Management evaluates and defines limits based on the willingness to take risks and the Entity's ability to absorb losses.

Measurement and control of limits – The value of positions against limits should be permanently reviewed and timely reports sent to the Senior Management as to any excesses in order to adopt corrective action. Evaluations and measurements are carried out with different frequencies according to the needs of each line of business.

Drafting of reports – Reports must be presented periodically according to the requirements of the Board of Directors and the different levels of risk. They should contain information regarding the current risk exposure against established limits considered as essential elements for decision-making processes.

Existing methodologies identify and measure the different types of risk to which the Company is exposed in its activities and this is how the methods that were explained and explained in detail in these notes to the financial statements operate.

Organizational Structure – Through its Board of Directors, the Company has defined an organizational structure, which must ensure appropriate risk management processes. This is how the Executive Vice-President is in charge of building a strong risk culture within the organization, seeking to always obtain an integrated risk vision that also covers the financial subsidiaries of Corficolombiana. This Vice-President is in charge of the Risk Management Office with the purpose of promoting, leading and controlling the execution of approved risk policies by complying with the risk management strategy, using the previously defined risk management process.

In the Company's structure, the negotiation, risk control and operations accounting departments are all independent. Each of these tasks is assigned to different functional departments, which in turn report to the Company's different departments as follows:

Responsibility	Department	Reports to:
Negotiation	Vice-President of Treasury	CEO
	Vice-President of Sales	CEO
	Vice-President of Investment Banking	CEO
	Vice-President of Investments	CEO
Control	Risk Management Office	Executive Vice-President
Accounting	Treasury Operations	Operations and Systems Management Office

	Accounting Office	Executive Vice-President
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(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 uses 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 Company may use internally developed models for instruments that do not have active markets. Such models are generally based on generally standardized 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 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 of the investment property assets has been determined through appraisals made by independent experts with sufficient experience and knowledge of the real estate market or the asset being valued. These valuations are generally made by references to market data or based on replacement cost when there is insufficient market data. This measurement is classified as level 3.

In investment property, increases (decreases) by 1% over the market value of such properties would result in a greater (less) fair value measurement of \$188.6 as applicable.

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. 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 has 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.

Investments classified in Tier 3 have significant unobservable inputs. Tier 3 instruments mainly include investments in equity instruments, which are not quoted on the stock exchange. The Company has equity investments in various entities with a share of less than 20% of the assets of each entity, such as Depósito Central de Valores – Deceval, Cámara de Compensación de Divisas, Cámara de Riesgo Central de Contraparte y Fiduciaria de Occidente. In general, all these companies do not trade their shares in a public securities market and therefore, the determination of their fair value as of December 31, 2016 has been made with the help of Infovalmer, the following is a summary of the different techniques used:

Approach	Application Technique	When is it used
Market	Recent transaction price	If recent or comparable transactions have occurred with the equity instruments of the investment assessed.
	Comparable multiples	When there is reference of companies that meet the basic requirements of the comparability criteria (macroeconomic environment, industry, size and growth stage).
	Net Adjusted	When one is a capital assets intensive company. Therefore,

	Value of the Assets	the Value of the Company is largely based on its assets and not on its revenue generation capacities.
Revenues	Deducted cash flows	When it is a company in operation and is operationally active.
	Contractual initial price	When it is a company which contractually has an initial price established

Equity instruments measured at their net adjusted value of the assets

It corresponds to a valuation technique, which is calculated allocating the market value to the assets and subtracting the liabilities at market value, according to the value that a market participant would grant. In order to apply this technique, the balance sheet was used as of December 31, 2016 and subsequently it was assessed that assets and liabilities had the chance to be realizable. The difference between the total realizable assets and the total of liabilities is the net adjusted value or the reasonable value. For the calculation of the assets and liabilities with a chance to be realizable, a calculation factor of 100% was assigned to them. The investments measured using this valuation technique, are:

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

Below is the sensibility to changes in the price per share.

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

Equity instruments measured with deducted cash flows

The flows are forecast for a time limit of 5 years, the present value of operating free cash flow 2017 – 2021 deducted at the cost of the WACC plus a flow in perpetuity following the explicit forecast period. According to the behavior of the flow, the terminal value is calculated alleging a growth in perpetuity.

The investments measured using this valuation technique, are:

- Camara de compensación de Divisas de Colombia S.A.
- Fiduciaria Occidente S.A
- Deceval S.A

Variables	Range used for valuation
Revenues (% growth of 5 years)	-0.5% -14.60%
Gradient of growth in perpetuity	3%
Discount interest rates	16.97%

Below is the sensibility to changes in the price per share.

Assets at fair value through profit or loss			
Derivative financial instruments			
Forwards	-	153,375	-
Swaps	-	92,165	-
Other derivatives	-	8,299	-
Cash transactions	-	37	-
Subtotal	-	253,876	-
Debt Instruments			
Through profit and loss	492,291	211,777	-
Through Other Comprehensive Income	2,890,025	124,525	-
Subtotal	3,382,316	336,302	-
Equity Instruments			
Through profit and loss	-	87,685	-
Through Other Comprehensive Income	-	723,657	28,020
Subtotal	-	811,342	28,020
Total assets measured at fair value on a recurring basis	3,382,316	1,401,520	28,020
Liabilities			
Liabilities at fair value through profit and loss			
Derivative financial instruments			
Forwards	-	125,608	-
Swaps	-	114,203	-
Other derivatives	-	9,728	-
Total liabilities measures at fair value on a recurring basis	-	249,539	-

(1) Tier 3	December 31, 2016	June 30, 2016
Equity Instruments		
Cámara de Compensación de Divisas de Colombia S.A.	593	552
Depósito Central de Valores – DECEVAL	8,482	7,237
Fiduciaria de Occidente S.A.	13,659	14,802
Cámara de Riesgo Central de la Contraparte de Colombia S.A.	405	383
Subtotal	23,139	22,974
Financial Instruments at changes in equity through Other comprehensive income		
Corporación Andina de Fomento	1,018	1,023
Inducarbón	1	1
Industria Colombo Andina-Inca S.A.	84	59
Petróleos Colombianos Limited	149	145
Petróleos Nacionales S.A.	257	257
Promotora de Inversiones Ruitoque S.A. (Promisión)	696	696
Promotora la Alborada S.A.	316	316
Promotora la Enseñanza S.A.	70	70
Reforestadora de Santa Rosalia	12	12
Sociedad Hotelera Cien Internacional S.A.(Hotel Bogotá Royal)	101	68
Textiles el Espinal S.A.	2,399	2,399
Subtotal	5,103	5,046
Total Tier 3	28,242	28,020

Fair value of assets and liabilities 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
Cash and equivalents	1,130,029	1,130,029	1,227,662	1,227,662
Cash operations	673,748	673,748	440,002	440,002
Debt instruments				
At fair value through profit and loss	757,401	757,401	704,068	1,015,549
At fair value through other comprehensive income	1,885,669	-	3,014,550	-
At amortized cost	54,050	1,959,684	69,030	2,825,511
Equity instruments				
At fair value through profit and loss	36,543	36,546	80,698	80,701
At fair value through other comprehensive income Equity Instruments	749,229	751,622	751,677	752,525
At fair value through other comprehensive income Subsidiaries and Associates, net	3,762,203	2,962,596	3,303,542	2,526,164
Derivative financial instruments	93,477	93,477	253,876	253,876
Accounts receivable	224,468	224,468	179,063	179,047
Total financial assets	9,366,817	8,589,571	10,024,168	9,301,037
Deposits and liabilities	3,226,477	3,226,477	3,055,722	3,055,722
Money market and related operations	3,118,249	3,118,249	3,781,433	3,781,433
Derivatives	118,512	118,512	249,539	249,539
Accounts payable	44,351	44,351	83,383	83,383
Total financial assets	6,507,589	6,507,589	7,170,077	7,170,077

The fair value of financial assets and financial 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.
- The fair value of listed securities is based on listing as of the closing date.
- The fair value of unlisted instruments is estimated discounting future cash flows using rates currently available for debts which conditions, credit risk and the remaining maturities are similar.

(7) Cash and cash equivalents

The balances of cash and cash equivalents comprise the following:

	December 31, 2016	June 30, 2016
In Colombian pesos		
Cash	3	3
Petty cash	3	3
Banks and other financial institutions on demand*	1,047,456	1,137,981
Banks or financial institutions	913,649	1,005,175
Banco de la Republica de Colombia	133,807	132,806
Subtotal in Colombian pesos	1,047,459	1,137,984
In foreign currency		
Cash	23	18
General cash	23	18
Banks and other financial institutions on demand*	82,547	89,660
Banks or financial institutions	82,570	89,660
Subtotal foreign currency	82,570	89,660
TOTAL CASH AND CASH EQUIVALENTS	1,130,029	1,227,662

* Includes the Reserve Requirement available for the corresponding two-week period for the semi-annual periods ended December 31 and June 30, 2016, valued at \$133,806 and \$136,637 respectively

There were no restrictions or limitations on cash and cash equivalents.

The following is a summary of the credit quality determined by independent risk rating agents of the main financial institutions in which the Company maintains cash and cash equivalents:

	December 31, 2016	June 30, 2016
Credit rating (*)		
Central Bank	133,807	132,805
AAA	854,637	974,024
AA-	141,559	120,812
Total	1,130,003	1,227,641

(*) Does not include cash on hand

	December 31, 2016	June 30, 2016
Credit rating (*)		
Central Bank	133,807	132,806
Investment grade	996,196	1,094,835
Total	1,130,003	1,227,641

(*) Does not include cash on hand

(7) Active positions in money market operations

The following is the detail of the active positions in money market transactions during the periods ended on December 31 and June 30, 2016:

	December 31, 2016		June 30, 2016	
	Balances	Effective Annual Rate (1)	Balances	Effective Annual Rate (1)
Operations agreed upon between 0 and 90 days				
In Colombian pesos				
Transfer commitments in simultaneous operations investments	582,565	6.47%	381,490.1	7.33%
Subtotal in Colombian pesos	582,565		381,490	
Operations agreed upon of more 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 Money Market Operations	673,748		440,002	

(1) Corresponding to the average rate of the current operations in legal currency as of the period cut-off

These amounts are not subject to restrictions or limitations.

