

Credivalores Crediservicios S. A. S.

Financial Statements

By order of liquidity

Interim periods ended March 31, 2018 and December 31, 2017

CREDIVALORES CREDISERVICIOS S. A. S.
STATEMENT OF FINANCIAL POSITION
BY ORDER OF LIQUIDITY
FOR THE YEARS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

	<u>Notes</u>	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Assets			
Cash and cash equivalents	6	169.866	121.948
Financial Assets at fair value through profit or loss			
Equity Instruments	7	22.477	21.187
Derivatives Instruments	13	50.656	773
Loan portfolio	9	17.065	17.065
Total financial assets at fair value		90.198	39.025
Financial Assets at amortized cost			
Consumer loans		1.153.559	1.166.501
Microcredit loans		13.027	14.250
Impairment		(158.771)	(128.080)
Total Loan portfolio, net	9	1.007.815	1.052.671
Accounts receivable, net	10	238.708	183.511
Total Financial Assets at amortized cost		1.246.523	1.236.182
Investments in Associates and Affiliates	8	36.096	37.485
Current tax assets		9.174	8.191
Deferred tax assets, net	17	38.397	13.042
Property, plant and equipment, net	11	892	913
Intangible assets other than goodwill, net	12	61.242	26.047
Total assets		1.652.388	1.482.834
Liabilities and equity			
Liabilities:			
Financial Liabilities at fair value			
Derivative instruments	13	134.027	17.686
Total Financial Liabilities at fair value		134.027	17.686
Financial Liabilities At amortized cost			
Financial obligations		1.209.331	1.167.146
Total Financial Liabilities At amortized cost	14	1.209.331	1.167.146
Employee benefits provisions	15	1.102	1.154
Other provisions	16	513	302
Accounts payable		37.509	60.445
Current tax liabilities	17	1.961	1.100
Other liabilities		35.034	6.983
Total liabilities		1.419.477	1.254.816
Equity:			
Share capital	18	120.899	120.899
Reserves		5.814	5.814
Additional paid-in capital		58.442	58.442
Other Comprehensive Income (OCI)		26.421	(20.165)
Retained earnings		15.973	61.222
Earnings for the period		5.361	1.806
Total equity		232.911	228.018
Total liabilities and equity		1.652.388	1.482.834

Notes accompanying are an integral part of the financial statements.

CREDIVALORES CREDISERVICIOS S. A. S.
STATEMENT OF INCOME
FOR THE YEARS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

		January 1, 2018 through March 31, 2018	January 1, 2017 through March 31, 2017
		(In millions of pesos, except Net income per share)	
Interest Income and similar	19	76.855	66.560
Financial costs interest	14	(38.216)	(33.350)
Net Interest and similars		38.639	33.030
Impairment of financial assets loan portfolio	9	(6.061)	(4.475)
Impairment of other accounts receivable		-	(333)
Gross Financial Margin		32.578	28.222
SG&A			
Other expenses			
Employee Benefits		(4.548)	(4.522)
Expense for depreciation and amortization	11 y 12	(1.028)	(921)
Other	21	(17.694)	(17.936)
Total Other expenses		(23.270)	(23.378)
Net operating Income		9.308	4.844
Financial income			
Exchange rate differences		93.151	14.321
Other Income recoveries		46	183
Financial income		78	93
Financial Income		93.275	14.597
Financial Cost			
Hedging instruments valuation		(97.255)	(17.710)
Financial expense		(97.255)	(17.710)
Net Financial income (expense)	22	(3.980)	(3.113)
Other income	20	277	283
Net Income before income tax		5.606	2.014
Income tax		(245)	(346)
Net income for the period		5.361	1.668
Net earnings per share		1.327	480

Notes accompanying are an integral part of the financial statements.

CREDIVALORES CREDISERVICIOS S. A. S.
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

	March 31,	
	2018	2017
Net income for the year	5.361	1.668
Other comprehensive income		
Items that may be or are reclassified to profit or loss		
Revaluation os Asset	49.369	-
Brand Valuation	36.036	-
Income tax	13.333	-
Hedging accounting:		
Unrealized gains (losses) from hedging cash flow	(1.978)	2.159
Valuation financial derivatives Forwards	8.750	3.599
Valuation financial derivatives Cross Currency Swap	(41.369)	-
Valuation financial derivatives Options	18.988	-
Income tax	11.654	(1.439)
Total other comprehensive income for the period	47.397	2.159
Total other comprehensive income	52.753	3.827

Notes accompanying are an integral part of the financial statements.

CREDIVALORES CREDISERVICIOS S. A. S.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

	Share capital	Additional paid-in capital	Reserves	Other Comprehensiv e Income (OCI)	Retained earnings	Earnings for the period	Total
Balance held at December 31, 2016	104.989	20.842	5.814	(3.744)	44.022	17.200	189.123
Appropriation of earnings	-	-	-	-	17.200	(17.200)	-
Increases (decrease) other comprehensive income	-	-	-	2.159	-	-	2.159
Year-end net income	-	-	-	-	-	1.688	1.688
Balance held at March 31, 2017	104.989	20.842	5.814	(1.585)	61.222	1.688	192.950
Balance held at December 31, 2017	120.899	58.442	5.814	(20.165)	61.222	1.806	228.018
Appropriation of earnings	-	-	-	-	1.806	(1.806)	-
Increases (decrease) other comprehensive income	-	-	-	46.586	(47.055)	-	(469)
Year-end net income	-	-	-	-	-	5.361	5.361
Balance held at March 31, 2017	120.899	58.442	5.814	26.451	15.973	5.361	232.910

Notes accompanying are an integral part of the financial statements.

CREDIVALORES CREDISERVICIOS S. A. S.
STATEMENT OF CASH FLOW
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017

(Stated in millions of Colombian pesos)

	March 31,	
	2018	2017
Cash flows from operating activities		
Net income before taxes	5.606	2.014
Reconciliation of net income before taxes and net cash provided by (used in) operating activities:		
Depreciation of tangible assets	163	162
Amortization of intangible assets	1.315	759
Allowance for impairment of loans	8.143	12.827
Recovery deterioration for loan portfolio	(2.082)	(183)
Impairment accounts receivable	-	333
Fair value adjustments to derivative financial instruments	(13.632)	4.260
Equity method	805	346
Fair value adjustments to financial assets	-	1.853
Foreign exchange gains (losses)	584	-
Income tax payment	(734)	(1.363)
Changes in operating assets and liabilities:		
Decrease (increase) in loans	8.261	7.916
Decrease (increase) in accounts receivables	(55.196)	(22.725)
Increase (decrease) in accounts payable	(22.936)	(6.318)
Increase (decrease) in employee benefit	(53)	(126)
Increase (decrease) in provisions	211	(937)
Increase (decrease) in other liabilities	28.051	69
Net cash provided by (used in) operating activities	(41.494)	(1.113)
Cash flows from investing activities:		
Decrease (increase) in investments	-	(1.176)
Acquisition of own - use property plant and equipment	142	-
Additions of other intangible assets	473	-
Net cash used in investing activities	615	(1.176)
Cash flows from financing activities:		
Issuance of financial obligations	341.232	413.286
Payment of financial obligations	(252.435)	(316.713)
Net cash provided by financing activities	88.797	96.573
(Decrease) Increase in cash and cash equivalents	47.918	94.284
Cash and cash equivalents at beginning of year	121.948	122.964
Cash and cash equivalents at end of year	169.866	217.248

Notes accompanying are an integral part of the financial statements.

CREIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

NOTE 1. REPORTING COMPANY

Credivalores Crediservicios S.A.S., (hereinafter “Credivalores”, the “Company” or “CVCS”), is a simplified joint stock company registered for business in Bogotá - Colombia, located at Carrera 10 No, 65-98 P 4, and a website at www.credivalores.com.co. The Company was incorporated by means of Public Deed No. 420 dated February 4, 2003 drawn up before the Notary Public No.1 of the Circuit of Cali, Its term of duration is for twenty years as of the date of the aforementioned deed.

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

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

This merger agreement was reported to the Colombian Superintendency of Industry and Commerce, which did not report any objections. Credivalores S.A. (the acquired company) was incorporated by means of Public Deed No. 1906 dated May 13, 2003, drawn up before the Notary Public No. 1 of the Circuit of Cali, and duly registered with the Chamber of Commerce of Cali on May 21, 2003, under Registry Number 3501 Book IX. Subsequently, the Company changed its name from Crediservicios S.A. to Credivalores Crediservicios S.A. by means of the Public Deed No. 529 dated February 27, 2009 drawn up before the Notary Public No. 1 of the Circuit of Cali.

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

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

- a) Perform risk assessments,
- b) Service and manage loans or lines of credit, including without being limited to recording and collecting these obligations,
- c) Purchase and sell loans, credit instruments, securities, and loan portfolios,
- d) Borrow funds and enter into transactions allowing the Company to obtain the funds required to perform its corporate purpose,
- e) Act as co-signer, guarantor, surety or collateral provider to raise funds in order to finance its activities that may be undertaken, structured or implemented through trust arrangements, and

CREIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

Perform any other activities that are required as part of the Company's normal course of business, such as: (i) acquiring, encumbering, limiting the domain or disposing of fixed assets (ii) acquiring and using trade names, logos, trademarks and other industrial property rights; (iii) investing in existing companies, or creating new ones, providing these conduct the same or similar business activities as the Company or that should relate in any way to its own corporate purpose; (iv) entering into partnerships or contracts with third parties to carry out its corporate purpose; (v) guaranteeing its own and third-party obligations.

The funds used by the Company for carrying out its business activities shall be lawfully sourced and therefore the Company shall be prohibited from raising money by means of large scale or regular deposits from individuals, pursuant to current legislation. The Company is not under the supervision of the Colombian Superintendency of Finance (Superintendencia Financiera de Colombia) since it is not considered to be a financial institution in accordance with Colombian legislation, nor is it allowed to carry out brokerage of instruments registered with the Colombian National Registry of Securities and Issuers (RNVE).

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

CVCS has the following branches nationwide: Aguachica, Armenia, Barrancabermeja, Barranquilla, Bucaramanga, Cali, Cartagena, Cartago, Ciénaga, Cúcuta, El Paso, Florencia, Girardot, Ibagué, La Dorada, La Jagua de Ibirico, Lomas, Magangué, Manizales, Medellín, Mocoa, Montería, Neiva, Palmira, Pasto, Pereira, Popayán, Riohacha, Sahagún, San Andrés, Santa Marta, Sincelejo, Tunja, Valledupar, Villavicencio, and Yopal.

NOTE 2. BASIS FOR PREPARATION OF THE INTERIM FINANCIAL STATEMENTS AND SUMMARY OF THE MAIN ACCOUNTING POLICIES

2.1 Compliance Statement

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

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

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

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

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

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

The main accounting policies applied in preparing the financial statements as of March 31, 2018 and December 31, 2017.

