Credivalores-Crediservicios, S.A.S.

Full Rating Report

Ratings

Credivalores

Long-Term Foreign-Currency IDR	B+
Short-Term Foreign-Currency IDR	B
Senior Unsecured Notes	B+
Recovery Rating	RR4

Sovereign Risk

Foreign-Currency Long-Term IDR	BBB
Local-Currency Long-Term IDR	BBB

Outlooks

Foreign-Currency Long-Term IDR	Stable
Sovereign Foreign-Currency Long-Term IDR	Stable

Financial Data

Credivalores S.A.S.

(COP Mil.)	3/31/17	12/31/16
Total Assets (USD Mil.)	505	453
Total Assets	1,453,129	1,359,013
Total Equity	192,950	189,123
Operating Profit	2,015	23,430
Net Income	1,668	17,200
Operating ROAA (%)	0.58	1.87
Operating ROAE (%)	4.28	12.84
Internal Capital Generation (%)	3.51	9.09
Tangible Common Equity	—	—
Tangible Assets (%)	10.64	11.12
Equity/Total Assets (%)	13.28	13.92

Source: Credivalores.

Related Research

2017 Outlook: South American Banks (Exc. Brazil) (December 2016)

Analysts

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Key Rating Drivers

IDR Drivers: Credivalores-Crediservicios, S.A.S.' (Credivalores) Issuer Default Ratings (IDRs) are highly influenced by the company's profile and asset quality metrics. The ratings also consider the company's risk appetite, financial performance, funding profile and capitalization.

Growing Franchise: Credivalores has a 14-year track record of building its franchise throughout Colombia. The company is currently the largest non-bank financial institution in Colombia with a business model focused primarily on Libranza lending, a payroll-deductible product. Credivalores' business model and strategic targeting of certain potential customer niches, where larger competitors are less active, could result in higher loan growth.

Constrained Ratings: Despite Credivalores' strong position in Colombia's competitive payroll and credit card industry, the company's focus on consumer lending to low- and middle-income segments of the population and limited market share in the overall financial system constrain the ratings. This is because the company has a relatively less diverse business model and limited pricing power (due in part to regulatory interest rate caps on payroll lenders). This could increase the entity's vulnerability to external factors, unless mitigated with higher loan volumes.

Satisfactory Asset Quality: With an impaired loan ratio averaging about 11% since 2014, Credivalores' asset quality compares below that of its regional peers (sub-investment-grade finance and leasing companies). Nevertheless, the higher ratio is due, in part, to the company's policy of minimizing write-offs, although the impaired loans over 360 days are fully provisioned.

Even when adjusting for Credivalores' policy of minimizing write-offs and the impact of previous loan portfolio sales, the entity's loan quality ratios are not as strong as those of its Latin American peers, even though these ratios compare favorably to those of its local Colombian peers.

Adequate Capital and Profitability Metrics: Capital and profitability metrics are adequate for the company's rating level in light of its consumer sector concentration. Credivalores' profitability ratios have recently been constrained, in part due to higher interest rates for its funding, lower revenues following the discontinuation of loan portfolio sales and its lower risk appetite in the second half of 2016. The ratings also consider the company's relatively low capital base in absolute terms. However, Credivalores' capital was recently increased by USD18.6 million in April 2017 via a shareholder debt conversion.

Diverse Sources of Funding. Credivalores has access to multiple sources of domestic and international funding. These will be used to offset the company's past use of asset sales. In July 2017, the company issued USD250 million five-year notes with proceeds earmarked to replace short-term debt and secured local debt, to substantially improve its liquidity. The company is actively looking to substitute local secured debt structures, used traditionally as the main source of funding, for local unsecured debt facilities.

Rating Sensitivities

Limited Upside Potential: Credivalores' IDRs are sensitive, in general, to relevant changes in its profile and credit metrics. Specifically, an improvement in profitability that leads to stabilization of pretax income to average assets greater than 1.5% could be positive for the company's Long-Term IDR. A sustained deterioration in asset quality that reduces the company's ability to absorb unexpected losses could be negative for its ratings.

Operating Environment

Fitch revised its Outlook on Colombia's 'BBB' rating to Stable from Negative in March 2017. The change reflected a tax reform package passed in December 2016 to reduce the fiscal deficit and a reduction in the country's imbalances, notably a sharply lower current account deficit at 4.4% of GDP in 2016 from 6.4% a year earlier. Annualized inflation fell below 4% in June 2017, within the central bank's target for the first time since January 2015 and significantly below its peak in July 2016. Fitch expects it to increase to 4.2% at year end. Since December 2016, the central bank has lowered the policy rate by 175bps as the actual inflation rate and the central bank's target began to converge. Fitch expects further cuts in 2017 but expects the pace of the cuts will be data dependent. The cuts should benefit the funding costs.