(8) Investments measured at fair value

The balance of marketable investments in debt securities and investments available for sale in equity securities at fair value comprises the following:

a) Measured at fair value through profit and loss

By currency	June 30, 2016	December 31, 2015
Financial instruments measured at fair value through profit and loss		
In Colombian pesos		
Issued or guaranteed by the Colombian government	511,730	492,290
Issued or guaranteed by other Colombian government entities	2,049	2,516
Issued by national issuers	126,191	112,864
Other securities	109,782	88,939
Total debt instruments in pesos	749,752	696,609
In foreign currency		
Other securities	7,649	7,649
Total debt instruments in foreign currency	7,649	7,649
TOTAL DEBT INSTRUMENTS	757,401	704,068
EQUITY INSTRUMENTS		
In Colombian pesos		
Collective Funds and Portfolio	36,543	80,698

TOTAL EQUITY INSTRUMENTS	36,543	80,698
TOTAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS	793,944	784,766

By classification	December 31, 2016	June 30, 2016
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Measured at fair value through profit and loss

Other equity instruments at fair value through profit and loss

Fiduciaria Corficolombiana Collective Fund	1,464	35,016
Confianza Plus Collective Fund	2,173	6,066
Fiduciaria Corficolombiana Capital	4,205	7,064
Fiduciaria Bogota 60 CCA Sumar	804	772
SUBTOTAL	8,646	48,918

Debt instruments through profit and loss

Colombian Government Bonds	511,730	492,290
Bonds from other entities of the Colombian Government	2,049	2,516
Financial Entities	126,191	112,864
Others	117,431	96,398
SUBTOTAL	757,401	704,068

Investments in Fiduciary Rights through profit and loss

Melendez – 3941 – Alferéz Management Trust	22,468	26,464
20-054P Portfolio Trust	8,200	8,149
Arromasa Trust (CFC 46.25%)	520	520
Fibratolima	3,789	3,634
SUBTOTAL	34,977	38,767

Impairment	(7,080)	(6,987)
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TOTAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS	793,944	784,766
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b) Measured at fair value through other comprehensive income (OCI)

By currency	December 31, 2016	June 30, 2016
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Financial instruments measured at fair value through other comprehensive income

In Colombian pesos

Debt instruments through other comprehensive income	1,739,577	2,855,362
Equity instruments	747,880	750,354

In foreign currency

Debt instruments through other comprehensive income	146,092	159,188
Equity instruments	1,349	1,323

TOTAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (OCI)	2,634,898	3,766,227
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By classification

Debt instruments through other comprehensive income	December 31, 2016	June 30, 2016
Colombian Government Bonds	1,709,521	2,822,958
Bonds from other entities of the Colombian Government	86,526	98,562
Financial Entities	12,654	-
Corporate bonds	-	12,343
Others	76,968	80,687
SUBTOTAL	1,885,669	3,014,550

	% of interest	Classification	December 31, 2016	June 30, 2016
Financial instruments at fair value through other comprehensive income				
Alimentos derivados de la Caña	0.32%	A	215	220
AV Villas (Common Shares)	0.02%	A	289	283
AV Villas (Preference Shares)	0.02%	A	125	124
Bladex S.A.	0.01%	A	183	229
Bolsa de Valores de Colombia S.A.	3.36%	A	13,629	11,305
Cámara de Compensación de Divisas de Colombia S.A.	3.19%	A	593	552
Cámara de Riesgo Central de Contraparte de Colombia S.A.	1.09%	A	405	383
Deposito Central de Valores-DECEVAL	3.67%	A	8,482	7,237
Empresa de Energía de Bogotá S.A. ESP	3.56%	A	592,142	583,964
Fiduciaria Occidente S.A.	4.44%	A	13,659	14,802
Gas Natural S.A. ESP	1.68%	A	71,491	72,998
Mineros S.A.	8.54%	A	42,913	54,534
SUBTOTAL			744,126	746,631

Financial instruments at equity variations through other comprehensive income				
Corporación Andina de Fomento	0.00%	A	1,018	1,023
Inducarbón	0.09%	E	1	1
Industria Colombia Andina-Inca S.A.	0.67%	A	84	59
Petróleos Colombianos Limited	0.05%	E	149	145
Petróleos Nacional S.A.	19.54%	E	257	257
Promotora de Inversiones Ruitoque S.A. (Promisión)	3.34%	B	696	696
Promotora la Alborada S.A.	1.83%	E	316	316
Promotora la Enseñanza S.A.	2.45%	E	70	70
Reforestadora de Santa Rosalía S.A.	0.00%	E	12	12
Sociedad Hotelera Cien Internacional S.A. (Hotel Bogotá Royal)	0.39%	A	101	68
Textiles El Espinal S.A.	8.56%	E	2,399	2,399
SUBTOTAL			5,103	5,046
TOTAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			2,634,898	3,766,227

The credit quality determined by independent risk rating agents of the main counterparties in debt securities and investments in equity instruments in which the Company has financial assets at fair value, corresponds to the rating code reported by the Financial Superintendence of Colombia for Long-Term Issuers, Investment Quality, "Investment Grade".

As of December 31, 2016, the Company reclassified investments in debt securities at a market value of \$1,212,945, which are detailed as follows:

Reclassification Date	Kind	Nominal Value	Market Value	Profit (or loss)
December 2016	USD Bonds	5	16,932	540
December 2016	TES FIXED RATE	1,093,500	1,196,013	6,797
General Total		1,093,508	1,212,945	7,337

Reclassification Date	Kind	Nominal Value	Market Value	Profit (or loss)
July 27, 2016	USD BOND SURAMERI. INVESTMENT GROUP	2	6,718	217
August 5, 2016	EPM USD BOND	1	3,552	119
August 11, 2016	TES FIXED RATE	20,000	17,924	146
August 16, 2016	TES FIXED RATE	45,000	40,493	205
August 17, 2016	TES FIXED RATE	10,000	8,999	51
August 23, 2016	ECOPETROL USD BOND	2	6,662	204
August 24, 2016	TES FIXED RATE	143,500	158,161	1,463
August 25, 2016	TES FIXED RATE	88,500	93,299	318
August 26, 2016	TES FIXED RATE	60,000	65,405	-179
September 5, 2016	TES FIXED RATE	48,000	55,019	-211
September 6, 2016	TES FIXED RATE	320,500	373,494	-708
September 7, 2016	TES FIXED RATE	125,000	138,832	236
September 22, 2016	TES FIXED RATE	113,000	114,434	-481
September 27, 2016	TES FIXED RATE	60,000	62,434	2,292
September 29, 2016	TES FIXED RATE	60,000	67,519	3,665
General Total		1,093,505	1,212,945	7,337

The effect on the statement of income, in relation to such reclassifications, generated gains for \$7,337.

The Company as of December 31, 2016 reclassified investments in debt securities at market value of \$24,938, which are detailed as follows:

Reclassification Date	Kind	Nominal Value	Market Value	Profit (or loss)
June 2016	USD BOND	8	24,938	128
General Total		8	24,938	128

The effect on the income statement, in relation to such reclassifications, generated a loss in value of \$128.

Changes in fair values mainly reflect changes in market conditions due to fluctuations in interest rates and other economic conditions in the country where the investment is held. As of December 31, 2016 and June 30, 2016, the Company considers that there have been no significant losses in the fair value of financial assets due to impairment conditions in the credit risk of these assets.

As of December 31, 2016 and June 30, 2016, there are Investments in Debt Securities securing repo operations in the amount of \$518,864 and \$732,514, respectively. Additionally, financial instruments at fair value of \$2,643,070 and \$3,718,618 at December 31, 2016 and June 30, 2016, respectively, have been provided as collateral to third parties in support of financial obligations to others.

The sensitivity analysis for changes in interest rates on financial assets at fair value is disclosed in note 4.

The information on investments at fair value with related parties is disclosed in note 32.

Equity instruments at fair value through other comprehensive income have been designated taking into account that they are strategic investments for the Company and therefore are not expected to be sold in the near future.

As of December 31, 2016 and June 30, 2016, dividends have been recognized in the income statement for the following investments:

Corporate Name	December 31, 2016		
	Total Value of Dividends	Amount in Cash	Amount in Shares
Banco AV Villas S.A.	14	14	-
Bladex S.A.	5	5	-
TOTAL	19	19	-

Corporate Name	June 30, 2016		
	Total Value of Dividends	Amount in Cash	Amount in Shares
Fiduciaria de Occidente S.A.	805	621	184
Camara de Compensacion de Divisas de Colombia S.A.	38	38	-
Bolsa de Valores de Colombia S.A.	559	559	-
Banco AV Villas S.A.	14	14	-
Empresa de Energia de Bogota S.A. E.S.P.	7,994	7,994	-
Bladex S.A. Class E	5	5	-
Deposito Central de Valores-DECEVAL	726	726	-
Gas Natural ESP	4,402	4,402	-
Mineros S.A.	2,951	2,951	-
TOTAL	17,494	17,310	184

These amounts are not subject to any restrictions or limitations.

(9) Financial assets in investments at amortized cost

The balance of financial assets in investments at amortized cost includes the following:

	December 31, 2016	June 30, 2016
DEBT INSTRUMENTS		
In Colombian pesos		
Issued or secured by other entities of the Colombian Government	54,050	62,262
TOTAL DEBT INSTRUMENTS IN COLOMBIAN PESOS	54,050	62,262
In foreign currency		
Issued by foreign issuers	-	6,768
TOTAL DEBT INSTRUMENTS IN FOREIGN CURRENCY	-	6,768
TOTAL DEBT INSTRUMENTS AT AMORTIZED COST	54,050	69,030

The credit quality, determined by the independent risk rating agents of the main counterparties in debt securities, in which the Company has financial assets at amortized cost, corresponds to the rating code reported by the Financial Superintendence of Colombian for Long-Term issuers, Investment Quality and Investment Grade.