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

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

In the preparation of interim financial statements, the management conducted trials important in the application of accounting policies in Credivalores Crediservicios S.A.S, the main sources of uncertainty were the same as those applied to the States Financial for the years ended 31 December 2017 and 2016, with the exception of the change made by the implementation of IFRS 9 financial instruments, effective for annual periods starting from 1 January 2018. Credivalores not early adopted IFRS 9 criteria.

3.1 IFRS 9 – FINANCIAL INSTRUMENTS

IFRS 9 - financial instruments in lieu of the IAS 39 - financial instruments: recognition and measurement for the annual periods subsequent to January 1, 2018.

The company not restated comparative information for 2017 of the scope of the IFRS 9 financial instruments. Therefore, comparative information for 2017 is reported according to IAS 39 and is not comparable to the information presented by 2018. The differences arising from the adoption of IFRS 9 – financial instruments have been recognized directly in earnings accumulated to 1 January 2018.

3.1.1 METHODOLOGY OF DETERIORATION

IFRS 9 – financial instruments pose significant changes in the assessment of the impairment of financial instruments and, therefore, its associated risk. In particular, the standard proposes a new approach that pursues the identification of the significant increase of the risk of credit (SIRC) in an instrument before the identification of the objective evidence of impairment (OEI).

From the above, the company has advanced in the construction of quantitative and qualitative criteria to identify the significant increase in the credit risk of an instrument. Although a quantitative criterion as the main principle is used to evaluate the (SIRC), also qualitative criteria have been developed if the quantitative criterion may not be applied or used in specific financial assets.

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

Impairment related requirements are applied to financial assets measured at amortized cost and fair value with changes in other comprehensive income (FVOCI) whose business model remains to collect (contractual cash flows) and sell.

The model of credit losses changes from a model of credit losses incurred to a model of expected credit losses, which considered a prospective nature of the tolerances of loss for instruments based on the expectations of future behavior.

3.2 SUMMARY OF THE MAIN ACCOUNTING POLICIES

3.2.1 FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset of an entity and a financial liability or instrument of heritage of another entity.

DATE OF RECOGNITION OF FINANCIAL INSTRUMENTS

Assets and financial liabilities are recognized in the statement of financial situation when the company becomes part of the contractual provisions of the instrument.

3.2.2 INITIAL MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are initially measured at fair value, transaction costs that are directly attributable to the acquisition or issue of financial liabilities and financial assets are added or deducted from the fair value of the same. In the case of the financial assets and liabilities measured at fair value with changes in results (FVPL), transaction costs directly attributable to the acquisition they are immediately recognized in income.

3.2.3 FINANCIAL ASSETS AT AMORTIZED COST

Financial assets are classified to cost amortized only if the asset is held within a business model whose objective is to keep it to collect the contractual cash flows and the contractual terms of the value take place on specific dates to cash flows that are solely payments of capital and interest on the outstanding principal; interest income is recognized using the effective interest rate method.

The effective interest method is a method of calculating the amortized cost of an asset and assign the income or cost in interest during the relevant period. The effective interest rate is the rate of discount at which the present value of future estimated payments in cash or those received over the expected life of the financial instrument or, when appropriate, in a short period of time more, is equal to the net book value at the beginning. To calculate the effective interest rate, the company estimates cash flows considering all contractual terms of the financial instrument, including transaction costs and premiums granted less commissions and discounts, but without considering the future credit losses.

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

The company classifies the following financial instruments at amortized cost:

Measurement of financial assets at amortized cost			
Portfolio	Measurement	Valuation	Features
Tu Crédito	Fair value Amortized cost	Effective interest method, less deterioration.	Credit clearance
Microcredit	Amortized cost	Effective interest method, less deterioration.	Microcredit
Credipoliza	Amortized cost	Effective interest method, less deterioration.	Financing policies
Crediuno	Amortized cost	Effective interest method, less deterioration.	Credit card
TIGO	Amortized cost	Effective interest method, less deterioration.	Financing of mobile phones

3.2.4 IMPAIRMENT OF FINANCIAL ASSETS LOAN PORFOLIO

Under the guidelines of the accounting standard IFRS 9, Credivalores was changing its model of impairment loss incurred to expected loss, which is set based on a classification of operations in three stages:

- Stage 1-assets without significant deterioration or in normal situation.
- Stage 2-assets with a significant increase.
- Stage 3-assets with objective evidence of impairment.

The fundamental concept of the new model is based on an approach of dual measurement, depending on the Stage of the financial instrument classification: for Stage 1 damage is equal to the credit losses expected at 12 months, to stage 2 and 3 is equal to the credit losses expected lifetime. The following figure outlines the criteria of the standard.

For loss lifetime of the asset is used the same methodology of credit loss expected for a year, but instead of covering only the first year, calculated on the expected life of the contract including extension of the instrument options.

For the calculation of the expected loss of clearance and credit card products Credivalores has decided to use the depreciation Granular approach, considering the following aspects:

- The exhibition and the corresponding risk parameters are calculated individually for each period.

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

- Intended that the exhibition and the corresponding risk parameters are consistent within each period but may vary between periods.
- The estimate of the EL is individual per period.
- 12 months EL and EL calculations in life, are made by adding the individual EL for each respective risk horizon (one year, lifetime).
- Fixed according to its amortization payment frequency: monthly, quarterly, semi-annual, annual, among others.
- The amortization approach granular capture the dynamic behavior of the parameters of risk in a high granularity (more detailed).

According to the application of the rule, follows its impact to March 31, 2018:

Below are listed the value of the credit portfolio to March 31, 2018:

Value in millions of pesos	TU CREDIT	CREDIUNO	TIGO	CREDIPOLIZA	MICROCREDIT	Total general
CAPITAL BALANCE	\$435,688	\$421,964	\$64,630	\$110,846	\$5,354	\$1,038,482

Detail by portfolio

Impact on the accumulated value of provisions at the end of March 31, 2018.

Product	Clearance	Credit card	Credipoliza	Tigo	Microcredit	Total
Impact of adopting IFRS 9	\$10,356	\$34,564	\$382	\$1,043	\$710	\$47,055

NOTE 4. ESTIMATIONS OF FAIR VALUE

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

The output of a model is always an estimate or approximate value that cannot be determined accurately, and valuation techniques used may not fully reflect all the factors relative to CVCS positions, therefore the valuations are adjusted if necessary to include additional factors, such as country risk, liquidity risks and counterparty risks.

Fair value hierarchy has the following levels:

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

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

- Level 2 entries are entries other than the quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 entries cannot be observed for the asset or liability.

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

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

The determination of what constitutes "observable" requires a significant opinion from CVCS. The Company considers observable data that market data that is already available, distributed or updated regularly by the price provider, is reliable and verifiable, has no property rights, and is provided by independent sources that participate actively in the reference market.

4.1 Fair Value Measurement on a Recurring Basis

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

The following table analyzes assets and liabilities (by class) within the fair value hierarchy, measured at fair value as at March 31, 2018 and December 31, 2017, on a recurring basis.

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
ASSETS	Level 3	Level 3
Investments in equity instruments	22.477	21.187
Hedging derivatives		
Currency forward	-	773
Currency options	50.656	-
Consumer		
Payroll deduction loans	17.065	17.065
Total fair value recurring assets	<u><u>90.198</u></u>	<u><u>39.025</u></u>
LIABILITIES		
Hedging derivatives		
Currency forward	23.128	17.686
Currency options	38.341	-
Currency swaps	72.558	-
Total fair value recurring liabilities	<u><u>134.027</u></u>	<u><u>17.686</u></u>

4.2 Fair value determination

The methodology applicable to instruments for Credivalores is:

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

4.2.2 Cross Currency Swap valuation: These financial instruments are valued under the methodology and provided by the counterpart market value, the type of measurement contains some fair value and cash flow.

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

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

- I. Discount Rate: Determined by product considering the market's appetite for such product, as well as the default risk involved
- II. The model was built based on the following factors:
 - a. Projected cash flow according to weighted term to maturity for each product, using:
 - Current Balance
 - Average term to maturity
 - Weighted average Rate
 - b. Calculate Present value of cash flows projected as per described in a) discounted at the discount rate as per described in 1)
 - c. Present Value determined as per described in b) represents the portfolio's fair value

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

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

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

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

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

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

Fair value	March 31, 2018		December 31, 2017	
	Carrying amount	Carrying amount	Carrying amount	Fair Value Estimate
Assets				
Loan Portfolio (Gross)				
Consumer	1.153.559	1.227.492	1.166.501	1.030.031
Microcredit	13.027	14.904	14.250	1.170
Total	1.166.586	1.242.396	1.180.751	1.031.201

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

Liability				
Financial obligations	1.209.331	1.289.490	1.167.146	1.246.528
Total	1.209.331	1.289.490	1.167.146	1.246.528

NOTE 5. RISK MANAGEMENT

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

Objective and general guidelines

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

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

Financial Risk Management

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

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

The interim financial statements do not include all information and disclosures on financial risk management required in the annual financial statements; these financial statements should be read alongside the CVCS annual financial statements as at December 31, 2017.

There have been no changes in the risk management department or in any risk management policy since December 31, 2016. There are no significant changes related to risk objectives, corporate structure of the risk function and risk strategies in general since the ones disclosed in the last set of financial statements as at December 31, 2017.

5.1 Credit Risk

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

The credit risk management model is based on four stages:

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

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

- Policies and Processes: based on the characteristics of each product and the risk profile identified for each client risk management devises distinct processes and policies that adapt to each level of risk seeking to mitigate exposure to the potential risk in a precise manner.
- Control and Monitoring: this process aims to ensure compliance with the policies and processes established, as well as to monitor the progress of the portfolio risk indicators so as to take timely actions in response to any deviation from the expected indicators.
- Estimation of Provisions: risk management includes determination of risk coverage to allow absorption of the losses which may arise due to non-compliance with the credit obligations. Estimation of CVCS provisions are based on statistical models of expected losses for its main products. Payroll deduction loans and cards. For financing insurance policies transition matrices are used.