Economic growth slowed to 2.0% in 2016 from 3.1% in 2015, given weak domestic demand as well as a fall in exports. Fitch expects growth to pick up modestly in 2017 on higher exports and investment followed by a higher pace of around 3% in 2018. While the formal employment rate recently increased, the Colombian unemployment rate was 9.1% at December 2016. Colombia's growth and fiscal metrics remain at risk from the oil sector outlook. Colombia's oil production fell to 840,000 barrels per day (bpd) in 1Q17 from over 1.0 million bpd in 2015. While the government expects oil production to stabilize in 2018, further significant declines in oil production would undermine overall growth prospects as well as oil revenues. Delays in the completion of 4G infrastructure projects would also undermine medium-term growth.

Weaker medium-term economic prospects in Colombia could result in a cyclical deterioration of the system's loan quality ratios, particularly in the more risky consumer and microfinance segments. Overall financial institution profitability should remain steady or mildly deteriorate for those with concentrations in these specific sectors. Nevertheless, persistent economic weakness, higher unemployment and exchange rate volatility will likely pressure credit costs in 2017.

Consumer lending in Colombia includes traditional revolving credit, credit card lending, clean lending, vehicle finance and payroll-deductible lending, known locally as Libranza. Libranza lending accounted for 37% of total consumer lending as of month-end February 2017. Libranza lending is offered by both the large banks and smaller non-bank financial institutions. In 2012, Colombia's congress enacted *Ley 1527, Ley de Libranza,* which put specific regulations in place to protect lenders (the existing contracts remain in effect regardless of a change in employer) of the borrowers (limits on exposure and certain fixed interest rate caps). Further Libranza regulations were enhanced in August 2016 via Decree 1348.

Company Profile

Low-Risk and Diversified Business Model

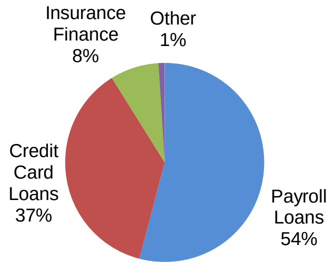
Credivalores is the largest non-bank financial institution (NBFI) in Colombia with an asset market share of approximately 2% (when including the regulated financial institutions market). The company is majority-owned (35.01%) by Crediholding S.A.S., which is owned by the Seinjet family, a well-regarded Colombian family with nearly 15 years of experience in the consumer lending business, as well as in such productive sectors as the sugar cane business and real estate. The other main shareholders are Lacrot Inversiones 2014 S.L.U. (Lacrot; 34.75%), which is managed by Gramercy Funds Management LLC (Delaware), and Acon (through Acon Consumer Finance Holdings II, S.L. and Acon Consumer Finance Holdings, (both from Spain) with 24.64%.

Credivalores' business model includes offering payroll and credit card loans to the low- and middle-income segments of the population that are underserved by banks, and are mostly located in rural and semi-rural areas with low levels of banking penetration. Even though the company's participation in the Colombian financial system is relatively low, it has developed a

Related Criteria

Global Non-Bank Financial Institutions Rating Criteria (March 2017) respectable franchise in the payroll segment; the company organically increased its loan underwriting in this segment to about USD220 million. Over the past 14 years, the company has disbursed approximately USD2.3 billion in credit operations.

Credivalores Loan Portfolio
(As of Dec. 31, 2016)



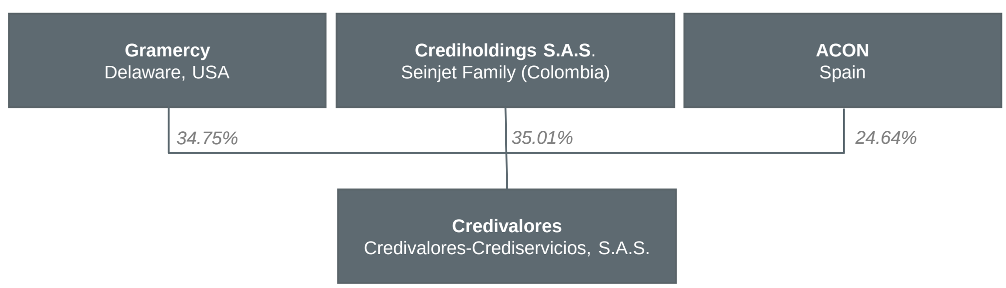
Source: Credivalores.

As of March 31, 2017, Credivalores' total managed loan portfolio was COP1,117,963 (USD388 million) with over 786,500 clients. The managed loan portfolio is defined as the company's on-balance-sheet collateralized and uncollateralized payroll and other loans, and off-balance-sheet loans that it originated and sold to third parties but remain under the company's servicing and management. At present, Credivalores no longer expects to sell loan assets as a funding vehicle. The company has a network of brokers and an internal sales force that together comprise more than 2,300 agents, 41 branches, 45 points of sale and 83 points of contact through an alliance with TIGO (mobile phone services provider). Additionally, it has mobile offices that reach rural areas where Credivalores currently has no physical presence. It has more than 720 agreements with mostly public and some private-sector entities to offer payroll loans to their employees.

