

# **MANAGEMENT REPORT AND FINANCIAL STATEMENTS**

**First Half of 2016**

**Corficolombiana**

**The Investment of the Future**

**Corficolombiana**

**Management Report and Financial Statements  
First Half of 2016**

**Board of Directors**

**Main Directors**

Luis Carlos Sarmiento Gutierrez  
Carlos Arcesio Paz Bautista  
Alejandro Figeroa Jaramillo  
Efrain Otero Alvarez  
Rafael Rivas Mallarino  
Gabriel Turbay Marulanda  
Jose Leibovich Goldenberg

**Alternate Directors**

Diego Solano Saravia  
Jorge Ivan Villegas Montoya  
Juan Maria Robledo Uribe  
Tatiana Uribe Benninghoff  
Alvaro de Jesus Velasquez Cock  
Santiago Madriñan de la Torre  
Gerardo Silva Castro

**External Auditors**

Diana Alexandra Rozo Muñoz  
KPMG Ltda.

**Main Executives of the Corporation**

Bernardo Noreña Ocampo  
*President*

Juan Carlos Paez Ayala  
*Executive Vice President*

Gustavo Antonio Ramirez Galindo  
*Investment Vice President*

Julian Alonso Valenzuela Ramirez  
*Treasury Vice President*

Alejandro Sanchez Vaca  
*Investment Banking Vice President*

Andres Guzman Toro  
*Corporate Commercial Manager*

Felipe Alarcon Sierra  
*Secretary General*

Marcela Acuña Ramirez  
*Legal Manager*

Maria Isabel Ortiz Aya  
*Comptroller*

Juan Alfonso Acosta Echeverria  
*Corporate Systems and Operations  
Manager*

Clara Ines Morales Patiño  
*Compliance Officer*

**Contents**

MANAGEMENT REPORT .....	6
RATINGS .....	61
OPINION ON THE FINANCIAL STATEMENTS .....	62
SEPARATE FINANCIAL STATEMENTS .....	65
NOTES TO THE SEPARATE FINANCIAL STATEMENTS .....	78
PROPOSAL FOR THE DISTRIBUTION OF PROFITS .....	182
ANALYSIS OF FINANCIAL INDICATORS .....	186

## MANAGEMENT REPORT

The Management Report of Corporacion Financiera Colombiana S.A. for the first half of 2016 is submitted to the shareholders for consideration. The report contains, as usual, a review of key economic events regarding the activities of the entity and the analysis of the results obtained.

Corporacion Financiera Colombiana S.A., which is also known by the acronym Corficolombiana S.A. or Corficol S.A., a credit institution established as a private trading company by means of public deed No. 5710 of November 27, 1961 issued by the First Notary Public of Cali (Valle), it is headquartered in Bogota, D.C. and is subject to the supervision and control of the Financial Superintendence of Colombia.

The Corporation may carry out the acts and enter into the agreements authorized to financial institutions by the Organic Statute of the Financial System or other special replacing, amending or supplementing provisions or regulations.

## ECONOMIC ACTIVITY

In 2Q16<sup>1</sup> the Colombian economy continued the slowdown process that began with the shock on the terms of trade since mid-2014, and which was associated with a sharp decline in oil prices. In annual terms, the GDP grew 2.0% per annum<sup>2</sup> in the second quarter of 2016 (2Q16), below the growth of 2.5% in 1Q16 and of 3.4% in 4Q15. The low growth observed in 2Q16 and the poor results in the figures reported for the beginning of 3Q16 would indicate that the local economy had entered into a more pronounced slowdown cycle.

**Table 1. GDP**

	Annual Variation (%)		Contribution (pp)		Change in Contribution (pp)
	1Q16	2Q16	1Q16	2Q16	(pp)
<b>GDP of Sectors</b>	2,5	2,0	2,5	2,0	-0,5
<b>Construction</b>	5,2	1,0	0,5	0,1	-0,4
Buildings	11,0	2,8	0,6	0,2	-0,4
Civil Works	0,5	-0,4	0,0	0,0	0,0
<b>Mining-Power</b>	-4,6	-7,1	-0,3	-0,6	-0,3
Oil and derivatives	-6,0	-11,0	-0,3	-0,7	-0,4
Coal	-7,1	2,8	-0,1	0,0	0,1
<b>Agriculture</b>	0,3	-0,1	0,0	0,0	0,0
Coffee	7,4	0,5	0,1	0,0	-0,1

<sup>1</sup> Abbreviations will be hereafter used to refer to the quarters of each year, which will consist of 4 characters: the first corresponds to the quarter in the year (1, 2, 3 or 4), the second is the letter "Q" that stands for "quarter", and the third and fourth correspond to the last two digits of the year in question (for example, "16" corresponds to 2016).

<sup>2</sup> We will hereafter refer to annual variations, except as otherwise indicated.

Livestock farming and hunting	-2,8	-3,2	-0,1	-0,1	0,0
<b>Industry</b>	4,8	6,0	0,5	0,7	0,2
Oil refining	20,6	28,8	0,4	0,6	0,2
Non-oil refining industry	2,8	3,1	0,2	0,3	0,1
<b>Financial services</b>	3,9	4,6	0,7	0,9	0,2
<b>Social services</b>	2,0	2,3	0,3	0,4	0,1
<b>Power, gas and water</b>	2,9	-0,8	0,1	0,0	-0,1
<b>Commerce</b>	2,7	1,4	0,3	0,2	-0,1
<b>Transport</b>	1,9	0,1	0,1	0,0	-0,1
<b>Taxes</b>	2,5	2,8	0,2	0,3	0,0

Source: DANE

Note: The sum of the contributions of components may not coincide with the growth in GDP due to the methodology used by the DANE to calculate the GDP at constant prices.

The construction and oil sectors showed a significant slowdown and were the main contributors to the slowdown in GDP between 1Q16 and 2Q16. In contrast, the industry and financial services sector rebounded significantly and helped offsetting the slower pace of economic expansion.

The GDP of the construction sector (9% of total), which is the one with the highest weight in fixed investments (around 50%), showed a sharp moderation in growth. The sector grew 1% in 2Q16, significantly below the 5.2% growth recorded in 1Q16. This was due to a slowdown in the building subsector, which grew 2.8%, while in 1Q16 it had grown 11%. We expected further growth, as the Buildings Census showed a growth of 8.8% in constructed area for residential purposes, compared to 16% in 1Q16, and 7.8% for non-residential purposes, compared to 18.3% in 2Q16. The constructed area is the main input for calculating the GDP of buildings. The construction of residential buildings grew 5% (vs. 13.1% in 1Q16) and non-residential buildings grew 1% (vs. 10.8% in 1Q16) in the GDP.

On the other hand, the construction of civil works fell 0.4% in 2Q16, which contrasts with the still positive growth of 0.5% recorded in 1Q16 and representing the first decline in this component in more than three years. However, as suggested by the Civil Works Investment Indicator (IIOC for its Spanish acronym), this contraction was exclusively due to the fall in the investments in oil pipeline (related to a lower investment on oil extraction), despite the relatively good performance of investment on roads (related to investments in 4G road projects).

The misbehavior of the mining sector in the GDP (9% of total) is not surprising, which is still affected by the global crisis in the prices of raw materials. This sector contracted in 7.1%, which is higher than the 4.6% drop recorded in 4Q15. Oil production, which has the highest weight in the sector, fell 11% in 2Q16, which is higher than the 6% drop in 1Q16 representing the biggest drop since early 2002. In contrast, coal production recovered slightly in 2Q16 and grew 2.8%, in contrast to the fall of 7.1% observed in

1Q16.

The GDP of the manufacturing industry (11% of total) showed a significant acceleration and grew 6%, which is higher than the value of 4.8% of 1Q16. As anticipated, the best performance in the industry is due to the oil-refining component, driven by the gradual reopening of the Cartagena Refinery (Reficar) since late last year. In 2Q16, oil refining grew 28.8%, which is above the 20.6% growth in 1Q16. The rest of the industry (without oil refining) grew 3.1% in 2Q16, which is higher than the growth of 2.8% observed in 1Q16 and significantly higher than the average of the entire 2015 when it grew by only 1.7%. Given the improved performance of some sectors that are also related to the investment component in the GDP, such as the industry component, we believe that the change in inventories (component of total investment) could have partially offset the slowdown in fixed investments.

Private consumption reduced its growth rate, but it would continue to drive much of the local economic growth. The most representative sector related to private consumption slowed down significantly in 2Q16 as compared to the previous quarter: the GDP of the commercial sector (12% of GDP) grew 1.4% in 2Q16, which is significantly lower than the growth of 2.7% recorded in 1Q16.

Other components with a lower weight in GDP, such as agriculture and “power, gas and water”, showed falls during 2Q16. The agricultural GDP (6% of total) contracted 0.1% in 2Q16, which contrasts with the still positive growth (albeit very weak) observed in the previous quarter (0.3%). The drop was explained by a further contraction of the livestock GDP (-3.2% vs. -2.8% in 1Q16), which we had anticipated due to the lagged effect of El Niño phenomenon, which reduced the grazing areas for cattle early in the year. The growth in coffee production slowed down significantly going from 7.4% in 2Q16 to 0.5% in 1Q16. On the other hand, the GDP of “power, gas and water” fell 0.8% in 2Q16, contrasting with the 2.9% growth observed in 1Q16 still affected to some extent by the El Niño phenomenon and the energy savings efforts made by the bulk of the population to avoid power rationing nationwide.

In contrast, the GDP of financial services (19% of GDP) grew 4.6% in 2Q16, which is higher than the 3.9% growth reported in 1Q16.

Finally, the performance of sectors that are most closely related to government spending suggests that public consumption may have reduced its slowdown pace and even improved slightly in 2Q16. The GDP of social services (17% of GDP) grew 2.3% as compared to 2% in 1Q16, while taxes (8.6% of GDP) grew 2.8% when compared to 2.5% in 1Q16

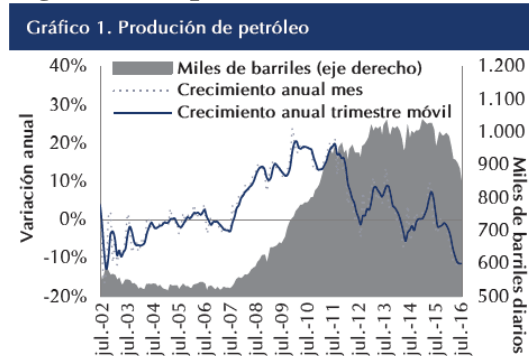
### **In the course of 3Q16**

The still limited information available from 3Q16 would indicate a greater slowdown in the economic activity. Oil and coffee production fell sharply in July, the labor market weakened drastically in the last month and the consumer confidence index reversed the

recovery trend observed over the past three months. The only indicators that showed a better performance in July were the confidence indexes for the business and industrial sector, according to FEDESARROLLO.

Oil production fell again in July, when 843,000 barrels per day were produced on average, the lowest level since April 2011, representing an annual contraction of 10.8%. In the rolling quarter to July production contracted 11.5%, the worst performance observed in 1Q02 (Figure 1).

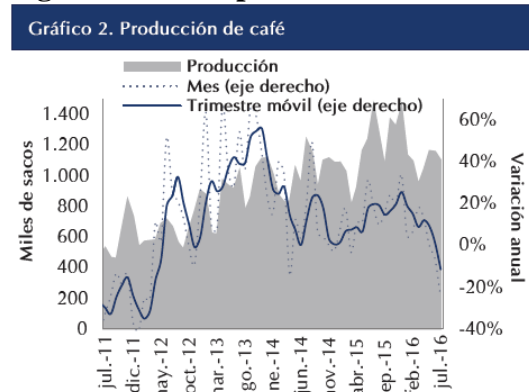
**Figure 1. Oil production**



Source: Ministry of Mining.

Coffee production fell sharply in July, when 1.1 million bags were produced, representing an annual decline of 24.7%. In the rolling quarter to July production fell 11.5%, the steepest decline since May 2012 (Figure 2).

**Figure 2. Coffee production**

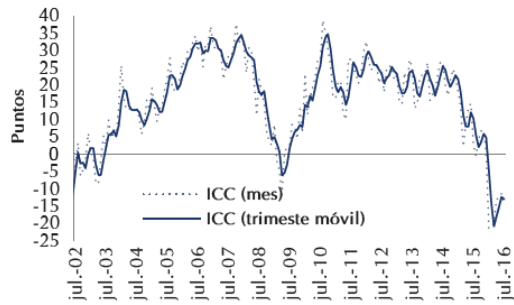


Source: Colombian Coffee Growers Federation

The Consumer Confidence Index (CCI) published by Fedesarrollo remained negative in July for the seventh consecutive month and reversed the recovery trend of the last 3 months (Figure 3). In July the ICC stood at -14.9 points, down from -11.3 points in June. This happened due to a sharp reduction in the index of current economic conditions, despite a slight improvement in the index of economic expectations.

**Figure 3. Consumer Confidence Index (CCI)**

Gráfico 3. Índice de Confianza del Consumidor (ICC)

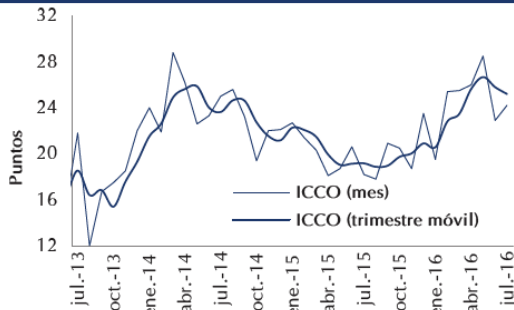


Source: Fedesarrollo

By contrast, commercial and industrial confidence indexes continue at good levels when compared with those reported in 2015. The Business Confidence Index (BCI) recovered slightly in July from the drop observe din the previous month. In July the BCI stood at 24.2 points, which is higher than the 22.9 points reported in June (down from 28.5 points in May). The recovery materialized due to an increase in the index measuring expectations for the next six-month period, despite a slight decrease in the index that measures the perception of the current economic situation. In the rolling quarter to July, the BCI stood at 25.2 points, its lowest level in the last four months, but it remains at levels above those seen throughout 2015 (Figure 4).

Figure 4. Business Confidence Index (BCI)

Gráfico 4. Índice Confianza comercial (ICCO)

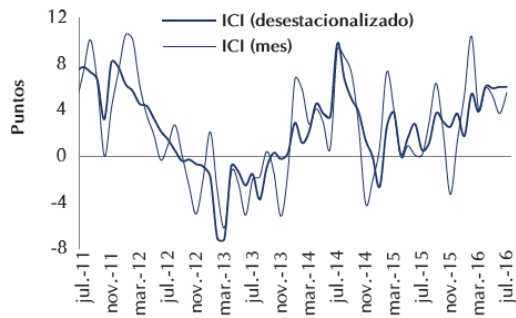


Source: Fedesarrollo

Finally, the Industrial Confidence Index (ICI) stood at 5.5 points, 3.7 points higher than the previous month and significantly higher than the same month last year of 0.1 points. The increase in the consolidated index was explained by an increase in current volumes of orders and production expectations in the next quarter. In addition, the seasonally adjusted ICI remains significantly above the levels observed one year ago (Figure 5).

Figure 5. Industrial Confidence Index (ICI)

Gráfico 5. Índice de Confianza Industrial (ICI)



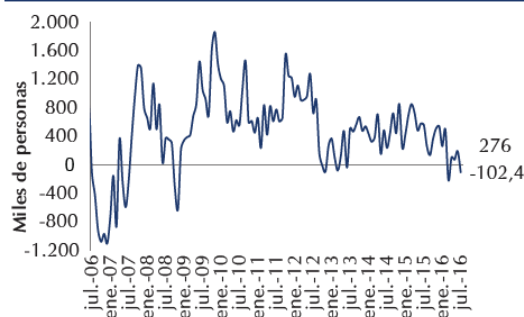
Source: Fedesarrollo

The unemployment rate stood at 9.8% in July, significantly above the 8.8% level observed in the same month last year. This annual increase of 1.0 percentage points (pp) is the second highest recorded since September 2009 (in March this year an increase of 1.3 pp was reported)

Furthermore, this is the second time in four years that there is a drop in the number of employed persons nationwide. Between July 2015 and July 2016 the number of employees fell by 102,000 (annual contraction of 0.5%), which contrasts with the increase of 194,000 in June (annual growth of 0.9%) and with the average annual increase of 276,000 (average annual growth of 1.3%) observed over the last 12 months (Figure 6). Thus, the employment rate fell to 57.3% from 58.4% one year ago. This behavior is in line with what we have been anticipating since last year, a lagged increase in the unemployment rate over this year and a further deterioration of the labor market, which is why we expect a larger weakening in households spending in the coming quarters.

Figure 6. Annual variation in the number of employees

Gráfico 6. Variación anual en el número de ocupados



Source: DANE; calculations by Corficolombiana

## INFLATION

The annual inflation accelerated sharply in the course of 2016, from 6.77% in December 2015 to 8,975% in July 2016 (Figure 7).

**Figure 7. Total CPI and without food**



Source: DANE, Central Bank

The increase in inflation was mainly driven by upward pressures on food prices (largely affected by the El Niño phenomenon and to a lesser extent by the higher prices of some foods or imported inputs and recently by the strike of truck drivers) in regulated goods and services (particularly electric power, also affected by El Niño phenomenon) in tradable goods and services (affected by the sharp devaluation of the exchange rate from the second half of 2014), and by the activation of some indexation mechanisms associated with the high inflation figure at the end of 2015.

**Table 2. CPI and its components**

	Annual Variation (%)		Contribution to Annual Inflation (pp)		Change in Annual Contribution (pp)	Weight of Change in Contribution (%)
	Dec-15	Jul-16	Dec-15	Jul-16		
<b>Total GDP</b>	<b>6.77</b>	<b>8.97</b>	<b>6.77</b>	<b>8.97</b>	<b>2.20</b>	<b>100%</b>
Food	10.86	15.72	3.19	4.50	1.32	60%
Tradable	7.09	7.88	1.66	1.85	0.18	8%
Non-tradable	4.22	5.01	1.33	1.61	0.28	13%
Regulated	4.26	6.38	0.67	1.01	.034	16%
<b>Food</b>	<b>10.86</b>	<b>15.72</b>	<b>3.19</b>	<b>4.50</b>	<b>1.32</b>	<b>60%</b>
Perishable	30.69	42.77	1.44	1.77	0.33	15%
Processed	8.77	12.62	1.39	1.98	0.59	27%
Out-of-home	5.95	8.50	0.52	0.75	0.23	10%
food						

Source: DANE; calculations by Corficolombiana

Of the 2.2 percentage points in which the annual inflation increased in the first half, food accounted for 65% or 1.44 percentage points of the increase, going from 10.9% at the end of 2015 to 15.72% in July 2016 (Table 2). The El Niño phenomenon resulted in a significant decrease in production and in the cultivated areas of various perishable foods, which generated supply problems throughout the semester; it should be noted that the recent strike of truck drivers affected food prices upward in July. Thus, the inflation of

perishables food was mostly responsible for the increase in total food inflation, going from 30.7% in December 2015 to 42.7% in July 2016. The inflation in processed foods also created upward pressures, going from 8.8% in December 2015 to 12.6% in July, largely due to the higher prices of some imported products or supplies.

In turn, power prices were strongly affected by the El Niño phenomenon and were mainly responsible for the increase in the prices of regulated goods and services, going from 8.9% in December 2015 to 11% in July 2016.

Since the second half of 2015, the El Niño phenomenon generated strong upward pressures on energy prices in the contracts between power generators and distributors, and those that are publicly traded (Figure 8).

**Figure 8. Power prices**



Source: UPME (the data for November 18, 2015 when the average price of contracts reached 590 pesos per kWh is not included in this figure)

The situation worsened as the severe drought forced thermal power generators to supply a portion of the power normally supplied by hydraulic power generators, with the aggravating circumstance that the former were facing a precarious financial situation. Some thermal companies had to use liquid fuels for power generation, which are more expensive than natural gas and which prices have increased due to the devaluation. Thus, their costs were higher than the price at which they can sell the power produced, as established by the regulations.

Amid this crisis and with the purpose of covering a portion of the losses of thermal companies to ensure their operation, the Government announced an increase in power prices to consumers in late 2015, which was extended to the first months of this year.

Moreover, of the 2.2 percentage points on which annual inflation increased so far this year, the inflation of non-tradable goods and services (excluding food and regulated goods and services) accounted for 11% or 0.25 percentage points of such increase, going from 4.2% in December 2015 to 5.0% in July (Table 2). The activation of indexation mechanisms has been primarily responsible for this increase, since the prices of education and health services are mostly indexed to the annual inflation of the immediately previous year (6.8% in 2015, significantly higher than the data of 3.7% observed in 2014).

Finally, the devaluation of the exchange rate accelerated in the first quarter of 2016, so that the dollar in Colombia reached \$3,450 pesos around mid-February, the highest historical value. This continued to drive upward pressures on the prices of tradable goods and services (excluding food and regulated goods and services) so that their annual inflation rose from 7.1% in December 2015 to 7.9% in July (Table 2). However, the dollar trend changed in the second quarter and fell again below the \$ 3,000 pesos barrier during that period, which has helped moderating the inflationary pressures stemming from the component of tradable goods and services.

Consequently and since inflation expectations across all maturities remained above the target range for most of the first half of the year, the Central Bank decided to continue with the tightening of the monetary policy that had began in September 2015. The intervention interest rate rose from 5.75% at the end of 2015 to 7.75% in July (the interest rate remained unchanged in August).

We expect a downward correction in the annual inflation during the second half of the year. This behavior would be driven by downward corrections in the prices of food and power after the end of the El Niño phenomenon in May, due to a decrease in inflationary pressures arising from the transfer of devaluation to the prices of tradable goods and services or imported goods and services, and due to the weakening of domestic demand. Similarly, annual inflation will be favored in coming months by the very high monthly inflation rates reported in the second half of 2015, especially from August.

## **EXTERNAL ACCOUNTS**

The latest data on the balance of payments confirmed our expectation that the current account deficit would continue correcting itself after the significant deterioration observed since mid-2014, when it reached historically high levels. The increase in the deficit is another factor that has generated concerns among the members of the Board of the Central Bank and has also influenced their decision to increase the intervention interest rate in recent months.

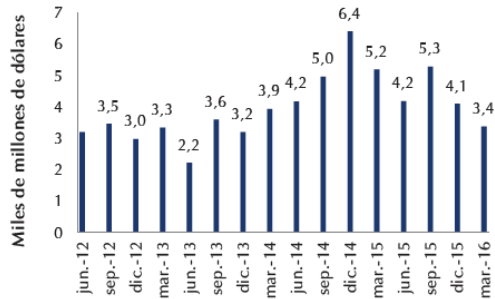
However, the lower current account deficit in the first quarter of 2016 positively surprised the Central Bank, which stated that this figure had been below its forecasts. Thus, the Central Bank would confirm that the tightening of the monetary policy carried out in recent months has reduced the external deficit of the country and the risks associated with it quicker. Consequently, this would be a factor that would matter less in the following monetary policy decisions and would help supporting the completion of the increases in the intervention rate foreseen in the near future.

The deficit in the current account decreased to 3.4 billion dollars in 1Q16 (5.6% of GDP), improving as compared to the same quarter of 2015 and the immediately preceding quarter, when it stood at 5.3 and 4.1 billion dollars (7 % and 6% of GDP), respectively (Figure 9). Hence, the deficit of the current account has decreased in two consecutive quarters, which shows an adjustment in the external accounts that reduces vulnerability and can also generate downward corrections in the dollar, such as those reported from

mid-February

**Figure 9. Deficit in quarterly current account**

Gráfico 9. Déficit de la cuenta corriente trimestral



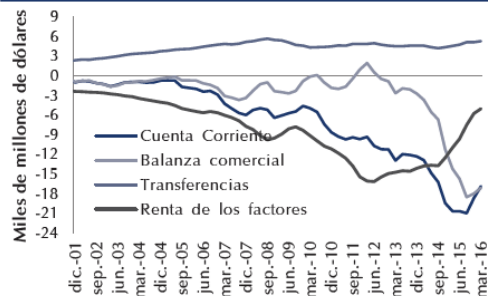
Source: Central Bank

The correction observed was mainly explained by the decrease in the deficit of the trade balance of goods, which went from 4.1 billion dollars in 4Q15 to 3.1 billion dollars in 1Q16 and, to a lesser extent, by the correction of the deficit of the trade balance of services, which amounted to 0.2 billion dollars. The deficit in the revenues of factors showed a quarterly decline and stood at one billion dollars, 0.4 billion dollars over the amount recorded in 4Q15. In turn, current transfers remained stable at 1.3 billion dollars in 1Q16.

In the last 12 months it is also observed that the accumulated deficit of the current account has been corrected, when it went from 21.1 billion dollars at the end of 3Q15 to 16.9 billion at the end of 1Q16 (Figure 10), driven by a correction in the trade balance and a lower deficit in the revenues of factors (Figure 10).

**Figure 10. Current account and its components (sum of 4 quarters)**

Gráfico 10. Cuenta corriente y sus componentes (suma 4 trimestres)

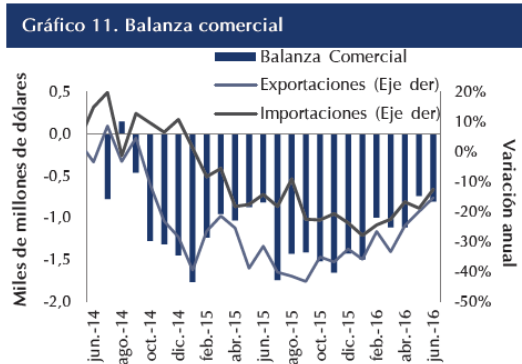


Source: Central Bank

The increase in the deficit of the current account was mainly caused by the increase showed by the trade balance deficit since the drop in oil prices began, which reached a quarterly high of 6.4 billion dollars in 4Q14. In 2015, the current account deficit continued at record highs although it exhibited quarterly corrections in three of the four quarters of the year. The trade deficit widened due to the sharp drop observed in exports, mainly oil exports, which represent more than 50% of the total exports of the country. On

the other hand, imports fell at a slower pace, which expanded the deficit rapidly (Figure 11).

**Figure 11. Trade balance**



Source: DANE

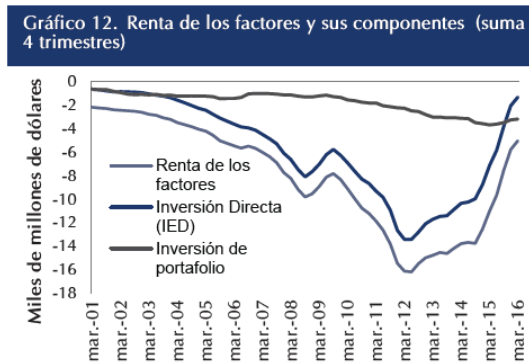
However, exports of goods decreased their decline in the last months of 2015 and the first half of 2016 (in 1Q16 they declined 31.7%, while in 4Q15 they declined 34.9% and in the 3Q15 41.9%) partly due to the slower contraction pace of the sales of non-traditional products, which went from 14.8% fall in 4Q15 to only 6.2% in 1Q16. In contrast, sales of traditional products continued to decline, mainly due to the higher drop in oil exports (52% in 1Q16), influenced by the low prices recorded this quarter and which in February reached the lowest levels observed since 2003, less than 30 dollars per barrel.

However, the better performance of export in 2Q16, mainly influenced by the recovery of oil prices, contributed to higher corrections of the external deficit. The average price of WTI oil was 33.7 dollars per barrel in 1Q16 and 45.7 dollars per barrel in 2Q16, which is equivalent to a quarterly recovery of 35%.

In turn, the pace of decline in the imports of goods intensified, which also helped reducing the trade deficit in 1Q16. Imports fell 25.1% in this quarter, showing declines in the purchases of all major groups of products, especially capital goods, which fell 39.4%. As a result, the monthly trade deficit declined from 4.6 billion dollars in 4Q15 to 3.6 billion dollars in 1Q16.

Contrary to the improvement showed by the trade balance in 1Q16, the deficit in the revenues of factors increased again after it had been one of the components that had most contributed to offset the deterioration in the trade deficit in 2015 (Figure 11). Indeed, the revenues of factors, which had recorded declines in every quarter of 2015, increased from 0.6 billion dollars in 4Q15 to one billion dollars in 1Q16. This increase was mainly due to higher outflows of portfolio investment, which showed a quarterly increase of 0.4 billion dollars. However, the deficit in the revenues of factors was below the 2015 quarterly average of 1.5 billion dollars.

**Figure 12. Revenues of factors and their components (sum of 4 quarters)**



Source: Central Bank

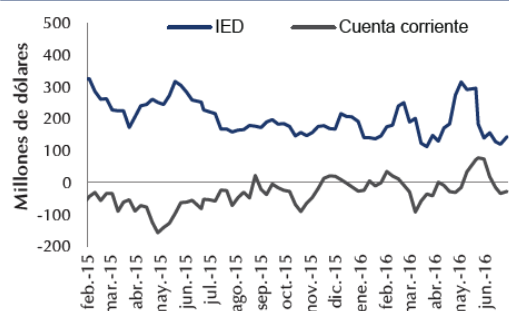
Dividend payments to foreign companies with direct foreign investments in Colombia, which was the most influential factor in reducing the deficit of the revenues of the factors in 2015, remained low and recorded outflows of 27 billion in 1Q16. Lower outflows from dividend payments abroad have been mostly the result of the losses incurred by companies operating in the mining and energy sector, as a consequence of the drop in international prices.

On the other hand, the capital account remained in surplus and amounted to 3.2 billion dollars in 1Q16, although it declined from the previous quarter and recorded the lowest surplus since 2Q13. In this account, foreign direct investment (FDI) remained the main source of income and financed the entire current account deficit, rising to 4.6 billion dollars in 1Q16, the highest since 2Q14. The increase in FDI was mainly due to higher inflows into the power, gas and water sector, which totaled 2.4 billion dollars. It is noteworthy that the sale of the shares of Isagen held by the Government was carried out in 1Q16 for an amount close to 2 billion dollars, which drove FDI into this sector.

Moreover, the exchange balance (which only accounts for currency flows through the foreign exchange market and with a greater impact on the behavior of the exchange rate in the short term) shows that foreign exchange earnings due to FDI easily surpass the expenses associated with the current account deficit (Figure 12). The difference in these accounts has stood around an average of 230 million dollars per week for FDI, even in periods in which the collapse of oil prices has accentuated such as in 1Q15, 2Q15 and 1Q16 (Figure 12). This trend has also reduced devaluation pressures on the exchange rate and contributed to the appreciation of the Colombian peso since mid-February this year.

**Figure 13. Flows of foreign direct investment (FDI), portfolio and current account (4-week rolling average)**

Gráfico 13. Flujos de inversión extranjera directa (IED), de portafolio cuenta corriente (PM de 4 semanas)



Source: Central Bank. Calculations by Corficolombiana

## MAIN FINANCIAL STATEMENTS OF THE CORPORATION

### Separate Financial Statements

The financial statements described below have been prepared under the International Financial Reporting Standards (IFRS) accepted in Colombia.

In the case of the separate financial statements of the Corporation, a modification was made in the first half of 2016 in relation to the accounting policy for the measurement of investments in controlled entities, associates and joint ventures, for which it was decided to apply the amendment to IAS 27 on an early basis, as permitted by the rules on Separate Financial Statements, which is included in the regulatory annex of Decree 2496 jointly issued by the Ministry of Finance and Public Credit and the Ministry of Commerce, Industry and Tourism on December 23, 2015, in accordance with the provisions in paragraph 6.2.1 of External Circular 034/2015 issued by the Financial Superintendence of Colombia, where the methodology for the application of the equity method on subordinated is also adjusted in accordance with IAS 28, according to Decree 2420/2015.

The change in the accounting policy has two relevant impacts: first, it involves the retroactive restatement of the measurement of these investments on the Opening Statement of Financial Position (OSFP), where the value of investments on controlled companies, associates and joint ventures must be equal to the equity value of the entity through direct and indirect interest (IAS 28.27) plus the net balance of the goodwill recorded at the date of the OSFP, i.e. valuations must be reversed at the quoted price recorded using the previous methodology, the net effect on the Corporation is a decrease in assets, in addition, since a retrospective adjustment had to be made, it must be applied to each one of the affected items of equity including the adoption of the IFRS, the convergence of 2014 IFRS, 2015 retained earnings, the profits for the period, the surplus by the equity method and the equity method on accumulated other comprehensive income, creating representative variations in such accounts and a negative net effect on equity.

Moreover, the profits of the current period from investments in associates and joint ventures must be included, which in previous periods were recognized through dividends,

thereby generating a positive net impact on the income statement of the Corporation.

### **Statement of Financial Position**

As of June 2016 the Corporation reached total assets of \$10.12 trillion, representing a decrease of 1.66% when compared to the end of 2015 and an increase of 12.63% with respect to the first half of 2015, a variation mainly generated by the portfolio of investment in equity securities resulting from the change in the accounting policy, mainly due to the elimination of valuations and the decrease in the value of the investment in Promigas (the cost of which corresponded to the market value as of December 2013 and now corresponds to the equity value). The investment portfolio is the category with the largest share in assets, representing 80.50% of the total, where investments in equity securities correspond to 40.56%, investments in debt securities to 37.43% and derivatives to 2.51%.

At the end of the first half of 2016 the balance of investments in equity securities amounted to \$4.13 trillion, 6.32% higher than at the end of December 2015 and 21.04% higher when compared to June 2015. As mentioned above, this variation is mainly due to the change in the accounting policy, but has also been affected by capitalizations and changes in stock prices.

In turn, the debt securities portfolio recorded a balance of \$3.78 trillion, decreasing 6.59% as compared to the end of the second half of 2015, while showing an increase of 6.32% when compared to the same period in the last year. Derivatives totaled \$253,876 million, increasing 2.62% as compared to the end of the second half of 2015 and representing an increase of 62.62% when compared to the same period in the last year.

The liabilities at the end of June 2016 amounted to \$7.2 trillion, representing a decrease of 6.04% versus the balance of December 2015 and an increase of 12.01% as compared to the balance of the first half of last year; a variation that is consistent with the behavior of assets, mainly in debt securities; the most important impact is observed in the accounts relating to money market operations (interbank, repo and simultaneous operations) with a balance of \$3.71 trillion, which is 4.9% lower when compared to December 2015 and 3.49% higher when compared to June 2015; a similar situation is observed in the behavior of deposits, which recorded a decrease of 4.34% from the end of 2011 and an increase of 27.43% over the same period last year (this variation is seen both term deposits and savings accounts). A variation was also observed in the category of derivatives, which decreased 36.55% with respect to the end of December and 14.76% over the same period last year.

The equity at the end of the first half amounted to \$2.92 trillion, showing an increase of 11.09% from December 2015 and 14.18% when compared to end-June last year, as a result of the change in the accounting policy. The profits from previous years were positive at \$26,947 million and other comprehensive income (unrealized gains or losses and MPP surplus) showed a negative variation of 88.24%.

The solvency ratio was 32.66%, as a result of the regulatory capital of \$2.47 trillion and risk-weighted assets amounting to \$7.57 trillion.

### **Income Statement**

At the end of the first half of 2016, the net profits of the Corporation totaled \$249,421,000, representing a decrease of 3.41% at the end of December 2015. The main contributions to the income statement include the equity method through profits in an amount of \$307,032 million, 5.98% higher than in the second half of 2015; dividends reached \$17,494 million, which is similar to those obtained in the second half of 2015 (\$17,115 million), while the financial margin showed profits of \$ 9,883 million.

The Investment Banking business generated commissions of \$10,343 million and the Commercial Banking generated commission revenues of \$3,481 million.

The administrative expenses in the six-month period amounted to \$35,784 million, increasing 10.01% with respect to the second half of 2015, of which \$19,380 million correspond to staff costs and \$16,404,000 to overhead.

The income tax expense and deferred tax expense totaled \$12,421 million.

### **Consolidated Financial Statements**

The consolidated financial statements were prepared under the International Financial Reporting Standards (IFRS).

Since the application of such international standards, January 1, 2014, the Corporation included Promigas in the consolidated financial statements of financial position and income. The portfolio of debt securities includes the counterparty risk in derivatives (CVA for short), which directly affects the profits, and it is measured in two ways, at fair value through profit or loss (tradable) and at amortized cost (to maturity).

### **Statement of Financial Position**

Total assets amounted to \$19.89 trillion, representing an increase of 1.52% from the second half of 2015 and an increase of 13.83% over the same period last year, the latter variation was mainly caused by the evolution of assets under concession. The most important item in the asset category is investments, at the end of the first half of 2016 it showed balance of \$6.46 trillion, of which \$2.16 trillion for the equity portfolio, \$4.3 trillion to the fixed-income portfolio (including \$274,604 million of derivatives). Other important items include other assets, reaching \$3 trillion, and it is where the financial assets of concessions are recorded; additionally, the category of fixed assets reached an amount of \$2.96 trillion.

Liabilities at year-end totaled \$14.98 trillion, representing an increase of 0.17% from the second half of 2015 and an increase of 13.52% when compared to the end of the first half

of the last year, a variation consistent with the behavior of assets. The main impact is observed in accounts related to money market operations (interbank, repo and simultaneous operations), which recorded a balance of \$3.86 trillion and whose evolution is directly related to the movements in the debt portfolio. Deposits is another important item in liabilities, which is composed of term deposits, bonds and savings accounts, which at year-end reached \$5.92 trillion, representing a decrease of 2.22% from the second half of 2015 and an increase of 15.19% from the first half of last year. Changes in deposit accounts are primarily related to the liquidity needs of customers. It is also worth mentioning financial obligations, the balance of which at year-end amounted to \$2.69 trillion, 22.30% higher as compared to the second half of 2015 and 36.64% with respect to the first half of last year.

The consolidated equity at the end of the first half of 2016 was \$4.9 trillion, increasing 5.88% over the second half of 2015 and 14.81% from the first half of last year. The accounts with the greatest impact include reserves, which increased 6.26%, and minority interests with an increase of 4.56%. A loss of \$595,969 million is reported in the first-time adoption account in equity, which was mainly generated by the recognition of investments in associates at fair value in the opening balance OSFP.

### **Income Statement**

At the end of the first half of 2016, the consolidated net profits of the Corporation amounted to \$258,538 million, 21.44% higher than at the end of 2015 and 7.30% than the profits of June 2015. The main contributions to the income statement include net revenues from the real sector of \$1 trillion and the equity method for profits of \$142,640 million. In turn, the financial margin in the first half was positive at \$58,425 million.

The Investment Banking business generated commissions of \$10,305 million and the Commercial Banking recorded commission revenues of \$2,177 million.

The administrative expenses in the quarter totaled \$517,716 million, of which \$138,990 million correspond to staff costs and \$378,726 million to overhead.

The income tax, which includes current tax and deferred tax, amounted to \$196,170 million.

The evolution of the contribution of each sector in the consolidated results shows the following profits:

<b>Item</b>	<b>1Q15</b>	<b>%</b>	<b>2Q15</b>	<b>%</b>	<b>1Q16</b>	<b>%</b>
Power and Gas	119,592	48.88%	120,933	42.33%	165,500	54.41%
Infrastructure	102,667	41.96%	142,690	49.94%	122,754	40.36%
Financial	12,111	4.95%	6,726	2.35%	2,486	0.82%
Hospitality	9,638	3.94%	7,311	2.56%	7,379	2.43%
Agribusiness	1,413	0.58%	6,927	2.42%	4,507	1.48%

Others	(767)	-0.31%	1,125	0.39%	1,539	0.51%
<b>Combined Total</b>	<b>244,653</b>	<b>100.00%</b>	<b>285,711</b>	<b>100.00%</b>	<b>304,165</b>	<b>100.00%</b>

(In million pesos)

## INVESTMENTS IN EQUITY SECURITIES

### *Equity Investments*

During the first half of 2016, the equity portfolio of the Corporation generated revenues of COP \$17,494 million on account of dividends, of COP \$307,032 million through the equity method, of COP \$22,121 million from gains on the sale of shares and of COP \$1,152 million from commissions and others, for a total of COP \$347,800 million. This represents an increase of 57.6% when compared to the total revenues in the previous six-month period, which totaled COP \$220,658 million.

It is worth noting the following aspects of the results during the six-month period:

1. The energy sector produced revenues for the Corporation in an amount of COP \$173,285 million. Promigas was benefited by the startup of new projects, by the strong performance of its affiliates and by the increase in the exchange rate. As for Empresa de Energia de Bogota, its results are due to higher gas sales (Calida and Contugas), to a greater volume of gas transported by TGI, to the increase in the average price of power distribution and to the entry into operation of local power transmission projects.
2. The infrastructure sector generated revenues of COP \$135,199 million. Construction consortia for fourth-generation projects as well as the profits from road works from previous generations, contributed to the sound performance of Episol. The sustained results of Aerocali and Tibitoc are also highlighted.
3. The agribusiness sector generated revenues of COP \$4,350 million, benefiting from the good results of Unipalma and Pajonales. Unipalma has managed to increase its crude palm oil production while controlling its operating costs. Pajonales, had a good harvest of rice sold at a price that exceeded the average price expected. The financial restructuring of Pizano has also been continued.
4. The financial sector was affected by Leasing Corficolombiana, which during the first half of 2016 incurred in a provision expense for specific customers, which negatively impacted the net margin of the company. This spending behavior does not correspond to the overall impairment of the portfolio, for which the company expects to reverse this negative effect on provisions in the second half. On the other hand, Fiduciaria Corficolombiana showed a 26.2% increase in net profits, when compared to the previous six-month period.
5. The hospitality industry generated revenues of COP \$6,829 million, due the good occupancy levels of Hoteles Estelar, which remain above the average occupancy levels in

the sector. This sustained level of revenues has allowed the company to continue with its expansion plan.

### ***Portfolio Composition***

The portfolio of equity investments is divided into five strategic sectors: i) Power and Gas, ii) Infrastructure, iii) Financial Services, iv) Hospitality, and v) Agribusiness. In addition, the portfolio is complemented by investments in other sectors.

**Table 4. Dividend Revenues and Equity Method (million pesos) January – June 2016**

SECTOR	DESCRIPTION	BOOK VALUE	1Q2015		1Q2016		TOTAL INCOME %
			DIVIDENDS	EQUITY METHOD	DIVIDENDS	EQUITY METHOD	
<b>Power and Gas</b>	Corficolombiana is the main shareholder of Promigas, the largest gas transport and distribution company in Colombia, with more than 3.5 million users in Colombia and Peru. It also holds 3.6% of the shares in Empresa de Energia de Bogota, which has over 100 years of experience in the power sector and has a stake of 11.7% in the power transmission market in Colombia.	2.054.049	82.371	18.366	12.396	1 60.889	53,4%
<b>Infrastructure</b>	Corficolombiana is the main investor in road infrastructure in Colombia with 1,281 km of road concessions, of which 351 km correspond to 4G concessions to be built.	1.063.303	1.376	79.959	-	135.199	41,7%
<b>Financial Services</b>	Corficolombiana provides leasing, fiduciary, foreign banking and brokerage services. Fiduciaria Corficolombiana has \$12.2 trillion in assets in trusts.	186.070	765	5.506	824	-1.938	-0,3%
<b>Hospitality</b>	Corficolombiana has a majority stake in Hoteles Estelar, the main hotel chain in Colombia with 30 hotels in 15 cities and a total of 3,574 rooms.	280.100	-	10.783	-	6.829	2,1%
<b>Agribusiness</b>	Through its investments in Valora, Pajonales, Mavalle, and Unipalma, Corficolombiana is actively involved in rubber, palm oil and rice businesses with more than 26,200	362.618	-	3.216	-	4.350	1,3%

	hectares of arable land.						
<b>Others</b>	Corficolombiana owns 8.5% of the shares of Mineros S.A., a company engaged in the exploration and exploitation of precious metals, especially gold. It also holds a 95% stake in Tesicol, a leading manufacturer of fabrics and synthetic fibers.	109.080	-	5.026	4.274	1.703	1,8%
	<b>TOTAL</b>	<b>4,055,219</b>	<b>84,512</b>	<b>122,856</b>	<b>17,494</b>	<b>307,032</b>	<b>100%</b>

Note: In the first half of 2016, Mineros S.A. is no longer classified in the Power and Gas sector and is now included in Others. On the other hand, Concecol changed from the Power and Gas sector to Infrastructure.