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

5.2 Credit Risk Exposure

CVCS have exposures to credit risk, consisting of the risk of incurring in a financial loss as a result of the failure of the debtor to meet its payment obligations on a timely and complete manner. Exposure to credit risk of CVCS is also incurred as a result of credit activities and transactions with counterparties. The maximum exposure to credit risk of CVCS, according to IFRS 7, is reflected in the carrying value of financial assets the in the statement of financial position of CVCS as of March 31, 2018 and December 31, 2017 as follows:

	March 31, 2018	December 31, 2017
Cash and cash equivalents	169.866	121.498
Financial instruments net	90.198	39.025
Loan portfolios		
Consumer loans	1.153.559	1.166.501
Microcredit portfolio	13.027	14.250
Accounts receivable, net	238.708	183.511
Total financial assets with credit risk	1.665.358	1.524.785
Off-balance-sheet credit risk at nominal value		
Unpaid approved credits	308.468	320.137
Total exposure to off-balance-sheet credit risk	308.468	320.137
Total maximum exposure to credit risk	1.973.826	1.844.922

5.3 Monitoring and Control Process

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

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

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

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

At March 31, 2018

Status	Tu Crédito	CrediUno	CrediPóliza	Microcrédito	Total managed portfolio	On balance sheet Portfolio
CURRENT	613.061	390.352	88.414	332	1.092.158	856.912
1-30	15.571	12.132	10.336	202	38.241	33.669
31-60	4.519	16.854	2.828	69	24.270	22.529
61-90	3.117	8.125	968	47	12.257	11.209
91 A 180	7.941	13.308	1.699	112	23.060	21.223
181 A 360	9.262	7.506	1.785	296	18.849	17.440
> A 360	37.184	38.318	4.816	4.296	84.615	75.501
Totales	690.655	486.595	110.846	5.354	1.293.450	1.038.482

At December 31, 2017

Status	Tu Crédito	CrediUno	CrediPóliza	Microcrédito	CrediYa	Total managed portfolio	On balance sheet Portfolio
CURRENT	628.735	386.435	91.508	470	-	1.107.148	880.783
1-30	8.414	14.691	8.951	306	-	32.362	28.510
31-60	4.638	14.487	2.637	93	-	21.855	20.180
61-90	3.885	11.406	819	86	-	16.196	15.185
91 A 180	7.960	12.342	1.434	148	-	21.884	19.125
181 A 360	8.025	4.018	831	538	-	13.412	11.438
> A 360	35.951	41.507	4.826	5.082	2.394	89.760	80.616
Totales	697.608	484.886	111.006	6.723	2.394	1.302.617	1.055.837

5.4 Credit worthiness

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

Entity	Type of Account	March 31, 2018	December 31, 2017
Bank Bogotá	Checking	3.341	2.402
Bancolombia	Checking	7.556	3.220
Bank GNB Sudameris Colombia	Checking	40	65
Red Multibanca Colpatria	Savings	283	38
Bank BBVA	Checking	549	113
Bank Occidente	Checking	94	223
Bancomeva	Checking	17	17
Bank Santander	Checking	24.502	-
Available in Free-standing Trusts		14.935	8.616
		51.318	14.694

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

The following is a breakdown of creditworthiness as determined by independent credit rating agencies of all those major financial institutions in which the Bank holds cash:

Long-term debt ratings are based on the following scale:

Item	Financial Institution	Long-term Rating	Short-term Rating	Description
1	Banco BBVA	AAA	From BRC 1+ to BRC 2+	AAA is the highest rating awarded, indicating that the entity has an extremely robust capacity to safeguard its capital and limit its exposure to the risk of loss due to credit-related factors.
2	Banco de Bogotá	AAA		
3	Banco Colpatría	AAA		
4	Banco de Occidente	AAA		
5	Banco Corpbanca	AAA		
6	Bancolombia	AAA		
7	Banco Santander	AAA		
8	Gnb Sudameris	AA+		An AA rating indicates that the capacity of either the issuer or issue to meet its financial obligations is very strong. However, issuers or issues that are awarded this rating may be more vulnerable to adverse events compared to those rated in the highest category.

Cash and cash equivalents are held with banks and financial institutions through free-standing trust funds, which have ratings between AA- and AAA BCR + 1 from BRC Standard and Poor's.

The Company takes into account the credit ratings awarded to financial institutions with which it conducts treasury operations in the form of fiduciary assignments such as deposits or investments at sight which classify as cash equivalents. In order to establish a minimum margin risk exposure and ensure optimal resource management through periodic evaluations and measurements of the Company's exposure.

5.5 Market Risk

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

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

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

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

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

At March 31, 2018 and December 31, 2017, CVCS had the following financial assets and liabilities at fair value subject to trade risk:

Financial assets and liabilities at fair value exposed to trading risk held:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Equity Securities	22.477	21.187
Derivatives instruments	50.656	773
Loan Portfolio	17.065	17.065
Total	90.198	39.025
Financial liabilities	134.027	17.686
Total	134.027	17.686
Net Position	(43.829)	21.339

There are two scenarios under which CVCS is exposed to market risks:

Interest rates

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

Sensitivity Analysis

Taking into account CVCS exposure to changes in the reference interest rate, a sensitivity analysis of the impact on financial obligations is included given the possible effect on the variable indexed interest rates in 2018. The following methodology was devised for the analysis:

1. Two scenarios were evaluated whereby indexed rates are affected by 20 BPS (increasing and decreasing indexed rates), which affect the future flows of CVCS financial obligations indexed to the variable rate. Debt repayment is implicit in these scenarios, given their contractual frequency, taking them to maturity.
2. The flows corresponding to interest payment (accrual) were evaluated using equivalent rates.
3. The present value of the monthly interest payment was calculated, using as reference the 6-month IBR EAR at March 31, 2018 (4.29%).
4. Finally, the results of each scenario were compared to the base scenario, which corresponds to the projections of interest flows using the rates at March 31, 2018 as reference .

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

The results are set out below:

Scenarios	Interests
Effect of 20 BPS decrease in variable rate	(209.877)
Effect of 20 BPS increase in variable rate	209.218
Total Scenarios	(106)

Interest Rate and Exchange Rate

Rate and devaluation effect scenario (variable rate and foreign currency obligations)	Interests
Effect of revaluation and decrease, 15 BPS, variable rate	(108.852)
Effect of devaluation and increase, 15 BPS, variable rate	108.957
Total Scenarios	106

Exchange rate

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

Sensitivity Analysis

Taking into account CVCS exposure to changes in the USD/ exchange rate, a sensitivity analysis of the impact on financial obligations is included given the possible effects of changes on the exchange rate in 2018. The following methodology was devised for the analysis:

1. Two scenarios were evaluated in which the exchange spot rate is adjusted by 0.60% daily volatility (forward curve projected Bloomberg´s spots prices), generating revaluation and devaluation effect on the TRM March 31, 2018.
2. The amortization of principal and payment of interest on financial obligations are implicit in these scenarios, given their contractual periodicity and taking them to maturity.
3. The flows corresponding to interest payment (accrual) were evaluated using equivalent rates.
4. The present value of the monthly interest payment was calculated, using as reference the 6-month IBR EAR at March 31, 2018 (4.29%).
5. Finally, we compared the results of each scenario with the base scenario, which corresponds to the projected flows for payment of capital and interest using as reference the rates at March 31, 2018.

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

The results are set out below:

<u>Item</u>	<u>Total Debt</u>
Initial Scenario (Balance at March 31, 2018)	653.817
Scenario 1 (Effect of revaluation)	649.744
Scenario 2 (Effect of revaluation)	657.889
Difference Scenario 1 vs. Initial Scenario	(4.073)
Difference Scenario 2 vs. Initial Scenario	4.073

5.6 Liquidity Risk

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

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

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

In order to deploy a correct asset and liability management and assure the liquidity needed to operate the business the Company has set the following guidelines to control the liquidity risk:

i) In the short term, cash flow associated to loan portfolio and liquid assets, short term financial liabilities, and off statement of financial positions in different time frames, allowing a permanent liquidity monitoring ii) for the long term assets and liabilities, the Company analyses its funding sources as well as the breakdown by type of source and those that are specifically associated to specific products.

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

- Inflows: incoming funds associated to loan portfolio, and interest income associated to liquid assets
- Outflows: Outgoing flows related to i) operating expenses ii) new loan origination and iii) financial liabilities' principal and interest
- Liquidity GAP: Difference between inflows and outflows according to:
 - Monthly cash flow associated to assets (liquid assets, loan portfolio)
 - Monthly projected cash flow related to financial liabilities and operating expenses

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

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

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

Liquidity Risk Management

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

Liquidity position

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

- a) Green: liquid Assets / outflows \geq 105%
- b) Yellow: liquid Assets / outflows between 100 and 104%
- c) Red: liquid Assets / outflows $<$ 100%

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

The liquidity level results at March 31, 2018 are set out below:

Item	Liquidity level March-18
7 Days	421%
15 Days	219%
30 Days	133%

As at March 31, 2018, the liquidity level in the 7 and 15 day bands is above the upper limit defined in the Company's liquidity manual, constituting a green flag scenario and indicating that CVCS has sufficient resources to operate normally.

Also, as is good practice, a third band is monitored, which allows for controlling of the liquidity level projected to 30 days. As at March 31, 2018, a green band scenario is recorded, indicating that CVCS has ample liquidity to support its needs for normal operation.

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

Exposure to liquidity Risk

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

The following is a breakdown by range of time of the Liquid Assets and LRI (Liquidity Risk Indicator) for the time slot specified at March 31, 2018 and December 31, 2017.

March 31, 2018					
Subsequent Net Balances Available					
Description	Liquid Assets Available at the End of the Period (1)	From 1 to 7 days (2)	From 8 to 15 subsequent days (2)	From 16 to 30 subsequent days (2)	From 31 to 90 subsequent days (2)
Cash	23	23	-	-	-
Banco de Bogotá	3.389	3.389	-	-	-
Bancolombia S.A.	5.934	5.934	-	-	-
Banco GNB Sudameris Colombia	40	40	-	-	-
BBVA Colombia	243	243	-	-	-
Red Multibanca Colpatría S.A.	284	284	-	-	-
Banco De Occidente	94	94	-	-	-
Bancoomeva	17	17	-	-	-
Available in Free-standing Trusts	14.953	14.953	-	-	-
Fic's	17.820	-	17.820	-	-
Agrocaña	4.657	-	-	-	4.657
Asfiredito	27.190	-	-	-	27.190
Valores Bancolombia	21.278	21.278	-	-	-
Scotiabank	25.221	25.221	-	-	-
Fiducolombia Free-standing	90.105	90.105	-	-	-
Inverefectivas	8.906	-	-	-	8.906
Total liquid assets	226.170	161.579	17.820	-	46.771

December 31, 2017					
Subsequent Net Balances Available					
Description	Liquid Assets Available at the End of the Period (1)	From 1 to 7 days (2)	From 8 to 15 subsequent days (2)	From 16 to 30 subsequent days (2)	From 31 to 90 subsequent days (2)
Cash	23	23	-	-	-
Banco de Bogotá	2.402	2.402	-	-	-
Bancolombia S.A.	15.266	-	-	15.266	-
Banco GNB Sudameris Colombia	65	65	-	-	-
BBVA Colombia	113	113	-	-	-
Red Multibanca Colpatría S.A.	37	37	-	-	-
Banco De Occidente	223	223	-	-	-
Bancoomeva	17	17	-	-	-
Available in Free-standing Trusts	8.616	8.616	-	-	-
Fic's	16.530	-	16.530	-	-
Agrocaña	4.657	-	-	-	4.657
Asfiredito	27.190	-	-	-	27.190
Valores Bancolombia	1.472	1.472	-	-	-
Scotiabank	25.540	-	-	25.540	-
Fiducolombia Free-standing	68.173	68.173	-	-	-
Inverefectivas	10.295	-	-	-	10.295
Total liquid assets	180.619	81.141	16.530	40.806	42.142

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

- (1) Liquid assets correspond to the sum of existing assets at the close of each period, which can quickly be converted to cash. In calculating liquid assets, all the listed investments, without exception, are computed at their fair exchange value on the date of the valuation (fair value).
- (2) The balance corresponds to the residual value of the Company's liquid assets on days after closing the specific period. This balance is calculated as the difference between liquid assets and liquidity requirements. In turn, the liquidity requirement is the difference between the contractual revenue flows and contractual and non-contractual outflows in accordance with the Liquidity Risk Indicator (LRI) methodology.

