U.S.$300,000,000

BANCO GNB SUDAMERIS

6.50% Subordinated Notes due 2027

We are offering U.S.$300,000,000 aggregate principal amount of our 6.50% subordinated notes due 2027 (the "notes"). The notes will mature on April 3, 2027. The notes will bear interest on their principal amount at a fixed rate of 6.50% per year from the date of original issuance to, but excluding, April 3, 2022 (the "Reset Date"), payable semi-annually on April 3 and October 3 of each year, commencing on October 3, 2017. During the period from the Reset Date to, but excluding, the date of maturity or earlier redemption date of the notes, the notes will bear interest on their principal amount at a rate per year that will be equal to the sum of (i) a benchmark reset rate on the Reset Date and (ii) 456.1 basis points, payable semi-annually on April 3 and October 3 of each year, commencing on April 3, 2022. See "Description of the Notes."

The notes will be our unsecured subordinated obligations and will rank junior to all of our existing and future senior obligations and will rank senior only to our capital stock. The notes will not be guaranteed by our subsidiaries and will not be entitled to any sinking fund. See "Description of the Notes."

On the Reset Date, subject to the prior approval of the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*) or any other then-applicable Colombian governmental authority, if required, we may at our option redeem the notes in whole or in part, upon giving you not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the notes being redeemed plus any accrued and unpaid interest on the principal amount of the notes being redeemed up to, but excluding, the date of such redemption, plus additional amounts, if any (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date). See "Description of the Notes—Optional Redemption."

Investing in the notes involves risks that are described in the "Risk Factors" section beginning on page 16 of this listing prospectus.

Price per note: 100.0% plus accrued interest, if any, from April 3, 2017.

The notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), any U.S. state securities laws or the securities laws of any other jurisdiction. The notes may not be offered or sold within the United States or to any U.S. persons, except (a) to qualified institutional buyers within the meaning of Rule 144A under the Securities Act ("Rule 144A"), in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A, and (b) outside the United States to non U.S. persons in compliance with Regulation S under the Securities Act ("Regulation S"). For further details about eligible offerees and resale restrictions, see "Transfer Restrictions."

The notes have been automatically registered with the Colombian National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*). Registration does not constitute an opinion of the Colombian Superintendency of Finance as to approval of the quality of the notes or our solvency. The notes may not be publicly offered or sold in the Republic of Colombia ("Colombia").

There is currently no public market for the notes. Application has been made for admission of the notes to the Official List and trading on the Euro MTF Market of the Luxembourg Stock Exchange. This listing prospectus constitutes a prospectus for the purpose of Luxembourg law dated July 10, 2005 on Prospectuses for Securities, as amended.

The notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company ("DTC") for the accounts of its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, *société anonyme* ("Clearstream"), on or about April 3, 2017.

BofA Merrill Lynch

The date of this listing prospectus is March 29, 2017.

In making your investment decision, you should rely only on the information contained in this listing prospectus. Neither we nor the initial purchaser have authorized any person to provide you with different information. If any person provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this listing prospectus is accurate as of the date on the front cover of this listing prospectus only. Our business, properties, results of operations or financial condition may have changed since that date. Neither the delivery of this listing prospectus nor any sale of notes hereunder will under any circumstances imply that the information herein is correct as of any date subsequent to the date on the front cover of this listing prospectus.

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Unless otherwise indicated or the context otherwise requires, all references in this listing prospectus to "we," "us," "our," the "Bank" and "ourselves" mean Banco GNB Sudameris S.A. and its consolidated subsidiaries.

This listing prospectus has been prepared by us solely for use in connection with the proposed offering of the notes described in this listing prospectus. This listing prospectus is personal to each offeree and does not constitute an offer to any other person or the public generally to subscribe for or otherwise acquire notes.

The initial purchaser makes no representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this listing prospectus. Nothing contained in this listing prospectus is, or shall be relied upon as, a promise or representation by the initial purchaser as to the past or future.

Neither we nor the initial purchaser are making an offer to sell the notes in any jurisdiction except where such an offer or sale is permitted. You must comply with all laws and regulations that apply to you in any place in which you buy, offer or sell any notes or possess or distribute this listing prospectus. You must also obtain any consents, permission or approvals that you need in order to purchase, offer or sell any notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. We and the initial purchaser are not responsible for your compliance with these legal requirements. We are not making any representation to you regarding the legality of your investment in the notes under any legal investment or similar law or regulation.

You acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this listing prospectus;

- you have not relied on the initial purchaser or its agents or any person affiliated with the initial purchaser or its agents in connection with your investigation of the accuracy of such information or your investment decision; and

- no person has been authorized to give any information or to make any representation concerning us or the notes other than those as set forth in this listing prospectus. If given or made, any such other information or representation should not be relied upon as having been authorized by us, the initial purchaser or its agents.

We are relying upon an exemption from registration under the Securities Act for an offer and sale of securities which do not involve a public offering. By purchasing notes, you will be deemed to have made certain acknowledgments, representations and agreements as set forth under “Transfer Restrictions” in this listing prospectus. The notes are subject to restrictions on resale and transfer and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom. Please refer to the sections in this listing prospectus entitled “Plan of Distribution” and “Transfer Restrictions.”

In making an investment decision, prospective investors must rely on their own examination of the Bank and the terms of the offering, including the merits and risks involved. We are not providing you with any legal, business, tax or other advice in this listing prospectus and prospective investors should not construe anything in this listing prospectus as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the notes under applicable legal, investment or similar laws or regulations.

None of the United States Securities and Exchange Commission (the “SEC”), any United States state securities commission or any other regulatory authority has approved or disapproved of the notes or determined if this listing prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The notes offered pursuant to this listing prospectus are not governed by Colombian securities regulations. The notes are not being offered in the Colombian securities market and, consequently, this listing prospectus is not, does not constitute and cannot be deemed, a public offering, as defined in Article 6.1.1.1.1 of Decree 2555 of 2010.

No material adverse change on our prospects has occured since the date of our last published audited financial statements

AVAILABLE INFORMATION

For as long as any notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we will, during any period in which we are neither subject to Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser or subscriber of such restricted securities designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser or subscriber, the information required to be delivered to such persons pursuant to Rule 144(d)(4) under the Securities Act (or any successor provision thereto). Any such request may be made to us in writing at our main offices located at Carrera 7a. No. 75-85/87, Bogotá, Colombia.

We are also required to furnish certain information, including quarterly and annual reports, to the Colombian Superintendency of Finance and the Colombian Stock Exchange (*Bolsa de Valores de Colombia*), which will be available in Spanish at www.bvc.com.co. The information included (or accessed through) any website included or referred to in this listing prospectus is not incorporated by reference in, and shall not be considered part of, this listing prospectus.

SERVICE OF PROCESS AND ENFORCEABILITY OF CIVIL LIABILITIES

We are a corporation organized under the laws of Colombia. Three of our directors and all of our officers and certain other persons named in this listing prospectus reside outside the United States and all or a significant portion of the assets of the directors and officers and certain other persons named in this listing prospectus and substantially all of our assets are located outside the United States. As a result, it may not be possible for you to effect service of process within the United States upon such persons or to enforce against them or against us in U.S. courts judgments predicated upon the civil liability provisions of the federal securities laws of the United States. There is doubt as to the enforceability in Colombia, either in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated on the U.S. federal securities laws.

We have been advised by Dentons Cardenas & Cardenas, that Colombian courts determine whether to enforce a U.S. judgment predicated on the U.S. securities laws through a procedural system known under Colombian law as exequatur which is heard by the Colombian Supreme Court. Colombian courts will enforce a foreign judgment, without reconsideration of the merits, only if the judgment satisfies the requirements of Articles 605 through 607 of Law 1564 of 2012, or the Colombian General Code of Procedure (*Código General del Proceso*), which provide that the foreign judgment will be enforced if:

- a treaty exists between Colombia and the country where the judgment was handed down or there is reciprocity in the recognition of foreign judgments between the courts of the relevant jurisdiction and the courts of Colombia;

- the foreign judgment does not relate to "in rem rights" vested in assets that were located in Colombia at the time the suit was filed;

- the foreign judgment does not contravene or conflict with Colombian laws relating to public order other than those governing judicial procedures;

- the foreign judgment, in accordance with the laws of the country where it was rendered, is final and is not subject to appeal and a legalized copy of the judgment has been presented to the Colombian Supreme Court;

- the foreign judgment does not refer to any matter upon which Colombian courts have exclusive jurisdiction;

- no proceeding is pending in Colombia with respect to the same cause of action, and no final judgment has been awarded in any proceeding in Colombia on the same subject matter; and

- in the proceeding commenced in the foreign court that issued the judgment, the defendant was served in accordance with the law of such jurisdiction, had an opportunity to defend against the action and the judgment is final (*res judicata*).

The United States and Colombia do not have a bilateral treaty providing for automatic reciprocal recognition and enforcement of judgments in civil and commercial matters. The Colombian Supreme Court has generally accepted that reciprocity exists when it has been proven that either a U.S. court has enforced a Colombian judgment or that a U.S. court would enforce a foreign judgment, including a judgment issued by a Colombian court. However, such enforceability decisions are considered by Colombian courts on a case-by-case basis. Colombian Supreme Court case law has established that reciprocity may be evidenced by submitting an expert report from a recognized lawyer in the other relevant jurisdiction.

We will appoint CT Corporation System, located at 111 Eighth Avenue, New York, NY 10011, as agent to receive service of process under the indenture governing the notes, including with respect to any action brought against us in the United States District Court for the Southern District of New York under the federal securities laws of the United States or of any State of the United States or any action brought against us in the Supreme Court of the State of New York in the County of New York under the securities laws of the State of New York.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This listing prospectus includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and therefore are, or may be deemed to be, "forward-looking statements." These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "estimates," "seeks," "projects," "intends," "plans," "may," "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this listing prospectus and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include, but are not limited to:

- changes in Colombian, Peruvian, Paraguayan, regional and international business and economic, political or other conditions;
- the global financial crisis and the current market environment;
- developments affecting Colombian, Peruvian, Paraguayan and international capital and financial markets;
- government regulation and tax matters and developments affecting us and our industries;
- increases in defaults by our customers;
- increases in loan impairment losses;
- decreases in deposits, customer loss or revenue loss;
- increases in provisions for contingent liabilities;
- our ability to continue the development of our payroll loans *(libranzas)* and commercial loan portfolio;
- the continuation of long-term funding agreements (*convenios*) with governmental entities and pension funds;
- availability and cost of funding;
- our level of indebtedness and other financial obligations;
- our ability to sustain or improve our financial performance;
- increases in inflation rates;
- changes in interest rates which may, among other effects, adversely affect margins and the valuation of our treasury portfolio;
- movements in exchange rates;
- competition in the banking and financial services, credit card services, insurance, asset management and related industries;

- adequacy of risk management procedures and credit, market and other risks of lending and investment activities;
- decreases in our level of capitalization;
- changes in market values of Colombian, Peruvian and Paraguayan securities, particularly Colombian government securities;
- adverse legal or regulatory disputes or proceedings;
- internal security issues affecting countries where we will operate and natural disasters;
- loss of key members of our senior management; and
- other risk factors as set forth under "Risk Factors."

These factors should not be construed as exhaustive and should be read with the other cautionary statements in this listing prospectus, including those factors identified or discussed under the "Risk Factors" section of this listing prospectus.

Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this listing prospectus. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this listing prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward- looking statements. Any forward-looking statements that we make in this listing prospectus speak only as of the date of those statements, and we undertake no obligation to update those statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references herein to "peso," "pesos" or "Ps" refer to the lawful currency of Colombia. All references to "U.S. dollars," "dollars" or" U.S.$" are to United States dollars. All references herein to "Sol,", "Soles" or "S./" refer to the lawful currency of Peru. All references herein to "Guaraní" or "₲." refer to the lawful currency of Paraguay. See "Exchange Rates and Foreign Exchange Controls" for information regarding exchange rates for the Colombian currency since 2012. This listing prospectus translates certain Colombian peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. The conversion of amounts expressed in Colombian pesos as of a specified date at the then prevailing exchange rate may result in presentation of U.S. dollar amounts that differ from U.S. dollar amounts that would have been obtained by converting Colombian pesos as of another specified date. Unless otherwise indicated, such peso amounts have been translated at the rate of Ps 3,000.71 per U.S.$1.00, which corresponds to the representative market rate calculated on December 31, 2016. Such conversion should not be construed as a representation that the peso amounts correspond to, or have been or could be converted into, U.S. dollars at that rate or any other rate. On March 29, 2017, the representative market rate was Ps 2,911.99 per U.S.$1.00. See "Exchange Rates and Foreign Exchange Controls."

Our financial statements

The Bank and its subsidiaries are entities under the comprehensive supervision of, and subject to inspection and surveillance as financial institutions by, the Colombian Superintendency of Finance. We are required to comply with capital adequacy regulations, and each of our financial subsidiaries is separately required to comply with capital adequacy regulations applicable to banks and other financial institutions.

Our consolidated financial statements at December 31, 2015 and 2016 and for each of the two years in the two-year period ended December 31, 2016, included in this listing prospectus are referred to herein as our "consolidated financial statements." Our historical results are not necessarily indicative of results to be expected for future periods. The consolidated financial statements of the Bank and its subsidiaries included herein have been audited by PricewaterhouseCoopers Ltda. in accordance with Accounting and Financial Reporting Standards accepted in Colombia ("Colombian Banking IFRS") as required by Law 1314/2009, regulated by Decree 2420/2015, as amended by Decree 2496/2015 and Decree 2131/2016, Colombian Banking IFRS are based on International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and which were in effect and officially translated into Spanish as at December 31, 2013, except for the specific requirement of the Superintendency of Finance to record directly in Other Comprehensive Income the difference between the loan impairment losses determined as required by International Accounting Standard (IAS) 39 and the impairment provision determined as required for the separate financial statements based on specific rules of the Superintendency of Finance.

Considering that our 2016 consolidated financial statements were audited by a successor audit firm, we have also annexed to this listing prospectus the consolidated financial statements of the Bank and its subsidiaries at December 31, 2015 and 2014, and at January 1, 2014, and for each of the two years in the two-year period ended December 31, 2015 (the "2015-2014 Financial Statements"). The 2015 financial statements were audited by KPMG S.A.S. (formerly KPMG Ltda.). The consolidated financial statements as at and for the year ended December 31, 2014 were prepared in accordance with accounting principles generally accepted in Colombia, which were the applicable accounting standards at the time, were audited by KPMG S.A.S. Those consolidated financial statements, including the opening balances on January 1, 2014, were adjusted to the new accounting standards referred to as Accounting and Financial Reporting Standards accepted in Colombia, as stated in their report included elsewhere herein.

The 2015-2014 Financial Statements are the first set of financial statements prepared in accordance with the Accounting and Financial Reporting Standards accepted in Colombia. Note 28 to the 2015-2014 Financial Statements describe how the new technical and regulatory framework has affected our consolidated financial position, our consolidated financial performance and our consolidated cash flows previously reported.

The 2015 financial statements in this listing prospectus have been adjusted for consistency purposes to conform to the presentation of our 2016 consolidated financial statements as explained in note 2f of those consolidated financial statements.

The consolidated financial statements have not been reviewed or approved by the Colombian Superintendency of Finance; however, financial statements for the period ended December 31 of each year, prepared on the basis of Colombian Banking IFRS, are remitted to the Colombian Superintendency of Finance for their review.

Colombian Banking IFRS is based on IFRS as of December 31, 2013, and certain Colombian regulations issued by the Colombian Superintendency of Finance. Certain rules subsequently issued by the IASB are not applicable under Colombian Banking IFRS. Our financial statements for local purposes mainly differ from financial statements under IFRS in the following aspects:

- allowances for loan losses are recorded in other comprehensive income, under Colombian Banking IFRS; whereas under IFRS, they are calculated according to the criteria set forth in IAS 39 and recorded in profit or loss of each period;

- consolidated financial statements prepared under Colombian Banking IFRS classify debt securities into one of two categories: fair value through profit or loss or amortized cost; whereas under IFRS they are classified under one category; and

- entities with non-controlling or non-significant influence in equity securities are required to record fair value changes in other comprehensive income, in accordance with the guidance set out in IFRS 9 under Colombian Banking IFRS; whereas under IFRS they are recorded in profit or loss of each period.

We have included information in this listing prospectus concerning return on average shareholders' equity, or "ROAE," and on return on average of total assets, or "ROAA," (which are not a measure of financial performance under Colombian Banking IFRS) because we believe it is a standard financial statistic commonly reported and widely used by analysts and other interested parties. We also understand that ROAE and ROAA may be defined differently by other companies. You should not considering ROAE or ROAA as an alternative to the financial disclosure presented in this listing prospectus in accordance with Colombian Banking IFRS.

Market share and other information

We obtained market and competitive position data, including market forecasts, used throughout this listing prospectus from market research, publicly available information, and industry publications. We have presented this data on the basis of information from third-party sources that we believe are reliable, including, among others, the Colombian Superintendency of Finance, the Colombian National Bureau of Statistics (*Departamento Administrativo Nacional de Estadística*), or "DANE," the Colombian Central Bank (*Banco de la Republica*), the 2016 World Bank Development Indicators, the Peruvian Superintendency of Banks, Insurance and Private Pension Fund Administration Entities (*Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones - "SBS"),* the Peruvian Central Bank (*Banco Central de Reserva del Perú – BCRP*), the Peruvian National Institute of Statistics and Information (*Instituto Nacional de Estadística e Informatica – "INEI"*), the Paraguayan Central Bank (*Banco Central del Paraguay*) and its affiliate, the Paraguayan Superintendency of Banks (*Superintendencia de Bancos*), the Paraguayan Ministry of Finance (*Ministerio de Hacienda*), the General Bureau of Statistics, surveys and census of Paraguay (*Dirección General de Estadística, Encuestas y Censos*), the Paraguayan National Development Bank (*Banco Nacional de Fomento*), the Central Bank of Brazil (*Banco Central do Brasil*), the Superintendency of Banks and Financial Institutions of Chile (*Superintendencia de Bancos e Instituciones Financieras de Chile*), and the Bank and Securities of Mexico (*Comisión Nacional Bancaria y de Valores de México*). Industry and government publications, including those referenced herein, generally state that the information presented has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Unless otherwise stated herein, Colombian Central Bank, gross domestic product, or "GDP," figures with respect to Colombia in this listing prospectus are based on the 2005 base year data series published by DANE. Although we have no reason to believe that any of this information or these reports is inaccurate in any material respect, we have not independently verified the competitive position, market share, market size, market growth or other data provided by third parties or by industry or other publications. We and the initial purchaser do not make any representation or warranty as to the accuracy of such information.

Except where otherwise indicated, our balance sheet and statement of income data included in this listing prospectus reflects consolidated Colombian Banking IFRS information, while comparative disclosures of our financial and operating performance against that of our competitors are based on unconsolidated information prepared on the basis of Colombian Banking IFRS reported to the Colombian Superintendency of Finance.

Credit institutions are a major category of financial institutions under Colombian banking regulations. Credit institutions include commercial banks, financing companies and financial corporations. Banks undertake traditional deposit-taking and lending activities. Financing companies place funds in circulation by means of active credit operations, with the purpose of fostering the sale of goods and services, including the development of leasing operations. Finance corporations invest directly in the economy and thus are the only vehicles through which a bank may invest in non-financial sectors. See "Banking Regulation."

Other conventions

Certain amounts included in this listing prospectus have been subject to rounding adjustments. Accordingly, amounts shown as totals in certain tables may not be an arithmetic summation of the figures that precede them.

References to "billions" in this listing prospectus are to 1,000,000,000s and to "trillions" are to 1,000,000,000,000s.

"Minority interest" and "non-controlling interest" refer to the participation of minority shareholders in the Bank and its subsidiaries, as applicable.

We own or have rights to trademarks, service marks or trade names that we use in connection with the operation of our business. In addition, our names, logos and website names and addresses are our service marks or trademarks. Other trademarks, service marks or trade names appearing in this listing prospectus are the property of their respective owners. Some of the trademarks we own or have the right to use include *Banco GNB Sudameris*, *Servivalores GNB Sudameris*, *Servitrust GNB Sudameris* and *Servibanca*. We also sell products under a number of licensed brands, including *Credilibranza GNB Sudameris*, *Cash GNB Sudameris* and *SAP— Sistema Automático de Pagos*. We also own or have the rights to copyrights that protect the content of our products. Solely for convenience, the trademarks, service marks, trade names and copyrights referred to in this listing prospectus are listed without the ©, ® and TM symbols, but we will assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, service marks and trade names.

SUMMARY

This summary highlights selected information from this listing prospectus but does not contain all the information that may be important to you. You should read carefully this entire listing prospectus, including the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk factors" and the financial statements and the related notes thereto included elsewhere in this listing prospectus, before making an investment decision.

Information set forth in this listing prospectus regarding data reported to the Colombian Superintendency of Finance is meant to illustrate comparisons with other entities within the Colombian financial system. This data is not meant to be compared with the consolidated financial information set forth in the financial statements included in this listing prospectus.

Bank overview

Banco GNB Sudameris S.A. is a universal bank in Colombia with special focus on small and medium enterprises, or SMEs, mid-corporates and personal banking. The Bank was created in August 1920 as a Colombian corporation. In 1924, it became a branch of Banque Française et Italienne pour l'Amérique du Sud. On December 22, 2003, Banque Sudameris, Banca Intesa and other shareholders sold their aggregate 94.7% ownership interest to Gilex Holding B.V., our current controlling shareholder, which in turn is controlled by the Gilinski family. The Gilinski family had been a controlling shareholder of Banco Andino and Banco de Colombia (now known as Bancolombia).

Between October 2013 and March 2014, we consummated the acquisition from HSBC Latin America Holdings (UK) Ltd. ("HSBC") and four other HSBC affiliates of HSBC's banking operations in Colombia, Paraguay and Peru. These acquisitions allowed us to increase our operations in Colombia and expand our presence in the South American region.

Our income from interest and valuations and our net income from interest and valuations was Ps 1,566,176 million and Ps 373,247 million, respectively for the year ended December 31, 2016. At December 31, 2016, we had total assets of Ps 26,229,436 million.

Colombia operations

Before accounting for eliminations for consolidation, our Colombian banking operations represented 69.1% and 38.1% of our income from interest and valuations and of our net income from interest and valuations, respectively, in 2016; and represented 73.5% of our total assets at December 31, 2016. We have strengthened our position in the Colombian banking market through selective growth and increased liquidity driven by strict risk policies. In particular, we have focused on the following three products: payroll loans (*libranzas*), development loans (*carteras de fomento*) and funding agreements (*convenios*).

As part of our operating strategy, we maintain a strong capital and liquidity position. Our network of ATMs and branches spreads throughout each of Colombia's 32 departments in more than 691 cities and towns, with particular emphasis on the wealthiest and largest cities in Colombia (Bogotá, Medellín, Cali and Barranquilla) covering nearly 90% of Colombia's population. Banco GNB Sudameris is one of Colombia's most efficient banking platforms as a result of its continuous focus on innovation and the second-largest ATM network in Colombia.

The following table sets forth our ranking among the ten largest Colombian banks (measured in terms of assets) with respect to the following ratios:

Banco GNB Sudameris Positioning[1]	**At and for the year ended December 31, 2016**
Non-performing loans ratio[2]	2
Coverage ratio[3]	1
Liquidity ratio[4]	1
Other expenses-to-assets ratio[5]	1

(1) Based on unconsolidated figures published by the Colombian Superintendency of Finance.

(2) Calculated as non-performing loans as a percentage of total loans. Non-performing loans include all loans at least 31 days past due.

(3) Calculated as provisions as a percentage of past-due loans. Past-due loans include all loans at least 31 days past due.

(4) Calculated as liquid assets as a percentage of total deposits. Liquid assets include cash and equivalents and investments held for trading.

(5) Calculated as other expenses as a percentage of total average assets (the sum of total assets at the end of the fiscal year and total assets at the end of the previous fiscal year, divided by two).

We are one of Colombia's largest providers of credit through payroll loans *(libranzas)*, with agreements with more than 492 employers, allowing us to reach approximately 178,133 clients throughout Colombia at December 31, 2016. At December 31, 2012, 68.4% of our payroll loans were originated by us, while 31.6% were originated by third parties. At December 31, 2016, 94.8% of our payroll loans were originated by us. We have been shifting our payroll loans business towards direct origination, which is more profitable than acquiring loans from third party originators. In addition, we have focused on a smaller number of clients but with higher credit amounts. As of November 30, 2016, we had a market share of 8.0% of the Colombian payroll loan *(libranza)* market. Payroll loans *(libranzas)* accounted for 25.1% of our total loan portfolio in Colombia at December 31, 2016.

Through our subsidiaries, we also provide asset, cash and portfolio management services as well as other fiduciary services, ATM services for a wide range of transactions and stock brokerage and other securities market services.

The table below sets forth our and the Colombian financial system's efficiency ratio, non-performing loans ratio and ROAE (return on average shareholders' equity) for the periods presented:

	As of and for the year ended December 31,	
	2015	**2016**
	(in percentages)	
Position Compared to Colombian Financial System[1]		
Unconsolidated efficiency ratio[2]		
Banco GNB Sudameris	64.7%	55.6%
Financial system	45.9%	43.3%
Unconsolidated non-performing loans ratio[3]		
Banco GNB Sudameris	1.6%	1.8%
Financial system	2.8%	3.1%
Unconsolidated ROAE[4]		
Banco GNB Sudameris	12.4%	12.1%
Financial system	14.3%	15.9%

(1) The Colombian financial system currently consists of 25 banks, including Banco GNB Sudameris.

(2) Based on data published by the Colombian Superintendency of Finance. Calculated as other expenses excluding depreciation and amortization, divided by gross margin, as published by the Colombian Superintendency of Finance.

(3) As published by the Colombian Superintendency of Finance. Calculated as non-performing loans as a percentage of total loans. Non-performing loans include all loans at least 31 days past due.

(4) Based on data published by the Colombian Superintendency of Finance. "ROAE" is calculated as net income divided by average shareholders' equity (the sum of shareholders' equity at the end of the fiscal year plus shareholders' equity at the end of the prior fiscal year, divided by two).

Peruvian operations

Banco GNB (Peru) is a full service bank that offers commercial and retail banking services. The commercial banking business provides mainly working capital and trade related products to high net worth customers based on cash flow strength, as opposed to relying on collateral. The retail banking business is focused on premium customers, providing mainly payroll loans, including mortgage loans. Before accounting for eliminations for consolidation, Banco GNB (Peru) represented 18.8% and 35.8% of our income from interest and valuations and of our net income from interest and valuations, respectively, in 2016, and represented 16.3% of our total assets at December 31, 2016.

The following table sets forth our ranking among the ten largest Peruvian banks (measured in terms of assets) with respect to the following ratios:

Banco GNB (Peru) Positioning[1]	**At and for the year ended December 31, 2016**
Non-performing loans ratio[2]	4
Coverage ratio[3]	7
Liquidity ratio[4]	10
Other expenses-to-assets ratio[5]	5

(1) Based on unconsolidated figures published by the SBS.

(2) Calculated as non-performing loans as a percentage of total loans. Non-performing loans include all loans at least 31 days past due.

(3) Calculated as provisions as a percentage of past-due loans. Past-due loans include all loans at least 31 days past due.

(4) Calculated as liquid assets as a percentage of total deposits. Liquid assets include cash and equivalents and investments held for trading.

(5) Calculated as other expenses as a percentage of total average assets (the sum of total assets at the end of the fiscal year and total assets at the end of the previous fiscal year, divided by two).