The following is the summary of financial assets in investments at amortized cost by maturity dates:

	December 31, 2016	June 30, 2016
Up to 1 month	7,016	-
More than 1 month and less than 3 months	47,034	43,919
More than 3 months and less than 1 year	-	18,343
Less than 1 year	54,050	62,262
Between 1 year and 5 years	-	6,768
Between 5 and 10 years	-	-
More than 10 years	-	-
Total	54,050	69,030

(10) 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 is a party.

Derivative financial instruments include the following:

Item	December 31, 2016		June 30, 2016	
	Notional Amount	Fair Value	Notional Amount	Fair Value
ASSETS				
Operation with speculative derivatives				
Forwards for purchase of foreign currency	447,736	4,249	456,912	7,248
Forwards for sale of foreign currency	1,777,825	78,027	3,878,870	144,833

Forwards for purchase of securities	30,000	13	58,000	1,294
SUBTOTAL	2,255,561	82,289	4,393,782	153,375
Interest rate swaps	126,774	1,099	431,548	3,348
Cross currency swaps	1,000,048	7,175	2,177,139	88,817
SUBTOTAL	1,126,822	8,274	2,608,687	92,165
Currency call options	215,167	2,914	313,385	8,299
SUBTOTAL	215,167	2,914	313,385	8,299
Cash operations	-	-	-	37
Total operations with speculative derivatives	3,597,550	93,477	7,315,854	253,875
TOTAL ASSETS	3,597,550	93,477	7,315,854	253,876
LIABILITIES				
Forwards for purchase of foreign currency	1,264,740	56,479	2,698,906	71,527
Forwards for sale of foreign currency	597,531	46,245	673,662	42,812
Forwards for purchase of securities	60,000	17		
Forwards for sale of securities	507,500	1,488	377,277	11,269
SUBTOTAL	2,429,771	104,229	3,749,845	125,608
Interest rate swaps	34,355	330	716,710	6,736
Cross currency swaps	1,122,064	8,933	2,469,363	107,467
SUBTOTAL	1,156,419	9,263	3,186,073	114,203
Currency put options	123,422	4,844	177,212	9,727.8
SUBTOTAL	123,422	4,844	177,212	9,727.8
Cash operations	-	176	-	-
Total operations with speculative derivatives	3,709,612	118,512	7,113,130	249,539.2
TOTAL LIABILITIES	3,709,612	118,512	7,113,130	249,539.2
NET POSITION	(112,062)	(25,035)	202,724	4,336.7

The derivative instruments used by the Company are generally traded in organized markets. 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.

The following is a summary of the credit quality determined by independent risk rating agents of the major counterparties in active derivative instruments:

	December 31, 2016	June 30, 2016
Credit quality		
AAA	4,142	7,683
AA+	(140)	(168)
AA	986	-
AA- (International)	(757)	(6,277)
A+ (International)	2,433	-
A (International)	(35,830)	-
A- (International)	-	(356)

BBB (International)	(6,561)	–
BBB+ (International)	1,530	–
Unrated	9,162	3,455
Total	(25,035)	4,337

As of December 31, 2016 and June 30, 2016 the Company has not carried out hedging operations.

(11) Accounts Receivable, net

The following is the summary of Accounts Receivable as of December 31, 2016 and June 30, 2016:

	December 31, 2016	June 30, 2016
Interest	220	220
Dividends and shares	104,555	118,371
Commissions	5,160	15,024
Leases	86	15
Sale of goods and services	1,654	1,654
Fees	44	–
Ordinary savings account abandoned	84	–
Deposits	29,728	26,908
Advances to contracts and suppliers	45	194
To employees	2,733	1,780
Tax advances	7	16
Customers' account payment (*)	81,364	–
Others	12,728	22,000
Total trade accounts	238,408	186,182
Provision for other accounts receivable	(13,940)	(7,119)
Total other accounts receivable	224,468	179,063

(*) In this amount are recognized financial obligations in favor of the Company with Electricaribe, for the execution of guarantees and financial costs related backed with counter-guarantee agreements subscribed.

The following is the impairment movement of account receivables as the semesters ended on December 31, 2016 and June 30, 2016:

	December 31, 2016	June 30, 2016
Initial Balance	(7,119)	(2,837)
Impairment (*)	(6,821)	(4,282)
Final Balance	(13,940)	(7,119)

(*) Including the impairment of the financial obligations with Electricaribe for \$6,386 with B rating. The model for the estimation or quantification of losses expected established by the Finance Superintendencia was used.

(12) Investments in subordinates and associates

a) The following is a summary of the investments in Subordinates as of December 31, 2016 and June 30, 2016:

December 31, 2016						
Investments in subsidiaries and affiliates	Share %	Number of Shares	Cost	Equity Method	Result Method	Investment Value
Banco Corficolombiana (Panama) S.A.	100.00%	9,400,579	28,205	1,591	1,119	30,915
Gas Comprimido del Peru	91.87%	47,821,018	54,158	(37,057)	(15,358)	1,743
Casa de Bolsa S.A. Sociedad Comisionista de Bolsa (2)	38.95%	6,068,649	14,093	(3,043)	2,227	13,277
CFC Gas Holding SAS	100.00%	20,858,597	343,214	(113,373)	61,281	291,122
CFC Private Equity Holdings SAS	100.00%	2,215,000	21,970	(997)	(4,324)	16,649
CFC Energy Holdings SAS	100.00%	180,000	169	(11)	(35)	123
Colombiana de Licitaciones y Concesiones S.A.S	100.00%	19,790,348	319,009	(15,776)	22,919	326,152
Coviandes S.A.	0.25%	68,002	93	(178)	300	215
Estudios Proyectos e Inversiones de los Andes S. A.	99.93%	53,583,915	99,172	(121,198)	80,711	58,685
Estudios y Proyectos del Sol S.A.S. (See Note 34)	100.00%	237,414,915	683,869	(15,344)	233,011	901,536
Fiduciaria Corficolombiana S.A.	94.50%	29,657,829	36,588	3,356	15,637	55,581
Hoteles Estelar de Colombia S.A.	84.96%	4,221,878,224	168,533	58,122	33,786	260,441
Industrias Lehner S.A.	52.48%	112,844,140	25,075	-	-	25,075
Leasing Corficolombiana S.A.	94.50%	231,383,678	87,790	(12,874)	9,122	84,038
Mavalle S.A.	18.32%	1,668,528	2,918	(1,152)	(77)	1,689
Organizacion Pajonales S.A.	98.13%	29,367,208	86,107	(8,781)	11,114	88,440
Pizano S.A.	39.99%	2,791,482,625	56,771.5	21,579	(27,126)	51,225
Plantaciones Unipalma de los Llanos S.A.	54.53%	1,515,383,414	16,409	60,854	(5,366)	71,897
Promotora y Comercializadora Turistica Santamar S.A.	84.60%	7,341,249,597	16,440	10,618	4,244	31,302
Proyectos de Infraestructura S.A.	88.25%	52,922,419	84,611	(115,026)	146,450	116,035
Proyectos de Ingenieria y Desarrollos S.A.S	100.00%	2,000,000	2,000	348	597	2,945
Tejidos Sinteticos de Colombia S.A.	94.99%	86,288,271	19,676	(10,083)	11,125	20,718
Valora S.A.	100.00%	496,542,876	116,771	16,146	17,288	150,205
Promigas S.A. (1)	34.22%	388,359,392	868,305	(64,642)	178,713	982,376
Fondo de Capital Privado Corredores Capital I	97.30%	14,384,309	654	65,410	83,218	149,282
Total Investments in Subordinates			3,152,601	(281,511)	860,576	3,731,666

(1) Includes Commercial Credit for \$40,868

(2) On December 21, 2016, by means of the subscription of a shareholders agreement on Casa de Bolsa S.A., Corporacion Financiera Colombiana S.A., acquired the control of said entity keeping its share participation in 38.95% and without transfer of a compensation for this economic fact. This control change, obeys to the intention to strengthen the

operational synergies between Casa de Bolsa and Corficolombiana, in addition to the commercial ones between the commission agent and the financial entities subsidiaries of the Company.

As the previous controller Banco de Bogota S.A. as well as the Company are controlled by Grupo Aval y Valores S.A., this combination of business complies with the definition of combinations of business on entities under the common agreement control with the IFRS 3 Business Combinations. In this sense, although this transaction is not under the scope of the IFRS 3 due to its nature, the acquisition method has been used for its accounting in the Financial Statements of the Company.

Pursuant to the IAS 27 Individual Financial Statements, when the control of an entity is acquired without transferring a compensation and only by means of an agreement, the compensation 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 in the stock exchange and there are no current transactions which are comparable, the Company decided to use the income approach of the IFRS 13 measurement at fair value for its determination.

The Company, before acquiring the control on Casa de Bolsa S.A. had been measuring this investment under the equity method as it had a significant influence and it will continue measuring it under this methodology pursuant to its accounting policy of measurement for the controlled entities.

Pursuant to the set forth in the IAS 27, the Company acknowledged an income for the control acquisition of \$1,822 million pesos, resulting from the comparison at fair value of the share kept in said entity for \$13,277 million pesos and its carrying value anticipated for the control acquisition \$11,454 million pesos.