Measurement of exposure to liquidity risk

Measuring the likelihood of the Company running out of liquid resources for its normal operation under normal market conditions requires the use of the tools described above: balance sheet liquidity, liquidity gap, and cash flow projection, to thereby quantify the degree of stress that the company's cash flow can bear to fulfill its normal operations without having to acquire additional resources.

Limit of liquidity risk exposure

Maximum exposure to liquidity risk is identified as the average time taken by the Company to carry out the liquidity financial operations (Guaranteed Loans, Portfolio Sales, Working Capital Loans, etc.) and generate the cash available for new loan origination.

The maximum exposure to liquidity risk is calculated weekly by the financial committee, taking into account projections for bands of 7 days, and 15 to 30 days.

In addition, to analyze the short- and medium-term liquidity requirements, the following indicators are taken into account:

- 1) Net Liquidity/CVCS + Free-standing Trust, where Net Liquidity is the sum of available cash and investments less long-term investments.

Lower limit: 8%; cannot be below the lower limit more than three times in a year

Exposure Limit	
Indicator 1 March/18	
Net Liquidity	167.597
Assets (CVCS + Free-standing Trust) (Portfolio)	1.170.831
Indicator 1	14.3%

- 2) Net Liquidity/Liabilities (Free-standing Trust + CVCS)

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

Exposure Limit	
Indicator 1 March/18	
Net Liquidity	167.567
Liabilities (CVCS + Free-standing Trust)	1.207.686
Indicator 2	13.9%

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

In the three-month period ended March 31, 2018 there were no significant changes in the liquidity risk or in the manner in which CVCS manages this risk.

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

March 31, 2018

Assets	Less than one month	From one to six months	From six to twelve months	More than one year	Total
Cash due from banks and Central Bank	161.579	6.018	-	-	167.597
Equity Instruments at fair value	17.820	-	-	4.657	22.477
Investments in Associates and Affiliates	-	-	-	36.096	36.096
Financial Assets at amortized cost	56.892	300.827	350.536	712.185	1.420.440
Total assets	236.291	306.845	350.536	752.938	1.646.610
	Less than one month	From one to six months	From six to twelve months	More than one year	Total
Liabilities					
Financial Liabilities At amortized cost	22.785	167.834	112.053	1.271.907	1.574.826
Financial Liabilities at fair value - Derivatives instruments	-	2.963	-	129.704	134.027
Total Liabilities	22.785	170.796	112.053	1.401.611	1.708.854

December 31, 2017

Assets	Less than one month	From one to six months	From six to twelve months	More than one year	Total
Cash due from banks and Central Bank	121.948	-	-	-	121.948
Equity Instruments at fair value	16.530	-	-	4.657	21.187
Investments in Associates and Affiliates	-	-	-	37.485	37.485
Financial Assets at amortized cost	59.055	311.091	360.922	704.224	1.435.292
Total assets	197.534	311.091	360.922	746.366	1.615.912
	Less than one month	From one to six months	From six to twelve months	More than one year	Total
Liabilities					
Financial Liabilities At amortized cost	44.544	125.227	284.185	1.029.811	1.483.766
Financial Liabilities at fair value - Derivatives instruments	-	-	3.366	14.320	17.686
Total Liabilities	44.544	125.227	287.551	1.044.130	1.501.452

NOTE 6. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalent balances encompass the following as at March 31, 2018 and December 31, 2017:

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

	<u>March 31,2018</u>	<u>December 31,2017</u>
Cash	23	24
Banks	51.318	14.694
Mutual funds and joint portfolio (6.1)	112.507	81.690
Certificates of Deposit (6.2)	6.018	-
Time Deposit	-	25.540
	<u>121.948</u>	<u>122.964</u>

As at March 31,2018 and December 31, 2017, there were no restrictions on bank accounts.

6.1 Following is a breakdown of positions in money market funds (trust rights) by CVCS and the Free Standing Trust:

	<u>March 31,2018</u>	<u>December 31,2017</u>
Alianza Fiduciaria	721	-
Valores Bancolombia	21.278	1.472
Bancolombia	403	12.045
Sub-Total	<u>22.402</u>	<u>13.517</u>
Entity	<u>March 31,2018</u>	<u>December 31,2017</u>
Servitrust GNB Sudameris S.A.	735	557
Participación en Fic's	89.370	67.616
Sub-Total	<u>90.105</u>	<u>68.173</u>
Total 6.1	<u>112.507</u>	<u>81.690</u>

The following is the credit rating of the fund managers of Free Standing Trusts:

Manager	March -18	Dec-17	Rating Agency
Fiduciaria Bancolombia	S1/AAA(col)	S1/AAA(col)	Fitch Ratings Colombia S.A.S CVCS
Fiduciaria GNB Sudameris_Servitrusts	F-AAA	F-AAA	Value and Risk Rating S.AS CVCS (2016 - 2017) BRC Standard & Poor's (2015)
Fiduciaria la Previsora	S1/AAA(col)	S1/AAA(col)	Fitch Ratings Colombia S.A.S CVCS
Fiduciaria Popular	FAAA/2	FAAA/2	BRC Standard & Poor's (2017-2016-2015) - BRC Investor Services S.A.S CVCS (2014)

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

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

6.2 Certificates of Deposit (CD):

As at March 31, 2018, CVCS had one Certificate of Deposit (CD) at Credifinanciera S. A. Savings and Loans, detailed below:

CDT CREDIFINANCIERA								
NUMBER	ISSUE DATE	PAYMENT DATE	DAYS	NOMINAL VALUE	EAR	NOMINAL RATE	TOTAL INTERESTS 2018	TOTAL BALANCE CD 2018
99024	13/03/2018	23/0//2018	130	6.000	6.40	6.27	18	6.018
TOTAL				6,000	-	-	18	6,018

NOTE 7. FINANCIAL INSTRUMENTS

7.1 AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	March 31, 2018	December 31, 2017
Equity instruments (a)	22.477	21.187
Derivative instruments (Note 13)	50.656	773
	73.133	21.960

a) Equity instruments

	March 31, 2018	December 31, 2017
Mutual Funds (1)	17.820	16.530
Agrocañas shares (2)	4.657	4.657
	22.477	21.187

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

Issuer	Type of Fund	Minimum Investment	Minimum Balance	Annual Return 2018	Annual Return 2017	At March 31, 2018	At December 31, 2017
Credicorp Capital	At sight	500,000	N/A	4.76%	5.9%	3	3
BTG Pactual I Z Class	Closed	5,000,000	2,000,000	144.7%	352.9%	8.317	6.010
BTG Pactual II Z Class	Closed	5,000,000	2,000,000	26.69%	300.5%	3.138	3.668
Collective Investment Fund	At sight	200,000	200,000	4.25%	5.6%	74	73
Collective Investment Fund Open (Rentar)	At sight	200,000	200,000	4.28%	4.63%	8	7
Open Portfolio BTG						6.229	6.718
Credinvest Tramo IV						51	51
TOTAL						17.820	16.530

(2*) The Company owns 5.03% of the Agrocañas S.A. share capital, with 3,300 outstanding shares at March 31, 2018. These are not listed on the stock exchange, and are therefore measured at cost.

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

NOTE 8. INVESTMENTS IN ASSOCIATES

The detail of the investments in associates is as follows:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Inverefectivas S.A	8.906	10.295
Asesorías Financieras Asficrédito	27.190	27.190
	<u>36.096</u>	<u>37.485</u>

CVCS owns 25% the Inverefectivas S.A. share capital. This company was established under Panamanian legislation and has 4000 shares, with an intrinsic value of FIX 2.780,47 at March 31, 2018.

	<u>March 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Share of ownership interest</u>	<u>Book value</u>	<u>Share of ownership interest</u>	<u>Book Value</u>
Associates				
Inverefectivas S,A	25%	8.906	25%	10.295
		<u>8.906</u>		<u>10.295</u>

The movement of investments in associates accounts is shown below for the years ended at March 31, 2018 and March 31, 2017:

	<u>March 31,</u>	
Associate	<u>2018</u>	<u>2017</u>
Balance at the beginning of the year	<u>37.485</u>	<u>9.408</u>
Participation in the profit or loss of the period	-	(346)
Participation in Other comprehensive income	(805)	-
Adjustments for exchange differences	(584)	-
Year-end balance	<u>36.096</u>	<u>9.062</u>

NOTE 9. LOAN PORTFOLIO, NET

Financial assets at amortized cost on the statement of financial position are classified as consumer portfolio and microcredit, Following is a description of the portfolio of CVCS at March 31, 2018 and December 31, 2017:

	<u>March 31,</u>	<u>December</u>
	<u>2018</u>	<u>31, 2017</u>
Consumer	1.153.559	1.166.501
Microcredit	13.027	14.250
Impairment	(158.771)	(128.080)
Total financial assets at amortized cost	<u>1.007.815</u>	<u>1.052.671</u>
TuCrédito payroll deduction loans at fair value	17.065	17.065
	<u>17.065</u>	<u>17.065</u>

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

The Financial Position Statement includes portfolio held in Free-standing trusts net totaling 184.472 at March 31, 2018 and 366.792 at December 31, 2017. CVCS classified portfolio by product in accordance with the height of default.