The following table sets forth our and the Peruvian system's efficiency ratio, non-performing loans ratio and ROAE (return on average shareholders' equity) for the periods presented:

	As of and for the year ended December 31,	
	2015	**2016**
	(in percentages)	
Position Compared to Peruvian Financial System[1]		
Unconsolidated efficiency ratio[2]		
Banco GNB (Peru)	55.2%	53.5%
Financial system	43.0%	43.0%
Unconsolidated non-performing loans ratio[3]		
Banco GNB (Peru)	2.0%	2.1%
Financial system	2.5%	2.8%
Unconsolidated ROAE[4]		
Banco GNB (Peru)	7.9%	8.3%
Financial system	22.1%	19.9%

(1) As at December 31, 2016, the Peruvian financial system currently consists of 16 commercial banks, including Banco GNB (Peru), 11 financing companies, 12 municipal and six rural savings and loans associations (*cajas*), ten small business development non-bank institutions (Edpymes), two leasing companies and three state-owned institutions.

(2) Based on data published by the SBS. Calculated as administrative expenses divided by the operational margin.

(3) As published by the SBS. Calculated as non-performing loans as a percentage of total loans. Non-performing loans include all loans at least 31 days past due.

(4) Based on data published by the SBS. "ROAE" is calculated as net income divided by average shareholders' equity (the sum of shareholders' equity at the end of the fiscal year plus shareholders' equity at the end of the prior fiscal year, divided by two).

Paraguayan operations

Banco GNB (Paraguay) focuses its business on high quality commercial and corporate clients and premium retail payroll loans. Banco GNB (Paraguay) is currently seeking to increase its presence in the agribusiness and cattle ranching sectors. Before accounting for eliminations for consolidation, Banco GNB (Paraguay) represented 12.1% and 26.1% of our income from interest and valuations and of our net income from interest and valuations, respectively, in 2016, and represented 10.2% of our total assets at December 31, 2016.

The following table sets forth our ranking among the Paraguayan banks (measured in terms of assets) with respect to the following ratios:

Banco GNB (Paraguay) Positioning[1]	**At and for the year ended December 31, 2016**
Non-performing loans ratio[2]	5
Coverage ratio[3]	2
Liquidity ratio[4]	13
Other expenses-to-assets ratio[5]	2

(1) Based on unconsolidated figures published by the Paraguayan Central Bank.

(2) Calculated as non-performing loans as a percentage of total loans. Non-performing loans include all loans at least 31 days past due.

(3) Calculated as provisions as a percentage of past-due loans. Past-due loans include all loans at least 31 days past due.

(4) Calculated as liquid assets as a percentage of total deposits. Liquid assets include cash and equivalents and investments held for trading.

(5) Calculated as other expenses as a percentage of total average assets (the sum of total assets at the end of the fiscal year and total assets at the end of the previous fiscal year, divided by two).

The following table sets forth our and the Paraguayan system's efficiency ratio, non-performing loans ratio and ROAE (return on average shareholders' equity) for the periods presented:

	As of and for the year ended December 31,	
	2015	**2016**
	(in percentages)	
Position Compared to Paraguayan Financial System[1]		
Unconsolidated efficiency ratio[2]		
Banco GNB (Paraguay)	47.6%	40.1%
Financial system	48.9%	50.1%
Unconsolidated non-performing loans ratio[3]		
Banco GNB (Paraguay)	1.3%	2.0%
Financial system	2.5%	2.8%
Unconsolidated ROAE[4]		
Banco GNB (Paraguay)	19.6%	19.8%
Financial system	21.3%	18.6%

(1) As of December 31, 2016, the Paraguayan financial system consisted of 17 banks, nine deposit-taking financial companies, four bonded warehouses, 30 foreign exchange trading institutions, one trust company and four other financial entities.

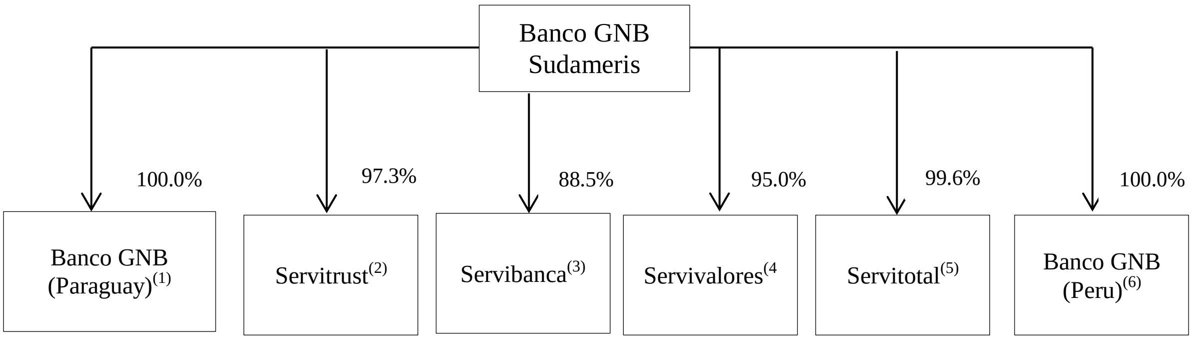
(2) Based on data published by the Paraguayan Central Bank. Calculated as administrative expenses divided by the operational margin.

(3) As published by the Paraguayan Central Bank. Calculated as non-performing loans as a percentage of total loans. Non-performing loans include all loans at least 31 days past due.

(4) Based on data published by the Paraguayan Central Bank. "ROAE" is calculated as net income divided by average shareholders' equity (the sum of shareholders' equity at the end of the fiscal year plus shareholders' equity at the end of the prior fiscal year, divided by two).

Organizational structure

The Bank conducts its business directly and through its subsidiaries. The following diagram describes our principal subsidiaries, including our direct and indirect ownership interests:



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(1) Banco GNB (Paraguay) is a full service bank focused mainly on the commercial and corporate segments with a premium retail offering, and has its principal place of business at Aviadores del Chaco No. 2351, esq. Herib Campos Cervera, Asunción, Paraguay. Before accounting for eliminations for consolidation, Banco GNB (Paraguay) represented 12.1% and 26.1% of our income from interest and valuations and of our net income from interest and valuations, respectively, in 2016; and represented 10.2% of our total assets at December 31, 2016.

(2) Servitrust GNB Sudameris S.A., or “Servitrust,” provides fiduciary services such as asset management and administration, cash management and portfolio management and has its principal place of business at Carrera 7 #75-85, piso 10, Bogotá, Colombia. See “—Other Services and Products—Fiduciary Services-Servitrust.” Servitrust represented 0.1% and 0.4% of our income from interest and valuations and of our net income from interest and valuations, respectively, in 2016; and represented 0.2% of our total assets at December 31, 2016. A 1.5% interest in Servitrust is held by Gilex Holding B.V., our principal shareholder.

(3) Sociedad al Servicio de la Tecnología y Sistematización Bancaria Tecnibanca S.A.—Servibanca S.A., or “Servibanca,” is the only independent ATM network in Colombia and has its principal place of business at Carrera 7 #75-85, piso 9, Bogotá, Colombia. See “—Other Services and Products—ATM services— Servibanca.” Servibanca represented 0.1% and 0.5% of our income from interest and valuations and of our net income from interest and valuations, respectively, in 2016; and represented 0.5% of our total assets at December 31, 2016.

(4) Servivalores—GNB Sudameris S.A.—Comisionista de Bolsa, or “Servivalores,” provides securities brokerage, market and risk analysis, fund administration and foreign exchange intermediation services and has its principal place of business at Carrera 7 #75-85, piso 3, Bogotá, Colombia. See “—Other Services and Products Brokerage Services—Servivalores.” Servivalores represented 1.9% of our net income from commissions and fees, in 2016; and represented 0.2% of our total assets at December 31, 2016.

(5) Servitotal GNB Sudameris, or “Servitotal,” is a subsidiary that was created to develop technological solutions in a strategic alliance with Bantotal, a technological solutions company focused on the banking sector. Servitotal does not generate revenues and has minimal assets. The Bank holds 94.8% of Servitotal directly and the remaining 4.8% indirectly through its other subsidiaries.

(6) Banco GNB (Peru) is a full service bank focused mainly on the commercial and corporate segments with a premium retail offering, and has its principal place of business at Jirón Carabaya 891-899, Lima 15001, Peru. Before accounting for eliminations for consolidation, Banco GNB (Peru) represented 18.8% and 35.8% of our income from interest and valuations and of our net income from interest and valuations, respectively, in 2016, and represented 16.3% of our total assets at December 31, 2016.

Strengths

We believe that we have achieved and we are able to maintain, our strong position in the Colombian banking industry through the following competitive strengths.

We are a significant player in Colombia's banking sector with a strong exposure to key attractive segments with focus on highly profitable risk-adjusted products

We are a universal bank with special focus on SMEs, mid-corporates and personal banking. We believe these segments are attractive because they yield relatively higher margins than large corporate clients.

Our banking business is focused on three principal areas that have historically been highly profitable in relation to the risk involved: payroll loans (*libranzas*), development loans (*carteras de fomento*) and funding agreements (*convenios*). Payroll loans, which represent the substantial majority of our consumer loan portfolio, are consumer loans serviced through directly-sourced deductions from the client's salary. Development loans are credit lines funded by governmental development entities that we on-lend to companies at an intermediation margin ranging between 2-4% for long term funding for domestic development projects. Funding agreements are arrangements we enter into with governmental entities and pension funds where they agree to deposit their funds with us in exchange for certain services. These deposit arrangements represent low-cost funding for us and reduce our reliance on wholesale funding. See "Business—Our banking operations—General."

Superior risk management culture with high asset quality and strong liquidity

We have the second lowest non-performing loan ratio of the Colombian banking system (1.8% at December 31, 2016 compared to 3.1% for the Colombian banking system). Our strong focus on payroll loans (*libranzas*) significantly reduces our consumer portfolio risk. We also maintain a strong liquidity position. At December 31, 2016, our investment-to-assets ratio was 28.8% as compared to 17.2% for the Colombian banking system, while our deposits-to-loans ratio was 146.2% as compared to 89.5% for the Colombian banking system. Our capitalization ratio, which is calculated as our technical capital divided by our risk-weighted assets, was 17.9%, as compared to 15.3% for the Colombian banking system. The minimum capitalization ratio required by Colombian banking regulations is 9.0%. Our coverage ratio (provisions as a percentage of past due loans) at December 31, 2016 was 190.4%, which compares favorably with the average for the Colombian banking system of 155.5%.

Our strong asset quality and capital and liquidity position has resulted in our local rating of AAA by Value and Risk Rating. These ratings have also allowed us to secure and maintain our funding agreements (*convenios*) with governmental entities and pension funds. In addition, we are one of only 13 recognized market makers for Colombian sovereign debt. As a recognized market maker, we have access to the liquidity of the Colombian electronic trading system (*Sistema Electrónico de Negociación*, or "SEN"). See "Business—Treasury operations."

We have one of the most efficient banking platforms nationwide with focus on alternative channels to reach clients throughout Colombia

We have a nationwide network of 140 branches and the second largest ATM network in Colombia with 2,336 ATMs at December 31, 2016. In addition, we have payroll loans (*libranzas*) centers onsite at the premises of approximately 492 employers. Our network covers each of the 32 departments of Colombia and is in approximately 691 cities and towns throughout Colombia, with a focus on the wealthiest and largest cities of Colombia (Bogotá, Medellín, Cali and Barranquilla). Our distribution network covers nearly 90% of the Colombian market.

Our focused approach to distribution through payroll loan centers and the use of next-generation ATMs, as well as our focus on development loans and funding arrangements, makes the use of the relatively more expensive branch format less critical to our banking business. See "Business—Other services and products—ATM services—Servibanca."

Our sophisticated technological backbone improves efficiency while enhancing processes and transactions

Our business model relies on the widespread presence of, and access to, highly-functional ATMs that provide a wide array of services to our clients in an efficient and hassle-free manner. We believe that the proper management of technology is key to the efficient management and growth of our business. We maintain a scalable technological infrastructure designed to facilitate processes while maximizing safety and privacy. Our central platform is Bantotal, a central system that acts as depositary of information regarding clients' activities and processes transactions in both domestic and foreign currency. We also maintain up-to-date information systems for processing, safety and contingencies. Our sophisticated information technological platform allows us to provide the services that our institutional clients require or demand. See "Business— Technology."

Our experienced management team has a strong track record of growing both organically and through acquisitions

The majority of our management has been with us from the time the Gilinski family became controlling shareholders in 2003. In particular, Mr. Jaime Gilinski Bacal, our Chairman of the board of directors, was also previously a member of the board of directors of Banco Andino and Banco de Colombia. Our President, Camilo Verástegui Carvajal, was also an executive officer of those banks at the same time as Mr. Gilinski. Their combined experience in the banking sector, as well as that of other officers of the Bank, positions us well to continue growing and to integrate efficiently any acquisitions. See "Management."

Under the stewardship of our current senior management, since 2003 we have undergone the integration of Banco Tequendama, the acquisition of two brokerage companies and the acquisitions in 2013 and 2014 of HSBC's banking operations in Colombia, Peru and Paraguay. During that time, our assets, shareholders' equity and client base has increased significantly. See "Business—History."

The acquisition of HSBC's banking operations in Colombia, Paraguay and Peru provided us access to countries with substantial potential where we expect to replicate the success we have had in Colombia

The acquisition of HSBC's banking operations in Colombia, Paraguay and Peru, which was completed in 2013 and 2014, represents a significant opportunity for our international expansion. These acquisitions allow us to diversify into countries that we believe have high economic growth potential and relatively low bank penetration rates. We believe that the assets are well-positioned banks, mostly in investment grade countries (Colombia and Peru) and in relatively solid financial systems. We believe that our management has the experience and technical expertise to replicate in those new markets our success in Colombia, and to exploit synergies in the Colombian market.

Strategy

Our overall objectives are to build upon our competitive strengths to pursue opportunities for growth and to enhance our long-term financial performance. To achieve these objectives, we intend to pursue a strategy with the following principal elements:

Continue our conservative risk management approach

We seek to maintain high quality assets and strong capital and liquidity positions. We believe that this policy has allowed us, and will continue to allow us, to enjoy an excellent reputation in the Colombian banking system. This has resulted in the development of a significant portfolio of funding arrangements (*convenios*), which provide us a stable, long-standing and reliable source of funds and reduces our reliance on wholesale funding. Our policy of maintaining a high level of liquidity, including by investing in highly liquid instruments, also allows us to react quickly to, and minimize the risk of, any volatility in the market. See “Business—Our banking operations—General.”

Increase presence in the profitable payroll loan and SMEs commercial loan segments

We seek to increase our presence in the payroll loans segment of consumer loans, where we believe there is significant opportunity for growth. This type of loan has historically yielded relatively high margins and low non-performing loan ratios. We plan to continue to grow this business segment by having our sales force target employers and offering them our wide array of transactional services and our ATM network for their specific needs.

We also plan to focus on expanding our SME commercial loan portfolio by targeting smaller and medium-sized enterprises, which generally yield higher margins than large corporate clients. In our marketing efforts, we are able to offer not only loan products but a wide array of transactional services and our ATM network for their specific needs.

Focus on originating payroll loans, as opposed to acquiring them from intermediaries

We have been shifting our payroll loans business towards direct origination, which is more profitable than acquiring loans from third party originators, to whom we would have to pay commissions. On December 31, 2012, 68.4% of our payroll loans were originated by us, while 31.6% were originated by third parties. At December 31, 2016, 94.8% of our payroll loans were originated by us. In addition, we have focused on a smaller number of clients while increasing credit amounts.

Continue to innovate and develop alternative distribution channels to reach clients efficiently in Colombia and beyond

We plan to continue building out and innovating our distribution channels. In particular, we plan to grow and enhance our ATM network, as well as online banking, in line with market trends. Currently, through our ATM network we are able to provide not only traditional transactional services such as withdrawals, transfers between accounts and payments of utility bills and other, but also provide non-traditional services such as payment of taxes, newspaper subscriptions, airline reservations and liability insurance premiums, as well as wire transfer services. We believe that our ability to provide a wide array of services at our ATMs results in increased client referrals. See “Business— Other services and products—ATM services-Servibanca” and “Business—Distribution.”

Improve our cross-selling efforts by offering clients our diverse set of products

In addition to our traditional banking products, we are able to offer other products through our subsidiaries, including payment and collection services through our ATM network; fiduciary services, such as asset administration and management, portfolio management and cash management through Servitrust; and brokerage and exchange services and mutual fund management through Servivalores. We plan to continue to focus on the cross-selling of our wide range of products and services. For example, we can offer our libranza clients credit card and other services beyond lending, and our institutional banking clients an ATM network located in their premises with services tailored to their specific needs. We believe that by cross-selling our products and services we are able to develop greater customer loyalty, which results in increased revenues.

Leverage our ATM platform and client service oriented culture to better serve clients

We seek to leverage our ATM platform to better serve our clients. We believe that a widespread ATM network is a much more efficient and service-friendly platform than the traditional branch network. Clients have more convenient access to ATMs than to branches because there will generally be many more ATMs than branches in the general location of the client. Through ATMs, clients are able to conduct banking and other transactions 24 hours a day, unlike branches, which serve clients only during business hours. Also, the transaction execution time for most transactions is generally faster through ATMs than at branches. By incorporating more services to our ATM system and increasing our ATM network, which currently covers nearly 90% of the Colombian market as measured by population, we believe we will continue to attract clients and develop more customer loyalty.

Achieve profitable growth in the region by exporting our proven business model to new markets

As part of our integration plan for the businesses we acquired from HSBC, we introduced our business model of conservative risk management, high liquidity, focus on profitable and high credit segments of consumer and commercial lending, diversified funding and an efficient distribution channel with emphasis on highly-functional ATMs. We believe that the different markets we have entered (Paraguay and Peru) and certain others in the region offer appropriate conditions for the successful development of our business model. As a result, we intend to continue to identify acquisition and investment opportunities in the region as they may arise that would present such conditions. We also believe that our management is fully capable of replicating our business model in other markets in the region given its experience integrating the HSBC businesses, Banco Tequendama, a fiduciary services company, an ATM network and two brokerage houses into our operations.

Diversify our sources of income, including by engaging in merchant banking operations

We continue to implement initiatives to increase our non-interest income, which consists primarily of net fees and other net services income. To this end, we plan to seek the approval of the Colombian Superintendency of Finance to incorporate a merchant banking subsidiary (*corporación financiera*). This merchant banking subsidiary would focus on equity investments in strategic sectors of the Colombian economy, including, in particular, financial services, infrastructure, energy and gas, agribusiness, real estate, industry and hospitality.

Develop an offering of U.S. dollar-denominated banking products and services through a Panamanian banking subsidiary

We provide U.S. dollar-denominated lending to entities involved in export commerce. However, we are limited in our ability to cross-sell our banking products and services to these entities because we cannot offer U.S. dollar-denominated accounts. To address this limitation, we plan to seek approval from the relevant regulatory authorities to establish a bank in Panama. We believe that having a Panamanian banking subsidiary will allow us to provide a fuller offering of products and services to these clients, which would increase our interest income and further diversify our funding sources.

Diversify our funding sources and mitigate exchange risk by accessing the local bond markets

We fund most of our assets with local deposits, consistent with other banks in the markets where we operate, interbank borrowings and overnight funds, borrowings from development banks and the issuance of debt instruments in the international markets. More recently, in October and November 2016, we established two bond programs in the Peruvian market for the issuance by Banco GNB (Peru) of up to U.S.$200 million (or its equivalent in Soles) of senior bonds and of up to US.$100 million (or its equivalent in Soles) of subordinated bonds. In October 2016, Banco GNB (Peru) issued U.S.$15 million of subordinated notes. We have also received approval by the Colombian Superintendency of Finance for a program of up to Ps 500 billion in subordinated notes. These new sources of funding give us additional flexibility to address any capital needs and provide a natural hedge against exchange risk.

The Offering

The following summary contains basic information about the notes and is not intended to be complete. For a more complete understanding of the notes, please refer to the section entitled "Description of the Notes" in this listing prospectus.

Issuer	Banco GNB Sudameris S.A.
Notes Offered	U.S.$300,000,000 aggregate principal amount of 6.50% subordinated notes due 2027.
Maturity	April 3, 2027.
Issue Price	100.0%.
Ranking	The notes will be our unsecured subordinated obligations. Upon liquidation, the payment of all obligations on or relating to the notes will be subordinated in right of payment to the prior payment in full in cash or cash equivalents of all obligations due in respect of our Senior Liabilities, and will be senior only to our Capital Stock and Tier I Capital subordinated Indebtedness of the Bank. The notes will rank *pari passu* with all of our unsecured and Tier II Capital subordinated Indebtedness, if any that complies with the requirements set forth in Decree 2555. The terms "Senior Liabilities," "Capital Stock," "Tier I Capital," "Tier II Capital," "Indebtedness" and "Decree 2555" are defined under "Description of the Notes." At December 31, 2016, we had Ps 901,935 million of outstanding Senior Liabilities and Ps 805,679 of outstanding subordinated indebtedness.
Reset Date	April 3, 2022.
Principal	The notes will be redeemed at 100% of their face value at maturity.
Interest	The notes will bear interest on their principal amount from and including the Issue Date, to but excluding the Reset Date, at the rate of 6.50% per year. During the period from and including the Reset Date to, but excluding, the date of maturity or earlier redemption date of the notes, the notes will bear interest on their principal amount at a rate per year that will be equal to the sum of (i) the Benchmark Reset Rate (as defined in "Description of the Notes") on the Reset Date and (ii) 456.1 basis points. Interest on the notes will be payable semi-annually on April 3 and October 3 of each year, commencing on October 3, 2017.
Additional Amounts	All payments in respect of the notes will be made without any withholding or deduction for taxes of a Relevant Taxing Jurisdiction (as defined in "Description

	of the Notes") unless such withholding or deduction is required by law. In that event, we will pay Additional Amounts (as defined in "Description of Notes") as will result in receipt by the holders of the notes of such amounts as would have been received by them had no such withholding or deduction for such taxes been required, subject to certain exceptions set forth under "Description of Notes— Payment of Additional Amounts." For further discussion, see "Tax Considerations— Certain U.S. Federal Income Taxation Considerations."
Optional Redemption..	On the Reset Date, subject to the applicable Colombian laws and regulations then in effect and the prior approval of the Colombian Superintendency of Finance (or any other applicable authority), if required, the Bank may at its option redeem the notes in whole or in part, upon giving not less than 30 nor more than 60 days' notice to the holders of the notes, at a redemption price equal to 100% of the principal amount of the notes being redeemed plus any accrued and unpaid interest on the principal amount of the notes being redeemed up to, but excluding, the date of such redemption, plus Additional Amounts (as defined in "Description of the Notes"), if any (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).
Covenants	The indenture governing the notes contains covenants that will, among other things, require us to maintain our corporate existence, furnish certain periodic reports and maintain ratings from at least two international rating agencies, and limit our ability to merge or consolidate with another entity or sell, lease or transfer substantially all of our properties or assets to another entity. These covenants are subject to a number of important limitations and exceptions. See "Description of the Notes—Certain Covenants."
No Acceleration..	**There is no right of acceleration in the case of a default in any payment on the notes (whether when due or otherwise) or the performance of any of our other obligations under the notes or the indenture.** Notwithstanding the immediately preceding sentence, holders shall have the right to accelerate the payments due under the notes during the occurrence of an event of default only if there has been a change, amendment or modification to Colombian banking laws that would permit such right without disqualifying the notes from Tier II Capital (as defined under "Description of the Notes") status and holders exercise such right in accordance with applicable Colombian banking law. Subject to the subordination provisions of the notes, if any event of default occurs and is continuing, the trustee may pursue any available remedy (excluding

	acceleration, except as provided herein) to collect the payment of principal and interest on the notes or to enforce the performance of any provision under the indenture. See “Description of the Notes—Events of Default” and “Colombian Banking Regulation.”
Book-Entry System; Delivery and Form and Denomination of the Notes	The notes will be issued only in fully registered form, without interest coupons, in the form of beneficial interests in respect of one or more global securities in denominations of U.S.$10,000 and integral multiples of U.S.$1,000 thereof. Beneficial interests in respect of the global securities will be shown on, and transfers thereof will be effected only through, the book-entry records maintained by DTC and its participants, including Euroclear and Clearstream. The notes will not be issued in definitive form except under certain limited circumstances.
Use of Proceeds	We intend to use the net proceeds from the offering for general corporate purposes, including the funding of a new merchant banking subsidiary. See “Use of Proceeds.”
Governing Law	The notes and the indenture will be governed by the laws of the State of New York.
Listing and Trading	Application will be made to list the notes on the Official List of the Luxembourg Stock Exchange and to trade on the Euro MTF Market of the Luxembourg Stock Exchange. However, we cannot assure you that the listing application will be approved.
Trustee, Security Registrar, Transfer Agent and Paying Agent	The Bank of New York Mellon.
Luxembourg Listing and Paying Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch
Transfer Restrictions	The notes have not been registered under the Securities Act and are subject to restrictions on transfer and resale. See “Transfer Restrictions” and “Plan of Distribution.”
Risk Factors	Investing in the notes involves substantial risks and uncertainties. See “Risk Factors” and other information included in this listing prospectus for a discussion of factors you should carefully consider before deciding to invest in the notes.

Summary Financial Data

The following table presents our summary consolidated financial information and other data as of and for each of the periods indicated. The financial data as of and for the fiscal years ended December 31, 2015 and 2016 set forth below have been derived from our audited consolidated financial statements included elsewhere in this listing prospectus. Our consolidated financial statements for each period were prepared in accordance with Colombian Banking IFRS, which differs in certain material respects from U.S. GAAP and IFRS as issued by IASB.

Our historical results are not necessarily indicative of results to be expected for future periods.

This financial data should be read in conjunction with our audited annual consolidated financial statements and the related notes, "Presentation of Financial and Other Information," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this listing prospectus.

Statement of income data

	For the year ended December 31,		
	2015	**2016**	**2016**
	(in Ps millions)		**(in U.S.$ millions)[1]**
Income from interest and valuations	1,430,286	1,566,176	521.9
Interest expense:			
Interest expense from deposits	687,238	961,022	320.3
Financial debt and other interest	178,432	231,907	77.3
Total interest expense	865,670	1,192,929	397.5
Net income from interest and valuations	**564,616**	**373,247**	**124.4**
Impairment loss on financial assets	166,334	205,358	68.4
Net income from interest and valuations after impairment loss on financial assets	**398,282**	**167,889**	**55.9**
Net income from commissions and fees	136,472	148,546	49.5
Income valuation on derivatives instruments	116,383	125,267	41.7
Income from valuation at fair value, net	99,308	198,453	66.1
Other income	103,182	174,361	58.1
Other expenses	551,071	579,496	193.1
Net income before income tax	**302,556**	**235,020**	**78.3**
Income tax	106,771	25,800	8.6
Net income	**195,785**	**209,220**	**69.7**

(1) Translated for convenience only using the representative market rates as computed and certified by the Colombian Superintendency of Finance of Ps 3,000.71 per U.S.$1.00 at December 31, 2016. On March 29, 2017, the representative market rate was Ps 2,911.99 per U.S.$1.00.