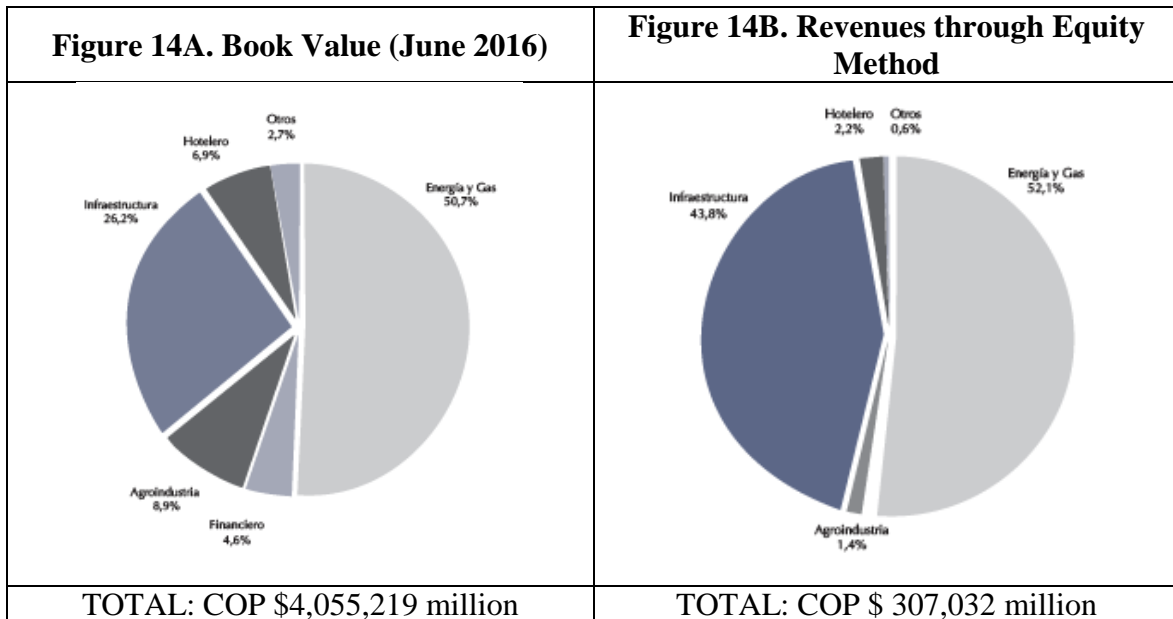
\* The profits of 2016 are affected by the application of IAS 27, which is why an important variation is observed between 2015 and 2016 in the items of dividends (decrease) and MPU (increase).

Table 4 compares the dividend revenues and the equity method generated by the equity portfolio for the Corporation. A modification was made in the accounting policy in the profits in the second half of 2016 for the measurement of investments in controlled entities, associates and joint ventures, for which it was decided to apply the amendment to IAS 27 - Separate Financial Statements on an early basis, which is included in the regulatory annex of Decree 2496 jointly issued by the Ministry of Finance and Public Credit and the Ministry of Commerce, Industry and Tourism on December 23, 2015, in accordance with the provisions in paragraph 6.2.1 of External Circular 034/2015 issued by the Financial Superintendence of Colombia, where the methodology for the application of the equity method on subordinates is also adjusted in accordance with IAS 28, according to Decree 2420/2015.

The change in the accounting policy produces two significant impacts: first, it involves the retrospective restatement of the measurement of these investments on the Opening Statement of Financial Position (OSFP), where the value of the investments in controlled entities, associates and joint ventures must be equal to the equity value of the entity through direct and indirect interests (IAS 28.27) plus the net balance of the goodwill recorded on the date of the OSFP, i.e. valuations and assessments at quoted prices should be reverted using the previous methodology, which net effect is a decrease in the assets of the Corporation. In addition, since a retrospective adjustment must be performed, it must be applied to each one of the equity items affected, the adoption of the IFRS, the convergence of 2014 IFRS, the retained earnings of 2015, the profits for the period, the surplus through the equity method and the equity method on accumulated other comprehensive income, generating representative variations in such accounts and a negative net effect on equity.

On the other hand, the revenues through the equity method must include the profits for the current period of investments in associates and joint ventures, instead of recognizing dividend revenues, which generates a net positive impact on the income statement of the

Corporation, mainly due to the inclusion of the profits of the associates Promigas (Calida and Gases del Caribe of \$18,665 million) and the joint ventures in Episol (Concesionaria Ruta del Sol of \$58,738 million). As of June 30, 2015, the composition of the equity portfolio of the Corporation, measured by its book value, showed that 50.7% of investments was made in the power and gas sector, 26.2% in infrastructure, 8.9% in agribusiness, 6.9% in hospitality, 4.6% in the financial sector and 2.7% in other sectors. As at the same date, the total book value of investments amounts to \$4.06 trillion.



Source: CFC Investments

The revenues through the equity method generated by the portfolio in the first half of the year amounted to \$307,032 million. As shown in Figure 1B, the power and gas sector accounted for 52.1% of these revenues, followed by the infrastructure sector with 43.8%, the hospitality sector with 2.2% and the agribusiness sector with 1.4%.

The following tables show the detail of dividend revenues and revenues through the equity method generated by the equity portfolio for the Corporation and the financial position of the leading companies in the portfolio. Revenues through the equity method are recorded for investments in controlled entities and associates, while for investments with an interest of less than 20%, revenues are recorded as dividends.

**Table 5. Dividend Revenues and Revenues through Equity Method**

Company	Interest	Book Value	Dividends	MPP
Promigas S.A.	34.2%	962,437	0	110,312
Empresa de Energía de Bogotá	3.6%	583,964	7,994	0
CFC Gas Holding S.A.S	100.0%	284,960	0	34,110
Fondo de Capital Privado Corredores Capital 1	97.3%	146,122	0	17,491
Gas Natural E.S.P.	1.7%	72,999	4,402	0
Gas Comprimido del Perú	91.9%	3,439	0	-1,013
CFC Energy Holdings S.A.S.	100.0%	129	0	-11

<b>Subtotal Power and Gas</b>		<b>2,054,049</b>	<b>12,396</b>	<b>160,889</b>
Estudios y Proyectos del Sol	100.0%	702,968	0	83,350
Colombiana de Licitaciones y Concesiones S.A.S.	100.0%	121,798	0	4,446
Proyectos de Infraestructura S.A.	88.3%	112,901	0	30,271
Estudios Proyectos e Inversiones de los Andes S. A.	99.9%	53,440	0	9,761
Aerocali S.A.	50.0%	29,270	0	6,232
Concesionaria Tibitoc S.A.	33.3%	20,104	0	2,778
CFC Private Equity Holdings S.A.S	100.0%	17,818	0	-1,012
Proyectos de Ingeniería y Desarrollos S.A.S.	100.0%	3,051	0	-275
Pyxis Inversiones S.A.S.	100.0%	1,742	0	-384
Coviandes S.A.	0.3%	210	0	32
<b>Subtotal Infrastructure</b>		<b>1,063,303</b>	<b>0</b>	<b>135,199</b>
Valora S.A.	100.0%	132,871	0	-1,258
Organización Pajonales S.A.	98.1%	100,777	0	5,943
Plantaciones Unipalma de los Llanos S.A.	54.5%	71,147	0	2,529
Pizano S.A.	40.0%	55,712	0	-2,745
Mavalle S.A.	18.3%	1,891	0	-119
Alimentos derivados de la Caña (Adecaña)	0.3%	220	0	0
<b>Subtotal Agribusiness</b>		<b>362,618</b>	<b>0</b>	<b>4,350</b>
Hoteles Estelar de Colombia S.A.	85.0%	249,307	0	6,182
Promotora y Comercializadora Turística Santamar S.A.	84.6%	30,725	0	647
Sociedad Hotelera Cien Internacional S.A. (Hotel Bogota Royal)	0.4%	68	0	0
<b>Subtotal Hospitality</b>		<b>280,100</b>	<b>0</b>	<b>6,829</b>
Leasing Corficolombiana S.A.	94.5%	81,718	0	-8,552
Fiduciaria Corficolombiana S.A.	94.5%	47,349	0	5,072
Banco Corficolombiana (Panama) S.A.	100.0%	29,215	0	1,351
Fiduciaria Occidente S.A.	4.4%	14,802	805	0
Casa de Bolsa S.A. Sociedad Comisionista de Bolsa	39.0%	11,327	0	191
Others		1,659	19	0
<b>Subtotal Financial</b>				
Mineros S.A.	8.5%	54,535	2,950	0
Tejidos Sintéticos de Colombia S.A.	95.0%	21,454	0	1,729
Bolsa de Valores de Colombia	3.4%	11,305	559	0
Deposito Central de Valores - DECEVAL	3.7%	7,237	726	0
Colombiana de Extrusión S.A. Extrucol	20.0%	7,237	0	164
Ventas y Servicios S.A.	19.9%	4,672	0	-311
Others		2,641	38	121
<b>Subtotal Other Sectors</b>		<b>109,080</b>	<b>4,274</b>	<b>1,703</b>
<b>Total Portfolio</b>		<b>4,055,219</b>	<b>17,494</b>	<b>307,032</b>

Source: CFC Planning

**Table 6. Financial Position of the Main Companies in the Portfolio**

Company	Direct	Asset	Liability	Equity	Net	Net	ROE <sup>3</sup>
---------	--------	-------	-----------	--------	-----	-----	------------------

<sup>3</sup> The ROE is calculated by dividing the profits for the last two six-month periods by the average equity between June 2015 and June 2016.

	Interest				Profits 2Q2015	Profits 1Q2016	
<b>Power and Gas</b>							
Promigas S.A.	34.2%	5,039,852	2,412,274	2,627,578	221,557	322,352	22.8%
Empresa de Energía de Bogotá	3.6%	14,208,070	3,829,380	10,378,690	107,094	1,219,699	13.0%
Gas Natural ESP	1.7%	1,255,182	786,495	468,687	101,886	147,719	55.3%
Gas Comprimido del Perú	91.9%	58,710	51,713	6,997	-4,980	-894	-63.1%
<b>Infrastructure</b>							
Estudios y Proyectos del Sol	100.0%	948,826	245,858	702,968	23,974	83,350	21.9%
Colombiana de Licitaciones y Concesiones S.A.S	100.0%	151,378	21,847	129,531	2,198	4,167	8.2%
Proyectos de Infraestructura S.A.	88.3%	273,731	145,918	127,813	35,988	34,035	53.8%
Estudios Proyectos e Inversiones de los Andes S. A.	99.9%	178,662	156,885	21,777	23,107	2,114	80.9%
Aerocali S.A.	50.0%	157,532	98,984	58,549	12,017	12,465	52.7%
Concesionaria Tibitoc S.A.	33.3%	85,838	25,527	60,312	5,954	8,334	24.7%
Coviandes S.A.	0.3%	753,640	669,202	84,438	38,115	12,902	85.5%
<b>Agribusiness</b>							
Valora S.A.	100.0%	154,937	16,936	138,001	4,208	-1,258	2.2%
Organización Pajonales S.A	98.1 %	211,737	109,043	102,694	5,682	6,056	12.1%
Plantaciones Unipalma de los Llanos S.A.	54.5%	199,207	68,735	130,472	707	4,639	4.2%
Pizano S.A.	40.0%	289,989	150,132	139,856	-9,362	-6,601	-10.8%
Mavalle S.A.	18.3%	23,783	13,460	10,323	283	-650	-3.5%
<b>Hospitality</b>							
Hoteles Estelar de Colombia S.A.	85.0%	509,140	215,217	293,923	9,252	7,755	6.1 %
Promotora y Comercializadora Turística Santamar S.A.	84.6%	40,690	4,370	36,319	563	764	3.7%
<b>Financial</b>							
Leasing Corficolombiana S.A.	94.5%	1,020,315	933,841	86,474	3,364	-9,051	-6.3%
Fiduciaria Corficolombiana S.A.	94.5%	136,791	84,195	52,596	4,252	5,368	18.7%
Banco Corficolombiana (Panama) S.A.	100.0%	292,761	263,447	29,314	-1,662	939	-2.7%

Casa de Bolsa S.A. Sociedad Comisionista de Bolsa	39.0%	70,653	41,569	29,085	1,631	490	7.5%
<b>Financiamiento</b>							
Mineros S.A.	8.5%	856,343	259,191	597,152	36,408	74,028	19.0%
Tejidos Sintéticos de Colombia S.A.	95.0%	30,308	7,723	22,585	959	1,820	13.1%
Bolsa de Valores de Colombia	3.4%	139,191	34,908	104,283	12,223	11,775	23.9%

Additionally, the equity portfolio generated revenues for the Corporation on account of valuations, profits on the sale of shares and commissions, as shown in the following table.

**Table 6. Revenues generated from equity investments**

<b>In Million Pesos</b>	<b>2015-2</b>	<b>2016-1</b>
Dividends	84,508	17,494
Equity Method	122,856	307,032
Valuation	345	1
Profit on Sale of Shares	12,943	22,121
Commissions and Others	5	1,152
Exchange Difference	-	-
<b>Total</b>	<b>220,658</b>	<b>347,800</b>

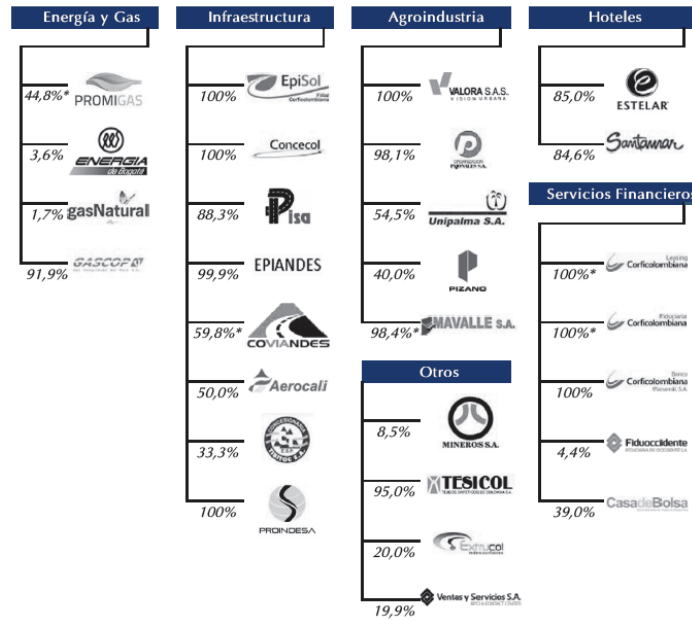
Source: CFC Planning

The first half of 2016 recorded a fall of \$67,014 million in dividend revenues since the profits of Promigas were not received through dividends but through the equity method. The profits of Promigas are in turn higher because if the results of its associated companies had been accounted for (Calida and Gases del Caribe), the dividend revenues recorded would have been \$55,335 million instead of \$74,000 million through the equity method.

Moreover, during the first half of 2016 the Corporation recorded an increase of \$184.176 million in revenues through the equity method, which are explained not only by the inclusion of the profits of Promigas but also by the increase of \$58,738 million in the profits of Episol, which include the results of joint ventures (Concesionaria Ruta del Sol). Finally, regarding the gain on the sale of shares during the first half of 2016 \$22,121 million were received from the sale of the shares of Cifin S.A.

### ***Semiannual management of portfolio companies by sector***

Below is a description of the main companies in which Corficolombiana holds an interest, grouped according to the economic sectors to which they belong. A brief description of the most important events during the first half of 2016 is shown below.



Source: CFC Investments

\* Total interests:

Promigas: 32.22% directly and 10.58 through CFC Gas Holdings.

Coviandes: 59.28% through Epiandes, 0.25% through Concecol and 0.25% directly.

Mavalle: 18.3% directly and 81.7% through Organizacion Pajonales.

Leasing Corfocolombiana: 94.5% directly and 5.5% through Valora S.A.

Fiduciaria Corficolombiana: 94.5% directly and 5.5% through Valora S.A.

## 1. Power and Gas

The companies in this sector are subject to stable regulations and predictable revenues, which allow them to generate high operational flows.

**Table 7. Description of Power and Gas Investments**

	In million pesos (Jan to Jun 2016)	CFC Interest	Description	Book Value June 2016	Op. Income	EBITDA	EBITDA Margin	Net Profits
Significant Interest	Promigas	44.8% <sup>4</sup>	Promigas transports and distributes natural gas in Colombia. It has over 3.5 MM users	962,734	533,171	216,415	40.6%	315,468

<sup>4</sup> Promigas: 34.225 directly and 10.58% through CFC Gas Holdings.

			in Colombia and Peru					
	Gascop	91.9%	Gascop distributes compressed natural gas in northern Peru to industrial users and to the vehicle market.	3,439	4,094,652 USD	511,337 USD	12.5%	-266,289 USD
<b>Minority Interest</b>	Empresa de Energia de Bogota	3.6	EE Bes a holding of companies in the power and gas sector with a significant presence in the generation, transmission and distribution of power and in the transport and distribution of gas.	583,964	1,327,913	1,273,926	95.9%	1,219,699

***Relevant events in the six-month period – Power and Gas***

***Promigas***

Promigas continues with the investment process in the projects Loop del Sur, SPEC (LNG plant), gas treatment plants for Hocol and Canacol in Colombia, and the construction of the concession of Gases del Pacifico in Peru, which will connect more than 150,000 new users from the regions of Ancash, La Libertad, Cajamarca and Lambayeque.

Its affiliate Compañía Energetica de Occidente (CEO) started to apply the up-to-date marketing rates and the regulatory definition regarding the new distribution rate period is expected in 2016.

Regarding the transportation business, the CREG made viable the investments in compressor stations in Transmetano and Promioriente in 2015, which is evidenced by the results of companies in the first half of 2016.

Finally, the strategy of venturing deeper into the construction of power infrastructure is

maintained. To this end, Promisol has carried out coating works for the gas pipelines of Promigas, for the construction of the Bosconia gas pipeline of Gases del Caribe and for the construction of the San Mateo – Mamonal gas pipeline (part of Loop del Sur).

The connection of 78,048 new users in Colombia and 50,581 new users in Peru was carried out during the six-month period. Finally, it is notable that the Brilla portfolio reached \$191,747 million in the year, reaching a balance of \$484,312 million.

Fitch Ratings maintained the long-term of AAA (Col) with a stable outlook and the short-term credit rating of F1+ (Col) for Promigas, as well as the international rating of BBB- (IDR - Issuer Default Rating).

## 2. Infrastructure

Currently Corficolombiana is the main investor in road infrastructure in Colombia. The Corporation has more than 20 years of investment experience in the industry and today has interests in nine road concessions and in one public works contract, directly and through investment vehicles such as Episol, Epiandes and Concecol.

**Figure 15 Geographical location and length of road concessions**



Source: CFC Investments

	<b>Concession</b>	<b>Km</b>
1	PISA	80
2	Coviandes	86
3	CCFC	42.9
4	Ruta del Sol	610

5	Panamericana	111
6	Covipacifico	53.8
7	Covimar	31.8
8	Coviandina*	-
9	Covoriente	266.2
	<b>Total</b>	<b>1,281.7</b>

\* Coviandes and Coviandina are concessions that cover the same road corridor of Bogota-Villavicencio, the main difference is the dual carriageway road to be built.

**Table 8. Description of infrastructure investments**

In million pesos (Jan to Jun 2016)	CFC Interest	Description	Book Value June 2016	Op. Income	EBITDA	EBITDA Margin	Net Profits
<b>Episol</b>	100%	Holding company that concentrates investments in infrastructure, including construction consortia and the following 6 road concessions:	702,968	95,239	87,928	92%	83,350
<b>Concesionaria Vial del Pacifico</b>	49.9%	Concesionaria Vial del Pacifico is responsible for the construction, maintenance and management of the Ancon Sur - Bolombolo corridor with a distance of 53.8 Km in Antioquia.		30,491	4,728	16%	811
<b>Concesionaria Nueva Via al Mar</b>	60.0%	Concesionaria Nueva Via al Mar is responsible for the construction, maintenance and management of the Mulalo - Loboguerrero corridor with a distance of 31.8 km in Valle del Cauca.		10,783	3,513	33%	1,955
<b>Concesionaria Vial del Oriente</b>	100%	<b>Concesionaria Vial del Oriente</b> seeks to improve the Llano road, connecting Meta with Casanare. The project has a length		16,040	2,798	17%	1,930

		of 266.2 km, connecting the city of Villavicencio in Meta and the city of Yopal in Casanare.					
<b>Concesionaria Vial Andina</b>	100%	Public-private partnership without public resources for the construction of a new road in the Chirajara - Villavicencio sector and responsible for the management, operation and maintenance of the Bogota - Villavicencio corridor.		0	-930	0%	436
<b>Ruta del Sol Concesion Vial</b>	33.0%	Concesionaria Ruta del Sol is a road concession with over 528 km in Sector 2 between Puerto Salgar and San Roque plus 82 km in the Ocaña – Gamarra road.		640,080	298,307	47%	173,198
<b>Concesionaria Panamericana</b>	100%	Concesionaria Panamericana is a road infrastructure concession with over 111 km in the Los Alpes - Villeta and Chuguacal – Cambao corridors.		66,263	21,575	33%	3,277
<b>Concecol</b>	100%	Vehicle for investments in infrastructure and energy. Its investments include Sociedad Aeroportuaria de la Costa (SACSA S.A.), which manages the Rafael Nunez airport in Cartagena.	121,798	5,242	4,766	91%	4,167
<b>Pisa</b>	88.3%	Infrastructure concession with over 80 km in the Buga - Tulua - La Paila corridor, in Valle del Cauca. Additionally, it is	112,901	71,064	59,234	83%	34,035

		the majority shareholder of the CCFC concession, in charge of the Bogota - Facatativa – Los Alpes road.					
<b>Coviandes</b>	59.7% <sup>5</sup>	Road infrastructure concession with more than 86 km under concession and 45.5 km under construction in the Bogota – Villavicencio corridor.	210	328,487	114,535	35%	12,902
<b>Aerocali</b>	50.0%	Airport infrastructure concession responsible for managing the Alfonso Bonilla Aragon International Airport in Valle del Cauca.	29,270	62,033	22,214	36%	12,465
<b>Proindesa</b>	100%	Consulting company for engineering projects.	3,051	2,345	-200	-9%	-275

### ***Relevant events in the six-month period- Infrastructure***

#### ***Concesionaria Vial del Pacifico - Covipacifico***

The Autopista Pacifico 1 project, carried out by Concesionaria Vial del Pacifico S.A.S., is the largest project of the first wave of 4G concessions with a contract value of \$2.09 trillion in December 2012. The project will expedite travel time between Medellin and Valle del Cauca through the Bolombolo – Camilo C – Primavera – Ancon Sur road, with a total of 53.8 km of road, in which there will be 52 bridges and 4 tunnels, including the right lane of the Amaga tunnel.

During the first half of 2016, the final agreements and conditions for the financial close were reached for a total of \$2.12 trillion with local banks and \$150 million with international banks. This financial close is the largest project finance operation (non recourse project finance) in Colombia and the first of the 4G program, with the participation of international commercial banks. In the course of the year, the concessionaire has made significant progress in pre-construction activities: on May 16 the project obtained the authorization for all phase III designs submitted, on June 14 the concessionaire was notified of the ANLA resolution whereby the environmental license

<sup>5</sup> Coviandes: 59.28% through Epiandes, 0.25% through Concecol and 0.25% directly.

for the project is granted and is currently conducting social and land management activities to start with the works in the fourth quarter of 2016.

### ***Concesionaria Nueva Via al Mar - Covimar***

The Mulalo-Loboguerrero project to be carried out by Concesionaria Nueva Via al Mar S.A.S, is part of the first wave of 4G concessions. The importance of the project lies in that it is part of the corridor that connects the port of Buenaventura with the industrial area of Yumbo and Cali, thereby having a significant impact on the country's competitiveness given that it significantly reduces the travel time to that port. The project has a length of 31.8 Km, which includes 9 tunnels and 35 bridges.

On October 27, 2015 the Ministry of Interior issued a certification regarding the presence of the Loboguerrero community, which entails the performance of a prior consultation process. Progress has been achieved in conducting the studies, designs and in the performance of the Environmental Impact Study in Functional Units two and five.

With respect to the consultation process with the community of Loboguerrero, the minutes of coordination of resources, the cooperation agreement, the official minutes for the opening of the process and the methodological route agreement were signed in May. This consultation will have an approximate duration of four months.

The work with the community of Mulalo continues in order to reach an agreement on the methodological route to start the consultation process, which would have an estimated term of 6 months and is an essential requirement for filing the Environmental Impact Study and for the respective licensing process.

### ***Concesionaria Vial Andina - Coviandina***

The Bogota-Villavicencio Private Initiative project, to be carried out by Concesionaria Vial Andina S.A.S, corresponds to the construction of the second carriageway of the third stretch of the Bogota-Villavicencio corridor (Chirajara-Fundadores), and the operation and maintenance of the entire corridor. The project has a length of 32.5 Km, which includes 7 tunnels and 20 bridges.

Some of the progress achieved during the first half of 2016 includes: the granting of the environmental license for the Chirajara-Bijagual section (by means of Resolution 243 of March 11, 2016) where the constructive method for tunnels, the comments received by the oversight office for the studies and designs of Functional Units 1, 5 and 6 and the Geometric Design of project, received on April 21 and 22 are yet to be defined.

The project requires 87 properties, of which 17 belong to the INVIAS and are in the process of being acquired. Of the remaining 70 properties, 68 property cards have been drawn up, of which 68 have been approved by the oversight office and 65 letters have been sent to owners.

### ***Concesionaria Vial del Oriente - Covioriente***

The Villavicencio-Yopal project that is part of the second wave of 4G concessions is currently in pre-construction stage and the concessionaire is currently performing operation and maintenance activities on the corridor. According to contractual activities for this stage, a plan for the acquisition of properties and for the obtaining of environmental licensing has been carried out during the first half of 2016. At the same time, the designs of phase III for all Functional Units have been prepared and the geotechnical exploration campaign is being completed. Moreover, work has been carried out for attaining the financial close with a debt structure that includes both local and international banks.

### ***Concesionaria Ruta del Sol***

Ruta del Sol connects the center of the country with the north coast and it is divided into 3 sectors. Concesionaria Ruta del Sol, which is part of the third generation of concessions, is building and operating Sector 2 between Puerto Salgar and San Roque and the Ocaña-Gamarra stretch added by means of an Addendum signed in 2014. The total work progress on the project by June (Puerto Salgar - San Roque) is at 57.34%, where 276.6 km of new roads and 168.8 km of existing roads have been paved and made available. The total work progress in the Ocaña - Gamarra junction is 18.9%, where progress has been made in land management and 23.8% of all properties has been negotiated.



*Picture 1. Ruta del Sol PR 51+000 south carriageway*

### ***Concesiones CCFC***

To continue with the works of Phase II to be developed by Concesionaria CCFC under the commitments assume din Addendum No. 9 signed with the ANI, the consortium agreement was signed on December 15, 2015 thus creating Consorcio Cosntructor de Obras CCFC or Consorcio C4, in which Episol has an interest of 67% and Conconcreto of 33%.

The works covered by Addendum No. 9 mainly include the dual carriageway from PK 16+850 (Corzo) to PK 20+800 (Bojaca) and from PK 20+900 to PK 22+800 (entrance to Cartagenita). It also includes the construction of the junctions of Tres Esquinas, the Mosquera - La Mesa roundabout and the entrance to Bojaca.



*Picture 2. CCFC dual carriageway PK 18+850*

Estudios, Proyectos e Inversiones de los Andes S.A.S. - Epiandes

It is a holding company whose main investment is Concesionaria Vial de los Andes S.A. (Coviandes), which has a contract for the management, operation and maintenance of the road corridor that connects Bogota with Villavicencio. From the year 2010 it is carrying out the Bogota-Villavicencio dual carriageway project in the middle third of the road, in the El Tablon – Chirajara sector.

In the first half of 2016, Coviandes has continued with the project, so that the dual carriageway works in tunnels show a excavation and finished support progress of 82%, bridges 72%, roads 65% and the existing roadway 98%.

To date, sectors 3 and 3A have been delivered and works continue in six other sectors (sector 1, 1A, 2, 2A, 4 and 4A) from El Tablon to Chirajara. The works in two other sectors are expected to be delivered to the ANI in the mid-second half of 2016. Currently 11 of the 18 tunnels and 39 of the 46 bridges have been completed. 3,524 direct jobs were generated by the project as of June 2016.

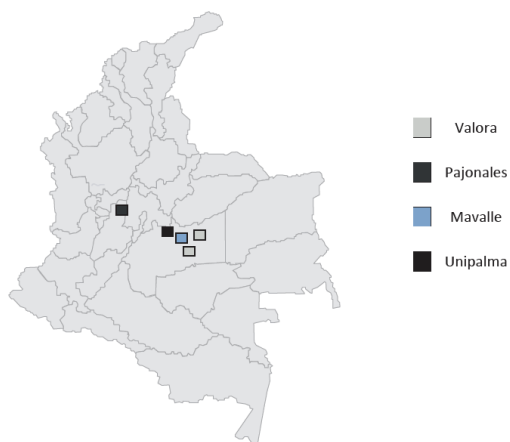


*Picture 3. Coviandes sector 3 and 3A*

### **3. Agribusiness**

Corficolombiana is actively involved in the production of palm oil, rubber, rice, rice seeds and cotton.

### **Figure 2 Geographical location of agribusiness investments**



**Table 9. Description of agribusiness investments**

In million pesos (Jan to Jun 2016)	CFC Interest	Description	Book Value June 2016	Op. Income	EBITDA	EBITDA Margin	Net Profits
<b>Organizacion Pajonales S.A.</b>	98,1 %	Agricultural company with 5,930 hectares in plantations of rice, cotton, rubber and corn, and 2,900 head of cattle.	100,777	33,222	10,806	33%	6,056
<b>Mavalle S.A.</b>	98,4% <sup>6</sup>	Agricultural company with 4,600 hectares of rubber plantations.	1,891	2,358	814	35%	-650
<b>Unipalma S.A.</b>	54,5%	Agricultural company with 5,590 hectares of oil palm plantations for the extraction of crude palm oil.	71,884	30,393	8,868	29%	4,638
<b>Valora S.A.S.</b>	100%	Holding with interests in housing, hotels and 8,020 hectares of land for future agricultural projects.	132,871	524	438	84%	-1,258
	40%	Company engaged in the manufacture of wood boards, plywood, veneer, laminates, furniture, parts and other items from wood.	55,712	74,860	5,538	7%	-6,601

#### 4. Hospitality

<sup>6</sup> Mavalle: 18.3% directly and 81.7% through Organizacion Pajonales.

Corficolombiana has a presence in the hospitality industry through its controlling interest in Hoteles Estelar, the leading hotel chain in Colombia.

**Table 10 Description hospitality investments**

In million pesos (Jan to Jun 2016)	CFC Interest	Description	Book Value June 2016	Op. Income	EBITDA	EBITDA Margin	Net Profits
<b>Hoteles Estelar</b>	85,0%	Colombian hotel chain with 30 hotels in 15 cities and a total of 3,574* rooms in the main cities of Colombia, Peru and Panama.	249,307	20,912	15,774	75,4%	7,755
<b>Santamar</b>	84,6%	Hotel in Santa Marta with 131 rooms.	30,725	1,246	983	78,9%	764

Source: CFC Investments

***Relevant events in the six-month period - Hospitality***

***Hoteles Estelar***

As of June 2016 Hoteles Estelar recorded an average occupancy of 57.01%, exceeding the national average of 55.0% (Cotelco). Consolidated accumulated sales in June 2016 amounted to \$126,772 million vs. \$119,810 million in June 2015, which represents a 6% increase.

The recent developments include the opening in December 2015 of a fourth hotel in Peru (Asia), the progress in the construction of the hotel Estelar Cartagena de Indias which will start operating in August 2016, with 338 rooms and 51 floors, and the building of Hotel Star Square, at the top line in the city of Medellin, where Hoteles Estelar acts as operator. This project has sold 100% of apartments, 82% of offices and 80% of the hotel, which will open by the end of 2017.



*Picture 4. Building of Hotel Estelar Cartagena de Indias*



*Picture 5. Room in Hotel Estelar Cartagena de Indias*

\* Including 341 rooms of Hotel Hilton Cartagena

## 5. Financial Services

**Table 11. Description of Financial Services**

In million pesos (Jan to Jun 2016)	CFC Interest	Description	Book Value June 2016	Op. Income	EBITDA	EBITDA Margin	Net Profits
<b>Fiduciaria Corficolombiana</b>	100% <sup>7</sup>	Entity specialized in providing fiduciary and structuring financial services and products for the capital market, with a history of over 20 years in the market.	47,349	25,753	10,324	40%	5,368
<b>Leasing Corficolombiana</b>	100% <sup>8</sup>	Financing company with a history of over 20 years advising and developing successful projects, providing financing and investment alternatives tailored to market needs.	81,718	61,221	24,650	40%	-9,050
<b>Banco Corficolombiana Panama S.A.</b>	100%	The Bank is domiciled in Panama and operates with the international license granted in 2004. The bank can only perform transactions that are perfected, consummated or having effects outside the Panamanian territory.	29215	1,461,896 USD	702,454 USD	48%	319,632 USD

<sup>7</sup> Leasing Corficolombiana: 94.5% directly and 5.5 through Valora S.A.

<sup>8</sup> Fiduciaria Corficolombiana: 94.5% directly and 5.5 through Valora S.A.

<b>Casa de Bolsa</b>	39.0%	It was created from the merger of four brokerage houses in 1990, today the stock brokerage firm of Grupo Aval generates 39% of the commissions accumulated by all financial affiliates of the group.	11,327	13,625	-524	-4%	490
----------------------	-------	--	--------	--------	------	-----	-----

Source: CFC Investments

**Table 12. Financial Margin of CFC with Contributions of Financial Affiliates**

Financial Margin (million pesos)	2Q2015				1Q2016				Financial Consolidate Variation
	CFC Individually	Consolidated Financial Affiliates	/ Financial Income	Difference	CFC Individually	Consolidated Financial Affiliates	/ Financial Income	Difference	
Interest	28,573	83,606	45.4%	55,033	53,717	115,268	45.4%	61,551	31,662
Valuation of fixed-income investments, purchase and sale of securities and currencies	96,006	100,395	54.6%	4,389	134,551	138,821	54.6%	4,270	38,426
<b>Total financial income</b>	<b>124,579</b>	<b>184,001</b>	<b>100.0%</b>	<b>59,422</b>	<b>188,268</b>	<b>254,089</b>	<b>100.0%</b>	<b>65,821</b>	<b>70,088</b>
Financial interest expense	124,642	151,688	82.4%	27,046	178,385	213,492	84.0%	35,107	61,804
<b>Financial Margin</b>	<b>(63)</b>	<b>32,313</b>	<b>17.6%</b>	<b>32,376</b>	<b>9,883</b>	<b>40,596</b>	<b>16.0%</b>	<b>30,714</b>	<b>8,283</b>

Source: CFC Planning

In Table 10, the individual financial margin of Corficolombiana is compared to its consolidated financial margin, which includes the revenues and financial expenses of Fiduciaria CFC, Leasing CFC and Banco CFC Panama. Additionally, the variation in the consolidated financial margin of the end of the six-month periods ended in December 2015 and June 2016 is compared.

During the first half of 2016, financial affiliates contributed COP \$30,713 million to the consolidated financial margin, which reached COP \$40,596 million. It is noteworthy that Leasing Corficolombiana contributes to 53% of consolidated interest income but only 17% of financial expenses. The Leasing company, through a network contract usage with the parent, has access to different funding sources at competitive rates through: a) the cash of the Corporation with customers from the institutional market, b) the commercial banking business of Corficolombiana with corporate and business customers, c) Casa de Bolsa with natural persons.

The revenues generated by the valuation of fixed income investments, and the purchase

and sale of securities and currencies of financial affiliates, contributed an additional COP \$ 4.270 million to the income of the Corporation, primarily due to the own investments of Fiduciaria CFC.

When comparing the end of the two six-month periods, although the financial margin declined from 17.6% to 16.0%, measured as a percentage of financial income, the consolidated profits for the first half of 2016 exceeded in the profits of the immediately preceding six-month period in COP \$8,283 million.

### **Investment Banking**

During the first half of 2016, market activity continued to be characterized by the high volatility in currency markets and the start of discussions regarding a possible change in the international monetary position. The consequences for the activities of local markets have not been the best. However, amid this situation there are important activities in M &A opportunities and infrastructure projects.

In the first case, with advise from Corficolombiana, the successful sale of a controlling position in the Financial Reporting Bureau CIFIN was carried out. This transaction resulted in a significant business for Colombian financial institutions, and at the same time, the entry of a large international player into the Colombian market.

Moreover, in infrastructure projects during, the first half of the year Corficolombiana successfully closed all the funding for the Conexión Pacífico 1 project. The largest project of the first wave of 4G program. This transaction represents a milestone in terms of conditions, participants and financial structure. The funding of other projects will continue to be replicated and the success obtained in this case will be expanded over the next few months.

## **FINANCIAL BUSINESS**

### **Treasury**

During the first half of 2016 the Central Bank increased the intervention rate to 7.50%, due to a contractionary monetary policy. Additionally, there are expectations of a slower growth of the Colombian economy, rising inflation and overall a closing in product and inflation gaps. The inflation rate at the end of June 2016 reached 8.60%.

In the first half of the year it was decided to reduce the balance of fixed income investments in the tradable portfolio as a response to the rise in rates, mainly TES. At the end of the six-month period some investments were made in the available for sale portfolio as attractive rates for such investments were obtained.

Corficolombiana continues as one of the leading participants in the local public debt market with its presence in the framework of Market Makers of the Ministry of Finance and Public Credit, in the 6<sup>th</sup> place in the overall ranking as of June 2016. This place was

obtained due to the following rankings: 4<sup>th</sup> place in the primary market, 1<sup>st</sup> place in the secondary market, 10<sup>th</sup> in on-screen presence and 5<sup>th</sup> in liquidity operations.

At the end of June 2016, the portfolio of fixed income investments of the Corporation amounted to \$3,787,647 million, showing a decrease of 6.59% when compared to the end of December 2015. This variation is generated in the portfolio of Marketable Investments. As of June 2016 the net profits for the Treasury business totaled \$9,562 million.

The Peso-Dollar spot market (purchases and sales) had a share of 18.44% in the first half of 2016 and the share of the forwards market was 3.25%. The portfolio of Peso-Dollar forward derivatives at the end of June 2016 amounted to US \$1,967 billion. Moreover, the Swaps balance was US \$1.19 trillion.

At the end of the first half of 2016, the Foreign Currency business was within the first 3 counterparties in terms of volume and traded transactions, according to figures from SetFx. The Corporation has consolidated itself as an active and dynamic entity in the foreign exchange and derivatives market in Colombia, in addition to its leadership in volumes traded on the market in Other Currencies (G10 and Latam).

For the forwards portfolio, the strategy of keeping the portfolio sold has been maintained given the high devaluation and in order to correct it. On the other hand, the volatility in the short end of the curve has been taken advantage of, generating interesting revenues for the Corporation.

Regarding funding, in June 2016 the Corporation closed with an effective cost rate for term deposits of 9.45%, representing an increase of 211 basis points as compared to December 2015, when it reached 7.34%, withstanding the impact of the contractionary trend of the monetary policy set by the Central Bank, which increased the intervention rate by 175 basis points during the first half of 2016 and the increase in inflation was 183 basis points.

The total of term deposits at the end of June 2016 amounted to \$2.55 trillion, 6.69% higher when compared to the balance of in December 2015. The average maturity of these deposits is 937 days.

### **Commercial Banking**

During the first half of 2016, the Commercial Banking unit managed assets and businesses of 6,500 customers nationwide in an amount equivalent to \$1.7 trillion, through the different products of Corficolombiana and the Financial Affiliates, producing cumulative revenues around \$7,500 million.

In the first six months of the year, operations intended for the Mutual Funds of Fiduciaria Corficolombiana were carried out, equivalent to an average balance of \$507,030 million, which generated revenues of \$3,735 million during the course of the six-month period.

The strategy was focused on the deconcentration, deepening and engagement of customers, and work was also carried out on the cross-selling of the different products of the Corporation and its financial affiliates. On the other hand and given of uncertainty in national and international markets, different communication activities and meetings were carried out with customers during the year by each one of the regional offices, which allowed keeping them informed and strengthening our permanent trust relationship.

In the money table business, the offer was based on the purchase and sale of foreign currencies and hedges, completing transactions worth USD \$1,961 million at the end of the six-month period, due to the engagement of new customers and the optimization of current customers; 11 new customers were engaged and 145 quotas of current customers were renewed during this period.

As for the efforts undertaken with respect to Casa de Bolsa, resources in an amount of \$597,965 million were managed during the first half of 2016, generating commission revenues around \$2,391 million. The successful commercial activities derived from the consolidation of strategies allowed to continue increasing commissions on products with recurring revenues such as APT and FIC mutual funds, representing 51% of total revenues at the end of June.

The deposits taken through term deposit products with our affiliate Leasing Corficolombiana in the first half of 2016 generated managed funds totaling \$394,994 million, representing an increase of 9.41% over the second half of 2016.

At the end of June 2016, the Commercial Banking business managed resources of 280 customers in Banco Corficolombiana Panama amounting to USD \$42.3 million and a Back to Back Portfolio of USD \$12.6 million.

As corporate strategy and building on the business integration model of Corficolombiana, it was decided that from March 1 the Commercial Banking business will provide services in the regional areas of Antioquia, North and East for the management of the portfolio of the affiliate Leasing Corficolombiana. At the end of the first half of 2016 the balance reached \$146,000 million between active leasing operations and other ordinary portfolio transactions, representing by 291 customers.

## **MARKETING AND COMMUNICATIONS ACTIVITIES**

The positioning strategy continued to be strengthened in the first half of 2016 mainly on issues related to tax updates and participation in external events such as the 18th Treasury Congress in the month of January, this Congress sponsored the “Deepening of the Colombian capital market”, with the participation of Mrs. Gloria M. Grandolini, Global Director of Finance and Markets for the World Bank, and the participation of the lecturer Robert Barro in the 51<sup>st</sup> Convention held in the month of June regarding the Fiscal Policy.

Additionally and in order to strengthen the culture within the Corporation, a series of

awareness campaigns were carried out on Energy Saving issues “I contribute to energy saving” and Paper Saving issues “Less Paper ... Better Planet”; at the same time, in order to have transparent and continuous communications, the financial close of one of the most important projects of 4G concessions carried out by Concesionaria Vial del Pacific S.A.S. Covipacifico was disclosed to the media.

As for the Public Portal, functionality, content and iconography tests were conducted and the photography concept was adjusted. The positioning strategy of the website was discussed, which will take place during the second half of this year. The certification process was completed to enter production next August 9.

The main goal of the corporate marketing and communications strategy for 2016 was to strengthen the positioning of the brand, to build trust among its stakeholders and to timely deliver both internal and external information.

## **RISK MANAGEMENT**

### **Credit Risk Management System (SARC)**

Since at present the Corporation has no portfolio in its balance sheet, the SARC of Corficolombiana has served as the basis for the analysis of the business lines of the Money Market unit, investments in the real sector and investment banking.

### **Market Risk**

The main principle of the control structure is the adequate segregation of duties between Front Office, Middle Office and Back Office activities.

The Corporation has adequate technological resources for the control and monitoring of treasury risks, including the measurement of market risks and the valuation of portfolios of fixed income, currency and derivative investments.

The Middle Office produces a daily report whereby it monitors the fulfillment of the limits and risk exposures of each portfolio, as well as compliance with the policies on maximum authorized deadlines. This information is submitted to the Board of Directors on a monthly basis.

A committee has also been planned with members of the Board of Directors, which will meet when there are important movements in the market affecting profits to take decisions on the portfolio.

These tools allow for the proper management of the risks inherent to the treasury business. Similarly, the staff dedicated to the management of risks has been trained and there is an adequate and sufficient structure in place for this.

### **Liquidity Risk**

The Risk Committee (ALCO) reviews weekly flows to determine the liquidity profile of the Corporation for the current and the following week. In the same manner, there are internal short and long term indicators with limits established and monitored on a monthly basis by the Board of Directors, which are detailed in the notes to the financial statements; these limits allow for the proper management of this risk.

During the first half of 2016, the management of liquidity risk is based on Chapter VI of the Basic Accounting and Financial Circular. During this time, the Liquidity Risk Indicator (LRI) has been reported to the Financial Superintendence, showing that the Corporation has liquid assets for market liquidity, currency risk and reserve requirements (ALM) to easily support its liquidity requirements.

### **Credit Risk**

This risk is managed, specifically in the treasury business, through the approval of quotas that are distributed in different categories depending on the type of product and can be combined in certain events as explained in the notes to the financial statements.

To ensure and monitor compliance with these quotas, the Corporation has tools such as the quota module system where treasury operations are recorded, which is additionally complemented by counterparty quota modules of the transactional systems that are also managed by the risk department.

There are internationally accepted technical methodologies in place for the allocation of quotas for entities of both the financial sector and the real sector.