The movement of the provision for the impairment of financial assets by loan portfolio is provided below for the periods ended March 31, 2018 and March 31, 2017:

	March 31	
	2018	2017
Initial Balance	128.080	105.191
Adopting IFRS 9	47.055	-
Allowance of the period charged against to profit or loss	8.143	12.827
Recovered provisions	(2.082)	(183)
Write-offs	(22.425)	(10.925)
Closing balance	158.771	106.910

Here is a breakdown of the Loans Portfolio on Balance Sheet with all components:

At March 31, 2018

Modality	Capital	Transaction costs	Interest Accrued	Commissions	Impairment	Total
Consumer loans	1.033.128	18.163	94.036	8.232	(146.406)	1.007.153
Microcredit	5.354	205	7.468	-	(12.366)	662
Total financial assets at amortized cost	1.038.482	18.368	101.504	8.232	(158.771)	1.007.815

At December 31, 2017

Modality	Capital	Transaction costs	Interest Accrued	Commissions	Impairment	Total
Consumer loans	1.049.114	20.271	89.507	7.343	(114.948)	1.051.287
Microcredit	6.723	265	7.525	3	(13.132)	1.384
Total financial assets at amortized cost	1.055.837	20.536	97.032	7.346	(128.080)	1.052.671

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

March 31, 2018

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
Consumer	228.605	421.585	267.309	236.061	1.153.560
Microcredit	11.697	1.243	86	-	13.027
Total Gross Loan Portfolio	240.302	422.828	267.395	236.061	1.166.586

December 31, 2017

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
Consumer	220.132	424.854	242.646	278.603	1.166.235
Microcredit	11.782	2.644	90	-	14.516
Total Gross Loan Portfolio	231.914	427.498	242.736	278.603	1.180.751

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

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

March 31, 2018

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
Consumer	186.547	373.648	247.935	224.998	1.033.128
Microcredit	4.448	826	79	-	5.354
Total Gross Loan Portfolio	190.995	374.474	248.014	224.998	1.035.482

December 31, 2017

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
Consumer loans	189.829	373.817	225.545	259.923	1.049.114
Microcredit	4.935	1.702	86	-	6.723
Total Gross Loan Portfolio	194.764	375.519	225.631	259.923	1.055.837

Below is the breakdown of CVCS Managed Loan Portfolio that includes the loan portfolio on balance sheet and the portfolio that was sold but is still managed by the Company:

Modality	At March 31, 2018		
	Loan Capital	Sold	Total
Consumer	1.033.128	254.966	1.288.094
Microcredit	5.354	-	5.354
Total Financial Assets at amortized cost	1.038.482	254.966	1.293.448

Modality	At December 31, 2017		
	Loan Capital	Sold	Total
Consumer	1.049.114	246.778	1.295.892
Microcredit	6.723	-	6.723
Total Financial Assets at amortized cost	1.055.837	246.778	1.302.615

Arrears but not impaired

As of March 31, 2018 and December 31, 2017, a summary of the overdue portfolio by days past due is as follows:

	At March 31, 2018			At December 31, 2017		
	Consumer	Microcredit	Total	Consumer	Microcredit	Total
Non expired loans	856.579	332	856.911	880.312	470	880.782
Arrears but not impaired	55.927	270	56.197	48.292	398	48.690
Non-performing loans under 360	49.416	455	49.871	44.976	773	45.749
Non-performing loans over 360	71.206	4.297	75.503	75.534	5.082	80.616
	1.033.128	5.354	1.038.482	1.049.114	6.723	1.055.837

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

NOTE 10. ACCOUNTS RECEIVABLE, NET

The detailed information of accounts receivables as of March 31, 2018 and December 31, 2017 is as follows:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Debtors (10.1)	165.851	120.131
Related economic	72.820	63.503
From Partners and Shareholders	1.825	1.825
Prepayments and Advances	440	191
Payment by client account	1.081	1.179
Employee	19	11
Allowance for doubtful accounts (10.2)	(3.329)	(3.329)
	<u>238.707</u>	<u>183.511</u>

10.1 The balance for other accounts receivable of 165.851 million at March 31 2018 and 120.131 million at December 31, 2017 correspond primarily to loan collection balances from the Free-standing Trusts pending transfer to CVCS.

10.2 The movement in the provision for impairment of other accounts receivable is provided below:

	<u>March 31,</u>	
	<u>2018</u>	<u>2017</u>
Balance at start of period	(3.329)	-
Provision charged to income accounts	-	(333)
Balance at end of period	<u>(3.329)</u>	<u>(333)</u>

NOTE 11. PROPERTY AND EQUIPMENT

The Company's property, plant and equipment at March 31, 2018 and December 31, 2017, respectively, are as follows:

	<u>March 31,</u>	<u>December</u>
	<u>2018</u>	<u>31, 2017</u>
Transport Equipment	117	117
Office equipment and Accessories	1.565	1.565
Computer equipment	1.031	1.010
Network and communication equipment	693	663
Machinery, plant and equipment in assembly	371	371
Goods received on finance lease agreements	4.969	4.878
Subtotal	<u>8.746</u>	<u>8.604</u>
Accumulated depreciation	(7.854)	(7.691)
Total	<u>892</u>	<u>913</u>

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

The breakdown for equipment movement is shown below:

	December 31, 2017	Purchases	March 31, 2018
Transport Equipment	117	-	117
Office equipment and Accessories	1.565	-	1.565
Electronic equipment	1.010	21	1.031
Network and communication equipment	663	30	693
Machinery, plant and equipment in assembly	371	-	371
Goods received on finance lease agreements	4.878	91	4.969
	8.604	142	8.746

	December 31, 2016	Purchases	March 31, 2017
Transport Equipment	117	-	117
Office equipment and Accessories	1.298	59	1.357
Electronic equipment	845	152	997
Network and communication equipment	158	36	194
Machinery, plant and equipment in assembly	49	-	49
Goods received on finance lease agreements	4.878	-	4.878
	7.345	247	7.592

The following is the depreciation movement for March 31, 2018 and December 31, 2017, respectively:

	December 31, 2017	Depreciation	March 31, 2018
Office equipment and Accessories	1.640	36	1.676
Electronic equipment	1.047	22	1.069
Telecommunications equipment	285	48	333
Goods on Finance Lease Agreements	4.719	58	4.777
	7.691	163	7.854

	December 31, 2016	Depreciation	March 31, 2017
Office equipment and Accessories	1.458	25	1.483
Electronic equipment	908	4	912
Telecommunications equipment	197	31	228
Goods on Finance Lease Agreements	4.363	102	4.465
	6.926	162	7.088

All equipment of CVCS is duly protected with current insurance policies. To protect its property and equipment, the Company took out insurance policies with Beckley International Insurance Colombia and Chubb de Colombia at March 31, 2018 and December 31, 2017, which cover the risks of theft, fire, lightning strikes, explosions, earthquakes, strikes, revolts, etc.

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

CREDIVALORES CREDISERVICIOS S. A. S.
DISCLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

The Company's own property and equipment as listed above, are not in any way encumbered neither have they been delivered as collateral to guarantee any kind of obligation. The Company has also taken out insurance policies to protect these assets.

Finance Lease Agreements:

Assets under finance lease agreements were acquired with Leasing Bancolombia S.A. A total of 8 lease agreements are in effect with the Colombian institutions named above.

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

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Carrying amount</u>
Computing equipment	2.416	(2.416)	-
Vehicles	2.553	(2.361)	192
Balance as at March 2018	<u>4.969</u>	<u>(4.777)</u>	<u>192</u>
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Carrying amount</u>
Computing equipment	2.416	(2.416)	-
Vehicles	2.462	(2.303)	159
Balance as at December 2017	<u>4.878</u>	<u>(4.719)</u>	<u>159</u>

The following is a summary of the minimum payments due in the coming years for finance lease assets at March 31, 2018 and December 31, 2017:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Less than one year	40	76
More than one year, less than five	152	83
Total	<u>192</u>	<u>159</u>

NOTE 12. OTHER INTANGIBLE ASSETS

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

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Software licenses	305	449
Technology and insurance projects	1.749	1.927
Other	2.454	2.304
Trademarks Acquired (1)	56.734	21.367
	<u>61.242</u>	<u>26.047</u>

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

(1) The amortization expenses for the quarter was as follows:

	March 31,	
	2018	2017
Amortization	<u>865</u>	<u>759</u>

To 31 March of 2018 Credivalores Crediservicios conducted assessment of the brand Crediuno and Crediuno advances origination, placement and management of consumer loans with credit card, which has been developing its successful business model-oriented and supported in addition to the brand in the know-how and knowledge of market, along with a commercial network and support for the promotion and operation of its services (other intangibles).

Specifically, from the brand Crediuno advances obtained direct benefits from the use of the credit card customer to obtain advances in cash, taking into account that for each generated advance, the company receives interest and Commission for use, given their positioning and recognition in the market.

Crediuno progress has been consolidated as brand and financial product, and currently offers schemes of business for other brands where can become massive placement, providing funding for users of other brands, such as the business with TIGO and advances that are made to their users and are collected via turnover of telecommunications services. It is estimated that this type of schemes will contribute to the sustained growth of the business unit

Positioning and brand promotion, any socio-economic segment-oriented allows its eventual licensing and construction of a top-of-mind which can be exploited by the owner or third parties wishing to develop related businesses. Intangible assets related above, have no restrictions on the ownership of the right.

On the category of intangible assets, according to the assessment, we identified no signs of deterioration that result to the recognition of an expense.

NOTE 13. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Movements for hedge accounting and investments in derivatives are provided below:

	March 31, 2018	December 31, 2017
ASSETS		
Hedging forward contracts (13.1)	-	773
Hedging Options (13.2)	50.656	-
Sub-Total	<u>50.656</u>	<u>773</u>
LIABILITY		
Hedging forward contracts (13.1)	23.128	17.686
Hedging Options (13.2)	38.342	-
Hedging Swaps (13.3)	72.557	-
Sub-Total	<u>134.027</u>	<u>17.686</u>

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

Operations of Hedging

Credivalores activities are exposed to financial risks including: liquidity risk, foreign currency risk and interest rate risk. Therefore, the Administration and the Board of Directors have approved and applied a policy of financial risk management to mitigate the negative effects of the uncertainty and the volatility of the financial markets in the financial results of the company. The financial risk management policy sets out the use of a wide variety of financial derivatives to cover the risks inherent in fluctuations in the exchange rate and the interest rate of the financial obligations in currency other than weights Colombians in the financial statements of the company.

CVCS used a Cross Currency Swap on the principal and interest payments of notes with a coupon of 9.75% issued in July 2017 for an amount of US\$ 250.000.000, and a Coupon Only Swap and a Call Spread, which corresponds to a combination of positions on options to cover payments of interest and principal of the reopening of the notes by US\$ 75.000.000 held in February 2018. The options are derivative contracts through which the buyer acquires the right to buy or sell an underlying asset at a price established, on a date and specific periods strike or a financial asset. Under the option contract, buyer pays the premium for acquiring a right to exercise the option and the seller receives the premium, acquiring an obligation with the buyer of the option.

According to the guidelines of this policy, the following is the list of derivative instruments implemented March 2018 to cover foreign exchange risks and the risks of interest rate of the outstanding notes expiring in July 2022:

Type of instrument	Theoretical Hedging			2018			
	Credivalores Receives	Credivalores Pay	Liquidation	Annual Interest Rate			
				Start date	Expiration date	Credivalores Receives	Credivalores Pay
Currency swap	USD 135.000.000	COP 375.722.550.000	Non Delivery	27/01/2018	27/07/2020	9,75%	IBR+ 8,89%
Currency swap	USD 15.000.000	COP 41.746.950.000	Non Delivery	27/01/2018	27/07/2020	9,75%	IBR+ 8,89%
Currency swap	USD 100.000.000	COP 304.096.970.083	Non Delivery	27/01/2018	27/07/2020	9,75%	IBR+ 8,89%

2018							
Tipo de Instrumento	Posición de Credivalores	Tipo de Opción	Monto Cubierto en USD	Fecha Efectiva	Fecha de Vencimiento	Precio Strike	Cumplimiento
Call option	Buyer	European	US\$ 37.500.000	22-Mar-18	25-Jul-22	COP\$ 2.849,01	Non-Delivery
Call option	Buyer	European	US\$ 37.500.000	22-Mar-18	25-Jul-22	COP\$ 2.849,01	Non-Delivery
Call option	Seller	European	US\$ 37.500.000	22-Mar-18	25-Jul-22	COP\$ 3.500,00	Non-Delivery
Call option	Seller	European	US\$ 37.500.000	22-Mar-18	25-Jul-22	COP\$ 3.500,00	Non-Delivery

13.1 FORWARD CONTRACTS FOR HEDGING

The portfolio of derivative transactions presents assets valued according to the policy implemented and the type of fair value measurement and cash flow.