Balance sheet data

	At December 31,		
	2015	2016	2016
	(in Ps millions)		(in U.S.$ millions)(1)
Assets:			
Cash and cash equivalents	7,156,147	7,350,358	2,449.5
Financial assets at fair value	3,954,802	4,254,762	1,417.9
Financial assets at amortized cost	1,565,068	1,030,208	343.3
Net loans	12,635,320	12,556,691	4,184.6
Other accounts receivable, net	204,002	503,575	167.8
Non-current assets held for sale	7,997	17,740	5.9
Tangible assets, net	194,112	214,589	71.5
Intangible assets, net	276,533	236,348	78.8
Other assets	103,570	65,165	21.7
Total assets	**26,097,551**	**26,229,436**	**8,741.1**
Liabilities:			
Financial liabilities are fair value	63,788	90,377	30.1
Customer deposits	16,558,941	16,283,558	5,426.6
Short-term financial debt	4,254,119	4,746,897	1,581.9
Borrowings from development entities	1,566,869	1,369,312	456.3
Long-term debt	1,739,315	1,707,614	569.1
Employee benefits	49,863	52,265	17.4
Provisions	37,788	40,142	13.4
Income tax	115,013	65,734	21.9
Other liabilities	221,222	269,799	89.9
Total liabilities	**24,606,918**	**24,625,698**	**8,206.6**
Equity:			
Subscribed and paid-in capital	66,020	66,020	22.0
Share premium	486,135	486,135	162.0
Retained earnings:			
Reserves	698,578	856,530	285.4
Net income for the year	195,785	209,220	69.7
Accumulated retained earnings	(31,282)	(99,014)	(33.0)
Total retained earnings	**863,081**	**966,736**	**322.2**
Other comprehensive income	62,778	68,982	23.0
Total equity of controlling interests	**1,478,014**	**1,587,573**	**529.2**
Non-controlling interests	12,619	15,865	5.3
Total equity	**1,490,633**	**1,603,738**	**534.5**
Total liabilities and equity	**26,097,551**	**26,229,436**	**8,741.1**

(1) Translated for convenience only using the representative market rates as computed and certified by the Colombian Superintendency of Finance of Ps 3,000.71 per U.S.$1.00 at December 31, 2016. On March 29, 2017, the representative market rate was Ps 2,911.99 per U.S.$1.00.

Other financial and operating data

	At and for year ended December 31,	
	2015	2016
Profitability and cost to income ratios:		
ROAA[(1)]	0.8%	0.8%
ROAE[(2)]	14.3%	13.5%
Net interest margin[(3)]	3.0%	2.7%
Cost-to-income ratio[(4)]	36.5%	37.9%
Other expenses to assets ratio[(5)]	2.3%	2.2%
Unconsolidated efficiency ratio[(6)]	64.7%	55.6%
Capitalization and balance sheet structure:		
Shareholders' equity as a percentage of total assets	5.7%	6.1%
Tier I capital ratio[(7)]	5.7%	6.4%
Capitalization ratio[(8)]	11.6%	12.3%
Total deposits as a percentage of total loans	131.1%	129.7%
Total deposits as a percentage of total assets	63.5%	62.1%
Credit quality:		
Non-performing loan ratio[(9)]	1.6%	1.8%
Provision for loan losses as a percentage of total loans	1.7%	2.4%
Provision for loan losses as a percentage of non-performing loans	104.1%	132.8%
Operating data (in units):		
Number of customers[(10)]	317,549	304,129
Number of employees[(11)]	2,555	2,433
Number of branches	153	140
Number of ATMs	2,282	2,336

(1) "ROAA" is calculated as net income divided by average of total assets (the sum of total assets at the end of the fiscal year and total assets at the end of the previous fiscal year, divided by two).

(2) "ROAE" is calculated as net income divided by average shareholders' equity (the sum of shareholders' equity at the end of the fiscal year plus shareholders' equity at the end of the prior fiscal year, divided by two).

(3) Net interest margin is calculated as (net income from interest and valuations, plus income valuation on derivatives instruments, plus, income from valuation at fair value, net), divided by average interest-earning assets (the sum of interest-earning assets at the end of the fiscal year and interest-earning assets at the end of the previous fiscal year, divided by two).

(4) Calculated as (personnel expenses plus administrative expenses) divided by (net income from interest and valuations, plus net income from commissions and fees, plus income valuations on derivative instruments, plus income from valuation at fair value, net, plus other income).

(5) Other expenses to assets ratio is calculated as other expenses divided by average of total assets (the sum of total assets at the end of the fiscal year and total assets at the end of the previous fiscal year, divided by two).

(6) Based on data published by the Colombian Superintendency of Finance. Calculated as other expenses excluding depreciation and amortization, divided by gross margin, as published by the Colombian Superintendency of Finance.

(7) Tier I capital ratio is calculated as primary capital divided by risk-weighted assets.

(8) Capitalization ratio is calculated as technical capital divided by risk-weighted assets. For a definition of technical capital, see "Banking Regulation— Colombia— Capital adequacy requirements."

(9) Non-performing loans as a percentage of total loans. Non-performing loans include all loans at least 31 days past due.

(10) Reflects only customers of the Bank.

(11) Reflects aggregated employees of the Bank and its subsidiaries.

RISK FACTORS

You should carefully consider the following risk factors, as well as the other information presented in this listing prospectus, before buying the notes. Our business, financial condition and results of operations could be materially and adversely affected if any of the risks described below occur. In that event, the market price of the notes could decline, and you could lose all or part of your investment. We may face additional risks and uncertainties that are not presently known to us, or that we currently deem immaterial, which may also impair our business.

Risks relating to Colombia

Adverse economic and political conditions in Colombia may have an adverse effect on our results of operations and financial condition

A significant majority of our operations, assets and customers are located in Colombia. As of and for the year ended December 31, 2016, our Colombian operations accounted for 76.9% of our consolidated assets and 75.4% of our income from interest and valuations. As a result, our financial condition, results of operations and asset quality are dependent on the macroeconomic and political conditions prevailing in Colombia. Decreases in the GDP growth rate, periods of negative GDP growth, increases in inflation, changes in policy, or future judicial interpretations of policies involving exchange controls and other matters such as (but not limited to) currency depreciation, inflation, interest rates, taxation, banking laws and regulations and other political or economic developments in or affecting Colombia may affect the overall business environment and may in turn impact our financial condition and results of operations. Colombia's fiscal deficit and growing public debt could adversely affect the Colombian economy. The Colombian fiscal deficit (measured as the government revenues less non-interest expenditures as a percentage of nominal GDP) was approximately 2.2% of GDP in 2013, 2.6% of GDP in 2014, 3.1% of GDP in 2015 and 4.0% for the twelve months ended on September 30, 2016. This trend was largely driven by lower oil revenues, which led to an increase in the central government's debt, from 34.4% of GDP in 2013 to 42.0% in September 2016. Despite the growth of Colombia's economy over the past several years, we cannot assure you that this growth and relative stability will be sustained. Furthermore, the growth of Colombian economy decelerated in 2015 and this trend continued during 2016. If the condition of the Colombian economy continues to deteriorate, we would likely be adversely affected.

The government of Colombia has historically exercised substantial influence on the local economy, and governmental policies are likely to continue to have an important effect on Colombian entities (including us), market conditions and the prices of the securities of local issuers, including the notes. For example, the Colombian Central Bank could sharply raise or lower interest rates, which could negatively affect our net interest income and valuation and our asset quality, and also restrict our growth. Juan Manuel Santos was reelected as president of Colombia in the presidential elections that took place in May 2014. The next presidential election is scheduled for May 2018. The president of Colombia has considerable power to determine governmental policies and actions relating to the economy, and may adopt policies that may negatively affect us. Our business and results of operations or financial condition may be adversely affected by changes in government or fiscal policies, and other political, diplomatic, social and economic developments that may affect Colombia.

Moreover, certain measures recently proposed by President Santos and approved by the Colombian Congress with the objective of offsetting the loss of revenue from the oil and gas industry, which include the tax reform set forth in Law 1819 of 2016, may restrict the liquidity of entities and individuals in Colombia which might result in a decreased demand for credit. The tax reform measure took effect as of January 1, 2017 and at this stage we cannot predict the immediate and mid-term effect it may have on the Colombian economy.

We cannot predict what other policies will be adopted by the Colombian government and whether those policies would have a negative impact on the Colombian economy, our business and financial performance or the market value for the notes. It is also possible that political uncertainty may adversely affect Colombia's economic situation. Social and political instability in Colombia or other adverse social or political developments in or affecting Colombia could adversely affect our business, financial condition and result of operations, as well as market conditions and prices for the notes. These and other future developments in the Colombian political or social environment may cause disruptions to our businesses and adversely affect our financial condition or results of operations.

Exchange rate volatility may adversely affect the Colombian economy and our ability to make interest and principal payments on the notes

Pursuant to Colombian law, the Colombian Central Bank has the power to intervene in the exchange market in order to consolidate or dispose of international reserves, as well as to control any volatility in the exchange rate, acting through a variety of mechanisms, including discretionary ones. In recent years, the Colombian Central Bank has set a floating exchange rate system with periodic interventions. Recently, there have been significant fluctuations in the exchange rate between the peso and the dollar. For example, the peso depreciated approximately 38.8% against the dollar between January 1, 2014 and December 31, 2015. Although the exchange rate between the peso and the dollar remained relatively stable during 2016 at an average exchange rate of Ps 3,040.90 (calculated by using the average of the exchange rates on the last day of each month for the year 2016) to U.S.$1.00, we cannot guarantee that such stability will continue during the term of the notes.

Unforeseen events in international markets, fluctuations in interest rates, changes in capital flows, political developments or inflation rates may cause exchange rate instability that could, in turn, depress the value of the peso against the dollar, which could adversely affect our ability to make principal or interest payments on the notes, as these obligations are denominated in dollars, while our operations are primarily conducted in pesos. Given that a portion of our assets and liabilities are denominated in, or indexed to, foreign currencies, especially the dollar, sharp movements in exchange rates may negatively impact our results. We cannot assure you that the peso will not depreciate or appreciate relative to other currencies in the future.

The Colombian economy remains vulnerable to external shocks

A significant decline in economic growth of any of Colombia's major trading partners—in particular, the United States, China, Ecuador and Venezuela—could have a material adverse effect on Colombia's balance of trade and economic growth. In addition, a "contagion" effect, under which an entire region or class of investments becomes less attractive to, or subject to outflows of funds by international investors, could negatively affect Colombia. Lower economic growth may result in asset quality deterioration and could negatively affect our business.

Although exports from Colombia have grown at an accelerated rate in recent years, fluctuations in commodity prices pose a significant challenge to their sustainability. In particular, the marked decline in oil prices worldwide that began in the second half of 2014 has resulted in a significant reduction in Colombian tax revenues. Tax revenues derived from oil sales accounted for approximately 23% of the Colombian central government's total tax revenue in 2013 but have declined considerably since then alongside global commodity prices. In 2016, the Colombian Ministry of Finance anticipated that lower-than-expected oil prices in 2015 would lead to negative net revenues in 2016 of 0.1% of the government's revenues. This decline has had and is likely to continue to have a negative effect on the Colombian economy and any further decreases could further adversely impact the Colombian economy.

Unemployment continues to be high in Colombia compared to other economies in Latin America. We cannot assure you that growth achieved over the past decade by the Colombian economy will continue in future periods. In addition, the effect on consumer confidence of any actual or perceived deterioration in the Colombian economy may have a material adverse effect on our results of operations and financial condition.

Colombia has experienced internal security issues that have had or could have a negative effect on the Colombian economy

Colombia has experienced internal security issues, primarily due to the activities of guerrilla groups such as the Revolutionary Armed Forces of Colombia (*Fuerzas Armadas Revolucionarias de Colombia*), or "FARC," the Army of National Liberation (*Ejercito de Liberación Nacional),* or "ELN", paramilitary groups and drug cartels. In remote regions of the country with minimal governmental presence, these groups have exerted influence over the local population and funded their activities by protecting, and rendering services to drug traffickers. Even though the former Colombian government's "democratic security" program and the current Colombian government's "democratic prosperity" program have reduced guerilla and criminal activity, particularly in the form of terrorism attacks, homicides, kidnappings and extortion, such activity has persisted in Colombia.

FARC and the administration of President Juan Manuel Santos began negotiations on September 12, 2012 on a six-point agreement to end the armed conflict which was signed as of September 26, 2016, but was later rejected by Colombian voters by a close margin in a plebiscite held on October 2, 2016. On November 24, 2016, President Juan Manuel Santos and FARC signed a new peace agreement, which was not submitted for approval by plebiscite. The new peace agreement was ratified by the Colombian Congress on November 30, 2016. The Santos administration and the Colombian Congress are currently in the process of developing the legal mechanics for the implementation of the agreement.

In addition, on March 31, 2016, ELN and the Colombian government announced the commencement of a public phase of dialogue and negotiation. However, the negotiation process has been adversely affected by continued attacks and criminal activity by ELN.

We cannot assure you that the FARC peace agreement will be successfully implemented and the current ceasefire maintained. In addition, we cannot assure you that terrorist and criminal activity in Colombia will not persist, regardless of the FARC agreement and of whether an agreement is reached with ELN. The persistence and possible escalation of such activity and the effects associated with them may have in the future a negative effect on the Colombian economy and on us, including our customers, employees, results of operations and financial condition.

Government policies and actions, and judicial decisions, in Colombia could significantly affect the local economy and, as a result, our results of operations and financial condition

Our results of operations and financial condition may be adversely affected by changes in Colombian governmental policies and actions, and judicial decisions, involving a broad range of matters, including interest rates, exchange rates, exchange controls, inflation rates, taxation and banking regulations and other political or economic developments affecting Colombia. The Colombian government has historically exercised substantial influence over the economy, and its policies are likely to continue to have a significant effect on Colombian companies operating in Colombia, including us. Juan Manuel Santos was reelected as president of Colombia in the presidential elections that took place in May 2014. The next presidential election is scheduled for May 2018. The president of Colombia has considerable power to determine governmental policies and actions relating to the economy, and may adopt policies that may negatively affect us. Future governmental policies and actions, or judicial decisions, could adversely affect our results of operations or financial condition.

New or higher taxes resulting from changes in tax regulations or the interpretation thereof in Colombia could adversely affect our results of operations and financial condition

New tax laws and regulations, and uncertainties with respect to future tax policies, pose risks to us. In recent years, Colombian tax authorities have imposed additional taxes in a variety of areas, such as taxes on financial transactions, taxes to fund Colombia's war against terrorism and a tax on equity. More recently, the Colombian Congress enacted Law No. 1819 of 2016, a tax reform whose main purpose is to compensate for the loss of tax revenues from oil sales. Changes in tax-related laws and regulations, and interpretations thereof, can affect tax burdens by increasing tax rates and fees, creating new taxes, limiting tax deductions, and eliminating tax-based incentives and non-taxed income. In addition, tax authorities or courts may interpret tax regulations differently than we do, which could result in tax litigation and associated costs and penalties. See "Management's Discussion and Analysis of Financial Condition and Results of Operations— Principal factors affecting our financial condition and results of operations—Tax policies."

Natural disasters in Colombia could disrupt our businesses and affect our results of operations and financial condition

We are exposed to natural disasters in Colombia, such as earthquakes, volcanic eruptions, tropical storms and hurricanes. Recently, heavy rains in Colombia, attributable in part to the La Niña weather phenomenon, have resulted in severe flooding and mudslides. La Niña is a recurring weather phenomenon, and it may contribute to draughts, flooding, mudslides or other natural disasters on an equal or greater scale in the future. In the event of a natural disaster, our disaster recovery plans may prove to be ineffective, which could have a material adverse effect on our ability to conduct our businesses, particularly if such an occurrence affects computer-based data processing, transmission, storage and retrieval systems or destroys customer or other data. In addition, if a significant number of our employees and senior managers were unavailable because of a natural disaster, our ability to conduct our businesses could be compromised. Natural disasters or similar events could also result in substantial volatility in our results of operations for any fiscal quarter or year.

An insolvency law and a procedural law in Colombia may delay or limit our ability to collect monetary obligations

Colombian procedural laws and insolvency laws provide that creditors of an insolvent debtor in default are prohibited from initiating collection proceedings outside the bankruptcy or reorganization process of such debtor. In addition, all collection proceedings outstanding at the beginning of the bankruptcy or reorganization process must be suspended and any creditors are prevented from enforcing their rights against the collateral and other assets of the insolvent debtor. In an insolvency event, the terms of any agreement reached with two or more creditors that represent more than 50% of the total amount of the claims will bind all relevant creditors.

On July 12, 2012, Law No. 1564 was enacted, including provisions regarding insolvency procedures for individuals who are not merchants. Law No. 1564 enables individuals to submit monetary obligations to extrajudicial conciliation hearings. During the term of the procedure (60 business days, which can be extended for 30 additional business days) execution and collection proceedings cannot be initiated and such proceedings already initiated will be suspended. The same automatic stay provision is set forth by the insolvency laws in connection with merchant individuals or corporations, among other measures aimed at protecting the debtor. The payment agreement among the insolvent individual and its creditors must include provisions regarding principal payment term and interest rate over principal, among other terms. After initiation of the procedure, collection procedures will be suspended. These extrajudicial conciliation hearings and the increased difficulties in enforcing debt and other monetary obligations due to Colombian insolvency laws may delay or otherwise have an adverse effect on our ability to collect monetary obligations.

Our assets may be subject to seizure through eminent domain by the Colombian government

The Colombian government could seize or expropriate our assets under certain circumstances. Pursuant to Article 58 of the Colombian constitution, the Colombian government can exercise its eminent domain powers in respect of our assets in the event such action is deemed by the Colombian government to be required in order to protect public interests. Eminent domain powers may be exercised through an ordinary expropriation proceeding (*expropiación ordinaria*), an administrative expropriation (*expropiación administrativa*) or an expropriation for reasons of war (*expropiación en caso de guerra*). In all cases we would be entitled to a fair compensation (*indemnización previa*) for the expropriated assets. Also, as a general rule (with the exception of expropriations for reasons of war, in which case compensation may be quantified and paid later), compensation must be paid before the asset is effectively expropriated. However, the compensation may be lower than the price for which the expropriated asset could be sold in a free-market sale or the value of the asset as part of an ongoing business.

Tensions with Venezuela and Ecuador may affect the Colombian economy and, consequently, our results of operations and financial condition

Diplomatic relations with Venezuela and Ecuador, two of Colombia's main trading partners, have from time to time been tense and affected by events surrounding the Colombian armed forces combat of the FARC throughout Colombia, particularly on Colombia's borders with Venezuela and Ecuador. Any further deterioration in relations with Venezuela and Ecuador may result in the closing of borders, the imposition of trade barriers or a breakdown of diplomatic ties, any of which could have a negative effect on Colombia's trade balance, economy and general security situation, which may adversely affect our results of operations and financial condition.

Risks relating to our business and industry

A decline in asset quality, including our loan portfolio, may have an adverse effect on our results of operations and financial condition.

Changes in the financial condition or credit profiles of our customers and increases in inflation or interest rates could have a negative effect on the quality of our loan portfolio, causing us to increase loan loss provisions and resulting in reduced profitability. In particular, the level of non-performing loans may increase in the future as a result of factors beyond our control, such as economic conditions and political events affecting Colombia generally or specific sectors of the economy.

A substantial number of our customers consist of individuals and small- and medium-sized enterprises, or "SMEs," and these customers are more likely to be adversely affected by downturns in the national economies of the countries where we operate than large corporations and high-income individuals. For example, unemployment directly affects the ability of individuals to obtain and repay consumer loans. Consequently, we may experience higher levels of non-performing loans, which could result in increased loan loss provisions due to defaults by, or deterioration in the credit profiles of, individual borrowers. Non-performing loans and resulting loan losses may increase materially in the future and adversely affect our results of operations and financial condition.

Our loan portfolios have grown substantially in recent years. See "Selected Statistical Data." As default rates generally increase with the age of loans, the level of non-performing loans may lag behind the rate of growth in loans but may increase when growth slows or the loan portfolios become more mature. As a result, historic loan loss experience may not necessarily be indicative of future loan loss experience.

Our provisions for impairment losses may not be adequate to cover the future actual losses to our loan portfolio

We record provisions for impairment losses on loans and other assets. The amount of provisions we record is based on our current assessment of and expectations concerning various factors affecting the quality of our loan portfolio and follows the guidelines of the Colombian Superintendency of Finance, the SBS, and the Paraguayan Superintendency of Banks, as applicable. These factors include, among other things, our borrowers' financial condition, repayment abilities and repayment intentions, the realizable value of any collateral, the prospects for support from any guarantor, economic health of the countries where we operate, government macroeconomic policies, interest rates and the legal and regulatory environment. Many of these factors are beyond our control. In addition, as these factors evolve, the models we use to determine the appropriate level of provision for impairment losses on loans and other assets require recalibration, which can lead to increased provision expense.

If our assessment of and expectations concerning the above-mentioned factors differ from actual developments, or if the quality of our loan portfolio deteriorates or the future actual losses exceed our estimates, our provision for impairment losses may not be adequate to cover actual losses and we may need to make additional provisions for impairment losses, which may materially and adversely affect our results of operations and financial condition.

We may be unable to realize on collateral or guarantees securing loans, which may adversely affect our results of operations and financial condition.

We make loans that are secured by collateral, including real estate and other assets that are generally located in the countries where we operate. The value of collateral may significantly fluctuate or decline due to factors beyond our control, including, for example, economic and political conditions in the country. At December 31, 2016, 11.9% of our total past due loans (including our foreign operations) were secured. An economic slowdown may lead to a downturn in the local real estate markets, which may, in turn, result in declines in the value of real estate securing loans to levels below the principal balances of these loans. Any decline in the value of the collateral securing loans may result in reduced recoveries from collateral realization and have an adverse effect on our results of operations and financial condition.

We also make loans on the basis of guarantees from relatives, affiliates or associated persons of borrowers. To the extent that guarantors encounter financial difficulties due to economic conditions, personal or business circumstances, or otherwise, our ability to enforce such guarantees may be impaired.

In addition, we may face difficulties in enforcing our rights as secured creditors against borrowers, collateral or guarantees. In particular, timing delays and procedural problems in realizing against collateral, as well as debtor-protective judicial interpretations of the law, may make it difficult to foreclose on collateral, realize against guarantees or enforce judgments in our favor, which could materially and adversely affect our results of operations and financial condition.

We engage in transactions with certain related parties that could result in conflicts of interest.

Certain parties related to us have been involved, directly or indirectly, in credit transactions with us. In accordance with the Colombian banking regulations, related parties include directors, principal executive officers and holders that own, directly or indirectly, more than 10% of our shares, and companies controlled by any of them. Under the banking regulations of the countries where we operate, all loans to related parties must be made on terms no more favorable than those offered to third parties, and are subject to limitations. For example, in Colombia for unsecured loans to shareholders holding 20% or more of the Bank's shares, the maximum aggregate amount of the loans is limited to 20% of the Bank's technical capital. For unsecured loans to shareholders holding less than 20% of the Bank's shares, the maximum aggregate amount of the loans is limited to 10% of the Bank's technical capital, which is the same limit Colombian banking regulations impose on unsecured loans to most third-parties. Secured loans are limited to 25% of the Bank's technical capital. In Peru, loans, leasings, investments contingencies and other exposure to related parties, directly or indirectly, may not exceed 30% of a bank's regulatory capital (*patrimonio efectivo*). In Paraguay, Paraguayan regulation also imposes limitations on lending to related parties, including a maximum aggregate amount of unsecured loans not to exceed 10% of the Bank's regulatory capital (*patrimonio efectivo*).

Our related-party exposure as measured in accordance with Colombian banking regulations equaled 9.8% of our technical capital at December 31, 2016. Although we intend to continue entering into transactions with related parties on terms similar to those that would be offered by or to an unaffiliated third party, such financial transactions create the potential for, or could result in, conflicts of interest. At December 31, 2016, direct and indirect loans to our shareholders on a consolidated basis were U.S.$61.9 million, in the aggregate. We believe we are in compliance with all related-party transaction requirements imposed by applicable banking regulations. For further information on our transactions with related parties, see "Related Party Transactions."

Any failure of risk management processes, including credit and market risk, could materially and adversely affect our banking business, results of operations and financial condition

Credit risk is a principal risk inherent in our banking business. Our policies and procedures, which are designed to identify, monitor and manage risk, may prove to be insufficient. Furthermore, we may not be able to upgrade, on a timely basis, risk management systems. For example, the risk management systems utilize an internal credit rating system to assess the risk profile of each customer. As this process involves detailed analyses of the customer's credit risk, taking into account quantitative and qualitative factors, it is necessarily subject to human error. Our personnel may fail to detect risks before they occur, or may not effectively implement their risk management systems, which may increase exposure to credit risk. As a result, any failure to effectively implement or consistently follow or refine risk management systems may result in higher risk exposures, which could materially and adversely affect our results of operations and financial condition.

Declines in the value of our sovereign debt securities portfolios could have an adverse effect on our results of operations

Our debt securities portfolio primarily consists of sovereign debt securities, mainly securities issued or guaranteed by the Colombian, Peruvian and Paraguayan governments. We are exposed to significant credit, market and liquidity risks associated with sovereign debt. At December 31, 2016, total securities represented 20.1% of our consolidated total assets, and 70.6%, 7.71% and 5.4% of these securities were issued or backed by the Colombian, Peruvian and Paraguayan governments, respectively. A significant decline in the value of these government securities could materially and adversely affect our debt securities portfolio and, consequently, our financial condition and results of operations. See "Colombian Banking Regulation—Mandatory investments."

Our banking business is subject to market risk

We are directly and indirectly affected by changes in market conditions. Market risk, or the risk that the value of assets and liabilities or revenues will be adversely affected by variation in market conditions, is inherent in the products and instruments associated with our operations, including loans, deposits, securities, bonds, long- term debt, short-term borrowings, proprietary trading in assets and liabilities and derivatives. Changes in market conditions that may affect our financial condition and results of operations include fluctuations in interest and currency exchange rates, securities prices, changes in the implied volatility of interest rates and foreign exchange rates, among others.

Our banking business is subject to counterparty risk

Our banking business is exposed to counterparty risks in addition to credit risks associated with lending activities. Counterparty risk may arise from, for example, investing in securities of third parties, entering into derivative contracts under which counterparties have obligations to make payments to us, or executing securities, futures, currency or commodity trades from proprietary trading activities that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. These risks could materially and adversely affect our results of operations and financial condition.

Our banking business is subject to market and operational risks associated with derivative transactions

Our banking business enters into derivative transactions primarily for hedging purposes and, on a limited basis, on behalf of customers. We are subject to market and operational risks, including basis risk (the risk of loss associated with variations in the spread between the asset yield and the funding and/or hedge cost) and credit or default risk (the risk of insolvency or other inability of a counterparty to perform its obligations to us).

Market practices and documentation for derivative transactions in the countries where we operate may differ from those in other countries. For example, documentation may not incorporate terms and conditions of derivatives transactions as commonly understood in other countries. In addition, the execution and performance of these transactions depend on our ability to develop adequate control and administration systems, and to hire and retain qualified personnel. Moreover, our ability to monitor and analyze these transactions depends on our information technology systems. These factors may further increase risks associated with derivative transactions and could materially and adversely affect our results of operations and financial condition.

We are subject to liquidity risk, which may result in increases to funding costs

Our principal sources of funding for our banking business are savings accounts, term deposits and current accounts, which together represented 66.1% of consolidated total liabilities at December 31, 2016. Because we rely primarily on short-term deposits for funding, a sudden or unexpected shortage of funds in the banking systems where we operate and money markets may prevent us from meeting our obligations or obtaining necessary funding without incurring higher costs or selling certain assets at prices below prevailing market values in our banking business, which could materially and adversely affect our results of operations and financial condition.

We have a significant concentration of deposits among a relatively limited number of institutional clients

At December 31, 2016, our top 20 depositors accounted for 28.5% of all our deposits. At the same date, based on type of deposit, this concentration is higher: 35.5% for checking account deposits, 40.5% for savings account deposits and 17.8% for term deposits. This concentration mainly results from the funding agreements (*convenios*) we enter into with governmental entities and pension funds. Under these agreements, these entities agree to deposit their funds with us and we manage their collections and payments, among other things. Although these funding agreements have historically been stable and long-standing, we cannot assure you that this will continue. If several of these depositors elect to terminate their relationship with us or withdraw a substantial amount of their deposits, we may be unable to meet our obligations or obtain necessary funding without incurring higher costs or selling certain assets at prices below prevailing market values in our banking business, which could materially and adversely affect our results of operations and financial condition. See “Business—Our banking operations—General.”