Crediservicios S.A. was formed in 2003 for the primary purpose of providing payroll deduction loans. Credivalores S.A. was also formed in 2003, and its primary business activities were factoring transactions and the financing of goods, services and insurance premiums. Both companies provided their services locally in Cali, Colombia. In 2008, Credivalores S.A. was fully absorbed into Crediservicios S.A., and the resulting entity changed its name to Credivalores-Crediservicios, S.A.S.

Over time, the business has grown into other geographic regions throughout Colombia, including Bogotá. In 2010, the company was capitalized by two private equity funds, ACON Consumer Finance Holdings, S. de R.L. and HSBC Capital (now Graycliff Partners), in order to strengthen its capital structure and leverage its high growth potential. In May 2014, the company received a new capital injection from Gramercy, a U.S. investment manager. As a result, Gramercy became a new shareholder, replacing Graycliff. In March 2015, Gramercy completed a new capital injection, strengthening Credivalores' equity. In October 2016, Gramercy, through its investment fund Lacrot Inversiones 2014 S.L.U. (Lacrot), granted Credivalores a convertible loan facility at the option of the company for COP60,014 million (USD20 million) due in April 2017. In March 2017, Credivalores decided to exercise the option to capitalize COP53,511 million (USD18.6 million) of this facility into equity. The capitalization is accounted for in the financial statements of April 2017 and, thus, does not appear in the first-quarter balance sheet.

Corporate Structure — Crediservicios, S.A.S.
(As of June 30, 2017)



Note: In the total shares, 5.6% of acquired shares is included to calculate ownership percentages.
Source: Credivalores.

Management and Strategy
Well-Executed, Long-Term Strategy

In Fitch's opinion, Credivalores' management has a strong track record in the financial industry with an average of more than 18 years' experience. The day-to-day management team is headed by the president and founder, David Seinjet Neirus. Key man risk is mitigated by the clear objectives of the simple business model, which are well understood by the experienced management team.

Credivalores' board of directors meets on a monthly basis and is composed of seven members, four of whom are appointed by Crediholding S.A.S., two by Gramercy and one by Acon. The audit committee is composed of four people, including board member Juan Carlos Restrepo, who has been with Credivalores for over 10 years and was previously with Citibank, and independent board member Lorena Cardenas, who has over 20 years' experience in the finance industry and previously was CFO of Credito Real S.A.B., a well-regarded payroll lender in Mexico.

Credivalores' strategic objectives include organically growing its loan portfolio to up to COP2.2 billion over the next five years while continuing to focus on low- and middle-income segments by offering high-yield products and services whose risks can be mitigated by the semi-secured nature of the product, collection channels, and insurance or risk diversification or pulverization. The company's exposure is diversified geographically throughout the many large cites in Colombia. The continued organic growth will be mainly driven by an expansion of its payroll loan portfolio concentrating on retirees and public-sector employees, as well as on growing its loan penetration in existing agreements with proven operating efficiencies (recently enhanced via a relevant investment in technology).

At the same time, the company will seek to expand its credit card business in part through its partnership with mobile phone provider Tigo to offer credit lines to those Tigo clients with a proven, satisfactory track record with its mobile phone contracts.

On the funding side, management decided to discontinue raising funds through asset sales and recently placed USD250 million, five-year, senior notes. Proceeds will be used repay short-term maturing obligations and secured local debt, some of which required collateral that limited the company's liquidity.

Risk Appetite
Conservative Risk Culture

The main financial risk of the company is credit risk. The company maintains conservative underwriting standards enhanced by the fact that its main lending product consists of payroll-backed lending, in addition to detailed policies and procedures in place to mitigate payroll-related credit risks and the main risks of its credit card and insurance finance products. These include clearly defined customer identification measures, including identity fraud protection, conservative exposure limits based on internal risk analysis, geographic diversification, the use of insurance, close contact with borrowers and extensive collection procedures. Credit-risk policies are set by the board of directors, which also is in charge of defining credit portfolio limits.

In Fitch's view, Credivalores' risk and credit policies are satisfactory, despite the higher level of impaired loans compared to peers. This higher level is due, in part, to the company's policy of minimizing write-offs and the impact of portfolio sales on the impaired credit ratios. In cases of delayed repayment issues in the payroll-backed loans, the company makes the necessary provisioning but typically does not write-off the loan. In the company's experience, if given enough time to find a new employer or to adjust to a cash flow issue, the borrower will eventually begin repayment.

The company's exposure to credit cards is mitigated by the large number of borrowers, the collection of the monthly installment through the borrower's utility bill, as well as the relatively low loan amounts. Tenors in the credit card product are in line with the tenors offered by commercial banks (maximum 36 months). Exposure to insurance finance is mitigated by the company's ability to cancel the insurance policy in the event of non-payment and by the fact that the premium is financed in 10 installments instead of 12. The risk is also mitigated by the close contact with the borrower and insurance companies so that, in the event of non-payment, quick action will minimize exposure.