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

• **Fair-value hedge accounting Assets**

ASSETS	Fair value			
	March 31, 2018		December 31, 2017	
	Nominal Amount USD	Fair Value	Nominal Amount USD	Fair Value
Forward Contracts for Hedging				
Purchase of foreign currency	-	-	61	650
Total forward contracts for hedging - assets	-	-	61	650

• **Fair-value hedge accounting Liabilities**

LIABILITIES	March 31, 2018		December 31, 2017	
	Nominal Amount USD	Fair Value	Nominal Amount USD	Fair Value
	Forward Contracts for Hedging			
Purchase of foreign currency	102	23.128	273	17.686
Total forward contracts for hedging – liabilities	102	23.128	273	17.686

• **Cash-flow hedge accounting**

ASSETS	Cash flow			
	March 31, 2018		December 31, 2017	
	Nominal Amount USD	Fair Value	Nominal Amount USD	Fair Value
Forward Contracts for Hedging				
Purchase of foreign currency	-	-	12	123
Total forward contracts for hedging - assets	-	-	12	123

The forwards portfolio will mature in 2018.

13.2 DERIVATIVE FINANCIAL INSTRUMENTS OPTIONS

The activities carried out by CVCS generated significant positions in the derivatives portfolio, performing transactions for purposes of coverage where the underlying are exchange rates and interest rates. Options are contracts between two parties, one of them has the right but not the obligation, to carry out an operation of purchase or sale according to previously agreed terms.

The company closed operations with derivative financial instruments of options to manage and mitigate the fluctuations in the fair value of the debt position in the State's income. These derivatives are measured through cash flow coverage.

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

Detail of derivative with options financial instruments and their accounting is as follows:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
ASSETS		
Premium Call Spread option	19.970	-
Contracts Hedging purchase options Call	30.686	-
Sub Total	<u>50.656</u>	<u>-</u>
	<u>March 31, 2018</u>	<u>December 31, 2017</u>
LIABILITIES		
Premium Call Spread option	22.486	-
Contracts Hedging purchase options Call	15.854	-
Sub Total	<u>38.342</u>	<u>-</u>

Is the derivative financial instrument to cover exposure to risk in foreign currency until maturity.

(1) OPTIONS CONTRACTS FOR HEDGING

Derivatives with options operations cover the debt position (capital only) of the reopened portion of the notes 144 A / Reg S issued a rating 75.000.000 \$ in February 14, 2018. These financial instruments are valued under the methodology and provided by the counterpart market value, the type of measurement is cash flow.

• **Liabilities Cash flow hedge accounting**

	<u>March 31, 2018</u>		<u>December 31, 2017</u>	
	Nominal amount		Nominal amount	
	USD	Fair Value	USD	Fair Value
LIABILITIES				
Contracts hedging Cross Currency Swaps	75	14.832	-	-
Total net effect	75	14.832	-	-
	<u>March 31, 2018</u>		<u>December 31, 2017</u>	
	Nominal amount		Nominal amount	
	USD	Fair Value	USD	Fair Value
LIABILITIES				
Premium Call Spread option		(2.516)	-	-
Total net effect		(2.516)	-	-

The company will maintain derivative financial instruments, to cover exposure to risk in foreign currency until maturity, which is corresponding to the maturity of the notes that are being covered with this instrument. The objective and strategy of the Administration is to analyze and evaluate the appropriate method for the valuation of financial instruments, depending on the type of operation and negotiation performed.

CREIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

13.3 DERIVATIVE FINANCIAL INSTRUMENTS CROSS CURRENCY SWAP

Creivalores - Crediservicios S.A.S, closed operations with derivative financial instruments to manage and mitigate the fluctuations in the fair value of the debt position in the State's income. The portion of the cross currency swaps which covers the risk of exchange rate is measured at market (fair value coverage) value and the portion that covers the interest rate risk is measured as a cash flow hedge.

Derivative financial instruments through cross currency swaps and its hedge accounting is as follows:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
LIABILITIES		
Contracts hedging Cross Currency Swaps (a)	68.712	-
Contracts hedging Coupon Only Swap (b)	3.846	-
Sub-Total	<u>72.558</u>	<u>-</u>

CVCS will keep the cross currency swaps, to cover exposure to risk in foreign exchange and interest rate to maturity, which corresponds to the maturity of the notes that are being covered with this instrument.

a. Contracts hedging Cross Currency Swaps

Derivatives through Cross Currency Swaps operations cover the position of debt (principal and interest) of the notes 144 A / Reg S emitida el 27 July 2018 with a nominal value of US \$250.000.000 rate coupon of 9.75%.

• **Liabilities Fair value hedge accounting**

	<u>March 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Nominal amount</u>		<u>Nominal amount</u>	
	<u>USD</u>	<u>Fair Value</u>	<u>USD</u>	<u>Fair Value</u>
LIABILITIES				
Contracts hedging Cross Currency Swaps	250	(31.225)		-
Total	<u>250</u>	<u>(31.225)</u>		<u>-</u>

• **Liabilities Cash flow hedge accounting**

	<u>March 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Nominal amount</u>		<u>Nominal amount</u>	
	<u>USD</u>	<u>Fair Value</u>	<u>USD</u>	<u>Fair Value</u>
LIABILITIES				
Contracts hedging Cross Currency Swaps	250	(37.487)		-
Total	<u>250</u>	<u>(37.487)</u>		<u>-</u>

b. Contracts hedging Coupon Only Swap

Derivatives through a Coupon Only Swap operation covers payments of interests of the reopening of the notes 144 A / Reg S realizada February 14, 2018, with a nominal value of US \$75.000.000.

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

• **Liabilities Cash flow hedge accounting**

LIABILITIES	March 31, 2018		December 31, 2017	
	Nominal amount	Fair Value	Nominal amount	Fair Value
	USD		USD	
Contracts hedging Coupon Only Swap	33	(3.846)	-	-
Total	33	(3.846)	-	-

a. Contratos de cobertura Coupon Only Swap

La operación de derivados a través de un Coupon Only Swap cubre los pagos de intereses de la reapertura de las Notas 144 A / Reg Srealizada el 14 de febrero de 2018 por un valor nominal US\$ 75.000.000.

NOTE 14. FINANCIAL OBLIGATIONS

	March 31, 2018	December 31, 2017
Financial obligations in free standing trusts	153.315	56.769
Promissory notes – Local banks	83.480	104.872
Finance lease agreements	352	330
Foreign banks	130.682	304.368
Issuance of bonds 144 A/ Reg S	903.653	746.000
Transaction cost	(62.150)	(45.193)
	1.209.331	1.167.146

The balance of Credivalores Crediservicios S.A.S. financial obligations and of the Free-standing Trusts at March 31, 2018 and December 31, 2017 correspond to obligations contracted with financial entities in Colombia and obligations in capital markets abroad, finance lease agreements, third parties and shareholders. Short-term obligations are loans that must be paid in April 2018, and long-term obligations are loans that come due after January 2019.

a) Short-term financial obligations.

Entity	March 31, 2018	Interest rate	Maturity	December 31, 2017	Interest rate	Maturity
National entity						
Banco Agrario	-			6.173	DTF + 3,4%	2018
Banco de Bogotá	-			10.542	IBR + 5.6%	2018
Banco Colpatria	-			10.000	IBR + 5.3%	2018
Banco De Occidente	8.912	IBR + 3.7%	2019	6.153	IBR + 3.8%	2018
Banco Corpbanca	2.158	DTF + 7,8%	2018	3.237	DTF + 7,8%	2018
Bancolombia	23.365	DTF + 6,7%	2018	23.365	DTF + 6,7%	2018
Bancoomeva	1.441	DTF + 7,0%	2018	432	DTF + 6,7%	2018
Total National Entity	35.877			59.902		
Foreign Entity						
International Notes (ECP Program)	33.366			199.928	6,6% EA	2018
Total Foreign Entity	33.366			199.928		
Free-standing trusts						

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

Free-standing trust, CrediUno IFC	-	3.518	9,91% EA	2018
Total Free-standing trusts	-	3.518		

Short-term obligations

Entity	December 31, 2017	Interest rate	Maturity	December 31 2016	Interest rate	Maturity
Finance lease agreements						
Leasing						
Bancolombia	144	8,42% EA	2018	94	8,42% EA	2018
Total Financial Leasing	144			94		
Total Short-term obligations	69.387			263.442		

CVCS had short-term financial obligations during the periods ended March 31, 2018 and December 31, 2017 totaling 69.387 and 263.442, respectively. The measurement of financial liability instruments for financial obligations is valued at amortized cost, as per IFRS 9.

b) Long-term obligations

Long-term obligations						
Entity	March 31, 2018	Interest rate	Maturity	December 31, 2017	Interest rate	Maturity
National entity						
Banco de Bogotá	18.158	IBR+6,5 %	2019/20	8.441	IBR+6,5 %	
Bancolombia	11.111	DTF + 7,5%	2019	13.194	DTF + 7,5%	2019
Bancoomeva	4.167	DTF + 8%	2019	6.667	DTF + 8%	2019
Banco Santander	14.167	IBR + 6.5%	2019	16.667	IBR + 6.5%	2019
Total National Entity	47.603			44.969		
Foreign Entity						
International Notes (ECP Program)	97.316	8,3% EA	2020	104.440	8,3% EA	2020
	97.316			104.440		
Free-standing trusts						
Free-standing trust, CrediUno IFC	48.834	11,91% EA	2020 y 2021	53.252	11,91% EA	2020 y 2021
Free-standing trust, syndicated TuCrédito	104.481	DTF + 5,5%	2023 y 2028			
Total Free-standing trusts	153.315			53.252		
Finance lease agreements						
Leasing Bancolombia	208	8,42% EA	2019 y 2020	236	8,42% EA	2019 y 2020
Total Financial Leasing	208			236		
Bonds						
International Bonds						
144 A/Reg. S	903.653	9,75% EA	2022	746.000	9,75% EA	2022
Total International bonds	903.653			746.000		
Total long-term obligations	1.202.095			948.896		
Cost of Transaction to be Amortized IFP	(62.150)			(45.193)		
Total financial obligations	1.209.331			1.167.146		

CREIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

The Company had long-term financial obligations during the periods ended March 31, 2018 and December 31 2017 totaling 1.202.095 and 948.896, respectively. Associated costs incurred in the acquisition of loans are classified as transaction costs pending IFP amortization for the periods ended March 31, 2018 and December 31, 2017, valued at 62.150 and 45,193, respectively. The measurement of financial liability instruments for financial obligations is valued at amortized cost, as per IFRS 9.