Default by one or more of our largest borrowers could adversely affect our results of operations and financial condition

The aggregate outstanding loans to our ten-largest borrowers represented 9.4% of our consolidated total loan portfolio at December 31, 2016. Default on loans by one or more of these borrowers may adversely affect our results of operations and financial condition.

Downgrades in our credit ratings would increase the cost of, or impair access to, funding

Our credit ratings are an important component of our ability to obtain funding. Our ability to compete successfully in the marketplace for deposits depends on various factors, including our financial stability as reflected by our credit ratings. A downgrade in credit ratings may adversely affect perception of our financial stability and ability to raise deposits. Adverse changes in credit ratings would also increase the cost of raising funds in the capital markets or borrowing funds. In addition, lenders and counterparties in derivative transactions are sensitive to the risk of a rating downgrade. Any downgrade in any of our credit ratings could materially and adversely affect our results of operations and financial condition.

Our loan portfolios are subject to risk of prepayment, which may result in reinvestment of assets on less profitable terms

Our loan portfolios are subject to prepayment risk, which results from the ability of a borrower to pay a loan prior to maturity. Generally, in a declining interest rate environment, prepayment activity increases with the effect of reducing weighted average lives of interest earning assets and adversely affecting results. Prepayment risk also has an adverse effect on credit card and collateralized mortgage obligations, since prepayments could shorten the weighted average life of these portfolios, which may result in a mismatch in funding or in reinvestment at lower yields.

On July 9, 2012, the Colombian Congress adopted Law No. 1555, which prohibits the charging of prepayment penalties for credits in local currency that exceeds an amount in pesos equivalent to 880 times the minimum monthly salary established by Colombian law (which is Ps 737,717 for 2017, or approximately U.S.$245.8, based on the exchange rate at December 31, 2016). The effect of this law has been a reduction of prepayment penalty revenues (which have historically accounted for less than 1% of our income from interest and valuations) and a possible increase in our risk of prepayment described above.

In Peru, SBS Resolution No. 8181-2012 prohibits banks from charging any fees, expenses or other penalties for prepayments of consumer loans. Paraguayan Law No. 1334 of 1998 provides for a similar prohibition for Paraguayan financial institutions.

Guidelines for loan classification and provisions in Colombia, Peru and Paraguay are different and may not be comparable to those in other countries

Colombian, Peruvian and Paraguayan banking regulations require us to classify each loan or type of loan according to a risk assessment that is based on specified criteria, to establish corresponding reserves and, in the case of some non-performing assets, to certain charge-off loans. The criteria to establish reserves include both qualitative and quantitative factors. These banking regulations relating to loan classification and determination of loan loss reserves are generally different than those applicable to banks in other countries, including the United States. If the rules applicable in the United States were applicable in Colombia, Peru and Paraguay today, the level of our loan loss reserves may be different than our current reserve levels. We also may deem it necessary to increase our loan loss reserves in the future, or future regulations may require such additional reserves. Increasing loan loss reserves could materially and adversely affect our results of operations and financial position and our ability to service the notes.

We are subject to extensive supervision and regulation, and changes in banking laws and regulations in the countries where we operate, which could adversely affect our consolidated results

We are subject to extensive regulation by the Unit of Financial Regulation of the Colombian Ministry of Finance (*Unidad Administrativa Especial, Unidad de Proyección Normativa y Estudios de Regulación Financiera*), and to extensive supervision and complementary regulation by the Colombian Superintendency of Finance and the Colombian Central Bank, which regulates our Colombian operations and also supervises our operations in Peru and Paraguay in a consolidated and comprehensive basis. Our Peruvian operations are subject to the supervision and regulation of the Peruvian Central Bank and the SBS, and our Paraguayan operations are subject to the supervision and regulation of the Paraguayan Central Bank and the Paraguayan Superintendency of Banks. Banking regulations in these countries grant the regulating entity the authority to oversee and supervise banks, insurance companies and other financial institutions. Under these laws, all banking operations require licensing, and the regulatory entities have general administrative responsibilities over banks and other financial institutions like us, including authority to set loan loss provisions, regulatory capital requirements and other minimum capital adequacy and reserve requirements. In addition, banks are required to provide the Colombian Superintendency of Finance and the Colombian Central Bank, as applicable, on a periodic basis, with all information that is necessary to allow for its evaluation of their financial performance.

Banking and financial services laws and regulations are subject to ongoing review and revision, including changes in response to global regulatory trends. Governments have been actively considering new banking laws and regulations, and reviewing and revising existing laws and regulations, particularly in relation to capital adequacy and accounting standards, including Basel III. The adoption of new laws or regulations, or changes in the interpretations or enforcement of existing laws or regulations, may have an adverse effect on our results of operations and financial condition.

Regulatory actions may result in fines, penalties and restrictions that could materially and adversely affect our businesses and financial performance

We and our subsidiaries are subject to regulation and supervision by the applicable authorities in the countries where we operate. These regulatory authorities have broad powers to adopt regulations and other requirements affecting or restricting virtually all aspects of our organization and operations, including, for example, the imposition of anti-money laundering measures, capital requirements, disposition of assets and the authority to regulate the terms and conditions of credit that can be applied by banks. Failure to comply with applicable regulations could subject us to fines or sanctions or even revocation of licenses or permits to operate our business. In the event we encounter significant financial problems, are in danger of insolvency or become insolvent, or are otherwise not deemed to be viable, the banking authorities would have broad powers to intervene in our or their management and operations, including by suspending or removing management and, in extreme circumstances, putting us or them into conservatorship or receivership or taking control of us or them.

Our operations require the maintenance of our banking and other licenses and any noncompliance with our license and reporting obligations could have an adverse effect on our business, financial condition and results of operations

All banking operations in each of Colombia, Peru and Paraguay require licensing by the applicable regulatory entities. We currently have the necessary licenses to conduct all of our banking and other operations in such countries. Although we believe we are currently in compliance with our existing material license and reporting obligations, we cannot assure you that we will be able to maintain the necessary licenses in the future. The loss of a license, a breach of the terms of any of our licenses or a failure to obtain any further required licenses in the future could have a material adverse effect on our business, financial condition and results of operations.

Failure to protect personal information could adversely affect our reputation and our business

We manage and hold confidential personal information of customers in the conduct of their banking operations. Although we have procedures and controls to safeguard personal information in our possession, unauthorized disclosures could subject us to legal actions and administrative sanctions as well as damages. Any failure to protect personal information could result in reputational damage and have an adverse effect on our results of operations and financial condition.

We are subject to fluctuations in interest rates and other market risks, which may materially and adversely affect our results of operations and financial condition

Market risk refers to the probability of variations in income or in the market value of assets and liabilities due to changes in markets, including variations in market rates of interest and foreign currency exchange rates. Changes in interest rates affect the following areas, among others, of our businesses: interest income and valuation; the volume of loans originated; market value of securities holdings; asset quality; and gains from sales of loans and securities.

Changes in short-term interest rates may affect interest margins quickly and, therefore, interest income and valuation, which comprises the majority of our revenue. Increases in interest rates may reduce the volume of loans we originate. Sustained high interest rates may discourage customers from borrowing and may result in increased delinquencies in outstanding loans and deterioration in the quality of assets. Increases in interest rates may reduce the value of our assets, including our financial assets, the assets managed by Servitrust and Servivalores and the investments we make. We hold a substantial portfolio of loans and debt securities that have both fixed and floating interest rates. In addition, we may incur costs (which, in turn, will affect our results of operations) if we implement strategies to reduce future interest rate exposure. Increases in interest rates may reduce gains or require us to record losses on sales of our loans or securities.

High interest rates have historically been common in many countries in Latin America. To the extent there are significant increases of such rates in any of the countries where we operate, our operating margins may be adversely affected and our results of operations may experience significant adverse consequences.

We are subject to trading risks with respect to our trading activities

Our banking operations engage in proprietary trading, and we derive a portion of our profits from such trading activities. As a result, any reduction in trading income could adversely affect our results of operations and financial condition. Our trading income is volatile and dependent on numerous factors beyond our control, including, among others, market trading activity, interest rates, exchange rates and general market volatility. A significant decline in our trading income, or large trading losses, could adversely affect our results of operations and financial condition.

Declines in the market price for securities could result in us recording impairment losses as well as increased unrealized losses on other securities. Losses in the equity markets where we operate could result in further losses from impairment or sale of these securities. Any significant increases in exposure to any of these non-traditional risks, or a significant increase in credit risk or bankruptcy of any of the counterparties, could materially and adversely affect our results of operations and financial condition.

We are subject to legal limitations on interest rates, and future additional restrictions on interest rates or banking fees could negatively affect our profitability

The Colombian Commercial Code limits the amount of interest that may be charged in commercial transactions, including transactions of Colombian banking operations. In the future, regulations in Colombia could impose increased limitations regarding interest rates or fees. Law No. 1430 of December 2010 authorizes the Colombian central government to impose or place limits on tariffs and fees charged by banks and other financial institutions where the government has determined that there is insufficient competition in a relevant market. Additionally, the law requires the Colombian Superintendency of Finance to implement a monitoring scheme of the tariffs and fees charged by the financial institutions in their relevant markets and to report the results of this evaluation semiannually to the Colombian central government. A significant portion of our revenues and operating cash flow is generated by credit services and any such increased limitations would materially and adversely affect our results of operations and financial condition.

On December 20, 2011, the Colombian government used the authority granted by Law No. 1430 of 2010 and Decree 4809 of 2011 to establish caps to fees banks can charge for withdrawals from ATMs outside their own networks and own respective online services. In addition, on July 7, 2016 Law 1793 was enacted, which restricts financial institutions from requiring clients to maintain minimum account balances and from charging fees to check accounts balances.

In August 2015, Paraguay enacted Law No. 5476, which regulates the credit card sector. This law provides, among other things, for a limit on the interest rates that financial institutions can charge on credit cards, which is currently set at three times the average of passive interest rates that are periodically published by the Paraguayan Superintendency of Banks.

Further limits or regulations regarding banking fees and uncertainty with respect thereto could have a negative effect on our results of operations and financial condition. Although Peru does not currently impose caps on interest rates, fees and other charges for bank services, we cannot assure you that the Peruvian Central Bank or the SBS will not impose them in the future.

Regulatory authorities may impose requirements on the ability of residents, including us, to obtain loans in foreign currency

Under Colombian exchange control operations, the Colombian Central Bank may impose certain mandatory deposit requirements in connection with foreign currency-denominated loans obtained by Colombian residents, including us. When the peso appreciated against foreign currencies in 2008, such mandatory deposit requirement was set at 40% of the amounts to be disbursed under any credit facility denominated in a foreign currency. Although neither Peru nor Paraguay currently impose similar measures, we cannot assure you that they will not do so in the future.

Future exchange control measures or requirements imposed by the banking regulations in the countries where we operate, such as mandatory deposit requirements in connection with foreign currency denominated loans, may adversely affect our and our clients' ability to obtain loans in foreign currency.

We are subject to burdensome requirements and risk regarding consumer protection laws

We are subject to consumer protection laws in the countries where we operate. These laws provide, among other things, the right of consumers to receive clear, complete and reliable information about the services and products offered by financial institutions, a duty to maintain a financial ombudsman in charge of consumer protection, a duty to create a financial consumer attention center, an obligation to provide services and products under the same conditions offered to the general public, and a prohibition on the inclusion of predatory or abusive clauses in contracts with consumers. Any violation of these laws by us could result in monetary or administrative sanctions or restrictions on our operations.

Failure to comply with usury laws could subject us to civil and criminal penalties, and compliance with such usury laws may limit the range of services and products we are able to offer

Loans made by us are subject to usury laws applicable in the countries where we operate. These laws impose ceilings on interest charges and possible penalties for violation of those ceilings, including restitution of excess interest, forfeiture of any interest accrued and criminal charges.

The maximum rate of interest that we may charge on commercial loans under Colombian law is limited to 1.5 times the current banking rate (*Interés Bancario Corriente*), or "IBC", which is certified by the Colombian Superintendency of Finance and calculated as the average of the interest ordinarily charged by banks within a set period of time. The IBC is calculated and certified separately for consumer loans, commercial loans and microcredit (as defined under Colombian law), using data received from regulated banking institutions in Colombia, who must report on a weekly basis all loans disbursed and their respective prices for each of these three categories of credit. The Colombian Superintendency of Finance announces a new rate for consumer loans every three months and a new rate annually for microcredit. We do not intend to make loans at or in excess of the maximum rates determined by the Colombian Superintendency of Finance. However, uncertainties in determining the legality of interest rates under Colombian usury laws could result in inadvertent violations, in which case we could incur the penalties mentioned above.

In Paraguay, an interest rate will generally be deemed usury if it exceeds by 50% or more the average of the maximum active nominal, effective annual rates charged by banks for consumer loans.

Although Peru does not currently have caps on interest charges for loans, we cannot assure you that the Peruvian Central Bank will not impose them in the future. Legislative or regulatory changes in existing usury laws or the methodology for calculating the maximum interest rates may lead to a lowering of the maximum rates of interest we may charge or the imposition of other lending restrictions, which could negatively affect our results of operation and financial condition. In addition, our ability to offer an expanded range of products or services to underserved market segments may be limited by our need to comply with Colombian applicable laws, as we may not be able to offer such services profitably and in compliance with such laws.

Our businesses may face constitutional actions, class actions and other legal actions involving claims for significant monetary awards against financial institutions, which may affect our businesses

Under the Colombian and Peruvian constitutions, individuals may initiate constitutional actions, or class actions to protect their collective or class rights, respectively. Financial institutions, including us and our subsidiaries, have been, and continue to be, subject to these actions with regard to fees, financial services, mortgage lending and interest rates, the outcomes of which are uncertain. In addition, the number of such actions could increase in the future and could significantly affect our businesses.

We may not be able to manage our growth successfully

We have been expanding the scope of our operations over the past few years, and we expect that this expansion will continue. As we continue to grow, we must improve our operational, technical and managerial knowledge and compliance systems in order to effectively manage our operations across the expanded group. Failure to integrate, monitor and manage expanded operations could have a material and adverse effect on our reputation and financial results. Our future growth will also depend on our access to internal and external financing sources. We may be unable to access such financing on commercially acceptable terms or at all.

We may need additional capital in the future, and may not be able to obtain such capital on acceptable terms, or at all

In order for us to grow, remain competitive, participate in new businesses, or meet regulatory capital adequacy requirements in the countries where we operate, we may require new capital in the future. Moreover, we may need to raise additional capital in the event of large losses in our total loan portfolio that result in a reduction of our shareholders' equity. Our ability to obtain additional capital in the future is subject to a variety of uncertainties, including: our future financial condition, results of operations and cash flows; any necessary corporate or government regulatory approvals; any changes on applicable regulation; general market conditions for capital-raising activities by commercial banks and other financial institutions; and economic, political and other conditions in Colombia, Peru, Paraguay and elsewhere. We may not be able to obtain additional capital in a timely manner or on acceptable terms or at all.

We are susceptible to fraud by employees or outsiders, unauthorized transactions by employees and other operational errors, and the failure of our system of internal controls to discover and rectify such matters could have a material adverse effect on our business, financial condition and results of operations

As with other financial institutions, we are susceptible to, among other things, fraud by employees or outsiders, unauthorized transactions by employees, failure to properly document transactions, failure to comply with regulatory requirements, breaches of conduct of business rules, equipment failures, natural disasters, failure of external systems and other operational errors (including clerical or record-keeping errors and errors resulting from faulty computer or telecommunications systems). Given the high volume of transactions that may occur at a financial institution, errors could be repeated or compounded before they are discovered and rectified. In addition, a number of our banking transactions are not fully automated, which may further increase the risk that human error or employee tampering will result in losses that may be difficult to detect quickly or at all. While we believe that we maintain a system of internal controls designed to monitor and control operational risk, we cannot assure you that our system of internal controls will be effective. Losses from the failure of our system of internal controls to discover and rectify such matters could have a material adverse effect on our business, financial condition and results of operations. Our business depends on our ability to process large numbers of transactions efficiently and accurately. Our and our parent's currently adopted procedures may not be effective in controlling each of the operational risks we face.

Failure of our information systems could materially and adversely affect the effectiveness of our risk management and internal control processes as well as our results of operations and financial condition

We are highly dependent on the ability to collect and process, on a timely basis, a large amount of financial and other information, and services and products, at a time when transaction processes have become more complex with increasing volumes. A partial or complete failure of any of these systems could materially and adversely affect our decision-making process, risk management and internal control systems as well as our ability to respond on a timely basis to changing market conditions.

In addition, our ability to remain competitive will depend in part on our ability to upgrade information technology infrastructure on a timely and cost-effective basis. We must continually make significant investments and improvements in our information technology infrastructure in order to ensure the proper functioning of financial control, accounting and other data collection and processing systems and to remain competitive. In particular, as we continue to open new branches, we need to improve our information technology infrastructure, including maintaining and upgrading our software and hardware systems and our back-office operations. Any failure to effectively improve or upgrade our information technology infrastructure and management information systems in a timely manner could damage our reputation and materially and adversely affect our results of operations and financial condition.

We also rely on information systems to operate our websites, process transactions, respond to customer inquiries on a timely basis and maintain cost-efficient operations. We may experience operational problems with our information systems as a result of system failures, viruses, computer "hackers" or other causes. Any material disruption or slowdown of our systems could cause information, including data related to customer requests, to be lost or to be delivered to our customers with delays or errors, which could reduce demand for their services and products and could materially and adversely affect our results of operations and financial condition.

Our policies and procedures may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose us to fines and other liabilities

We are required to comply with applicable anti-money laundering, anti-terrorism financing laws and other regulations. These laws and regulations require us, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious or large transactions to the applicable regulatory authorities. While we have adopted policies and procedures aimed at detecting and preventing the use of our banking networks for money laundering activities and by terrorists and terrorist-related organizations and individuals generally, such policies and procedures have in some cases only been recently adopted and may not completely eliminate instances where they may be used by other parties to engage in money laundering and other illegal or improper activities.

To the extent that we fail to fully comply with applicable laws and regulations, the relevant government authorities to which we report have the power and authority to impose fines and other penalties. Furthermore, such measures, procedures and compliance may not be completely effective in preventing third parties from using us as a conduit for money laundering or terrorist financing without our knowledge. If we were to be associated with money laundering (including illegal cash operations) or terrorist financing, our reputation could suffer and/or we could become subject to fines, sanctions or legal enforcement (including being added to any "blacklists" that would prohibit certain parties from engaging in transactions with us), which could have a material adverse effect on our business, financial condition and results of operations.

Banking regulations, accounting standards and corporate disclosure applicable to us differ from those in the United States and other countries

Colombian, Peruvian and Paraguayan banking regulations can differ in a number of material respects from regulations applicable to banks in other countries, including those in the United States. See "Banking Regulation." Accounting principles in Colombia and the United States also differ. We prepare our annual audited financial statements in accordance with Colombian Banking IFRS, which differs in significant respects from U.S. GAAP. Thus, Colombian financial statements and reported earnings may differ from those of companies in other countries.

Our Paraguay and Peru bank subsidiaries prepare their annual audited financial statements in accordance with the generally accepted accounting principles of their respective countries, which also differ in significant respects from U.S. GAAP. Thus, the financial statements of these entities may differ from those of companies in other countries.

In addition, there may be less publicly available information about us than is regularly published by or about U.S. issuers or issuers in other countries.

Competition and consolidation in the banking and financial markets where we operate could adversely affect our market position

We operate in a competitive market. Since the 1990s, when the Colombian financial system was deregulated, there has been an ongoing process of consolidation that has included foreign bank participants entering the market. We expect that consolidation to lead to the creation of larger local financial institutions, including additional foreign banks, presenting the risk that we could lose a portion of our market share in the industry, affecting our results of operations.

We face significant competition also in Peru and Paraguay. According to the SBS, as of December 31, 2016, the Peruvian financial system was composed of 60 financial institutions, including 16 commercial banks, 11 financial companies, 12 municipal and six rural savings and loan associations (*cajas*), ten small business development non-bank institutions, two leasing companies and three state-owned banks (not including the Peruvian Central Bank). As of September, 2016, the Peruvian financial sector also included 21 insurance companies and four private pension fund administrators.

According to the Paraguayan Central Bank, as of December 31, 2016, Paraguay's financial sector consisted of 17 banks (including one state-owned bank, nine private domestic banks, four foreign-owned banks and three branches of foreign banks), nine financial companies, 38 savings and loan cooperatives, four warehousing companies, 29 foreign exchange trading institutions and 36 insurance companies.

Our ability to maintain our competitive position depends mainly on our ability to anticipate and fulfill the needs of new and current customers through the development of innovative services and products, and our ability to offer adequate services and strengthen our customer base through cross-selling. Our businesses will be adversely affected if we are unable to retain current customers and attract new ones. In addition, our efforts to offer new services and products may not succeed if product or market opportunities develop more slowly than expected or if the profitability of these opportunities is undermined by competitive pressures.

We depend on our senior management, and the loss of their services would have a material adverse effect on our business

We are highly dependent on members of our senior management team, all of whom possess considerable experience and expertise and have strong relationships with customers and participants of the business communities where we operate. Accordingly, our success will depend on the continued service of these senior officers, who are not obliged to remain employed with us. The loss of the services of any of these senior officers could have an adverse effect on our business. See "Management" and "Business—Our Strengths—Our experienced management team has a strong track record of growing organically and through acquisitions."

We face certain risks if our controlling shareholder ceases to own or control us

Our development, operations and growth have depended significantly upon the efforts of our controlling shareholder, Gilex Holding B.V., which in turn is controlled by the Gilinski family. The Gilinski family acquired its controlling interest in 2003. We cannot assure you that the Gilinski family will continue to directly or indirectly control and/or own us and that we will continue to benefit from our association with the Gilinski family. Any such events could adversely affect our results of operations and financial condition.

We are subject to reputational risk

Damage to our reputation may limit our ability to attract customers, employees and investors. Harm to our reputation can arise from employee misconduct, legal and regulatory requirements, ethical issues, money laundering, and failing to deliver minimum standards of service and quality, among others. Reputation plays an integral role in our business operations, which are based on customer confidence and trust. If our public image or reputation is damaged as a result of adverse publicity or otherwise, business relationships with our customers may deteriorate, which would adversely affect our results of operations and financial condition.

We are controlled by the Gilinski family and their interests could differ from the interests of the holders of the notes

The Gilinski family beneficially owns, directly and indirectly, 94.7% of our shares. The Gilinski family accordingly controls us. See "Share Ownership and Principal Shareholder." Circumstances may occur in which our controlling shareholder may have an interest in pursuing transactions that, in its judgment, enhance the value of its several investments in the banking sector. Such transactions may not necessarily be in the Bank's interest or that of the note holders. Due to its control, the Gilinski family has and will have, the power to:

- elect a majority of our directors and appoint our executive officers, set our management policies and exercise overall control over the Bank and subsidiaries;

- agree to sell or otherwise transfer its controlling stake in the Bank; and

- determine the outcome of substantially all actions requiring shareholder approval, including transactions with related parties, corporate reorganizations, acquisitions and dispositions of assets, and dividends. See “Related Party Transactions.”

We face risks related to regulatory asymmetries

Regulation of financial institutions varies across the different jurisdictions in which we plan to operate. These differences are particularly pronounced in the assessment of credit risk and investments. These asymmetries may affect the expected results of operations in each jurisdiction, and as a consequence could adversely affect our consolidated results of operations.

Our operations in Paraguay and Peru expose us to additional risks and challenges associated with operating internationally

Our acquisition of HSBC’s operations in Peru and Paraguay in October and November 2013, respectively, marks our first experience operating outside of the Colombian market. Our operations in Paraguay and Peru expose us to additional operational and market risk associated with operating internationally, and may require significant management attention and financial resources. Our operations in Paraguay and Peru also expose us to additional regulatory oversight by the respective local authorities, as well as risks generally associated with international business operations, including:

- governmental regulations applicable to the financial industry and changes in such regulations, particularly regulations applicable to the assessment of credit risk and investments;
- changes in social, political and economic conditions;
- limitations on foreign investment;
- restrictions on currency convertibility and volatility of foreign exchange markets;
- inflation and government measures to curb inflation;
- changes in local labor conditions;
- changes in tax and other laws and regulations;
- expropriation and nationalization of our assets in a particular jurisdiction; and
- restrictions on repatriation of dividends or profits.

Exposure to each of these risks or others associated with operating in those markets could adversely affect our business, results of operations, prospects and financial condition.

Economic and political developments in Paraguay could affect our Paraguay business, financial condition and results of operations

Our Paraguay operations and financial condition are dependent upon the performance of the Paraguayan economy. Substantially all our Paraguay operations, assets and customers are located in Paraguay. As a result, our Paraguay business, financial condition and results of operations are to a large extent dependent upon the general condition of Paraguay’s economy, the devaluation of the Guaraní as compared to the U.S. dollar, price instability, inflation, interest rates, regulation, taxation, social instability and other political, social and economic developments in or affecting Paraguay over which we have no control. Although the Paraguayan economy has exhibited signs of improvement in recent years, this improvement has been closely related to the success of the agribusiness sector. External factors, such as weather conditions, may adversely affect this sector of the economy, which in turn would have a negative impact on the general economy of Paraguay. This type of deterioration in Paraguay's economic conditions could have a material adverse effect on our Paraguay business, financial condition and results of operations.

Political developments in Paraguay could also negatively affect our operations there. Mr. Horacio Cartes of the Colorado Party was elected president in April 2013. The President of Paraguay has considerable power to determine governmental policies and actions that relate to the Paraguayan economy and that consequently affect the operations and financial performance of financial institutions such as our bank in Paraguay. Although under President Cartes' government Paraguay's economy has been flourishing amid a regional slowdown in neighboring economies, it is uncertain that this prosperity will continue in light of Brazil's recession and the low global prices of commodities. Paraguay is scheduled to hold Presidential elections in 2018. President Cartes is seeking to amend the Paraguayan Constitution in order to seek reelection, which is currently not permitted. Uncertainty in relation to the implementation by a potential new government of changes relating to fiscal and monetary policies may contribute to economic instability. Such uncertainty and new measures may increase market volatility and have a material impact on our customer base. It is not possible to predict whether the government to be elected in April 2018 or any succeeding governments will have an adverse effect on the Paraguayan economy.

Any of these events, or other unanticipated economic or political developments in Paraguay, could have a material adverse effect on our Paraguayan operations, which in turn could have a material adverse effect on our consolidated results of operations and financial condition.

Economic and political developments in Peru could affect our Peru business, financial condition and results of operations

Our Peru operations and financial condition are dependent upon the performance of the Peruvian economy. As a result, our business, financial position and results of operations may be affected by the general conditions of the Peruvian economy, price instability, inflation, interest rates, regulation, taxation, social instability, political unrest and other developments in or affecting Peru, over which we have no control. Declining economic activity in Peru, the devaluation of the Peruvian Sol and increases in inflation or Peruvian domestic interest rates may materially affect our businesses and operations in Peru. In the past, Peru has experienced periods of weak economic activity and deterioration in economic conditions. We cannot assure you that such conditions will not return or that, if they were to occur again, such conditions will not have a material and adverse effect on our Peru business, financial condition or results of operations.

Our Peru financial condition and results of operations may also be adversely affected by changes in Peru's political climate to the extent that such changes affect the nation's economic policies, growth, stability, outlook or regulatory environment. Presidential elections were held in Peru in April 2016. On July 28, 2016, Pedro Pablo Kuczynski was sworn in as the new president of Peru for a five-year term ending in 2021, after winning a run-off election. President Kuczynski won by a small margin and his party holds only 18 of the 130 seats in the Peruvian Congress. Although the President of Peru has considerable power to determine governmental policies and actions that relate to the Peruvian economy and that consequently affect the operations and financial performance of financial institutions such as our bank in Peru, effective implementation of policies may be hindered by President Kuczynski's party's low levels of representation in the Peruvian Congress. The uncertainty surrounding a change in government could cause instability and volatility in Peru, including the Peruvian Soles exchange rate and the performance of the Lima Stock Exchange.