Operational risk exposure is monitored continuously and follows local regulator rules. The company counts on robust contingency plans to allow Credivalores to continue to operate under stress conditions. The company has a backup site in Bogota with its own duplicate systems and source of electricity in the unlikely event it is needed.

Market risk policies and limits are set forth by a market risk committee at the matrix level and approved by the board of directors. Credivalores has exposure to interest rate risk, foreign exchange rate risk and inflation risk from its loan and investment portfolios. The company has hedges in place to mitigate such risks. With regard to foreign exchange rate risk, the company's hedging policy mandates the company to hedge all foreign currency denominated debt to COP within a period of 90 days of taking on such liability.

Financial Profile

Asset Quality

Conservative Risk Appetite Supports Asset Quality

Asset Quality

(%, As of Dec. 31)	March 2017	2016	2015	2014
Growth of Gross Loans	2.9	22.4	29.7	18.4
Impaired Loans/Gross Loans	11.1	10.7	11.0	N.A.
Reserves for Impaired Loans/Impaired Loans	76.7	80.6	78.4	N.A.
Impaired Loans Less Reserves for Impaired Loans/Fitch Core Capital	21.6	17.4	16.6	N.A.
Loan Impairment Charges/Average Gross Loans	4.3	2.1	3.1	3.3

N.A. – Not available.

Source: Fitch.

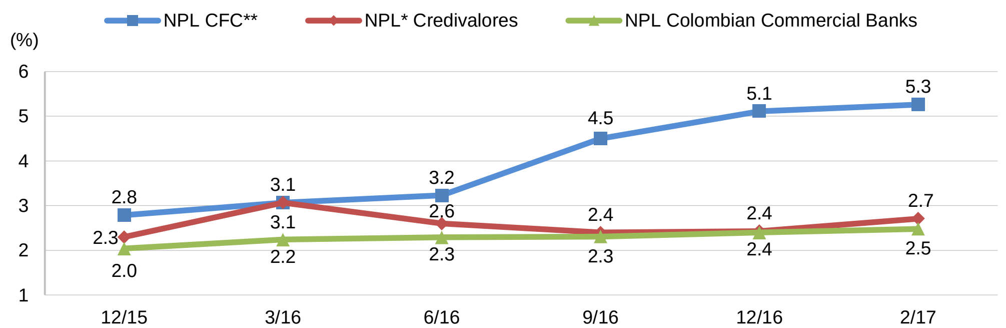
Credivalores has an extensive risk screening policy, which, along with the nature of its credit products, should result in a relatively low level of impairments. However, as seen above, the level of impairments is about 11% (this includes NPLs above 360 days and the sold loan portfolios where there is recourse), which does not compare as well to that of its peers. The relatively higher level of impairments is due, in part, by the company's policy of not writing off impaired loans. Different from other institutions that write-off non-performing loans after an industry standard period of time, Credivalores' management believes that, in many cases, the borrower just needs time to catch up with his/her debt service if the problem is a temporary liquidity issue, or if the borrower lost his/her job and has yet to find a new one. In the latter case, the loan amortization usually begins again once the borrower finds a new job. In recent periods, Credivalores has been able to recover about 20% of its past due loans above 100%, through its own collection department.

Per the Libranza law, the new employer must honor the salary deduction agreement that was in place at the previous employer. Management states that, in the case of impairments, they are usually limited in size and frequency. The loan portfolio is highly diversified, and almost 40% of the loans are for an amount less than COP5 million (USD1,715). Credivalores noted that, on occasion, there were some delays on payment transfers from government entities to Credivalores but were deemed not material.

When Fitch adjusts the impaired ratio by eliminating the loans that traditionally are written off by local regulated financial institutions, as permitted by regulators, the impaired ratio is back in line with that of local peers. Also important to note is the low level of concentration of the credit portfolio: the 25 largest clients represented only 0.55% of the managed credit portfolio, while the 20 largest clients with impairments only represented 0.2% of the managed credit portfolio at March 2017. Furthermore, the securities investment portfolio represents only 2% of total assets.

Credivalores has an extensive credit collection process that includes a time-sensitive collection schedule that must be followed by the collection team. The company has maintained a satisfactory level of asset quality compared to its local peers; the Colombian banking system's payroll-deductible loans' asset quality is reflected in the chart below.

Credivalores Payroll-Deductible Loan's Asset Quality versus Market



Source: Credivalores. NPL* = Non-performing loans over 60 days. CFC** = Colombian commercial financing companies (regulated financial companies dedicated to consumer lending in Colombia).

To ensure the adequacy of Credivalores' loan loss provisioning, the company's risk unit monitors and compares the actual deterioration of the credit portfolio against the provision expense calculated by its internal models. During 2014 and 2015, loan loss provisioning exceeded actual impairments, while, in 2016, provisioning was more in line with actual impairments (but toward the second half, it was a bit below). The company's policy is to have provisioned at least 90% of what the model calculates by using the expected loss method.