The total balance of financial obligations for the periods ended March 31, 2018 and December 31, 2017 is 1.209.331 and 1.167.146 respectively, which will be paid off as described above.

Obligations stated in foreign currency

Entity	Nominal Value March		Nominal Value December	
	31, 2018		31, 2017	
International Capital Markets Notes (a)	47	130.682	102	304.368
International Finance Corporation (IFC)	17	48.834	20	56.796
Issuance of bonds (b)	325	903.653	250	746.000
Total	USD	1.083.169	USD	1.107.164

(a) Optional Redemption of Notes

Pursuant to Item 8 of the Pricing Term Sheet dated March 17, 2017, in connection with Tranche X issued under our US\$150,000,000 Euro Commercial Paper Program (“ECP Program”), Credivalores decided to exercise the right of optional redemption at par of US\$55,000,000 of principal of these notes on March 22, 2018 using the proceeds of the reopening of the 9.75% Notes due July 2022.. As a result of this optional redemption, the total balance under the ECP Program as of March 31, 2018 is US 47,000,000.

(b) Issuance of bonds

On July 27, 2017 Credivalores issued its inaugural senior unsecured 144A / Reg S notes (the “Notes”) due July 27, 2022 for US\$250,000,000 with a coupon of 9.75% and a yield of 10.0%. The Notes are payable semi-annually in arrears on January 27 and July 27 of each year, beginning on January 27, 2018. The proceeds from this issuance were used to refinance existing indebtedness, including mostly secured debt, and the remainder, if any, for general corporate purposes.

According to the “Description of the Notes” of the Offering Memorandum, the Company may redeem the Notes, in whole or in part, at any time on or after July 27, 2020, at the applicable redemption prices set forth in the Offering Memorandum, plus any additional amounts then due and accrued and unpaid interest to, but excluding, the date of redemption. Prior to July 27, 2020, we may also redeem the notes, in whole or in part, at a redemption price equal to 100% of their principal amount plus a “make-whole” premium, plus any additional amounts then due and accrued and unpaid interest to, but excluding, the date of redemption. In addition, at any time on or prior to July 27, 2020, Credivalores may redeem up to 35% of the Notes using the proceeds of certain equity offerings at a redemption price equal to 109.750% of their principal amount, plus any additional amounts then due and accrued and unpaid interest to, but excluding, the date of redemption. In addition, in the event of certain changes in the Colombian withholding tax treatment relating to payments of interest on the Notes, Credivalores may redeem the Notes, in whole but not in part, at 100% of their principal amount, plus any additional amounts then due and accrued and unpaid interest to, but excluding, the date of redemption. If a change in control occurs with respect to us, unless the Company has exercised the option to redeem the Notes, each holder of

CREIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

the Notes will have the right to require us to repurchase all or any part of that holder's Notes at 101% of the aggregate principal amount of Notes repurchased, plus any additional amounts then due and accrued and unpaid interest to, but excluding, the date of repurchase.

The Notes will be senior unsecured general obligations and will (i) rank equally in right of payment with all of the Company's other existing and future senior indebtedness (subject to certain obligations for which preferential treatment is given under Colombian insolvency laws); (ii) rank senior in right of payment to the Company's existing and future subordinated indebtedness, if any; (iii) be effectively subordinated in right of payment to all of the Company's existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness, including all indebtedness and other liabilities of any free-standing trusts (patrimonios autonomos); and (iv) be structurally subordinated to all existing and future indebtedness and trade payables of any of our subsidiaries that are not guarantors. The notes will not be entitled to any sinking fund.

No public market currently exists for the Notes. The Notes have been listed and are quoted on the Singapore Exchange Securities Trading Limited (the "SGX-ST").

The Notes have not been and will not be registered with the Colombian National Registry of Securities and Issuers (Registro Nacional de Valores y Emisores, or "RNVE"), maintained by the Colombian Superintendency of Finance (Superintendencia Financiera de Colombia, or "SFC") and therefore may not be publicly offered in the Republic of Colombia ("Colombia"). The Notes will not be listed on the Colombian Stock Exchange (Bolsa de Valores de Colombia). The Notes may be offered to persons in Colombia in a private placement. The offering was not subject to review or authorization by the SFC.

Furthermore, on February 14, 2018 Credivalores reopened these Notes for an additional amount of US\$75,000,000, taking the total issued amount to US\$325,000,000. The Notes were issued at a yield of 8.625% and a price of 104.079%. The proceeds from this issuance will be used to refinance existing unsecured indebtedness, and the remainder, if any, for general corporate purposes.

c) Hedging Operations

Credivalores' activities are exposed to financial risks including: liquidity risk, foreign currency risk and interest rate risks. Therefore, the Administration and the Board of Directors have approved and implemented a risk management policy to mitigate the negative effects of uncertainty and volatility of financial markets in the financial results of the Company. The Risk Management Policy establishes the use of a wide variety of financial derivatives to hedge the risks inherent to fluctuations in the exchange rate and the interest rate of financial obligations in a currency other than Colombian Pesos in the financial statements of the Company.

The company used a Cross Currency Swap on the principal and interests payments of the original US\$250 million 9.75% bond issued in July 2017 and a coupon only swap and a call spread, a combination of call options, to hedge the interests payments and the principal of the US\$75 million 9.75% bond reopening of February 2018. The call options are derivative contracts through which the buyer acquires a right to buy or sell a financial asset or underlying asset at a established strike price, on a specific date and period. Under the contract of the option, the buyer pays the premium acquiring a right to exercise the option and the seller receives the premium, acquiring an obligation with the buyer of the option.

CREIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

• **IFP Financial Cost**

The funds received from loans acquired from financial institutions are used for portfolio origination and to handle various lines of working capital, which helps to maintain a degree of liquidity for the Company. The loans are represented by promissory notes wherein both parties establish the payment conditions, including limit, amount, interest rate and duration. The financial cost of financial obligations for periods ended March 31, 2018 and December 31, 2017:

	March 31, 2018	March 31, 2017
Free-standing trusts	2.460	19.071
Local banks	2.864	4,340
Finance lease agreements	9	21
Foreign currency obligation	6.248	5,291
Third parties	-	223
Shareholders	-	1,734
Issuance of bonds	19.354	-
Amortization Transaction costs	7.282	2,850
Total	38.217	33.530

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

NOTE 15. EMPLOYEE BENEFITS

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

Below is a breakdown of employee benefit payments as at March 31, 2018 and December 31, 2017:

	March 31, 2018	December 31, 2017
Short-term benefits (a)	1.102	1.154
	1.102	1.154

- a. The breakdown of employee benefit payments at March 31, 2018 and December 31, 2017 is as follows:

	March 31, 2018	March 31, 2017
Salaries	36	1
Severance pay	128	465
Interest on severance pay	4	54
Holidays	647	634
Premium	128	-
Pension funds	159	-
	1.102	1.154

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

The benefits to employees in his current part are required to cancel maximum within 12 months after the reporting period.

The company within its compensation policies does not have long-term benefits.

NOTE 16. OTHER PROVISIONS

CVCS's provisions at March 31, 2018 and December 31, 2017, respectively are provided below.

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Litigations subject to executive proceedings	84	84
Other provisions	429	218
	<u>513</u>	<u>302</u>

The movement of legal and other provisions are provided below for the periods ended March 31, 2018 and March 31 2017:

	<u>Legal provisions</u>	<u>Other provisions</u>	<u>Total provisions</u>
Balance held at December 31, 2017	84	218	302
Increase in provisions during the period	-	211	211
Balance held at March 31, 2018	84	429	513
	<u>84</u>	<u>937</u>	<u>1.021</u>
Balance held at December 31, 2016	84	937	1.021
Recovered provisions	-	(719)	(719)
Balance held at March 31, 2017	84	218	302
	<u>84</u>	<u>218</u>	<u>302</u>

The provisions correspond primarily to labor, civil and administrative proceedings filed by third parties against CVCS, on which provisions of 84 were recognized at 31 March 2018. It is not possible to determine a disbursement schedule for these proceedings due to their distribution across different instances.

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

NOTE 17. CURRENT AND DEFERRED TAX LIABILITIES

17.1 Components of current tax liabilities

Current tax liabilities for the years ended March 31, 2018 and December 31, 2017 is as follows:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Tax income	612	-
Tax on industry and Commerce	1.202	1.100
Sales tax	147	-
	<u>1.961</u>	<u>1.100</u>

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

17.2 Components of income tax expense

Income tax expense for the years ended March 31, 2018 and December 31, 2017 is as follows:

	March 31, 2018	December 31, 2017
Income Tax	612	2.696
Net deferred tax from the period	(367)	(2.350)
Total	245	346

In accordance with the IAS 12, current and deferred taxes are recognized as income or expense in the income statement, except to the extent that they arise from a transaction or event recognized outside profit or loss in other comprehensive income (OCI), in equity. Therefore, in the periods ended March 31, 2018 and December 31, 2017, other comprehensive income was recognized in equity.

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

The company made the reconciliation of the effective rate total deferred tax for the quarter to March 31, 2018 was 4%, and 40%, from March 31, 2017 as detailed below:

	March 31, 2018	March 31, 2017
Earnings (loss) before tax	5.606	2.016
Income Tax rate	37%	40%
Income Tax	2.074	806
More (less) tax impact on:		
Non-deductible expense	2.602	214
Valuations of financial instruments	(34.045)	1.436
Refund of expenditure prior years	59	-
Utilizations- Provisions	(5)	-
Non-deductible tax	-	59
Wealth tax	11	136
Fines and sanctions	3	46
Assumed interest	(368)	-
Loan adjustments and financial obligations	-	(2.351)
Excess of presumptive income	29.913	-
Total income tax provisions charged to income	244	346
Effective rate	4%	17%

17.4 Deferred Tax

Differences between the carrying amount of assets and liabilities and the tax bases thereof give rise to temporary differences that generate deferred taxes, calculated and recorded in the periods ended March 31, 2018 and March 31, 2017, based on the tax rates in force for the years in which said temporary differences are to be reversed.