### **Operational Risk**

The Corporation has an Operational Risk Management System in place, which is composed of the following elements:

- 1) Risk maps: This element allows identifying the risks associated with each one of the processes and the controls to mitigate such risks.
- 2) Event Log: Database of operational risk events occurred in the Corporation. As of June 30, 2016 the database had 2,220 records with the following distribution:

<b><u>Risk Factor</u></b>	<b><u>Number of records</u></b>
Human Resources	778
Technology platform	641
Processes	538
External Events	213
Infrastructure	50

**Processes****Number of records**

Mission related	973
Support	985
Strategic	247
Assessment	15

**Type of Loss****Number of records**

Type B (no impact on P&L)	1,443
Type C (near losses)	660
Type A (impact on P&L)**	117

\*\* In the six-month period from January to June there are seven (7) Type A operational risk events, which totaled \$108 million pesos.

3) Indicators. The monitoring process of operational risk is performed through the operational risk exposure indicator for each process, which is calculated from the event log compared to the risk rating that may generate changes in the rating on the risk exposure level.

4) Training. A virtual course is imparted through which new officers receive conceptual information on operational risk, the coverage as of June 2016 was 96%.

**Money Laundering Risk**

The money laundering and terrorism financing risk is defined as the possibility of economic loss or damage to the good name that could suffer the entity if it is used as an instrument for the laundering of money and/or the financing of terrorist activities.

Therefore, aware of its commitment to combat criminal organizations and in compliance with the rules issued in this regard by the Financial Superintendence of Colombia, the Corporation has a Money Laundering and Terrorism Financing Risk Management System SARLAFT, which is mainly composed of steps, elements, policies, procedures and methodologies for the identification, evaluation, control and monitoring of these risks and for knowing the customers, their operations with the entity, the monitoring of transaction, staff training and collaboration with authorities.

This system is contained in the SARLAFT Manual approved by the Board of Directors. During the first half of 2016 the risks identified and controls were evaluated and the results of this evaluation were monitored, underlining that the entity continues showing low risk levels with respect to money laundering and terrorism financing. Likewise, efforts have been undertaken to promote prevention and control mechanisms in entities belonging to the real sector that are part of the capital investments portfolio of the Corporation; training was also given to strengthen the knowledge on anti-money laundering and anti- terrorism financing controls.

The controls to prevent these risks are directly supervised by the Compliance Officer and his/her alternate; the Comptroller of the entity and the External Auditor also perform supervision tasks, as well as the Management and the Board of Directors through the reports regularly submitted by the Compliance Officer and the External Auditor.

Regarding the duty to cooperate with authorities, the Corporation has timely prepared the reports established for the Financial Information and Analysis Unit UIAF. The reporting requirements of the Corporation demanded by competent authorities were fulfilled.

### **Legal Risk**

In relation to the legal contingencies of the Corporation, expectations of the respective processes have been evaluated in accordance with the instructions issued by the Financial Superintendence of Colombia, based on the analyzes carried out by the entity and the opinions issued by the attorneys in charge of the respective processes.

Based on the analyses and opinions mentioned above, currently the contingencies recorded with the highest value are considered as remote and do not represent an imminent risk that may affect the financial statements of the entity.

### **ADMINISTRATIVE SITUATION**

As of June 30, 2016, Corficolombiana had a permanent staff of 314 officials, remaining at a similar level as in the past two years, which shows greater administrative efficiency, taking into account the growth and dynamics of businesses at this time.

The most significant administrative event during the first half was the resignation last May 4 of Mr. Jose Elias Melo Acosta from the Presidency of the Corporation, which was taken over since last May 16 by Mr. Bernardo Noreña Ocampo.

Mr. Noreña Ocampo is an economist graduated from Universidad Javeriana and he has an MBA from the University of Notre Dame in the United States. He is renowned for his extensive experience and distinguished career in the financial sector and as an investment banker, and for his knowledge of the local and international market and his excellent professional and personal qualities.

Mr. Noreña Ocampo has over 30 years of working experience, holding top-level positions in important entities in the sector. The positions he has held include: President of Citibank Colombia, also responsible for its affiliates Citivalores, Cititrust and Colrepfin, Managing Director of Investment Banking of Citigroup in the Andean Region. He has been a member of Boards of Directors and held different positions in different local and international associations.

With the beginning of his administration, the Corporation expects a new direction and strategic approach on businesses and the implementation of best corporate governance

practices, a focus on human resources, the improvement in the efficiency of process and the control and strengthening of skills and capacities, which leadership will enable us to face the new organizational challenges that will be reflected from the second half of this year.

During the first half of 2016, the Corporation continued to strengthen its organizational and process structure, with actions aimed at improving the working environment, with work life reconciliation programs for staff and the update of the benefit program, and an internal communications program supported by the marketing area, which are being implemented.

The Board of Directors of the Corporation approved in May this year a change in the organizational structure, to move the Information Security area which reported to the Comptroller, which was subordinated to the Compliance Unit; said change seeks to generate greater independence and autonomy in control areas and strengthen compliance with the rules applicable to financial institutions and the adaptation to standards of best security practices.

## **TECHNOLOGICAL ADVANCES**

Technology projects were developed during the first half of 2016 for automating processes in order to provide support to the operation of Corficolombiana in an efficient and safe manner.

Below is a summary of the most important projects:

- The Aranda project for the management and control of technology inventory was completed.
- The Accenture project - Technology Assessment Treasury - was completed.
- The project for the measurement of results by skills for automating the performance evaluation of officials was completed.
- The support and assistance in functional and infrastructure projects to affiliates in the financial sector and real sector continued.
- The implementation of the GRC project – Government, Risk and Compliance – that aims to provide a comprehensive solution that enables the Corporation to continue with the maturation process of the internal control system continued.
- The development of the project for the redesign of the public website of Corficolombiana and its financial affiliates continued.
- The planning for the development of the change of the Porfin version continued.

- The implementation of the quota module on Porfin continued, which allows improving the control of quotas existing today for the area risk.
- The Business Intelligence project - BI for the study of the feasibility and implementation of dashboards for the Treasury, Risks and Planning areas continued.
- Igmetrica project to calculate the LRI and VaR indicators required by the risk area continued.
- The XBRL AVAL-Hyperion project for transmissions to the Financial Superintendence continued.
- The assessment for the technological infrastructure renovation project was commenced.
- Developments and improvements were made to the CORE application of the Treasury area, in order to meet regulatory requirements, have new products and optimize money table processes.
- Developments and improvements were made to the CORE and administrative applications of Corficolombiana to meet regulatory requirements and improve processes.

In compliance with paragraph 4 of article 47 of Law 222/1995, as amended by Law 603/2000, Corporacion Financiera Colombiana S.A. fully applied the relevant rules on intellectual property and copyright. The products and programs protected by copyright are duly licensed.

**REPORT ON COMPLIANCE WITH CIRCULAR 042/2012 (previous external circulars 022/2010 and 052/2007 issued by the Financial Superintendence)**

In accordance with the provisions of the standard, an analysis of the vulnerabilities of network segments defined in the technological infrastructure was made; in addition, the security area of Grupo AVAL carried out security activities in order to re-test the assessment made in the previous year on the elements that integrate the technological infrastructure; access controls are validated regarding roles and profiles in strategic projects such as SAP and the new Public Portal. Similarly, to reinforce the concepts of Information Security, training was imparted on specific information security topics at the request of the different areas, and inductions were also given to new staff on Information Security.

Activities for access certification were performed, according to the SOX controls established; also, an Internal Committee on Information Security was held for reporting the efforts carried out, according to the dates established, and there has been an active participation in the Change Control Management Committees and in the Security

Committees of entities belonging to Grupo AVAL.

The procedures and activities that support the fulfillment of the other paragraphs that are relevant for compliance with such Circular continue to be updated and adjusted according to the needs of the business; the update is coordinated by the Information Security area, its publication and dissemination is channeled through the Organization and Methods area of the Entity.

## **INTERNAL CONTROL SYSTEM**

According to the provisions of the laws in force; the following is the report for the first half of 2016 on the operation of the Internal Control System and the work carried out by the Audit Committee of Corficolombiana S.A.

### **1. General policies established by the Corporation for the sustainability of the internal control system**

The Internal Control System of the Corporation is based on the provisions of Circular 038/2009 issued by the Financial Superintendence of Colombia. The control system is the result of a continuous search for improving the efficiency of each one of its elements, which involve the 2013 COSO model, and Corporate guidelines in the application of processes geared towards structuring and permanently strengthening the internal control system.

### **2. Process used to review the effectiveness of the Internal Control System, specifically considering aspects related to risk management**

The process of revising the Internal Control System is based on the verification of each one of its components, such as: Control Environment, Risk Management, Control Activities, Information and Communication, Monitoring. Key processes and controls are evaluated based on the most important risks in the organization; the management is in charge of the evaluation processes as part of the principles of self-management and self-control, and independently by the internal audit, External Audit and other control and surveillance entities.

### **3. Performance of the Internal Control System**

In compliance with the provisions of Circular 038/2009 issued by the Financial Superintendence of Colombia, the strengthening process of the Internal Control System Financial of Corficolombiana continued during the first half of 2016 through the generation, updating, publication and application of principles, policies, procedures and mechanisms for evaluation aimed at providing greater security for different stakeholders that interact with the Corporation, consolidating the internal control structure in each one of its elements.

### **4. Activities developed by the Audit Committee**

- ✓ The Audit Committee, as the body responsible for assessing the structure of the Internal Control system, supporting the efforts undertaken by the Board of Directors, conducted holding meetings that included the submission of the various assessments carried out by the Internal Auditor of the entity and the External Auditor.
- ✓ The requirements made by the different supervision and surveillance entities were disclosed along with the answers given by the management.
- ✓ In the first half of 2016 the Committee was informed that anonymous emails were received through the ethical line of the Corporation, which once evaluated by the Comptroller were considered not to correspond to events that can be categorized as fraudulent acts, suspicious activities, abnormal situations or unethical behaviors affecting or likely to affect the interests of the Corporation.
- ✓ The Legal Representative of the Corporation informed the Audit Committee that in the establishment and maintenance of proper financial reporting disclosure and control systems, during the period between January 1 and June 30, 2016:
  - There were no deficiencies in the internal controls that have prevented Corficolombiana S.A. from recording, processing, summarizing and submitting financial information in an appropriate manner.
  - No frauds that have affected the quality of financial information of the Corporation S.A. have been identified.
- ✓ With respect to the risk systems, the Audit Committee read and analyzed the reports for the first half of 2016 on the assessments made by the Internal Auditor and the External Auditor, which showed a satisfactory result.
- ✓ The topics discussed at the meetings of the Audit Committee are related to the evaluation of the structure of the Internal Control System of the Corporation, including the risk systems and reports issued by the different control and monitoring bodies which are evidenced in Minutes No. 090 to 094.

## **5. Material deficiencies**

During the first half of 2016, no material deficiencies were observed in Corficolombiana in relation to the Internal Control System that may affect its effectiveness or the Financial Statements and the Management Report as of June 30, 2016.

No material deficiencies jeopardizing the effectiveness of the Internal Control System were determined in the reports submitted by the different control and supervision bodies and by the management.

## **6. Observations by supervision bodies**

The main issues addressed in the communications with the Financial Superintendence of Colombia were presented at the meetings of the Audit Committee held in the first half of 2016.

In the first half of 2016 Corficolombiana did not receive any reports for reviews carried out by external control bodies.

## **7. Internal Audit**

The Internal Audit carries out its work independently and objectively and it is permanently monitored by the Audit Committee, to which reports are submitted. During the first half of 2016 it presented the findings detected in the different areas and processes evaluated; a methodology for the monitoring and control of action plans has been established by the management.

## **8. Outcome of the operation of the Internal Control System in Corficolombiana**

The following is observed among the outcomes obtained:

- ✓ The control structure, environment and activities are consistent with the objectives of the Corporation, providing adequate security to manage the risks to which the entity is exposed.
- ✓ During the first half of 2016 no material deficiencies were identified by the management, the Internal Auditor or the External Auditor of the Corporation, which involve risk situations affecting the Internal Control System.
- ✓ The Corporation has structural controls for the preparation and submission of financial information, ensuring the reliability of the information generated and the fulfillment of the applicable standards, policies and procedures for that purpose.

## **MONEY LAUNDERING PREVENTION AND CONTROL SYSTEM**

In compliance with the provisions of articles 102 to 107 of the Organic Statute of the Financial System and the External Basic Legal Circular issued by the Financial Superintendence of Colombia, the Corporation has implemented the Money Laundering and Terrorism Financing Risk Management System SARLAFT for preventing that the entity is used to channel resources from or for criminal activities.

Indeed, the Corporation has a Unit within its organizational structure directed by the Compliance Officer, with the necessary human, technical and operational resources to fulfill its prevention and control tasks.

During the first half of 2016, the Board of Directors and the Presidency evaluated the

operation of the prevention system through the reports submitted by the Compliance Officer and the External Auditor.

According to its policies, the entity does not relieve any customer or counterparty from filling out the cash transaction form or from complying with the affiliation requirements established in internal and external standards.

## **FINANCIAL REPORTING DISCLOSURE AND CONTROL SYSTEM**

In compliance with the provisions of article 47 of Law 964/2005 on the responsibility of the legal representatives of securities issuers in the establishment and maintenance of adequate financial information disclosure and control systems, during the first half of 2016 there were no deficiencies in the internal controls that have prevented the Corporation from adequately recording, processing, summarizing and submitting the financial information nor there have been any frauds that have affected the quality of the financial information of the Corporation, or changes in the assessment methodology of the same.

## **PERSONAL PROPERTY SECURITY ACT**

For the purposes specified in article 87, paragraph 2 of Law 1676/2013, which amended article 7 of Law 1231/2008, the managers state that they did not hinder in any way the free movement of the invoices issued by sellers or suppliers.

## **ACCOUNTING REGULATORY CHANGES ISSUED BY THE MINISTRY OF FINANCE AND PUBLIC CREDIT AND BY THE MINISTRY OF COMMERCE, INDUSTRY AND TOURISM**

The following is a summary of the regulatory changes issued by the Ministry of Finance and Public Credit and by the Ministry of Commerce, Industry and Tourism in relation to the Colombian accounting framework:

As indicated in Decree 2496 of December 2015, below are listed the applicable standards issued from 2017 allowing for their early application (except for IFRS 15, which is applicable from January 1, 2018). The impact of these standards is under evaluation by the management of the Corporation and its subordinates.

<b>Reporting Standard</b>	<b>Subject of the amendment</b>	<b>Detail</b>
	Disclosure initiative.	Some of the relevant issues indicated in the amendments are as follows:
IAS 1 – Submission of financial statements	In relation to the submission of financial statements, the amendment clarifies the disclosure requirements.	<ul style="list-style-type: none"> <li>• Materiality requirements IAS 1.</li> <li>• Indicates specific guidelines in the statement of income, comprehensive income and changes in financial position that can be disaggregated.</li> <li>• Flexibility regarding the order in which the notes to the financial statements are presented.</li> </ul>

		<ul style="list-style-type: none"> <li>• The entity needs not to disclose the specific information required by an IFRS if the resulting information is not material.</li> </ul> <p>The application of the amendments does not have to be disclosed.</p> <p>The replacement proposal refers to the following phases:</p> <ul style="list-style-type: none"> <li>• Phase 1: Classification and measurement of financial assets and liabilities.</li> <li>• Phase 2: Impairment methodology.</li> <li>• Phase 3: Hedge accounting.</li> </ul> <p>In July 2014, the IASB completed the reform to the accounting for financial instruments and IFRS 9 was issued - Accounting for financial instruments (revised 2014 version), which will replace IAS 39 - Financial instruments: recognition and measurement, after the expiry date of the previous standard.</p> <p>It provides guidance on the accounting for the acquisition of interests in a joint operation in which activities constitute a business, as defined by IFRS 3 - Business Combinations.</p> <p>Entities must apply the amendments prospectively to acquisitions of interests in joint operations (in which the activities of joint operations constitute a business as defined in IFRS 3).</p> <p>It is clarified that the exception on the preparation of consolidated financial statements is applicable to a controlling entity that is a subsidiary of an investment entity, when the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10.</p> <p>The application of the equity method is allowed for an investor in an associate or joint venture if it is a subsidiary of an investment entity that measures all its subsidiaries at fair value</p> <p>They concern IFRS 10 and IAS 28 in regards to the treatment of the loss of control over a subsidiary that is sold or provided to an associate or joint venture.</p> <p>It is clarified that the gain or loss resulting from the sale or provision of assets represents a business, as defined in IFRS 3, between the investor and its associate or joint venture, and it is recognized in full.</p> <p>It is an optional standard that allows an entity, when it adopts the IFRS for the first time and whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for deferred regulated accounts.</p> <p>It establishes a five-step model that is applicable to revenues from customer agreements.</p> <p>It will replace the following standards and</p>
IFRS 9 – Financial instruments	Financial instruments (revised 2014 version)	
IFRS 11 – Joint operations	Accounting for acquisitions of interests in joint operations	
IFRS 10 – Consolidated financial statements IFRS 12 – Information to be disclosed on interests in other entities IAS 28 – Investment entities	Application of the consolidation exception	
IFRS 10 – Consolidated financial statements IAS 28 – Investments in associates and joint ventures	Sale or provision of assets between an investor and its associate or joint venture	
IFRS 14 – Deferred regulatory accounts	Accounts for the deferral of regulated activities	
IFRS 15 – Revenues from agreements with customers	Revenues from agreements with customers	

interpretations on revenues after the date when it comes into force:

- IAS 18 - Income;
- IAS 11 - Construction agreements;
- IFRIC 13 - Customer loyalty programs;
- IFRIC 15 - Real estate construction agreements;
- IFRIC 18 - Transfers of assets from customers; and
- SIC 31 - Barter transactions involving advertising services.

IAS 16 – Property, plant and equipment      Clarification of acceptable depreciation models.

Entities are prohibited from using a depreciation method based on revenues for items of property, plant and equipment.

Entities are prohibited from using a depreciation method based on revenues for items of property, plant and equipment.

IAS 16 – Property, plant and equipment  
IAS 41 - Agriculture      Production plants

The concept of a production plant is defined; in addition, they require that biological assets that meet this definition be accounted for as property, plant and equipment in accordance with IAS 16 instead of IAS 41.

With regard to amendments, production plants can be measured using the cost model or the revaluation model established in IAS 16.

The products manufactured in production plants continue to be accounted for in accordance with IAS 41.

It establishes conditions related to the amortization of intangible assets:

IAS 38 – Intangible assets      Clarification of acceptable amortization models

- a) When the intangible asset is expressed as a measurement of income.
  - b) When it can be shown that the income and the consumption of the economic benefits from intangible assets are closely related.
- IFRS 5 - Non-current assets held for sale and discontinued operations. Changes in the disposal methods of assets.

Annual improvements for 2012-2014 cycle      These amendments reflect issues discussed by the IASB, which were subsequently included as amendments to the IFRS

- IFRS 7 - Financial Instruments: Disclosures (with amendments resulting from amendments to IFRS 1).

- Changes related to service agreements.
- Applicability of the amendments to IFRS 7 in disclosures of compensations in the condensed interim financial statements.

- IAS 19 - Employee benefits. Discount rate: regional market issues.

- IAS 34 - Interim financial information: Disclosure

of information included elsewhere in the interim financial report.

## **NEW ACCOUNTING PRINCIPLES ISSUED BY THE IASB INTERNATIONALLY**

During the first half of 2016, the International Accounting Standards Board IASB issued new principles on amendments related to standards issued or new standards to be issued, which are as follows:

### ***IFRS 16 Leases***

Issued in January 2016, it establishes the principles for the recognition, measurement, submission and disclosure of leases, i.e. from the point of view of the lessor and lessee. This standard is effective from January 1, 2019 allowing for early application only if IFRS 15 Revenues from contracts with customers is also applied. This standard replaces IAS 17 Leases.

IFRS 16 eliminates the classification of operating leases and financial leases for the lessee. Instead, all leases are measured as financial leases. A financial liability is recognized if the lease term is greater than one year.

### ***Amendment IAS 7 Cash Flows***

Issued in January 2016 to be applied from January 1, 2017, it allows for its early application. An entity shall disclose information that allows the users of financial statements to evaluate any changes in liabilities arising from funding activities, including both the changes resulting from cash flows and the changes other than on cash flows.

### ***Amendment IAS 12 Income Tax***

Issued in January 2016 to be applied from January 1, 2017, it allows for its early application. It clarifies the accounting for deferred tax assets for unrealized losses on financial instruments measured at fair value.

## **NEW LEGAL PROVISIONS**

### **CONGRESS OF THE REPUBLIC**

- **Law 1776 of January 29, 2016:** Whereby areas of rural, economic and social interest - Zidres - are created and developed, for which anyone can submit associative or productive projects. The Zidres are considered as territories suitable for agriculture, livestock, forestry and fisheries activities, in which it is intended to encourage economic development and must comply with the requirements of being isolated from urban centers, demand high costs for production adaptation, have low population density, have high poverty rates, or lack minimum infrastructure for the transport and marketing of products.

- **Law 1777 of February 1, 2016:** Whereby abandoned accounts are defined and regulated and an efficient use is given to the resources of these accounts. The balances in abandoned accounts in financial institutions are used to be invested in the creation and management of a fund in the ICETEX to provide education loans and promote the quality of higher education institutions.

- **Law 1778 of February 2, 2016:** Whereby rules are issued on the liability of legal persons for transnational corruption acts and other anticorruption provisions are issued. The Superintendence of Companies is thereby empowered to investigate and impose penalties.

- **Law 1793 of July 7, 2016:** Whereby rules are issued regarding the costs of financial services. It is stated that customers of entities authorized to raise funds from the public may use all the money they have deposited in their savings accounts or electronic deposits, without having the obligation to maintain a minimum balance, it also states that in the savings accounts in which such entities are authorized to raise funds from the public they may only collect charge financial and/or transaction costs for the first 60 days of inactivity and/or absence of financial transactions by the user, retroactive charges cannot be made and any case when and holder makes new transactions. The entities authorized to raise funds from the public are required to recognize a minimum remunerative interest rate to users in all savings accounts, for any amount of deposits.

## **MINISTRY OF FINANCE AND PUBLIC CREDIT**

- **Decree 767 of May 6, 2016:** Whereby Decree 2555/2010 is amended regarding exceptions to the definition of a public offering of securities, the reopening of bond issues and other provisions. It expressly established that wage compensation schemes for employees through shares do not constitute a public offering of securities, it allows issuers of bonds to adding amounts to a primary issue, maintaining the same nominal characteristics so that the securities issued are fungible; and promotes the re-opening of bond issues, to concentrate liquidity in certain benchmarks and consolidate benchmarks curves favoring pricing, which can allow for lower financing costs for the issuer through a lower liquidity premium.

- **Decree 953 of June 15, 2016:** Whereby Decree 2555/2010 is supplemented to regulate the operation necessary for the transfer of resources from abandoned accounts specified in article 3 of Law 1777/2016, as well as the necessary operational activities for the reimbursement and investment of such resources.

- **Decree 466 of March 17, 2016:** Whereby Decree 2555/2010 is amended in relation to the inclusion of security interests as eligible collateral for the purposes of the regulation on individual credit limits for credit institutions.

**DIAN**

**Agreement between the Competent Authorities of the United States of America and the Republic of Colombia:** Rules and procedures are established for implementing the Intergovernmental Agreement (IGA) signed between the two countries to improve international tax compliance and implement FATCA regulations.

## **FINANCIAL SUPERINTENDENCE OF COLOMBIA**

- **External Circular 49 of 28 December 2015:** Whereby Basic Legal Circular is amended with respect to the provision of services and the marketing of products through the use of the network of controlled entities. It establishes that providers and users must adjust network usage contracts in force at the date and adapt the service or operation within a period of six months from the effective date of the circular.

- **External Circular No. 8 of February 26, 2016:** Whereby External Circular 38/2015 is amended in order to extend the deadlines for the transmission submission of year-end financial statements. The submission of year-end financial statements by the entities and businesses subject to inspection, supervision and control by the SFC must be made no later than within 90 calendar days following the closing date of the respective year. The SFC may individually require so such financial statements are submitted at the latest within 60 calendar days following the closing date of the respective year.

- **External Circular No. 18 of May 26, 2016:** Whereby the Basic Legal Circular is amended to update and modify the applicable instructions concerning abusive clauses and practices, in order to incorporate those identified in the exercise of the supervisory function, as well as those reported by the Financial Consumer Ombudsman. Entities will be afforded a maximum period of six months from the entry into force of the aforementioned Circular to adjust their contracts and practices in accordance with its instructions.

## **COUNTRY CODE ISSUES**

In accordance with External Circular 028/2014, the Corporation informs the shareholder that in January 2016 it submitted to the Financial Superintendence of Colombia the report on the implementation of the Country Code for the period from January 1, 2015 to December 31 of the same year. Shareholders may consult this implementation report in the Corporate Governance section of the website of the Corporation (<http://www.corficolombiana.com/>).

## **OPERATIONS WITH SHAREHOLDERS AND MANAGERS**

The operations performed by the Corporation with its stockholders and managers conform to the general policies of the entity. Such operations are duly detailed in the notes to the financial statements.

The Corporation states that in accordance with the provisions of article 57 of Regulatory Decree 2649/1993, the information and statements contained in the financial statements

have been duly verified and obtained from the accounting records of the entity, prepared in accordance with the accounting rules and principles established in Colombia.

***BERNARDO NOREÑA OCAMPO***

***President***

*Note: The members of the Board of Directors approved the report submitted by the President. It is evidenced that the information referred to in paragraph 3 of article 446 of the Commercial Code was submitted, which was unanimously approved.*

## RATINGS

	<b>Fitch Ratings</b>	<b>BRC Standard and Poor's</b>
Long-Term Domestic Currency	AAA(col)	AAA(col)
Short-Term Domestic Currency	F1+(col)	BRC1+(col)
<b>Sovereign Risk</b>		
Long-Term Rating (IDR) in Domestic Currency	BBB+	
Long-Term Rating (IDR) in Foreign Currency	BBB	

In November 2015 Corporacion Financiera Colombiana received an AAA rating for its long-term debt by BRC Investor Services. The Triple A rating is the maximum rating for long-term debt, which means that the credit quality of the bank is very high and that risk factors are almost nonexistent. In addition, the short-term debt of the Corporation received a BRC1+ rating.

In April 2015 Corporacion Financiera Colombiana received an AAA rating for its long-term debt by Fitch Ratings. The Triple A rating is the maximum rating for long-term debt, which means that the credit quality of the bank is very high and that risk factors are almost nonexistent. In addition, the short-term debt of the Corporation received a F1+ rating.

Similarly, in April 2015 Fitch Ratings awarded an international risk rating of BBB+ to Corporacion Financiera Colombiana. These ratings were ratified in July 2015.

## **OPINION ON THE FINANCIAL STATEMENTS**

***KPMG***

### **EXTERNAL AUDITOR'S REPORT**

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

#### ***Report on the financial statements***

I have audited the separate financial statements of Corporacion Financiera Colombiana S.A. (the Company), which comprise the separate statement of financial position as of June 30, 2016 and the separate statements of income, other comprehensive income, changes in equity and cash flows for the six-month period ended on that date and their respective notes, including a summary of significant accounting policies and other explanatory information.

#### ***Management's responsibility in relation to the separate financial statements***

The management is responsible for the proper preparation and submission of these separate financial statements in accordance with the Accounting and Financial Reporting Standards accepted in Colombia. This responsibility includes designing, implementing and maintaining relevant internal control measures for the preparation and submission of separated financial statements free of material errors, either by fraud or error; selecting and applying appropriate accounting policies and establishing reasonable accounting estimates given the circumstances.

#### ***External auditor's responsibility***

My responsibility is to express an opinion on the separate financial statements based on my audit. I have obtained the information necessary to fulfill my duties and I have performed my audit in accordance with the international auditing standards accepted in Colombia. These standards require compliance with ethical requirements, to plan and perform the audit to obtain a reasonable assurance about whether the separate financial statements are free of material errors.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material errors in the separate financial statements. In this risk assessment the external auditor takes into account the internal control relevant to the preparation and submission of the separate financial statements, in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the use of appropriate accounting policies and the reasonableness of the accounting estimates made by management, as well as evaluating the overall submission of the separate financial statements.

I believe that the audit evidence obtained provides a reasonable basis for the opinion expressed below.

### ***Opinion***

In my opinion, the separate financial statements have been prepared according to the information accurately taken from the books and attachments to this report, and fairly represent, in all aspects of material importance, the separate financial position of the Company as of June 30, 2016, the separate results of its operations and its separate cash flows for the six-month period ended on that date, in accordance with the Accounting and Financial Reporting Standards accepted in Colombia, applied uniformly.

### ***Other issues***

The separate financial statements as of and for the six-month period ended on December 31, 2015 were audited by me in accordance with the generally accepted auditing standards in Colombia and I have expressed an unqualified opinion thereon in my report dated February 24, 2016.

### ***Report on other legal and regulatory requirements***

Based on the results of my tests, in my opinion during the six-month period ended June 30, 2016:

- a) The accounting of the Company has been recorded in accordance with legal regulations and accounting techniques.
- b) The transactions recorded in the books and the acts of the managers conform to the bylaws and to the decisions of the Shareholders' Assembly.
- c) The correspondence, accounting vouchers and minutes books and share registries have been duly recorded and retained.
- d) There are adequate internal control measures, including risks management systems implemented, for the preservation and custody of the assets of the Company and third parties.
- e) The rules and instructions issued by the Financial Superintendence of Colombia have been complied with in relation to the proper management and provisioning of the goods received in lieu of payment and the implementation and impact of the applicable risk management systems on the statement of financial position and income statement.

f) The accompanying financial statements are consistent with the management's report prepared by the managers, which includes the authorization by the management for the free movement of invoices issued by sellers or suppliers.

g) The information contained in the self-assessment statements of contributions to the comprehensive social security system, in particular concerning affiliates and their base contribution income, has been taken from accounting records and supports. The Company is not in default on account of contributions to the comprehensive social security system.

I have followed the responses on the letters of recommendation addressed to the management of the Company and there are no pending issues of a material importance that may affect my opinion.

***Diana Alexandra Rozo Muñoz***

*External Auditor for Corporacion Financiera Colombiana S.A.*

*Professional License No. 12074I-T*

*Member of KPMC Ltda.*

*August 18, 2016*

**SEPARATE FINANCIAL STATEMENTS**

**As of June 30, 2016**

**CORPORACION FINANCIERA COLOMBIANA S.A.**  
**Separate Statements of Financial Position**  
*(in millions of Colombian pesos)*

	Notes	June 30, 2016	Restated December 31, 2015 See note 3	Restated July 1, 2016 See note 3
<b>Assets</b>				
Cash and cash equivalents	7	\$ 1,227,661.8	1,249,409.6	600,192.7
Asset positions in money market operations	8	440,002.4	524,123.3	994,309.6
Investments, net				
Measured at fair value through profit or loss	9(a)	784,766.1	1,397,014.7	1,406,029.7
Measured at fair value through other comprehensive income	9(b)	3,766,227.3	3,449,317.0	2,816,945.7
Financial assets invested at amortized cost	10	69,029.8	55,463.7	17,492.6
Derivative financial instruments	11	253,875.9	247,390.6	156,111.6
<b>Financial Assets, net</b>		<b>6,541,563.3</b>	<b>6,922,718.9</b>	<b>5,991,081.9</b>
Investments in associates	14(c)	73,701.0	65,059.2	69,543.8
Investments in subordinates	14(a)	3,258,256.4	3,005,767.1	2,651,882.3
Impairment of equity investments	14(b)	(28,415.4)	(28,426.8)	(28,399.4)
Accounts Receivable, net	12	179,063.3	246,167.1	222,649.0
Tangible assets				
Property and equipment, net	15	18,458.7	18,270.0	17,677.8
Investment properties, net	16	28,515.9	29,195.0	15,142.3
Intangible Assets, net	17	394.0	192.1	171.5
Current tax assets	18	46,423.4	29,891.7	40,015.0
Other assets, net	19	657.6	662.5	464.8
<b>Total Non-Financial Assets</b>		<b>3,577,054.9</b>	<b>3,366,777.9</b>	<b>2,989,147.1</b>
Non-current assets held for sale	13	-	120.8	3,582.7
<b>Total Assets</b>		<b>10,118,618.2</b>	<b>10,289,617.6</b>	<b>8,983,811.7</b>
<b>Liabilities</b>				
Deposits and current liabilities	20	3,055,722.4	3,203,591.9	2,390,188.7
Derivative financial instruments	11	249,539.2	393,295.1	292,748.0
Liability positions in money market operations	21	3,781,432.6	3,976,422.3	3,653,887.9
Accounts Payable	24	81,941.3	71,470.7	53,807.1
Employee benefits	22	6,459.6	6,280.9	8,044.3
Other provisions	23	21,083.4	7,863.0	25,184.8
Deferred tax liability	18	1,442.1	1,413.3	1,258.0
Other liabilities		905.4	671.5	1,319.9
<b>Total Liabilities</b>		<b>7,198,526.0</b>	<b>7,661,008.7</b>	<b>6,426,438.7</b>
<b>Equity</b>				
Subscribed and paid-in capital	25	2,268.3	2,231.9	2,187.8
Stock dividends declared		-	21,049.0	-
Share issue premium		2,499,709.1	2,363,795.4	2,201,155.9
Reserves	25	637,054.7	693,104.5	657,890.7
Equity method surplus		4,490.7	22,993.8	63,794.9

First-time adoption of IFRS	(435,190.8)	(434,443.9)	(434,225.8)
Convergence to IFRS	(42,389.1)	(42,389.1)	(42,389.1)
Other comprehensive income	(22,218.3)	(174,547.3)	(134,491.5)
Accumulated profit (loss) from previous years	26,946.7	(81,425.2)	(81,646.1)
Profits for the year	249,420.9	258,239.8	325,096.3
<b>Total Equity</b>	<b>2,920,092.2</b>	<b>2,628,608.9</b>	<b>2,557,373.0</b>
<b>Total Liabilities and Equity</b>	<b>10,118,618.2</b>	<b>10,289,617.6</b>	<b>8,983,811.7</b>

(\*) See note 2.

See the notes that are an integral part of the Separate Financial Statements.

Bernardo Noreña Ocampo  
President

Martha Cecilia Castro Ortiz  
Accounting Manager  
Professional License No. 40995-  
T

Diana Alexandra Rozo Muñoz  
Statutory Auditor  
Professional License No. 120741-T  
Member of KPMG Ltda.  
(See report of August 24, 2016)

(\*\*) The undersigned Legal Representative and Accountant certify that as of June 30, 2016 we have previously verified the figures disclosed in these Financial Statements and that such figures have been faithfully taken from the accounting ledgers.

**CORPORACION FINANCIERA COLOMBIANA S.A.**

**Separate Income Statements**

*(in millions of Colombian pesos, except for earnings per share)*

	Notes	June 30, 2016	Restated December 31, 2015 Restated (See note 3)
Profit (loss) in valuation of investments in debt securities, net		\$ 173,849.0	70,753.2
At amortized cost		103,591.4	87,845.1
At fair value		70,257.6	(17,091.9)
Profit in valuation of equity securities		326,705.1	321,181.0
At fair value		2,179.9	1,404.4
Income through equity method, net	31	307,031.6	302,661.5
Dividends and Interests	9 and 32	17,493.7	17,115.1
Profit from sale of investments		39,265.4	11,262.6
Profit (loss) in derivatives and cash operations, net		11,188.5	(93,345.3)
In derivatives		15,890.9	(94,550.5)
In cash operations		(4,702.4)	1,205.2
Income (expense) from return on money market operations and other interest, net		(218,887.4)	(144,474.7)
Money market operations		(88,944.5)	(59,188.2)
Interest on customer deposits		(129,947.0)	(85,289.6)
Other interest		4.0	3.1
Exchange profit (loss), net		(35,509.7)	113,498.1
Commission and fee revenues, net	28	8,301.7	3,378.2
Profit from sale of assets	27	8,301.7	3,378.2
Employee benefits		(20,518.0)	(18,560.2)
Income (expense) from leases, net		(10.9)	136.2
Depreciation		(686.8)	(1,001.4)
Amortization		(371.9)	(115.6)
Other income	29	3,934.8	50,890.9
Other expenses		(25,447.8)	(54,081.1)
Taxes and rates		(5,979.5)	(5,807.5)
Contributions, affiliations and transfers		(1,403.0)	(1,470.6)
Insurance		(5,018.4)	(4,430.9)
Maintenance and repairs		(1,216.6)	(1,783.2)
Impairment		(4,342.3)	(33,215.6)
Other expenses	30	(7,488.0)	(7,373.3)

<b>Earnings before income and CREE taxes</b>	<b>261,841.9</b>	<b>259,722.7</b>
Income and CREE taxes	(12,421.0)	(1,482.9)
<b>Net profits for the year</b>	<b>249,420.9</b>	<b>258,239.8</b>
Basic net profits per share attributable to shareholders (in Colombian pesos)	1,110.04	1,172.89

(\*) See note 2.

See the notes that are an integral part of the Separate Financial Statements.

Bernardo Noreña Ocampo  
President

Martha Cecilia Castro Ortiz  
Accounting Manager  
Professional License No. 40995-  
T

Diana Alexandra Rozo Muñoz  
Statutory Auditor  
Professional License No. 120741-T  
Member of KPMG Ltda.  
(See report of August 24, 2016)

(\*\*) The undersigned Legal Representative and Accountant certify that as of June 30, 2016 we have previously verified the figures disclosed in these Financial Statements and that such figures have been faithfully taken from the accounting ledgers.

**CORPORACION FINANCIERA COLOMBIANA S.A.**  
**Separate Cash Flow Statements**  
*(in millions of Colombian pesos)*

	<b>June 30, 2016</b>	<b>Restated December 31, 2015 See note 3</b>
<b>Cash flows from operational activities:</b>	<b>\$ 249.420,9</b>	<b>258.239,8</b>
<b>Net profits for the six-month period</b>		
<b>Reconciliation of net profits with cash from operational activities</b>		
Deferred tax	(28,8)	9.283,7
Depreciation	686,8	1.001,4
Amortization of deferred charges	371,9	115,6
Impairment of accounts receivable	4.282,4	-
Impairment of other assets, net	2,7	6,3
Impairment of investment properties	57,2	33.209,1
Impairment of land and buildings	(23,1)	-
Profit from sale of investments, net	(39.265,4)	(11.262,6)
Loss (profit) on sale of assets received in lieu of payment	36,9	(19,5)
Loss (profit) on sale of property, plant and equipment	(29,9)	7,7
Fair value adjustment of investment properties	(146,2)	(40.581,1)
Loss (profit) on valuation of investments at fair value	(72.437,5)	15.687,5
Loss (profit) on valuation of derivative financial instruments, net	(11.188,5)	93.345,4
Profit on valuation of investments at amortized cost	(103.591,4)	(87.845,1)
<b>Net variation in operational assets and liabilities:</b>		
Decrease (increase) in derivative financial instruments	(139.052,7)	(84.077,2)
Decrease in asset positions in the money market	54.362,2	454.011,8
Decrease (increase) in investments at amortized cost	(12.499,7)	(68.212,5)
Decrease (increase) in investments at fair value	715.630,2	(630.058,6)
Decrease (increase) in accounts receivable	(67.306,8)	(122.569,7)
Proceeds from sale of assets received in lieu of payment	83,9	3.481,3
Decrease (increase) in other assets, net	(59.636,5)	38.912,9
Increase in accounts payable	53.809,7	18.459,0
Increase (decrease) in customer deposits	91.308,0	895.246,8
Increase (decrease) labor obligations	178,6	(1.807,6)
Increase (decrease) in provisions	13.220,5	(17.315,3)
Increase (decrease) in other liabilities, net	234,0	(654,9)
Decrease in convergence effects	-	1.487,9
Use of reserve for wealth tax	(14.800,0)	-
Tax paid	(30.410,8)	(27.967,4)
Interest paid	(239.177,5)	(81.843,6)
<b>Net cash from operational activities</b>	<b>394,091.1</b>	<b>648,281.1</b>
<b>Cash flow from investment activities:</b>		
Acquisition of property, plant and equipment	(143,1)	(1,601.3)
Acquisition of investment properties	88,6	(6,680.7)
Increase (decrease) in investments in Subordinates and Associates, net	30,773.4	(66,903.0)
Decrease in other investments in Equity Securities	1,224.3	9,721.0
Income through Equity Method	(307,031.6)	(302,661.6)
Dividends received in the period	113,596.6	109,174.9
<b>Net cash from investment activities</b>	<b>(161,491.8)</b>	<b>(258,950.7)</b>

<b>Cash flow from financing activities:</b>		
Dividends paid	(89,116.0)	(78,822.4)
Increase (decrease) in financial obligations	(165,231.1)	338,718.9
<b>Net cash (used in) provided from financing activities</b>	<b>(254,347.1)</b>	<b>259,886.5</b>
Exchange profit (loss) in cash and cash equivalents	(21,747.8)	649,216.9
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,249,409.6</b>	<b>600,192.7</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1,227,661.8</b>	<b>1,249,409.6</b>

(\*) See note 2.

See the notes that are an integral part of the Separate Financial Statements.

Bernardo Noreña Ocampo  
President

Martha Cecilia Castro Ortiz  
Accounting Manager  
Professional License No. 40995-  
T

Diana Alexandra Rozo Muñoz  
Statutory Auditor  
Professional License No. 120741-T  
Member of KPMG Ltda.  
(See report of August 24, 2016)

(\*\*) The undersigned Legal Representative and Accountant certify that as of June 30, 2016 we have previously verified the figures disclosed in these Financial Statements and that such figures have been faithfully taken from the accounting ledgers.