June 30, 2016						
Investments in Subsidiaries and Affiliates	Share %	Number of Shares	Cost	Equity Method	Result Method	Investment Value
Banco Corficolombiana (Panama) S.A.	100.00%	9,400,579	27,437	2,151	(372)	29,216
Gas Comprimido del Peru	91.87%	47,821,019	52,683	(35,982)	(13,262)	3,439
CFC Gas Holding SAS	100.00%	20,858,597	343,214	(104,896)	46,641	284,959
CFC Private Equity Holdings SAS	100.00%	2,215,000	21,970	(1,401)	(2,751)	17,818
CFC Energy Holdings SAS	100.00%	180,000	169	(11)	(29)	129
Colombiana de Licitaciones y Concesiones S.A.S	100.00%	2,511,906	122,009	(15,776)	15,565	121,798
Coviandes S.A.	0.25%	68,002	93	(178)	295	210
Estudios Proyectos e Inversiones de los Andes S. A.	99.93%	53,583,915	99,173	(121,184)	75,452	53,441
Estudios y Proyectos del Sol	100.00%	132,895,868	446,869	(5,678)	261,777	702,968
Fiduciaria Corficolombiana S.A.	94.50%	29,657,829	36,588	2,532	8,229	47,349
Hoteles Estelar de Colombia S.A.	84.96%	4,221,878,224	168,532	57,527	23,248	249,307
Industrias Lehner S.A.	52.48%	112,844,140	25,075	-	-	25,075
Leasing Corficolombiana S.A.	94.50%	231,383,678	87,790	(12,874)	6,801	81,717
Mavalle S.A.	18.32%	1,668,528	2,918	(979)	(48)	1,891
Organizacion Pajonales S.A.	98.13%	29,387,208	86,107	5,854	8,816	100,777
Pizano S.A.	39.99%	2,791,482,625	56,772	21,684	(22,743)	55,713

Pyxis Inversiones S.A.	100.00%	8,880	1,742	-	-	1,742
Plantaciones Unipalma de los Llanos S.A. Promotora y Comercializadora	54.53%	1,515,383,414	16,409	60,300	(5,563)	71,146
Turistica Santamar S.A.	84.60%	7,341,249,597	16,440	10,617	3,668	30,725
Proyectos de Infraestructura S.A.	88.25%	52,922,419	84,611	(115,032)	143,323	112,902
Proyectos de Ingenieria y Desarrollos S.A.S	100.00%	2,000,000	2,000	348	703	3,051
Tejidos Sinteticos de Colombia S.A.	94.99%	86,288,271	19,676	(10,076)	11,853	21,453
Valora S.A.	100.00%	458,563,426	105,342	16,145	11,384	132,871
Promigas S.A. (1)	34.22%	388,359,392	868,305	(66,656)	160,789	962,438
Fondo de Capital Privado Corredores Capital I	97.30%	14,369,361	327	78,412	67,382	146,121
Total Investments in Subordinates			2,692,251	(235,153)	801,158	3,258,256

(1) Includes Commercial Credit for \$40,868.3

Detail of investments in Subordinates:

December 31, 2016					
Investments in Subordinates	Share %	Main Domicile	Assets	Liabilities	Profits / (Loss)
Banco Corficolombiana (Panama) S.A.	100.00%	Panama	303,195	272,280	1,496
Gas Comprimido del Peru	91.87%	Peru	68,990	67,093	(1,888)
Casa de Bolsa S.A. Sociedad Comisionista de Bolsa	38.95%	Colombia	61,269	31,861	446
CFC Gas Holding SAS	100.00%	Colombia	649,784	133	25,144
CFC Private Equity Holdings SAS	100.00%	Colombia	16,695	46	(1,573)
CFC Energy Holdings SAS	100.00%	Colombia	124	1	(6)
Colombiana de Licitaciones y Concesiones S.A.S	100.00%	Colombia	345,873	11,921	7,355
Coviandes S.A.	0.25%	Colombia	577,997	491,508	2,075
Estudios Proyectos e Inversiones de los Andes S.A.	99.93%	Colombia	226,084	167,354	5,263
Estudios y Proyectos del Sol	100.00%	Colombia	1,123,624	222,089	(28,766)
Fiduciaria Corficolombiana S.A.	94.50%	Colombia	94,356	32,920	7,839
Hoteles Estelar de Colombia S.A.	84.96%	Colombia	550,106	243,295	12,403
Industrias Lerner S.A.	52.48%	Colombia	473	7,010	(520)
Leasing Corficolombiana S.A.	94.50%	Colombia	984,131	895,202	2,456
Mavalle S.A.	18.32%	Colombia	23,295	14,075	(159)
Organizacion Pajonales S.A.	98.13%	Colombia	197,289	108,532	533
Pizano S.A.	39.99%	Colombia	263,867	135,441	(10,961)
Plantaciones Unipalma de los Llanos S.A.	54.53%	Colombia	193,601	61,754	360
Promotora y Comercializadora Turistica Santamar S.A.	84.60%	Colombia	41,619	4,619	681
Proyectos de Infraestructura S.A.	88.25%	Colombia	246,195	114,884	37,276

Proyectos de Ingenieria y Desarrollos S.A.S	100.00%	Colombia	3,747	801	(106)
Tejidos Sinteticos de Colombia S.A.	94.99%	Colombia	29,654	7,843	760
Valora S.A.	100.00%	Colombia	170,706	17,101	5,904
Promigas S.A.	34.22%	Colombia	5,349,579	2,710,577	286,192
Fondo de Capital Privado Corredores Capital I	97.30%	Colombia	355,382	-	27,404

June 30, 2016					
Investments in Subordinates	Share %	Main Domicile	Assets	Liabilities	Profits / (Loss)
Banco Corficolombiana (Panama) S.A.	100.00%	Panama	292,921	263,705	1,327
Gas Comprimido del Peru	91.87%	Peru	70,373	66,629	(935)
CFC Gas Holding SAS	100.00%	Colombia	610,796	70	16,242
CFC Private Equity Holdings SAS	100.00%	Colombia	17,842	24	(1,012)
CFC Energy Holdings SAS	100.00%	Colombia	133	4	(11)
Colombiana de Licitaciones y Concesiones S.A.S	100.00%	Colombia	151,378	21,847	4,167
Coviandes S.A.	0.25%	Colombia	753,640	669,202	12,902
Estudios Proyectos e Inversiones de los Andes S.A.	99.93%	Colombia	945,620	826,087	17,422
Estudios y Proyectos del Sol	100.00%	Colombia	1,390,817	630,821	93,113
Fiduciaria Corficolombiana S.A.	94.50%	Colombia	136,791	84,195	5,368
Hoteles Estelar de Colombia S.A.	84.96%	Colombia	717,235	377,012	10,450
Industrias Lerner S.A.	52.48%	Colombia	579	6,597	(516)
Leasing Corficolombiana S.A.	94.50%	Colombia	1,020,317	933,843	(9,050)
Mavalle S.A.	18.32%	Colombia	23,783	13,460	(650)
Organizacion Pajonales S.A.	94.54%	Colombia	230,503	121,110	5,525
Pizano S.A.	39.99%	Colombia	298,430	163,845	(9,633)
Pyxis Inversiones S.A.	100.00%	Colombia	1,951	122	325
Plantaciones Unipalma de los Llanos S.A.	54.53%	Colombia	199,207	68,735	4,638
Promotora y Comercializadora Turistica Santamar S.A.	84.60%	Colombia	40,690	4,370	938
Proyectos de Infraestructura S.A.	88.25%	Colombia	368,339	229,500	33,164
Proyectos de Ingenieria y Desarrollos S.A.S	100.00%	Colombia	3,686	634	(275)
Tejidos Sinteticos de Colombia S.A.	94.99%	Colombia	30,308	7,723	1,820
Valora S.A.	100.00%	Colombia	154,296	18,179	(1,773)
Promigas S.A.	34.22%	Colombia	8,012,384	4,853,752	424,157
Fondo de Capital Privado Corredores Capital I	97.30%	Colombia	326,458	-	(3,267)

b) The following is the detail of the Impairment of Equity Investments and Rights in Trusts:

	Share %	December 31, 2016	June 30, 2016
Impairment of investments			
Reforestadora de Santa Rosalia S.A.	0.00%	12	12
Petroleos Colombianos Limited	0.05%	149	145
Inducarbon	0.09%	1	1
Promotora la Alborada S.A.	1.83%	316	316

Promotora la Enseñanza S.A.	2.45%	70	70
Promotora de Inversiones Ruitoque S. A.	3.34%	139	139
Textiles el Espinal S.A.	8.56%	2,399	2,399
Petroleos Nacionales S.A.	19.54%	257	257
Industrias Lehner S.A.	52.48%	25,076	25,076
TOTAL		28,419	28,415

Impairment of Rights in Trusts

Trust Portfolio 20-054P	100.00%	6,560	6,486
Fideicomiso Arromasa	46.25%	520	501
TOTAL		7,080	6,987

c) The following is a detail of the investments in Associates:

December 31, 2015						
Investments in Associates	Share %	Number of Shares	Cost	Equity Method	Result Method	Investment Value
Aerocali S.A.	49.99%	189,997	7,697	2,466	14,808	24,971
Colombiana de Extrusion S.A. Extrucol	20.00%	315,420	1,785	6,245	(461)	7,569
Concesionaria Tibitoc	33.33%	9,086,933	8,925	14,254	(2,970)	20,209
Metrex S.A.	10.31%	321,782	168	751	363	1,282
Ventas y Servicios S.A.	19.90%	586,772	4,692	674	(441)	4,925
Total Investments in Associates			23,267	24,390	11,299	58,956

June 30, 2016						
Investments in Associates	Share %	Number of Shares	Cost	Equity Method	Result Method	Investment Value
Aerocali S.A.	49.99%	189,997	7,697	2,466	19,107	29,270
Casa de Bolsa S.A.						
Sociedad Comisionista de Bolsa	38.95%	6,068,649	12,271	(2,957)	2,013	11,327
Colombiana de Extrusion S.A. Extrucol	20.00%	315,420	1,785	6,245	(793)	7,237
Concesionaria Tibitoc	33.33%	9,086,933	8,925	14,254	(3,075)	20,104
Metrex S.A.	10.31%	321,782	168	742	181	1,091
Ventas y Servicios S.A.	19.90%	586,772	4,692	674	(694)	4,672
Total Investments in Associates			35,538	21,424	16,739	73,701

As of December 31, 2016 and June 30, 2016, the investments in equity securities in Subsidiaries, Affiliates and Associates were not pledged nor guaranteed financial obligations.