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

Year ended March 31, 2018

	Balance held at December 31, 2017	Income (Expense) in income statement	Unrealized income (expense) in OCI	Balance as at March 31, 2018
Deferred tax assets				
Industry and commerce tax	2.525	-	-	2.525
Difference between accounting and tax bases - loans	4.100	(4.100)	-	-
Impairment to financial assets	6.417	(6.417)	-	-
Property, plant and equipment	-	368	-	368
Derivative Financial Instruments	-	9.781	39.809	49.668
Miscellaneous	-	-	-	-
Subtotal	13.042	(368)	39.809	52.482
Deferred tax liability				
Valuations of financial instruments	-	-	(752)	(752)
Goodwill	-	-	(13.335)	(13.335)
Subtotal	-	-	(14.087)	(14.086)
Net Total	13.042	(368)	25.722	38.397

Year ended March 31, 2017

	Balance held at December 31, 2016	Income (Expense) in income statement	Unrealized income (expense) in OCI	Balance held at March 31, 2017
Deferred tax assets				
Deferred charges	91	7,348	-	7.439
prepaid expenses	10.536	(6,013)	-	4.523
Difference between accounting and tax bases - loans	509	799	-	1.308
Impairment to financial assets	1.520	(45)	-	1.475
Deferred income	42	(42)	-	-
Forward contracts	11.633	(2,095)	-	9.538
Miscellaneous	147	(47)	-	100
Subtotal	24.478	(95)	-	24.383

	Balance held at December 31, 2016	Income (Expense) in income statement	Unrealized income (expense) in OCI	Balance held at March 31, 2017
Deferred tax liabilities				
Valuations of financial instruments	3.671	(3.014)	1.440	2.097
Goodwill	16	(16)	-	-
Impairment to financial assets	6.809	584	-	7.393
Subtotal	10.496	(2.446)	1.440	9.490
Net	13.982	2.351	1.440	14.893

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

CREIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

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

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

	March 31, 2018			March 31, 2017		
	Amount before tax	Deferred tax income (expense)	Net	Amount before tax	Deferred tax income (expense)	Net
Items that may be subsequently reclassified to income						
Effect of changes in fair value on the valuation of derivative financial instruments	(13.632)	12.387	(1.245)	3.599	(1.440)	2.159
Effect valuation of brands	36.036	13.335	49.371	-	-	-
	<u>22.404</u>	<u>25.722</u>	<u>48.127</u>	<u>3.599</u>	<u>(1.440)</u>	<u>2.159</u>

NOTE 18. EQUITY

Capital

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

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

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

Authorized, and Paid in Capital

CVCS's subscribed and paid capital as at March 31, 2018 and December 31, 2017 was represented by 4.279.022 shares each year, each at a nominal price of 28.254.

Credivalores Crediservicios S.A.S.					
Shareholder	March 31, 2018		December 31, 2017		
	Number of shares	%	Number of shares	%	
Acon Consumer Finance Holdings S de RL	870.444	20,34%	870.444	20,34%	
Crediholding S,A,S,	1.497.987	35,01%	1.497.987	35,01%	
Lacrot Inversiones 2014 S,L,U	1.486.784	34,75%	1.486.784	34,75%	
Acon Consumer Finance Holdings II S, L	184.167	4,30%	184.167	4,30%	
Treasury shares	239.640	5,60%	239.640	5,60%	
Total	4.279.022	100%	4.279.022	100%	

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

	March 31, 2018	December 31, 2017
Number of authorized shares	4.700.000	4.700.000
Subscribed and paid shares	4.279.022	4.279.022
Nominal value	28.254	28.254
Subscribed and paid capital (nominal value)	120.899	120.899
Paid-in capital	58.442	58.442
Total capital plus premium	179.341	179.341

Reserves

Of the accounts that comprised the equity reserves as of March 31, 2018 and December 31, 2017 were constituted of the following:

	March 31, 2018	March 31, 2017
Legal reserve (1)	5.793	5.793
Occasional reserves:	21	21
Total Reserves	5.814	5.814

NET EARNINGS PER SHARE

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

	March 31, 2018	December 31, 2017
Ordinary shares (a)	1.532.597	1.532.597
Preferred shares (a)	2.506.785	1.943.666
Repurchased treasury shares	239.640	239.640
Total earnings per share	1.327	480

- (a) The value of the shares at March 31, 2018 and December 31, 2017 correspond to the total number of outstanding shares held by CVCS.

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

Year ended March 31, 2018

Share capital later stock buyback							
Name Entity	Preference shares A	Preference shares B	Preference shares C	Treasury Shares	Common Shares	Total	%
Acon Consumer Finance Holdings S de R.L.	835.834	-	-	-	34.610	870.444	20,34%
Crediholding S.A.S	-	-	-	-	1.497.987	1.497.987	35,01%
Lacrot Inversiones 2014 S.L.U.	-	923.665	563.119	-	-	1.486.784	34,75%
Acciones propias en cartera	-	-	-	239.640	-	239.640	5,60%
Acon Consumer Finance Holdings II, S.L.	-	184.167	-	-	-	184.167	4,30%
Totales	835.834	1.107.832	563.119	239.640	1.532.597	4.279.022	100%

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

NOTE 19. REVENUE

Below is a detail of the revenue for the years ended as of March 31, 2018 and 2017:

	March 31,2018	March 31,2017
Interests (19.1)	53.632	47.761
Commissions and fees (19.2)	23.223	18.799
	76.855	66.560

19.1 Interest

	March 31,	
	2018	2017
CrediUno interest	17.881	2.662
CrediPoliza interest	3.749	730
TuCrédito interest	11.054	4.169
Tigo interest	1.063	-
TuCrédito transaction costs	(1.760)	(1.304)
CrediPoliza transaction costs	(134)	(288)
CrediUno transaction costs	(2.975)	(2.981)
TuCrédito fair value	-	(1.851)
Sub-total Consumer loans	28.878	1.137
Microcredit interest	76	482
Microcredit loans transaction costs	(60)	(159)
Sub-total Microcredit	16	323
CrediUno late payment interest	131	185
CrediPoliza late payment interest	160	138
TuCrédito late payment interest	61	90
Consumer loan defaults	352	413
CrediYa late payment interest	51	48
Microcredit loan defaults	51	48
Financial returns	1.061	1.333
BTG Pactual Financial returns	7.938	2.279
Current interests, Free-standing Trust	12.928	35.175
Other income, Free-standing Trust	578	1.728
Market operations	1.580	5.325
Current interests left off-balance	250	-
Other	24.335	45.840
Total Interests	53.632	47.761

19.2 Commissions and fees

	March 31	
	2018	2017
Administration fee – credit card	15.559	12.279
Collection fees	3.131	2.704
Administration fee - life insurance plus	1.392	1.309
Financial Consultancy – Returns from Debtor life insurance	1.121	1.308
Department store income and credit card channels income	535	6
Brokerage Commission	590	-
Returned commission	143	-

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

Financial Consultancy- Returns Voluntary insurance policies	430	846
Internal commission	306	285
Shared financial consultancy fees	1	-
Other financial consultancy	8	44
Microcredit SME's loan fees	7	18
	23.223	18.799

NOTE 20. OTHER INCOME

At the end of each period, movements corresponded to:

	March 31,	
	2018	2017
Sickness Leave	4	20
Collection charges TuCrédito	121	66
Reimbursed claims Aval FGA	98	195
Certifications	47	-
Vendor Discount	3	2
Refund insurance	4	-
	277	283

NOTE 21. OTHER EXPENSES

	March 31	
	2018	2017
Fees	5.429	4.983
Legal expense	3.584	4.257
Technical Assistance	2.984	2.026
Commissions	1.236	876
Leases	970	1.024
Public services	902	832
Temporary services	389	573
Publicity and advertising	318	504
Transport	276	417
Tools and stationery	245	617
Maintenance	198	265
Concierge and security services	197	173
Travel expenses	189	121
Insurance	186	138
Adaptation and installation	156	19
Yields Invertors	90	-
Legal expenses	89	5
Donations	51	3
Cost of representation	43	322
Publications and subscriptions	6	3
Sanctions, fines and fraud	29	339
Other	127	439
	17.694	17.936

CREDIVALORES CREDISERVICIOS S. A. S.
DICLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

NOTE 22. NET FINANCIAL INCOME

	March 31,	
	2017	2016
Exchange rate differences	93.151	852
Other Income recoveries	46	183
Financial income	78	93
Total Financial Income	93.275	14.597
Hedging instruments valuation	(97.255)	(17.710)
Total Financial Expense	(97.255)	(17.710)
Net Financial Income (expense)	(3.980)	(3.113)

NOTE 23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

a. Commitments

Credit commitments

In the course of ordinary business, CVCS provides loan portfolio as guarantees to its funding sources, in which it irrevocably agrees to pay them in the event the client is unable to meet its obligations, with the same credit risk for loan portfolios.

Loan extension commitments represent unused portions of authorizations to extend credits as loans. With regard to the credit risk on commitments to extend lines of credit, CVCS is potentially exposed to losses in an amount equal to the total unused commitments, if the unused amount were to be withdrawn in its totality.

However, the amount of the loss is less than the total amount of the unused commitments because the majority of loan extension commitments are contingent once the client can maintain specific credit rating standards. CVCS monitors the maturity dates of those credit limit commitments because long-term commitments have a higher credit risk than short-term commitments.

The following is a breakdown of unused lines of credit commitments and guarantees at March 31, 2018 and December 31, 2017:

	March 31,2018	December 31,2017
Unpaid approved credits	<u>308.468</u>	<u>320.137</u>

Contingent assets

At the end of March 31 2018, the Company has a Guarantee with the Fondo de Garantías de Antioquia – FGA-, which has a value of 2.909 Million in accordance with the agreement's policies.

CREDIVALORES CREDISERVICIOS S. A. S.
DISCLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

NOTE 26. RELATED PARTIES

The Company's Board of Directors and Senior Management, in their role as governing bodies, are fully aware of the responsibility related to managing the various risks to which the Company is exposed; likewise, they are fully aware of the Company's processes and business structure so as to be able to provide support and adequate monitoring and follow-up.

The Company's related parties are as follows:

1. Shareholders with interests, a controlling stake or a joint stake of the Company, or significant influence over CVCS.
2. Members of the Board of Directors: Members of the Board of Directors (principals and alternates, along with their related parts).
3. Key management personnel: includes the Company CEO and other C-level Officers, who are those who participate in the planning, direction and control of the Company.
4. Affiliates: Companies in which CVCS has significant influence, which is generally considered to be a share of between 20 and 50% of their capital.

The most representative balances as at March 31, 2018 and December 31, 2017 with related parties are including in the following charts, with headings for definitions of the related parties recorded in the previous sections.

	March 2018		December 2017	
	Shareholders	Members of the Board of Directors (a)	Shareholders	Members of the Board of Directors (a)
Accounts receivable	1.824	-	1.824	-
Accounts payable	-	-	-	58
Operating expenses	-	17	5.089	280

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

Item	March 31,	
	2018	2017
Salaries	1.324	952
Short term employee benefits	290	107
Total	1.614	1.059

- a. Members of the Board of Directors (principals and alternates, along with their related parts) as of March 31, 2018.

CREDIVALORES CREDISERVICIOS S. A. S.
DISCLOSURES TO THE FINANCIAL STATEMENTS
INTERIM PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017
(Stated in millions of Colombian pesos)

Directors

No.	Director	Alternate
1	José Miguel Knoell Ferrada	Mathias Boccia Cristiano
2	Juan Carlos Restrepo Acuña	No appointment
3	Lorena Margarita Cárdenas Costas	No appointment
4	Rony Doron Seinjet	No appointment
5	Caicedo Pachon Maria Marcela	No appointment
6	Adrián Gustavo Ferrado	Carlos Manuel Ramón
7	Lawrence Robert Rauch	No appointment

Legal Representatives

No.	Representative
Manager	Eliana Andrea Erazo Restrepo
Alternate	Liliana Arango Salazar