**CORPORACION FINANCIERA COLOMBIANA S.A.**  
**Separate Statements of Changes in Equity**  
*(in millions of Colombian pesos)*

	Statutory Reserve			Statutory and occasional reserves	Other comprehensive income	Unrealized profits (losses)		Convergence to IFRS	Equity Method	Stock Dividends declared	Profits from previous periods	Profits for the year	Shareholders Equity
	Subscribed and paid-in capital	Appropriation of profits	Share issue premium			Net valuations	First-time adoption of IFRS						
<b>Balance as of June 30, 2015 before restatement</b>	<b>2,187.8</b>	<b>41,809.4</b>	<b>2,201,155.9</b>	<b>616,081.3</b>	<b>(116,601.4)</b>	<b>549,778.6</b>	<b>343,415.1</b>	<b>6,403.3</b>	<b>(59,852.4)</b>	-	-	<b>325,096.3</b>	<b>3,909,473.9</b>
Restatement of financial statements (note 2)					(17,890.1)	(549,778.6)	(777,640.9)	(48,792.4)	123,647.3	-	(81,646.1)	-	(1,352,100.8)
<b>Balance as of July 1, 2015, restated</b>	<b>2,187.8</b>	<b>41,809.4</b>	<b>2,201,155.9</b>	<b>616,081.3</b>	<b>(134,491.5)</b>	-	<b>(434,225.8)</b>	<b>(42,389.1)</b>	<b>63,794.9</b>	-	<b>(81,646.1)</b>	<b>325,096.3</b>	<b>2,557,373.1</b>
Transfer of profits for the year to profits from previous years	-	-	-	-	-	-	-	-	-	-	325,096.3	(325,096.3)	-
Release of reserve for future distributions	-	-	-	(17,599.0)	-	-	-	-	-	-	17,599.0	-	-
Release of reserve on valuation of investments Decree 2336/95 (realized income)	-	-	-	(78,544.7)	-	-	-	-	-	-	78,544.7	-	-
Establishment of reserve for future distributions (non-taxed)	-	-	-	108,110.5	-	-	-	-	-	-	(108,110.5)	-	-
Establishment of reserve on valuation of investments Decree 2336/95	-	-	-	8,329.4	-	-	-	-	-	-	(8,329.4)	-	-
Establishment	-	-	-	14,800.0	-	-	-	-	-	-	(14,800.0)	-	-

of reserve for wealth tax													
Cash dividends (see note 25)	-	-	-	-	-	-	-	-	-	-	(72,195.9)	-	(72,195.9)
Stock dividends (see note 25)	23.9	-	87,973.7	-	-	-	-	-	-	21,049.0	(109,046.6)	-	-
Stock dividends declared paid in cash at request of shareholders that elected this alternative or remained silent (see note 25)	-	-	-	-	-	-	-	-	-	-	(33,953.9)	-	(33,953.9)
Capitalization of reserves Decree 2336/1995, in shares (see note 25)	20.2	-	74,665.8	117.6	-	-	-	-	-	-	(74,803.6)	-	-
<b>Adjustments to OCI</b>													
Financial instruments measured at fair value	-	-	-	-	(125,908.7)	-	-	-	-	-	-	-	(125,908.7)
Translation adjustment	-	-	-	-	22,315.5	-	-	-	-	-	-	-	22,315.5
Financial instruments measured according to equity changes and others	-	-	-	-	152.5	-	-	-	-	-	-	-	152.5
Actuarial calculation adjustment	-	-	-	-	(44.2)	-	-	-	-	-	-	-	(44.2)
Valuation of investments in equity securities	-	-	-	-	63,429.1	-	-	-	-	-	220.7	-	63,429.1
Valuation by early adoption of IAS 27	-	-	-	-	-	-	(218.1)	-	(40,801.0)	-	-	-	(41,019.1)

Equity method on investments in subordinates and associates	-	-	-	-	-	-	-	-	-	-	-	-	-
Profits for the year	-	-	-	-	-	-	-	-	-	-	-	258,239.8	258,239.8
<b>Balance as of December 31, 2015</b>	<b>2,231.9</b>	<b>41,809.4</b>	<b>2,363,795.4</b>	<b>651,295.1</b>	<b>(174,547.3)</b>	<b>-</b>	<b>(434,443.9)</b>	<b>(42,389.1)</b>	<b>22,993.9</b>	<b>21,049.0</b>	<b>(81,425.3)</b>	<b>258,239.8</b>	<b>2,628,608.9</b>

	Subscribed and paid-in capital	Statutory Reserve		Statutory and occasional reserves	Other comprehensive income	Unrealized profits (losses)			Equity Method	Stock Dividends declared	Profits from previous periods	Profits for the year	Shareholders Equity
		Appropriation of profits	Share issue premium			Net valuations	First-time adoption of IFRS	Convergence to IFRS					
<b>Balance as of December 31, 2015</b>	<b>2,231.9</b>	<b>41,809.4</b>	<b>2,363,795.4</b>	<b>651,295.1</b>	<b>(174,547.3)</b>	<b>-</b>	<b>(434,443.9)</b>	<b>(42,389.1)</b>	<b>22,993.0</b>	<b>21,049.0</b>	<b>(81,425.3)</b>	<b>258,239.8</b>	<b>2,628,608.9</b>

Transfer of profits for the year to profits from previous years	-	-	-	-	-	-	-	-	-	-	258,239.8	(258,239.8)	-
Release of reserve for future distributions	-	-	-	(108,110.5)	-	-	-	-	-	-	108,110.5	-	-
Release of reserve on valuation of investments	-	-	-	(124,515.1)	-	-	-	-	-	-	124,515.1	-	-
Decree 2336/95 (realized income)	-	-	-	-	-	-	-	-	-	-	-	-	-
Establishment of reserve for future distributions (non-taxed)	-	-	-	173,804.2	-	-	-	-	-	-	(173,804.2)	-	-
Establishment of reserve on valuation of	-	-	-	11,630.9	-	-	-	-	-	-	(11,630.9)	-	-

investments - Decree 2336/95 Establishment of reserve for wealth tax	-	-	-	5,827.2	-	-	-	-	-	-	(5,827.2)	-	-
Use of reserves for wealth tax	-	-	-	(14,800.0)	-	-	-	-	-	-	-	-	(14,800.0)
Cash dividends (see note 25)	-	-	-	1.0	-	-	-	-	-	-	(76,217.5)	-	(76,216.5)
Stock dividends (see note 25)	5.7	-	21,043.3	-	-	-	-	-	-	(21,049.0)	-	-	-
Capitalization of reserves Decree 2336/1995, in shares (see note 25)	30.7	-	114,870.4	112.5	-	-	-	-	-	-	(115,013.6)	-	-
<b>Adjustments to OCI</b>													
Financial instruments measured at fair value	-	-	-	-	149,536.8	-	(746.9)	-	-	-	-	-	148,789.9
Translation adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial instruments measured according to equity changes and others	-	-	-	-	(18,099.9)	-	-	-	-	-	-	-	(18,099.9)
Valuation of investments in equity securities	-	-	-	-	(450.0)	-	-	-	-	-	-	-	(450.0)
Equity method on investments in subordinates and associates	-	-	-	-	21,342.1	-	-	-	(18,503.2)	-	-	-	2,838.9
Profits for the year	-	-	-	-	-	-	-	-	-	-	-	249,420.9	249,420.9
<b>Balance as of</b>	<b>2,268.3</b>	<b>41,809.4</b>	<b>2,499,709.1</b>	<b>595,245.3</b>	<b>(22,218.3)</b>	<b>-</b>	<b>(435,190.8)</b>	<b>(42,389.1)</b>	<b>4,490.7</b>	<b>-</b>	<b>26,946.7</b>	<b>249,420.9</b>	<b>2,920,092.2</b>

December  
31, 2015

---

---

See the notes that are an integral part of the Separate Financial Statements.

Bernardo Noreña Ocampo  
President

Martha Cecilia Castro Ortiz  
Accounting Manager  
Professional License No. 40995-T

Diana Alexandra Rozo Muñoz  
Statutory Auditor  
Professional License No. 120741-T  
Member of KPMG Ltda.  
(See report of August 24, 2016)

(\*\*) The undersigned Legal Representative and Accountant certify that as of June 30, 2016 we have previously verified the figures disclosed in these Financial Statements and that such figures have been faithfully taken from the accounting ledgers.

**CORPORACION FINANCIERA COLOMBIANA S.A.**  
**Separate Statements of Other Comprehensive Income**  
*(in millions of Colombian pesos)*

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
<b>Net profits for the year</b>	<b>249,420.9</b>	<b>258,239.8</b>
<b>Items that can be subsequently reclassified into income</b>		
Translation difference on foreign operations	(18,099.9)	22,315.5
Unrealized profit (loss) on investments available for sale in Debt Securities	149,536.8	(125,908.7)
Unrealized net profit on investments in equity securities	20,892.1	63,581.6
	<b>152,329.0</b>	<b>(40,011.6)</b>
<b>Items not reclassified into income</b>		
Actuarial losses on employee benefit plans	-	(44.3)
<b>Total other comprehensive results during the period, free of taxes</b>	<b>152,329.0</b>	<b>(40,055.9)</b>
<b>Total other comprehensive results for the period</b>	<b>401,749.9</b>	<b>218,183.9</b>

See the notes that are an integral part of the Separate Financial Statements.

Bernardo Noreña Ocampo  
 President

Martha Cecilia Castro Ortiz  
 Accounting Manager  
 Professional License No. 40995-T

Diana Alexandra Rozo Muñoz  
 Statutory Auditor  
 Professional License No. 120741-T  
 Member of KPMG Ltda.  
 (See report of August 24, 2016)

(\*\*) The undersigned Legal Representative and Accountant certify that as of June 30, 2016 we have previously verified the figures disclosed in these Financial Statements and that such figures have been faithfully taken from the accounting ledgers.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

**CORPORACION FINANCIERA COLOMBIANA S.A.**  
**Notes to the Separate Financial Statements**  
**(In millions of Colombian pesos, except where otherwise indicated)**

**(1) Reporting Entity**

Corporacion Financiera Colombiana S.A., (Parent) is a private financial institution authorized to operate by the Financial Superintendence of Colombia, by means of a Resolution of October 18, 1961, incorporated as a public limited corporation on November 27, 1961 by means of public deed No. 5710 issued by the First Notary Public of the Cali Circuit, the term of which is scheduled until December 31, 2100, which may be extended by decision of the General Shareholders' Assembly.

By means of public deed No. 12364 of December 30, 2005 issued by the 18<sup>th</sup> Notary Public of Bogota, the merger of Corporacion Financiera del Valle S.A. (merging entity) with Corporacion Financiera Colombiana S.A. (merged entity) was formalized. In the same deed, the merging entity changed its corporate name to Corporacion Financiera Colombiana S.A. and also changed its domicile from Cali to Bogota. Under public deed No. 10410 issued by the 71<sup>st</sup> Notary Public of Bogota on December 26, 2007 the merger of Corporacion Financiera Colombiana S.A. (merging company) with Proyectos de Energia S.A. (merged entity) was formalized, which was dissolved without liquidation.

The Corporation's corporate purpose is to perform all acts and contracts authorized to this kind of credit institutions by the Organic Statute of the Financial System or other special replacing, emending or supplementing provisions or regulations. In the development of its corporate purpose, the company may perform all acts and enter into any contracts to achieve such purpose, such as encourage savings and private investment, develop the capital market, promote the creation, reorganization, merger, transformation and expansion of any type of businesses, in the sectors where the extension of its services has been authorized, as well as to grant them medium and long-term funding facilities; to subscribe and maintain shares or corporate interests therein and offer them specialized financial services that contribute to their development.

As of June 21, 2016, Grupo Aval Acciones y Valores S.A. acquired direct control over the Corporation through a shareholders' agreement; before this date it was controlled by Banco de Bogota S.A. (a subordinate of Grupo Aval Acciones y Valores).

The main domicile of the Corporation is located in Bogota at Carrera 13 No. 26-45 pisos 3, 6, 7 and 8; the company operates through its 5 regional offices and 5 agencies in different cities of the country. The Corporation has no non-banking correspondents.

As of June 30, 2016 it had 314 direct employees, 59 indirect employees, 30 temporary employees and 2 trainees. As of 31 December 2015 the company had 306 direct employees, 59 indirect employees, 37 temporary employees and 4 trainees.

The company has the following subordinates:

Investment	Interest % June 30, 2016	Interest % December 31, 2015
<b>Financial</b>		
Banco Corficolombiana (Panama) S.A.	100.00	100.00
Fiduciaria Corficolombiana S.A.	94.50	94.50
Leasing Corficolombiana S.A.	94.50	94.50
<b>Power, gas and mining</b>		
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
<b>Infrastructure</b>		
Colombiana de Licitaciones y Concesiones S.A.S	100.00	100.00
Proyectos de Ingeniería 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
<b>Hospitality</b>		
Hoteles Estelar de Colombia S.A.	84.96	84.96
Promotora y Comercializadora Turística Santamar S.A.	84.60	84.60
<b>Agribusiness and others</b>		
Valora S.A.	100.00	100.00
Pyxis Inversiones S.A.S	100.00	100.00
Tejidos Sintéticos de Colombia S.A.	94.99	94.99
Organización 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) Restatement of financial statements due to changes in the accounting policy related to the measurement of investments in subordinates and associates and changes in technical positions with respect to the recognition of deferred tax on entities taxed under the presumptive income system**

**a. Restatement of financial statements due to changes in the accounting policy related to the measurement of investments in subsidiaries and associates**

In December 2015, the Colombian Government issued Decree 2496 whereby the new accounting and financial reporting standards issued by the IASB in 2014 were incorporated into the Colombian law, which for Colombia will be in effect from January

1, 2017 but allowing for the early adoption of these standards.

In furtherance of this decree, the management of the Corporation has decided to prepare the financial statements as of June 30, 2016 to adopt the early application of the amendment introduced by the IASB to IAS 27 “Separate Financial Statements”, which allows entities to record in their separate financial statements the investments made in subsidiaries and associates at cost, fair value or the equity method as established in IAS 28 “Investments in Associates and Joint Ventures”. After evaluating the different recording alternatives, the Corporation has decided to account for such investments using the equity method, by considering that such rule, while reduces the equity of the entity in the period when it is adopted, provides for the better recognition of the profits currently in the present and in future periods.

The equity method is a form of accounting whereby investments in subsidiaries and associates are initially recorded at cost and subsequently adjusted periodically for changes in the investor's share in the net assets of the investee; such participation is calculated based on the consolidated financial statements of the investees or otherwise on its separate financial statements, but including in those financial statements its participation in the subordinates and associates also through the equity method. The profit or loss of the investor includes its share of the profit or loss of the investee and the account of other comprehensive income in the equity of the investor includes its share in the account of other comprehensive income of the investee.

Until December 31, 2015, the investments in subsidiaries, affiliates and associates in these companies were recorded as follows:

**i. Investments in subordinates:**

The investments in Subordinates were recorded using the same parameters of the equity method described above, but without eliminated the valuations recorded on such investments credited to equity in accordance with the Colombian accounting standards in force until December 31, 2013, and equity method was not applied on certain investments in subsidiaries under the IFRS over which, under the Colombian laws, there was no control. These investments were recorded at the cost recorded in the opening statement of financial position in accordance with IAS 27 unmodified.

**ii. Investments in associates:**

The investments in associates were recorded at the cost recorded in the opening statement of financial position. The cash or stock dividends received from these investments were recorded in the period when accrued.

Due to the above change in the accounting principles, in accordance with the provisions of IAS 27, Corficolombiana proceeded to make restatement through the retroactive application of the accounting change in the separate financial statements as of December 31 and July 1, 2015, as established in paragraph 22 of IAS and therefore, the financial

statements at those dates, as explained below, differ from the financial statements previously published on such dates.

**b. Due to changes in technical positions with respect to the recognition of deferred taxes on entities taxed under the presumptive income system.**

The Colombian legislation provides two systems for the determination of the tax base for the income tax: the Ordinary System (normal verification of the tax base) and the Presumptive Income System. In the first, the liquid revenues (net income) are determined by subtracting the costs and deductions authorized in the Colombian Tax Code from revenues. In the second, article 188 of said rule establishes an estimated minimum return of 3% on the liquid assets as of December 31 of the year immediately preceding the taxable year. Each year, the taxpayer must calculate and compare the revenues obtained by both systems and will pay the tax depending on the higher value of the two.

After the issuance of the Financial Statements as of December 31, 2015, the Corporation analyzed new technical positions with respect to the recognition of the deferred taxes of entities by the presumptive income system, because in its particular case this situation has been recurrent and according to the fiscal projections made, this tax behavior is not expected to change in the foreseeable future.

However, IAS 12 “income tax” only refers to the income tax that includes all taxes, whether domestic or foreign, based on tax profits, in this sense when the presumptive income system is used, the tax payable is calculated on a different tax base depending on the presumption of the profitability of the liquid assets and not on ordinary revenues or taxable profits. Under this presumptive system temporary differences will not generate higher or lower tax payments in future periods while the entity continues liquidating its taxes using this system.

This is in line with the provisions of IAS 12, where the recognition of deferred tax is based on the recovery of the carrying amount of the assets or the liquidation of liabilities, resulting in higher or lower tax payments in future periods related to Taxable Profits determined using the regular verification system.

Therefore, the management of the Corporation considers that for its Financial Statements to facilitate decision-making by providing relevant information tailored to its taxation system, it will not recognize any deferred income tax, except on temporary differences generated by the supplementary income tax for Occasional Profits, since in the foreseeable future no change is expected in the nature of its operations that may alter the tax base. The above situation must be reviewed on each reporting period in order to determine the most appropriate treatment for the recognition of deferred taxes in accordance with the provisions of IAS 12 Income Taxes.

The detail of the accounts affected due to the retroactive restatement process of financial statements as of December 31 and July 1, 2015 is shown below:

## Statement of Financial Position

As of June 1, 2015	Balance previously reported	Application of IAS 27 (a) restatement	Deferred Tax (b) restatement	Restated Balance
Investments in controlled entities	3,364,083.9	(712,201.6)	-	2,651,882.3
Investments in associates	64,277.4	5,266.4	-	69,543.8
Deferred tax assets	119,952.5	-	(119,952.5)	-
Valuations	549,778.6	(549,778.6)	-	-
<b>Total balances restated in assets</b>	<b>4,098,092.4</b>	<b>(1,256,713.8)</b>	<b>(119,952.5)</b>	<b>2,721,426.2</b>
Deferred tax liability	25,823.4	-	(24,565.4)	1,258.0
<b>Total balances restated in liability</b>	<b>25,823.4</b>	<b>-</b>	<b>(24,565.4)</b>	<b>1,258.0</b>
First-time adoption of IFRS	343,415.1	(745,915.6)	(31,725.3)	(434,225.8)
Convergence to IFRS	6,403.4	(33,790.1)	(15,002.4)	(42,389.1)
Accumulated losses	-	(60,234.3)	(21,411.8)	(81,646.1)
Profit for the year	325,096.3	-	-	325,096.3
Equity method surplus	(59,852.4)	124,394.2	-	64,541.8
Valuation	549,778.6	(549,778.6)	-	-
Other comprehensive income	(116,601.4)	9,357.6	(27,247.7)	(134,491.5)
<b>Total balances restated in equity</b>	<b>1,048,239.6</b>	<b>(1,256,713.8)</b>	<b>(95,387.2)</b>	<b>(303,861.3)</b>
As of December 31, 2015	Balance previously reported	Application of IAS 27 (a) restatement	Deferred Tax (b) restatement	Restated Balance
Investments in controlled entities	3,666,924.6	(661,157.5)	-	3,005,767.1
Investments in associates	55,670.7	9,388.5	-	65,059.2
Deferred tax assets	152,757.3	-	(152,757.3)	-
Valuations	545,053.0	(545,053.0)	-	-
<b>Total balances restated in assets</b>	<b>4,420,405.6</b>	<b>(1,196,822.0)</b>	<b>(152,757.3)</b>	<b>3,070,826.3</b>
Deferred tax liability	19,370.9	-	(17,957.6)	1,413.3
<b>Total balances restated in liability</b>	<b>19,370.9</b>	<b>-</b>	<b>(17,957.6)</b>	<b>1,413.3</b>
First-time adoption of IFRS	343,197.1	(745,915.7)	(31,725.3)	(434,443.9)
Convergence to	6,403.3	(33,790.1)	(15,002.4)	(42,389.1)

IFRS				
Accumulated losses	220.9	(60,234.3)	(21,411.8)	(81,425.2)
Profit for the year	149,647.0	99,464.5	9,128.3	258,239.8
Equity method surplus	(49,397.1)	72,391.0	-	22,993.8
Valuation	545,053.0	(545,053.0)	-	-
Other comprehensive income	(115,074.3)	16,315.7	(75,788.6)	(174,547.2)
<b>Total balances restated in equity</b>	<b>880,049.8</b>	<b>(1,196,822.0)</b>	<b>(134,799.7)</b>	<b>(451,571.8)</b>

### Statement of Income

As of December 31, 2015	Balance previously reported	Application of IAS 27 (a) restatement	Deferred Tax (b) restatement	Restated Balance
Income from dividends and interests	84,512.6	(67,397.5)	-	17,115.1
Income from equity method	135,799.6	166,862.0	-	302,661.6
Deferred tax expense (income)	(9,283.6)	-	9,128.3	(155.3)
<b>Total balances restated in profit</b>	<b>211,028.6</b>	<b>99,464.5</b>	<b>9,128.3</b>	<b>319,621.4</b>

### (3) Basis for the presentation of financial statements and summary of the main significant accounting policies.

#### 3.1 Technical Regulatory Framework

The Financial Statements of the Corporation have been prepared in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (AFRS), established by Law 1314/2009 and regulated by Decree 3023/2013 and 2267/2015. The AFRS are based on the International Financial Reporting Standards (IFRS), with their interpretations, issued by the International Accounting Standards Board - IASB; the basic standards correspond to those translated into Spanish and released on December 31, 2013 and the amendments made during 2014 by the IASB, specifically in relation to the amendment of IAS 27 separate Financial Statements.

The Company applies the following exceptions contemplated in Title 4 Special regimes of Chapter 1 of Decree 2420/2015 to these separate financial statements.

- IAS 39 and IFRS 9 regarding the treatment, classification and valuation of investments, for these cases it continues to apply the requirements of chapter 1-1 of the Basic Accounting and Financial Circular issued by the Financial Superintendence of Colombia (SFC).

In addition, the Company applies the following guidelines in accordance with the laws

and other standards in Colombia:

- Article 10 of Law 1739 of December 23, 2014, which allows the recognition of the wealth tax by affecting equity reserves, instead of the recognition of an expense in accordance with IAS 37.
  - The exceptions established in External Circular 036 issued by the Financial Superintendence of Colombia on December 12, 2014, for supervised and controlled entities.

The following accounting policies have been applied in the preparation of the separate financial statements. These financial statements were prepared to comply with the legal rules to which the Corporation is subject as an independent legal entity; some accounting principles may differ in relation to those applied in the consolidated financial statements and, in addition, do not include the adjustments and eliminations necessary for the presentation of the consolidated financial position and consolidated comprehensive income of the Corporation and its subordinates. Therefore, the separate financial statements must be read in conjunction with the consolidated financial statements of Corficolombiana and its subordinates.

### 3.2 Measurement Basis

The financial statements of the Corporation have been prepared on the historical cost basis except for the following important items included in the statement of financial position:

Item	Measurement Basis
Equity instruments (Note 9)	Equity variation
Debt instruments measured at fair value with changes through profit or loss (Note 9a)	Fair value
Debt instruments measured at fair value with changes through other comprehensive income (Note 9b)	Fair value
Derivative financial statements (Note 11)	Fair value
Investment properties (Note 16)	Fair value
Non-current assets held for sale (Note 13)	The lowest between book value and net realizable value minus sale costs

### 3.3 Presentation Basis

According to the Colombian law, the Corporation must prepare separate financial statements. Separate financial statements are those considered as the basis for the distribution of dividends and other appropriations by shareholders.

### 3.4 Functional and presentation currency

The main activity of the Corporation is to invest in securities issued by the Republic of Colombia or national entities, whether registered or not with the National Registry for Securities and Issuers - RNVE in Colombian pesos; and to invest in securities issued by foreign banks, securities issued by foreign companies of the real sector with shares listed in one or more internationally recognized exchanges, bonds issued by multilateral credit agencies, foreign governments or public entities. The performance of the Corporation is measured and is reported to its shareholders and to the general public in Colombian pesos. Because of this, the management of the Corporation believes that the Colombian peso is the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions of the Corporation and for this reason the financial statements are presented in Colombian pesos as functional currency.

### **3.5 Foreign currency transactions**

Transactions in foreign currencies are translated into Colombian pesos using the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities in foreign currency are translated into the functional currency using the exchange rate ruling on the reporting date of the statement of financial position. Any gains or losses resulting from the translation process are included in the income statement. As of June 30, 2016 and December 3, 2015 the exchange rates used were \$2,919.01 and \$3,149.47, respectively (figures in Colombian pesos).

### **3.6 Cash and cash equivalents**

Cash and cash equivalents include the cash at hand and bank deposits and other short-term investments in active markets with original maturities of three months or less from the date of acquisition and bank overdrafts. Bank overdrafts are shown in the current liabilities on the statement of financial position. The Corporation maintains in cash equivalents the cash at hand and deposits in the Central Bank for purposes of compliance with the legal reserve. The Corporation presents the cash flow statement using the indirect method.

### **3.7 Financial assets in debt securities and equity instruments in entities where there is no significant control or influence**

The financial assets of the Corporation include listed and unlisted debt and equity securities and money market operations.

All financial assets are initially recognized at fair value plus directly attributable transaction costs, in the case of financial assets not carried at fair value through profit or loss.

The purchases or sales of financial assets that require the delivery of assets within a time period established by market regulations or conventions (conventional purchases and sales regular way trades) are recognized on the date of the purchase or sale, i.e. on the

date when the Corporation undertakes to purchase or sell the asset.

### ***Classification***

Financial assets are classified according to the business model defined by the Corporation. Investments are classified as follows: Negotiable investments, investments held to maturity and investments available for sale.

#### **a) Money market operations and related operations**

This category includes operations with interbank funds, repurchase (repo) operations, simultaneous operations and operations regarding the temporary transfer of securities:

##### **- Interbank Funds**

Interbank funds are considered as those placed or received by a financial entity directly from another financial entity, without any agreement for the transfer of investments or loan portfolios. The overnight transactions carried out with foreign banks using the funds of the Corporation, as well as the time deposits, are recorded as interbank funds. The returns on the interest accrued from the operation are recorded in the income statement.

##### **- Repo Operations**

A repo operation occurs when an entity acquires or transfers securities in exchange for the delivery of a sum of money, assuming at that time the commitment to transfer or acquire again the ownership on securities of the same kind and characteristics from its “counterparty”, on the same day or at a later date and at a set price.

The initial amount may be calculated by discounting the market price from the securities subject to the transaction; during the term of the operation it may be established that the securities initially delivered be replaced by others and restrictions may be imposed on the mobility of the securities of the operation.

The returns recorded in this category are calculated exponentially during the term of the transaction and are recognized in the income statement.

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

##### **- Simultaneous Operations**

Such operations occur when an entity acquires or transfers securities in exchange for the delivery of a sum of money, assuming the commitment to transfer or acquire the ownership again on securities of the same kind and characteristics, on the same day or at a later date and at a set price.

It cannot be established that the initial amount be calculated by discounting the market price from the securities subject to the operation and that during the term of the operation the securities initially delivered be are replaced by others; no restrictions cab be placed on the mobility of the securities subject to the operation.

The returns accrued by the acquirer and paid by the transferor as the cost of the operation during the term thereof are recognized as the higher value of the simultaneous operation.

The difference between the present value (delivery of cash) and the future value (final transfer price) constitutes revenues by way of financial returns and is calculated exponentially during the term of the transaction and is recognized in the income statement.

The securities transferred subject to the simultaneous operation are recorded in contingent debtor or creditor accounts for long or short positions, respectively.

### **- Operations for the Temporary Transfer of Securities**

These are those in which an entity transfers the ownership of certain securities under the agreement of transferring them again on the same date or at a later date. In turn, the counterparty transfers the ownership of other securities or a sum of money equal to or greater than the securities subject matter of the transaction.

### **b) Investments**

It includes investments acquired by the Corporation with the purpose of maintaining a secondary liquidity reserve, acquire direct or indirect control over any company in the financial or services sector, comply with laws or regulations, or with the sole purpose of eliminating or reducing the market risk to which the assets, liabilities or other elements of the financial statements are exposed.

The main objective of the valuation of investments is the calculation, accounting recording and disclosure to market of the fair exchange price, at which certain securities may be traded on a certain date, according to their particular characteristic and under the prevailing market conditions on that date.

The determination of fair value must meet at least the following criteria:

**Objectivity.** The determination and allocation of the fair value of a security must be made on the basis of technical and professional criteria that recognize the effects resulting from changes in the behavior of all the variables that may affect this price.

**Transparency and representativeness.** The fair value of a security must be determined and allocated with the purpose of disclosing a certain, unbiased, verifiable and representative economic result of the rights incorporated into the respective security.

**Permanent assessment and analysis.** The fair value attributed to a security is based on the ongoing assessment and analysis of the conditions of the market, issuers and the respective issuance. The variations in these conditions are reflected in changes to the price previously allocated with the periodicity established for the valuation of investments.

**Professionalism.** The determination of the fair value of a security is based on the findings resulting from the analysis and study made by a prudent and diligent expert, aimed at finding, obtaining, understanding and evaluating all relevant information available, so that the price determined reasonably reflects the resources received for its sale.

The Corporation 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 manner or on the activities through which its corporate purpose will be developed.

Investments are classified in categories of marketable debt securities or debt securities available for sale, debt securities to be held to maturity and equity securities, which in turn are classified as investments in subordinates and associates.

The manner how the different types of investments are classified, valued and recorded is shown below:

<b>Classification</b>	<b>Characteristics</b>	<b>Valuation</b>	<b>Accounting</b>
Tradable investments (measured at fair value)	Security and generally any type of investment acquired with the main purpose of obtaining profits from short-term fluctuations in price.	<p>According to the price provided by the official price provider designated for the corresponding segment, in accordance with the instructions set out in the Basic Accounting Circular.</p> <p>Tradable investments represented by debt securities must be valued at fair value based on the price determined by the price provider.</p> <p>For exceptional cases where there is no fair value for the valuation date, it must be carried out by exponential valuation from the Internal Rate of Return.</p>	<p>Tradable investments must be initially recorded by their acquisition cost and from that day they should be valued at fair value.</p> <p>The accounting for changes between the acquisition cost and the fair value of investments will be made from the date of purchase, individually, for each security.</p> <p>The accounting for these investments must be made in the respective accounts of "Investments at Fair Value through Profit or Loss", of the financial information catalog for</p>

		<p>The fair value of the respective investment must be estimated or approximated by calculating the sum of the present value of future cash flows from returns and capital, with the future cash flow estimation procedure for returns and capital.</p> <p>The Corporation will make the determination of returns according to:</p> <ol style="list-style-type: none"> <li>1. Debt securities at a fixed rate.</li> <li>2. Debt securities at variable rates.</li> <li>3. Securities with prepay option.</li> </ol>	<p>supervisory purposes.</p> <p>In the case of debt securities, the receivables are recorded as a higher investment amount. Consequently, the collection of such returns must be recorded as a lower investment amount.</p>
<p>Investments available for sale</p>	<p>The investments available for sale are the securities and, in general, any type of investment, which is not classified as trading securities or investments held to maturity.</p> <p>Securities classified as investments available for sale may be delivered as collateral in a central counterparty clearinghouse in order to support the fulfillment of the operations accepted by it for clearing and settlement.</p> <p>Also, these investments may be used to conduct money market operations (repo, simultaneous temporary security transfer transactions) and be delivered as collateral for such operations.</p>	<p>According to the price provided by the official price provider designated for the corresponding segment, in accordance with the instructions set out in the Basic Accounting Circular.</p> <p>Investment available for sale must be valued at fair value based on the price determined by the price provider.</p> <p>For exceptional cases where there is no fair value for the valuation date, it must be carried out by exponential valuation from the Internal Rate of Return.</p> <p>The fair value of the respective investment must be estimated or approximated by calculating the sum of the present value of future cash flows from returns and capital, with the future cash flow</p>	<p>These must be initially recorded at acquisition cost and from that day they should be valued at fair value.</p> <p>The accounting for changes between the acquisition cost and the fair value of investments will be made from the date of purchase, individually, for each security.</p> <p>The accounting for these investments must be made in the respective accounts of “Investments at Fair Value through Other Comprehensive Income – OCI”, of the financial information catalog for supervisory purposes.</p> <p>When dividends or profits are distributed in kind, the number of rights in the respective accounting ledgers must be modified. Dividends and profits received n</p>

		estimation procedure for returns and capital.	cash are accounted for as a lower investment amount.
Debt securities to be held to maturity (measured at fair value)	<p>Security and, in general, any type of investment for which the investor has the purpose and the legal, contractual, financial and operational capacity to keep it until maturity or redemption. The purpose of maintaining the investment corresponds to the positive and unequivocal intention not to dispose of the security.</p> <p>These investments cannot be used to perform money market operations (repo, simultaneous or temporary security transfer operations), except in the case of forced or mandatory investments subscribed in the primary market and provided that the counterparty to the transaction is the Central Bank, the Directorate General of Public Credit and National Treasury or entities supervised by the Financial Superintendence of Colombia.</p>	<p>Exponentially from the internal rate of return calculated at the time of purchase, based on a 365-day year.</p> <p>Where in the conditions for the issue the use of the indicator of the start date of the period to be remunerated has been established, the Internal Rate of Return must be recalculated whenever there is a change in the amount of the facial indication and when there is a this maturity coupon.</p> <p>In these cases, the present value at the date of recalculation, excluding outstanding receivables, must be taken as the purchase price.</p> <p>Where in the conditions for the issue the use of the indicator of the start date of the period to be remunerated has been established, the Internal Rate of Return must be recalculated whenever there is a change in the amount of the facial indication.</p> <p>In the case of securities that incorporate a prepayment option, the Internal Rate of Return must be recalculated whenever future flows and the payment dates change for valuation purposes.</p> <p>In these cases the present value at the date of recalculation of future</p>	<p>The accounting for these investments must be made in the respective accounts of "Investments at Amortized Cost" of the financial information catalog for supervisory purposes.</p> <p>The update of the present value of such investments must be recorded as a higher investment amount, affecting the profits for the period.</p> <p>Outstanding receivables are recorded as a higher investment amount. Consequently, the collection of such returns must be recorded as a lower investment amount.</p>

		cash flows must be taken as purchase value.	
Equity Securities	Security and, in general, any type of investment, not classified as tradable investments or investments held to maturity.	<p><b>Investments in subordinates, affiliates, associates and interests in joint ventures:</b> Investments in subordinates must be valued so that they are recognized by the equity method in the separate financial statements in the books of the parent or controlling entity.</p> <p>In cases in which the rules of the Commercial Code or other legal provisions do not provide the accounting treatment of investments in subordinates, affiliates and associates, these shall comply with the provisions of IAS 27, IAS 28 and IFRS 11, among others, as appropriate.</p> <p>The Corporation applies IAS 27. The valuation Of its investments in equity securities in Subsidiaries, affiliates and associates will be anticipated.</p> <p><b>Equity securities registered on the National Register of Securities and Issuers (RNVE):</b> The equity securities registered on the RNVE and listed on stock exchanges in Colombia, other than investments in subordinates, affiliates, associates and interests in joint ventures, must be valued according to the price determined by the price providers authorized by the SFC at fair value.</p>	<p>Investments in subordinates, affiliates, associates and interests in joint ventures are initially recorded at cost and are adjusted periodically using the Equity Method, the cash dividends received are recognized as a lower investment amount.</p> <p><b>Equity securities registered on the National Register of Securities and Issuers (RNVE):</b></p> <p>The effect of the valuation of the interest corresponding to the investor is recorded in the respective account of unrealized income or losses (OCI) with a charge or credit to the investment.</p> <p>Dividends distributed in kind or cash must be recorded as income, adjusting the Corresponding account of unrealized income or losses (maximum up its accumulated value) and, if necessary, also the value of the investment in the amount of the surplus on that account.</p> <p>Holdings in private equity funds, private equity funds, hedge funds, mutual funds, are accounted for by adjusting the amount of the unit, as a higher or lower amount of the Fund, and with a the statements of income.</p> <p><b>Equity securities only listed on exchanges</b></p>

		<p>Holdings in private equity funds, private equity funds, hedge funds, mutual funds, among others, and the securities issued in the development of securitization processes, must be assessed by taking into account the amount of the unit calculated by the management company, the day immediately preceding the date of valuation.</p> <p><b>Equity securities only listed on exchanges abroad:</b> These investments, other than investments in subordinates, affiliates, associates and interests in joint ventures, must be valued according to the price determined by the price provider authorized by the SFC at fair value. If the price determined by the price provider is on a denomination other than Colombian pesos, it must be translated into the domestic currency.</p> <p><b>Equity securities not listed in exchanges.</b> When the official price provider of the corresponding segment does not have a valuation methodology for these investments, entities must increase or decrease the acquisition cost according to the interest percentage of the investor on the subsequent changes in the equity of the respective issuer.</p> <p>For this purpose, the change in the equity of</p>	<p><b>abroad:</b></p>
--	--	--	-----------------------

		<p>the issuer shall be calculated based on the certified financial statements as of June 30 and December 31 each year.</p> <p>However, when there are more recent certified financial statements, these must be used to establish the variation in question. Entities will have a maximum of three (3) months after the reporting date of financial statements to make the appropriate update.</p>	
--	--	--	--

### **Write off of assets**

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

- The contractual rights on the cash flows of the asset have expired;
- The contractual rights to the cash flows of the asset are transferred or an obligation is assumed to pay to a third party all the cash flows without any significant delay, through a transfer agreement;
- All the risks and rewards inherent to the ownership of the asset have been transferred substantially;
- The risks and rewards inherent to the ownership of the asset have been substantially retained, but the control over it has been transferred.

When the Corporation had transferred its contractual rights to receive the cash flows from an asset or had entered into a pass-through agreement but has not transferred or retained substantially all the risks and rewards inherent to the ownership of the asset, or has not transferred control thereon, the asset must continue to be recognized.

### **Reclassification of investments**

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

#### **Reclassification of investments at Amortized Cost into investments through profit or cost**

An investment must be reclassified from the category of investments at amortized cost into the category of investments through profit or cost upon the occurrence of any of the following circumstances:

- Significant deterioration in the conditions of the issuer, its parent, its subordinates or its related parties.
- Changes in regulations that hinder holding the investment.
- Mergers or institutional reorganization processes involving the reclassification or the investment, in order to maintain the previous interest rate risk position or to conform to the credit risk policy previously established by the merged entity.
- In other cases where the Financial Superintendence of Colombia has given its prior express authorization.

### **Reclassification of investments through other comprehensive income into investment through profit or loss or investments at amortized cost**

An investment must be reclassified from the category of investments through other comprehensive income into any of the other categories when:

- The composition of significant business activities is redefined, as a result of circumstances such as variations in the economic cycle or in the market niche in which the entity is operating or variations in its risk appetite.
- The assumptions for adjustment in the management of investments previously defined in the business model have materialized.
- The investor ceases to be a parent or controlling entity, and this event also involves the decision to dispose of the investment in the short term from that date.
- Any of the circumstances set out for the reclassification of investments held to maturity into negotiable investments has taken place.

### **Provisions applicable to the reclassification of investments**

The following rules must be observed for the reclassification of investments:

- When investments at amortized cost are reclassified as investments through profit or loss, the rules on the valuation and accounting of the latter must be observed.
- When investments through other comprehensive income are reclassified into investments through profit or loss, the result of the reclassification of such investments must be recognized and maintained in “Other Comprehensive Income (OCI)” as unrealized gains or losses until the sale of the corresponding investment

has been completed.

- When investments through other comprehensive income are reclassified into investments at amortized cost, the rules on the valuation and accounting of the latter must be observed. Consequently, unrealized gains or losses that are recognized in Other Comprehensive Income must be offset against the carrying amount of the investment, since the effect of the fair value will not be realized given the decision to reclassify it into the category of investments at amortized cost. Thus, the investment must be recorded as if it had always been classified in the category of investments at amortized cost. Also, from that date the investment must be assessed under the same conditions of the Internal Rate of Return on the day before its reclassification.
- When the Directorate General of Public Credit and National Treasury of the Ministry of Finance and Public Credit carries out debt management operations or transitory liquidity operations on government debt securities, the entities subject to inspection and supervision by the Financial Superintendence of Colombia may reclassify the securities in of the categories of “investments available for sale” or “investments held to maturity” into the category of “tradable investments”. In any case, securities may only be reclassified in transactions carried out in compliance with the assumptions and conditions set, in the amount actually traded.

### **Impairment or loss due to the risk rating of issuers**

The impairment of investments in debt securities and equity securities valued according to equity variations, the Corporation adjusts them on each valuation date on the basis of:

- The rating of the issuer and/or security concerned, whenever it exists.
- Objective evidence that the impairment of assets has occurred or may occur.

For purposes of the measurement and recognition of the impairment of investments in subsidiaries, affiliates and associates in the separate financial statements, the Corporation must meet the provisions on this regard established in IAS 36 contained in the Regulatory Technical Framework of the Annex to Decree 2784/2012 or any amending or replacing rules.

When the impairment is likely, the provisions to be made are established in accordance with Chapter I-1 of the Basic Accounting and Financial Circular.

### **Securities from unrated issuers**

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

<b>Category</b>	<b>Risk</b>	<b>Characteristics</b>	<b>Impairment</b>
-----------------	-------------	------------------------	-------------------

A	Normal	Meet the terms agreed in the security and have adequate capacity to pay principal and interest.	Not applicable
B	Acceptable	Corresponds to issues with uncertainty factors, which may affect the ability to continue to adequately comply with debt services. Likewise, financial statements and other available information, show weaknesses that may affect its financial situation.	The net value cannot exceed eighty percent (80%) of the acquisition cost, net nominal value of amortizations made until the valuation date.
C	Appreciable	Corresponds to issues with a high or medium probability of default in the timely payment of principal and interest. Similarly, financial statements and other available information show weaknesses in its financial position that may compromise payback.	<p>In the case of debt securities, the amount in which they are accounted for cannot exceed sixty percent (60%) of the net face value of the amortizations made until the valuation date.</p> <p>In the case of equity securities, the amount in which they are accounted for cannot exceed sixty percent (60%) of the value of the investment by the equity method on the date of valuation.</p>
D	Significant	Corresponds to those in default under the terms agreed in the security, as well as investments in issuers which financial statements and other information available show marked deficiencies in their financial situation.	<p>In the case of debt securities, the amount in which they are accounted for cannot exceed forty percent (40%) of the net face value of the amortizations made until the valuation date.</p> <p>In the case of equity securities, the net value of the provisions for credit risk (book value minus provision) in which they are accounted for cannot</p>

			exceed forty percent (40%) of the amount of the investment by the equity method on the date of valuation.
E	Uncollectible	Corresponds to investments of issuers that according to their financial statements and other information available are deemed uncollectible.	The amount of these investments is provided in full.

### Securities from issuers with external ratings

Long-Term Rating (*)	Maximum Amount %	Short-Term Rating	Maximum Amount %
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, investment grade and speculative issuers.

In any case, if the investments classified at amortized cost for which a fair value can be established are subject to impairment, such impairment corresponds to the difference between the carrying amount of the investment and the fair value, when it is lower. The rating of the respective issuer must be taken for purposes of estimating the impairment on term deposits.

External ratings must be performed by a credit rating agency authorized by the Financial Superintendence of Colombia, or by an internationally recognized rating agency, in the case of securities issued by foreign entities and traded abroad.

If the investment or issuer has been rated by more than one rating agency, the lowest rating must be taken into account, if issued within the last three (3) months, or the most recent if the period between the two ratings is longer than three (3) months.

### 3.8 Accounts receivable

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

### **3.9 Operations with derivative financial instruments**

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

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

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

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

As of June 30, 2016 and December 31, 2015 the Corporation has not applied hedge accounting to derivative financial instruments.

### **3.10 Assets delivered on lease**

The assets delivered on lease by the Corporation are classified at the time of signing the contract as financial or operating leases. A lease is classified as a financial lease when it substantially transfers all the risks and rewards of ownership. A lease is classified as an operating lease if it does not substantially transfer all the risks and rewards of ownership. The Corporation holds assets delivered on lease to its subordinates and these are classified as operative leases.

### **3.11 Non-current assets held for sale**

The non-current assets held for sale which the Corporation and its subordinates intend to sell within a period not exceeding one year and which sale is considered as highly probable are recorded at the lowest value of their carrying amount at the time of being transferred into this account and their fair value minus estimated sale costs (see note 13).

### **3.12 Property and equipment for own use**

The property and equipment for own use include assets, owned or leased, held by the Corporation for their use at present or in the future and which are expected to be used for more than one year. It also includes tangible assets received for liquidation, in whole or in part, of financial assets representing receivables from third parties and which are

expected to use continuously.

The property and equipment for own use is recorded on separate balance sheets according to their acquisition cost, minus their accumulated depreciation and, where applicable, the estimated losses resulting from comparing the net book value of each item with its recoverable value.

Depreciation is calculated using the straight-line method over the cost of acquisition of the assets, minus their residual value; it being understood that the land on which buildings are constructed and other structures have an indefinite useful life and therefore are not subject to depreciation. The depreciation is recorded with a charge to income and is calculated based on the following useful lives:

<b>Component</b>	<b>Useful Life</b>	<b>Residual Value</b>	<b>Method</b>
Buildings	70	20%	Straight line
Facilities	20	10%	Straight line
Office equipment, furniture and fixtures	10	0%	Straight line
Computer equipment	5	0%	Straight line
Vehicles	5	10%	Straight line
Mobilization equipment	20	0%	Straight line

On each reporting date, the Corporation analyzes whether there is evidence, both external and internal, that a material asset may be impaired. If there is evidence of impairment, the entity then analyzes whether such impairment actually exists by comparing the net carrying value of the asset to its recoverable amount (as the higher of its fair value less minus disposal costs and its value in use). When the carrying amount exceeds the recoverable amount, the carrying amount is adjusted to its recoverable value modifying future depreciation charges accordingly, according to their new remaining useful life.

Similarly, when there is evidence that the value of a material asset has been recovered, the Corporation estimates the recoverable amount of the asset and it is recognized in the consolidated income statement, recoding the reversal of the impairment loss recognized in previous periods and thus adjusting future amortization charges. In any event, the reversal of the impairment loss on an asset cannot entail an increase in its book value above that which would have taken place had such impairment losses not be recognized in prior years.

Upkeep and maintenance expenses for property and equipment are recognized as an expense in the period incurred and are recorded under “administrative expenses”.

At least once a year, the Corporation evaluates the useful lives and residual value of assets, and makes the appropriate adjustments in the financial statements if necessary (see

note 15).

### **3.13 Investment properties**

According to the International Accounting Standard IAS 40 “Investment Properties” investment properties are defined as the land or buildings considered in whole, in part or both which are maintained by the Corporation for raising revenues, for the valuation of assets or both, instead of being used for the purposes of the Corporation.

Investment properties are initially recorded at cost which includes all costs associated with the transaction and then those assets can be measured at depreciated cost in the same way as property, plant and equipment, or at fair value. Changes due to variations in the fair value versus the amount recognized in the financial statements are recorded in the income statement.

This fair value is determined based on appraisals performed periodically by independent experts using the level three valuation techniques described in IFRS 13 “Fair Value Measurement”. See note 4.5. The assets received in lieu of payment or returned are classified into this category, which according to the provisions of Circular 036/2014 issued by the Financial Superintendence of Colombia, must be provisioned regardless of their accounting classification, in accordance with the instructions set out in Chapter III of the Basic Accounting and Financial Circular.