(13) Property and Equipment, net

The following is the balance of tangible asset accounts for the periods ended on December 31, 2016 and June 30, 2016.

The Company recognizes Property and Equipment at cost and Investment Properties at fair value.

Property and Equipment	December 31, 2016	June 30, 2016
Previous balance	22,755	21,882
Purchases or acquisitions (net)	3,285	877
Withdrawals / Sales (net)	(2,190)	(4)
Current balance	23,850	22,755
Cumulative Depreciation:		
Previous balance	(4,296)	(3,612.4)
Depreciation in six-month period charged to Income	(687)	(686.7)
Withdrawals / Sales	286	2.7
Current balance	(4,697)	(4,296.4)
Net Assets Property and Equipment	19,153	18,458.7

The following is the detail by type of properties and equipment for own use:

	Cost	Cumulative Depreciation	Book Value
Land	4,385		4,385
Buildings	11,694	(760)	10,934
Equipment, Furniture and Office Equipment	2,013	(1,012)	1,001
Computer equipment	3,416	(2,091)	1,325
Vehicles	1,002	(388)	614
Machinery	245	(45)	200
Balance as of June 30, 2016	22,755	(4,296)	18,459
Land	3,038		3,038
Buildings	10,999	(659)	10,340
Equipment, Furniture and Office Fittings	1,936	(1,061)	875
Computer equipment	4,181	(2,559)	1,622
Vehicles	856	(418)	438
Mobilization equipment	2,840	-	2,840
Balance as of December 31, 2016	23,850	(4,697)	19,153

The Company has adopted the necessary measures for the conservation and protection of its assets. As of December 31, 2016 and June 30, 2016, there were insurance policies to cover risks of subtraction, fire, earthquake, tremor, riot, rebellion, explosion, volcanic eruption, low voltage, water damage, flooding, property, damages to offices and vehicles. The Company has appraisals of its properties not exceeding three years, some of which were made during December 2016 and there are no mortgages or ownership restrictions thereon, nor have they been assigned as collateral.

(14) Investment Properties, net

The following is the movement of Investment Properties during the periods ended on December 31 and June 30, 2016:

Investment Properties	December 31, 2016	June 30, 2016
Previous balance	75,552	76,248
Goods received in payment transfer and Trusts	-	100
Fair Value Adjustment to Investment Properties (income) (1)	3,370	-
Withdrawals / Sales (net)	-	(796)
Current balance	78,992	75,552
Impairment		
Previous balance	47,036	47,053
Impairment Expense	910	(11)
Reimbursement of Fair Value Adjustment (expense)	(1)	-
Withdrawals / Sales (net)	-	(6)
Current balance	47,945	47,036
Net balance of Investment Properties	30,977	28,516

(1) In December 2016, the Corporation adjusted its investment properties at a fair value using technical appraisals, which generated a net income in the income statement of \$3,370. There are no mortgages or domain reserves, thereon, and they have not been assigned as collateral.

(15) Intangible Assets, net

The following is the balance of Intangible Assets as of December 31 and June 30, 2016:

Licenses and Software	December 31, 2016	June 30, 2016
Cost	358	998
Cumulative Amortization	(350)	(604)
Total Intangible Assets	8	394

(16) Income Tax

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

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

	December 31, 2016	June 30, 2016
Current income tax	7,468	7,588
CREE tax	2,655	2,655
CREE surcharge	1,770	1,770
Subtotal of current taxes	11,893	12,013
Adjustment of previous periods	(3,752)	4
Excesses of provision of the period	(321)	375
Net deferred taxes for the period	372	29
Subtotal of deferred taxes	372	29
Total	8,192	12,421

b. Reconciliation of the tax rate in accordance with the tax provisions and the effective rate:

The current tax provisions in the Company concerning the income tax and supplementary applicable during the year 2015 and 2016 set out, among other things, as follows:

- i. Until December 31, 2016, the tax revenues of the companies are taxed at a rate of 25% as 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 2015 and 6% for 2016; a surcharge of 8% was also provided for 2017 and 9% for 2018. This tax and the surcharge were repealed as from January 1, 2017 by Law 1819/2016.
- iii. As of January 1, 2017, Law 1819/2016 sets out the income rate 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 et seq. a surcharge of 33%.
- iv. The windfall profit is taxed at the rate of 10%.
- v. The basis to determine the income tax and the income tax for equity CREE of a company cannot be less than 3% of its net assets on the last day of the immediately preceding taxable year. As of January 1, 2017, the applicable rate will be of 3.5%.
- vi. The tax losses originated as of the taxable year 2007 until 2016 fiscally readjusted may be compensated without percentage limitation, at any time, with the ordinary future liquid revenues, both to determine the income tax and for the CREE.
- vii. The tax returns of the income tax of the corporations are in force after two years following their submission. As of January 1, 2017, the term of firmness of the tax returns will be of three years counted as of the expiration of the term to declare or from the extemporaneous or request of credit balance.
- viii. The tax losses occurred until the taxable year 2016 are still deductible under the same terms described in the tax standards applicable until said year, but cannot be fiscally readjusted. The tax losses generated as of the taxable year 2017 may be compensated with the ordinary liquid revenues obtained by the companies in the twelve (12) next taxable periods and the returns in which they are originated will be in force under the same term they have to compensate them; if the fiscal loss is compensated in any of the two last years, the term of firmness will be extended as of said compensation for three years more, that is, the return could be open to inspection for 15 years and lastly the tax returns and their corrections in which losses are compensated are in force in six (6) years counted as of the date of their submission.

The following is the detail of the reconciliation between the company's total income tax expense for an amount of \$66,106 and \$104,737 calculated at the current tax rates and the tax expense actually recorded in the income statement of the period of the semi-annual periods ended on December 31, 2016 and June 30, 2016, respectively:

	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Earnings before income tax	67,226	261,842
Total tax rate	40%	40%
Theoretical tax expense calculated as per current tax rates	26,890	104,737
Non-deductible expenses	18,506	7,190
Differences in excess presumptive income not generating deferred taxes	11,799	11,800
Difference in tax losses on which no deferred tax was calculated	34,389	84,723

Dividends received not constituting income	(7)	(6,998)
Equity method revenues not constituting income	(85,511)	(122,813)
Profit (loss) on sale or valuation of investments not constituting income	5,305	5,125
Interest and other non-taxed income on taxes	-	(698)
Occasional gains with different tax rates	(140)	214
Effect of deferred tax due to changes in tax rates	(301)	(2,619)
Adjustment for previous periods	(3,751)	4
Excess (defect) provision for the period	(321)	375
Temporary differences on which no deferred tax was calculated	-	(68,451)
Other items	1,334	(168)
Total*	8,192	12,421.0

* The total corresponds to the income tax expense calculated by the presumptive income system plus the deferred tax expense calculated as occasional profits.

c. Tax losses and excess presumptive income:

As of December 31 and June 30, 2016, the following is the detail of tax losses and excess presumptive income that have not been used and on which the Company has not recorded deferred tax assets due to the uncertainty of their recovery.

	December 31, 2016	June 31, 2016
Tax Losses		
With no maturity date	339,815	211,808
Total	339,815	211,808
	December 31, 2016	June 31, 2016
Excess presumptive income expiring on:		
December 31, 2018	39,380	5,256
December 31, 2019	59,897	76,074
December 31, 2020	44,255	43,242
December 31, 2021	58,997	29,499
Total	202,529	124,569

d. Deferred taxes with respect to subsidiaries, associates and joint ventures:

During the six-month period ended December 31, 2016, the Company did not record any deferred tax liabilities with respect to temporary differences in investments in subsidiaries and associates, as a result of the application of the exception established in paragraph 39 of IAS 12, taking into account that the Company has control over the subsidiaries and therefore, it can decide on the reversal of such temporary differences, and it has not provided its realization in the mid-term; therefore, it is likely that they will not be reversed in the foreseeable future. In addition to the situation above, of the company that is using the presumptive income system and that it is anticipated that it will continue using the same system in the coming years. The temporary differences for the amounts indicated as of December 31 and June 30, 2016, amounted to \$609,870 and \$757,787, respectively.

e. Movement in deferred taxes

Deferred tax by type of temporary difference:

Differences between the bases of assets and liabilities for IFRS purposes and the tax bases of the same assets and liabilities for tax purposes give rise to temporary differences that generate deferred taxes calculated and recorded as at December 31 and June 30, 2016.

Six-month period ended on December 31, 2016

The deferred taxes assets, liabilities, expenses (income) and other comprehensive income submitted during the period between December 31 and June 30, 2016 are as follows:

	Balance as of June 30, 2016	Credited (charged) to Profit & Loss Statement	Credited (charged) to Other Comprehensive Income	Balance as of December 31, 2016
Differences in property, plant and equipment	(1,442)	372	-	(1,814)
Total Deferred Tax Liability	(1,442)	372	-	(1,814)
Total Deferred Tax	(1,442)	372	-	(1,814)

The deferred taxes assets, liabilities, expenses (income) and other comprehensive income submitted during the period between December 31, 2015 and June 30, 2015, based on the balances expressed as of December 31, 2015, are as follows:

Semester completed on June 30, 2016

Six-month period ended on June 30, 2016

	Balance as of December 31, 2015	Credited (charged) to Profit & Loss Statement	Credited (charged) to Other Comprehensive Income	Balance as of June 30, 2016
Differences in property, plant and equipment	(1,413)	(29)	-	(1,442)
Total Deferred Tax Liability	(1,413)	(29)	-	(1,442)
Total Deferred Tax	(1,413)	(29)	-	(1,442)

f. Components of the Deferred Tax to be Recovered (liquidated)

	December 31, 2016	June 30, 2016	December 31, 2015
Deferred tax liabilities:			
Deferred tax liabilities to be recovered after more than 12 months	(1,814)	(1,442)	(1,413)
Deferred tax liabilities	(1,814)	(1,442)	(1,413)

g. Effect of current and deferred taxes on each component of the account of other comprehensive income in equity:

The effects of current and deferred taxes on each component of the account of other comprehensive income are detailed as follows:

	December 31, 2015			June 30, 2016		
	Amount before taxes	Amount before taxes	Tax expense (income)	Net	Tax expense (income)	Net
Items that can be later reclassified through income						
Exchange difference in translation of foreign operations	946	-	946	(18,100)	-	(18,100)
Unrealized profit (loss) on investments available for sale	34,827	-	34,827	149,537	-	149,537
Unrealized net profits on equity instruments at fair value	(2,485)	-	(2,485)	20,892	-	20,892
Subtotal	33,288	-	33,288	152,329	-	152,329
Items not reclassified through income						
Actuarial profits (loss) on defined benefit plans	(149)	-	(149)	-	-	-
Subtotal	(149)	-	(149)	-	-	-
Total other comprehensive income for the period	33,139	-	33,139	152,329	-	152,329

h. The Company does not record uncertainties due to open tax positions on December 31 and June 30, 2016.