Earnings and Profitability

Asset Diversification Supports Profitability

Profitability

(%, As of Dec. 31)	March 2017	2016	2015	2014
Net Interest Income/Average Earning Assets	5.0	4.4	12.76	7.9
Non-interest Expense/Gross Revenues	60.6	63.6	57.6	44.0
Loans and Securities Impairment Charges/Pre-Impairment Operating Profit	86.7	49.8	42.3	34.0
Operating Profit/Average Total Assets	0.6	1.9	3.9	5.9
Operating Profit/Average Equity	4.3	12.8	24.1	40.2

Source: Fitch.

Profitability has been adequate, but ratios have been on a decreasing trend during the past two years, partly due to higher investment expenses (technology and training) and a pullback in lending in the second half of 2016 and early 2017 given the preference for liquidity over growth following the Libranza crisis. Profitability is also constrained by pricing constraints given the regulatory interest rate caps on the payroll lending product and past asset sales, which management no longer intends to continue, preferring instead to allow the balance sheet to grow and generate a greater level of interest income.

Revenues are expected to improve partly as a result of the recent notes issuance. Although the proceeds will be used to mostly repay existing debt, the result will be enhanced liquidity. This will allow for greater lending volumes, especially in the payroll-deductible product, which has significant room to grow under the existing employer agreements.

Operational expenses are expected to be on a declining trend as the company should benefit from the relevant technological and personnel investments made in 2015 and 2016 and from other operational efficiency initiatives to reduce costs. Loan loss provisioning expenses are also expected to be in line with past figures, with the growth in volumes and expected improvement in the operating environment.

Capitalization and Leverage
Recent Debt Capitalization Strengthens Capital

Capitalization

(%, As of Dec. 31)	March 2017	2016	2015	2014
Tangible Common Equity/Tangible Assets	10.6	11.1	12.9	16.9
Equity/Total Assets	13.3	13.9	15.4	17.0
Internal Capital Generation	3.5	9.1	19.3	23.6

Source: Fitch.

Capitalization is low in nominal terms. As of March 31, 2017, it amounted to approximately USD67 million. However, in mid-April, another USD18.6 million was added via a capitalization of debt owed to Gramercy as Credivalores exercised its option. When considering this recent capitalization, the equity to assets ratio increases to approximately 17% on a pro forma basis. To continue to grow its capital and support the organic growth of the balance sheet, the company has refrained from paying dividends as agreed by shareholders for the past several years. According to the restriction of dividend payments clause included in the description of the notes of the offering memorandum of the recent bond issued, this dividend restriction is expected to continue.

Funding and Liquidity
Stable Funding, Liquid Balance Sheet

Credivalores has access to a variety of domestic and international funding sources that enable the company to minimize funding gaps. However, many of these sources required the pledging of collateral or imposed restrictive covenants on the company during the life of the loan or lending facility.

The company had improved the quality of its funding via a euro commercial paper program and has also benefitted from funding from multilateral development agencies, such as the IFC. Credivalores has committed bank lines from several large Colombian and other banks, including a close banking relationship with Bancolombia. However, most of these facilities include long-term syndicated loans with collateral and short-term working capital credit lines. In addition to third-party sources, Credivalores' shareholders have supported the company with credit facilities and capital.

Up until recently, Credivalores had used loan portfolio sales to raise working capital and future growth, but management no longer expects to make further use of this funding method, as it now prefers to show a larger balance sheet. Proceeds of the company's recent issuance of USD250 million of five-year senior notes (rated by Fitch at 'b+') will be used to repay existing debt. Once concluded, these measures will significantly improve the company's average liability duration from about 1.7 months to approximately four years.

Income Statement – Credivalores-Crediservicios, S.A.S.