Realizable assets and assets received in lieu of payment - The value of the assets received by the Corporation as payment of unpaid balances from credits to its favor is recorded. The assets received in lieu of payment represented by real estate are received based on a commercial appraisal that is technically determined based on the market value.

The following conditions are must be taken into account for recording assets received in lieu of payment:

- The initial registration is made in accordance with the amount determined by the judicial award or as agreed with the debtors.
- When the asset is received in lieu of payment it cannot be disposed of and its cost increases according to the expenses necessary for its sale.
- If there is a balance in favor of the debtor between the amount in which the asset is received and the amount of the credit payable, this difference is recorded as an account payable; if the value of the asset is not sufficient to cover the entire obligation, a provision equivalent to the difference is created.

Provision for realizable assets and assets received as payment - Individual provisions are created for real estate by applying the model developed by the Corporation and approved by the Financial Superintendence of Colombia. The model estimates the maximum expected loss on the sale of assets received in payment, according to the recovery history

of the assets sold, including the expenses incurred for the receipt, maintenance and sale of the same and the grouping thereof in common categories to estimate the base rate for this provision. This rate is adjusted on a monthly basis to reach eighty percent (80%) of the provision.

Upon the expiration of the legal term for the sale without any extension having been authorized, the provision must be equal to one hundred percent (100%) of the remaining book value. In case of an extension, thirty percent (30%) of the provision may be allocated at the end of the same (see note 16).

### **3.14 Assets received on lease**

Upon their initial receipt, the assets received on lease are classified as financial or operating leases in the same way as the assets delivered on lease described in subparagraph 3.10. Lease agreements classified as financial leases are included in the balance sheet as property, plant and equipment or as an investment property according to their purpose and are initially recognized in assets and liabilities simultaneously in a value equal to the fair value of the asset received in lease or to the present value of the minimum lease payments, if lower. The present value of the minimum lease payments is determined using the interest rate implicit in the lease, or otherwise using the average interest rate of the bonds placed in the market by the Corporation. Any initial direct costs of the lessee are added to the amount recognized as an asset. The value recorded as a liability is included in the account of financial liabilities and recorded in the same way as these.

### **3.15 Intangibles assets**

The intangible assets of the Corporation have been acquired for the development of its corporate purpose and mainly correspond to computer software. These are initially measured at their acquisition cost and after their initial recognition these assets are amortized over their estimated useful lives, which for computer software is a period not exceeding three (3) years; however, when in the case of advanced technology programs that are part of a global platform for the future growth of the company in line with market developments and whose development or acquisition costs exceed 30% of the regulatory capital of the respective entity, including hardware, with authorization from the Financial Superintendence of Colombia, may be deferred to five (5) years from the time when each product begins its productive stage, through a gradual and bottom-up program with percentages of 10%, 15%, 20 %, 25% and 30%, respectively, or by equal aliquots.

### **3.16 Financial liabilities**

A financial liability is any contractual obligation held by the Corporation to deliver cash or another financial asset to another person or entity, or to exchange financial assets or financial liabilities under conditions that are potentially unfavorable to the Corporation, a contract that will or may be liquidated using the equity instruments of the entity. Financial liabilities are initially recorded at their transaction value, which, unless

otherwise stated, is similar to their fair value, minus any transaction costs that are directly attributable to their issuance. Subsequently, these financial liabilities are measured at amortized cost using the effective interest rate method initially determined with a charged to income as financial expenses.

Financial liabilities are only written off the balance sheet when the obligations generated by the same have extinguished or when they are acquired (either with the intention to pay or to resell them) (see note 20 and 21).

### **3.17 Employee benefits**

For accounting purposes, Employee Benefits are all forms of consideration granted by the Corporation and its subordinates in exchange for the services rendered by employees, which are divided into four classifications:

#### a) Short-term benefits

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

#### b) Post-employment benefits

These are benefits paid by the Corporation and its subordinates to their employees at the time of retirement or after completing their employment period, which are different from an indemnification. These benefits, according to the Colombian labor standards, correspond to retirement pensions directly assumed by the Corporation.

#### c) Other long-term employee benefits

These correspond to all employee benefits other than short-term, post-employment and termination employee benefits. According to the regulations of the Corporation and its subordinates, such benefits relate mainly to seniority premiums.

The liability for long-term benefits is determined on the basis of the present value of estimated future payments to be made to employees, calculated on actuarial studies prepared using the projected credit unit method, using actuarial assumptions on mortality rates, salary increases and staff turnover, and interest rates determined by reference to the prevailing market returns of bonds at end of period from issuances carried out by the National Government or high-quality corporate debentures. Under the projected credit unit method, the future benefits to be paid to employees are carried to each accounting period when the employee provides his services. Therefore, the expenditure for these benefits recorded in the income statement of the Corporation and its subordinates includes the service cost determined in the actuarial calculation plus the financial cost of the liability calculated. Any changes in liabilities due to changes in actuarial the

assumptions are recorded in other comprehensive income.

#### d) Benefits from the termination of the employment agreement with employees

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

Termination benefits are recognized as a liability through profit or loss in the first of the following dates:

- When the Corporation has formally communicated to the employee its decision to terminate the employment agreement.
- When provisions for restructuring costs are recognized for the restructuring of a subordinate or business of the Corporation that entail the payment of termination benefits.

Currently the Corporation has no restructuring plans in motion (see note 22).

### **3.18 Accounts payable**

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

The amortized cost is calculated by taking into account any discount or premium on acquisition and the fees or costs that are an integral part of the effective interest rate. The accrual of the effective interest rate is recognized as a finance cost in the income statement (see note 24).

### **3.19 Income Tax**

The income tax expense comprises current tax and deferred tax. The tax expense is recognized in the consolidated income statement except for the portion corresponding to items recognized in other comprehensive income account in equity. In this case, the tax is also recognized in this account.

The current income tax is calculated on the basis of the tax laws in force in Colombia at the closing date of the financial statements. The management of the Corporation periodically evaluates the positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation and establishes provisions, where

appropriate, on the basis of the amounts expected to be paid to the tax authorities.

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

Taking into account that IAS 12 “Income Tax” only refers to the term income tax that includes all taxes, whether domestic or foreign, based on tax profits; in this sense, when using the presumptive income system, the tax payable is calculated on a different tax base according to the presumption of profitability of liquid assets and non on the ordinary revenues or tax profits. Under this presumption system temporary differences will not generate higher or lower tax payments in future periods while the entity continue liquidating its tax under such system.

This is in accordance with the provisions of IAS 12, where the recognition of deferred taxes is based on the recovery of the carrying amount of the assets or the liquidation of liabilities, resulting in higher or lower tax payments in future periods related to Tax Profits determined on basis of the regular verification system.

Therefore, the management of the Corporation considers that for its Financial Statements to facilitate decision-making by providing relevant information tailored to its taxation system, it will not recognize any deferred income tax, except on temporary differences generated by the supplementary income tax for Occasional Profits, since in the foreseeable future no change is expected in the nature of its operations that may alter the tax base. The above situation must be reviewed on each reporting period in order to determine the most appropriate treatment for the recognition of deferred taxes in accordance with the provisions of IAS 12 Income Taxes.

Deferred tax assets are recognized only to the extent where it is likely that future taxable revenues will be available against which the temporary differences can be utilized.

Deferred tax liabilities are recognized on the taxable temporary differences that may be produced, except for the deferred tax liability on investments in subsidiaries, associates and joint ventures when the timing for the reversal of the temporary difference is controlled by the Corporation and it is likely that the temporary difference will not be reversed in the near future. Generally, the Corporation does not have the ability to control the reversal of temporary differences on investments in associates.

Deferred tax assets are recognized on deductible temporary differences from investments in subsidiaries and associates only to the extent to which it is likely that the temporary difference will be reversed in the future and there is sufficient taxable profits against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legal right to offset deferred taxes against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same tax authority on the same entity or on different entities when intending to offset the balances on a net basis (see note 18).

### **3.20. Provisions**

Provisions for legal claims are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions include lease termination penalties and employee termination payments.

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate before tax that reflects current market assessments of the time value of money and the specific risks of the obligation. The increase in the provision due to the passage of time is recognized as an interest expense (see note 23).

### **3.21 Preferred shares without voting rights**

According to IFRS 32 “Financial Instruments: Presentation”, the issuer of a non-derivative financial instrument must evaluate its conditions to determine if it contains liability and equity components. These components are classified separately as financial liabilities or equity instruments for the issuer. According to the above, the Corporation has evaluated this requirement in connection with the preferred shares without voting rights that it has issued as of the reporting dates of these consolidated financial statements and has concluded that such shares do not exhibit the characteristics of financial liabilities and therefore, are recognized as a greater equity amount.

### **3.22 Revenues**

Revenues are measured at the fair value of the consideration received or receivable and represent amounts receivable for the goods delivered, net of discounts, returns and value added tax. The Corporation recognizes revenues when the amount thereof can be reliably

measured, it is likely that future economic benefits will flow to the entity and when specific criteria for each one of the activities of the Corporation have been met, as described below:

### **Provision of services**

The Corporation provides services for various activities. The revenues from the provision of services are recognized in the accounting period when the services are rendered, by reference to the completion stage of the specific transaction evaluated on the basis of the actual service provided as a proportion of total services to be provided. When services are provided through an indeterminate number of acts over a specified period of time, revenues from ordinary activities are recognized on a straight line over the time interval agreed upon.

### **Commission revenues**

The investment banking area of Corficolombiana generates revenues from commissions obtained from structuring and advice provided in syndicated loans, corporate bonds and the investigation of investment projects.

The products offered by the investment banking area of Corficolombiana include:

- Fund raising: project finance and capital markets (equity and debt).
- Corporate finance: mergers, acquisitions and sales of companies and capitalizations.
- Advise and structuring: structuring of projects, financial advise and diagnostics.

### **Interest revenues**

Interest revenues are 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 cash payments or cash collections estimated over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest revenues are recorded as financial income in the income statement.

### **Equity method**

It corresponds to increases or decreases in the equity of subordinates and/or associates originated from the profits for the period and from changes in other equity items, which must be verified and reconciled. This value in proportion to the participation of the Corporation will be recognized as a higher or lower value of the investment at the date of calculation, its counterpart will be an income or expense in the income statement or equity, as appropriate (see note 31).

## **Dividends**

Revenues are recognized when Corficolombiana's right to receive the payment is created, which usually occurs when shareholders approve the dividend. The dividend is recognized through the profits or losses for the period unless the investment is recorded by the equity method, in which case the dividend will be recognized as a reduction in the carrying amount of the investment. Revenues received from dividends or profit sharing methods are considered as operating revenues when they are directly related to the corporate purpose of the entity and if these are recurrent or are derived from entities with a similar corporate purpose (see note 32).

## **Lease revenues**

Revenues from operating leases on investment properties are recognized on a straight-line basis over the lease term and are included as ordinary revenues given their nature as operating revenues.

### **3.23 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 liquid net worth exceeding one billion pesos. This Law stipulates that for accounting purposes in Colombia, such tax may be recorded against equity reserves. The Corporation has decided to adopt such exception and has recorded the wealth tax accrued in 2016 and 2017 against its equity reserves.

### **3.24 Net earnings per share**

To determine the net earnings per share, the Corporation divides the net profits for the period by the weighted average of the shares outstanding during the year. As of June 30, 2016 and December 31, 2015, the weighted average number of shares was 224,694,982 and 220,173,690, respectively.

### **3.25 Differences in the application of the International Financial Reporting Standards and the Accounting and Financial Reporting Standards Accepted in Colombia**

According to the Colombian law, the financial reporting standards applicable in Colombia are those issued by the National Government through the regulatory Decrees of Law 1314/2009. To date, the National Government has issued Decrees 3023/2013 and 2267/2014 for this purpose, which includes the IFRS standards in force at international level on December 31, 2013, which state that the IFRS will be applied to the separate financial statements, except for the provisions regarding 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 Circular will be applicable.

Due to the above, in addition to the exception specified, certain standards subsequently issued at international level are not yet applicable in Colombia and in turn certain standards that are not in force now internationally are applicable in Colombia. Furthermore, as explained in the previous paragraph 3.23, the National Government allows entities to record the wealth tax charged to equity reserves, which under the IFRS must be recorded against the profits for the period.

The following is a summary of the impact on the equity and profits of the Corporation for the six-month periods ended on June 30, 2016 and December 31, 2015, due to the incomplete application of the International Financial Reporting Standards.

### **3.26 Accounting regulatory changes issued by the Ministry of Finance and Public Credit and by the Ministry of Commerce, Industry and Tourism**

Standards and interpretations not adopted

As indicated in Decree 2496 of December 2015, listed below are the applicable standards issued from 2017 (except for IFRS 15, which is applicable from January 1, 2018). The impact of these standards is under evaluation by the management of the Corporation.

<b>Reporting Standard</b>	<b>Subject of the amendment</b>	<b>Detail</b>
IAS 1 – Submission of financial statements	<p>Disclosure initiative.</p> <p>In relation to the submission of financial statements, the amendment clarifies the disclosure requirements.</p>	<p>Some of the relevant issues indicated in the amendments are as follows:</p> <ul style="list-style-type: none"> <li>• Materiality requirements IAS 1.</li> <li>• Indicates specific guidelines in the statement of income, comprehensive income and changes in financial position that can be disaggregated.</li> <li>• Flexibility regarding the order in which the notes to the financial statements are presented.</li> <li>• The entity needs not to disclose the specific information required by an IFRS if the resulting information is not material.</li> </ul> <p>The application of the amendments does not have to be disclosed.</p> <p>The replacement proposal refers to the following phases:</p> <ul style="list-style-type: none"> <li>• Phase 1: Classification and measurement of financial assets and liabilities.</li> <li>• Phase 2: Impairment methodology.</li> <li>• Phase 3: Hedge accounting.</li> </ul> <p>In July 2014, the IASB completed the reform to the accounting for financial instruments and IFRS 9 was issued - Accounting for financial instruments (revised 2014 version), which will replace IAS 39 - Financial instruments: recognition and measurement, after the</p>
IFRS 9 – Financial instruments	<p>Financial instruments (revised 2014 version)</p>	<p>The application of the amendments does not have to be disclosed.</p> <p>The replacement proposal refers to the following phases:</p> <ul style="list-style-type: none"> <li>• Phase 1: Classification and measurement of financial assets and liabilities.</li> <li>• Phase 2: Impairment methodology.</li> <li>• Phase 3: Hedge accounting.</li> </ul> <p>In July 2014, the IASB completed the reform to the accounting for financial instruments and IFRS 9 was issued - Accounting for financial instruments (revised 2014 version), which will replace IAS 39 - Financial instruments: recognition and measurement, after the</p>

IFRS 11 – Joint operations	Accounting for acquisitions of interests in joint operations	<p>expiry date of the previous standard.</p> <p>It provides guidance on the accounting for the acquisition of interests in a joint operation in which activities constitute a business, as defined by IFRS 3 - Business Combinations.</p> <p>Entities must apply the amendments prospectively to acquisitions of interests in joint operations (in which the activities of joint operations constitute a business as defined in IFRS 3).</p> <p>It is clarified that the exception on the preparation of consolidated financial statements is applicable to a controlling entity that is a subsidiary of an investment entity, when the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10.</p>
IFRS 10 – Consolidated financial statements IFRS 12 – Information to be disclosed on interests in other entities IAS 28 – Investment entities	Application of the consolidation exception	<p>The application of the equity method is allowed for an investor in an associate or joint venture if it is a subsidiary of an investment entity that measures all its subsidiaries at fair value</p> <p>They concern IFRS 10 and IAS 28 in regards to the treatment of the loss of control over a subsidiary that is sold or provided to an associate or joint venture.</p>
IFRS 10 – Consolidated financial statements IAS 28 – Investments in associates and joint ventures	Sale or provision of assets between an investor and its associate or joint venture	<p>It is clarified that the gain or loss resulting from the sale or provision of assets represents a business, as defined in IFRS 3, between the investor and its associate or joint venture, and it is recognized in full.</p> <p>It is an optional standard that allows an entity, when it adopts the IFRS for the first time and whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for deferred regulated accounts.</p> <p>It establishes a five-step model that is applicable to revenues from customer agreements.</p>
IFRS 14 – Deferred regulatory accounts	Accounts for the deferral of regulated activities	<p>It will replace the following standards and interpretations on revenues after the date when it comes into force:</p>
IFRS 15 – Revenues from agreements with customers	Revenues from agreements with customers	<ul style="list-style-type: none"> <li>• IAS 18 - Income;</li> <li>• IAS 11 - Construction agreements;</li> <li>• IFRIC 13 - Customer loyalty programs;</li> <li>• IFRIC 15 - Real estate construction agreements;</li> <li>• IFRIC 18 - Transfers of assets from customers; and</li> <li>• SIC 31 - Barter transactions involving advertising services.</li> </ul>
IAS 16 – Property, plant and equipment	Clarification of acceptable depreciation models.	<p>Entities are prohibited from using a depreciation method based on revenues for items of property, plant and equipment.</p>
IAS 16 – Property, plant and equipment IAS 41 - Agriculture	Production plants	<p>Entities are prohibited from using a depreciation method based on revenues for items of property, plant and equipment.</p> <p>The concept of a production plant is defined; in</p>

addition, they require that biological assets that meet this definition be accounted for as property, plant and equipment in accordance with IAS 16 instead of IAS 41.

With regard to amendments, production plants can be measured using the cost model or the revaluation model established in IAS 16.

The products manufactured in production plants continue to be accounted for in accordance with IAS 41.

It establishes conditions related to the amortization of intangible assets:

IAS 38 – Intangible assets	Clarification of acceptable amortization models	<ul style="list-style-type: none"> <li>a) When the intangible asset is expressed as a measurement of income.</li> <li>b) When it can be shown that the income and the consumption of the economic benefits from intangible assets are closely related.</li> <li>• IFRS 5 - Non-current assets held for sale and discontinued operations. Changes in the disposal methods of assets.</li> <li>• IFRS 7 - Financial Instruments: Disclosures (with amendments resulting from amendments to IFRS 1).</li> </ul>
Annual improvements for 2012-2014 cycle	These amendments reflect issues discussed by the IASB, which were subsequently included as amendments to the IFRS	<ul style="list-style-type: none"> <li>- Changes related to service agreements.</li> <li>- Applicability of the amendments to IFRS 7 in disclosures of compensations in the condensed interim financial statements.</li> <li>• IAS 19 - Employee benefits. Discount rate: regional market issues.</li> <li>• IAS 34 - Interim financial information: Disclosure of information included elsewhere in the interim financial report.</li> </ul>

**3.27 New accounting pronouncements issued by the International Accounting Standards Board - IASB at international level:**

During the first half of 2016, the International Accounting Standards Board IASB issued new pronouncements on amendments related to standards already issued or new standards, which are as follows:

***IFRS 16 Leases***

Issued in January 2016, it establishes the principles for the recognition, measurement, presentation and disclosure for leases, i.e. from the point of view of the lessor and the lessee. This standard is effective from January 1, 2019 and can be applied early only if it also applies IFRS 15 Revenues from agreements with customers. This standard replaces

IAS 17 Leases.

IFRS 16 eliminates the classification of operating leases and financial leases for the lessee. Instead, all leases are measured as financial leases. A financial liability is recognized if the lease term is greater than one year.

***Amendment to IAS 7 Cash flows***

Issued in January 2016 to be applied from January 1, 2017 with early application allowed. An entity shall disclose information that enables users of financial statements to evaluate changes in liabilities arising from financing activities, including both the changes resulting from cash flows and the changes not related to cash.

***Amendment to IAS 12 Income tax***

Issued in January 2016 to be applied from January 1, 2017 with early application allowed. It clarifies the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

**(4) Critical accounting judgments and estimates in the application of policies**

The Corporation makes estimates and assumptions that affect the amounts recognized in the financial statements and the carrying value of assets and liabilities in the next fiscal year. Judgments and estimates are continually evaluated and are based on the experience of the Corporation and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Corporation also makes certain judgments apart from those involving estimates in the process of applying accounting policies. The judgments that have the most significant effect on the amounts recognized in the consolidated financial statements and estimates that may cause a significant adjustment in the carrying value of assets and liabilities in the next year include the following:

**4.1. Going concern:** The Corporation prepares the financial statements on a going concern basis. In making this judgment, the Corporation considers the current financial position, the results of operations and access to financial resources in the financial market and analyzes the impact of these factors on future operations. As at the date of this report we are not aware of any situation that may cause us to believe that the Corporation does not have the ability to continue as a going concern.

**4.2. Investments in debt securities classified at amortized cost (Note 10):** The Corporation evaluates whether the investments in debt securities can be categorized at their amortized cost taking into account its particular business model for managing financial assets and whether they meet the conditions for such financial assets to be included at amortized cost. The Corporation may sell these assets when the risk policies established by the Corporation for determining credit quotas and the maturity of

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

- a. Significant deterioration in the conditions of the issuer, its parent, its subordinates or its related parties.
- b. Changes in regulations that hinder holding the investment.
- c. Mergers or institutional reorganization processes involving the reclassification or the investment, in order to maintain the previous interest rate risk position or to conform to the credit risk policy previously established by the merged entity.
- d. In other cases where the Financial Superintendence of Colombia has given its prior express authorization.

**4.3 Elimination of financial assets from the balance sheet:** The management applies judgments to determine if all substantially significant risks and returns relative to the ownership of financial assets are transferred to third parties, in particular what are the most significant risks and returns.

**4.4 Valuation of investment properties (Note 16):** Investment properties are reported in the balance sheet at their fair value determined in the reports prepared by independent experts at the end of each reporting period. Due to the current conditions of the country, the frequency of property transactions is low; however, the management estimates that there are enough market activities to provide comparable prices for orderly transactions of similar properties when the fair value of the investment properties of the Corporation is determined, except for the properties on which the Corporation has no control or are subject to legal order or public order problems.

The Corporation has reviewed the assumptions used in the valuations made by independent experts and considers that factors such as inflation, interest rates, etc., have been properly determined based on market conditions at the end of reporting period; nevertheless, the management believes that the valuation of investment properties is currently subject to a high degree of judgment and to an increased probability that current revenues from the sale of such assets may differ from their book value.

**4.5 Estimation for contingencies (Note 23):** The Corporation calculates and records an estimate for contingencies in order to cover possible losses resulting from labor cases, civil and commercial proceedings and tax claims or other depending on the circumstances which, based on the opinion of internal or external legal counsels, are considered likely to produce a loss and can be reasonably estimated.

Given the nature of many of the claims, cases and/or proceedings, it is not possible in some opportunities to make an accurate forecast or to reasonably quantify the amount of

the loss, so the actual amount of the disbursements made for such claims, cases and/or proceedings is constantly different from the amounts estimated and initially provisioned, and such differences are recognized in the year in which they are identified.

**4.6 Retirement Plan (Note 22):** The measurement of pension obligations, costs and liabilities is dependent on a variety of long-term premises based on actuarial assumptions, including estimates of the present value of future projected pension payments for participants in the plan, considering the likelihood of potential future events such as increases in minimum urban wages and demographic experience. These premises may have an effect on the amount of future contributions if there is any variation.

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

**4.7 Business Model.** Corficolombiana manages various investment models according to the strategy developed by the Treasury area:

1. A speculative or negotiable portfolio, where any security is acquired with the main purpose of obtaining profits resulting from price fluctuations in the market. This portfolio is funded by the money market and short-term deposits. Position limits, the value at risk, the sensitivity to movements in the rates (DV01) and maximum losses have been assigned.
2. A portfolio is created to hold securities to maturity and in order to receive contractual cash flows. This portfolio will mainly contain mandatory investments. This portfolio includes the securities issued by the National Government (Debt Reduction Securities), which have a zero rate and have been issued in UVR. The maturity of these securities is 10 years but there are no new issues. The maximum maturity of these papers is in 2015. The securities issued by Finagro, a governmental entity, are also included. These securities mature in one year and are subject to an effective variable rate minus certain basis points. These securities are quarterly issued in the months of January, April, July and October.
3. Structural or available for sale portfolios are created in order to invest in debt securities both in domestic and foreign currency with the purpose of optimizing the resulting financial margin. This portfolio has position limits, DV01, MAT and VaR assigned and depends on the maturity of the securities.

## **(5) Risk Management**

The activities of the Corporation expose it to a variety of financial risks: market risk

(including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, liquidity risk and operational and legal risks.

According to the standards set by the Financial Superintendence of Colombia, the risk management process of the Corporation is part of the guidelines designed by the Senior Management, in line with the general management and administration guidelines approved by the Board of Directors.

The Corporation has a Credit and Treasury Risk Committee composed of members of the Board of Directors, which regularly meets to discuss, measure, control and analyze the management of the credit (SARC) and treasury risks (SARM) of the Corporation. Similarly, there is an Assets and Liabilities Technical Committee, which makes decisions on the management of assets and liabilities and liquidity through the Liquidity Risk Management System (SARL); the matters related the monitoring of the Operational Risk Management System are supervised in the Operational Risk Committee on a quarterly and semiannual basis by the Legal Representative, which submits his reports to the Board of Directors. The compliance with legal risks is monitored by the secretary general of the Corporation.

**Objectives** – The treasury activities of the Corporation are conducted within the framework of the limits and policies established by the Board of Directors and are monitored and controlled by the Risk Management. Decisions are made within that framework based on the permanent and ongoing monitoring of internal and external economic variables. All with the goal of maximizing the risk/return ratio of the portfolios managed, optimizing the return on the business relationship with the customers of the Corporation and seize the opportunities detected in the different markets in which it participates:

- Domestic public debt (as market maker)
- Private debt
- Foreign currencies
- Local currency derivative instruments
- Foreign currency derivative instruments

**Risk-taking philosophy** - To ensure that treasury activities conform to the objectives and strategies of the Corporation, the Board of Directors permanent monitors the risk profile closely by following-up on treasury positions, market risk limits, credit risk limits, liquidity risk limits and operational risk limits.

The risk-taking philosophy is consistent with the general policies of the management of assets and liabilities and considers aspects such as economic analyses, technical analyses, fundamental analyses and the effect of changes in the banking book and in the treasury book.

### ***Management***

*Board of Directors* - The Board of Directors is the body responsible for approving the risk appetite and the risk policies of each entity, ensuring the proper organization, monitoring and tracking of the different business lines in which it operates. This responsibility includes setting limits for taking risks in such activities and take organizational measures to limit the risks inherent in the treasury business.

The Board of Directors is also responsible for approving the policies, strategies and rules of conduct to be followed by the entity in the development of treasury activities, such as approving credit operations in domestic currency and/or foreign currency, the market or markets in which it is allowed to operate, the procedures to measure, analyze, monitor, control and manage risks, and the limits of risk positions according to the type of risk, business, counterparty, product, or organizational area.

The Board of Directors also has the authority to approve the procedures to be followed if the limits are exceeded or if facing strong and unexpected changes in the market. This body is also responsible for analyzing and evaluating both internal and external management and accounting reports.

*ALCO Committee* - Its main functions are to establish and recommend policies, objectives, limits and procedures for managing the Treasury business risk to the Board of Directors; monitor the risk management plan to be adopted, which will include operating, monitoring and control procedures of the risk tolerance levels established; monitor limit compliance reports and authorize excesses based on the powers granted by the Board of Directors; implement contingent action procedures in the event of losses at the maximum levels permitted and approve maximum variation values and variable costs for realizing sensitivities.

*Credit committee* - Its main function is to establish and recommend credit and counterparty quotas for Treasury customers to the Board of Directors.

*Operational risk committee* - The main functions are to submit operational risk management policies and standards for approval by the Board of Directors and the Senior Management and carry out monitoring and control activities. Design the operational risk management strategy of the Corporation and lead its implementation. Establish procedures and mechanisms by approving methodologies and systems for the proper management of operational risks, be aware of and understand the operational risks assumed by the Corporation, permanent evaluating risk exposure; participate in the evaluation of whether to participate in new markets and the negotiation of new products.

Develop strategies for building an organizational operational risk management culture in the Corporation. Assess contingency and business continuity plans and establish the resources necessary for their timely implementation.

*Executive Vice Presidency* – The Executive Vice President reports to the Presidency and its main functions, among others, are to establish and recommend risk management policies, objectives, limits and procedures to the Board of Directors. Monitor compliance

with the portfolio, issuer and counterparty quotas and limits established by the Board of Directors.

*Risk Manager* - The Risk Manager reports to the Executive Vice Presidency and its main functions are to measure risks, to verify compliance with the policies and limits established, and to conduct risk analyses. Similarly, this area is responsible for preparing reports on compliance with policies, limits and exposure levels for the different risks.

There is an Operational Risk Director and one analyst, who are responsible for developing the Operational Risk Management System (SARO) in the Corporation and its financial affiliates.

Similarly, there is a Risk Coordinator and 3 analysts specialized in the different treasury risks, such as market, credit and liquidity risks, and they report to the Manager. It is important to mention that the legal risk is covered by the Legal Vice Presidency.

Finally, there is a Credit Risk Director and 2 analysts in charge of designing and implementing financial models for the analysis of credit and counterparty quotas; the quotas requested are also submitted to the respective authorities.

## **5.1 Market risks**

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

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

The risks assumed in conducting operations are consistent with the overall business strategy of the Corporation and its financial subordinates, these are reflected in a structure of limits for positions in different instruments according to their specific strategy, the depth of the markets in which they operate, the impact on the risk weighted assets, solvency level and balance sheet structure.

Based on the above, the following limit scheme is used by Corficolombiana and by every financial affiliate, considering the risk profile of each entity.

*Portfolio position* - The nominal value of the position in public debt securities is limited taking into consideration fixed or variable rates and the maturity thereof. The position in negotiable securities other than public debt securities is limited considering the same aspects mentioned above and the corresponding issuer quotas.

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

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

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

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

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

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

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

Similarly, the Corporation uses the standard model for the measurement, control and management of the market risk of interest rates, exchange rates and the stock price in the Treasury and Banking books, in accordance with the requirements of the Financial Superintendence of Colombia contained in Chapter XXI of the Basic Accounting and Financial Circular. These exercises are performed on a daily basis for each risk exposure.

Likewise, the Corporation has established counterparty and trading quotas per operator for each one of the trading platforms available in the markets in which it operates.

Trading limits per operator are allocated to the different hierarchical levels of the Treasury based on the experience of the officer in the market, in the negotiation of this type of products and in the management of portfolios.

Finally, the monitoring of operations includes control over various aspects of negotiations such as the conditions agreed upon, unconventional or off-market transactions, operations with related parties, operations with an unusual P&L or with no effect, etc.

According to the standard model, the market value at risk (VaR) as of June 30, 2016 was equal to \$267,548.3 due to the effect of 21.36% basis points, and as of December 31, 2015 it was equal to \$275,175.0 due to the effect of 17.32% basis points, in the individual solvency ratio of the Corporation. The VaR of the Corporation as of June 30, 2016 and December 31, 2015 is summarized below:

	<b>As of June 30, 2016</b>			
	<b>Minimum</b>	<b>Average</b>	<b>Maximum</b>	<b>Last</b>
Interest rate in Pesos	203,546.7	221,589.7	245,374.3	219,214.0
Interest rate in foreign currency	5,121.1	5,553.1	6,206.5	5,222.1
Interest rate in UVR	23,855.0	29,362.2	35,021.3	26,042.2
Exchange rate	1,245.1	5,076.6	8,711.5	6,069.2
Shares	8,044.9	9,340.7	9,893.9	8,044.9
Collective portfolios	316.9	1,273.1	2,955.7	2,955.7
<b>Total VaR in First Half of the Year</b>	<b>258,354.3</b>	<b>272,195.6</b>	<b>286,834.3</b>	<b>267,548.3</b>

	<b>As of December 31, 2015</b>			
	<b>Minimum</b>	<b>Average</b>	<b>Maximum</b>	<b>Last</b>
Interest rate in Pesos	166,189.7	236,927.8	338,696.6	223,039.6
Interest rate in foreign currency	5,875.9	6,304.2	6,781.0	6,349.7
Interest rate in UVR	12,087.8	29,839.1	46,993.3	30,348.4
Exchange rate	1,341.4	3,957.7	7,542.3	3,217.8
Shares	5,806.6	6,763.0	8,827.0	8,827.0
Collective portfolios	3,133.1	11,205.5	50,701.9	3,392.5
<b>Total VaR in Second Half of the Year</b>	<b>271,250.0</b>	<b>294,997.4</b>	<b>373,829.5</b>	<b>275,175.0</b>

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

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

It must also meet its own cash position determined by the difference between the assets and liabilities denominated in foreign currencies, excluding derivatives and some investments. The average of three business days of this cash position shall not exceed fifty percent (50%) of the technical capital of the entity; similarly, it cannot be negative. In addition, it must meet the limits of the gross leverage position, which is defined as the sum of the rights and obligations in future contracts denominated in foreign currency: cash transactions denominated in foreign currency with maturity between one banking day (t+1) and three banking days (t+3) and other exchange rate derivatives. The average of three business days of the gross leverage position may not exceed five hundred fifty percent (550%) of the amount of the regulatory capital of the entity.

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

The following is a breakdown of the assets and liabilities in foreign currency held by the Corporation as of June 30, 2016 and December 31, 2015:

Account	June 30, 2016			
	US Dollars	Euros	Other currencies	Total in Colombian Pesos
<b>Assets</b>				
Cash and cash equivalents	88,770.4	456.0	452.1	89,678.5
Money market operations with assets	58,512.3	-	-	58,512.3
Investments in debt securities at fair value	7,459.0	-	-	7,459.0
Investments in debt securities at amortized cost	6,767.9	-	-	6,767.9
Investments in debt securities at fair value through other comprehensive income	159,188.6	-	-	159,188.6
Investments in equity securities	33,833.5	-	-	33,833.5
Derivative tradable instruments	3,183,261.5	156,446.9	18,141.2	3,357,849.5
Other accounts receivable	22,035.6	647.8	-	22,683.5
<b>Total Assets</b>	<b>3,559,828.8</b>	<b>157,550.7</b>	<b>18,593.3</b>	<b>3,735,972.7</b>
<b>Liabilities</b>				
Deposits of customers	12,784.9			12,784.9
Derivative tradable instruments	3,420,760.8	155,735.1	10,479.7	3,586,975.6
Transfer commitments in repo operations	122,513.7	-	-	122,513.7
Other liabilities	1,415.5	659.4	3.4	2,078.2
<b>Total Liabilities</b>	<b>3,557,474.9</b>	<b>156,394.5</b>	<b>10,483.0</b>	<b>3,724,352.4</b>
<b>Net Position in Assets (Liabilities)</b>	<b>2,353.9</b>	<b>1,156.2</b>	<b>8,110.3</b>	<b>11,620.3</b>
Account	December 31, 2015			
	US Dollars	Euros	Other	Total in

	currencies			Colombian Pesos
<b>Assets</b>				
Cash and cash equivalents	64,022.8	1,712.6	1,302.7	67,038.1
Money market operations with assets	428,397.9	-	-	428,397.9
Investments in debt securities at fair value	7,834.1	-	-	7,834.1
Investments in debt securities at amortized cost	7,338.8	-	-	7,338.8
Investments in debt securities at fair value through other comprehensive income	190,981.7			190,981.7
Investments in equity securities	83,907.8	-	-	83,907.8
Derivative tradable instruments	3,230,255.4	123,646.2	14,089.5	3,367,991.0
Other accounts receivable	106,018.1	-	117.6	106,135.7
<b>Total Assets</b>	<b>4,118,756.6</b>	<b>125,358.8</b>	<b>15,509.8</b>	<b>4,259,625.1</b>
<b>Liabilities</b>				
Deposits of customers	27,109.9	-	-	27,109.9
Derivative tradable instruments	3,926,273.2	125,025.9	12,526.1	4,063,825.2
Transfer commitments in repo operations	149,092.4	-	-	149,092.4
Other liabilities	1,866.1	223.5	109.2	2,198.8
<b>Total Liabilities</b>	<b>4,104,341.6</b>	<b>125,249.4</b>	<b>12,635.3</b>	<b>4,242,226.3</b>
<b>Net Position in Assets (Liabilities)</b>	<b>14,415.0</b>	<b>109.4</b>	<b>2,874.5</b>	<b>17,398.8</b>

The Management of the Corporation has established policies that require the management of its exchange rate risk with its functional currency. The Corporation economically hedges its exposure to the exchange rate using derivative instruments.

The Corporation holds various investments abroad, the net assets of which are exposed to the risk of translation of its financial statements; these investments are classified as investments in foreign affiliates and subsidiaries which are valued through the equity method, as established in External Circular 034/2014, issued by the Financial Superintendence of Colombia. The exposure arising from net assets in foreign operations is mainly hedged by foreign currency debentures or derivatives.

The estimated effect due to an increase of 1% in a rate as compared to the exchange rate as of June 30, 2016 and December 31, 2015 is equal to an increase in assets of \$37,283.3 and \$42,596.2; and an increase in equity of \$338.3 and \$827.1, respectively.

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Change in exchange rate	29.1901	31.4947
Effect on earnings before taxes	58,213.80	427,744.5
Effect on equity	338.33	827.1

As of June 30, 2016 there is an account receivable amounting to COP \$4,280.3 as a result of a transaction with the customer Integracion de la Ingenieria Mecanica y Afines S.A. - QMA S.A. with a face value of USD \$7,000,000 at a forward rate of \$2,441.05 pesos per dollar, this transaction expired on July 28, 2015, on this date Corficolombiana and QMA reached a partial liquidation agreement on the operation, with the customer paying USD \$1,400,000 (face value), leaving a balance of USD \$5,600,000 (face value) maturing on

August 6, 2015 at a forward rate of \$ 2,442.74 pesos dollar. On this date, a mutual agreement was reached to modify the maturity of the operation to August 14, 2015 at a forward rate of \$ 2,443.18. On this date, a new modification is made to the maturity, which is now set on August 24, 2015 at a forward rate of \$ 2,443.68. Finally, on August 24 QMA S.A. requested a further extension, which was not authorized by Corficolombiana because the counterparty did not provide the guarantees required, generating the receivable that has not been paid to date.

QMA S.A. was included in the intervention process established under law 1116/2006, by means of ruling 400-000958 of January 22, 2016 issued by the Superintendence of Companies, in which process the obligation of the Corporation was not properly rated by the debtor, so that as of June 30, 2016 the control entity is yet to set a date for the settlement hearing, which if unsuccessful will require the application of the verbal summary process stipulated in said law.

As at the date of this report, the date for the settlement hearing has not been set.

## **5.2 Operational risk**

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

This system features:

- An Operational Risk Policy Manual approved by the Board of Directors whereby the guidelines under which the SARO was developed in the Corporation are established.
- Procedure manuals describing how the Operational Risk Policies are met.
- Organizational Structure: the Board of Directors, the Legal Representative, the Risk Management and the Operational Risk Unit participate in the SARO.
- Operational Risk Matrices in which risks and controls are identified and rated, matrices of inherent and residual risk are constructed per process and are periodically updated for changes in processes or due to evidence obtained in the record of Operational Risk Events.
- A database consisting of the record of Operational Risk Events that have taken place since August 2007.
- Expense accounts where the events that generated the loss due to Operational Risk are accounted for.

- Periodic reports to the Senior Management, the Operational Risk Committee and the Board of Directors.
- Annual training to officers.
- Bi-yearly audit on the effectiveness of the system by the Comptroller and the External Auditor.

The following are some figures:

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

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

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Processes	23	23
Risks	396	396
Controls	863	863

The losses for operational risk events in the first half of 2016 amounted to \$ 108 millions, in seven (7) operational risk events corresponding to:

- GFM (4 for one thousand) due to the cancellation of a security of the customer Fiducolumbia that had to be renewed and was mistakenly canceled. The error generated a loss of \$ 100 million.
- \$5.4 million related to costs due to interbank breach by the customer Findeter.
- \$ 2.3 million due to a penalty for failure by financial subordinates to pay the withholding tax in the city of Bucaramanga.

This is supplemented by 101 type B events (with no impact on profits) and 38 type C events (quasi losses).

According to the classification of the 146 events registered on June 30, 2016, the risk factor with the highest participation was the Technology Platform with 47 events (32%), followed by External Events with 43 events (29%), Human Resources with 27 events (18%), Processes with 27 events (18%) and Infrastructure with 2 events (1%).

The losses reported for operational risk events as of December 31, 2015 amounted to \$ 9,000,000, corresponding to overdraft costs recognized for a customer due to the delay in the fulfillment of the operation. This is supplemented by 125 type B events (with no impact on profits) and 34 type C events (quasi losses).

According to the classification of the 159 events recorded as of December 31, 2015, the most common risk factors are as follows: Technology Platform with 62 events (39%), followed by Human Resources with 40 events (25%), External Events with 32 events (20%), Processes with 19 events (12%) and Infrastructure with 6 events (4%).

### 5.3 Interest rate risk

The Corporation is exposed to the effects of fluctuations in market interest rates that affect its financial position and future cash flows. Interest margins may increase as a result of changes in interest rates but may also decrease and create losses in the event of unexpected movements in such rates.

The following table summarizes Corficolombiana's exposure to changes in interest rates. The table shows the cumulative amounts of assets and liabilities of the entity at their carrying amount and the respective rate. A sensitivity exercise is performed by adding and subtracting the margin 50 basis points, with the following results as of June 30, 2016 and December 31, 2015, respectively:

Detail of the Account	June 30, 2016				
	Average of the Six-Month Period (1)	Interest Expense (2)	Average Interest Rate (3)	Variation of 50 bp in Interest Rate (4)	
				Favorable	Unfavorable
<b>Interest-bearing financial assets</b>					
Asset money market operations in Colombian pesos	462,087.0	53,712.6	23.2%	1,155.2	(1,155.2)
Investments in debt securities at amortized cost in Colombian pesos	56,300.0	1,066.4	3.8%	140.7	(140.7)
<b>Total interest-bearing financial assets</b>	<b>518,387.0</b>	<b>54,779.0</b>	<b>21.1%</b>	<b>1,295.9</b>	<b>(1,295.9)</b>
<b>Financial liabilities with financial cost</b>					
Liability money market operations in Colombian pesos	3,987,030.8	112,033.1	5.6%	9,967.5	(9,967.5)
Customer deposits in savings accounts and CDAT in Colombian peso	732,783.4	26,242.8	7.2%	1,831.9	(1,831.9)
Customer deposits in term deposit certificates CDT in Colombian pesos	2,539,788.4	103,704.1	8.2%	6,349.4	(6,349.4)
<b>Financial liabilities with financial cost</b>	<b>7,259,602.7</b>	<b>241,980.1</b>	<b>6.7%</b>	<b>18,149.0</b>	<b>(18,149.0)</b>
<b>Total Net Financial Assets subject to interest rate risk</b>	<b>(6,741,215.6)</b>	<b>(187,201.1)</b>	<b>5.6%</b>	<b>(16,853.0)</b>	<b>16,853.0</b>

Detail of the Account	June 30, 2016				
	Average of the Six-Month Period (1)	Interest Expense (2)	Average Interest Rate (3)	Variation of 50 bp in Interest Rate (4)	
				Favorable	Unfavorable
<b>Interest-bearing financial assets</b>					
Asset money market operations in Colombian pesos	714,926.1	28,569.9	7.99%	1,787.3	(1,787.3)
Investments in debt securities at amortized cost in Colombian pesos	57,163.7	691.2	2.42%	142.9	(142.9)
<b>Total interest-bearing financial assets</b>	<b>772,089.8</b>	<b>29,261.1</b>	<b>7.58%</b>	<b>1,930.2</b>	<b>(1,930.2)</b>
<b>Financial liabilities with financial cost</b>					
Liability money market operations in Colombian pesos	3,877,135.7	83,709.2	4.32%	9,692.9	(9,692.9)
Customer deposits in savings accounts and CDAT in Colombian peso	566,649.8	16,080.2	5.68%	1,416.6	(1,416.6)
Customer deposits in term deposit certificates CDT in Colombian pesos	2,176,630.7	69,209.4	6.36%	5,441.6	(5,441.6)
Financial obligations in Colombian pesos	1,978.6	33.3	3.36%	4.9	(4.9)
<b>Financial liabilities with financial cost</b>	<b>6,622,394.8</b>	<b>169,032.1</b>	<b>5.10%</b>	<b>16,556.0</b>	<b>(16,556.0)</b>
<b>Total Net Financial Assets subject to interest rate risk</b>	<b>(5,850,305.0)</b>	<b>(139,771.0)</b>	<b>4.78%</b>	<b>(14,625.8)</b>	<b>14,625.8</b>

## 5.4 Liquidity risk

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

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

To measure the liquidity risk, the Corporation calculate weekly Liquidity Risk Indicators (LRI) in periods of 7, 15 and 30 days, as set out in the standard model of the Financial Superintendence of Colombia and in accordance with internal models.