(17) Other Assets, net

The following is the detail of Other Assets as of December 31 and June 30, 2016:

	December 31, 2015	June 30, 2016
Other assets, net		
Prepaid expenses	392	278
Art and cultural assets	380	380
Total	772	658

(18) Deposits and Current Liabilities

The following is the detail of Customer Deposits as of December 31 and June 30, 2016:

	December 31, 2016	June 30, 2016
By nature		
Savings accounts	574,225	487,442
Other funds on demand	16,584	17,928
Total on demand	590,809	505,370
Total term deposit certificates	2,635,668	2,550,352
Total	3,226,477	3,055,722

The following are the minimum and maximum collection rates on customer deposits:

	December 31, 2016		June 30, 2016	
	Local Currency		Local Currency	
	Minimum Rate	Minimum Rate	Maximum Rate	Maximum Rate
Savings accounts	1.00%	8.35%	1.00%	8.35%
Term deposit certificates	5.25%	12.96%	4.40%	13.12%

The following are the customer deposits by economic sector:

Sector	December 31, 2016	June 30, 2016
Colombian Government or entities of the Colombian Government	328,165	335,471
Manufacturing	248	260
Real Estate	5	5
Commercial	25,041	18,378
Agricultural and livestock farming	1,132	11
Individuals	54,473	46,942
Others	2,817,413	2,654,655
Total	3,226,477	3,055,722

(19) Passive Positions in Money Market Transactions

The following is the detail of the financial obligations and money market operations obtained by the Company in the short term with the main purpose of financing its operations:

	December 31, 2016		June 30, 2016	
	Value	Average Return	Value	Average Return
Local currency				
Ordinary interbank funds acquired	384,336	7.52%	227,199	7.50%
Repo operations	370,147	7.50%	610,000	7.50%
Simultaneous operations	1,727,640	7.28%	2,577,709	6.34%
Commitments originated on short positions	487,409	7.45%	244,011	6.82%
Subtotal local currency	2,969,532		3,658,919	
Foreign banks				
Repo operations	148,717	2.38%	122,514	2.36%
Subtotal foreign currency	148,717		122,514	
TOTAL	3,118,249		3,781,433	

The following is a summary of the effective interest rates generated on financial obligations and money market operations:

December 31, 2016		June 30, 2016	
Minimum Rate	Maximum Rate	Minimum Rate	Maximum Rate

In Colombian pesos

Ordinary interbank funds acquired	7.50%	7.55%	7.49%	7.54%
Repo operations	7.50%	7.50%	7.50%	7.50%
Simultaneous operations	2.06%	7.75%	2.00%	7.50%
Commitments originated on short positions	3.50%	7.60%	3.00%	11.00%

In foreign currency

Repo operations	2.07%	2.88%	2.15%	2.58%
Financial operations				

The following is a summary of the maturities of passive money market positions:

December 31, 2016	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Total
Foreign Trade Bank	5,048	-	-	5,048
Central Bank	370,147	-	-	370,147
Financial Fund for the Agricultural Sector FINAGRO	20,536	-	-	20,536
Financiera de Desarrollo Territorial S.A. FINDETER	167,021	-	-	167,021
Others	2,445,506	67,641	42,350	2,555,497
Total	3,008,258	67,641	42,350	3,118,249

June 30, 2016	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Total
Foreign Trade Bank	27,000	-	-	27,000
Central Bank	610,000	-	-	610,000
Financial Fund for the Agricultural Sector FINAGRO	6,000	-	-	6,000
Financiera de Desarrollo Territorial S.A. FINDETER	37,000	-	-	37,000
Foreign banks	-	70,557	51,957	122,514
Others	2,973,781	5,138	-	2,978,919
Total	3,653,781	75,695	51,957	3,781,433

As of December 31 and June 30, 2016, interest expenses on money market operations for \$ 92,383 and \$111,997.9, respectively, were recognized in the income statement.

(20) Employee Benefits

Under the Colombian labor law, the various employees of the Company are entitled to short-term benefits such as: salaries, holidays, legal and extralegal bonuses, severance payments and interest on severance payments, and to long-term benefits such as: extralegal seniority premiums (five-year periods), and retirement benefits such as legal and extralegal retirement pensions.

The following is a detail 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	4,681	3,554
Employee retirement benefits	1,430	1,322
Long-term benefits	1,790	1,584
Total	7,901	6,460

Employee retirement benefits:

In Colombia, retirement pensions when employees retire after reaching certain age and service levels are assumed by public or private pension funds based on defined contribution plans where companies and employees make monthly contributions defined by the law to have access to the pension upon the employee's retirement.

A person (woman) is part of the actuarial calculation when she receives a pension from the Company. The actuarial calculation is fully amortized.

The following is a breakdown of employee retirement benefits and long-term benefits as of December 31 and June 30, 2016:

	Retirement Plan		Other Benefits	
	December 31, 2016	June 30, 2016	December 31, 2016	June 30, 2016
Balance at the beginning of the period	1,322	1,382	1,584	1,576
Costs incurred in the period	-	-	71	71
Interest cost	64	50	58	58
Cost of past services	-	-	-	-
Subtotal costs	64	50	129	129
Exchange loss / (profit)	-	-	125	-
Actuarial assumptions loss / (profit)	149	(10)	210	-
Subtotal profit - loss	149	(10)	335	-
Payments to employees	(105)	(100)	(258)	(121)
Balance at the end of the period	1,430	1,322	1,790	1,584

The variables used to calculate the forecasted obligation of the different employee retirement and long-term benefits are shown below:

	December 31, 2016	June 30, 2016
Discount rate	9.0%	7.0%
Inflation rate (1)	4.9%	3.5%
Salary increase rate	4.9%	3.5%
Pension increase rate	4.9%	3.5%
Employee turnover rate	0.0%	0.0%
Total	23.8%	17.5%

(1) The average inflation target of the Central Bank is used:

The expected life of employees is calculated based on mortality tables published by the Colombian Financial Superintendency, which have been constructed based on the mortality experiences provided by different insurance companies operating in Colombia.

The sensitivity analysis of the liability for retirement benefits to employees of the different financial and actuarial variables is the following, keeping all other variables constant:

Sensitivity of actuarial calculations

	December 31, 2016		
	Change in variable	Increase in variable	Decrease in variable
Other benefits			
Discount rate	-50bp and +50bp	1,738	1,844
Salary increase rate	-50bp and +50bp	1,855	1,727
Pensions			
Discount rate	-50bp and +50bp	1,394	1,468
Pension increase rate	-50bp and +50bp	1,476	1,385

Sensibilities: It refers to the value of the actuarial reserve (OBD for Defined Benefit Obligation) in millions of pesos, when amending any calculation assumption as to the scenario selected. The sensibility was performed on two variables:

- a. "Wage increment". When incrementing the wage rate in 50 basic points (meaning 0.5%) the liabilities increase, since financing a more expensive benefit that the assumed means a greater reserve.
- b. "Discount rate". The variation in this case is contrary because we are evaluating a present value: If the investment rate increases, the liabilities decrease and vice versa.

Long-term employee benefits:

The Company grants its employees seniority premiums during their employment history depending on the number of service year, every ten, fifteen and twenty years, etc. calculated as wage days (between 30 and 90 days) each payment.

(21) Other provisions

The following is the detail of the provisions for labor contingencies and other provisions as of December 31 and June 30, 2016:

	December 31, 2016	June 30, 2016
Tax provisions (1)		
Income tax and complementary	-	7,766
Income tax for equity shares	-	4,623

Industry and trade tax	-	702
	-	13,091
Other Provisions		
Contributions, affiliations and transfers	2,461	2,438
Human resources	1,484	1,537
Others	2,309	4,017
Total	6,254	21,083

(1) As of December 31, 2016 the provisions for current taxes were set-off with the advanced payments and credit balances by generating an effect on the asset of \$10,744 (See note 16).

Legal Contingencies: The Company, for the periods ended on December 31 and June 30, 2016 had no provisions on legal contingencies since the legal processes are classified by the lawyers as remote.

Uncertainties in tax positions: The Company, for the periods ended on December 31 and June 30, 2016 has no provisions for tax uncertainties.

(22) Accounts payable

The following is the detail of accounts payable and other liabilities as of December 31 and June 30, 2016:

	December 31, 2016	June 30, 2016
Commissions and fees	133	95
Dividends and surpluses	33,248	47,068
Providers, services payable and other accounts payable	2,604	3,860
Labor withholdings and contributions	1,252	2,804
Sales tax payable	1,188	9,335
Potential buyers	-	1,300
Leases	369	542
Other accounts payable (1)	3,743	16,937
TOTAL ACCOUNTS PAYABLE	42,537	81,941

(1) As of December 31 and June 30, 2016, it corresponds to the legalization of Derivative Financial Instruments and Money Market Positions pending of compliance T+1 – T+2.