(COP Mil., Year End as of Dec. 31)	March 31, 2017[a] Three Months — First Quarter (USD Mil.)		2016[a]	2015[a]	2014[a]	2013[a] Unaudited
1. Interest Income on Loans	16.6	47,761.0	172,945.0	162,833.0	112,390.0	0.0
2. Other Interest Income	0.0	93.0	294.0	(70.0)	N.A.	0.0
3. Dividend Income	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
4. Gross Interest and Dividend Income	16.6	47,854.0	173,239.0	162,763.0	112,390.0	0.0
5. Interest Expense on Customer Deposits	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
6. Other Interest Expense	11.6	33,529.0	126,222.0	56,116.0	60,676.0	0.0
7. Total Interest Expense	11.6	33,529.0	126,222.0	56,116.0	60,676.0	0.0
8. Net Interest Income	5.0	14,325.0	47,017.0	106,647.0	51,714.0	0.0
9. Net Gains (Losses) on Trading and Derivatives	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
10. Net Gains (Losses) on Other Securities	N.A.	N.A.	N.A.	N.A.	N.A.	0.0
11. Net Gains (Losses) on Assets at FV through Income Statement	(1.2)	(3,388.0)	(3,635.0)	40,043.0	9,051.0	N.A.
12. Net Insurance Income	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
13. Net Fees and Commissions	6.5	18,798.0	39,230.0	(21,356.0)	21,165.0	0.0
14. Other Operating Income	3.1	8,818.0	45,513.0	28,568.0	39,016.0	0.0
15. Total Non-Interest Operating Income	8.4	24,228.0	81,108.0	47,255.0	69,232.0	0.0
16. Personnel Expenses	N.A.	N.A.	N.A.	N.A.	N.A.	0.0
17. Other Operating Expenses	8.1	23,378.0	81,434.0	88,581.0	53,176.0	0.0
18. Total Non-Interest Expenses	8.1	23,378.0	81,434.0	88,581.0	53,176.0	0.0
19. Equity-accounted Profit/Loss — Operating	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
20. Pre-Impairment Operating Profit	5.3	15,175.0	46,691.0	65,321.0	67,770.0	0.0
21. Loan Impairment Charge	4.6	13,160.0	23,261.0	27,603.0	23,010.0	0.0
22. Securities and Other Credit Impairment Charges	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
23. Operating Profit	0.7	2,015.0	23,430.0	37,718.0	44,760.0	0.0
24. Equity-accounted Profit/Loss — Non-operating	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
25. Non-recurring Income	N.A.	N.A.	N.A.	N.A.	N.A.	0.0
26. Non-recurring Expense	N.A.	N.A.	N.A.	N.A.	N.A.	0.0
27. Change in Fair Value of Own Debt	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
28. Other Non-operating Income and Expenses	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
29. Pretax Profit	0.7	2,015.0	23,430.0	37,718.0	44,760.0	0.0
30. Tax expense	0.1	347.0	6,230.0	3,793.0	12,416.0	0.0
31. Profit/Loss from Discontinued Operations	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
32. Net Income	0.6	1,668.0	17,200.0	33,925.0	32,344.0	0.0
33. Change in Value of AFS Investments	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
34. Revaluation of Fixed Assets	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
35. Currency Translation Differences	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
36. Remaining OCI Gains/(Losses)	(1.2)	(3,599.0)	(8,060.0)	N.A.	N.A.	N.A.
37. Fitch Comprehensive Income	(0.7)	(1,931.0)	9,140.0	33,925.0	32,344.0	0.0
38. Memo: Profit Allocation to Non-controlling Interests	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
39. Memo: Net Income after Allocation to Non-controlling Interests	0.6	1,668.0	(126,081.1)	33,925.0	27,127.0	0.0
40. Memo: Common Dividends Relating to the Period	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
41. Memo: Preferred Dividends Related to the Period	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

[a]Exchange rate: 2017 — USD1 = COP2880,24; 2016 — USD1 = COP3000,71; 2015 — USD1 = COP3149,47; 2014 — USD1 = COP2392,46; 2013 —USD1 = COP1922,56. N.A. – Not applicable.
Source: Fitch.

Balance Sheet — Credivalores-Crediservicios, S.A.S.

	March 31, 2017[a] Three Months — First Quarter					
(COP Mil., Year End as of Dec. 31)	(USD Mil.)		2016[a]	2015[a]	2014[a]	2013[a]
Assets						
A. Loans						
1. Residential Mortgage Loans	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
2. Other Mortgage Loans	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
3. Other Consumer/Retail Loans	362.0	1,042,751.0	1,063,445.0	873,055.0	766,946.0	647,955.0
4. Corporate and Commercial Loans	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
5. Other Loans	72.5	208,741.0	153,123.0	121,267.0	N.A.	0.0
6. Less: Reserves for Impaired Loans	37.1	106,910.0	105,191.0	85,944.0	86,932.0	70,065.0
7. Net Loans	397.4	1,144,582.0	1,111,377.0	908,378.0	680,014.0	577,890.0
8. Gross Loans	434.5	1,251,492.0	1,216,568.0	994,322.0	766,946.0	647,955.0
9. Memo: Impaired Loans Included Above	48.4	139,360.0	130,587.0	109,674.0	N.A.	0.0
10. Memo: Loans at Fair Value Included Above	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
B. Other Earning Assets						
1. Loans and Advances to Banks	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
2. Reverse Repos and Cash Collateral	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
3. Trading Securities and at FV through Income	7.7	22,134.0	20,958.0	24,192.0	N.A.	N.A.
4. Derivatives	0.0	3.0	817.0	12,478.0	N.A.	N.A.
5. Available for Sale Securities	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
6. Held to Maturity Securities	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
7. Equity Investments in Associates	3.1	9,062.0	9,408.0	31,240.0	4,291.0	4,349.0
8. Other Securities	N.A.	N.A.	N.A.	N.A.	21,858.0	18,322.0
9. Total Securities	10.8	31,199.0	31,183.0	67,910.0	26,149.0	22,671.0
10. Memo: Government Securities Included Above	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
11. Memo: Total Securities Pledged	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
12. Investments in Property	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
13. Insurance Assets	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
14. Other Earning Assets	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
15. Total Earning Assets	408.2	1,175,781.0	1,142,560.0	976,288.0	706,163.0	600,561.0
C. Non-Earning Assets						
1. Cash and Due from Banks	75.4	217,248.0	122,964.0	110,078.0	87,127.0	87,038.0
2. Memo: Mandatory Reserves Included Above	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
3. Foreclosed Real Estate	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
4. Fixed Assets	0.3	872.0	1,017.0	1,462.0	1,362.0	1,817.0
5. Goodwill	9.7	28,060.0	N.A.	N.A.	N.A.	0.0
6. Other Intangibles	N.A.	N.A.	28,836.0	26,904.0	317.0	152.0
7. Current Tax Assets	1.3	3,650.0	2,799.0	13.0	5.0	6.0
8. Deferred Tax Assets	8.5	24,383.0	24,478.0	21,845.0	10,555.0	13,670.0
9. Discontinued Operations	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
10. Other Assets	1.1	3,135.0	36,359.0	5,351.0	3,019.0	8,757.0
11. Total Assets	504.5	1,453,129.0	1,359,013.0	1,141,941.0	808,548.0	712,001.0
Liabilities and Equity						
D. Interest-Bearing Liabilities						
1. Customer Deposits — Current	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
2. Customer Deposits — Savings	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
3. Customer Deposits — Term	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
4. Total Customer Deposits	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
5. Deposits from Banks	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
6. Repos and Cash Collateral	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
7. Commercial Paper and Short-term Borrowings	160.1	461,220.0	457,071.0	257,311.0	9,522.0	8,563.0
8. Total Money Market and Short-term Funding	160.1	461,220.0	457,071.0	257,311.0	9,522.0	8,563.0
9. Senior Unsecured Debt (Original Maturity > 1 Year)	57.0	145,485.0	146,162.0	180,253.0	0.0	0.0
10. Subordinated Borrowing	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
11. Covered Bonds	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
12. Other Long-term Funding	193.1	574,842.0	481,741.0	369,322.0	569,730.0	507,006.0
13. Total LT Funding (Original Maturity > 1 Year)	250.1	720,327.0	627,903.0	549,575.0	569,730.0	507,006.0