As part of the liquidity risk analysis, the Corporation measures the volatility of deposits, debt levels, the structure of assets and liabilities, the liquidity of assets, the availability of financing facilities and the overall effectiveness of the management of assets and liabilities; the above in order to maintain sufficient liquidity (including liquid assets, guarantees and collateral) to deal with possible own or systemic stress scenarios.

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

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

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

The following is an analysis of the contractual maturities of financial assets and liabilities as of June 30, 2016:

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
<b>ASSETS</b>						
<b><u>Liquid Assets</u></b>						
Cash and cash equivalents	1,219,118	-	-	-	-	-
Money market operations	-	381,669	36	63	381,768	273
Investments through profit or loss	247,199	2,439,960	579,309	201,474	3,220,744	82,635
Tradable investments in equity securities	39,135	-	-	-	-	-
Investments at amortized cost	56,760	5,136	-	571	5,707	123,743
Other liabilities and creditor contingencies	10,867	-	-	-	-	-

<b>Subtotal</b>	<b>1,573,079</b>	<b>2,826,765</b>	<b>579,345</b>	<b>202,108</b>	<b>3,608,219</b>	<b>206,651</b>
<b><u>Contractual maturities of assets</u></b>						
Ordinary interbank funds sold	-	31	-	-	31	-
Transfer rights on investments	-	2,444,901	579,248	201,083	3,225,232	71,960
Derivative financial instruments	-	63,728	14,104	12,913	90,745	247,119
<b>Flow of revenues with contractual maturities of assets and off-balance positions - FIVC</b>	<b>-</b>	<b>2,508,660</b>	<b>593,352</b>	<b>213,996</b>	<b>3,316,008</b>	<b>319,079</b>
<b><u>Contractual maturities of liabilities</u></b>						
Money market operations	-	2,630,662	583,118	197,054	3,410,835	78,400
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	-	-	-	-	-
<b>Flow of expenditures with contractual maturities of liabilities and off-balance positions - FEVC</b>	<b>10,867</b>	<b>2,683,891</b>	<b>702,424</b>	<b>396,195</b>	<b>3,782,511</b>	<b>411,593</b>
<b>Net flow (estimated) of non-contractual maturities – FNVNC</b>						
<b>Net flow</b>	<b>-10,867</b>	<b>-175,231</b>	<b>-109,072</b>	<b>-182,199</b>	<b>-466,503</b>	<b>-92,514</b>
<b>Net estimated liquidity requirement – RLN (2)</b>	<b>-</b>	<b>670,973</b>	<b>175,606</b>	<b>1 82,200</b>	<b>945,628</b>	<b>102,898</b>
<b>Partial LRI</b>	<b>0%</b>	<b>234%</b>	<b>186%</b>	<b>440%</b>	<b>166%</b>	<b>150%</b>
<b>Accumulated LRI</b>	<b>-</b>	<b>902,105</b>	<b>726,499</b>	<b>544,300</b>	<b>627,450</b>	<b>1,470,180</b>

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	
<b>FINANCIAL LIABILITIES AT FAIR VALUE</b>						
Derivative financial instruments	112,148	92,449	1,570	43,372	-	249,539
<b>Subtotal</b>	<b>112,148</b>	<b>92,449</b>	<b>1,570</b>	<b>43,372</b>	<b>-</b>	<b>249,539</b>
<b>AT AMORTIZED COST</b>						
Money market operations	3,485,465	51,957	-	-	-	3,537,421
Deposits of customers	962,230	1,450,504	311,078	49,360	264,621	3,037,794
<b>Subtotal</b>	<b>4,447,695</b>	<b>1,502,461</b>	<b>311,078</b>	<b>49,360</b>	<b>264,621</b>	<b>6,575,216</b>
<b>FINANCIAL LIABILITIES AT FAIR VALUE</b>	<b>4,559,843</b>	<b>1,594,910</b>	<b>312,648</b>	<b>92,732</b>	<b>264,621</b>	<b>6,824,755</b>

DESCRIPTION

As of December 31, 2015

	Highly liquid (1)	Less than 7 days	8 to 15 days	16 to 30 days	Total less than 30 days	31 to 90 days
<b>ASSETS</b>						
<b><u>Liquid Assets</u></b>						
Cash and cash equivalents	1,243,022	-	-	-	-	-
Money market operations	-	95,924	195	341	96,459	254,971
Investments through profit or loss	256,565	2,906,479	466,798	89,432	3,462,709	37,437
Tradable investments in equity securities	76,295	-	-	-	-	-
Investments at amortized cost	37,459	-	1,751	30	1,781	137,932
Other liabilities and creditor contingencies	5,437	-	-	-	-	-
<b>Subtotal</b>	<b>1,618,778</b>	<b>3,002,403</b>	<b>468,744</b>	<b>89,803</b>	<b>3,560,950</b>	<b>430,341</b>
<b><u>Contractual maturities of assets</u></b>						
Ordinary interbank funds sold	-	170	-	-	170	-
Transfer rights on investments	-	2,906,450	466,637	89,115	3,462,203	31,788
Derivative financial instruments	-	17,922	61,894	34,039	113,854	30,398
<b>Flow of revenues with contractual maturities of assets and off-balance positions - FIVC</b>		<b>2,924,543</b>	<b>528,531</b>	<b>123,154</b>	<b>3,576,228</b>	<b>62,186</b>
<b><u>Contractual maturities of liabilities</u></b>						
Money market operations	-	3,257,668	466,832	88,557	3,813,058	31,273
Term deposit certificates – CDT	-	2,817	88,961	53,165	144,944	283,908
Derivative financial instruments	-	15,282	22,508	19,701	57,492	96,443
Other liabilities	5,437	-	-	-	-	-
<b>Flow of expenditures with contractual maturities of liabilities and off-balance positions - FEVC</b>	<b>5,437</b>	<b>3,275,768</b>	<b>578,302</b>	<b>161,424</b>	<b>4,015,493</b>	<b>411,624</b>
<b>Net flow (estimated) of non-contractual maturities – FNVNC</b>	<b>-</b>	<b>110,243</b>	<b>125,992</b>	<b>236,235</b>	<b>472,470</b>	<b>340,731</b>
<b>Net flow</b>	<b>(5,437)</b>	<b>(461,468)</b>	<b>(175,762)</b>	<b>(274,505)</b>	<b>(911,736)</b>	<b>(690,170)</b>
<b>Net estimated liquidity requirement – RLN (2)</b>	<b>-</b>	<b>847</b>	<b>176</b>	<b>275</b>	<b>1,122</b>	<b>690</b>
<b>Partial LRI</b>	<b>0%</b>	<b>191%</b>	<b>1 58%</b>	<b>359%</b>	<b>144%</b>	<b>89%</b>
<b>Accumulated LRI</b>	<b>-</b>	<b>772</b>	<b>596</b>	<b>322</b>	<b>497</b>	<b>929</b>

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	
<b>FINANCIAL LIABILITIES AT FAIR VALUE</b>						
Derivative financial instruments	112,791	246,635	1,190	10,869	244	371,729

<b>Subtotal</b>	112,791	246,635	1,190	10,869	244	371,729
<b>AT AMORTIZED COST</b>						
Money market operations	3,879,647	96,563	-	-	-	3,976,211
Deposits of customers	835,992	1,038,944	824,272	238,261	266,122	3,203,592
<b>Subtotal</b>	4,715,639	1,135,508	824,272	238,261	266,122	7,179,802
<b>FINANCIAL LIABILITIES AT FAIR VALUE</b>						
	4,828,430	1,382,143	825,462	249,131	266,366	7,551,532

To control the liquidity risk between assets and liabilities, the Corporation carries out statistical analyzes to quantify the stability of deposits with and without contractual maturity with a predetermined confidence level.

To meet requirements of the Central Bank and the Financial Superintendence, the Corporation must maintain restricted cash at hand and at banks as part of the legal reserve required according to the following percentages of average daily deposits in the following accounts:

<b>Item</b>	<b>Required</b>
Deposits and current liabilities on demand and before 30 days	11%
Deposits from official institutions	11%
Deposits and current liabilities after 30 days	11%
Ordinary savings deposits	11%
Term savings deposits	11%
Repurchase commitments of traded investments	11%
Other accounts other than deposits	11%
<b>Term deposit certificates:</b>	
With maturity equal to 540 days	4.5%
With maturity equal to or greater than 540 days	0%

The Corporation has been properly complied with this requirement.

## 5.5 Price risk

The Corporation, with respect to the equity instruments publicly traded (Bladex S.A., Alimentos Derivados de la Caña, AV Villas, Gas Natural ESP, Colombia Stock Exchange, Empresa de Energia de Bogota, Mineros S.A.), is exposed to variations in the price of such investments; as of June 30, 2016 and December 31, 2015, if the prices of these investments had been 1% above or below, the lesser or greater impact on the Other Comprehensive Income (OCI) of the Corporation would be \$7,236.4 and \$ 6,901.4, respectively.

---

As of June 30, 2016

---

Name of the Investment	Number of Shares	Listed Price (*)	Investment Amount	Effect on OCI +/- 1%	
				Favorable	Unfavorable
Bladex S.A.	2,070	110,747.2	229.2	2.3	(2.3)
Alimentos Derivados de la Caña	52,000	4,224.2	219.7	2.2	(2.2)
AV Villas (common stock)	45,677	6,190.1	282.8	2.8	(2.8)
AV Villas (preferred stock)	20,763	5,968.7	123.9	1.2	(1.2)
Gas Natural ESP	621,866	117,386.3	72,998.5	730.0	(730.0)
Colombia Stock Exchange	628,047,243	18.0	11,304.9	113.0	(113.0)
Empresa de Energia de Bogota	327,150,500	1,785.0	583,963.7	5,839.6	(5,839.6)
Mineros S.A.	22,350,263	2,440.0	54,534.6	545.3	(545.3)
<b>Total</b>			<b>723,6573</b>	<b>7,236.4</b>	<b>(7,236.4)</b>

#### As of December 31, 2015

Name of the Investment	Number of Shares	Listed Price (*)	Investment Amount	Effect on OCI +/- 1%	
				Favorable	Unfavorable
Bladex S.A.	2,070	81,665.8	169.0	1.7	(1.7)
Alimentos Derivados de la Caña	52,000	3,711.2	193.0	1.9	(1.9)
AV Villas (common stock)	45,677	9,124.0	416.8	4.2	(4.2)
AV Villas (preferred stock)	20,763	6,000.0	124.6	1.2	(1.2)
Gas Natural ESP	621,866	120,000.1	74,624.0	746.2	(746.2)
Colombia Stock Exchange	628,047,243	17.0	10,676.8	106.8	(106.8)
Empresa de Energia de Bogota	327,150,500	1,720.0	562,698.9	5,627.0	(5,627.0)
Mineros S.A.	22,350,263	1,845.0	41,236.2	412.4	(412.4)
<b>Total</b>			<b>690,139.3</b>	<b>6,901.4</b>	<b>(6,901.4)</b>

(\*) Stock prices are expressed in Colombian pesos.

## 5.6 Money laundering and terrorist financing risk

The money laundering and terrorist financing risk is defined as the possibility of economic loss or damage to the good name that the Entity could suffer if used directly or through its operations as an instrument for the laundering of money or for channeling resources for terrorist activities, or when the concealment of assets from such activities through the Entity is intended.

Accordingly and aware of its commitment to fight against criminal organizations, the Corporation, in compliance with the provisions of the Financial Superintendence of Colombia, has adopted the necessary mechanisms to prevent the occurrence of events that may negatively affect its results and its businesses. For this reason, Corficolombiana has a Money Laundering and Terrorism Financing Risk Management System SARLAFT in place, which is composed of steps, elements, policies, procedures and methodologies for the identification, evaluation, control and monitoring of these risks, as well as for having knowledge on customers, their operations with the Corporation and the market segments

served; the system, which is contained in the SALAFT manual approved by the Board of Directors, also considers the monitoring of transaction, the training of staff and collaboration with authorities, and it is managed by the Compliance Officer, who is responsible for evaluating prevention and control mechanisms in order to establish their effectiveness and the fulfillment thereof by all officials of the Corporation.

Within the regulations issued by the Financial Superintendence of Colombia and especially in accordance with the instructions given in Part I, Title IV, Chapter IV of the Basic Legal Circular, Corficolombiana has had satisfactory results in the efforts undertaken concerning the Money Laundering and Terrorism Financing Risk Management System SARLAFT, which conform to the standards, policies and methodologies adopted by the Board of Directors and the Recommendations of the International Standards related to the matter.

SARLAFT activities are developed taking into account the methodologies adopted by the Corporation, which allowed to continue mitigating the risks as a result of the application of controls designed for each one of the risk factors defined in Part I, Title IV, Chapter IV of the Basic Legal Circular issued by the Financial Superintendence of Colombia (Customer, Product, Channel and Jurisdiction). According to measurements taken during the first half of 2016 based on the SARLAFT, the entity maintains “low” risk levels; however, these are monitored on a quarterly basis. During the period there were no events or situations contrary to the sound reputation that the Corporation has held on SARLAFT matters.

The Corporation has technological tools that have allowed it to implement the you're your customer policy and to monitor warning signs, in order to identify unusual operations and report suspicious transactions to the Financial Information and Analysis Unit (FIAU), under the terms established by the law. The system also contains models for the segmentation of the risk factors of the SARLAFT (customer, product, channel and jurisdiction) that allow the entity to identify risks and detect unusual transactions based on the profile of the segments.

On the other hand, in order to promote and strengthen the culture of prevention, the Corporation provides an institutional training program to collaborators in which relevant knowledge and information is conveyed and guidelines are given regarding the regulatory framework and the mechanisms control in place for the prevention of the money laundering and terrorist financing risk.

As to the duty to cooperate with authorities and in compliance with legal provisions, the Corporation timely submitted institutional reports to the Financial Information and Analysis Unit (FIAU), and responded to the requests for information submitted by authorities.

The direct supervision of the controls to prevent these risks is carried out by the Compliance Officer; such supervision task is also carried out by the Internal Auditor and the External Auditor, as well as by the management and the Board of Directors, through

the reports submitted regularly by the Compliance Officer and the External Auditor. According to the results obtained in the different stages of the SARLAFT, the reports of control entities and the pronouncements of the Board of Directors on the reports submitted by the Compliance Officer on a quarterly basis, the entity adequately manages the money laundering and terrorism financing risks. During the first half of 2016, the reports submitted by the Comptroller of the Corporation and by the External Auditor on the SARLAFT, in order to implement recommendations aimed at optimizing the System, were evaluated. According to the reports received, the results of the management of the SARLAFT in the Entity are considered satisfactory.

### **5.7 Financial Consumer Care System (SAC)**

During the first half of 2016, the Corporation complied with the policies set forth in the SAC Manual, applying the procedures for implementing the elements and stages of the system, according to current regulations. It also included the adequate infrastructure for the proper administration and operation of the SAC, providing effective care to the requests made by financial consumers. During this period only two complaints were filed through the Financial Superintendence of Colombia, however, they correspond to complaints made by natural persons who are not and have not been customers of the Corporation.

As stated in the reports of the External Auditor and Comptroller of the Corporation, the design and implementation of policies and procedures is appropriate under the SAC. The opportunities for improvement that were identified in these reports were duly implemented.

Among the aspects to highlight, the entity designed 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 partnerships with third parties.

Moreover, as a member of the education project for financial consumers “Learn More, Be More” promoted by ASOBANCARIA, the Corporation participated in the “International week of financial education for children and young people” campaign, through newsletters sent to its collaborators and implementation of a screensaver with issues related to the saving of natural resources.

In addition, during the month of March, the publication “Education for all budgets” was delivered to the collaborators Corficolombiana in the city of Bogota, which is a work that collects collectable fascicles published by the newspaper La República and the Banking Association of Colombia.

Through emails, the Corporation periodically sent newsletters to all staff with practical information on different issues of a financial nature, including: ABC for the purchase of school supplies, why pay with a card and banking security recommendations.

## **5.8 Antifraud and Anticorruption 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 Antifraud and Anticorruption Policy in place which main objectives are to ensure the development of coordinated actions by the Corporation to prevent fraudulent events, promote transparency in the administration, deter misconducts and encourage the commitment of its stakeholders against fraud and corruption. The policy contains guidelines and rules mainly related to gifts, entertainment and gratuities, use of intermediaries, recruitment, donations, sponsorships, mergers and acquisitions and internal control measures over the financial reporting process; it also includes guidelines on high-risk accounts, the assessment of the system by internal auditors and compliance with the external regulatory framework, especially the Foreign Corrupt Practices Act FCPA of the United States of America.

During the first half of 2016 training was given in these matters to officials of the first line of defense of the Corporation to strengthen their knowledge and skills, as a mechanism for preventing the risk of fraud and corruption.

## **5.9 Corporate Governance**

Corporacion Financiera Colombiana S.A. has incorporated principles on the good corporate governance of the entity and on the protection of the rights of shareholders and investors.

Board of Directors and Senior Management - The Board of Directors and the Senior Management determine the strategies, policies and risk profiles of the entity. The Board of Directors is constantly informed of the businesses and processes carried out by the Corporation.

This body approves lending limits and exposure limits to market risk, liquidity risk and credit risk for the various businesses of the Corporation. The Executive Vice Presidency, through the Risk Management, is the area responsible for the identification, management, measurement, control and monitoring of risks inherent to treasury operations and other businesses of the Entity. This area is in charge of generating risk control mechanisms and reporting the risk exposures that the Corporation may be subject to the Senior Management and the Board of Directors.

Policies and division of functions - Risk management policies are approved by the Board of Directors and are consistent with the different business lines of the Corporation. It has specific elements for each type of risk (credit, market, liquidity and operational) and the compliance therewith is strictly monitored 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 conducted by the Corporation.

A monthly report is submitted to the Board of Directors containing a description of the operations performed by the money desk, business results, risk levels and compliance with the limits established, if appropriate. Transactions with related parties are subject to consideration by the Board of Directors.

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

Technology infrastructure - The Corporation has adequate technological infrastructure that allows it to efficiently support the transactional requirements of its daily operation.

Risk measurement methodology - Corporacion Financiera Colombiana is classified as a financial institution and due to its business role in the different fronts on which it operates (money desk products, investment banking, equity investments, etc.), it is exposed to a variety of risks generated by the changing environment in all its components.

Based on the foregoing, it is clear that risk management has become the determining factor in achieving one of the main objectives of Corficolombiana, obtaining a satisfactory return for shareholders, and therefore it is included in the very definition of each and every one of the corporate strategies and decision-making process on all businesses and activities of the Corporation.

The Corporation defined that the risk management process must comply with the following steps:

Risk identification - The risks associated with each one of the products are determined. It seeks to identify undue risk concentrations and implement new technologies to manage such risks.

Risk measurement - The measurement and management processes of the various risks are determined. Monitoring systems must operate precisely and cover all aspects defined, so as to facilitate the management process. Risk measurement involves the availability of trained human resources and technical tools that facilitate the quantification of the risks inherent in each business.

Assigning limits - Limits are determined for each one of the risks separately (market, credit and/or counterparty, operational and liquidity risks), even if they are linked together. The Management assesses and defines the limits based on the willingness to take risks and the ability of the entity to absorb losses.

Measurement and control of limits - The value of positions must be constantly reviewed against the limits and the excesses that may arise must be timely reported to the Senior Management to take corrective measures. Assessments and measurements are conducted at different intervals, according to the needs of each business line.

Reporting - Reports must be submitted periodically, according to what the Board of Directors has established. These must contain information regarding the current risk exposure against the limits established, which are considered paramount for decision-making. Existing methodologies identify and measure the different types of risk to which the Corporation is exposed in its activity and that is how the methods mentioned and explained in detail in these notes to the financial statements operate.

Organizational structure - The Corporation has defined, through its Board of Directors, an organizational structure that will ensure adequate risk management. Thus, the Executive Vice Presidency is in charge of building a strong risk culture within the organization, always seeking to have an integrated view of risk that also includes the financial affiliates of Corficolombiana. This Vice Presidency is responsible for the Risk Management and is intended to promote, lead and control the risk policies approved by promoting the risk management strategy outlined, using the risk management process previously defined.

In the structure of the Corporation there is independence between the negotiation, risk control and operations accounting areas. Each of these tasks is assigned to different functional areas which in turn report to the different areas of the Corporation as follows:

<b>Responsibility</b>	<b>Area</b>	<b>Reports to</b>
Negotiation	Treasury Vice Presidency	Presidency
	Commercial Vice Presidency	Presidency
	Investment Banking Vice Presidency	Presidency
	Investment Vice Presidency	Presidency
Control	Risk Management	Executive Vice Presidency
Accounting	Treasury Operations	Operations and Systems Management
	Accounting Management	Executive Vice Presidency

## **(6) Fair Value Estimation**

The fair value of financial assets and liabilities traded in active markets (such as financial assets in debt and equity securities and derivatives are actively traded on stock exchanges or in interbank markets) it is based on quoted market prices on the date of year-end. Valuation techniques are applied to determine the fair value if there is a significant movement in the same after trading until midnight at the date of year-end.

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

The fair value of financial assets and liabilities not traded on an active market is determined using valuation techniques. The Corporation uses a variety of methods and assumptions based on the market conditions prevailing at the date of each year-end. The valuation techniques used for non-standardized financial instruments such as options, currency swaps and OTC derivatives include the use of recent similar transactions on an arm's length basis, other benchmark instruments that are substantially the same, the

analysis of discounted cash flows, option pricing models and other valuation techniques commonly used by market participants that use the market data as much as possible and rely on specific data of entities as little as possible.

The Corporation can use internally developed models for instruments without active markets. These models are usually based on valuation methods and techniques generally accepted in the financial sector. Valuation models are used primarily to value financial equity instruments not publicly traded, debt securities and other debt instruments for which markets were or have been inactive during the financial year. Some inputs of these models may not be observable in the market and are therefore estimated based on assumptions.

The outcome (result) of a model is always an estimate or approximation of a value that cannot be determined with certainty, and the valuation techniques employed may not fully reflect all relevant factors concerning the positions of the Corporation and its subordinates. Therefore, valuations are adjusted, if necessary, to allow for additional factors, including the risks of the model, liquidity risks and counterparty risks.

The fair value of investment property assets has been determined through appraisals conducted by independent experts with sufficient experience and knowledge of the real estate market or of the asset being valued. Usually these assessments are carried out by reference to market data or based on the replacement cost, when there is insufficient market data. Such measurement is classified as Level 3.

In investment properties, increases (decreases) of 1% on the market value of such properties would give rise to a higher (lower) fair value measurement of \$188.6, as appropriate.

The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy in which fair value measurements are completely categorized is determined based on the lowest input that is significant to the fair value measurement in its entirety. To this end, the importance of an input is evaluated in relation to the fair value measurement in its entirety. If fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement corresponds to a Level 3 measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, taking into account specific factors of the asset or liability.

The determination of what does “observable” mean requires significant judgment by the Corporation; the Corporation considers observable data as the market data already available and regularly distributed or updated, which are reliable and verifiable, have no ownership rights and are provided by independent sources that are actively involved in the market.

In Colombia there is no market where prices of Mutual Funds are listed.

The value of the contributions in a mutual fund is measured according to the units representing parts of the equity value of the respective fund. The value of the unit, which represents the yields obtained, is determined according to the total amount of resources contributed plus or minus the returns on the investments in the portfolio. These yields are given by the valuation of the assets in which the fund invests and therefore the hierarchy level is determined by the levels of these assets.

The Corporation and its subordinates hold investments in mutual funds whose investment portfolios are composed only by fixed-income securities that are valued according to the prices published by INFOVALMER. Therefore, since such assets are included as Level 1 or Level 2, the Corporation has classified its investments in mutual funds as Level 2.

Investments classified in Level 3 have significant unobservable inputs. Level 3 instruments mainly include investments in equity instruments that are not publicly traded. The Corporation holds equity investments in various entities with an interest of less than 20% in the equity of each entity, such as the Central Securities Depository – Deceval, the Foreign Exchange Clearinghouse, the Central Counterparty Clearinghouse and Fiduciaria de Occidente. In general, the shares of all these companies are not listed on a public market and therefore the determination of their fair value as of June 30, 2016 has been carried out with the help of Infovalmer.

The following table summarizes the ranges of the main variables used in valuations:

<b>Investment</b>	<b>Variable</b>	<b>Favorable</b>	<b>Unfavorable</b>	<b>Price</b>
<b>Central Securities Depository – Deceval</b>				
Revenues (5-year growth percentage)	+/- 1%	414,905.9	400,384.2	408,682.3
Slope of growth in perpetuity	+/- 10%	414,905.9	404,533.2	408,682.3
Discount interest rate	+/- 50PB	423,204.0	394,160.6	408,682.3
<b>Fiduciaria de Occidente</b>				
Revenues (5-year growth percentage)	+/- 1 %	19,510.3	18,149.1	18,716.2
Slope of growth in perpetuity	+/- 10%	18,886.4	18,716.2	18,716.2
Discount interest rate	+/- 50PB	19,283.4	19,283.4	18,716.2
<b>Foreign Exchange Clearinghouse</b>				
Revenues (5-year growth percentage)	+/- 1%	7.8	6.0	6.9
Slope of growth in perpetuity	+/- 10%	7.0	6.8	6.9
Discount interest rate	+/- 50PB	7.0	6.6	6.9
<b>Central Counterparty Clearinghouse</b>				
Most relevant variable in the asset	+/- 10%	0.9	0.7	0.8

## Fair value measurements on a recurring basis

The fair value measurements on a recurring basis are those required or allowed by the IFRS in the consolidated statement of financial position at the end of each accounting period.

The following table analyzes, within the fair value hierarchy, the assets and liabilities (by class) of the Corporation and its subordinates measured at fair value as of June 30, 2016 and December 31, 2015 on a recurring basis.

	<b>June 30, 2016</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets</b>			
<b>Assets at fair value through profit and loss</b>			
<b>Derivative financial instruments</b>			
Forward contracts	-	153,375.0	-
Swap contracts	-	92,164.7	-
Other derivatives	-	8,298.7	-
Cash operations	-	37.5	-
<b>Subtotal</b>	<b>-</b>	<b>253,875.9</b>	<b>-</b>
<b>Debt instruments</b>			
Through profit or loss	492,290.8	211,777.0	-
Trough other comprehensive result	2,890,024.8	124,525.0	-
<b>Subtotal</b>	<b>3,382,315.6</b>	<b>336,302.0</b>	<b>-</b>
<b>Equity instruments</b>			
Through profit or loss	-	87,685.0	-
Trough other comprehensive result	-	723,657.4	28,020.3
<b>Subtotal</b>	<b>-</b>	<b>811,342.4</b>	<b>28,020.3</b>
<b>Total assets measured at fair value on a recurring basis</b>	<b>3,382,315.6</b>	<b>1,401,520.3</b>	<b>28,020.3</b>
<b>Liabilities</b>			
<b>Liabilities at fair value through profit or loss</b>			
<b>Derivative financial instruments</b>			
Forward contracts	-	125,608.10	-
Swap contracts	-	114,203.30	-
Other derivatives	-	9,727.80	-
<b>Total liabilities measured at fair value on a recurring basis</b>	<b>-</b>	<b>249,539.2</b>	<b>-</b>
<b>December 31, 2015</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets</b>			
<b>Assets at fair value through profit and loss</b>			
<b>Derivative financial instruments</b>			
Forward contracts		165,160.1	
Swap contracts	-	73,997.4	-
Other derivatives	-	8,233.1	-
<b>Subtotal</b>	<b>-</b>	<b>247,390.6</b>	<b>-</b>
<b>Debt instruments</b>			
Through profit or loss	532,486.7	738,113.5	
Trough other comprehensive result	2,164,182.8	564,592.2	-

<b>Subtotal</b>	<b>2,696,669.5</b>	<b>1,302,705.7</b>	<b>-</b>
<b>Equity instruments</b>			
Through profit or loss	-	133,401.1	-
Trough other comprehensive result	-	690,139.3	30,402.7
<b>Subtotal</b>	<b>-</b>	<b>823,540.4</b>	<b>30,402.7</b>
<b>Total assets measured at fair value on a recurring basis</b>	<b>2,696,669.5</b>	<b>2,373,636.7</b>	<b>30,402.7</b>
<b>Liabilities</b>			
<b>Liabilities at fair value through profit or loss</b>			
<b>Derivative financial instruments</b>			
Forward contracts	-	193,779.1	-
Swap contracts	-	188,733.0	-
Other derivatives	-	10,783.0	-
<b>Total liabilities measured at fair value on a recurring basis</b>	<b>-</b>	<b>393,295.1</b>	<b>-</b>

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
<b>(1) Level 3</b>		
<b>Equity instruments</b>		
Camara de Compensacion de Divisas de Colombia S.A.	551.4	596.1
Central Securities Depository – Deceval Fiduciaria Occidente S.A.	7,237.4	7,935.4
Camara de Riesgo Central de Contraparte de Colombia S.A.	14,801.8	15,216.5
	383.3	-
<b>Subtotal</b>	<b>22,973.9</b>	<b>23,748.0</b>

**Financial instruments with equity changes through other comprehensive income**

Camara de Riesgo Central de Contraparte de Colombia S.A.	-	375.9
Cifin S.A.	-	1,023.4
Corporacion Andina de Fomento	1,023.2	1,024.3
Inducarbon	1.1	1.1
Industria Colombo Andina-Inca S.A.	58.6	255.0
Petroleos Colombianos Limited	144.8	156.2
Petroleos Nacionales S.A.	257.3	257.3
Promotora de Inversiones Ruitoque S. A. (Promisión)	695.7	695.7
Promotora la Alborada S.A.	316.3	316.3
Promotora la Enseñanza S.A.	69.8	69.8
Reforestadora de Santa Rosalía	12.4	12.4
Sociedad Hotelera Cien Internacional S.A. (Hotel Bogota Royal)	68.1	68.1
Textiles el Espinal S.A.	2,399.1	2,399.1
<b>Subtotal</b>	<b>5,046.4</b>	<b>6,654.7</b>
<b>Total Level 3</b>	<b>28,020.3</b>	<b>30,402.7</b>

## Fair value of assets not measured at fair value

The following is a comparison of the carrying amount and the fair value of each class of financial instruments disclosed by the Corporation in its financial statements:

	As of June 30, 2016		As of December 31, 2015	
	Book Value	Fair Value	Book Value	Fair Value
Cash and cash equivalents	1,227,661.8	1,227,661.8	1,249,409.6	1,249,409.6
Monetary operations	440,002.4	440,002.4	524,123.3	524,123.3
<b>Debt instruments</b>				
At fair value through profit or loss	704,067.8	1,015,548.5	1,270,600.1	1,568,865.1
At fair value through other comprehensive income	3,014,549.8	-	2,728,775.0	-
At amortized cost	69,029.8	2,825,511.0	55,463.7	2,657,664.7
<b>Equity instruments</b>				
At fair value through profit or loss	80,698.3	80,701.3	126,414.6	126,417.5
At fair value through other comprehensive income, equity instruments	751,677.6	752,524.9	720,542.0	725,363.2
At fair value through other comprehensive income, Subsidiaries, Affiliates and Associates	3,303,542.0	2,526,164.4	3,694,168.5	2,408,806.30
Derivative financial instruments	253,875.9	253,875.8	247,390.6	247,390.7
<b>Accounts receivable</b>	179,063.3	179,046.8	246,167.1	246,043.1
<b>Total Financial Assets</b>	<b>10,024,168.7</b>	<b>9,301,036.9</b>	<b>10,863,054.6</b>	<b>9,754,083.5</b>
Deposits and current liabilities	3,055,722.4	3,055,722.4	3,203,591.8	3,203,591.8
Money market and related operations	3,781,432.6	3,781,432.6	3,976,422.4	3,976,422.4
Derivatives	249,539.2	249,539.2	393,295.1	393,295.1
Accounts payable	83,383.4	83,383.4	90,841.6	110,000.1
<b>Total Financial Assets</b>	<b>7,170,077.6</b>	<b>7,170,077.6</b>	<b>7,664,150.9</b>	<b>7,683,309.4</b>

The fair value of assets and liabilities is determined based on the amount at which the instrument could be exchanged in a transaction between interested parties, other than a forced sale or liquidation. The following methods and assumptions were used for the estimation of fair values:

- For cash and cash equivalents, asset and liability monetary transactions, accounts receivable, accounts payable and other current liabilities, the fair value corresponds to the carrying amount largely due to the short-term maturities of these instruments.
- The fair value of the securities issued is based on quoted prices at the closing date.
- The fair value of unlisted instruments is estimated by discounting future cash flows using rates currently available for debt securities which terms, credit risk and remaining maturities are similar.

### (7) Cash and cash equivalents

The balances of cash and cash equivalents comprise the following:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
<b>In Colombian pesos</b>		
<b>Cash</b>	<b>2.8</b>	<b>2.8</b>
Petty cash	2.8	2.8
<b>Banks and other on demand financial entities *</b>	<b>1,137,980.6</b>	<b>1,182,368.8</b>
Banking or financial entities	1,005,175.2	1,076,745.8
Central Bank of Colombia	132,805.4	105,623.0
<b>Subtotal in Colombian pesos</b>	<b>1,137,983.4</b>	<b>1,182,371.6</b>
<b>In foreign currency</b>		
<b>Cash</b>	<b>18.3</b>	<b>19.5</b>
Petty cash	18.3	19.5
<b>Banks and other on demand financial entities *</b>	<b>89,660.1</b>	<b>67,018.5</b>
Banking or financial entities	89,660.1	67,018.5
<b>Subtotal in foreign currency</b>	<b>89,678.4</b>	<b>67,038.0</b>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>1,227,661.8</b>	<b>1,249,409.6</b>

(\*) Includes the Legal Reserve available for the two-week period corresponding to the periods ended on June 30, 2016 and December 31, 2015, in an amount of \$136,637.2 and \$105,885.6, respectively.

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

Below is a summary of the credit quality determined by independent rating agencies, of the major financial institutions in which the Corporation holds cash and cash equivalents:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
<b>Credit quality</b>		
Central Bank of Colombia	132,805.4	105,623.0
AAA	974,023.7	1,076,745.8
AA-	120,811.6	7.5
A		67,011.0
<b>Total (*)</b>	<b>1,227,640.7</b>	<b>1,249,387.3</b>

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
<b>Credit quality</b>		
Central Bank of Colombia	132,805.4	105,623.0
Investment grade	1,094,835.3	1,143,764.3
<b>Total (*)</b>	<b>1,227,640.7</b>	<b>1,249,387.3</b>

(\*) Does not include cash at hand

## (8) Asset positions in Money Market Operations

The following is the detail of asset positions in Money Market Operations during the periods ended on June 30, 2016 and December 31, 2015:

	<b>June 30, 2016</b>		<b>December 31, 2015</b>	
<b>Operations agreed between 0 and 90 days</b>				
In Colombian pesos				
Commitments for the Transfer of Investments in Simultaneous Operations	381,490.0	7.30%	95,725.4	2.50%
Subtotal in Colombian pesos	381,490.1		95,725.4	
<b>Operations agreed in more than 90 days</b>				
Foreign currency				
Ordinary interbank funds sold	58,512.3	2.78%	428,398.9	2.64%
Subtotal in foreign currency	58,512.3		428,398.9	
<b>Total Monetary Operations</b>	<b>440,002.4</b>		<b>524,123.3</b>	

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

## (9) Investments measured at Fair Value

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

### a) Financial instruments measured at fair value through profit or loss

<b>By currency</b>	<b>June 30, 2016</b>		<b>December 31, 2015</b>	
<b>DEBT INSTRUMENTS</b>				
In Colombian pesos				
Issued or secured by the Colombian Government	492,290.3		1,079,226.4	
Issued or secured by other entities of the Colombian Government	2,515.5		1,148.1	
Issued by domestic issuers	112,863.6		89,067.5	
Other securities	88,939.4		93,324.1	
<b>Total debt instruments in pesos</b>	<b>696,608.8</b>		<b>1,262,766.1</b>	
In foreign currency				
Other securities	7,459.0		7,834.1	
<b>Total debt instruments in foreign currency</b>	<b>7,459.0</b>		<b>7,834.1</b>	
<b>TOTAL DEBT INSTRUMENTS</b>	<b>704,067.8</b>		<b>1,270,600.2</b>	
<b>EQUITY INSTRUMENTS</b>				

In Colombian pesos		
Collective Funds and Portfolios	80,698.3	126,414.5
<b>TOTAL EQUITY INSTRUMENTS</b>	<b>80,698.3</b>	<b>126,414.5</b>

<b>TOTAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>784,766.1</b>	<b>1,397,014.7</b>
---	------------------	--------------------

<b>By classification</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>
--------------------------	----------------------	--------------------------

**Measured at fair value through profit or loss**

**Other equity instruments at fair value through profit or loss**

Fiduciaria Colombiana collective portfolio	35,015.8	87,855.6
Confianza Plus collective portfolio	6,065.9	5,653.2
Fiduciaria Corficolombiana Capital	7,064.0	1,113.5
Fiduciaria Bogota 60 CCA Sumar	772.4	746.4
<b>Subtotal</b>	<b>48,918.0</b>	<b>95,368.7</b>

**Debt instruments through profit or loss**

Bonds issued by the Colombian Government	492,290.3	1,079,226.4
Bonds issued by other entities of the Colombian Government	2,515.5	1,148.1
Financial entities	112,863.6	96,856.3
Others	96,398.4	93,369.4
<b>Subtotal</b>	<b>704,067.8</b>	<b>1,270,600.2</b>

**Investments on fiduciary rights through profit or loss**

Fideicomiso de Administracion Melendez – 3941 - Alferez	26,464.6	25,751.3
Fideicomiso – Cartera 20-054AP	8,148.6	8,127.5
Fideicomiso Arromasa (CFC 46.25%)	520.1	520.1
Fideicomiso Fibratolima	3,633.6	3,633.6
<b>Subtotal</b>	<b>38,766.9</b>	<b>38,032.5</b>

<b>TOTAL MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>791,752.7</b>	<b>1,404,001.3</b>
--	------------------	--------------------

**b) Financial instruments measured at fair value through other comprehensive income (OCI)**

<b>By currency</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>
--------------------	----------------------	--------------------------

**In Colombian pesos**

Debt instruments through other	2,855,361.3	2,537,793.3
--------------------------------	-------------	-------------

comprehensive income		
Equity instruments	750,280.2	719,192.4
<b>In foreign currency</b>		
Debt instruments through other comprehensive income	159,188.6	190,981.7
Equity instruments	1,397.2	1,349.6
<b>TOTAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (OCI)</b>	<b>3,766,277.3</b>	<b>3,449,317.0</b>

**By classification**

**June 30, 2016      December 31, 2015**

**Debt instruments measured at fair value through other comprehensive income**

Bonds issued by the Colombian Government	2,822,958.5	2,508,650.3
Bonds issued by other entities of the Colombian Government	98,561.6	98,049.3
Financial entities	-	21,927.2
Corporate bonds	12,342.6	-
Others	80,687.1	100,148.2
<b>Subtotal</b>	<b>3,014,549.8</b>	<b>2,728,775.0</b>

**Financial instruments at fair value through other comprehensive income**

	<b>Interest %</b>	<b>Rating</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Alimentos Derivados De La Caña	0.32%	A	219.7	193.0
Av Villas (common stock)	0.02%	A	282.8	416.8
Av Villas (preferred stock)	0.02%	A	123.9	124.6
Bladex S.A. Clase E	0.01%	A	229.2	169.0
Bolsa de Valores de Colombia S.A.	3.36%	A	11,304.9	10,676.8
Camara De Compensacion de Divisas De Colombia S.A.	3.19%	A	551.4	596.1
Camara de Riesgo Central de Contraparte de Colombia S.A.	1.09%	A	383.3	-
Deposito Central de Valores - Deceval S.A.	3.67%	A	7,237.4	7,935.4
Empresa de Energia de Bogota S.A. E.S.P.	3.56%	A	583,963.7	562,698.9
Fiduciaria de Occidente S.A.	4.44%	A	14,801.8	15,216.5
Gas Natural S.A. E.S.P.	1.68%	A	72,998.5	74,624.0
Mineros S.A.	8.54%	A	54,534.6	41,236.2
<b>Subtotal</b>			<b>746,631.2</b>	<b>713,887.3</b>

**Financial instruments due to equity changes through other comprehensive income**

Camara de Riesgo Central de Contraparte de Colombia S.A.	1.09%	A	-	375.9
Cifin S.A.	0.00%	A	-	1,023.4
Corporación Andina de Fomento	0.00%	A	1,023.2	1,024.3
Inducarbon S.A.	0.09%	E	1.1	1.1

Industria Colombo Andina-Inca S.A.	0.67%	A	58.5	255.0
Petroleos Colombianos Limited	0.05%	E	144.8	156.3
Petroleos Nacionales S.A.	9.54%	E	257.3	257.3
Promotora de Inversiones Ruitoque S.A. (Promision)	3.34%	B	695.7	695.7
Promotora la Alborada S.A.	1.83%	E	316.3	316.3
Promotora la Enseñanza S.A.	2.45%	E	69.8	69.8
Reforestadora de Santa Rosalia S.A.	0.00%	E	12.4	12.4
Sociedad Hotelera Cien Internacional S.A.(Hotel Bogotá Royal)	0.39%	A	68.1	68.1
Textiles el Espinal S.A.	8.56%	E	2,399.1	2,399.1
<b>Subtotal</b>			<b>5,046.3</b>	<b>6,654.7</b>
<b>TOTAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME</b>			<b>3,766,227.3</b>	<b>3,449,317.0</b>

(1) From 2016 the investment in Camara de Riesgo Central de Contraparte S.A. has a price listed by the Price Provider - Infovalmer, for that reason they it was reclassified from “Financial Instruments with Equity Changes” to “Financial Instruments at Fair Value”, in compliance with External Circular 034/2014.

The credit quality determined by independent risk rating agents, of the major counterparts in debt securities and investments in equity instruments in which the Corporation holds financial assets at fair value, corresponds to the rating code reported by the Financial Superintendence of Colombia for Long-Term issuers, Investment Quality and “Investment Grade”.

As of June 30, 2016 the Corporation reclassified investments in debt securities with a market value of \$24,938.1, which are detailed below:

Reclassification Date	Type	Face Value	Market Value	Profit
June 2016	USD Bond	8.00	24,938.1	128.0
<b>Total</b>		<b>8.00</b>	<b>24,938.1</b>	<b>128.0</b>

Reclassification Date	Type	Face Value	Market Value	Profit (Loss)
March 08, 2016	USD Bond Aval Limited	0.50	1,609.1	9.4
March 08, 2016	USD Bond Aval Limited	0.50	1,609.1	9.4
March 09, 2016	USD Bond Aval Limited	2.00	6,479.2	37.8
April 20, 2016	USD Bond Bancolombia Subordinate	3.00	8,862.3	(137.2)
April 20, 2016	USD Bond Grupo de Inv. Suramericana	1.00	3,123.3	79.9
May 25, 2016	USD Bond Grupo de Inv. Suramericana	1.00	3,255.1	128.7
<b>Total</b>		<b>8.00</b>	<b>24,938.1</b>	<b>128.0</b>

The effect on the income statement in connection with such reclassifications resulted in a gain of \$128.0.

As of December 31, 2015 the Corporation reclassified the investments in debt securities with a market value of \$6261.3, which are detailed below:

<b>Reclassification Date</b>	<b>Type</b>	<b>Face Value</b>	<b>Market Value</b>	<b>Profit</b>
September 10, 2015	USD Bond Bancolombia Subordinate	2.00	6,261.3	(341.3)
<b>Total</b>		<b>2.00</b>	<b>6,261.3</b>	<b>(341.3)</b>

The effect on the income statement in connection with such reclassifications resulted in a loss of \$341.3.

Changes in fair values mainly reflect variations in market conditions mainly due to changes in interest rates and other economic conditions of the country where the investment is held. As of June 30, 2016 and December 31, 2015, the Corporation considers that there have been no significant losses in the fair value of financial assets due to the impairment of the credit risk of these assets.

As of June 30, 2016 and December 31, 2015 the Investments in Debt Securities securing repo transactions for in an amount of \$732,513.7 and \$299,115.3, respectively, are reported. Additionally, financial instruments at fair value in an amount of \$3,718,617.6 and \$3,999,375.1 as of June 30, 2016 and December 31, 2015 respectively, have been given as collateral to third parties as backup for financial obligations to others.

The sensitivity analysis for changes in the interest rates of financial assets at fair value is disclosed in note 5.

The information on investments at fair value with related parties is disclosed in note 34.