In public statements made since his inauguration, President Kuczynski has stated that Peru will seek to strengthen relations with its neighbors and will ease rules relating to the entry of foreign banks into the Peruvian market. We cannot assure you whether the current or any future Peruvian administration will maintain business-friendly and open-market economic policies or policies that stimulate economic growth and social stability. Any of these events, or other unanticipated economic or political developments in Peru that have a negative effect on our Peru operations, could in turn have a material adverse effect on our consolidated results of operations and financial condition.

Foreign currency exchange rate fluctuations may adversely affect the business, financial condition and result of operations of our Peruvian and Paraguayan subsidiaries

We face exposure to fluctuations in foreign currency exchange, particularly in light of the fact that the currencies in countries where we operate have historically experienced significant fluctuations. Fluctuations in the value of the Sol or Guaraní relative to the U.S. dollar could adversely affect Peru and Paraguay's economy, respectively, and materially adversely affect our results of operations in each country. The level of dollarization in the Paraguayan economy remains relatively high. In Peru, although the level of dollarization has shown a declining trend, the practice still remains common. As a result, devaluation risk is a systemic risk in the Peruvian and Paraguayan banking systems. Despite the fact that the Peruvian Central Bank and the Paraguayan Central Bank each intervene in the foreign exchange market from time to time in order to stabilize the respective local currencies, the two currencies have both depreciated and appreciated significantly in the past, and exchange rates may fluctuate significantly in the future.

As of December 31, 2015 and 2016, 25.4% and 28.9%, respectively, of Banco GNB (Peru)'s loans to customers were denominated in U.S. dollars, while 40.2% and 37.5%, respectively, of its deposits were denominated in U.S. dollars. Similarly, as of December 31, 2015 and 2016, 49.3% and 46.8% respectively, of Banco GNB (Paraguay)'s loans to customers were denominated in U.S. dollars, while 49.2% and 49.6% respectively, of its deposits were denominated in U.S. dollars.

If there were to be a depreciation of the Sol in Peru or the Guaraní in Paraguay, it would be more difficult for our clients with income denominated in Soles or Guaraníes, respectively, to repay their U.S. dollar-denominated loans, and an increased credit default by our customers would have a negative effect on our revenues. In addition, the risk from this "dollarization" of deposits derives from the local financial system's potential need for U.S. dollars to pay for deposits, which would require the Peruvian Central Bank or the Paraguayan Central Bank, as applicable, to provide U.S. dollars to the banks. A decline in Peruvian or Paraguayan foreign reserves to inadequate levels, among other economic circumstances, could lead to currency depreciation or volatility in short-term capital inflows. In the past the exchange rates between the Sol and the U.S. dollar and between the Guaraní and the U.S. dollar have fluctuated significantly. We cannot assure you that the value of the Sol against the U.S. dollar or the Guaraní against the U.S. dollar will not fluctuate significantly in the future.

Alternatively, if the Sol or the Guaraní should appreciate significantly, Peru and Paraguay's exports, and consequently each country's economy, could be affected, as Peruvian and Paraguayan products could become less competitive. These fluctuations in the value of the Sol and Guaraní relative to the U. S. dollar could adversely affect the Peruvian and Paraguayan economies, as applicable, and the business, financial condition and results of operations of Banco GNB (Peru) and Banco GNB (Paraguay), respectively.

Our proposed merchant banking operations are subject to significant risks

We plan to seek the approval of the Colombian Superintendency of Finance to incorporate a finance corporation (*corporación financiera*) as a subsidiary. This finance corporation would focus on equity investments in strategic sectors of the Colombian economy, including, in particular, financial services, infrastructure, energy and gas, agribusiness and hospitality. These merchant banking operations are subject to significant risks, including the following, which may adversely affect our business, results of operations and financial condition:

- lower-than-expected returns on investments, reduced opportunities to realize value from investments and failure to find suitable investments so as to deploy capital effectively;

- the due-diligence process for evaluating prospective investments may not identify all risks our ensure investment returns;

- investments may be illiquid, and we may fail to realize any profits from these investments for a considerable period of time or lose some or all of the principal amount of these investments;

- we may make minority investments in companies we would not control;
- our new investment projects may depend on our ability to access financing; and
- our investments may be concentrated in a handful of industries.

Risks relating to the notes

Holders of notes will not have the right to accelerate the notes

The holders will have no right to accelerate any payment due under the notes during an Event of Default unless there has been a change, amendment or modification to the Colombian banking laws that would allow such right without disqualifying the notes from Tier II Capital status. If any Event of Default occurs and is continuing, the Trustee may only pursue other available remedies, if any, excluding acceleration, to collect the payment of principal and interest on the notes or to enforce the performance of any provision under the indenture.

Except as described above, the holders of the notes have no right of acceleration in the case of the Bank's failure to perform its obligations under the Indenture.

The notes will be unsecured and subordinated and rank junior in right of payment and in liquidation to all of our present or future senior indebtedness

The notes constitute our unsecured, subordinated indebtedness, and will be subordinated and junior in right of payment and in liquidation to all of our Senior Liabilities and will rank pari passu without preference among themselves and with all of our other unsecured subordinated indebtedness.

By reason of the subordination of the notes, in the case of our liquidation, although the notes would become immediately due and payable at their principal amount together with accrued interest thereon, our assets would be available to pay such amounts only after all of our Senior Liabilities (as defined in "Description of the Notes") has been paid in full and upon conclusion of the applicable procedures. At December 31, 2016, we had Ps 23,301,702 million of Senior Liabilities outstanding, which includes total deposits, bank and other entities loans outstanding, excluding subordinated indebtedness. We expect to incur additional Senior Liabilities from time to time, and the indenture governing the notes does not prohibit or limit the incurrence of other indebtedness, including additional Senior Liabilities. See "Description of the Notes—Subordination of Notes."

It may be difficult to enforce your rights if we enter into a bankruptcy, liquidation or similar proceeding in Colombia

The insolvency laws of Colombia applicable to a financial entity, particularly as they relate to the priority of creditors (secured or unsecured), the ability to obtain post-petition interest and the duration of insolvency proceedings, may be less favorable to your interests than the bankruptcy laws of the United States. Your ability to recover payments due on the notes may be more limited than would be the case under U.S. bankruptcy law. The following is a brief description of certain aspects of insolvency laws in Colombia.

Your ability to enforce your rights under the notes may be limited if we become subject to the proceedings principally set forth in Decree 663 of 1993 and Decree 2555 of 2010, as amended from time to time, which proceedings establish the events under which the Colombian Superintendency of Finance may initiate a takeover (*toma de posesión*) proceeding either to administer a bank or to liquidate it. Under Colombian banking laws, financial institutions are subject to a special administrative takeover by the Colombian Superintendency of Finance in the event that the financial institution becomes insolvent.

The Colombian Superintendency of Finance can take control of financial institutions under certain circumstances. The following grounds for takeover are considered to be "automatic" in the sense that, if the Colombian Superintendency of Finance discovers their existence, the Colombian Superintendency of Finance is obligated to step in and take over the respective financial institution: (i) if the financial institution's "technical capital" (*patrimonio técnico*) falls below 40% of the legal minimum or (ii) the expiration of the term of any then current recovery plans or the non- fulfillment of the goals set forth in such plans. Additionally, the Colombian Superintendency of Finance conducts periodic visits to financial institutions and, as a consequence of these visits, the Colombian Superintendency of Finance can impose capital or solvency obligations on financial institutions without taking control of the financial institution.

Furthermore, and subject to the approval of the Ministry of Finance, the Colombian Superintendency of Finance may, at its discretion, initiate intervention procedures under the following circumstances: (i) suspension of payments; (ii) failure to pay deposits; (iii) refusal to submit its files, accounts and supporting documentation for inspection by the Colombian Superintendency of Finance; (iv) repeated failure to comply with orders and instructions from the Colombian Superintendency of Finance; (v) repeated violations of applicable laws and regulations or of the bank's by-laws; (vi) unauthorized or fraudulent management of the bank's business; (vii) reduction of the bank's Technical Capital below 50% of its subscribed capital; (viii) failure to comply with minimum capital requirements set forth in the Colombian Financial Statute (*Estatuto Orgánico del Sistema Financiero*); (ix) failure to comply with the recovery plans that were adopted by the bank; (x) failure to comply with the order of exclusion of certain assets and liabilities to another institution designated by the Colombian Superintendency of Finance; (xi) failure to comply with the order of progressive unwinding (*desmonte progresivo*) of the operations of the bank; (xii) refusal to attend an interrogatory under oath; and (xiii) material inconsistencies in the information provided to the Colombian Superintendency of Finance.

An intervention measure could consist of: (a) a special monitoring plan; (b) an order of recapitalization; (c) the appointment of another entity to manage the financial institution; (d) the total or partial assignment or assets or liabilities to other institutes; or (e) a merger into another institution. A takeover by the Colombian Superintendency of Finance may have one of two different purposes: (i) to manage the financial institution, in which case the financial institution will be allowed to continue its activities subject to the administration of the Colombian Superintendency of Finance; or (ii) to liquidate the financial institution. The Colombian Superintendency of Finance must decide if it will either manage or liquidate the financial institution within two months following the takeover in the event of a bankruptcy, liquidation or similar proceeding.

Judgments of Colombian courts with respect to the notes may only be satisfied in pesos, which may expose you to exchange rate volatility

If proceedings are brought in the courts of Colombia seeking to enforce our obligations or the rights of holders of the notes, our obligation to pay amounts denominated in a currency other than pesos may only be satisfied in pesos. The applicable exchange rate may not afford investors with full compensation for any claim arising out of or related to our obligations under the notes. As a result, investors may be exposed to exchange rate risks.

Our obligations under the notes will be subordinated to statutory preferences

Under Colombian law, our obligations under the notes and the indenture are subordinated to specified statutory preferences, including claims for salaries, wages, social security, taxes and court fees and expenses. In the event of our liquidation, these statutory preferences will have preference over any other claims, including claims by any holder in respect of any notes, and as a result, holders of notes may be unable to recover amounts due under the notes, in whole or in part.

Any market for the notes may be adversely affected by economic and market conditions in emerging market economies

Colombia is generally considered by investors to be an "emerging market country," and securities of Colombian issuers have been, to varying degrees, influenced by economic and market conditions in other emerging market countries. Although economic conditions are different in each country, investors' reactions to developments in one country may materially affect the prices of securities of issuers in other countries, including Colombia. We cannot assure you that events elsewhere that are unrelated to our financial performance, especially in other emerging market countries, will not adversely affect any market for the notes that may develop.

The notes are a new issue of securities and we cannot assure you that an active trading market will develop for the notes

Prior to this offering, there was no market for the notes. Although we have applied to list the notes on the Luxembourg Stock Exchange and for trading on the Euro MTF market, we cannot assure you that a trading market for the notes will develop, or if a trading market does develop, that it will be maintained. Even if a trading market for the notes develops, it may not provide significant liquidity and we expect transaction costs would be high.

The initial purchaser has informed us that it intends to make a market in the notes after this offering is completed. However, the initial purchaser has no obligation to do so and may cease any market-making at any time without notice in its sole discretion. The price at which the notes may trade will depend on many factors, including, but not limited to, prevailing interest rates, general economic conditions, our performance and financial results and markets for similar securities. Historically, the markets for debt such as the notes have been subject to disruptions that have caused substantial volatility in their prices. The market, if any, for the notes may be subject to similar disruptions, which may have an adverse effect on the holders of the notes.

There are no restrictive covenants in the indenture for the notes limiting our ability to incur future indebtedness or complete other transactions

The indenture governing the notes does not contain any financial or operating covenants or restrictions on the payment of dividends, the incurrence of indebtedness, change of control, transactions with affiliates, incurrence of liens or the issuance or repurchase of securities by us or any of our subsidiaries. We therefore may incur additional indebtedness, including senior indebtedness, and engage in other transactions that may not be in the interests of the note holders.

The ratings of the notes may be lowered or withdrawn depending on various factors, including the rating agency's assessments of our financial strength and Colombian sovereign risk

One or more independent credit rating agencies may assign credit ratings to the notes. The ratings address the timely payment of interest on each payment date. The ratings of the notes are not a recommendation to purchase, hold or sell the notes, and the ratings do not comment on market price or suitability for a particular investor. The ratings of the notes are subject to change and may be lowered or withdrawn. A downgrade in or withdrawal of the ratings of the notes will not be an event of default under the indenture. The assigned ratings may be raised or lowered depending, among other things, on the rating agency's assessment of our financial strength, as well as its assessment of Colombian sovereign risk generally.

The notes are subject to transfer restrictions

The notes have not been registered under the Securities Act, any state securities laws or the laws of any other jurisdiction. As a result, the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Such exemption includes offers and sales that occur outside the United States in compliance with Regulation S in accordance with any applicable securities laws of any other jurisdiction and sales to qualified institutional buyers as defined under Rule 144A. Due to these transfer restrictions, you may be required to bear the risk of your investment for an indefinite period of time. For a discussion of certain restrictions on resale and transfer, see "Transfer Restrictions" in this listing prospectus.

We cannot assure you that a judgment of a U.S. court for liabilities under U.S. securities laws would be enforceable in Colombia, or that an original action can be brought in Colombia against us for liabilities under U.S. securities laws

We are a corporation organized under the laws of Colombia. Two of our directors and officers and certain other persons named in this listing prospectus reside outside the United States and all or a significant portion of the assets of the directors and officers and certain other persons named in this listing prospectus and substantially all of our assets are located outside the United States. As a result, it may not be possible for you to effect service of process within the United States upon such persons or to enforce against them or against us in U.S. courts judgments predicated upon the civil liability provisions of the federal securities laws of the United States. There is doubt as to the enforceability in Colombia, either in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated upon the U.S. federal securities laws. For more information, see "Service of Process and Enforceability of Civil Liabilities."

EXCHANGE RATES AND FOREIGN EXCHANGE CONTROLS

Exchange rates

The Colombian Superintendency of Finance calculates the representative market rate based on the weighted averages of the buy/sell foreign exchange rates quoted daily by certain financial institutions, including us, for the purchase and sale of U.S. dollars. On March 29, 2017, the most recent practicable day prior to the date of this document, the representative market rate was Ps 2,911.99 per U.S.$1.00. The Federal Reserve Bank of New York does not report a noon buying rate for pesos/U.S. dollars.

The following table presents the average peso/U.S. dollar representative market rate for each of the five most recent years calculated by using the average of the exchange rates on the last day of each month during the period, and the year-end, high and low representative market rates for each of the five most recent years:

Peso/ U.S.S1.00 representative market rate	Average	Year-end	Low	High
Period:				
2012	1,798.72	1,768.23	1,754.89	1,942.70
2013	1,879.53	1,926.83	1,758.45	1,952.11
2014	2,017.85	2,392.46	1,846.12	2,446.35
2015	2,771.55	3,149.47	2,360.58	3,356.00
2016	3,040.90	3,000.71	2,833.78	3,434.89

Source: Colombian Superintendency of Finance.

The following table presents the average peso/ U.S. dollar representative market rate for each month since September 2016 calculated by using the average of the exchange rates on each day of each month during the period, and the period-end, high and low representative market rate for the months indicated:

Recent exchange rates of peso per U.S. dollar	Average	Month-end	Low	High
Month:				
September 2016	2,924.27	2,879.95	2,840.38	2,986.36
October 2016	2,929.39	2,967.66	2,880.08	2,967.66
November 2016	3,110.26	3,165.09	2,984.78	3,187.97
December 2016	3,009.86	3,000.71	2,964.56	3,085.60
January 2017	2,941.00	2,936.66	2,908.53	3,000.71
February 2017	2,879.57	2,896.27	2,851.98	2,921.90
March 2017 (through March 29, 2017)	2,946.30	2,911.99	2,899.94	3,004.43

Source: Colombian Superintendency of Finance.

Foreign exchange controls

The Colombian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of pesos by any person or legal entity, regardless of the amount, subject to certain regulatory procedures.

In 1990, the Colombian government initiated a policy of gradual currency liberalization. Foreign currency holdings abroad were permitted and, in a series of decrees, control of the exchange rate was shifted from the Colombian Central Bank to the spot foreign exchange market conducted by certain authorized financial institutions.

The general legal principles of Colombia's foreign exchange and international investments regulations, or "Foreign Regulations," were established by Law No. 9 of 1991. Pursuant to this law, the board of directors of the

Colombian Central Bank enacted Resolution 8 of 2000 as amended, or "Resolution 8," which is considered the main legal framework governing Colombia's FX regulations.

Resolution 8 establishes two types of markets for foreign currency exchange: (i) the free market, which consists of all foreign currencies originated in sales of services, donations, remittances and all other inflows or outflows that do not have to be channeled through the FX Market (as defined in (ii) below), or the "Free Market." The Free Market also includes assets and investments abroad, including its profits, owned by Colombian residents prior to September 1, 1990; and (ii) the controlled market, or the "FX Market," which consists of: (a) all foreign currencies originated in operations considered to be controlled operations and, therefore, which may only be transacted through foreign exchange intermediaries, or through registered compensation accounts, or (b) foreign currencies originated in operations which although not required to be transacted through the FX Market, are voluntarily channeled through such market. This market is made up of the following foreign exchange operations, which must be channeled through the FX Market: (1) import and export of goods, (2) foreign investments in Colombia, (3) foreign indebtedness agreements entered into by Colombian residents, as well as the financial costs associated with such indebtedness, (4) direct investments abroad by Colombian residents, (5) derivatives transactions, (6) guaranties granted in foreign currency and (7) financial investments in foreign securities or assets abroad and their yield, unless such investments are made in foreign currency originated in operations in the Free Market.

Under Colombian FX regulations, foreign exchange intermediaries, or "FX Intermediaries," are authorized to enter into foreign exchange transactions, or "FX Transactions," to convert pesos into foreign currencies or foreign currencies into pesos. According to Article 58 of Resolution 8, the following institutions are considered FX Intermediaries: commercial banks, mortgage banks, financial corporations, commercial finance companies, *Financiera de Desarrollo Nacional S.A. FDN, Banco de Comercio Exterior de Colombia S.A.—Bancoldex*, financial cooperatives and local stock brokerage firms. These institutions are considered authorized intermediaries and, therefore, are allowed to buy and sell foreign currency originated in FX Transactions. Exchange intermediation companies are also considered authorized intermediaries; however, these companies have a limited regime and are not authorized to buy and sell foreign currency for controlled operations.

Compensation accounts are accounts opened abroad by Colombian residents (individuals and legal entities), which are registered with the Colombian Central Bank to channel foreign currency originated in controlled operations in the FX Market. Colombian law allows the Colombian Central Bank to intervene in the foreign exchange market if the value of the peso is subject to significant volatility. The Colombian Central Bank may also limit the remittance of dividends and/or investments of foreign currency received by Colombian residents whenever the international reserves fall below an amount equal to three months of imports. See "Risk Factors—Risks relating to Colombia—Government policies and actions, and judicial decisions, in Colombia could significantly affect the local economy and, as a result, our results of operations and financial condition."

In addition to its past interventions in the FX Market, the Colombian Central Bank regulations establish a deposit requirement on all foreign loans granted to Colombian residents, as an instrument to control the fluctuation of the peso against the U.S. dollar. To this end, the Colombian Central Bank has on some occasions required that a certain percentage of the debt incurred (depending on the maturity of the debt) to be deposited in pesos or foreign currency with the Colombian Central Bank in a non-interest-bearing account for a fixed period of time (*depósito por operaciones de endeudamiento externo*). A debtor of foreign loans can early prepay or redeem the certificate given by the Colombian Central Bank evidencing the deposit, but said prepayment or early redemption will imply a discount. The discount is reduced as the term for maturity is reduced. Even though the deposit requirement is currently equal to zero of the disbursements made under the loan, which means that there is currently no deposit that has to be made with the Colombian Central Bank by the debtor of foreign loans, the same may be modified by the Colombian Central Bank at any time.

In addition to the deposit requirements, the Colombian Central Bank has allowed Colombian financial institutions to obtain loans in foreign currency, either directly or by issuing securities, and to lend in foreign currency so long as the term of payment of the loans provided by the Colombian financial entity is equal or shorter than the term of the loan received by the Colombian financial entity. The Colombian Central Bank has also set limits on a financial intermediary's net foreign currency position, which is defined as foreign currency denominated assets (including any off-balance sheet items, made or contingent, including those that may be sold in Colombian legal currency) minus foreign currency denominated liabilities.

Fluctuation of the peso against the U.S. dollar and measures adopted by the Colombian government

The Colombian Central Bank and the Colombian Ministry of Finance have, in recent years, adopted a set of measures intended to tighten monetary policy and control the fluctuation of the peso against the U.S. dollar. Pursuant to Resolution 5 of 2008, as amended by subsequent resolutions of the Colombian Central Bank, such measures include, among others: reserve requirements on private demand deposits, savings deposits and other deposits on liabilities currently set at 11.0%, reserves of 4.5% for term deposits with maturities for less than 18 months and 0.0% for term deposits with maturities for more than 18 months; and the deposit requirements with respect to indebtedness in a foreign currency, currently set at 0.0%.

On November 5, 2010, the Colombian government issued Decree 4145, pursuant to which, among other things, interest payments on foreign indebtedness by Colombian companies became subject to a 33.0% withholding tax rate. On December 29, 2010, the Colombian government enacted Law No. 1430 of 2010, which among other things reduced the withholding tax rate on interest payments on foreign indebtedness of Colombian companies having a term of one year or more, to 14.0%. Pursuant to Law 1819 issued on December 28, 2016, interest payments on foreign indebtedness by Colombian companies became subject to a withholding tax at: (i) the general tax rate applying to non-Colombian tax residents (34% during 2017, or 33% during 2018 onwards), when such payments are made to an entity located in a preferential tax regimen, non-cooperative jurisdiction or low-tax jurisdiction; (ii) 15%; and (iii) 5%, when those interest payments are: (a) derived from credits with a 8-year-term; and (b) destined to infrastructure projects of Law 1508 of 2012. There are certain exemptions to this rule, including (i) foreign indebtedness incurred by entities controlled by the Colombian government, (ii) loans obtained by Colombian banks and financial corporations, and (iii) loans with a maturity of less than one year.

On May 22, 2015, the Colombian Central Bank issued External Resolution 6 to regulate intervention in the foreign exchange market, by implementing three different mechanisms: (i) purchase and sale of international reserves through daily competitive auctions; (ii) selling put and call options at market rates through daily competitive auctions; and (iii) selling foreign currency in the spot market entering into foreign exchange swap contacts, at rates determined by the Colombian Central Bank through competitive auctions or front-desk requests.

The Colombian government has considerable power to determine governmental policies and actions that relate to the Colombian economy and, consequently, to affect the operations and financial performance of businesses. The Colombian government and the Colombian Central Bank may seek to implement additional measures aimed at controlling further fluctuation of the peso and fostering domestic price stability. A prediction cannot be made on the policies that may be adopted by the Colombian government and whether those policies may negatively affect the Colombian economy or our business or financial performance. Furthermore, we cannot assure you that the peso will not depreciate or appreciate relative to other currencies in the future.

USE OF PROCEEDS

We estimate that our net proceeds from the sale of the notes in this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately U.S.$294 million. We intend to use the net proceeds from the offering for general corporate purposes, including the funding of a new merchant banking subsidiary. See "Business—Strategy—Diversify our sources of income, including by engaging in merchant banking operations."

CAPITALIZATION

The following table sets forth our actual capitalization at December 31, 2016, and as adjusted to give effect to the issuance and sale of the U.S.$300 million of notes offered hereby and the receipt of U.S.$294 million in estimated net proceeds from such issuance and sale, as if such issuance and sale had occurred on December 31, 2016:

	At December 31, 2016[1]			
	Actual		**As Adjusted[2]**	
	(in millions of Ps)	**(in thousands of U.S.$)**	**(in millions of Ps)**	**(in thousands of U.S.$)**
Cash	7,350,358	2,449.5	8,232,567	2,743.5
Debt:				
Short-term debt	4,746,897	1,581.9	4,746,897	1,581.9
Long-term debt	1,707,614	569.1	2,607,827	869.1
Total debt	6,454,511	2,151.0	7,354,724	2,451.0
Stockholders' equity	1,603,738	534.5	1,603,738	534.5
Total capitalization	**8,058,249**	**2,685.4**	**8,958,462**	**2,985.4**

(1) Amounts stated in U.S. dollars have been converted, solely for the convenience of the reader, at the rate of Ps 3,000.71 per U.S.$1.00, which is the representative market rate calculated on December 31, 2016, as reported by the Colombian Superintendency of Finance. Such conversions should not be construed as representations that the peso amounts represent, or have been or could be converted into, United States dollars at that or any other rate.

(2) Adjusted to give effect to the issuance and sale of the U.S.$300 million of notes offered hereby and the receipt of U.S.$294 million in estimated net proceeds from such issuance and sale, as if such issuance and sale had occurred on December 31, 2016.

The following table sets forth our actual technical capital at December 31, 2016, and as adjusted to give effect to the issuance and sale of U.S.$300 million of notes offered hereby, as if such issuance and sale had occurred on December 31, 2016:

	At December 31, 2016[(1)]			
	Actual		As Adjusted[(2)]	
	(in millions of Ps)	(in thousands of U.S.$)	(in millions of Ps)	(in thousands of U.S.$)
Debt:				
Short-term financial debt	4,746,897	1,581.9	4,746,897	1,581.9
Debt to discount entities and banks outside Colombia	1,369,312	456.3	1,369,312	456.3
Long-term debt	1,707,614	569.1	2,607,827	869.1
Total financial debt	**7,823,823**	**2,607.3**	**8,724,036**	**2,907.3**
Capital:[(3)]				
Subscribed and paid capital	66,020	22.0	66,020	22.0
Share premium	486,135	162.0	486,135	162.0
Reserves	776,559	258.8	776,559	258.8
Non-controlling interest	15,865	5.3	15,865	5.3
Less:				
Long-term investments	(42,863)	(14.3)	(42,863)	(14.3)
Revaluations of intangible assets, net	(212,923)	(71.0)	(212,923)	(71.0)
Results of previous periods	(108,704)	(36.2)	(108,704)	(36.2)
Primary capital (Tier I)	**980,089**	**326.6**	**980,089**	**326.6**
Net income[(4)]	104,610	34.9	104,610	34.9
Subordinated bonds	805,679	268.5	1,705,892	568.5
Computed secondary capital (Tier II)	**910,289**	**303.4**	**1,810,502**[(5)]	**603.4**[(5)]
Technical capital	**1,890,378**	**630.0**	**2,790,591**	**930.0**
Risk-weighted assets including market risk[(6)]	**15,363,929**	**5,120.4**	15,363,929	5,120.4
Capitalization ratio[(7)]	**12.3%**	**12.3%**	**18.2%**	**18.2%**

(1) Amounts stated in U.S. dollars have been converted, solely for the convenience of the reader, at the rate of Ps 3,000.71 per U.S.$1.00, which is the representative market rate calculated on December 31, 2016, as reported by the Colombian Superintendency of Finance. Such conversions should not be construed as representations that the peso amounts represent, or have been or could be converted into, United States dollars at that or any other rate.

(2) Adjusted for the issuance and sale of U.S.$300 million of notes offered hereby, as if such issuance and sale had occurred on December 31, 2016.

(3) The items of capital set forth in this table for purposes of calculating technical capital are not necessarily consistent with the similarly-named items in our consolidated financial statements, given that they follow Colombian banking regulatory guidelines for the calculation of technical capital and not necessarily Colombian Banking IFRS. Our suscribed and paid capital amounts to 88.03% of our authorized capital.