[a]Exchange rate: 2017 —USD1 = COP2880,24; 2016 — USD1 = COP3000,71; 2015 — USD1 = COP3149,47; 2014 — USD1 = COP2392,46; 2013 — USD1 = COP1922,56. N.A. – Not applicable. *Continued on the next page.*
Source: Fitch.

Balance Sheet — Credivalores-Crediservicios, S.A.S. (Continued)

(COP Mil., Year End as of Dec. 31)	March 31, 2017[a] Three Months — First Quarter (USD Mil.)		2016[a]	2015[a]	2014[a]	2013[a]
D. Interest-Bearing Liabilities *(Continued)*						
14. Derivatives	5.8	16,805.0	16,958.0	0.0	N.A.	N.A.
15. Trading Liabilities	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
16. Total Funding	416.1	1,198,352.0	1,101,932.0	806,886.0	579,252.0	515,569.0
E. Non-Interest-Bearing Liabilities						
1. Fair Value Portion of Debt	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
2. Credit impairment reserves	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
3. Reserves for Pensions and Other	0.4	1,156.0	2,219.0	3,434.0	3,582.0	1,673.0
4. Current Tax Liabilities	2.3	6,690.0	4,503.0	3,368.0	2,635.0	4,446.0
5. Deferred Tax Liabilities	3.3	9,490.0	10,496.0	16,081.0	14,976.0	3,740.0
6. Other Deferred Liabilities	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
7. Discontinued Operations	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
8. Insurance Liabilities	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
9. Other Liabilities	15.4	44,491.0	50,740.0	136,221.0	70,974.0	101,012.0
10. Total Liabilities	437.5	1,260,179.0	1,169,890.0	965,990.0	671,419.0	626,440.0
F. Hybrid Capital						
1. Pref. Shares and Hybrid Capital accounted for as Debt	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
2. Pref. Shares and Hybrid Capital accounted for as Equity	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
G. Equity						
1. Common Equity	67.5	194,535.0	192,867.0	175,667.0	137,129.0	85,561.0
2. Non-controlling Interest	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
3. Securities Revaluation Reserves	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
4. Foreign Exchange Revaluation Reserves	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
5. Fixed Asset Revaluations and Other Accumulated OCI	(0.6)	(1,585.0)	(3,744.0)	284.0	N.A.	N.A.
6. Total Equity	67.0	192,950.0	189,123.0	175,951.0	137,129.0	85,561.0
7. Total Liabilities and Equity	504.5	1,453,129.0	1,359,013.0	1,141,941.0	808,548.0	712,001.0
8. Memo: Fitch Core Capital	52.1	149,997.0	146,305.0	143,283.0	136,812.0	85,409.0

[a]Exchange rate: 2017 — USD1 = COP2880,24; 2016 — USD1 = COP3000,71; 2015 — USD1 = COP3149,47; 2014 — USD1 = COP2392,46; 2013 — USD1 = COP1922,56. N.A. – Not applicable.
Source: Fitch.