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

As of June 30, 2016 and December 31, 2015 dividends for the following investments have been recognized in the income statement:

<b>Corporate Name</b>	<b>As of June 30, 2016</b>		
	<b>Total value of dividends</b>	<b>Amount in cash</b>	<b>Amount in stock</b>
Fiduciaria de Occidente S.A.	805.4	621.1	184.3
Camara de Compensacion de Divisas de Colombia S.A.	38.2	382	-
Bolsa de Valores de Colombia S.A.	559.0	559.0	-
Banco AV Villas S.A.	14.0	14.0	-
Empresa de Energia de Bogota S.A. E.S.P.	7,994.2	7,994.2	-

Bladex S.A. Clase E	5.0	5.0	-
Deposito Central de Valores - DECEVAL S.A.	726.1	726.1	-
Gas Natural S.A. E.S.P.	4,401.6	4,401.6	-
Mineros S.A.	2,950.2	2,950.2	-
<b>TOTAL</b>	<b>17,493.7</b>	<b>17,3094</b>	<b>184.3</b>

Corporate Name	As of June 30, 2016		
	Total value of dividends	Amount in cash	Amount in stock
Fiduciaria de Occidente S.A.	746.7	355.0	391.7
Banco AV Villas S.A.	13.6	13.6	-
Empresa de Energia de Bogota S.A. E.S.P.	16,350.1	16,350.1	-
Bladex S.A. Clase E	4.7	4.7	-
<b>TOTAL</b>	<b>17,115.1</b>	<b>16,723.4</b>	<b>391.7</b>

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

#### (10) Financial assets invested at amortized cost

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

	June 30, 2016	December 31, 2015
<b>DEBT INSTRUMENTS</b>		
In Colombian pesos		
Issued or secured by the Colombian Government	-	1,810.0
Issued or secured by other entities of the Colombian Government	62,261.9	46,314.8
<b>TOTAL DEBT INSTRUMENTS IN COLOMBIAN PESOS</b>	<b>62,261.9</b>	<b>48,124.8</b>
<b>In foreign currency</b>		
Issued by foreign issuers	6,767.9	7,338.9
<b>TOTAL DEBT INSTRUMENTS IN FOREIGN CURRENCY</b>	<b>6,767.9</b>	<b>7,338.9</b>
<b>TOTAL DEBT INSTRUMENTS AT AMORTIZED COST</b>	<b>69,029.8</b>	<b>55,463.7</b>

The credit quality, determined by independent risk rating agencies, of major counterparties in debt securities, in which the Corporation holds financial assets at amortized cost, corresponds to the rating code reported by the Financial Superintendence of Colombia for Long-Term issuers, Investment Quality and “Investment Grade”.

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

June 30, 2016	December 31, 2015
---------------	-------------------

More than 1 month and less than 3 months	43,918.5	1,810.2
More than months and less than 1 year	18,343.4	53,653.5
Less than one year	62,261.9	55,463.7
Between 1 year and 5 years	6,767.9	-
<b>Total</b>	<b>69,029.8</b>	<b>55,463.7</b>

Economic and legal restrictions on these investments are related to investments delivered in Money Market Operations as of June 30, 2016 in an amount of \$0 and as of December 31, 2015 in an amount of \$47,017.6.

### (11) Derivative Financial Instruments

The following table shows the year-end fair values of the forward contracts, futures and interest rate swaps and foreign currency swaps in which the Corporation is involved.

Derivative financial instruments comprise the following:

Item	As of June 30, 2016		As of December 31, 2015	
	Notional Value	Fair Value	Notional Value	Fair Value
<b>ASSETS</b>				
<b>Operations with speculative derivatives</b>				
Foreign currency purchase forward contracts	461.2	7,248.1	412.9	102,444.6
Foreign currency sale forward contracts	821.6	144,833.1	487.9	62,169.4
Securities purchase forward contracts	58,000.0	1,293.8	15,000.0	152.3
Securities sale forward contracts	-	-	139,000.0	393.8
<b>SUBTOTAL</b>	<b>59,282.8</b>	<b>153,375.0</b>	<b>154,900.8</b>	<b>165,160.1</b>
Interest rate swap contracts	144,030.0	3,347.4	160,030.0	1,629.8
Cross currency swap contracts	455.0	88,817.3	94,892.5	72,367.6
<b>SUBTOTAL</b>	<b>144,485.0</b>	<b>92,164.7</b>	<b>254,922.5</b>	<b>73,997.4</b>
Currency call options	131.0	8,298.7	118.1	8,233.1
<b>SUBTOTAL</b>	<b>131.0</b>	<b>8,298.7</b>	<b>118.1</b>	<b>8,233.1</b>
<b>Cash operations</b>	-	37.5	-	-
<b>Total operations with speculative derivatives</b>	<b>203,898.8</b>	<b>253,875.9</b>	<b>409,941.4</b>	<b>247,390.6</b>
<b>TOTAL ASSETS</b>	<b>203,898.8</b>	<b>253,875.9</b>	<b>409,941.4</b>	<b>247,390.6</b>
<b>LIABILITIES</b>				
Foreign currency purchase forward contracts	557.6	71,527.4	433.6	48,635.8
Foreign currency sale forward contracts	497.0	42,812.1	499.1	140,563.6
Securities sale forward contracts	377,276.6	11,268.6	726,000.0	4,579.7
<b>SUBTOTAL</b>	<b>378,331.2</b>	<b>125,608.1</b>	<b>726,932.7</b>	<b>193,779.1</b>
Interest rate swap contracts	344,006.0	6,736.2	342,006.0	5,184.1
Cross currency swap contracts	125,044.1	107,467.1	251,175.5	183,548.9
<b>SUBTOTAL</b>	<b>469,050.1</b>	<b>114,203.3</b>	<b>593,181.5</b>	<b>188,733.0</b>
Currency put options	73.8	9,727.8	65.8	10,783.0
<b>SUBTOTAL</b>	<b>73.8</b>	<b>9,727.8</b>	<b>65.8</b>	<b>10,783.0</b>
<b>Total operations with speculative derivatives</b>	<b>847,455.1</b>	<b>249,539.2</b>	<b>,320,180.0</b>	<b>393,295.1</b>
<b>TOTAL LIABILITIES</b>	<b>847,455.1</b>	<b>249,539.2</b>	<b>,320,180.0</b>	<b>393,295.1</b>
<b>NET POSITION</b>	<b>(643,556.3)</b>	<b>4,336.7</b>	<b>(910,238.6)</b>	<b>(145,904.5)</b>

The derivative financial instruments used by the Corporation are generally traded in organized markets and with customers in the financial, real and offshore sector. Derivative instruments have unfavorable (liabilities) or favorable (assets) net positions as a result of fluctuations in exchange rates of foreign currency and in the interest rate market and other variables related to their conditions. The accumulated amount of the fair values of assets and liabilities for derivative instruments may vary significantly from time to time.

Below is a summary of the credit quality determined by independent risk rating agencies of the major counterparties in derivative instruments:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
<b>Credit quality</b>		
AAA	7,683.1	19,815.0
AA+	(168.2)	1,140.9
AA- (international)	(6,277.5)	(150,797.9)
A- (international)	(356.0)	(3,148.7)
Unrated	3,455.3	(12,913.8)
<b>Total</b>	<b>4,336.7</b>	<b>(145,904.5)</b>

As of June 30, 2016 and December 31, 2015 the Corporation has not carried out any hedging operations.

### **(12) Accounts Receivable, net**

The following is the summary of the Accounts Receivable as of June 30, 2016 and December 31, 2015:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Interests	219.8	219.9
Dividends and stockholdings	118,370.8	122,966.4
Commissions	15,024.1	4,676.8
Leases	15.1	94.8
Sale of goods and services	1,654.0	1,654.0
Deposits	26,908.3	103,819.0
Prepayments for contracts and suppliers	193.8	186.5
To employees	1,779.9	1,819.9
Tax prepayments	16.5	1.7
Others	22,000.2	13,564.7
<b>Total Trade Accounts</b>	<b>186,182.5</b>	<b>249,003.7</b>
Provision for other accounts receivable	(7,119.2)	(2,836.6)
<b>Total other accounts receivable</b>	<b>179,063.3</b>	<b>246,167.1</b>

The following is the movement in the impairment of accounts receivable as of June 30, 2016 and December 31, 2015:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
<b>Initial balance</b>	(2,836.6)	(2,835.4)
Impairment	(4,282.6)	(1.3)
Repayments	-	0.1
<b>Final balance</b>	<b>(7,119.2)</b>	<b>(2,836.6)</b>

### (13) Non-Current Assets Held for Sale

The following is a breakdown of Non-Current Assets Held for Sale as of June 30, 2016 and December 31, 2015:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Real estate	-	120.8
<b>Total</b>	<b>-</b>	<b>120.8</b>

Non-current assets held for sale as of December 2015:

<b>Real Estate (1)</b>	<b>Cost</b>
Agropecuaria Calderon Merchan S.A.	42.5
Alambres Galvanizados de Colombia S.A.	78.3
<b>TOTAL</b>	<b>120.8</b>

(1) The sale of these assets was carried out in the second half of 2016 resulting in a loss of (\$33.0).

	<b>Sales Cost</b>	<b>Effect on Income Statement</b>
Agropecuaria Calderon Merchan S.A.	42.0	(0.5)
Alambres Galvanizados de Colombia S.A.	45.8	(32.5)
<b>TOTAL</b>	<b>87.8</b>	<b>(33.0)</b>

### (14) Investments in Subordinates and Associates

a) A summary of the investments in subordinates as of June 30, 2016 and December 31, 2015 is shown below:

<b>June 30, 2016</b>						
<b>Investment on Subsidiaries and Affiliates</b>	<b>Interest %</b>	<b>Number of Shares</b>	<b>Cost</b>	<b>Equity Method</b>	<b>Equity Method on Profits</b>	<b>Investment Amount</b>
Banco Corficolombiana (Panama) S.A.	100.00%	9,400,579	27,437.0	2,150.6	(372.1)	29,215.5
Gas Comprimido del Peru	91.87%	47,821,019	52,683.2	(35,982.3)	(13,261.5)	3,439.4
CFC Gas Holding SAS	100.00%	20,858,597	343,214.4	(104,896.2)	46,641.3	284,959.5

CFC Private Equity Holdings SAS	100.00%	2,215,000	21,970.0	(1,401.0)	(2,750.9)	17,818.1
CFC Energy Holdings SAS	100.00%	180,000	168.8	(10.9)	(29.1)	128.8
Colombiana de Licitaciones y Concesiones S.A.S	100.00%	2,511,906	122,009.2	(15,775.8)	15,564.6	121,798.0
Coviandes S.A. Estudios	0.25%	68,002	92.8	(178.4)	295.2	209.6
Proyectos e Inversiones de los Andes S. A.	99.93%	53,583,915	99,172.5	(121,183.9)	75,451.6	53,440.2
Estudios y Proyectos del Sol Fiduciaria	100.00%	132,895,868	446,869.1	(5,678.0)	261,777.4	702,968.5
Corficolombiana S.A.	94.50%	29,657,829	36,588.2	2,531.5	8,229.4	47,349.1
Hoteles Estelar de Colombia S.A.	84.96%	4,221,878,224	168,532.5	57,526.5	23,248.1	249,307.1
Industrias Lehner S.A.	52.48%	112,844,140	25,075.4	-	-	25,075.4
Leasing Corficolombiana S.A.	94.50%	231,383,678	87,790.2	(12,873.6)	6,801.0	81,717.6
Mavalle S.A.	18.32%	1,668,528	2,917.9	(978.9)	(48.0)	1,891.0
Organizacion Pajonales S.A.	98.1 3%	29,387,208	86,106.5	5,854.2	8,816.1	100,776.8
Pizano S.A.	39.99%	2,791,482,625	56,771.5	21,683.7	(22,742.9)	55,712.3
Pyxis Inversiones S.A.	100.00%	8,880	1,742.4	-	-	1,742.4
Plantaciones Unipalma de los Llanos S.A.	54.53%	1,515,383,414	16,409.0	60,300.4	(5,562.6)	71,146.8
Promotora y Comercializadora Turistica Santamar S.A.	84.60%	7,341,249,597	16,439.6	10,617.5	3,667.6	30,724.7
Proyectos de Infraestructura S.A.	88.25%	52,922,419	84,610.7	(115,032.0)	143,322.6	112,901.3
Proyectos de Ingenieria y Desarrollos S.A.S	100.00%	2,000,000	2,000.0	347.9	703.4	3,051.3
Tejidos Sinteticos de Colombia S.A.	94.99%	86,288,271	19,676.4	(10,075.6)	11,852.7	21,453.5
Valora S.A.	100.00%	458,563,426	105,341.6	16,145.5	11,383.8	132,870.9
Promigas S.A.	34.22%	388,359,392	868,304.7	(66,656.2)	160,788.5	962,437.0
Fondo de Capital Privado Corredores Capital I	97.30%	14,369,361	327.4	78,412.1	67,382.1	146,121.6

<b>Total Investments on Subordinates</b>	<b>2,692,251.0</b>	<b>(235,152.9)</b>	<b>801,158.3</b>	<b>3,258,256.4</b>
--	--------------------	--------------------	------------------	--------------------

December 31, 2015						
Investment on Subsidiaries and Affiliates	Interest %	Number of Shares	Cost	Equity Method	Equity Method on Profits	Investment Amount
Banco Corficolombiana (Panama) S.A.	100.00%	9,400,579	29,603.2	(1,333.0)	(1,786.0)	26,484.2
Gas Comprimido del Peru CFC Gas Holding SAS	91.87%	47,821,019	56,842.6	(39,119.7)	(13,308.3)	4,414.6
CFC Private Equity Holdings SAS	100.00%	20,858,597	343,214.4	(105,966.9)	32,639.3	269,886.8
CFC Energy Holdings SAS	100.00%	425,000	4,070.0	(16.6)	(1,738.8)	2,314.6
Colombiana de Licitaciones y Concesiones S.A.S	100.00%	1 80,000	168.8	(10.9)	(18.2)	139.7
Coviandes S.A.	0.25%	2,454,592	89,729.3	(13,343.6)	11,118.7	87,504.4
Estudios Proyectos e Inversiones de los Andes S. A.	99.93%	68,002	92.8	(174.8)	263.2	181.2
Estudios y Proyectos del Sol Fiduciaria	100.00%	53,583,915	99,172.5	(119,826.9)	65,691.0	45,036.6
Corficolombiana S.A.	100.00%	121,853,700	356,235.7	(35,368.2)	235,823.2	556,690.7
Hoteles Estelar de Colombia S.A.	94.50%	29,657,829	36,588.2	3,347.7	6,765.6	46,701.5
Industrias Lehner S.A.	84.96%	4,221,878,224	168,532.5	59,545.3	20,520.6	248,598.4
Leasing Corficolombiana S.A.	52.48%	112,844,140	25,075.4	-	-	25,075.4
Mavalle S.A.	94.50%	223,583,360	84,611.3	(8,844.2)	15,353.2	91,120.3
Organizacion Pajonales S.A.	1 8.32%	1,668,528	2,917.9	(976.5)	71.2	2,012.6
Pizano S.A.	94.54%	28,013,898	80,389.1	7,902.5	3,868.3	92,159.9
Pyxis Inversiones S.A.	39.99%	2,791,482,625	56,771.5	21,602.6	(19,997.5)	58,376.6
Plantaciones Unipalma de los Llanos S.A.	100.00%	8,880	10,031.1	81.3	13,095.7	23,208.1
Promotora y Comercializadora Turistica	54.53%	1,515,383,414	16,409.0	60,002.0	(8,091.8)	68,319.2
	84.60%	7,341,249,597	16,439.6	10,617.5	3,021.0	30,078.1

Santamar S.A. Proyectos de Infraestructura S.A.	88.25%	52,922,419	84,610.7	(79,240.9)	113,051.5	118,421.3
Proyectos de Ingenieria y Desarrollos S.A.S	100.00%	2,000,000	2,000.0	347.9	978.0	3,325.9
Tejidos Sinteticos de Colombia S.A.	94.99%	86,288,271	19,676.4	(9,936.0)	10,123.7	19,864.1
Valora S.A.	100.00%	456,466,847	104,698.6	16,421.2	12,641.8	133,761.6
Promigas S.A. Fondo de Capital Privado	34.22%	388,359,392	868,304.7	(58,287.6)	103,681.7	913,698.8
Corredores Capital 1	97.30%	15,115,892	17,086.0	71,415.3	49,891.3	138,392.6
<b>Total Investments on Subordinates</b>			<b>2,573,271.3</b>	<b>(221,162.5)</b>	<b>653,658.4</b>	<b>3,005,767.2</b>

(\*) Includes Goodwill of \$40,868.3.

Detail of investments in Subordinates:

<b>June 30, 2016</b>					
<b>Investments on Subordinates</b>	<b>Interest %</b>	<b>Main Domicile</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Profit / (Loss)</b>
Banco Corficolombiana (Panama) S.A.	100.00%	Panama	292,920.94	263,705.45	1,326.80
Gas Comprimido del Peru CFC Gas Holding SAS	91.87%	Peru	70,372.62	66,628.70	(934.59)
CFC Private Equity Holdings SAS	100.00%	Colombia	610,796.17	70.24	16,241.76
CFC Energy Holdings SAS	100.00%	Colombia	17,841.79	23.86	(1,012.10)
Colombiana de Licitaciones y Concesiones S.A.S	100.00%	Colombia	132.99	4.20	(10.82)
Coviandes S.A. Estudios Proyectos e Inversiones de los Andes S. A.	100.00%	Colombia	151,378.08	21,846.68	4,167.04
Estudios y Proyectos del Sol Fiduciaria	0.25%	Colombia	753,640.32	669,201.90	12,901.91
Corficolombiana S.A.	99.93%	Colombia	945,620.10	826,087.32	17,421.54
Hoteles Estelar de Colombia	100.00%	Colombia	1,390,816.67	630,820.50	93,112.66
	94.50%	Colombia	136,790.77	84,195.20	5,367.69
	84.96%	Colombia	717,235.31	377,012.01	10,450.22

S.A. Industrias Lehner S.A.	52.48%	Colombia	579.34	6,597.43	(515.76)
Leasing Corficolombiana S.A.	94.50%	Colombia	1,020,316.74	933,843.18	-9,050.00
Mavalle S.A.	18.32%	Colombia	-	-	-
Organizacion Pajonales S.A.	94.54%	Colombia	230,502.82	121,109.85	5,525.01
Pizano S.A.	39.99%	Colombia	298,429.58	163,845.16	(9,632.82)
Pyxis Inversiones S.A.	100.00%	Colombia	1,951.27	122.17	325.12
Plantaciones Unipalma de los Llanos S.A.	54.53%	Colombia	199,206.76	68,735.14	4,638.09
Promotora y Comercializadora Turistica Santamar S.A.	84.60%	Colombia	40,689.65	4,370.45	937.75
Proyectos de Infraestructura S.A.	88.25%	Colombia	368,339.25	229,499.76	33,163.83
Proyectos de Ingenieria y Desarrollos S.A.S	100.00%	Colombia	3,685.70	634.39	(274.52)
Tejidos Sinteticos de Colombia S.A.	94.99%	Colombia	30,307.76	7,722.57	1,820.21
Valora S.A.	100.00%	Colombia	154,296.42	18,179.30	(1,773.06)
Promigas S.A.	34.22%	Colombia	8,012,383.58	4,853,752.01	424,157.42
Fondo de Capital Privado Corredores Capital 1	97.30%	Colombia	326,458.32	-	(3,267.25)

<b>December 31, 2015</b>					
<b>Investments on Subordinates</b>	<b>Interest %</b>	<b>Main Domicile</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Profit / (Loss)</b>
Banco Corficolombiana (Panama) S.A.	100.00%	Panamá	342,218.7	312,254.9	(1,644.3)
Gas Comprimido del Peru CFC Gas Holding SAS	91.87%	Perú	75,347.7	70,542.3	(4,886.3)
CFC Private Equity Holdings SAS	100.00%	Colombia	620,704.5	20,170.8	(7.7)
CFC Energy Holdings SAS	100.00%	Colombia	4,021.1	4.7	(35.2)
Colombiana de Licitaciones y Concesiones	100.00%	Colombia	140.2	0.6	(5.1)
	100.00%	Colombia	119,507.1	25,391.5	2,402.9

S.A.S					
Coviandes S.A.	0.25%	Colombia	687,742.1	614,749.4	38,115.5
Estudios					
Proyectos e	99.93%	Colombia	167,629.8	147,480.3	23,107.1
Inversiones de					
los Andes S. A.					
Estudios y	100.00%	Colombia	557,347.4	243,966.2	23,974.4
Proyectos del Sol					
Fiduciaria					
Corficolombiana	94.50%	Colombia	112,704.9	59,700.6	4,243.0
S.A.					
Hoteles Estelar					
de Colombia	84.96%	Colombia	536,975.7	250,511.3	8,048.4
S.A.					
Industrias Lehner	52.48%	Colombia	868.1	6,370.5	(3,109.9)
S.A.					
Leasing					
Corficolombiana	94.50%	Colombia	1,028,669.0	924,635.8	3,364.0
S.A.					
Mavalle S.A.	18.32%	Colombia	24,081.0	13,094.3	211.8
Organizacion	94.54%	Colombia	189,183.7	97,050.5	5,681.7
Pajonales S.A.					
Pizano S.A.	39.99%	Colombia	328,199.2	178,631.6	(6,585.4)
Pyxis Inversiones	100.00%	Colombia	26,552.9	3,344.7	13,095.7
S.A.					
Plantaciones					
Unipalma de los	54.53%	Colombia	193,507.3	68,221.0	1,010.6
Llanos S.A.					
Promotora y					
Comercializadora	84.60%	Colombia	40,111.2	4,729.7	563.4
Turistica					
Santamar S.A.					
Proyectos de					
Infraestructura	88.25%	Colombia	290,666.0	156,547.6	35,989.5
S.A.					
Proyectos de					
Ingenieria y	100.00%	Colombia	4,329.6	1,003.8	1,305.5
Desarrollos					
S.A.S					
Tejidos					
Sinteticos de	94.99%	Colombia	35,897.2	14,948.2	959.2
Colombia S.A.					
Valora S.A.	100.00%	Colombia	158,024.3	16,661.9	3,964.4
Promigas S.A.	34.22%	Colombia	7,096,251.8	4,440,673.1	224,116.0
Fondo de Capital					
Privado					
Corredores	97.30%	Colombia	347,234.8	2.8	(247.7)
Capital 1					

**b) The following is the detail of the Impairment of Equity Investments and Fiduciary Rights:**

	Interest %	June 30, 2016	December 31, 2015
<b>Impairment of Investments</b>			
Reforestadora de Santa Rosalia S.A.	0.00%	12.4	12.4

Petroleos Colombianos Limited	0.05%	144.8	156.2
Inducarbon S.A.	0.09%	1.1	1.1
Promotora la Alborada S.A.	1.83%	316.3	316.3
Promotora la Enseñanza S.A.	2.45%	69.8	69.8
Promotora de Inversiones Ruitoque S. A.	3.34%	139.1	139.1
Textiles el Espinal S.A.	8.56%	2,399.1	2,399.1
Petróleos Nacionales S.A.	19.54%	257.3	257.3
Industrias Lehner S.A.	52.48%	25,075.5	25,075.5
<b>TOTAL</b>		<b>28,415.4</b>	<b>28,426.8</b>
Impairment of fiduciary rights			
Fideicomiso Cartera 20 -054P	100.00%	6,485.3	6,485.3
Fideicomiso Arromasa	46.25%	501.3	501.3
<b>TOTAL</b>		<b>6,986.6</b>	<b>6,986.6</b>

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

June 30, 2016						
Investment on Subsidiaries and Affiliates	Interest %	Number of Shares	Cost	Equity Method	Equity Method on Profits	Investment Amount
Aerocali S.A.						
Casa de Bolsa S.A.	49.99%	189,997.00	7,696.6	2,466.4	19,106.8	29,269.8
Sociedad Comisionista de Bolsa Colombiana de Extrusión S.A.	38.95%	6,068,649.00	12,270.7	(2,956.8)	2,013.1	11,327.0
Extrucol Concesionaria Tibitoc S.A.	20.00%	315,420.00	1,784.8	6,245.4	(792.9)	7,237.3
Metrex S.A.	33.33%	9,086,933.00	8,924.7	14,253.9	(3,074.7)	20,103.9
Ventas y Servicios S. A.	10.31%	321,782.00	168.4	741.7	181.0	1,091.1
	19.90%	586,772.00	4,692.1	673.6	(693.8)	4,671.9
<b>Total Investments on Associates</b>			<b>35,537.3</b>	<b>21,424.2</b>	<b>16,739.5</b>	<b>73,701.0</b>

December 31, 2015						
Investment on Subsidiaries and Affiliates	Interest %	Number of Shares	Cost	Equity Method	Equity Method on Profits	Investment Amount
Aerocali S.A.						
Casa de Bolsa S.A.	49.99%	189,997	7,696.6	2,470.4	12,997.3	23,164.3
Sociedad Comisionista de Bolsa Colombiana de Extrusión S.A.	38.95%	6,068,649	24,840.8	(16,047.5)	804.0	9,597.3
Extrucol Concesionaria Tibitoc S.A.	20.00%	315,420	6,140.1	1,266.7	(544.4)	6,862.4
	33.33%	9,086,933	8,924.7	13,679.8	(3,492.6)	19,111.9

Metrex S.A.	10.31%	321,782	168.4	1,101.0	61.6	1,331.0
Ventas y Servicios S. A.	19.90%	415,586	7,411.4	(2,028.5)	(390.6)	4,992.3
<b>Total Investments on Associates</b>			<b>55,182.0</b>	<b>441.9</b>	<b>9,435.3</b>	<b>65,059.2</b>

As of June 30, 2016 and December 31, 2015, the investments in equity securities in Subsidiaries, Affiliates and Associates were not pledged nor guaranteed financial obligations.

### (15) Property and Equipment, net

The following is the balance of the accounts of tangible assets for the periods ended on June 30, 2016 and December 31, 2015.

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

<b>Property and Equipment</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>
<b>Previous balance</b>	21,882.3	20,327.8
Purchases or acquisitions (net)	877.3	2,645.0
Withdrawals / Sales (net)	(4.5)	(1,090.3)
<b>Current balance</b>	<b>22,755.1</b>	<b>21,882.3</b>
<b>Accumulated depreciation:</b>		
<b>Previous balance</b>	(3,612.4)	(2,650.0)
Depreciations in the six-month period charged to income	(686.7)	(1,001.4)
Withdrawals / Sales (net)	2.7	39.1
<b>Current balance</b>	<b>(4,296.4)</b>	<b>(3,612.3)</b>
<b>Net Property and Equipment Assets</b>	<b>18,458.7</b>	<b>18,270.0</b>

The following is a breakdown by type of property and equipment for own use:

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Book Value</b>
<b>For own use</b>			
Land	4,385.6	-	4,385.6
Buildings	10,913.8	(646.6)	10,267.2
Office equipment, furniture and fixtures	1,971.9	(869.4)	1,102.5
Computer equipment	3,364.5	(1,771.2)	1,593.3
Vehicles	1,001.5	(289.0)	712.5
Mobilization equipment	245.0	(36.1)	208.9
<b>Balance as of December 31, 2015</b>	<b>21,882.3</b>	<b>(3,612.3)</b>	<b>18,270.0</b>
Land	4,385.6	-	4,385.6
Buildings	11,694.0	(760.1)	10,933.9
Office equipment, furniture and fixtures	2,013.4	(1,011.7)	1,001.7
Computer equipment	3,415.7	(2,091.4)	1,324.3
Vehicles	1,001.5	(388.1)	613.4
Mobilization equipment	244.9	(45.1)	199.8

<b>Balance as of December 31, 2015</b>	<u>22,755.1</u>	<u>(4,296.4)</u>	<u>18,458.7</u>
--	-----------------	------------------	-----------------

The Corporation has implemented measures necessary for the conservation and protection of its assets. As of June 30, 2016 and December 31, 2015, there were insurance policies to cover risks of theft, fire, earthquake, riot, explosion, volcanic eruption, low voltage, water damage, flooding, land, loss or damage to offices and vehicles. The Corporation has appraisals of its properties no longer than three years, some of which were made during the second half of 2015 and there are no mortgages or ownership restrictions thereon, nor have been transferred as collateral.

### **(16) Investment Properties, net**

The following is the movement of investment properties during the periods ended on June 30, 2016 and December 31, 2015:

<b>Investment Properties</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>
<b>Previous balance</b>	76,247.9	15,149.4
Transfer BRP and Trusts	100.0	25,483.1
Fair value adjustment of investment properties (income)	-	40,581.1
Fair value adjustment of investment properties (impairment)	-	(4,888.5)
Withdrawals / Sales (net)	(796.0)	(77.2)
<b>Current balance</b>	<b>75,551.9</b>	<b>76,247.9</b>
<b>Impairment</b>		
<b>Previous balance</b>	47,052.9	7.2
Impairment expense	(10.9)	33,209.1
Fair value adjustment repayment (expense)	-	(4,888.5)
Transfer BRP and Trusts	-	18,786.8
Withdrawals / Sales (net)	(6.0)	(61.7)
<b>Current balance</b>	<b>47,036.0</b>	<b>47,052.9</b>
<b>Net Balance of Investment Properties</b>	<b>28,515.9</b>	<b>29,195.0</b>

### **(17) Intangible Assets, net**

The following is the balance of Intangible Assets as of June 30, 2016 and December 31, 2015:

<b>Licenses and Software</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Cost	998.1	544.5
Accumulated Depreciation	(604.1)	(352.4)
<b>Total Intangible Assets</b>	<b>394.0</b>	<b>192.1</b>

### **(18) Income Tax**

The income tax in expense for the six-month periods ended on June 30, 2016 and December 31, 2015 includes the following:

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

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Current income tax	7,765.5	5,246.8
CREE income tax	2,773.6	(2,519.5)
CREE income surtax	1,849.1	(1,399.6)
<b>Subtotal current tax</b>	<b>12,388.3</b>	<b>1,327.6</b>
Adjustment of previous periods	3.9	-
Net deferred tax for the period	28.8	155.3
<b>Subtotal deferred tax</b>	<b>28.8</b>	<b>155.3</b>
<b>Total</b>	<b>12,421.0</b>	<b>1,482.9</b>

The following are the balances related to current tax assets:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Income withholding	10,844.5	8.2
Income and complementary tax credit balance	27,761.4	27,761.4
Equity income tax CREE	5,695.4	-
CREE income surtax	2,122.1	2,122.1
<b>Total</b>	<b>46,423.4</b>	<b>29,891.7</b>

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

The tax legislation applicable to the companies of the Group stipulates the following:

In Colombia, taxable income is taxed at a rate of 25% by way of income and complementary taxes.

As of January 1, 2013, Law 1607 of December 2012 created the income tax for equity – CREE as a contribution to be made by legal and assimilated companies and entities reporting income and complementary tax for the benefit of workers, job creation and social investment. The income tax for equity “CREE” for 2014, 2015 and beyond is 9%. From 2015 an additional surtax on the CREE tax of 5% for 2015, 6% for 2016, 8% for 2017 and 9% for 2018 was created.

For determining the income tax and the CREE tax, it is assumed that the taxable income of the taxpayer cannot be lower than 3% of its liquid assets on the last day of the immediately preceding fiscal year.

Revenues considered as other income are taxed at a rate of 10%. Gains from the disposal of assets of any nature, which have been part of the fixed assets of the taxpayer are considered as other income and are taxed at a rate of 10% on the profits on disposal of the

asset.

According to article 165 of Law 1607/2012 and Regulatory Decree 2548/2014, for tax purposes, the references in tax rules to accounting standards will remain in force during a period of four (4) years following the entry into force of the International Financial Reporting Standards. Consequently, during the years 2015 to 2018 inclusive, the tax bases of the items included in the tax returns will remain unchanged and the determination of the current income tax liability and the income tax for equity (CREE) will be carried out on the basis of the current tax rules, which in some cases are referred to the previous accounting principles until December 31, 2014 (Decree 2649/1993 and other supplementary provisions).

In accordance with the above, the determination of the tax base of income and CREE taxes for the six-month periods ended on June 30, 2016 and December 31, 2015 was carried out based on the applicable tax provisions.

The following is the detailed reconciliation between the total income tax expense of the company calculated at the tax rates currently in force and the tax expense effectively recorded in the income statement.

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
<b>Earnings before income tax</b>	<b>261,841.9</b>	<b>259,722.7</b>
<b>Total tax rate</b>	<b>40%</b>	<b>39%</b>
Theoretical tax expense calculated according to tax rates in force	104,736.7	101,291.9
Non-deductible expenses	7,190.3	9,173.8
Difference in presumptive income surplus that did not generate deferred taxes	11,799.5	20,757.6
Difference in tax losses on which no deferred tax was calculated	84,723.0	-
Dividends received not constituting income	(6,997.5)	(6,674.9)
Revenues through equity method not constituting income	(122,812.6)	(118,038.1)
Profit (loss) in sale of valuation of investments not constituting income	5,125.4	(3,379.8)
Interest and other nontaxable revenues	(698.4)	(1,513.7)
Windfall profits with different tax rates	214.0	-
Deductions with different rates for the CREE tax	-	52.8
Effect of deferred taxes due to application of different tax rates	(86.3)	-
Permanent differences (Colcap profits vs. IFRS)	(2,532.3)	(450.5)
Adjustment of previous periods	3.9	-
Excess provision for the period	374.8	-

Temporary deductible differences on which no deferred tax was calculated	(68,451.2)	784.0
Other items	(168.3)	(520.2)
<b>Total*</b>	<b>12,421.0</b>	<b>1,482.9</b>

\* The total corresponds to the income tax expense calculated according to the presumptive income system plus the deferred tax expense calculated on account of windfall profits.

c. Tax losses and excess presumptive income

The following is a breakdown as of June 30, 2016 and December 31, 2015 of tax losses and excess presumptive income that have not been used and on which the Corporation has not registered deferred tax assets due to the uncertainty inherent to their recovery.

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
<b>Tax Losses</b>		
With no expiration date (1)	265,879.8	50,422.2
<b>Total</b>	<b>265,879.8</b>	<b>50,422.2</b>

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
<b>Excess presumptive income to expire on:</b>		
December 31, 2018	38,040.6	5,252.6
December 31, 2019	78,055.9	76,074.2
December 31, 2020	44,368.4	43,241.9
December 31, 2021 (1)	42,778.2	-
<b>TOTAL</b>	<b>203,243.1</b>	<b>124,568.7</b>

(1) The balance reported as at June 30, 2016 includes tax losses of \$266,283 and excess presumptive income of \$42,778 corresponding to the basis of estimated calculation of current taxes, which were only consolidated at the end of the fiscal year on December 31, 2016.

d. Deferred taxes in respect of subsidiaries, associates and joint ventures

During the six-month period ended on June 30, 2016 the Corporation did not record any deferred tax liabilities with respect to temporary differences from investments in subsidiaries, as a result of the application of the exception contemplated in paragraph 39 of IAS 12, considering that the Corporation has control on the reversal of such temporary differences and that the management considers it likely that they will not be reversed in the medium term, in addition to the current situation of the company which is calculating its taxes under the presumptive income system and it is expected to continue to calculating its taxes under the same system in the coming years. Temporary differences for the items indicated as of June 30, 2016 and December 31, 2015, amounted to \$757,787.3 and \$1,196,331.7, respectively.

e. Movement of deferred tax

Deferred taxes by type of temporary difference:

The differences between the bases of assets and liabilities for the purposes of the IFRS and tax bases of these assets and liabilities for tax purposes give rise to temporary differences generating deferred taxes that are calculated and recorded as of June 30, 2016 and December 30, 2015.

The deferred tax assets, liabilities, expense (income) and other comprehensive income during the period from June 30, 2016 and December 31, 2015 are shown below:

**Six-month period ended on December 31, 2015**

	<b>Balance as of July 1, 2015</b>	<b>Credited (charged) to Profit and Loss</b>	<b>Credited (charged) to Other Comprehensive Income</b>	<b>Balance as of December 31, 2015</b>
Differences in property, plant and equipment	(1,258.0)	(155.4)	-	(1,413.3)
<b>Total Deferred Tax Liabilities</b>	<b>(1,258.0)</b>	<b>(155.4)</b>	<b>-</b>	<b>(1,413.3)</b>
<b>Total Deferred Tax Assets</b>	<b>(1,258.0)</b>	<b>(155.4)</b>	<b>-</b>	<b>(1,413.3)</b>

The deferred tax assets, liabilities, expense (income) and other comprehensive income during the period from June 30, 2016 and December 31, 2015, on the basis of restated balances as of December 31, 2015, are shown below:

**Six-month period ended on June 30, 2016**

	<b>Balance as of July 1, 2015</b>	<b>Credited (charged) to Profit and Loss</b>	<b>Credited (charged) to Other Comprehensive Income</b>	<b>Balance as of December 31, 2015</b>
Differences in property, plant and equipment	(1,413.3)	(28.8)	-	(1,442.1)
<b>Total Deferred Tax Liabilities</b>	<b>(1,413.3)</b>	<b>(28.8)</b>	<b>-</b>	<b>(1,442.1)</b>
<b>Total Deferred Tax Assets</b>	<b>(1,413.3)</b>	<b>(28.8)</b>	<b>-</b>	<b>(1,442.1)</b>

**f. Composition of Deferred Tax to be recovered (liquidated)**

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Deferred tax liability:			
Deferred tax liability to be recovered	(1,442.1)	(1,413.3)	(1,258.0)

after more than 12 months

<b>Deferred tax liability</b>	<b>(1,442.1)</b>	<b>(1,413.3)</b>	<b>(1,258.0)</b>
-------------------------------	------------------	------------------	------------------

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

The effects of current and deferred taxes in each component of the other comprehensive income account are detailed below:

	<b>June 30, 2016</b>			<b>December 31, 2015</b>		
	<b>Amount before taxes</b>	<b>Tax expense (income)</b>	<b>Net</b>	<b>Amount before taxes</b>	<b>Tax expense (income)</b>	<b>Net</b>
<b>Items that can be reclassified later into income</b>						
Exchange difference due to translation of foreign investments	(18,099.9)	-	(18,099.9)	22,315.5	-	22,315.5
Unrealized profit (loss) on investments available for sale	149,536.8	-	149,536.8	(125,908.7)	-	(125,908.7)
Net unrealized loss on equity instruments at fair value through equity	20,892.1	-	20,892.1	63,581.6	-	63,581.6
<b>Subtotal</b>	<b>152,329.0</b>	<b>-</b>	<b>152,329.0</b>	<b>(40,011.6)</b>	<b>-</b>	<b>(40,011.6)</b>
<b>Items not reclassified into income</b>						
Actuarial profit (loss) on defined benefit plans	-	-	-	(44.3)	-	(44.3)
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(44.3)</b>	<b>-</b>	<b>(44.3)</b>
<b>Total other comprehensive income during the period</b>	<b>152,329.0</b>	<b>-</b>	<b>152,329.0</b>	<b>(40,055.9)</b>	<b>-</b>	<b>(40,055.9)</b>

**h. The Corporation does not record any uncertainties due to open tax positions as of June 30, 2016 and December 31, 2015**

**(19) Other Assets, net**

The following is a breakdown of Other Assets, as of June 30, 2016 and December 31, 2015:

<b>June 30, 2016</b>	<b>December 31, 2015</b>
----------------------	--------------------------

Prepaid expenses	277.6	282.5
Art and cultural assets	380.0	380.0
<b>TOTAL</b>	<b>657.6</b>	<b>662.5</b>

## (20) Deposits and Current Liabilities

The following is the detail of Customer Deposits, as of June 30, 2016 and December 31, 2015:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
<b>By nature</b>		
Savings accounts	487,442.5	785,182.4
Other deposits on demand	17,928.1	28,019.3
<b>Total on demand</b>	<b>505,370.6</b>	<b>813,201.7</b>
<b>Total term deposit certificates</b>	<b>2,550,351.8</b>	<b>2,390,390.2</b>
<b>TOTAL</b>	<b>3,055,722.4</b>	<b>3,203,591.9</b>

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

	<b>As of June 30, 2016</b>		<b>As of December 31, 2015</b>	
	<b>Domestic Currency</b>		<b>Domestic Currency</b>	
	<b>Minimum Rate</b>	<b>Maximum Rate</b>	<b>Minimum Rate</b>	<b>Maximum Rate</b>
Savings accounts	1.00%	8.35%	1.00%	6.40%
Term deposit certificates	4.40%	13.12%	3.25%	11.23%

The following are the customer deposits by economic sector:

<b>Sector</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Government or entities of the Colombian Government	335,471.4	3,125.2
Manufacturing	259.8	535.8
Real Estate	5.0	3,421.7
Commercial	18,377.6	40,092.2
Agricultural and livestock farming	10.7	2.3
Individuals	46,942.4	35,162.4
Others	2,654,655.5	3,121,252.3
<b>TOTAL</b>	<b>3,055,722.4</b>	<b>3,203,591.9</b>

## (21) Liability Positions in Money Market Operations

The following is the retail of the financial obligations and money market operations of the Corporation in the short term with the main purpose of financing its operations:

	<b>June 30, 2016</b>		<b>December 31, 2015</b>	
	<b>Amount</b>	<b>Average</b>	<b>Amount</b>	<b>Average</b>

	Return		Return	
<b>Domestic Currency</b>				
Ordinary interbank funds acquired	227,199.4	7.50%	360,152.2	5.75%
Repo operations	610,000.0	7.50%	150,023.0	5.74%
Simultaneous operations	2,577,708.5	6.34%	3,235,916.5	5.66%
Commitments originated from short positions	244,011.1	6.82%	81,238.3	5.75%
<b>Subtotal Domestic Currency</b>	<b>3,658,919.0</b>		<b>3,827,330.0</b>	
<b>Foreign Banks</b>				
Repo operations	122,513.6	2.36%	149,092.3	2.55%
<b>Subtotal Foreign Currency</b>	<b>122,513.6</b>		<b>149,092.3</b>	
<b>TOTAL</b>	<b>3,781,432.6</b>		<b>3,976,422.3</b>	

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

	June 30, 2016		December 31, 2015	
	Minimum Rate	Maximum Rate	Minimum Rate	Maximum Rate
<b>In Colombian pesos</b>				
Ordinary interbank funds acquired	7.49%	7.54%	5.56%	5.83%
Repo operations	7.50%	7.50%	5.74%	5.74%
Simultaneous operations	2.00%	7.50%	1.00%	5.75%
Commitments originated from short positions	3.00%	11.00%	1.00%	5.75%
<b>In foreign currency</b>				
Repo operations	2.15%	2.58%	2.04%	2.22%

Below is a summary of the maturities of liability positions in the money market:

As of June 30, 2016	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Total
Banco de Comercio Exterior	27,000.0	-	-	27,000.0
Central Bank	610,000.0	-	-	610,000.0
Fondo para el Financiamiento del Sector Agropecuario FINAGRO	6,000.0	-	-	6,000.0
Financiera de Desarrollo Territorial S.A. FINDETER	37,000.0	-	-	37,000.0
Foreign banks	-	70,556.7	51,956.8	122,513.6
Others	2,973,781.0	5,138.0	-	2,978,919.0
<b>Total</b>	<b>3,653,781.0</b>	<b>75,694.7</b>	<b>51,956.8</b>	<b>3,781,432.6</b>

As of December 31, 2015	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Total
Banco de Comercio Exterior	4,748.5	-	-	4,748.5
Central Bank	150,023.0	-	-	150,023.0
Fondo para el Financiamiento del Sector Agropecuario FINAGRO	4,700.7	-	-	4,700.7
Financiera de Desarrollo Territorial S.A.	114,931.8	-	-	114,931.8

FINDETER				
Foreign banks	73,268.8	33,083.5	42,740.0	149,092.3
Others	3,552,926.0	-	-	3,552,926.0
<b>Total</b>	<b>3,900,598.8</b>	<b>33,083.5</b>	<b>42,740.0</b>	<b>3,976,422.3</b>

As of June 30, 2016 and December 31, 2015, expenditures on interest money market operations in an amount of \$111,997.9 and \$83,675.9, respectively, were recognized in the income statement.

## (22) Employee Benefits

According to the Colombian labor laws, the different employees of the Corporation are entitled to short-term benefit such as: wages, vacations, legal and non-legal bonuses and severance pay and interest on severance pay, and to long-term benefits such as: non-legal seniority premiums (five-year periods) and to retirement benefits such as: legal and non-legal retirement pension.

The following is a breakdown of the balances of provisions for employee benefits as of June 30, 2016 and December 31, 2015:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Short-term benefits	3,553.9	3,322.2
Retirement benefits	1,321.9	1,382.2
Long-term benefits	1,583.8	1,576.5
<b>Total</b>	<b>6,459.6</b>	<b>6,280.9</b>

Retirement benefits of employees:

In Colombia the retirement pension of employees who retire after reaching certain age and seniority are assumed by public or private pension funds based on defined contribution plans to which companies and employees contribute on a monthly basis the amounts defined by the law to have access to retirement pension.