(23) Subscribed and paid capital

Number of authorized, issued and outstanding shares:

	December 31, 2016	June 30, 2016
Number of authorized, issued and outstanding shares	250,000,000	250,000,000
Number of Subscribed and Paid shares	231,686,588	226,834,611

Total shares	231,686,588	226,834,611
Subscribed and paid capital	2,317	2,268
Issue premium	2,685,093	2,499,709

The following is the detail of the subscribed and paid shares per classification:

	December 31, 2016	June 30, 2016
Concept		
Ordinary shares	217,694,519	213,135,370
Preferred shares (1)	13,992,069	13,699,241
Total issued shares	231,686,588	226,834,611
Par value of share (in pesos)	10.0	10.0

(1) the Company has evaluated the non-voting preferred shares issued as of the cut-offs submitted in these financial statements and it has concluded that those shares have no characteristics of financial liabilities and therefore, they are recognized as greatest value of the equity.

Reserves

	December 31, 2016	June 30, 2016
Legal reserve	41,810	41,810
Occasional reserves	579,845	595,245
Total	621,655	637,055

Dividends Decreed:

	December 31, 2015	June 30, 2016
Earnings from immediately preceding period	249,421	149,647
Dividends paid in cash	Cash dividend of \$276 per share on 213,135,370 common shares and 13,699,241 preferred shares subscribed and paid as of June 30, 2016. This dividend was first paid in six (6) monthly installments, on the twentieth (20) day of each month from October 2016.	Cash dividend of \$336.0 per share on 210,248,194 common shares and 13,513,875 preferred shares subscribed and paid as of January 31, 2016. This dividend was first paid in five (5) monthly installments, on the fifteenth (15) day of each month from May 2016.
		Stock dividend in the amount of \$115,013.7 at a rate of \$514.00 per share on 210,248,194 common shares and \$514.00 per share on 13,513,875 preferred shares subscribed and paid as of

Dividends paid in stock	<p>The payment of the shares was made on October 10, 2016 to those entitled to receive it at the time of becoming payable in accordance with current regulations.</p>	<p>January 31, 2016. These dividends were paid in shares, at the rate of one (1) share for each 72.755129 common shares and one (1) preferred dividend non-voting share for each 72.755129 preferred shares subscribed and paid as of January 31, 2016.</p>
	<p>For this purpose a total of 4,851,977 new shares were issued, 4,559,149 ordinary shares and 292,828 preferred shares.</p>	<p>The payment of the shares was made on May 2, 2016 to those entitled to receive it at the time of becoming payable in accordance with current regulations.</p>
	<p>The unit value of the shares delivered corresponded to the weighted average price of the common shares traded on the stock exchange, from July 19 to August 19, 2016, \$38,218.00. The fractions resulting from the capitalization were returned to the reserve of decree 2336/1995.</p>	<p>For this purpose a total of 3,072,542 new shares were issued, 2,887,176 common shares and 185,366 preferred shares.</p>
Cash dividends on new shares	<p>Cash dividend of \$276.00 per share on 4,851,977 new shares issued (4,559,149 common shares and 292,828 preferred shares). This dividend was first paid in six (6) monthly installments, on the twentieth (20) day of each month from October 2016.</p>	<p>The unit value of the shares delivered corresponded to the weighted average price of the common shares traded on the stock exchange, from January 26 to February 26, 2016, \$37,396.14. The fractions resulting from the capitalization were returned to the reserve of decree 2336.</p>
	<p>Cash dividend of \$276.00 per share on 4,851,977 new shares issued (4,559,149 common shares and 292,828 preferred shares). This dividend was first paid in six (6) monthly installments, on the twentieth (20) day of each month from October 2016.</p>	<p>Cash dividend of \$336.0 per share on 3,072,542 new shares issued (2,887,176 common shares and 185,366 preferred shares). This dividend was first paid in five (5) monthly installments, on the fifteenth (15) day of each month from May 2016.</p>
Common shares outstanding	213,135,370	210,248,194
Preferred shares outstanding	13,699,241	13,513,875
Total shares outstanding	226,834,611	223,762,069
Total Cash Dividends	63,945	76,217

(24) Management of Capital

The technical capital cannot be less than nine percent (9%) of the assets in domestic and foreign currency weighted by risk level, as indicated in article 2.1.1.1.2 of Decree 2555/2010, formerly article 2 of Decree 1720/2001. Individual compliance is verified on a monthly and semi-annually basis consolidated with its financial subordinates.

The classification of risk assets in each category is carried out by applying the percentages determined by the Financial Superintendence for each of the asset items, contingent accounts, businesses and fiduciary accounts established in the Single Plan of Accounts. As of 30 January 2002, market risks are also included as part of the risk-weighted assets.

At December 31 and June 30, 2016, the solvency ratio achieved by the Company was forty point fifty seven [sic] (41.19%) and thirty-two point sixty-six percent (32.66%), respectively. Additionally, the technical capital at that time was \$2,623,618 and \$2,473,446, respectively.

(25) Profits on the sale of properties and equipment

The following is the detail of the profits on the sale of properties and equipment as of December 31 and June 30, 2016:

	December 31, 2016	June 30, 2016
Profits		
Lands	2,151	-
Buildings	1,332	-
Furniture and fittings	3	2
Computer equipment	-	1
Vehicles	7	28
Total profits on sale	3,493	31
Loss		
Furniture and fittings	-	1
Total loss on sale	-	1
Total profits on sale of properties and equipment (net)	3,493	30

(26) Commissions and Fees, net

The following is a breakdown of revenues and expenses for commissions and fees as of December 31 and June 30, 2016:

	December 31, 2016	June 30, 2016
Income		
Bank guarantees	1,069	1,115
Fiduciary businesses (commissions and fees)	2,822	12,396
Services from office network	103	108
Others	639	1,346
Total Income	4,633	14,965

Expenses		
Fees	2,741	2,999
Bank services	781	1,005
Fiduciary businesses	18	15
Commissions on sales and services	2,030	2,644
Others	6	-
Total Expenses	5,576	6,663
Income and expenses for commissions and fees, net	(943)	8,302

(27) Other Income

Below is the detail of Other Income as of December 31 and June 30, 2016:

	December 31, 2016	June 30, 2016
Reimbursements due to work-related illness	70	68
Reimbursement of liability provisions	53	1,138
Fair value adjustment	3,795	713
Capital gain acquisition control brokerage firm	1,821	-
Repayment Lehner provision	1,365	-
Others	1,366	1,862
Recovery of impairment	1	131
Total Other Income	8,471	3,912

(28) Other Expenses

The following is the detail of Other Expenses for the semesters ended on December 31 and June 30, 2016:

	December 31, 2016	June 30, 2016
Loss on sale of assets received as payment	-	37
Legal expenses	8	13
Adaptations and installations	60	133
Penalties, fines and litigation	14	-
Cleaning and surveillance services	305	313
Temporary services	430	576
Advertising and promotion	614	591
Public relations	74	91
Utilities	623	699
Travel expenses	88	87
Transport	407	344
Inputs and stationery	100	89
Advertising and subscriptions	154	72
Judicial expenses	10	2
Mail charges	20	23
Cafeteria inputs	26	20

Connection and transfer services	1,132	741
Management fee of buildings	199	460
Digitalization contracts – Outsourcing of switchboard operators	101	88
Eventual food to employees	107	104
BRP expenses	116	495
Specialized messenger services	231	229
Trust appraisal (1)	4,245	1,590
Operating risk	94	25
Others	346	665
Total Other Expenses	9,504	7,487

(1) _It includes the update of the appraisal as of December, 2016 of the property recognized in the management trust Melendez-3941-Alferez.

(29) Equity Method

For the six-month periods ended on December 31 and June 30, 2016, the Company recognized in the income statement the following share in the profits (losses) of its subordinates and associates:

Equity Method	December 31, 2016	June 30, 2016
Promigas S.A.	99,870	110,312
Proyectos de Infraestructura S.A.	32,897	30,271
CFC Gas Holding SAS	30,800	34,110
Fondo de Capital Privado Corredores Capital 1	15,835	17,491
Hoteles Estelar de Colombia S.A.	10,537	6,182
Fiduciaria Corficolombiana S.A.	7,408	5,072
Colombiana de Licitaciones y Concesiones S.A.S	7,355	4,446
Aerocali S.A.	6,718	6,232
Valora S.A.	5,904	(1,258)
Estudios Proyectos e Inversiones de los Andes S. A.	5,259	9,761
Concesionaria Tibitoc S.A.	2,605	2,778
Leasing Corficolombiana S.A.	2,321	(8,552)
Organizacion Pajonales S.A.	1,863	5,943
Banco Corficolombiana (Panama) S.A.	1,508	1,351
Tejidos Sinteticos de Colombia S.A.	722	1,729
Promotora y Comercializadora Turistica Santamar S.A.	576	647
Colombiana de Extrusion S.A. Extrucol	332	164
Ventas y Servicios S. A.	253	(311)
Plantaciones Unipalma de los Llanos S.A.	196	2,529
Metrex S.A.	189	121
Coviandes S.A.	5	32
PYXIS Inversiones S.A.S.	-	(384)
CFC Private Equity Holdings SAS	(6)	(11)
Mavalle S.A.	(29)	(119)
Proyectos de Ingenieria y Desarrollos S.A.S	(106)	(275)
Casa de Bolsa S.A. Sociedad Comisionista de Bolsa	(172)	191
CFC Energy Holdings SAS	(1,573)	(1,012)

Gas Comprimido del Peru	(1,713)	(1,013)
Pizano S.A.	(4,383)	(2,746)
Estudios y Proyectos del Sol	(28,766)	83,350
Total	196,485	307,031

(30) Dividends and Shares

As of December 31 and June 30, 2016, the Company recognized the following dividends in the income statement:

Dividends	December 31, 2016	June 30, 2016
Empresa de Energia de Bogota S.A. E.S.P.	-	7,994
Gas Natural S.A. ESP	-	4,402
Mineros S.A.	-	2,951
Fiduciaria de Occidente S.A.	-	805
Deceval S.A.	-	726
Bolsa de Valores de Colombia S.A.	-	559
Camara de Compensacion de Divisas de Colombia S. A.	-	38
Banco Av. Villas	14	14
Bladex S.A. Class E	5	5
Total	19	17,494

(31) Analysis of Business Segments

The Company is divided into two businesses, the Financial business that brings together Treasury activities and the distribution network of products of the Commercial Management (marketing of the products of financial affiliates and products of Casa de Bolsa), and the Investment business related to the management of the portfolio of equity securities and Investment Banking (M&As, syndicates, capital markets, project finance and consultancy).