(4) Based on Colombian guidelines the amount of income (excess) for the period in question is calculated on a percentage equal to the income that in the period immediately preceding was capitalized or used to increase the legal reserve. The Bank sent 50% of its available income during the year 2016 to its legal reserve.

(5) The notes issued hereby are subject to receipt of regulatory approval regarding their Tier II capital status.

(6) Risk weighted assets including market risk is calculated as risk weighted assets plus the product of market risk multiplied by 100/9.

(7) Capitalization ratio is calculated as technical capital divided by risk-weighted assets. Capital adequacy requirements for Colombian financial institutions (*establecimientos de crédito*) (as set forth in Decree 1720 of 2001, as amended) are based on the standards of the Basel Committee. Colombian regulations require that a financial institution's technical capital be at least 9% of that financial institution's total risk-weighted assets.

SELECTED FINANCIAL AND OPERATING DATA

The following table presents our selected consolidated financial information and other data as of and for each of the periods indicated. The financial data as of and for the fiscal years ended December 31, 2015 and 2016 set forth below have been derived from our audited consolidated financial statements included elsewhere in this listing prospectus. Our consolidated financial statements for each period were prepared in accordance with Colombian Banking IFRS, which differs in certain material respects from U.S. GAAP and IFRS as issued by the IASB.

Our historical results are not necessarily indicative of results to be expected for future periods.

This financial data should be read in conjunction with our audited annual consolidated financial statements and the related notes, "Presentation of Financial and Other Information," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this listing prospectus.

Statement of income data

	For the year ended December 31,		
	2015	**2016**	**2016**
	(in Ps millions)		**(in U.S.$ millions)[(1)]**
Income from interest and valuations	1,430,286	1,566,176	521.9
Interest expense:			
Interest expense from deposits	687,238	961,022	320.3
Financial debt and other interest	178,432	231,907	77.3
Total interest expense	865,670	1,192,929	397.5
Net income from interest and valuations	**564,616**	**373,247**	**124.4**
Impairment loss on financial assets	166,334	205,358	68.4
Net income from interest and valuations after impairment loss on financial assets	**398,282**	**167,889**	**55.9**
Net income from commissions and fees	136,472	148,546	49.5
Income valuation on derivatives instruments	116,383	125,267	41.7
Income from valuation at fair value, net	99,308	198,453	66.1
Other income	103,182	174,361	58.1
Other expenses	551,071	579,496	193.1
Net income before income tax	**302,556**	**235,020**	**78.3**
Income tax	106,771	25,800	8.6
Net income	**195,785**	**209,220**	**69.7**

(1) Translated for convenience only using the representative market rates as computed and certified by the Colombian Superintendency of Finance of Ps 3,000.71 per U.S.$1.00 at December 31, 2016. On March 29, 2017, the representative market rate was Ps 2,911.99 per U.S.$1.00.

Balance sheet data

	At December 31,		
	2015	2016	2016
	(in Ps millions)		(in U.S.$ millions)[1]
Assets:			
Cash and cash equivalents	7,156,147	7,350,358	2,449.5
Financial assets at fair value	3,954,802	4,254,762	1,417.9
Financial assets at amortized cost	1,565,068	1,030,208	343.3
Net loans	12,635,320	12,556,691	4,184.6
Other accounts receivable, net	204,002	503,575	167.8
Non-current assets held for sale	7,997	17,740	5.9
Tangible assets, net	194,112	214,589	71.5
Intangible assets, net	276,533	236,348	78.8
Other assets	103,570	65,165	21.7
Total assets	**26,097,551**	**26,229,436**	**8,741.1**
Liabilities:			
Financial liabilities are fair value	63,788	90,377	30.1
Customer deposits	16,558,941	16,283,558	5,426.6
Short-term financial debt	4,254,119	4,746,897	1,581.9
Borrowings from development entities	1,566,869	1,369,312	456.3
Long-term debt	1,739,315	1,707,614	569.1
Employee benefits	49,863	52,265	17.4
Provisions	37,788	40,142	13.4
Income tax	115,013	65,734	21.9
Other liabilities	221,222	269,799	89.9
Total liabilities	**24,606,918**	**24,625,698**	**8,206.6**
Equity:			
Subscribed and paid-in capital	66,020	66,020	22.0
Share premium	486,135	486,135	162.0
Retained earnings:			
Reserves	698,578	856,530	285.4
Net income for the year	195,785	209,220	69.7
Accumulated retained earnings	(31,282)	(99,014)	(33.0)
Total retained earnings	**863,081**	**966,736**	**322.2**
Other comprehensive income	62,778	68,982	23.0
Total equity of controlling interests	**1,478,014**	**1,587,573**	**529.2**
Non-controlling interests	12,619	15,865	5.3
Total equity	**1,490,633**	**1,603,738**	**534.5**
Total liabilities and equity	**26,097,551**	**26,229,436**	**8,741.1**

(1) Translated for convenience only using the representative market rates as computed and certified by the Colombian Superintendency of Finance of Ps 3,000.71 per U.S.$1.00 at December 31, 2016. On March 29, 2017, the representative market rate was Ps 2,911.99 per U.S.$1.00.

Other financial and operating data

	At and for year ended December 31,	
	2015	2016
Profitability and cost to income ratios:		
ROAA[(1)]	0.8%	0.8%
ROAE[(2)]	14.3%	13.5%
Net interest margin[(3)]	3.0%	2.7%
Cost-to-income ratio[(4)]	36.5%	37.9%
Other expenses to assets ratio[(5)]	2.3%	2.2%
Unconsolidated efficiency ratio[(6)]	64.7%	55.6%
Capitalization and balance sheet structure:		
Shareholders' equity as a percentage of total assets	5.7%	6.1%
Tier I capital ratio[(7)]	5.7%	6.4%
Capitalization ratio[(8)]	11.6%	12.3%
Total deposits as a percentage of total loans	131.1%	129.7%
Total deposits as a percentage of total assets	63.5%	62.1%
Credit quality:		
Non-performing loan ratio[(9)]	1.6%	1.8%
Provision for loan losses as a percentage of total loans	1.7%	2.4%
Provision for loan losses as a percentage of non-performing loans	104.1%	132.8%
Operating data (in units):		
Number of customers[(10)]	317,549	304,129
Number of employees[(11)]	2,555	2,433
Number of branches	153	140
Number of ATMs	2,282	2,336

(1) "ROAA" is calculated as net income divided by average of total assets (the sum of total assets at the end of the fiscal year and total assets at the end of the previous fiscal year, divided by two).

(2) "ROAE" is calculated as net income divided by average shareholders' equity (the sum of shareholders' equity at the end of the fiscal year plus shareholders' equity at the end of the prior fiscal year, divided by two).

(3) Net interest margin is calculated as (net income from interest and valuations, plus income valuation on derivatives instruments, plus, income from valuation at fair value, net), divided by average interest-earning assets (the sum of interest-earning assets at the end of the fiscal year and interest-earning assets at the end of the previous fiscal year, divided by two).

(4) Calculated as (personnel expenses plus administrative expenses) divided by (net income from interest and valuations, plus net income from commissions and fees, plus income valuations on derivative instruments, plus income from valuation at fair value, net, plus other income).

(5) Other expenses to assets ratio is calculated as other expenses divided by average of total assets (the sum of total assets at the end of the fiscal year and total assets at the end of the previous fiscal year, divided by two).

(6) Based on data published by the Colombian Superintendency of Finance. Calculated as other expenses excluding depreciation and amortization, divided by gross margin, as published by the Colombian Superintendency of Finance.

(7) Tier I capital ratio is calculated as primary capital divided by risk-weighted assets.

(8) Capitalization ratio is calculated as technical capital divided by risk-weighted assets. For a definition of technical capital, see "Banking Regulation— Colombia— Capital adequacy requirements."

(9) Non-performing loans as a percentage of total loans. Non-performing loans include all loans at least 31 days past due.

(10) Reflects only customers of the Bank.

(11) Reflects aggregated employees of the Bank and its subsidiaries.

SELECTED STATISTICAL DATA

The following information is included for analytical purposes and should be read in conjunction with our consolidated financial statements included in this listing prospectus as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations." This information has been prepared based on our financial records, which are prepared in accordance with Colombian Banking IFRS. This information includes our financial information at December 31, 2015 and 2016 and for the fiscal years ended December 31, 2015 and 2016, as applicable.

Unless expressly stated otherwise, all information in this section is provided on a consolidated basis (including our Peruvian and Paraguayan operations), and in accordance with the criteria and guidelines of the Colombian Superintendency of Finance. Our Peruvian and Paraguayan operations follow the criteria and guidelines of their respective local regulations. However, upon consolidation, the data of our Peruvian and Paraguayan operations is conformed to, and presented in accordance with, the criteria of the Colombia Superintendency of Finance. See "Banking Regulation."

Distribution of assets, liabilities and shareholders' equity, interest rates and interest differential

Average balances have been calculated as follows: using month-end balances for each of the 12 months during the year divided by 12. We stop accruing interest on loans after they are past due by more than a certain number of days that depends on the type of loan. See "—Loan portfolio—Suspension of accruals." For purposes of the presentation in the following tables, non-performing loans have been treated as non-interest-earning assets.

Under Colombian Banking IFRS, interest on investment securities includes accrued interest on debt instruments, valuation adjustments and gains (losses) realized on debt and equity securities that are accounted for as "available for sale," gains (losses) on repurchase transactions (repos), gains (losses) realized on the sale of debt securities, and mark-to-market gains (losses) on our trading securities portfolio.

Average balance sheet

The following tables present:

- average balances calculated by adding the average monthly balances for the Bank assets and liabilities and then dividing by the number of months in the period;
- interest income and expense amounts; and
- average yield and interest rates for our interest-earning assets and interest-bearing liabilities, respectively.

The interest rate subtotals are based on the weighted average of the average peso-denominated and foreign currency-denominated balances.

	Average balance sheet and income from interest-earning assets for years ended December 31,					
	2015			2016		
	Average balance	Interest income earned	Average yield	Average balance	Interest income earned	Average yield
	(in Ps millions, except percentages)					
Assets						
Interest-earning assets						
Interbank and overnight funds						
Peso-denominated	1,987,051	90,833	4.6%	1,155,103	80,201	6.9%
Foreign currency-denominated	77,327	1,638	2.1%	135,448	3,462	2.6%
Total	**2,064,377**	**92,471**	**4.5%**	**1,290,551**	**83,662**	**6.5%**
Investment securities[(1)]						
Peso-denominated	5,316,706	297,120	5.6%	5,549,895	409,793	7.4%
Foreign currency-denominated	0	0	0.0%	0	0	0.0%
Total	**5,316,706**	**297,120**	**5.6%**	**5,549,895**	**409,793**	**7.4%**
Loans and financial leases						
Peso-denominated	5,946,813	694,486	11.7%	6,430,301	816,903	12.7%
Foreign currency-denominated	5,649,221	484,451	8.6%	6,117,042	572,358	9.4%
Total	**11,596,034**	**1,178,937**	**10.2%**	**12,547,343**	**1,389,261**	**11.1%**
Total interest-earning assets						
Peso-denominated	13,250,570	1,082,439	8.2%	13,135,298	1,306,896	9.9%
Foreign currency-denominated	5,726,548	486,089	8.5%	6,252,491	575,820	9.2%
Total interest-earnings assets	**18,977,118**	**1,568,528**	**8.3%**	**19,387,789**	**1,882,716**	**9.7%**
Non-interest-earning assets						
Cash and due from banks						
Peso-denominated	1,246,976	0	0.0%	1,454,008	0	0.0%
Foreign currency-denominated	1,149,432	0	0.0%	1,178,431	0	0.0%
Total	**2,396,408**	**0**	**0.0%**	**2,632,439**	**0**	**0.0%**
Provision for loan and financial lease losses						
Peso-denominated	(231,597)	0	0.0%	(268,878)	0	0.0%
Foreign currency-denominated	0	0	0.0%	0	0	0.0%
Total	**(231,597)**	**0**	**0.0%**	**(268,878)**	**0**	**0.0%**
Loans rated "C," "D" and "E"[(2)]						
Peso-denominated	254,215	0	0.0%	449,785	0	0.0%
Foreign currency-denominated	0	0	0.0%	0	0	0.0%
Total	**254,215**	**0**	**0.0%**	**449,785**	**0**	**0.0%**
Bankers' acceptance, spot transactions and derivatives						
Peso-denominated	0.0	0	0.0%	0	0	0.0%
Foreign currency-denominated	0.0	0	0.0%	0	0	0.0%
Total	**0.0**	**0**	**0.0%**	**0**	**0**	**0.0%**
Accounts receivable, net						
Peso-denominated	240,218	0	0.0%	453,967	0	0.0%
Foreign currency-denominated	0.0	0	0.0%	0	0	0.0%
Total	**240,218**	**0**	**0.0%**	**453,967**	**0**	**0.0%**
Foreclosed assets, net						
Peso-denominated	9,690	0	0.0%	34,387	0	0.0%
Foreign currency-denominated	0	0	0.0%	0	0	0.0%
Total	**9,690**	**0**	**0.0%**	**34,387**	**0**	**0.0%**
Property, plant and equipment, net						
Peso-denominated	189,336	0	0.0%	195,078	0	0.0%
Foreign currency-denominated	0	0	0.0%	0	0	0.0%
Total	**189,336**	**0**	**0.0%**	**195,078**	**0**	**0.0%**
Other assets, net						
Peso-denominated	350,072	0	0.0%	361,978	0	0.0%
Foreign currency-denominated	0	0	0.0%	0	0	0.0%
Total	**350,072**	**0**	**0.0%**	**361,978**	**0**	**0.0%**
Total non-interest-earnings assets						
Peso-denominated	2,036,291	0	0.0%	2,499,418	0	0.0%
Foreign currency-denominated	1,159,122	0	0.0%	1,178,431	0	0.0%
Total non interest-earnings assets	**3,195,413**	**0**	**0.0%**	**3,677,849**	**0**	**0.0%**
Total interest and non-interest- earnings assets						
Peso-denominated	15,305,089	1,082,439	7.1%	15,634,717	1,306,896	8.4%
Foreign currency-denominated	6,885,670	486,089	7.0%	7,430,921	575,820	7.7%
Total assets	**22,190,759**	**1,568,528**	**7.1%**	**23,065,638**	**1,882,716**	**8.2%**

	Average balance sheet and expense from interest-bearing liabilities for years ended December 31,					
	2015			2016		
	Average balance	Interest expense paid	Average interest rate	Average balance	Interest expense paid	Average interest rate
	(in Ps millions, except percentages)					
Liabilities and shareholders' equity						
Interest-bearing liabilities						
Checking accounts						
Peso-denominated	805,828	12,354	1.5%	881,883	22,356	2.5%
Foreign currency-denominated	764,780	0	0.0%	870,389	0	0.0%
Total	**1,570,608**	**12,354**	**0.8%**	**1,752,272**	**22,356**	**1.3%**
Savings deposits						
Peso-denominated	5,799,558	256,922	4.4%	5,437,692	395,567	7.3%
Foreign currency-denominated	964,542	27,143	0.0%	1,307,948	28,908	0.0%
Total	**6,764,100**	**284,065**	**4.2%**	**6,745,640**	**424,475**	**6.3%**
Time deposits						
Peso-denominated	4,984,120	277,804	5.6%	4,672,514	359,642	7.7%
Foreign currency-denominated	3,156,247	110,449	3.5%	3,606,064	151,810	0.0%
Total	**8,140,367**	**388,253**	**4.8%**	**8,278,578**	**511,452**	**6.2%**
Interbank borrowings and overnight funds(3)						
Peso-denominated	335,964	15,873	4.7%	626,951	37,323	6.0%
Foreign currency-denominated	43,357	0	0.0%	18,959	0	0.0%
Total	**379,321**	**15,873**	**4.2%**	**645,910**	**37,322**	**5.8%**
Borrowings from banks and others(4)						
Peso-denominated	932,321	56,967	6.1%	1,353,570	101,163	7.5%
Foreign currency-denominated	780,036	32,181	4.1%	686,562	35,143	5.1%
Total	**1,712,357**	**89,148**	**5.2%**	**2,040,132**	**136,306**	**6.7%**
Long-term debt (bonds)						
Peso-denominated	0	0	0.0%	0	0	0.0%
Foreign currency-denominated	1,570,076	90,696	5.8%	1,673,983	98,040	5.9%
Total	**1,570,076**	**90,696**	**5.8%**	**1,673,983**	**98,040**	**5.9%**
Total interest-bearing liabilities						
Peso-denominated	12,857,791	619,919	4.8%	12,972,611	916,050	7.1%
Foreign currency-denominated	7,279,038	260,469	3.6%	8,163,906	313,902	3.8%
Total	**20,136,829**	**880,388**	**4.4%**	**21,136,517**	**1,229,951**	**5.8%**
Total non-interest-bearing liabilities and shareholders' equity	**2,035,702**	**0**	**0.0%**	**1,929,121**	**0**	**0.0%**
Total interest and non-interest-bearing liabilities	**20,818,369**	**880,388**	**4.0%**	**21,513,022**	**1,229,951**	**5.3%**
Total liabilities and shareholders' equity	**22,190,759**	**880,388**	**4.0%**	**23,065,638**	**1,229,951**	**5.3%**

(1) Includes available for sale securities, for which yields are based on historical cost balances.

(2) See "—Loan portfolio—Risk categories."

(3) Reflects operations involving common short-term interbank funds, repurchase transactions (repos), simultaneous operations and transactions involving the temporary transfer of securities.

(4) Reflects loans made by other financial institutions including development banks and international correspondent banks.

Changes in net interest income and valuations—volume and rate analysis

The following tables allocate by currency of denomination, changes in our net interest income and valuations to changes in average volume, changes in nominal rates and the net variance caused by changes in both average volume and nominal rates for the year ended December 31, 2015 compared to the year ended December 31, 2016. Volume and rate variances have been calculated based on variances in average balances over the period and changes in nominal interest rates on average interest-earning assets and average interest-bearing liabilities. Net changes attributable to changes in both volume and interest rate have been allocated to changes in volume.

	2015 – 2016 Increase (decrease) due to changes in		
	Volume	**Rate**	**Net change**
		(in Ps millions)	
Interest-earnings assets			
***Interbank and overnight funds*:**			
Peso-denominated	(831,947)	(10,633)	(842,580)
Foreign currency-denominated	58,121	1,824	59,945
Total interbank and overnight funds	**(773,826)**	**(8,809)**	**(782,635)**
***Investment securities*:[(1)]**			
Peso-denominated	233,189	112,673	345,861
Foreign currency-denominated	0	0	0
Total investment securities	**233,189**	**112,673**	**345,861**
***Loans and financial leases*:**			
Peso-denominated	233,189	112,417	605,904
Foreign currency-denominated	0	87,907	555,728
Total loans and financial leases	**951,308**	**210,324**	**1,161,632**
***Interest earning assets*:**			
Peso-denominated	(115,272)	224,457	109,185
Foreign currency-denominated	525,942	89,731	615,673
Other total interest-earning assets	**410,671**	**314,188**	**724,858**

(1) Under Colombian Banking IFRS, interest income from investment securities includes the following: accrued interest on debt instruments, valuation adjustments and gains (losses) realized on debt and equity securities that are accounted for as "available for sale," gains (losses) on repurchase transactions (i.e., repos), gains (losses) realized on the sale of debt securities, and mark-to-market gains (losses) on the trading securities portfolio.

	2015 – 2016 Increase (decrease) due to changes in		
	Volume	**Rate**	**Net change**
		(in Ps millions)	
Interest-bearing liabilities			
Current accounts			
Peso-denominated	76,056	10,002	86,058
Foreign currency-denominated	105,609	0	105,609
Total checking accounts	**181,665**	**10,002**	**191,667**
Savings deposits			
Peso-denominated	(361,866)	138,645	(223,221)
Foreign currency-denominated	343,406	1,765	345,171
Total savings deposits	**(18,460)**	**140,410**	**121,950**
Term deposits			
Peso-denominated	(311,606)	81,838	(229,767)
Foreign currency-denominated	449,817	41,362	491,179
Total time deposits	**138,212**	**123,200**	**261,412**
Interbank borrowings and overnight funds			
Peso-denominated	290,987	21,449	312,436
Foreign currency-denominated	(24,398)	0	(24,398)
Total interbank borrowings and overnight funds	**266,589**	**21,449**	**288,038**
Borrowings from banks and others			
Peso-denominated	421,249	44,196	465,445
Foreign currency-denominated	(93,474)	2,962	(90,512)
Total borrowings from banks and others	**327,775**	**47,158**	**374,933**
Long-term debt (bonds)			
Peso-denominated	0	0	0
Foreign currency-denominated	103,907	7,344	111,251
Total long-term debt (bonds)	**103,907**	**7,344**	**111,251**
Total interest-bearing liabilities			
Peso-denominated	114,820	296,130	410,951
Foreign currency-denominated	888,867	53,933	938,300
Total interest-bearing liabilities	**999,688**	**349,363**	**1,349,251**

Interest-earning assets—net interest income and valuations margin and yield spread

The following table presents average balances of interest-earning assets as well as our yields on our average interest-earning assets, net interest earned, net interest margin and interest spread for the periods indicated:

	For the year ended December 31,	
	2015	**2016**
	(in Ps millions, except percentages)	
Asset positions in money market and similar operations		
Peso-denominated	1,987,050	1,155,103
Foreign currency-denominated	77,327	135,448
Total	**2,064,378**	**1,290,551**
Investment securities		
Peso-denominated	5,316,706	5,549,895
Foreign currency-denominated	0	0
Total	**5,316,706**	**5,549,895**
Loans and financial leases		
Peso-denominated	5,946,813	6,430,301
Foreign currency-denominated	5,649,221	6,117,042
Total	**11,596,035**	**12,547,343**
Total average interest-earning assets		
Peso-denominated	13,250,570	13,135,298
Foreign currency-denominated	5,726,548	6,252,491
Total	**18,977,118**	**19,387,789**
***Net interest earned* (1)**		
Peso-denominated	1,082,439	1,306,896
Foreign currency-denominated	486,089	575,820
Total	**1,568,528**	**1,882,716**
Average yield on interest-earning assets		
Peso-denominated	8.2%	9.9%
Foreign currency-denominated	8.5%	9.2%
Total	**8.3%**	**9.7%**
***Net interest margin* (2)**		
Peso-denominated	4.8%	5.8%
Foreign currency-denominated	11.7%	11.5%
Total	**5.9%**	**6.9%**
***Interest spread on loans and financial leases* (3)**		
Peso-denominated	6.9%	5.6%
Foreign currency-denominated	5.0%	5.5%
Total	**5.3%**	**5.3%**
***Interest spread on total interest-earning assets* (4)**		
Peso-denominated	3.3%	2.9%
Foreign currency-denominated	4.9%	5.4%
Total	**3.9%**	**3.9%**

(1) Net interest earned is calculated as interest income and valuations less other expenses paid and includes accrued interest expenses, valuation adjustments and gains (losses) realized on debt and equity securities that are accounted for as "available for sale," gains (losses) on repurchase transactions (repos), gains (losses) realized on the sale of debt securities, and mark-to-market gains (losses) on trading securities portfolio.

(2) Direct operating margin is calculated as net income from interest and valuations divided by total average interest-earning assets.

(3) Interest spread on loans and financial leases is calculated as the difference between the average yield on interest-earning loans and financial leases and the average rate paid on interest-bearing liabilities.

(4) Interest spread on total interest-earning assets is calculated as the difference between the average yield on interest-earning assets and the average rate paid on interest-bearing liabilities.

Investment portfolio

We acquire and hold fixed income debt and equity securities for liquidity and other strategic purposes, or when required by law. In recent years, credit institutions, including us, have been required to hold certain debt securities issued by the Colombian government or government-related entities. Colombian Central Bank regulations require credit institutions to make investments in agricultural development bonds (*Títulos de Desarrollo Agropecuario*), or "TDAs," issued by the Agricultural Sector Financing Fund (*Fondo para el Financiamiento del Sector Agropecuario*), or "Finagro." Finagro is a development bank affiliated with the Colombian Ministry of Agriculture and finances the production and marketing activities of the agricultural and livestock sector. These securities yield below-market interest rates. The amount of these mandatory investments, which our subsidiaries are still required to hold, is calculated as a percentage of short-term deposits. Another mandatory investment, still on our portfolio but no longer subject to new issuances, is in debt reduction bonds (*Títulos de Reducción de Deuda*) issued by the Colombian government. Under government discretion, authorities may extend the scope of current regulations or require additional disbursements on current or new types of mandatory investments. See "—Mandatory investments."

The Colombian Superintendency of Finance requires investments to be classified as "trading," "available for sale" or "held to maturity." Trading investments are investments acquired primarily to obtain profits from fluctuations in short-term prices and are recorded at market value. The difference between current and previous market value is added to, or subtracted from, the value of the investment and credited or charged to earnings. "Available for sale" investments are those investments that we intend, and are able, to hold for at least one year and they are recorded on the balance sheet at market value with changes to the values of these securities recorded in a separate equity account called "unrealized gains and losses"; when a portion of the gains or losses is realized, such amount is transferred to the statement of income. "Held to maturity" investments are investments acquired and that we intend, and are able, to hold until maturity, and are valued at amortized cost.

In accordance with Chapter 1 of Circular 100 of 1995 issued by the Colombian Superintendency of Finance, investments in debt securities are fully reviewed for impairment in June and December and partially reviewed every three months, by considering the related solvency, market, currency exchange rate and country risks. Investments in securities with certain ratings by external rating agencies recognized by the Colombian Superintendency of Finance cannot be recorded on our balance sheet for an amount higher than specified percentages of the face value, net of amortizations recorded at the valuation date.

Long-term classification	Maximum face value (%)
BB+, BB, BB-	Ninety (90)
B+, B, B-	Seventy (70)
CCC	Fifty (50)
DD, EE	Zero (0)

Short-term classification	Maximum face value (%)
3	Ninety (90)
4	Fifty (50)
5 and 6	Zero (0)

Internal or external debt securities issued or guaranteed by Colombia, as well as those issued by the Colombian Central Bank and those issued or guaranteed by Fondo de Garantías de Instituciones Financieras, or "FOGAFIN," are not subject to this adjustment.

We are subject to similar requirements in our Peruvian and Paraguayan operations.

The following table presents the breakdown of our debt securities at fair value, equity securities and investment funds:

	At December 31,	
	2015	2016
	(in Ps millions)	
Debt securities		
Peso-denominated		
Securities issued or secured by the Colombian Central Government[(1)]	3,424,628	3,071,429
Securities issued or secured by other Colombian government entities	4,232	9,328
Securities issued or secured by financial entities[(2)]	43,526	250,580
Total peso-denominated	**3,472,386**	**3,331,337**
Foreign currency-denominated		
Securities issued or secured by financial entities[(2)]	8,364	163,130
Securities issued by foreign governments[(3)]	326,742	522,893
Other securities[(4)]	3,135	6,637
Total foreign currency-denominated	**338,241**	**692,660**
Total debt securities, net	**3,810,627**	**4,023,997**
Equity securities, net	**57,144**	**44,872**
Investment funds, net	**18,602**	**15,545**
Total investment securities, net	**3,886,373**	**4,084,414**

(1) Includes Colombian central government-issued treasuries (*Títulos de Tesorería*).

(2) Reflects investments made in debt securities issued by private financial entities.

(3) Refers to the governments of Peru and Paraguay.

(4) Reflects investments made in debt securities issued by multilateral institutions and non-financial companies.