A person (woman) is part of the actuarial calculation when he/she receives pension benefits from the Corporation. The actuarial calculation is fully amortized.

The following is a breakdown of the retirement benefits and long-term benefits of employees as of June 30, 2016 and December 31, 2015:

	<b>Pension Plans</b>		<b>Other Benefits</b>	
	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>
<b>Balance at the beginning of the period</b>	<b>1,382.2</b>	<b>1,381.6</b>	<b>1,576.5</b>	<b>1,701.8</b>
Costs incurred in the period	-	-	71.0	87.4
Interest cost	49.8	50.5	57.6	59.1
Costs of past services	-	-	-	-
<b>Cost subtotal</b>	<b>49.8</b>	<b>50.5</b>	<b>128.6</b>	<b>146.4</b>

(Profit)/loss for changes in interest rate	-	(6.4)	-	(10.7)
(Profit)/loss for changes in actuarial assumptions	(9.8)	54.9	-	(52.6)
<b>Profit – loss subtotal</b>	<b>(9.8)</b>	<b>48.5</b>	<b>-</b>	<b>(63.3)</b>
Payments to employees	(100.3)	(98.4)	(121.3)	(208.4)
<b>Balance at the end of the period</b>	<b>1,321.9</b>	<b>1,382.2</b>	<b>1,583.8</b>	<b>1,576.5</b>

The variables used for the calculation of the projected obligation of the various retirement and long-term benefits to employees are shown below:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Discount rate	10.0%	8.3%
Inflation rate (1)	4.9%	3.5%
Wage increase rate	3.5%	3.5%
Pension increase rate	3.5%	3.5%
Employee turnover rate	17.0%	17.0%
<b>Total</b>	<b>38.9%</b>	<b>35.8%</b>

(1) The target average inflation published by the Central Bank is used.

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

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

	<b>Change in the variable</b>	<b>Increase in the variable</b>	<b>Decrease in the variable</b>
<b>Other benefits</b>			
Discount rate	-50bp and +50 bp	1,535.8	1,619.3
Wage increase rate	-50bp and +50 bp	1,621.1	1,533.7
<b>Pensions</b>			
Discount rate	-50bp and +50 bp	1,344.8	1,421.5
Wage increase rate	-50bp and +50 bp	1,426.7	1,339.6

Sensitivities: This is the value of the actuarial reserve (DBO for Defined Benefit Obligation) in millions of pesos, when any assumption in the calculation of the scenario chosen is modified. There are two variables with which the sensitivity was calculated:

a. “Wages Increase”. By increasing the wage rate by 50 basis points (i.e. 0.5%) the liabilities increase since financing a more expensive benefit than we had assumed means a larger reserve.

b. “Discount Rate”. The variation in this case is the opposite, because we are evaluating a present value: If the investment rate increases the liability decreases and vice versa.

**Long-term benefits of employees:**

The Corporation provides its employees with seniority bonuses during their working life depending on the number of years of service, five, ten, fifteen and twenty years, etc., calculated as days of salary (between 30 and 90 days) for each payment.

### (23) Other Provisions

The following is a breakdown of provisions for legal contingencies and other provisions as of June 30, 2016 and December 3, 2015:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
<b>Tax provisions (1)</b>		
Income tax and complementary taxes	7,765.5	-
Equity income tax	4,622.8	-
Industry and commerce tax	702,4	-
	<b>13,090.7</b>	-
<b>Other provisions</b>		
Contributions, affiliations and transfers	2,438.3	2,252.8
Human Resources	1,536.7	1,267.8
Others	4,017.7	4,342.4
<b>Total</b>	<b>21,083.4</b>	<b>7,863.0</b>

(1) As of December 31, 2015, current tax provisions were offset with advance payments and credit balances, thus generating an effect on assets of \$29,891.7 (See note 18).

Legal Contingencies: For the periods ended on June 30, 2016 and December 31, 2015, the Corporation has no provisions for legal contingencies since legal proceedings have been classified by lawyers as remote.

Uncertainties in tax positions: For the periods ended on June 30, 2016 and December 31, 2015, the Corporation has no provisions for tax uncertainties.

### (24) Accounts Payable

The following is a breakdown of the accounts payable:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Commissions and fees	95.1	95.1
Dividends and surplus	47,067.6	59,967.2
Suppliers, services payable and other accounts payable	3,859.8	2,295.3
Labor withholdings and contributions	2,804.4	3,019.1
Sale tax payable	9,335.0	2,724.5
Committed purchasers	1,300.0	45.8
Leases	542.0	627.9
Other accounts payable (1)	16,937.4	2,695.9
<b>Total Accounts Payable</b>	<b>81,941.3</b>	<b>71,470.7</b>

(1) As of June 30, 2016, other accounts payable correspond to the legalization of

Derivative Financial instruments and Money Market Positions pending compliance in Q+1 – Q+2.

**(25) Subscribed and Paid-in Capital**

Number of shares authorized, issued and outstanding:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Number of shares authorized, issued and outstanding	250,000,000	250,000,000
Number of shares subscribed and paid-in	226,834,611	223,190,794
<b>Total shares</b>	<b>226,834,611</b>	<b>223,190,794</b>
<b>Subscribed and paid-in capital</b>	<b>2,268.3</b>	<b>2,231.9</b>
<b>Share Issue Premium</b>	<b>2,499,709.1</b>	<b>2,363,795.4</b>

The following is the detail of subscribed and paid-in shares by classification:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Common stock	213,135,370	209,676,919
Preferred stock (1)	13,699,241	13,513,875
<b>Total shares issued</b>	<b>226,834,611</b>	<b>223,190,794</b>
<b>Face value of shares (in pesos)</b>	<b>10.0</b>	<b>10.0</b>

(1) The Corporation has evaluated the preferred shares without voting rights issued as of the reporting dates of these financial statements and has concluded that such shares are not financial liabilities and are therefore recognized as a higher equity amount.

**Reserves:**

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Statutory reserve	41,809.5	41,809.5
Occasional reserves	595,245.2	651,295.1
<b>Total</b>	<b>637,054.7</b>	<b>693,104.5</b>

Dividends declared:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Profits from immediately preceding period		
Cash dividends paid	Cash dividend of \$ 336.0 per share on 210,248,194 ordinary shares and 13,513,875 preferred shares subscribed and paid as of January 31 2016. This dividend was paid in five (5) monthly installments, on the fifteenth (15)	Cash dividend of \$ 330.0 per share on 205,517,327 common shares and 13,258,193 preferred shares subscribed and paid as of June 30, 2015. These preferred dividend shares began to be paid in six (6) monthly installments,

	<p>day of each month from May 2016.</p> <p>Stock dividend of \$ 115,013.7 at the \$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 January 31, 2016.</p> <p>These dividends were paid in shares at one (1) share for every 72,755,129 common shares and one (1) preferred dividend share without voting rights for each 72.755129 preferred shares subscribed and paid as of January 31, 2016.</p>	<p>on the fifteenth (15) day of each month from October 2015.</p> <p>Stock dividend of \$ 109,046.6 at \$ 653.64 per share on 205,517,327 common shares and \$ 653.64 per share on 13,258,193 preferred shares subscribed and paid as of June 30, 2015. These dividends were paid in shares at one (1) share for every 56.369946 common shares and one (1) preferred dividend share without voting rights for each 56.369946 preferred shares subscribed and paid as of June 30, 2015.</p>
Stock dividends paid	<p>The payment of the shares was made on May 2, 2016 to the persons entitled to it at the time of payment in accordance with current regulations.</p> <p>For this purpose a total of 3,072,542 new shares, 2,887,176 common shares and 185,366 preferred shares were issued.</p> <p>The unit value of the shares delivered is equal to the weighted average price of common shares traded on the stock exchange from 26 January to February 26, 2016, \$ 37,396.14. The fractions resulting from the capitalization were returned to the reserve of Decree 2336/1995.</p>	<p>The payment of the shares was made on November 3, 2015 to the persons entitled to it at the time of payment in accordance with current regulations.</p> <p>For this purpose a total of 2,388,276 new shares, 2,255,232 common shares and 133,044 preferred shares were issued.</p> <p>The unit value of the shares delivered is equal to the weighted average price of common shares traded on the stock exchange from July 21 to August 21, 2015, \$36,845.65.</p>
Stock dividends paid in cash		<p>Stock dividend of \$ 33,953.9, which was paid in cash at the request of shareholders who opted for this alternative or remained silent, on a total of 921,516 new shares, 819,360 common shares and 102,156 preferred shares.</p> <p>The unit value of the shares</p>

		delivered is equal to the weighted average price of common shares traded on the stock exchange from July 21 to August 21, 2015, \$ 36,845.65.
Capitalization of reserves		<p>Capitalization of reserve of Decree 2336/1995 in an amount of \$ 74,803.7 at \$ 341.92 per share on 205,517,327 common shares and \$ 341.92 for each share on 13,258,193 preferred shares subscribed and paid as of June 30, 2015. These dividends were paid in shares at one (1) share for every 107.761031 common shares and one (1) preferred dividend share without voting rights for each 107.761031 preferred shares, subscribed and paid as of June 30, 2015.</p> <p>The payment of the shares was made on November 3, 2015 to the persons entitled to it at the time of payment under current regulations.</p> <p>For this purpose a total of 2,030,191 new shares, 1,907,158 common shares and 123,033 preferred shares were issued. The unit value of the shares delivered is equal to the weighted average price of common shares traded on the stock exchange from July 21 to August 21, 2015, \$36,845.65.</p>
Cash dividends on new shares	Cash dividend of \$ 336.0 per share on 3,075,550 new shares issued (2,889,806 common shares and 185,745 preferred shares). This dividend is started to be paid in five (5) monthly installments, on the fifteenth (15) day of each month from May 2016.	

Common shares outstanding	210,248,194	205,517,327
Preferred shares outstanding	13,513,875	13,258,193
Total shares outstanding	223,762,069	218,775,520
<b>Total cash dividends declared</b>	<b>76,217.5</b>	<b>106,149.8</b>

## (26) Capital Management

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

The classification of risk assets in each category is made by applying the percentages determined by the Financial Superintendence of Colombia to each of the items of assets, contingent accounts, business and trusteeships established in the Account Plan. As of January 30, 2002, market risks are also included as part of the risk-weighted assets.

As of June 30, 2016 and December 31, 2015, the solvency ratio achieved by the Corporation was thirty-two point sixty-six percent (32.66%) and thirty-one point nine percent (31.09%), respectively. In addition, the regulatory capital as at those dates was \$2,972,759.8 and \$2,657,143.8, respectively.

## (27) Profit from sale of assets

The following is the detail of the profits from the same of assets as of June 30, 2016 and December 31, 2015:

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
<b>Profit</b>		
Assets received in lieu of payment	-	208.5
Furniture and fixtures	2.0	13.3
Computer equipment	1.0	-
Vehicles	28.0	-
<b>Total sale profits</b>	<b>31.0</b>	<b>221.8</b>
<b>Loss</b>		
Furniture and fixtures	1.1	3.8
Computer equipment	-	13.2
Vehicles	-	4.0
<b>Total sale loss</b>	<b>1.1</b>	<b>21.0</b>
<b>Profit from sale of assets (net)</b>	<b>29.9</b>	<b>200.8</b>

## (28) Commissions and Fees, net

The following is the detail of revenues and expenses on account of commission and fees as of June 30, 2016 and December 31, 2015:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
<b>Revenues</b>		
Bank guarantees	1,115.0	917.6
Fiduciary businesses (commissions and fees)	12,395.9	8,223.9
Services provided by offices	107.7	201.7
Others	1,346.4	205.2
<b>Total revenues</b>	<b>14,965.0</b>	<b>9,548.4</b>
<b>Expenses</b>		
Fees	2,998.9	2,877.0
Bank services	1,005.2	788.3
Fiduciary businesses	15.1	14.1
Commissions from sales and services	2,644.1	2,452.2
Others	-	38.6
<b>Total expenses</b>	<b>6,663.3</b>	<b>6,170.2</b>
<b>Net revenues and expenses from commissions and fees</b>	<b>8,301.7</b>	<b>3,378.2</b>

## (29) Other Income

The following is the detail of Other Income as of June 30, 2016 and December 31, 2015:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Repayments for work-related diseases	67.5	69.2
Repayment of liability provisions	1,138.4	2,662.4
Fair value adjustment	713.4	41,389.9
Others	1,861.7	1,717.7
Recovery of impairment	153.8	5,051.8
<b>Total Other Income</b>	<b>3,934.8</b>	<b>50,890.9</b>

## (30) Other Expenses

The following is the detail of Other Expenses as of June 30, 2016 and December 31, 2015:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Loss in sale of assets received as payment	36.9	189.0
Legal expenses	13.1	11.0
Adaptations and installations	133.2	723.1
Fines, penalties and litigation	0.3	0.1

Cleaning and surveillance services	313.0	294.3
Temporary services	575.6	528.1
Advertising and promotion	591.3	572.3
Public relations	91.4	39.3
Utilities	698.9	740.5
Travel expenses	87.4	123.3
Transport	344.0	352.9
Inputs and stationery	89.2	67.2
Advertising and subscriptions	72.0	110.8
Court expenses	2.0	34.3
Mail expenses	23.0	17.1
Cafeteria consumables	20.0	31.1
Connection and transfer services	741.1	797.4
Building management fees	460.1	219.1
Digitalization contracts – Outsourcing switchboard operators	88.3	91.3
Food for employees	103.8	118.8
BRP expenses	495.4	203.0
Specialized messenger services	228.8	216.7
Deductible VAT proration	1,589.5	1,574.2
Operating risk	25.2	-
Others	664.5	318.4
<b>Total Other Expenses</b>	<b>7,488.0</b>	<b>7,373.3</b>

### (31) Equity Method

For the six-month periods ended on June 30, 2016 and December 31, 2015, the Corporation recognized the following participation in the income (loss) of its Subordinates and Associates in the income statement:

<b>Equity Method</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Promigas S.A.	110,312.0	125,741.2
Estudios y Proyectos del Sol	83,349.7	86,541.8
CFC Gas Holding S.A.S.	34,109.7	-
Proyectos de Infraestructura S.A.	30,271.1	31,761.1
Fondo de Capital Privado Corredores Capital I	17,490.8	-
Estudios Proyectos e Inversiones de los Andes S.A.	9,760.7	23,089.7
Aerocali S.A.	6,232.4	6,007.7
Hoteles Estelar de Colombia S.A.	6,182.1	6,837.9
Organizacion Pajonales S.A.	5,943.3	5,316.4
Fiduciaria Corficolombiana S.A.	5,072.5	4,009.6
Colombiana de Licitaciones y Concesiones S.A.S.	4,445.8	2,197.6
Concesionaria Tibitoc S.A.	2,778.0	455.1

Plantaciones Unipalma de los Llanos S.A.	2,529.2	551.1
Tejidos Sinteticos de Colombia S.A.	1,729.0	911.1
Banco Corficolombiana (Panama) S.A.	1,351.0	(1,636.0)
Promotora y Comercializadora Turistica Santamar S.A.	646.6	623.3
Casa de Bolsa S.A. Sociedad Comisionista de Bolsa	190.9	391.9
Colombiana de Extrusion S.A. Extrucol	163.9	305.2
Metrex S.A.	121.0	-
Coviandes S.A.	32.0	94.6
Jardin Plaza	-	161.5
CFC Energy Holdings S.A.S.	(10.8)	(5.1)
Mavalle S.A.	(119.1)	38.8
Proyectos de Ingenieria y Desarrollos S.A.S.	(274.5)	1,305.5
Ventas y Servicios S. A.	(310.8)	32.6
PYXIS Inversiones S.A.S.	(384.4)	13,095.7
CFC Private Equity Holdings S.A.S.	(1,012.1)	(494.7)
Gas Comprimido del Peru	(1,012.6)	(4,560.0)
Valora S.A.	(1,258.0)	4,212.4
Pizano S.A.	(2,745.5)	(7,503.5)
Leasing Corficolombiana S.A.	(8,552.2)	3,179.0
<b>Total net profits</b>	<b>307,031.6</b>	<b>302,661.5</b>

### (32) Dividends and Interests

As of June 30, 2016 and December 31, 2015, the Corporation recognized the following dividends in the income statement:

<b>Dividends</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Empresa de Energia de Bogota S.A. E.S.P.	7,994.2	16,350.1
Gas Natural S.A. E.S.P.	4,401.6	-
Mineros S.A.	2,950.2	-
Fiduciaria de Occidente S.A.	805.4	746.7
Deceval S.A.	726.1	-
Bolsa de Valores de Colombia S.A.	559.0	-
Cámara de Compensación de Divisas de Colombia S.A.	38.2	-
Banco AV Villas	14.0	13.6
Bladex S.A. Clase E	5.0	4.7
<b>Total</b>	<b>17,493.7</b>	<b>17,115.1</b>

### (33) Analysis of Operating Segments

The Corporation is divided into two businesses, the Financial business that links the activities of Treasury and the distribution network of products by the Commercial

Management (marketing of the product of financial affiliates and the products of Casa de Bolsa), and the Investment business where the equity securities portfolio and investment banking are management (M&A's, syndications, capital markets, project finance and advise).

The allocation of assets, liabilities, equity, income and expenses to each business is carried out in the following way: the investment business is allocated with the entire portfolio of investments in equity securities, accounts receivable and accounts payable related to dividends, and all equity and the difference for funding, between the value of assets and equity is allocated, is taken from the longer-term deposits, all other balance sheet items are assumed by the financial business. The investment business accounts for 42.50% of total assets at the end of the first half of 2016 and for 39.11% for the second half of 2015.

In the case of P&L, the income of the investment business correspond to the profit sharing method, dividends of companies with an interest of less than 20%, the valuation of investments and Investment Banking commissions; expenses correspond to the interest expense for term deposits required to fund the total assets assigned and the administrative expenses directly attributable to the business. The financial business is allocated with the net result of treasury (portfolio valuation, trading of derivatives, foreign exchange trading and exchange difference, net from financial expenses), commercial banking commissions, income from recoveries of assets and all administrative expenses that were not recognized in the investment business are attributed to it (which must be covered entirely by the financial business to ensure that revenues from investments are distributed in full to shareholders). In terms of profits, the investment business accounts for 111.56% of total net earnings in the first half of 2016 and for 129.94% of total net earnings in the second half of 2015. On the other hand, in the last year the treasury business has been affected by market conditions, both by the TES and the TRM rates in the case of revenues and by the increased interest rates in the case of expenses, so that the contribution of financial business to the profits of he Corporation was negative in 11.56% in the first half of 2016 and 29.94% for the second half of 2015.

Information on net earnings, assets and liabilities of the reportable operating segments is shown below:

	<b>June 30, 2016</b>		
	<b>Investments</b>	<b>Financial</b>	<b>Total</b>
<b><u>Assets</u></b>			
Financial instruments at fair value	747,230.2	3,810,749.8	4,557,980.0
Financial instruments at amortized cost	-	69,029.8	69,029.8
Investments in associates and subsidiaries	3,331,957.4	-	3,331,957.4
Other assets	221,129.8	1,938,521.2	2,159,651.0
<b>Total assets</b>	<b>4,300,317.4</b>	<b>5,818,300.8</b>	<b>10,118,618.2</b>
<b><u>Liabilities</u></b>			
Customer deposits	1,480,270.4	1,575,452.0	3,055,722.4
Other liabilities	47,067.6	4,095,736.0	4,142,803.6
<b>Total liabilities</b>	<b>1,527,338.0</b>	<b>5,671,188.0</b>	<b>7,198,526.0</b>
<b>Capital expenditures (equity)</b>	<b>2,772,979.4</b>	<b>147,112.8</b>	<b>2,920,092.2</b>

<b><u>External income</u></b>			
Financial income	-	53,716.7	53,716.7
Fees and commissions	11,494.8	3,470.3	14,965.1
Other operating income	362,327.7	3,888,755.6	4,251,083.3
<b>Total income</b>	<b>373,822.5</b>	<b>3,945,942.6</b>	<b>4,319,765.1</b>
Financial expenses	63,595.4	209,008.8	272,604.2
Provision for impairment of financial assets	-	4,298.9	4,298.9
Depreciations and amortizations	-	1,058.7	1,058.7
Commissions and fees paid	-	6,663.4	6,663.4
Administrative expenses	16,286.4	11,804.9	28,091.3
Other operating expenses	15,680.1	3,729,526.6	3,745,206.7
Income tax	-	12,421.0	12,421.0
<b>Total expenses</b>	<b>95,561.9</b>	<b>3,974,782.3</b>	<b>4,070,344.2</b>
<b>Net earnings</b>	<b>278,260.6</b>	<b>(28,839.7)</b>	<b>249,420.9</b>

	December 31, 2015		
	Investments	Financial	Total
<b><u>Assets</u></b>			
Financial instruments at fair value	713,887.2	4,853,318.3	5,567,205.5
Financial instruments at amortized cost	-	55,463.7	55,463.7
Investments in associates and subsidiaries	3,722,595.3	-	3,722,595.3
Other assets	784,104.6	1,509,827.8	2,293,932.4
<b>Total assets</b>	<b>5,220,587.1</b>	<b>6,418,609.8</b>	<b>11,639,196.9</b>
<b><u>Liabilities</u></b>			
Customer deposits	1,289,368.3	1,914,223.6	3,203,591.9
Other liabilities	59,967.2	4,415,407.1	4,475,374.3
<b>Total liabilities</b>	<b>1,349,335.6</b>	<b>6,329,630.7</b>	<b>7,678,966.2</b>
<b>Capital expenditures (equity)</b>	<b>3,871,251.5</b>	<b>88,979.1</b>	<b>3,960,230.7</b>
<b><u>External income</u></b>			
Financial income	-	28,572.9	28,572.9
Fees and commissions	6,059.9	3,488.5	9,548.4
Other operating income	230,006.2	3,464,247.2	3,694,253.4
<b>Total income</b>	<b>236,066.1</b>	<b>3,496,308.6</b>	<b>3,732,374.7</b>
Financial expenses	44,481.4	128,566.2	173,047.6
Depreciations and amortizations	-	1,117.0	1,117.0
Commissions and fees paid	-	6,170.2	6,170.2
Administrative expenses	13,528.4	35,201.1	48,729.5
Other operating expenses	9,349.4	3,333,702.8	3,343,052.3
Income tax	-	10,611.2	10,611.2
<b>Total expenses</b>	<b>67,359.2</b>	<b>3,515,368.5</b>	<b>3,582,727.7</b>
<b>Net earnings</b>	<b>168,706.9</b>	<b>(19,059.9)</b>	<b>149,647.0</b>

### 34) Related Parties

In accordance with IAS 24, a related party is a natural person or legal entity related to the entity that prepares its financial statements and may exercise control or joint control over the reporting entity, exercise significant influence over the reporting entity, or be considered a member of key management personnel of the reporting entity or of a parent

of the reporting entity. The definition of a related party includes: a) persons and/or relatives related to the entity, entities that are members of the same group (parent and subsidiary), associates or joint ventures of the entity or of entities in the group, post-employment benefit plans for the employees of the reporting entity or a related entity.

The following are the related parties of the Corporation:

1. Shareholders: it includes the main shareholders together with the transactions carried out with related parties as defined in IAS 24.
2. Members of the Board of Directors: it includes the main and alternate members of the Board of Directors together with the transactions carried out with related parties as defined in IAS 24.
3. Key management personnel: it includes the President and Vice Presidents of the company who participate in the planning, management and control of the company. A portion of key management personnel, or their related parties, that holds positions in other entities resulting in them having significant control or influence over the financial or operating policies of these entities.
4. Subordinated companies: it includes the companies over which the Group exercised control in accordance with the definition of control provided in the Commercial Code and IFRS 10.
5. Associated companies: companies in which Grupo Aval has significant influence, which is generally determined when having an interest between 20% and 50% in their capital.

The most representative balances as of June 30, 2016 and December 31, 2015 with related parties are as follows:

June 30, 2016

	Shareholders	Members of the Board of Directors	Key Management Personnel	Associated Companies	Other Related Parties	Total
<b>Assets</b>						
Cash and cash equivalents	807,807.5	-	-	966,042.0	-	1,773,849.6
Financial assets in investments	43,402.9	-	-	3,304,532.1	962,437.0	4,310,372.0
Accounts receivable	-	528.0	1.0	91,770.7	23,301.6	115,601.3
Other assets	0.3	-	-	1,428.6	-	1,428.9
<b>Total Assets</b>	<b>851,210.7</b>	<b>528.0</b>	<b>1.0</b>	<b>4,363,773.4</b>	<b>985,738.6</b>	<b>6,201,251.8</b>

<b>Liabilities</b>						
Deposits	137,788.2	352.0	-	17,455.5	356.7	155,952.5
Accounts payable	25,278.3	73.7	34.1	22,891.7	-	48,277.8
Other liabilities	-33,402.2	-	-	127,325.8	-	93,923.6
<b>Total Liabilities</b>	<b>129,664.3</b>	<b>425.7</b>	<b>34.1</b>	<b>167,673.0</b>	<b>356.7</b>	<b>298,153.9</b>

December 31, 2015

	Shareholders	Members of the Board of Directors	Key Management Personnel	Associated Companies	Other Related Parties	Total
<b>Assets</b>						
Cash and cash equivalents	811,857.0	-	-	998,625.8	-	1,810,482.8
Financial assets in investments	54,478.5	-	-	2,027,852.7	1,830,981.7	3,913,312.9
Accounts receivable	4.9	509.4	-	91,322.7	17,476.2	109,313.2
Other assets	-	-	-	552,039.5	-	552,039.5
<b>Total Assets</b>	<b>866,340.4</b>	<b>509.4</b>	<b>-</b>	<b>3,669,840.7</b>	<b>1,848,457.9</b>	<b>385,148.4</b>
<b>Liabilities</b>						
Deposits	-	-	-	6,718.5	86.0	6,804.5
Accounts payable	19,940.6	46.6	0.2	22,591.0	2.2	42,580.6
Other liabilities	-	0.1	-	154,591.9	66.9	154,658.9
<b>Total Liabilities</b>	<b>19,940.6</b>	<b>46.7</b>	<b>0.2</b>	<b>183,901.4</b>	<b>155.1</b>	<b>204,044.0</b>

The most representative transactions with related parties in the six-month periods ended on June 30, 2016 and December 31, 2015 include the following:

June 30, 2016

	Shareholders	Members of the Board of Directors	Key Management Personnel	Associated Companies	Other Related Parties	Total
Financial revenues	27,747.2	13.4	-	31,359.5	-	59,120.1
Financial expenses	-	-	-	1,609.4	-	1,609.4
Revenues from commissions and fees	-	-	-	3,374.1	-	3,374.1
Expenses for commissions and fees	129.3	148.5	-	171.3	12.4	461.5

Other revenues	68,251.6	9.9	3.3	12,960.2	17.4	81,242.4
Other expenses	53,419.3	12,692.5	13,153.7	7,584.1	1,562.8	88,412.4

December 31, 2015

	Shareholders	Members of the Board of Directors	Key Management Personnel	Associated Companies	Other Related Parties	Total
Financial revenues	12,312.7	11.0	-	13,824.2	-	26,147.9
Financial expenses	-	-	-	1,924.4	-	1,924.4
Revenues from commissions and fees	-	-	-	4,824.2	-	4,824.4
Expenses for commissions and fees	64.5	131.6	-	164.7	11.6	372.4
Other revenues	1,719.8	1.5	1.2	23,142.0	69,563.9	94,428.4
Other expenses	288.7	1.3	4,166.9	5,570.2	-	10,027.1

The amounts outstanding are unsecured and will be liquidated in cash. No guarantees have been given or received. No expense has been recognized in the current period or in prior periods in respect of bad or doubtful debts related to amounts owed by related parties. Transactions with related parties are conducted at market prices and therefore no preferential rates are granted.

Retribution of key management personnel:

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

Items	June 30, 2016	December 31, 2015
Salaries	4,970.5	4,166.4
Short-term employee benefits	955.4	1,008.4
Other long-term benefits	511.6	511.6
<b>Total</b>	<b>6,257.5</b>	<b>5,686.4</b>

### (35) Approval of Financial Statements

The financial statements and accompanying notes were authorized by the Board of Directors and by the Legal Representative, according to Minutes No. 1829 dated August 18, 2016, to be submitted to the General Shareholders' Assembly for approval.

**(36) Events occurred after the reporting period**

There have been no events after the end of the year that may have an impact on the financial statements between June 30 and August 24, 2016.

## **PROPOSAL FOR THE DISTRIBUTION OF PROFITS**

**Corporacion Financiera Colombiana S.A.**  
**Proposal for the Distribution of Profits**  
**June 2016 – In million of Colombian pesos**

Earnings before taxes		\$ 261,841,897,256
Minus: tax provision		\$ 12,420,962,098
Profits for the year after taxes		\$ 249,420,935,158
Release reserve for future distributions		\$ 173,805,252,687
Release reserve Decree 2336/95 (realized income)		\$ 11,630,936,143
Release reserve Decree 2336/95 (unrealized income)		\$ 217,307,557,338
Profits available		\$ 652,164,681,326
Reserve on valuation of investments Decree 2336/95	\$ 20,460,158,429	
To cover profits from previous years	\$ 15,442,313,402	
Reserve for future distributions of profits MPU	\$ 104,000,000,000	
Occasional reserves	\$ 220,315,535,852	
Cash dividend of \$ 321 per share on 213,135,370 common shares and 13,699,241 preferred shares outstanding on June 30, 2016. This dividend will be paid in six monthly installments on the 20 <sup>th</sup> day of each month from October 2016 (if falling on a non-business day, the payment will be made on the first following business day).	\$ 72,813,910,131	
“Capitalization of reserve of Decree 2336/95 which is equal to a dividend at \$ 958 per share on 213,135,370 common shares and \$ 958 per share on 13,699,241 on preferred shares outstanding at on 30, 2016. These dividends will be paid in shares at 1 share for every 39.893526 common shares and 1 preferred dividend share without voting rights for each 39.893526 preferred shares outstanding on June 30, 2016. The payment of the shares will be made on October 10, 2016 to the person entitled to it at the time of payment under current regulations. For this purpose, a total of 5,686,000 new shares, 5,342,605 common shares and 343,395 preferred shares will be issued.	\$ 217,307,557,338	

<p>The unit value of the shares to be delivered is equal to the weighted average price of the common shares traded from July 19 to August 19, 2016, \$ 38,218.00 (1), of which \$ 10 will be accounted for in the capital account and \$ 38,208.00 in the statutory reserve account as a share issue premium.”</p>		
<p>Cash dividend of \$ 321 per share on 5,686,00 newly issued shares (5,342,605 common shares and 343,395 preferred shares). This dividend will be paid in six equal monthly installments on the 20<sup>th</sup> day of each month from October 2016 (if falling on a non-business day, the payment will be made on the first following business day).</p>	<p>\$ 1,825,206,174</p>	
<p><b>EQUAL AMOUNTS</b></p>	<p>\$ 652,164,6814,326</p>	<p>\$ 652,164,6814,326</p>
<p>(1) The average daily stock price was taken from the report of Infovalmer.</p>		
<p>NOTE: The payment of stock dividends, by express mandate of Decree 2336/1995, must be mandatorily made in shares, as these are the profits to be distributed on this account generated as a result of the application of special unrealized investments valuation systems at market prices by the company. The fractions resulting from the capitalization will be returned to the reserve of the Decree 2336.</p>		

## **Financial Indicators**

## **ANALYSIS OF FINANCIAL INDICATORS**

### ***1. Asset Quality Indicators***

Taking into account the structure of the current business of the Corporation, which has no intermediation operations, the indicators analyzed here are basically related to assets received in lieu of payment and available cash, for the first half of 2016 the ratio of non-performing assets to total assets was 10.82%, increasing from late last year. The main impact was generated by the category of available cash that behaves according to market opportunities to obtain returns on savings accounts.

### ***2. Solvency Indicator***

The Financial Superintendence has established that the minimum Regulatory Capital of financial intermediaries must be equal to 9% of the value of risk-weighted assets. The Corporation complies with the limits stipulated recording a solvency indicator of 32.66% at the end of the first half of 2016.

### ***3. Profitability and Efficiency Indicators***

In 2016 the businesses of the Corporation continued to show positive operating results, in both the equity portfolio and the fixed income portfolio, while maintaining good levels in regard to profitability indicators.

The return on assets was 4.29%, decreasing as compared to the end of 2015, it is worth mentioning that extraordinary dividends were recorded in 2015 in the amount of \$143,000 million, for 2016 the financial margin was impacted by the behavior of the market. The same situation is observed in the return on equity, which at the end of the first half was 13.46%, despite being higher than that recorded at the end of 2015; it must be clarified that the variation is impacted by a lower equity value at the end of the first half of the year (due to the impact of the application of the new accounting policy in the accounting for investments in controlled entities, associates and joint ventures, whose impact was a decrease in equity of approximately \$1 trillion) rather than by higher revenues.

The financial margin at the end of June 2016 was 2.66%, as other profitability indicators the result decreased when compared to previous periods, due to the effect generated by increased rates, mainly TES rates, and the high volatility in the exchange market.

As for the indicator that relates administrative expenses with average assets, it stood at 0.76% at the end of the first half of 2016, the Corporation continues applying its cost control policy which allow it this indicator to remain stable.

### ***4. Annual Growth Indicators***

In the annual comparison (June 2016 vs. June 2015), the investments account showed an

increase of 6.41%, where the fixed-income portfolio had the biggest impact with a positive variation of 8.68%, while the equity portfolio registered a negative variation of 11.52%, as a result of the change in the accounting policy involving the retrospective restatement of the measurement of investments from the Opening Statement of Financial Position (OSFP), where the value of investments in controlled entities, associates and joint ventures must be equal to equity of the entity as a result of direct and indirect interests (IAS 28.27) plus the net balance of the goodwill recorded on the date of the OSFP, i.e. valuations at quoted prices recorded using the previous methodology must be reversed, the net effect of which on the Corporation is a decrease in assets.

Deposits showed an increase in the year of 27.13%, in which term deposits increased by 25.71% and savings accounts increased by 37.31%, in line with the behavior of assets.

In the same period, the equity showed a variation of -2.54%, the biggest impact is related to the other comprehensive income (OCI) account, which includes unrealized gains or losses on investments available for sale, where behavior of the fixed-income market generated the most important effect, and the surplus by the equity method.

### ***Ratings***

In November 2015, Corporacion Financiera Colombiana received a AAA rating for its long-term debt by BRC Investor Services. The Triple A rating is the maximum rating for long-term debt, which means that the credit quality of the entity is very high and that risk factors are almost nonexistent. In addition, the short-term debt of the Corporation was rated BRC1+.

In April 2015, Corporacion Financiera Colombiana received a AAA rating for its long-term debt by Fitch Ratings. The Triple A rating is the maximum rating for long-term debt, which means that the credit quality of the bank is very high and that risk factors are almost nonexistent. In addition the short-term debt of the Corporation was rated F1+ in 2015. Similarly, in April Fitch Ratings awarded an international risk rating of BBB+ to Corporacion Financiera Colombiana. These ratings were ratified in July 2015, therefore they will be reviewed in July 2016.

**Corporacion Financiera Colombiana**  
**Main Financial Figures and Financial Indicators**  
**In million pesos**

	Jun-10	Dec-10	Jun-11	Dec-11	Jun-12	Dec-12	Jun-13	Dec-13	Jun-14	Dec-14	Dec-14 IFRS	Jun-15 IFRS	Dec-15 IFRS	Jun-16 IFRS
<b>Balance Sheet</b>														
Total Assets	6.596.879	6.000.583	7.346.018	7.221.800	9.067.579	9.779.753	8.838.556	10.527.966	10.438.528	7.900.772	7.397.525	10.360.478	11.639.197	10.119.595
Total Net Portfolio	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Investments	4.473.440	4.676.818	5.190.005	5.757.261	7.112.780	7.695.040	6.748.227	7.976.247	7.592.169	5.516.585	6.039.452	7.655.249	8.812.309	8.146.637
Total Portfolio Provisions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Deposits	1.517.134	1.587.513	1.472.201	1.770.958	2.868.314	2.656.372	2.230.813	2.560.408	2.608.628	1.921.468	1.934.416	2.389.512	3.175.573	3.037.794
Total Equity	2.606.522	2.733.762	3.019.956	2.825.256	3.019.117	2.995.199	3.433.266	4.081.146	4.177.574	4.588.972	4.063.402	3.909.474	3.960.231	2.919.069
<b>Average in the year</b>														
Assets	5.911.016	6.797.127	7.136.781	6.874.777	7.788.092	8.781.330	9.420.798	9.624.751	10.500.032	10.193.374	9.379.228	9.518.031	10.348.189	11.720.559
Gross Portfolio Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity	2.440.456	2.558.477	2.900.199	2.880.867	2.909.768	2.954.689	3.223.959	3.542.183	4.097.661	4.231.658	3.920.071	3.983.668	3.980.960	3.790.650
<b>Income statement</b>														
Interest income	12.563	36.138	23.709	33.526	14.882	40.884	22.633	36.409	15.893	39.843	39.843	16.445	45.018	53.717
Interest expense	1.50.789	408.157	135.916	234.873	137.105	392.839	219.297	335.756	1.30.034	295.732	231.010	159.526	348.748	241.980
<b>Net Interest Margin</b>	<b>(138.226)</b>	<b>(372.018)</b>	<b>(112.207)</b>	<b>(201.347)</b>	<b>(122.223)</b>	<b>(351.955)</b>	<b>(196.664)</b>	<b>(299.347)</b>	<b>(114.141)</b>	<b>(255.889)</b>	<b>(191.167)</b>	<b>(143.081)</b>	<b>(303.731)</b>	<b>(188.264)</b>
<b>Net Non-Interest Income</b>	<b>534.442</b>	<b>1.322.512</b>	<b>394.558</b>	<b>579.319</b>	<b>443.675</b>	<b>815.812</b>	<b>583.267</b>	<b>969.408</b>	<b>449.709</b>	<b>876.371</b>	<b>772.874</b>	<b>501.783</b>	<b>861.266</b>	<b>500.082</b>
Valuation of Investments	270.496	669.276	195.365	191.617	136.581	172.008	29.622	159.567	67.620	124.598	207.442	18.897	3.180	72.438
Profit or loss in sale, Dividends, Realized Earnings	263.086	647.121	190.998	344.823	327.601	678.615	527.223	776.567	371.458	710.300	538.766	446.560	782.183	436.397
Financial services	3.741	11.934	6.853	15.447	3.370	10.920	3.373	3.381	4.692	15.712	21.718	11.205	30.628	15.569
Profit or loss in sale, Portfolio Currencies, net	(31.047)	(35.418)	(23.965)	5.186	(27.882)	(28.137)	39.230	31.756	(14.015)	109.696	109.919	54.798	168.296	(35.510)
Derivatives,	28.166	29.599	25.307	22.246	4.004	(17.595)	(16.181)	(1.864)	19.953	(83.935)	(104.971)	(29.676)	(123.021)	11.188

net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Gross Financial Margin</b>	<b>396.217</b>	<b>950.494</b>	<b>282.351</b>	<b>377.972</b>	<b>321.452</b>	<b>463.856</b>	<b>386.603</b>	<b>670.061</b>	<b>335.568</b>	<b>620.482</b>	<b>581.706</b>	<b>358.702</b>	<b>557.536</b>	<b>311.819</b>
Administrative Expenses	(36.515)	(71.867)	(54.985)	(100.199)	(55.801)	(87.851)	(60.388)	(99.232)	(61.277)	(102.626)	(78.388)	(37.326)	(79.449)	(44.645)
<b>Operational margin before provisions, depreciation and amortization</b>	<b>359.701</b>	<b>878.627</b>	<b>227.365</b>	<b>277.773</b>	<b>265.651</b>	<b>376.005</b>	<b>326.215</b>	<b>570.829</b>	<b>274.291</b>	<b>517.856</b>	<b>503.319</b>	<b>321.376</b>	<b>478.087</b>	<b>267.174</b>
Net provisions	4.870	(325.471)	148.323	321.628	17.345	28.693	4.858	13.530	(7.027)	(17)	2.518	(2)	4.886	(4.282)
<b>Operational margin before depreciation and amortization</b>	<b>364.571</b>	<b>553.156</b>	<b>375.689</b>	<b>599.401</b>	<b>282.996</b>	<b>404.697</b>	<b>331.073</b>	<b>584.359</b>	<b>267.264</b>	<b>517.838</b>	<b>505.837</b>	<b>321.374</b>	<b>482.973</b>	<b>262.891</b>
Depreciations and Amortizations	(2.194)	(5.133)	(1.626)	(3.068)	(1.547)	(3.057)	(1.566)	(3.482)	(1.531)	(3.138)	(1.419)	(1.880)	(3.397)	(1.582)
Other non-operational revenues and expenses	1.268	2.606	1.776	7.887	5.755	12.964	180	996	14.748	19.186	18.667	391	566	172
Income Tax	(6.865)	(14.715)	(8.461)	(16.483)	(9.248)	(19.426)	(16.719)	(24.164)	(13.785)	(32.311)	(17.795)	5.211	(5.400)	(14.421)
<b>Net Profit or Loss</b>	<b>356.780</b>	<b>535.914</b>	<b>367.377</b>	<b>587.737</b>	<b>277.957</b>	<b>395.179</b>	<b>312.968</b>	<b>557.709</b>	<b>266.696</b>	<b>501.576</b>	<b>505.290</b>	<b>325.096</b>	<b>474.743</b>	<b>247.060</b>
<b>Asset Quality Indicators</b>				<b>0,725%</b>										
Gross Portfolio	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-performing portfolio (CDE)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Part-due Portfolio	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets received as payment, Gross	17.653	15.562	13.547	13.325	11.671	10.760	10.617	10.451	9.322	6.962	27.145	26.859	121	
Total provisions for assets received as payment	(13.365)	(13.057)	(11.469)	(11.329)	(9.715)	(9.020)	(8.928)	(8.820)	(7.843)	(5.979)	(23.515)	(23.276)		
Total performing assets x rating	5.312.112	4.656.709	6.249.568	5.858.548	7.081.184	8.618.025	7.146.878	8.291.900	7.897.937	5.318.053	5.313.344	8.067.783	9.069.973	8.273.622





<b>Indicators</b>														
Total Assets	65,97%	1,44%	11,36%	20,35%	23,44%	35,42%	-2,53%	7,65%	18,10%	-24,95%	-29,73%	-0,75%	57,34%	-2,33%
Total Net Portfolio	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total Investments	44,34%	12,09%	16,02%	23,10%	37,05%	33,66%	-5,13%	3,65%	12,51%	-30,84%	-24,28%	D,83%	45,91%	6,42%
Total Portfolio Provisions	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total Deposits	30,08%	26,14%	-2,96%	11,56%	94,83%	50,00%	-22,23%	-3,61 %	1 6,94%	-24,95%	-24,45%	-8,40%	64,16%	27,13%
Total Equity	21,32%	9,04%	15,86%	3,35%	-0,03%	6,02%	1 3,72%	36,26%	21,68%	1 2,44%	-0,43%	-6,42%	-2,54%	-25,33%
<b>Long-Term Rating (BRC Investors)</b>	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA
<b>Short-Term Rating</b>	BRC1+	BRC1+	BRC1+	BRC1+	BRC1+	BRC1+	BRC1+	BRC1+	BRC1+	BRC1+	BRC1+	BRC1+	BRC1+	BRC1+
<b>Long-Term Rating (Fitch Ratings)</b>												AAA	AAA	AAA
<b>Short-Term Rating International</b>												F1+	F1+	F1+
<b>Long-Term Rating (Fitch Ratings)</b>												BBB+	BBB+	BBB+

\* The month of December has been calculated under the IFRS.

## **Corficolombiana**

### **BOGOTA**

Head Office  
Carrera 13 No. 26-45 Piso 8  
Tel: 286 3300  
Fax: 353 8834

### **MEDELLIN**

Calle 16 Sur No. 43A-49  
Piso 8  
Tel: 319 7600  
Fax: 313 4690

### **CALI**

Calle 10 No. 4-47 Piso 21  
Tel: 898 2222  
Fax: 898 2240

### **BARRANQUILLA**

Carrera 52 No. 74-56 Ofc.  
803  
Tel: 368 1000  
Fax: 356 8196

### **CALL CENTER**

01 8000 522 238  
Bogota  
353 5066

### **BUCARAMANGA**

Carrera 27 No. 36-14 Piso  
10  
Tel: 647 0710  
Fax: 647 0710 Ext. 5547

[www.corficolombiana.com](http://www.corficolombiana.com)