The allocation of assets, liabilities, equity, income and expenses to each business is carried out as follows: the investment business received the entire portfolio of investments in equity securities, accounts receivable and accounts payable related to dividends, and it is funded with all assets and the difference between the value of assets and equity is taken from the longer term CDT, all other balance sheet items are assumed by the financial business. The investment business accounts for 49.90% of total assets at the end of the second half of 2016 and 42.50% in the first half of 2016.

In the case of the profit and loss statement, revenues from the investment business correspond to the profit sharing method, dividends from companies with an interest of less than 20%, investment valuation and Investment Banking commissions; expenses correspond to interest expenses for the CDTs used to fund the total assets allocated and administrative expenses directly attributable to the business. The financial business recognizes the net result of treasury (valuation of portfolio, derivatives, trading, purchase of foreign currency and exchange difference, net of interest expense), commercial banking commissions, income from asset recoveries and is attributed with all administrative expenses not recognized in the investment business (which must be fully covered by the financial business to ensure that the proceeds from investments are completely distributed to shareholders). In results, the investment business accounts for 158.57% of total net income in the second half of 2016 and 111.56% of total net income in the first half of

2016. On the other hand, the treasury business in the last year has been affected by market conditions, both in TES and TRM rates in the case of income and by the increase of interest rates in the case of expenses, so that the contribution of the financial business to the results of the Company was negative in 58.57% in the first half of 2016 and 11.56% in the first half of 2016.

Below is information on the net profits, assets and liabilities of reportable business segments:

	December 31, 2016		
	Investments	Financial	Total
Assets			
Financial instruments at fair value	744,126	2,684,716	3,428,842
Financial instruments at amortized cost	-	54,050	54,050
Investments in associates and subsidiaries	3,790,622	-	3,790,622
Other assets	170,237	1,984,720	2,154,957
Total Assets	4,704,985	4,723,486	9,428,471
Liabilities			
Customer deposits	1,832,895	1,393,582	3,226,477
Other liabilities	33,248	3,262,030	3,295,278
Total Liabilities	1,866,143	4,655,612	6,521,755
Capital Expenses (equity)	2,838,842	67,874	2,906,716
Income			
Financial income	-	53,717	53,717
Fees and commissions	964	3,670	4,634
Other operating expenses	233,159	2,762,233	2,995,392
Total Income	234,123	2,819,620	3,053,743
Financial expenses	81,948	166,632	248,580
Provision for impairment of financial assets	-	6,350	6,350
Depreciations and amortizations	-	984	984
Commissions and fees paid	-	5,577	5,577
Administrative expenses	21,816	35,328	57,144
Other operating expenses	36,748	2,626,905	2,663,653
Income tax	-	12,421	12,421
Total expenses	140,512	2,854,197	2,994,709
Net Profits	93,611	(34,577)	59,134

	June 30, 2016		
	Investments	Financial	Total
Assets			
Financial instruments at fair value	747,230	3,803,763	4,550,993
Financial instruments at amortized cost	-	69,030	69,030
Investments in associates and subsidiaries	3,331,957	-	3,331,957
Other assets	221,130	1,945,508	2,166,638
Total Assets	4,300,317	5,818,301	10,118,618
Liabilities			

Customer deposits	1,480,270	1,575,452	3,055,722
Other liabilities	47,068	4,095,735	4,142,804
Total Liabilities	1,527,338	5,671,187	7,198,526
Capital Expenses (equity)	2,772,979	147,114	2,920,092
Income			
Financial income	-	53,717	53,717
Fees and commissions	11,495	3,470	14,965
Other operating expenses	362,328	3,888,756	4,251,084
Total Income	373,823	3,945,943	4,319,766
Financial expenses	63,595	209,009	272,604
Provision for impairment of financial assets	-	4,299	4,299
Depreciations and amortizations	-	1,059	1,059
Commissions and fees paid	-	6,663	6,663
Administrative expenses	16,286	11,805	28,091
Other operating expenses	15,681	3,729,527	3,745,208
Income tax	-	12,421	12,421
Total expenses	95,562	3,974,783	4,070,345
Net Profits	278,261	(28,840)	249,421

(32) Related Parties

Under IAS 24, 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 parent 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 (parent 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;

- Shareholders: it includes major shareholders together with transactions with related parties as defined in IAS 24.
- Board Members: it includes main and alternate Board members together with transactions with related parties as defined in IAS 24.
- 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.
- Subordinated Board members: it includes the companies where the group has control in accordance with the definition of control of the commercial code and IFRS 10 on

consolidation.

- Associated companies: it includes companies over which Grupo Aval has significant influence, which is generally considered when owning a share between 20% and 50% of their capital.

The most representative balances as of December 31 and June 30, 2016 with related parties are as follows:

December 31, 2016	Shareholders	Board Members	Key Management Personnel	Associates	Other related companies of the Group	Total
ASSETS						
Cash and cash equivalents	604,739	-	-	864,560	-	1,469,299
Financial assets in investments	51,065	-	-	3,781,268	1,589,550	5,421,883
Accounts receivable	-	1,264	769	108,026	45,438	155,497
Other assets	-	-	-	608	2,176	2,784
Total assets	655,804	1,264	769	4,754,462	1,637,164	7,049,463
LIABILITIES						
Deposits	153,089	2,095	-	290,839	10,958	456,981
Accounts payable	17,610	10	-	15,996	224	33,840
Other liabilities	75	-	-	154,685	202	154,962
Total Liabilities	170,774	2,105	-	461,520	11,384	645,783
June 30, 2016						
	Shareholders	Board Members	Key Management Personnel	Associates	Other related companies of the Group	Total
ASSETS						
Cash and cash equivalents	807,807	-	-	966,042	-	1,773,850
Financial assets in investments	43,403	-	-	3,304,532	962,437	4,310,372
Accounts receivable	-	528	1	91,770	23,302	115,602
Other assets	-	-	-	1,428	-	1,428
Total assets	851,211	528	1	4,363,773	985,739	6,201,252
LIABILITIES						
Deposits	137,788	352	-	17,455	357	155,952
Accounts payable	25,278	74	34	22,892	-	48,278
Other liabilities	(33,402)	-	-	127,326	-	93,924
Total Liabilities	129,664	426	34	167,673	357	298,154

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

December 15, 2015	Shareholders	Board Members	Key Management Personnel	Associates	Other related companies of the Group	Total
Interest income	25,283	47	33	33,416	-	58,779
Financial expenses	-	-	-	1,733	-	1,733

Income from fees and commissions	-	-	-	3,693	-	3,693
Expenses from fees and commissions	106	142	-	118	12	378
Other Income	9,580	81	76	12,734	3,493	25,964
Other Expenses	12,438	2,383	3,286	5,273	11,911	35,294
Total	47,407	2,653	3,398	56,967	15,416	125,841

June 30, 2016	Shareholders	Board Members	Key Management Personnel	Associates	Other related companies of the Group	Total
Interest income	27,747	13.4	-	31,359.5	-	59,120.1
Financial expenses	-	-	-	1,609.4	-	1,609.4
Income from fees and commissions	-	-	-	3,374.1	-	3,374.1
Expenses from fees and commissions	129	148.5	-	171.3	12.4	461.5
Other Income	68,252	9.9	3.3	12,960.2	17.4	81,242.4
Other Expenses	53,419	12,692.5	13,153.7	7,584.1	1,562.8	88,412.4
Total	149,547	12,864	13,157	57,058	1,592	234,218

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, there are no preferential rates.

Remuneration of key management personnel:

Key management personnel includes the legal representatives, members of the Board of Directors, Audit Committee and the remuneration received by key management personnel consists of the following:

Items	December 31, 2016	June 30, 2016
Salaries	3,492	4,790
Short-term employee benefits	952	955
Other long-term benefits	401	512
Total	4,845	6,257

(33) Approval of Financial Statements

The 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.

(34) Events occurring after the reporting period

Concesionaria Ruta del Sol S.A.S. (the "Concessionaire") is the successful corporation of the Concession Agreement No. 001 dated January 14, 2010 whose purposes consists on the constructions, operation and maintenance of Sector 2 of the Road Project Ruta del Sol, comprised between Puerto Salgar and San Roque and its amendments (the "Agreement"),

Estudios y Proyectos del Sol S.A.S. (“Episol”), wholly owned corporation of the Company, 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 (net of deterioration) with cut-off as of December 31, 2016 and \$315,521 with cut-off as of June 30, 2016. Likewise, the Company has an investment on Episol that amounts to \$901,536 and \$702,968 as of December 31 and June 30, 2016, respectively.

On occasion of the investigations and procedures performed by criminal, judicial and administrative authorities as a result of the corruption acts in twelve countries, including Colombia, that were confessed before the justice of United States by the Brazilian company Odebrecht S.A., who participates as controlling company of the Concessionaire (62.01%) through its affiliates Constructora Norberto Odebrecht S.A. and Odebrecht Latinvest S.A.S., said Agreement has been subject to recent measures and opinions issued by superintendences and Colombian judges.

Considering the above, in order to allow the prompt continuity of the project Ruta del Sol Sector 1 and in compliance with orders given on this regard, the Concessionaire and National Infrastructure Agency subscribed an agreement on February 22, 2017 by means of which the early termination of the Agreement was provided as well as the formula for its liquidation (the “Agreement”).

Based on the liquidation formula of the Agreement and preliminary values thereof, the Company estimates that the liquidation basis of the Agreement will allow Episol to partially recover its investment on the Concessionaire, which is why the financial statements of the second semester of 2016 (ended on December 31) of Episol and therefore of the Company, incorporate an adjustment for deterioration for a value of \$102,275 in connection with said investment.