The following table presents the breakdown of our debt securities at amortized cost:

	At December 31,	
	2015	2016
Debt securities at amortized cost	(in Ps millions)	
Peso-denominated		
Securities issued or secured by the Colombian Central Bank	1,191,720	659,776
Total peso-denominated	**1,191,720**	**659,776**
Foreign currency-denominated		
Securities issued or secured by foreign Central Banks	373,348	370,432
Total foreign currency-denominated	**373,348**	**370,432**
Total debt securities at amortized cost	**1,565,068**	**1,030,208**

Investment securities portfolio maturity

The following table summarizes all financial assets by maturity date as of December 31, 2016:

Description	0 to 30 days	31 to 180 days	181 to 360 days	More than 360 days	Outstanding balance
Investments in debt securities at fair value	28,552	2,513,702	535,460	946,283	4,023,997
Equity securities at fair value through profit or losses	13,495	-	2,050	-	15,545
Investments in debt securities at amortized cost	116,028	418,665	125,066	370,449	1,030,208
Equity securities at fair value through other comprehensive income OCI	-	-	-	44,872	44,872
Derivative operations	170,348	-	-	-	170,348
Total investments	**328,423**	**2,932,367**	**662,576**	**1,361,604**	**5,284,970**

At December 31, 2016, we had the following investments in securities of issuers that exceeded 10% of our shareholders' equity.

	December 31, 2016	
	Book Value	**Market Value**
Securities issued or secured by the Colombian central government	3,731,205	3,731,205

Loan portfolio

The following table presents our loan portfolio classified into commercial, consumer and mortgage loans:

	At December 31,	
	2015	**2016**
	(in Ps millions)	
Commercial		
General purpose loans[1]	5,253,477	5,261,247
Loans funded by development banks	1,017,979	1,013,940
Working capital loans	1,244,782	1,137,852
Credit cards	14,952	15,428
Overdrafts	55,507	50,327
Total commercial	**7,586,697**	**7,478,794**
Consumer		
Credit cards	188,394	172,570
Personal loans[2]	3,618,490	3,798,772
Automobile and vehicle loans	8,555	6,231
Overdrafts	4,461	3,047
Loans funded by development banks	0	0
General purpose loans[3]	350,356	323,076
Working capital loans	0	0
Total consumer	**4,170,256**	**4,303,696**
Mortgages	1,089,782	1,080,712
Total portfolio	**12,846,735**	**12,863,202**
Provision for loan portfolio	211,415	306,511
Total portfolio, net	**12,635,320**	**12,556,691**

(1) General purpose commercial loans primarily include short-term loans (*créditos de tesorería*), trade finance loans, project finance loans and loans for capital expenditures.

(2) Corresponds to payroll loans *(libranzas)*.

(3) General purpose consumer loans primarily include loans for capital expenditures.

The following table presents our loan portfolio classified into commercial, consumer and mortgage loans, and separated between our Colombian operations and our international operations:

	Colombia		International Operations	
	At December 31,			
	2015	2016	2015	2016
	(in Ps millions)			
Commercial				
General purpose loans[1]	2,381,921	2,400,616	2,871,556	2,860,632
Loans funded by development banks	1,017,979	1,013,940	0	0
Working capital loans	850,895	691,542	393,887	446,311
Credit cards	13,703	14,939	1,249	489
Overdrafts	23,588	34,278	31,919	16,049
Total commercial	**4,288,086**	**4,155,315**	**3,298,611**	**3,323,481**
Consumer				
Credit cards	87,313	78,489	101,081	94,081
Personal loans[2]	2,979,786	3,172,989	638,704	625,783
Automobile and vehicle loans	0	0	8,555	6,231
Overdrafts	1,543	1,153	2,918	1,893
General purpose loans[3]	86,911	75,754	263,445	247,323
Total consumer	**3,155,553**	**3,328,385**	**1,014,703**	**975,312**
Mortgages	47,471	39,220	1,042,311	1,041,492
Total portfolio	**7,491,110**	**7,522,920**	**5,355,625**	**5,340,285**
Allowance for loan portfolio	105,430	181,358	105,985	125,153
Total portfolio, net	**7,385,680**	**7,341,562**	**5,249,640**	**5,215,132**

(1) General purpose commercial loans primarily include short-term loans (*créditos de tesorería*), trade finance loans, project finance loans and loans for capital expenditures.

(2) Corresponds to payroll loans *(libranzas)*.

(3) General purpose consumer loans primarily include loans for capital expenditures.

We classify our loan portfolio into the following categories:

- Commercial loans: Commercial loans are granted to companies or individuals to carry out economic activities.

- Consumer loans: Consumer loans are granted to individuals for the purchase of consumer goods or to pay for non-commercial or non-business services.

- Mortgages: Mortgages are loans granted to individuals for the purchase of new or used housing or to build a home, all in accordance with Colombian Law No. 546 of 1999 (for mortgages granted in Colombia). These loans include loans that are denominated in Unidad de Valor Real, or "UVR," or local currency, that are guaranteed by a senior mortgage on the property and that are financed with a total repayment term of five to 30 years. The current mortgage balances relate to mortgage loans of former employees of our Colombian business. In addition, it includes our mortgage lending operations in Peru. We do not currently engage in mortgage lending in Colombia or Paraguay.

We do not engage in any significant microcredit lending or financial leasing.

Maturity and interest rate sensitivity of loans and financial leases

The following table presents the maturities of our loan portfolio at December 31, 2016:

	At December 31, 2016			
	Due in one year or less	**Due from one to five years**	**Due after five years**	**Total**
	(in Ps millions)			
Commercial				
General purpose loans	2,723,302	1,940,414	597,533	5,261,247
Loans funded by development banks	15,333	249,054	749,553	1,013,940
Working capital loans	666,355	460,161	11,336	1,137,852
Credit cards	15,425	0	2	15,428
Overdrafts	48,035	0	2,292	50,327
Total commercial	**3,468,450**	**2,649,629**	**1,360,716**	**7,478,794**
Consumer				
Credit cards	115,169	50,539	6,862	172,570
Personal loans	59,427	1,002,400	2,736,946	3,798,772
Automobile and vehicle loans	131	5,805	295	6,231
Overdrafts	1,864	10	1,173	3,047
General purpose loans	121,377	165,572	36,128	323,076
Working capital loans	0	0	0	0
Loans funded by development banks	0	0	0	0
Total consumer	**297,967**	**1,224,326**	**2,781,404**	**4,303,696**
Mortgages	876	25,054	1,054,782	1,080,712
Total loan portfolio	**3,767,294**	**3,899,008**	**5,196,902**	**12,863,202**

The following table presents the interest rate sensitivity of our loan portfolio due after one year and within one year or less at December 31, 2016:

	At December 31, 2016
Loans with terms of one year or less	**(in Ps millions)**
Variable rate	
Peso-denominated	951,995
Foreign currency-denominated	377,851
Total	**1,329,846**
Fixed rate	
Peso-denominated	1,435,015
Foreign currency-denominated	1,002,431
Total	**2,437,446**
Total loans with terms of one year or less	**3,767,292**
Loans with terms of more than one year	
Variable rate	
Peso-denominated	2,072,004
Foreign currency-denominated	567,581
Total	**2,639,585**
Fixed rate	
Peso-denominated	5,670,704
Foreign currency-denominated	785,621
Total	**6,456,325**
Total loans with terms of more than one year	**9,095,910**
Total loan portfolio	**12,863,202**

Loan portfolio by economic activity

The following table summarizes our loan portfolio, at the dates indicated, by the principal activity of the borrower using the United Nations system for classifying economic data, International Standard Industrial Classification of All Economic Activities (ISIC). Where we have not assigned a code to a borrower, classification of the relevant loan has been made based on the purpose of the loan as described by the borrower.

	Loan portfolio by type of loan At December 31,			
	2015	**%**	**2016**	**%**
	(in Ps millions, except percentages)			
Agricultural	1,264,628	9.8%	1,205,970	9.4%
Mining products and oil	565,125	4.4%	525,450	4.1%
Food, beverage and tobacco	384,411	3.0%	415,069	3.2%
Chemical production	43,648	0.3%	55,141	0.4%
Other industrial and manufacturing products	319,731	2.5%	289,101	2.2%
Government	75,543	0.6%	62,794	0.5%
Construction	1,102,275	8.6%	1,008,864	7.8%
Trade and tourism	1,458,358	11.4%	1,341,167	10.4%
Transportation and communications	392,677	3.1%	432,097	3.4%
Consumer services(1)	1,656,324	12.9%	1,585,636	12.3%
Commercial services(2)	1,965,525	15.3%	2,143,141	16.7%
Payroll loans *(libranzas)*	3,618,490	28.2%	3,798,772	29.5%
Total loan portfolio	**12,846,735**	**100%**	**12,863,202**	**100%**

(1) Consumer services include loans to individuals, such as consumer loans (credit cards, vehicle, personal and others) and mortgage loans.

(2) Commercial services include wholesale trade and retail, consulting and business support services, health and social services, money lending and other activities.

Credit categories

The following table presents our loan portfolio, for the purpose of credit risk evaluation, categorized in accordance with the regulations of the Colombian Superintendency of Finance, in effect at the relevant dates:

	Loan portfolio by type of loan At December 31,	
	2015	**2016**
	(in Ps millions)	
Commercial loans	7,586,697	7,478,794
Consumer loans	4,170,256	4,303,696
Mortgages	1,089,782	1,080,712
Total loan portfolio	**12,846,735**	**12,863,202**
Provision for loans and financial lease losses	211,415	306,511
Total loan portfolio, net	**12,635,320**	**12,556,691**

Risk categories

The Colombian Superintendency of Finance prescribes the minimum risk classifications for loans and financial leases. Management assigns loans and financial leases to these classifications on the basis of models developed by management and reviewed by the Colombian Superintendency of Finance. These models incorporate both subjective and objective criteria. See note 7 to our audited annual consolidated financial statements.

Category A—"Normal risk:" Loans and financial leases in this category are appropriately serviced. The debtor's financial statements or its projected cash flows, as well as all other credit information available to us, reflect adequate paying capacity.

Category B—"Acceptable risk, above normal:" Loans and financial leases in this category are acceptably serviced and guaranty-protected, but there are weaknesses which may potentially affect, on a transitory or permanent basis, the debtor's paying capacity or its projected cash flows, to the extent that, if not timely corrected, would affect the normal collection of credit or contracts.

Category C—"Appreciable risk:" Loans and financial leases in this category have debtors with insufficient paying capacity or relate to projects with insufficient cash flow, which may compromise the normal collection of the obligations.

Category D—"Significant risk:" Loans and financial leases in this category have the same deficiencies as loans in category C, but to a larger extent; consequently, the probability of collection is highly doubtful.

Category E—"Risk of non-recoverability:" Loans and financial leases in this category are deemed uncollectible.

In our Peruvian and Paraguayan operations, we are subject to substantially similar minimum risk classifications. See "Banking Regulation—Peru" and "Banking Regulation—Paraguay." For purposes of consolidation, the risk classification of our Peruvian and Paraguayan loan portfolios is restated in accordance with the criteria and guidelines of the Colombian Superintendency of Finance.

The following table presents the breakdown of our loan portfolio by risk classification in effect at December 31 of each year:

	Loan portfolio by type of loan at December 31,			
	2015	**%**	**2016**	**%**
	(in Ps millions, except percentages)			
"A" Normal risk	12,340,620	96.1%	12,067,849	93.8%
"B" Acceptable risk, above normal	236,964	1.8%	232,899	1.8%
"C" Appreciable risk	124,705	1.0%	350,990	2.7%
"D" Significant risk	102,916	0.8%	164,709	1.3%
"E" Risk of non-recoverability	41,530	0.3%	46,755	0.4%
Total loan portfolio	**12,846,735**	**100.0%**	**12,863,202**	**100%**
Loan portfolio classified as "C," "D" or "E" as a percentage of total loan portfolio	**269,151**	**2.1%**	**562,454**	**4.4%**

The following table presents our loan portfolio by risk classification in effect at December 31 of each year, and separated between our Colombian operations and our international operations:

	Colombia				**International Operations**			
	Loan portfolio by type of loan at December 31,							
	2015	**%**	**2016**	**%**	**2015**	**%**	**2016**	**%**
	(in Ps millions, except percentages)							
"A" Normal risk	7,186,227	95.9%	7,063,248	93.9%	5,154,393	96.2%	5,004,601	93.7%
"B" Acceptable risk, above normal	166,482	2.2%	70,527	0.9%	70,481	1.3%	162,372	3.0%
"C" Appreciable risk	75,993	1.0%	294,929	3.9%	48,712	0.9%	56,061	1.0%
"D" Significant risk	54,723	0.7%	75,258	1.0%	48,193	0.9%	89,451	1.7%
"E" Risk of non-recoverability	7,685	0.1%	18,955	0.3%	33,845	0.6%	27,800	0.5%
Total loan portfolio	**7,491,110**	**100.0%**	**7,522,918**	**100.0%**	**5,355,625**	**100.0%**	**5,340,284**	**100.0%**
Loan portfolio classified as "C," "D" or "E" as a percentage of total loan portfolio	138,401	1.8%	389,142	5.2%	130,750	2.4%	173,312	3.2%

Suspension of accruals

The Colombian Superintendency of Finance mandates that interest, UVRs, lease payments and other items of income cease to be accrued in the statement of income and begin to be recorded in memorandum accounts until any payment is collected, once a loan or financial lease is in arrears for more than 90 days for commercial loans or financial leases, 60 days for mortgage and consumer loans or financial leases, and 30 days for microcredit loans.

Interest paid on non-accrued loans is recorded as "interest on loans" on our statement of income.

In our Peruvian and Paraguayan operations, we are subject to substantially similar suspension of accrual guidelines. Under Peruvian banking regulations, interest ceases to accrue for commercial, consumer and mortgage loans when the loan is in arrears for more than 30 days. Under Paraguayan banking regulation, interest ceases to accrue, in the case of commercial loans, when the loan is in arrears for more than 30 days, and in the case of consumer and mortgage loans, when the loan is in arrears for more than 60 days. For consolidation purposes, policies are aligned among the Colombian and international operations following the guidelines of the Colombian Superintendency of Finance. See "Banking Regulation—Peru" and Banking Regulation—Paraguay."

The following table presents the breakdown of our consolidated past due loans by type of loan in accordance with the criteria of the Colombian Superintendency of Finance in effect at December 31 of each year:

	December 31,			
	2015	**%**	**2016**	**%**
	(in Ps millions, except percentages)			
Performing past due loans:[(1)]				
Commercial loans past due from 31 days to 90 days	21,929	32.3%	25,081	36.2%
Consumer loans past due loans from 31 days to 60 day	31,329	46.2%	28,728	41.5%
Microcredit loans past due up to 30 days	-	0.0%	-	0.0%
Mortgage loans past due from 31 days to 60 days	14,581	21.5%	15,437	22.3%
Financial leases past due from 31 days to 60/90 days	-	0.0%	-	0.0%
Total performing past due loan portfolio	**67,839**	**25.0%**	**69,245**	**23.1%**
Non-performing past due loans:				
Commercial loans past due more than 90 days	91,128	44.9%	88,325	38.3%
Consumer loans past due more than 60 days	94,707	46.6%	121,846	52.8%
Microcredit loans past due more than 30 days	-	0.0%	-	0.0%
Mortgage loans past due more than 60 days	17,210	8.5%	20,640	8.9%
Financial leases past due more than 60/90 days	-	0.0%	-	0.0%
Total non-performing past due loan portfolio	**203,045**	**75.0%**	**230,811**	**76.9%**
Total past due loan portfolio	**270,884**	**100.0%**	**300,057**	**100.0%**
Total non-performing past due loan portfolio	203,045	90.7%	230,811	68.9%
Foreclosed assets	20,843	9.3%	104,278	31.1%
Other accounts receivable more than 180 days past due	-	0.0%	-	0.0%
Total non-performing assets	**223,888**	**100.0%**	**335,090**	**100.0%**
Allowance for loan and financial lease losses	211,415	94.3%	306,511	98.1%
Allowance for estimated losses on foreclosed assets	12,846	5.7%	5,864	1.9%
Allowance for accounts receivable and accrued interest losses	-	0.0%	-	0.0%
Total Allowance	**224,261**	**100.0%**	**312,375**	**100.0%**
Loans at least at least 31 days past due as a percentage of total loans		2.1%		2.3%
Allowance for loan losses as a percentage of loans at least 31 days past due		78.0%		102.2%

	December 31,			
	2015	%	2016	%
	(in Ps millions, except percentages)			
Allowance for loan losses as a percentage of loans classified as “C,” “D” or “E”		78.5%		54.5%
Percentage of performing loans to total loans		97.9%		97.7%

(1) Performing past due loans are loans upon which interest has not been received for the periods indicated, however we continue to recognize income. Once interest is unpaid on accrual loans for greater than the amount of days specified in the respective line item above, the loan is classified as non-performing.

The following table presents the breakdown of our past due loans by type of loan and in accordance with the criteria of the Colombian Superintendency of Finance in effect at December 31 of each year, and separated between our Colombian operations and our international operations:

	Colombia			International Operations		
	At December 31,					
	2015	2016	%	2015	2016	%
	(in Ps millions, except percentages)					
Performing past due loans:(1)						
Commercial loans past due from 31 days to 90 days	4,062	2,510	12.4%	17,867	22,570	46.1%
Consumer loans past due loans from 31 days to 60 days	15,353	17,456	86.0%	15,976	11,272	23.0%
Microcredit loans past due up to 30 days	0	0	0.0%	0	0	0.0%
Mortgage loans past due from 31 days to 60 days	600	334	1.6%	13,982	15,102	30.9%
Financial leases past due from 31 days to 60/90 days	0	0	0.0%	0	0	0.0%
Total performing past due loan portfolio	**20,015**	**20,301**	**16.8%**	**47,824**	**48,944**	**30.8%**
Non-performing past due loans:						
Commercial loans past due more than 90 days	44,296	21,301	17.6%	46,832	67,025	61.0%
Consumer loans past due more than 60 days	61,401	97,428	80.6%	33,306	24,418	22.2%
Microcredit loans past due more than 30 days	0	0	0.0%	0	0	0.0%
Mortgage loans past due more than 60 days	2,284	2,155	1.8%	14,926	18,485	16.8%
Financial leases past due more than 60/90 days	0	0	0.0%	0	0	0.0%
Total non-performing past due loan portfolio	**107,980**	**120,884**	**85.6%**	**100,507**	**109,927**	**69.2%**
Total past due loan portfolio	**127,995**	**141,185**	**100.0%**	**142,889**	**158,872**	**100.0%**
Total non-performing past due loan portfolio	107,980	120,884	59.6%	95,064	109,927	83.0%
Foreclosed assets	16,201	81,823	40.4%	4,642	22,455	17.0%
Other accounts receivable more than 180 days past due	0	0	0.0%	0	0	0.0%
Total non-performing assets	**124,182**	**202,707**	**100.0%**	**105,149**	**132,382**	**100.0%**
Provision for loan and financial lease losses	105,430	181,358	99.5%	105,985	125,153	96.2%
Provision for estimated losses on foreclosed assets	11,776	919	0.5%	1,070	4,945	3.8%
Provision for accounts receivable and accrued interest losses	0	0	0.0%	0	0	0.0%
Total provisions	**117,206**	**182,277**	**100.0%**	**107,055**	**130,098**	**100.0%**
Loans at least 31 days past due as a percentage of total loans			1.9%			3.0%
Provision for loan losses as a percentage of loans at least 31 days past due			128.5%			78.8%
Provision for loan losses as a percentage of loans classified as “C,” “D” or “E”			46.6%			72.2%
Percentage of performing loans to total loans			98.1%			97.0%

(1) Performing past due loans are loans upon which interest has not been received for the periods indicated, however we continue to recognize income. Once interest is unpaid on accrual loans for greater than the amount of days specified in the respective line item above, the loan is classified as non-performing.

The following table presents the breakdown of the non-performing past due loans by type of loan in accordance with the criteria of the Colombian Superintendency of Finance for loans at the periods indicated:

	At December 31,	
	2015	2016
Non-performing past due loans:	(in Ps millions)	
Commercial loans past due more than 90 days	91,128	88,325
Consumer loans past due more than 60 days	94,707	121,846
Mortgage loans past due more than 60 days	17,210	20,640
Total non-performing past due loan portfolio	**203,045**	**230,811**

The following table presents our total non-performing past due loan portfolio by type of loan:

	At December 31,			
	2015	%	2016	%
	(in Ps millions)			
Commercial				
General purpose loans	74,645	81.9%	72,510	82.1%
Loans funded by development banks	2,238	2.5%	0	0.0%
Working capital loans	12,856	14.1%	13,522	15.3%
Credit cards	40	0.0%	2	0.0%
Overdrafts	1,349	1.5%	2,292	2.6%
Total commercial	**91,128**	**44.9%**	**88,325**	**38.3%**
Consumer				
Credit cards	9,841	10.4%	9,392	7.7%
Personal loans	64,420	68.0%	93,162	76.5%
Automobile and vehicle loans	215	0.2%	262	0.2%
Overdrafts	1,392	1.5%	1,257	1.0%
Loans funded by development banks	0	0.0%	0	0.0%
General purpose loans	18,839	19.9%	17,774	14.6%
Working capital loans	0	0.0%	0	0.0%
Total consumer	**94,707**	**46.6%**	**121,846**	**52.8%**
Mortgages	17,210	8.5%	20,640	8.9%
Total past due loan portfolio	**203,045**	**100.0%**	**230,811**	**100.0%**

The following table presents information with respect to our loan portfolio at least 31 days past due based on the nature of the collateral for the loan:

	At December 31,			
	2015	%	2016	%
	(in Ps millions)			
Secured				
Past due 31 to 360 days				
Commercial	26,555	0.6%	23,867	0.6%
Consumer	668	0.0%	45	0.0%
Mortgages	26,049	0.6%	28,001	0.7%
Total 31 to 360 days	**53,272**	**1.3%**	**51,912**	**1.3%**
Total past due more than 360 days	13,603	0.3%	28,325	0.7%
Total current	4,040,265	98.4%	3,866,717	98.0%
Total secured loan portfolio	**4,107,140**	**32.0%**	**3,946,955**	**30.7%**
Unsecured[1]				
Past due 31 to 360 days				
Commercial	49,885	0.6%	45,295	0.5%
Consumer	112,931	1.3%	125,056	1.4%
Mortgages	144	0.0%	0	0.0%
Total 31 to 360 days	**162,960**	**1.9%**	**170,351**	**1.9%**
Total past due more than 360 days	**40,797**	**0.5%**	**49,468**	**0.6%**
Total current	8,535,838	97.7%	8,696,428	97.5%
Total unsecured loan portfolio	**8,739,595**	**68.0%**	**8,916,247**	**69.3%**
Total loan portfolio, gross	**12,846,735**	**100.0%**	**12,863,202**	**100.0%**
Provisions	211,415	1.6%	306,511	2.4%
Total loan portfolio, net	**12,635,320**	**98.4%**	**12,556,691**	**97.6%**

(1) Includes loans with personal guarantees.

Non-accrual, non-performing loans, performing loans, and performing troubled restructured loans

Non-accrual loans

The following table presents loans accounted for on a non-accrual basis, the gross interest income that would have been recorded in the relevant period if the loans had been current in accordance with their original terms and had been outstanding throughout the period or since origination, and the amount of interest income on those loans that was included in net income for that period. The policy for placing loans on non-accrual status is explained in "Suspension of accruals" above.

	At and for the year ended December 31, 2016		
	Amount	Gross interest income	Interest income included in net income for the period
	(in Ps millions)		
Loans	230,811	9,658	4,034

Non-performing troubled debt restructured loans

The following table presents our non-performing troubled debt restructured loans, the gross interest income that would have been recorded in the relevant period if the loans had been current in accordance with their original terms and had been outstanding throughout the period or since origination, and the amount of interest income on those loans that was included in net income for that period:

	At and for the year ended December 31, 2016		
	Unconsolidated Amount	**Gross interest income**	**Interest income included in net income for the period**
		(in Ps millions)	
Loans	184,117	1,541	0

Performing troubled restructured loans

The following table presents our performing troubled debt restructured loan portfolio, the gross interest income that would have been recorded in the period that ended if the loans had been current in accordance with their original terms and had been outstanding throughout the period or since origination and the amount of interest income on those loans that was included in net income for the period:

	At and for the year ended December 31, 2016		
	Unconsolidated Amount	**Gross interest income**	**Interest income included in net income for the period**
		(in Ps millions)	
Loans	496	2	0

The following table presents a summary of our troubled debt restructuring loan portfolio, accounted for on a performing basis in accordance with the criteria of the Colombian Superintendency of Finance in effect at the end of each period:

	(Unconsolidated)	
	At end for the year ended December 31,	
	2015	**2016**
	(in Ps millions)	
Loans	418,836	406,093

Roll forward of provisions for loan losses

Provision for loan losses

We record provision for loan losses in accordance with regulations established by the banking regulations of the countries where we operate. For further information regarding the regulation and methodologies for the calculation of such provisions, see note 4 to our audited annual consolidated financial statements.

The following table presents the changes in the provision for loan and financial lease losses during the periods indicated in accordance with the criteria and guidelines of the Colombian Superintendency of Finance:

	2015			
Provisions for customer impairment	**Commercial**	**Consumer**	**Residential Mortgage**	**Total gross portfolio**
Opening balance for the period reported	71,582	139,251	1,893	212,726
Impairment loss for the period:				
Provision for the period with charge to profit or loss	87,005	179,880	846	267,731
Recoveries or charges against OCI on equity	18,298	37,829	178	56,307
Recoveries with credit to profit or loss	(53,273)	(105,984)	(431)	(159,689)
Effect of foreign currency movements	(24,721)	(51,110)	(240)	(76,071)
Write-offs	(11,357)	(77,196)	(1036)	(89,589)
Subtotal Impairment – customers	**87,534**	**122,670**	**1,210**	**211,415**

	2016			
Provisions for customer impairment	**Commercial**	**Consumer**	**Residential Mortgage**	**Total gross portfolio**
Opening balance for the period reported	58,664	151,407	1,344	211,415
Impairment loss for the period:				
Provision for the period with charge to profit or loss	95,048	151,214	23,941	270,203
Recoveries or charges against OCI on equity	26,043	41,433	6,560	74,036
Recoveries with credit to profit or loss	(88,214)	(84,722)	(28,259)	(201,195)
Effect of foreign currency movements	47,488	-	-	47,488
Accounts Receivable Provisions	(2,999)	-	-	(2,999)
Write-offs	(11,392)	(81,042)	(3)	(95,436)
Subtotal Impairment – customers	**124,638**	**178,290**	**3,583**	**306,511**

Recoveries of charged-off loans are recorded on the statement of income under recovery of charged-off assets and are not included in provisions for loan losses.

The following table presents the allocation of our provision for loan losses by category of loan and financial lease losses:

	At December 31,			
	2015	%	2016	%
	(in Ps millions, except percentages)			
Commercial				
General purpose loans	48,705	69.5%	108,409	82.6%
Loans funded by development banks	3,654	5.2%	6,713	5.1%
Working capital loans	16,201	23.1%	14,262	10.9%
Credit cards	81	0.1%	89	0.1%
Overdrafts	1,462	2.1%	1,811	1.4%
Total commercial	**70,103**	**33.2%**	**131,284**	**42.8%**
Consumer				
Credit cards	10,190	8.5%	10,793	7.0%
Personal loans	85,958	71.8%	123,023	79.3%
Automobile and vehicle loans	300	0.3%	324	0.2%
Overdrafts	1,173	1.0%	1,228	0.8%
General purpose loans	22,122	18.5%	19,781	12.7%
Total consumer	**119,743**	**56.6%**	**155,149**	**50.6%**
Mortgages	21,569	10.2%	20,079	6.6%
General	0	0.0%	0	0.0%
Total provision for loan losses	**211,415**	**100.0%**	**306,511**	**100.0%**

Charge-offs

The following table presents the allocation of our charge-offs by type of loan for the years ended December 31, 2015 and 2016:

	Year ended December 31,	
	2015	2016
	(in Ps millions)	
Commercial	**11,357**	**11,392**
Consumer:		
Payroll loans (*libranzas*)	39,579	40,767
Credit cards	15,255	14,128
Automobile and vehicle loans	25	62
Overdrafts	382	136
Consumer loans	21,953	25,950
Total consumer	**77,194**	**81,042**
Total commercial and consumer	**88,551**	**92,434**
Mortgages and other	1,036	3
Total charge-offs	**89,586**	**92,437**

The ratio of charge-offs to average outstanding loans for the periods indicated was as follows:

	Year ended December 31,	
	2015	2016
	(in percentages)	
Ratio of charge-offs to average outstanding loans	0.7%	0.7%

Loans are subject to charge-offs when all possible collection mechanisms have been exhausted and when they are one hundred percent (100%) provisioned.