Summary Analytics — Credivalores-Crediservicios, S.A.S.

(%, Year End as of Dec. 31)	March 31, 2017 Three Months — First Quarter	2016	2015	2014	2013
A. Interest Ratios					
1. Interest Income on Loans/Average Gross Loans	15.70	15.64	18.49	15.89	N.A.
2. Interest Expense on Customer Deposits/Average Customer Deposits	N.A.	N.A.	N.A.	N.A.	N.A.
3. Interest Income/Average Earning Assets	16.74	16.35	19.35	17.20	N.A.
4. Interest Expense/Average Interest-bearing Liabilities	11.82	13.23	8.10	11.08	N.A.
5. Net Interest Income/Average Earning Assets	5.01	4.44	12.68	7.92	N.A.
6. Net Int. Inc Less Loan Impairment Charges/Av. Earning Assets	0.41	2.24	9.40	4.39	N.A.
7. Net Interest Inc Less Preferred Stock Dividend/Average Earning Assets	5.01	4.44	12.68	7.92	N.A.
B. Other Operating Profitability Ratios					
1. Non-Interest Income/Gross Revenues	62.84	63.30	30.70	57.24	N.A.
2. Non-Interest Expense/Gross Revenues	60.64	63.56	57.56	43.97	N.A.
3. Non-Interest Expense/Average Assets	6.74	6.51	9.08	6.99	N.A.
4. Pre-impairment Op. Profit/Average Equity	32.22	25.58	41.73	60.86	N.A.
5. Pre-impairment Op. Profit/Average Total Assets	4.38	3.73	6.70	8.91	N.A.
6. Loans and securities impairment charges/Pre-impairment Op. Profit	86.72	49.82	42.26	33.95	N.A.
7. Operating Profit/Average Equity	4.28	12.84	24.09	40.20	N.A.
8. Operating Profit/Average Total Assets	0.58	1.87	3.87	5.89	N.A.
9. Operating Profit/Risk Weighted Assets	N.A.	N.A.	N.A.	N.A.	0.00
C. Other Profitability Ratios					
1. Net Income/Average Total Equity	3.54	9.42	21.67	29.05	N.A.
2. Net Income/Average Total Assets	0.48	1.38	3.48	4.25	N.A.
3. Fitch Comprehensive Income/Average Total Equity	(4.10)	5.01	21.67	29.05	N.A.
4. Fitch Comprehensive Income/Average Total Assets	(0.56)	0.73	3.48	4.25	N.A.
5. Taxes/Pretax Profit	17.22	26.59	10.06	27.74	N.A.
6. Net Income/Risk Weighted Assets	N.A.	N.A.	N.A.	N.A.	0.00
D. Capitalization					
1. FCC/FCC-Adjusted Risk Weighted Assets	N.A.	N.A.	N.A.	N.A.	10.47
2. Tangible Common Equity/Tangible Assets	10.64	11.12	12.92	16.93	12.00
3. Tier 1 Regulatory Capital Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
4. Total Regulatory Capital Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
5. Common Equity Tier 1 Capital Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
6. Equity/Total Assets	13.28	13.92	15.41	16.96	12.02
7. Cash Dividends Paid & Declared/Net Income	N.A.	N.A.	N.A.	N.A.	N.A.
8. Internal Capital Generation	3.51	9.09	19.28	23.59	0.00
E. Loan Quality					
1. Growth of Total Assets	6.93	19.01	41.23	13.56	N.A.
2. Growth of Gross Loans	2.87	22.35	29.65	18.36	N.A.
3. Impaired Loans/Gross Loans	11.14	10.73	11.03	N.A.	0.00
4. Reserves for Impaired Loans/Gross Loans	8.54	8.65	8.64	11.33	10.81
5. Reserves for Impaired Loans/Impaired Loans	76.71	80.55	78.36	N.A.	N.A.
6. Impaired loans less Reserves for Impaired Loans/Fitch Core Capital	21.63	17.36	16.56	N.A.	(82.03)
7. Impaired Loans less Reserves for Impaired Loans/Equity	16.82	13.43	13.49	N.A.	(81.89)
8. Loan Impairment Charges/Average Gross Loans	4.32	2.10	3.13	3.25	N.A.
9. Net Charge-offs/Average Gross Loans	N.A.	0.31	3.07	0.87	N.A.
10. Impaired Loans + Foreclosed Assets/Gross Loans + Foreclosed Assets	11.14	10.73	11.03	N.A.	0.00
F. Funding and Liquidity					
1. Loans/Customer Deposits	N.A.	N.A.	N.A.	N.A.	N.A.
2. Interbank Assets/Interbank Liabilities	N.A.	N.A.	N.A.	N.A.	N.A.
3. Customer Deposits/Total Funding (Excluding Derivatives)	N.A.	N.A.	N.A.	N.A.	N.A.
4. Liquidity Coverage Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
5. Net Stable Funding Ratio	N.A.	N.A.	N.A.	N.A.	N.A.

N.A. – Not applicable.
Source: Fitch.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.