Charge-offs do not, however, eliminate our obligation to continue to engage in collection efforts to accomplish recovery. The recovery of charged-off loans is accounted for in our consolidated statements of income under non-operating income, net. Our board of directors is the only administrative body with legal authority to approve charge-offs of transactions deemed uncollectable.

Potential problem loans

In order to carefully monitor the credit risk associated with clients, we have established a committee that meets monthly to identify potential problem loans, which are then included on a watch list. In general, these are loans issued to clients that could face difficulties in the future repayment of their obligations, but who have had a good payment record with us in the past. These potential difficulties could be related to factors such as a decline in economic activity, financial weakness or any other event that could affect the client's business. We also monitor the credit risk associated with these clients.

Potential problem loans are primarily those classified as "B" under the Colombian Superintendency of Finance's credit classification and provisioning guidelines. See "Risk management—Credit classification and provisioning." At December 31, 2016, Ps 70,527.4 million, or 0.9%, of our loan portfolio was classified as potential problem loans under these guidelines.

Deposits

The principal components of our deposits are customer demand (checking and saving accounts) and term deposits. The following table presents the composition of our deposits for the periods indicated:

	At December 31,	
	2015	**2016**
	(in Ps millions)	
Interest-bearing deposits:		
Current accounts	439,527	596,662
Term deposits	8,216,539	8,225,563
Savings deposits	6,433,510	6,272,184
Total	**15,089,576**	**15,094,409**
Non-interest-bearing deposits:		
Current accounts	1,469,365	1,189,149
Total	**1,469,365**	**1,189,149**
Total deposits	**16,558,941**	**16,283,558**

The following table presents term deposits, by amount and maturity, at December 31, 2016:

	(in Ps millions)
At December 31, 2016	
Up to 3 months	2,784,221
From 3 to 6 months	1,959,079
From 6 to 12 months	2,213,755
More than 12 months	1,268,508
Total	8,255,563

Return on equity and assets

The following table presents certain consolidated selected financial ratios for the periods indicated:

	At December 31.	
	2015	2016
	(in percentages)	
ROAA: Return on average total assets[1]	0.8%	0.8%
ROAE: Return on average shareholders' equity[2]	14.3	13.5%
Average shareholders' equity as a percentage of average total assets	5.5%	5.9%
Period-end shareholders' equity and non-controlling interest as a percentage of period-end total assets	5.7%	6.1%
Dividend payout ratio[3]	0.0%	15.5%

(1) "ROAA" is calculated as net income divided by average of total assets (the sum of total assets at December 31 of the fiscal year and total assets at December 31 of the previous fiscal year, divided by two).

(2) "ROAE" is calculated as net income divided by average shareholders' equity (the sum of shareholders' equity at the end of the fiscal period plus shareholders' equity at the end of the prior period, divided by two).

(3) Dividend payout ratio is calculated as dividends declared per share divided by net income per share and is an unconsolidated ratio.

Short-term borrowings

The following table presents our short-term borrowings, consisting liability positions in money market and similar operations, for the periods indicated:

	At December 31,			
	2015		2016	
	Amount	Nominal rate	Amount	Nominal rate
	(in Ps millions, except percentages)			
Short-term borrowings, liability positions in money market and similar operations				
End of period	4,254,119	5.5%	4,746,897	7.2%
Average during period	379,321	4.7%[1]	645,911	6.0%
Maximum amount of borrowing at any month-end	4,431,757	5.5%[2]	4,746,897	7.8%
Interest paid during the period	15,873		37,322	

(1) The average nominal rate for the period is calculated as income from short-term financial debt transactions, divided by the annual average of these instruments.

(2) Maximum nominal rate refers to the rate used for these transactions and which relates to the interbank rate of the central bank.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our audited annual consolidated financial statements at December 31, 2015 and 2016 and for the years ended December 31, 2015 and 2016, and the related notes thereto, and with the other financial information included in this listing prospectus as well as the information under "Presentation of Financial and Other Information" and "Selected Financial and Operating Data." The preparation of the financial statements required use of estimates that affect the amounts recorded as assets, liabilities, revenue and expenses in the years and periods addressed and are subject to certain risks and uncertainties. Our future results may vary substantially from those indicated because of various factors that affect our business, including, among others, those identified under "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors" and other factors discussed in this listing prospectus. Our consolidated financial statements and the related notes thereto are included in this listing prospectus and have been prepared in accordance with Colombian Banking IFRS.

Overview

Banco GNB Sudameris S.A. is a universal bank in Colombia with special focus on small and medium enterprises, or SMEs, mid-corporates and personal banking. The Bank was created in August 1920 as a Colombian corporation. In 1924, it became a branch of Banque Française et Italienne pour l'Amérique du Sud. On December 22, 2003, Banque Sudameris, Banca Intesa and other shareholders sold their aggregate 94.7% ownership interest to Gilex Holding B.V., our current controlling shareholder, which in turn is controlled by the Gilinski family. The Gilinski family had been a controlling shareholder of Banco Andino and Banco de Colombia (now known as Bancolombia).

Between October 2013 and March 2014, we consummated the acquisition from HSBC and four other HSBC affiliates of HSBC's banking operations in Colombia, Paraguay and Peru. These acquisitions allowed us to increase our operations in Colombia and expand our presence in the South American region.

Before accounting for eliminations for consolidation, our Colombian banking operations represented 69.1% and 38.1% of our income from interest and valuations and of our net income from interest and valuations, respectively, in 2016; and represented 73.5% of our total assets at December 31, 2016. We have strengthened our position in the Colombian banking market through selective growth and increased liquidity driven by strict risk policies. In particular, we have focused on the following three products: payroll loans (*libranzas*), development loans (*carteras de fomento*) and funding agreements (*convenios*).

Banco GNB (Peru), our Peruvian banking subsidiary, is a full service bank that offers commercial and retail banking services. The commercial banking business provides mainly working capital and trade related products to high net worth customers based on cash flow strength, as opposed to relying on collateral. The retail banking business is focused on premium customers, providing mainly payroll loans, including mortgage loans. Before accounting for eliminations for consolidation, Banco GNB (Peru) represented 18.8% and 35.8% of our income from interest and valuations and of our net income from interest and valuations, respectively, in 2016, and represented 16.3% of our total assets at December 31, 2016.

Banco GNB (Paraguay), our Paraguayan banking subsidiary, focuses its business on high quality commercial and corporate clients and premium retail payroll loans. Banco GNB (Paraguay) is currently seeking to increase its presence in the agribusiness and cattle ranching sectors. Before accounting for eliminations, Banco GNB (Paraguay) represented 12.1% and 26.1% of our income from interest and valuations and of our net income from interest and valuations, respectively, in 2016, and represented 10.2% of our total assets at December 31, 2016.

Principal factors affecting our financial condition and results of operations

Economic conditions

Our operations are currently concentrated in Colombia and, to a lesser extent, in Peru and Paraguay. As a result, our operating results are linked to such countries' economic performance.

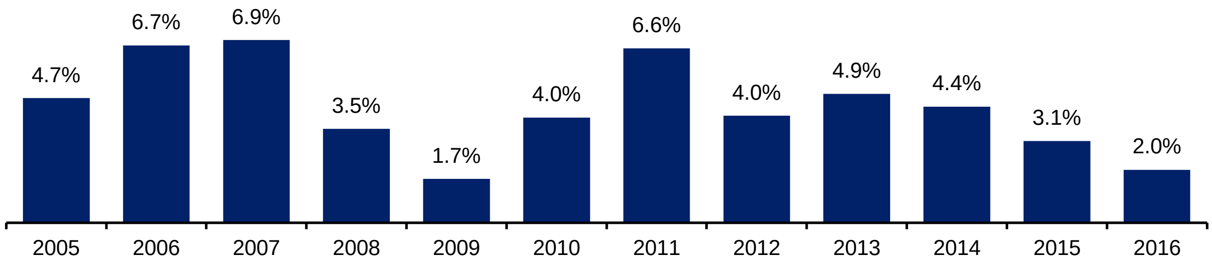
Colombia

After peaking at 6.9% in 2007, the pace of economic growth declined in 2008 and 2009, in large part due to the effects of the global economic and financial crisis. Annual GDP grew by 3.5% in 2008 and 1.7% in 2009, while the level of gross capital formation reached a peak of 24.7% of GDP in 2008 and dropped slightly to 24.2% of GDP in 2009. In response to the global economic environment and in order to stimulate growth in Colombia, the Colombian Central Bank loosened its monetary policy by cutting interest rates by 700 basis points between December 2008 and April 2010.

The interest rate decrease resulted in a Colombian economy characterized by strong growth in aggregate spending, with real GDP growing at 4.0% in 2010 and 6.6% in 2011. The economic bonanza in the context of monetary easing led to inflationary pressures and continuous increases in the prices of new and used housing. Therefore, the Colombian Central Bank began to increase interest rates again in February 2011, reaching 5.25% by the first quarter of 2012 in an attempt to control consumption and moderate household debt growth.

In this new context of monetary tightening—combined with a more moderate pace of world economic growth and deteriorating economic conditions in Europe—the Colombian economy began to experience a slowdown, with a growth of 4.0% for 2012 and inflation of 2.4% (130 basis points less than 2011). Under this new scenario the Colombian Central Bank resumed monetary easing, lowering interest rates by 125 basis points during the last half of 2012 to encourage economic growth.

Real GDP grew by 4.4% in 2014, 3.1% 2015 and 2.0% in 2016. The following chart presents annual growth in Colombia's real GDP during the period:



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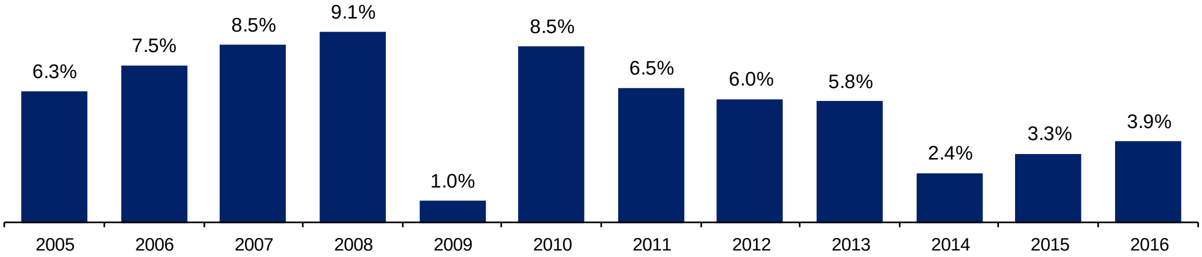
Source: DANE (Data available as of March 2017). Real seasonally adjusted GDP figures based on 2005 constant prices.

Peru

Although affected by the global economic downturn of 2008 and 2009, the Peruvian economy, was one of the few economies in Latin America to experience growth in 2009. Peru's real GDP grew at a rate of 1.1% in 2009, sustained by the Peruvian government's launching of fiscal stimulus programs. Furthermore, Peru continues to be one of six countries in Latin America, along with Chile, Colombia, Mexico, Panama and Uruguay, to have its sovereign debt obtain an investment grade credit rating by Standard and Poor's Rating Services, Fitch Ratings Ltd. and Moody's Investor Service.

The Peruvian economy experienced a strong recovery during 2010, 2011, 2012 and 2013, with GDP growing 8.5%, 6.5%, 6.0% and 5.8%, respectively. However, following a decline in global commodity prices, GDP growth declined to 2.4% in 2014. GDP growth recovered in 2015 and 2016, increasing to 3.3% in 2015 and 3.9% in 2016, as a result of increased inventories (mainly copper) and increased exports.

As a result of Peru's strong economic growth, which has outpaced nearby countries' in recent years, several companies expanded operations, established partnerships and developed new businesses in the financial sector. The following chart presents annual growth in Peru's real GDP between 2005 and 2016, as provided by the BCRP and the National Institute of Statistics and Information, INEI.



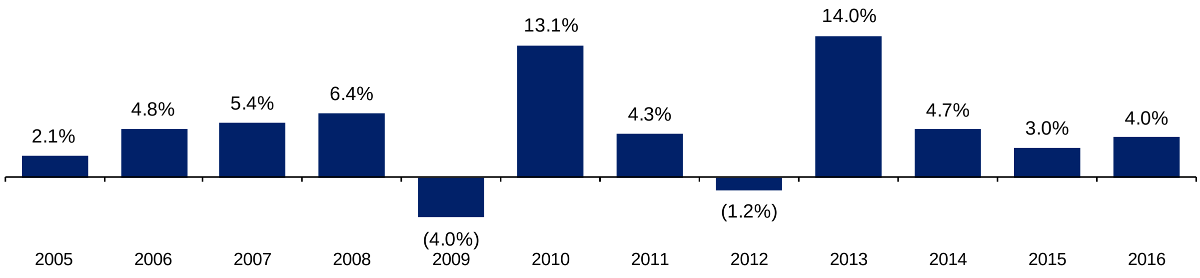
Source: Peruvian Central Bank and INEI (Data available as of March 2017). Real GDP figures based on 2007 constant prices

Paraguay

The Paraguayan economy is relatively small and heavily reliant on natural resources and agriculture. During the period 2003-2015, real GDP grew by an average of 4.7% per year, as a result of strong and consistent economic policies. These policies included a reduction in public debt, reduced inflation, exchange rate flexibility and structural reforms in financial supervision, budget management and the tax system.

In 2014, real GDP grew by 4.7%, driven mainly by growth in the construction, manufacturing and services sectors, which grew by 13.8%, 9.5% and 6.0%, respectively. In addition, in 2014 exports increased by 4.3% as a result of the combination of an increase of beef exports and soybean flour exports although this growth trend was partially offset by a decrease in soybean exports, cereals (corn, wheat) exports and electrical energy exports. In 2015, real GDP grew by 3.0%, driven mainly by growth in the agriculture, construction and services sectors, which grew by 5.0%, 6.0% and 3.2%, respectively, and real GDP per capita increased by 1.4%. However, in 2015 exports decreased 2.0%, mainly due to the decline in international commodities prices.

The Paraguayan financial system has expanded rapidly in the past few years, on the wake of institutional reform, fast GDP growth and rising purchasing power on the part of the Paraguayan population. In 2016, the Paraguayan economy continued to expand, driven mainly by the livestock, construction and electricity sectors. The following chart presents annual growth in Paraguay's real GDP during the period:



Source: Paraguayan Central Bank (Data available as of March 2017). Real GDP figures based on 1994 constant prices.

Preliminary data published for 2016 by the Paraguayan Central Bank indicate real GDP growth increased in the year to 4.0%, driven by: (i) higher revenues from the country's two binational power plants (Yacyretá and Itaipú), which represent 9.8% of Paraguay's GDP, (ii) the expanding construction and manufacturing sectors and (iii) the country's strong traditional agribusiness sector.

Labor markets

Colombia

The Colombian unemployment rate was 8.59% at December 31, 2015 as compared to 8.74% at December 31, 2016. The participation rate (*i.e.*, economically active population divided by working age population) was 64.7% for the year ended December 31, 2015 as compared to 64.5% for the year ended December 31, 2016 and the employment rate (*i.e.*, employed population divided by economically active population) was 59.52% for the year ended December 31, 2015 as compared to 59.95% for the year ended December 31, 2016.

Peru

The Peruvian unemployment rate was 3.7% for the year 2014 as compared to 3.5% for the year 2015. For the month of December 2016, the unemployment rate was 7.0%. The participation rate (i.e., economically active population divided by working age population) was 72.3% for the year 2014 as compared to 71.6% for the year 2015 and the employment rate (i.e., employed population divided by economically active population) was 96.34% for the year 2014 as compared to 96.49% for the year 2015.

Paraguay

The Paraguayan unemployment rate was 6.0% for the year 2014 and 5.3% for the year 2015. For the quarter ending on September 30, 2016, the Paraguayan unemployment rate was 6.9%. The Paraguayan participation rate (i.e., economically active population divided by working age population) was 61.6% for each of the years 2014 and 2015. For the quarter ending on September 30, 2016 the Paraguayan participation rate was 66.8%. The employment rate (i.e., employed population divided by economically active population) was 94.0% for the year 2014 and 94.7% for the year 2015. For the quarter ending on September 30, 2016, the Paraguayan employment rate was 93.1%.

The labor market is segmented, where formal jobs with highly trained employees and working conditions above the national average exist but there is a large segment of the labor market that can be characterized as informal, unskilled and with earning wages below the legal minimum. The majority of the workforce is employed in primary sector activities such as agriculture, livestock, hunting and fishing, as well as in service sectors such as trade, restaurants, hotels, community, social and personal services.

Interest rates

In general, increases in prevailing interest rates result in more interest revenue from loans. An increase in prevailing interest rates may, however, adversely affect us as a result of reduced overall demand for loans and greater risk of default from our customers. In addition, relatively high interest rates affect our funding costs, and can adversely affect spreads on our loan portfolio if we are unable to pass on the increased funding costs to our clients. On the other hand, a decrease in interest rates can reduce our revenue from lending operations. This revenue decrease could be offset by an increase in loans volume resulting from higher demand and/or a decrease in our funding costs.

There is generally a timing difference in the impact on our deposits and our loan portfolio of a change in interest rates in a given market. Generally, the impact on deposits occurs earlier than in our loan portfolio. For example, the increase in interest rates in Colombia in 2016 increased our funding costs from deposits, while we were unable to adjust our loan portfolio until later. This time lag had an adverse impact on our net income from interest and valuations in 2016. The reverse effect would occur in the case interest rates were decreasing.

Colombia

Since the implementation of an inflation-targeting regime in 1999, the Colombian Central Bank's overnight lending rate has been reduced from 26.0% in 1999 to 6.0% at the end of 2005, but has since increased to 7.5% at the end of 2016.

A significant portion of our assets are linked to the fixed term deposit rate (*Depósitos a Término Fijo*) or "DTF;" accordingly, changes in the DTF affect our income from interest and valuations. The average DTF was 4.40% during 2014, 5.22% during 2015 and 6.68% during 2016. The increase in the DTF results from the Colombian Central Bank's monetary policy regarding increases in interest rates.

Peru

During 2015, and in response to growing inflation and inflation expectations for 2016-2017, the Peruvian Central Bank increased its reference rate twice, from 3.25% to 3.50% in September, and from 3.50% to 3.75% in December. In January and February 2016, the Peruvian Central Bank made additional increases to 4.25%. The reference rate has remained the same since then.

Paraguay

The Paraguayan Central Bank has anchored its monetary policy with an inflation targeting scheme, using a 14-day benchmark interest rate as the main instrument. In December 2014, the Paraguayan Central Bank set the annual inflation rate (CPI) target at 4.5%, within a range of 2.5% to 6.5%. This reduction was implemented as of January 1, 2015. Inflation was 5.0% in 2014, 3.1% in 2015 and 3.9% in 2016. The decrease in 2015 was due to the decrease in the price of petroleum products as a result of the international trend of declining crude oil prices. Increases in prices of food due to environmental factors and the appreciation of the U.S. dollar during 2016 resulted in a higher inflation than that of the previous year. The Paraguayan Central Bank has stated that it is committed to developing a monetary policy that focuses primarily on achieving price stability and maintaining low inflation levels.

Lower inflationary pressure in 2015 allowed the Paraguayan Central Bank to reduce the monetary policy interest rates repeatedly in 2015. However, in February 2016, the monetary policy interest rate was increased to 6.0% due to economic conditions in the region, coupled with the initiation of a less accommodative monetary policy profile by the U.S. Federal Reserve Bank. In July 2016, the monetary interest rate was reduced to 5.50% and currently remains at this rate. Such decrease reflects a monetary policy aimed at stimulating the economy while working toward the target 2017 inflation rate of 4.0%.

Foreign exchange rates

While we conduct the majority of our business in pesos, we occasionally make loans in foreign currencies. Additionally, we hold some cash and accounts receivables in foreign currency. We are also exposed to exchange rate volatility due to our business in Peru, which represented, before accounting for eliminations for consolidation, 18.8% and 35.8% of our income from interest and valuations and of our net income from interest and valuations, respectively, in 2016, and in Paraguay, which represented 12.1% and 26.1% of our income from interest and valuations and of our net income from interest and valuations, before accounting for eliminations for consolidation, respectively, in 2016. Exchange rate volatility may affect our financial condition and results of operations. See "Risk Factors—Risks relating to our business and industry—Our banking business is subject to market risk." and "Risk Factors—Risks relating to our business and industry—We are subject to fluctuations in interest rates and other market risks, which may materially and adversely affect our results of operations and financial condition."

In order to mitigate the effects of foreign exchange variations we have implemented hedging policies, which we intend to continue. See "Selected Statistical Data—Distribution of assets, liabilities, and shareholders' equity, interest rates and interest differential" for information on our foreign currency assets and liabilities. See also "Risk Management—Market risk—Tools for measuring and managing market risk—Trading instruments—Foreign exchange risk."

Colombia

In 2012, the peso appreciated by 9.0% against the dollar, backed by a strong appetite for Colombian assets and an increase in inflows of foreign direct investments. However, the Colombian peso depreciated against the U.S. dollar during the subsequent three years (9.0% at December 31, 2013, 24.2% at December 31, 2014 and 31.6% at December 31, 2015). The depreciation resulted from the sale of peso-denominated assets, which in turn were caused by sharp decreases in oil prices that lead to higher fiscal and current account deficits. The recent stabilization in commodity prices and a series of rates increases by the Colombian Central Bank have contributed to the stabilization of the peso. In 2016, the peso depreciation trend reversed, ending the year with a 4.7% appreciation against the U.S. dollar.

Peru

The Sol floats freely against other currencies. Nevertheless, the Peruvian Central Bank participates in the market (buying or selling Soles) in order to avoid any large fluctuations in the exchange rate because of the effects that it could cause to the Peruvian economy, which remains partly dollarized.

The Sol has been subject to significant devaluation against the U.S. dollar and other foreign currencies in the past. In 2014 and 2015, the Sol depreciated by 6.5% and 12.4%, respectively, against the U.S. dollar, primarily due to a slowdown in the growth of the Chinese economy and the decline in global commodity prices. The Sol/U.S. dollar exchange rate remained relatively stable in 2016. At December 31, 2016, the Sol/U.S. dollar exchange rate was S/.3.36 per U.S.$1.00, as compared to S/.3.41 per U.S.$1.00 at December 31, 2015.

Any future changes in the value of the Sol against the U.S. dollar and other foreign currencies could adversely affect our financial condition and results of operations to the extent that we maintain a gap between foreign denominated assets and liabilities.

The Peruvian government has adopted a policy to encourage the de-dollarization of the Peruvian economy. This policy includes promoting the development of a Sol capital market and local currency yield curves. In addition, the government is promoting the Sol-denominated components of government sponsored mortgage subsidy programs (mainly *Nuevo Crédito Mivivienda* and *Crédito Complementario Techo Propio*) to foster long-term financing in local currency. The proportion of outstanding loans in the banking system denominated in U.S. dollars fell from 57.7% in 2008 to 31.8% in 2016, according to figures published by the SBS. In addition, the percentage of deposits in the banking system denominated in U.S. dollars was 58.2% in 2008 compared to 47.8% in 2016.

A continuing de-dollarization of the economy would likely reduce our exposure to potential mismatches between U.S. dollar-denominated assets and liabilities and reduce Peru’s exposure to external economic shocks.

Paraguay

Paraguay has maintained a floating exchange rate regime since 1989. Paraguay has also maintained free capital flows; there are no restrictions on the purchase or sale of foreign exchange by Paraguayan residents or on the repatriation of funds in foreign currency by foreign investors in Paraguay. From time to time, the Paraguayan Central Bank intervenes in the foreign exchange market in order to stabilize the Guaraní, without changing the market trend.

In 2016, the Guaraní remained largely stable against the U.S. dollar, mainly due to the depreciation of the dollar in the international markets, foreign currency inflows from agribusiness and electricity sales, and relative economic stability amid economic crises in the country’s main partners, Brazil and Argentina.

Inflation

Lower interest rates and stability in terms of inflation generally lead to increased consumer confidence and increased consumer demand for credit.

Colombia

Colombian Central Bank independence, and the adoption of an inflation-targeting regime and a free-floating currency in 1999, have contributed to declining inflation rates and increased price stability in Colombia. However, an increase in levels of economic activity in Colombia combined with typical inflationary pressures in an expanding economic cycle, which inflated the price of basic food items, caused inflation to rise in 2007 and 2008, notwithstanding significant efforts by the Colombian Central Bank to control inflation. These efforts included increasing the intervention rate while maintaining reserve requirements, restrictions on foreign indebtedness and, as described above, increases in the overnight lending rate. Inflation rates reached 5.7% in 2007 and 7.7% in 2008, in excess of the Colombian Central Bank's target rate.

In 2009, declines in commodity prices as a result of the global economic downturn and the slowdown in aggregate demand led to a significant downward adjustment in the inflation rate to 2.0%, the lowest rate in 50 years and well below the Colombian Central Bank's target band of 4.5%-5.5%. Despite the economic recovery, the inflation rate increased only slightly to 3.2% in 2010. However inflationary pressures escalated during 2011 when the inflation rate reached 3.7% at the end of the year. The Colombian Central Bank reacted to the situation by tightening monetary conditions, demonstrating that the Colombian Central Bank's preemptive approach with respect to monetary policy resulted in a decrease in inflation expectations. The inflation rate decreased to 2.4% in 2012 and 1.9% in 2013, closer to the lower end of the inflation targeting band of 2.0%-4.0%.

Inflation was 3.7% in 2014, 6.8% in 2015, and 5.75% in 2016. The decrease in inflation in 2016 as compared to 2015 was mainly due to monetary tightening carried out by the Colombian Central Bank (which increased rates from 5.75% to 7.50% throughout the year), a decrease in the rate of economic growth, and greater stability in commodity prices, which strengthened the peso and countered pass-through inflation via higher imports prices, particularly with respect to food products.

Peru

As a result of reforms begun in the early 1990s, Peruvian inflation has decreased significantly in recent years from triple-digit inflation during the 1980s. During 2016, the Peruvian economy experienced annual inflation 3.59%, as measured by the Peruvian Consumer Price Index. This index is calculated by INEI, measures variations in prices of a selected group of goods and services typically consumed by Peruvian families. We cannot assure, however, that inflation will remain at these levels. The Peruvian Central Bank establishes a target inflation rate for each fiscal year and announces this target rate in order to shape market expectations. The target annual inflation rate for the year 2017 is currently set between 1.0% and 3.0%.

If Peru experiences substantial inflation in the future, our costs may increase, and, if not accompanied by a corresponding increase in interest rates, our operating and net margins may decrease, which may adversely affect our business and results of operations. Inflationary pressures may lead to further government intervention in the economy, including the introduction of government policies that may adversely affect the overall performance of the Peruvian economy. Our Peruvian operating results may be adversely affected by higher inflation.

Paraguay

Since 2003, the succeeding administrations have adopted macroeconomic and financial strategies aimed at consolidating the pillars for sustainable medium- and long-term economic growth, including the maintenance of a low inflation environment.

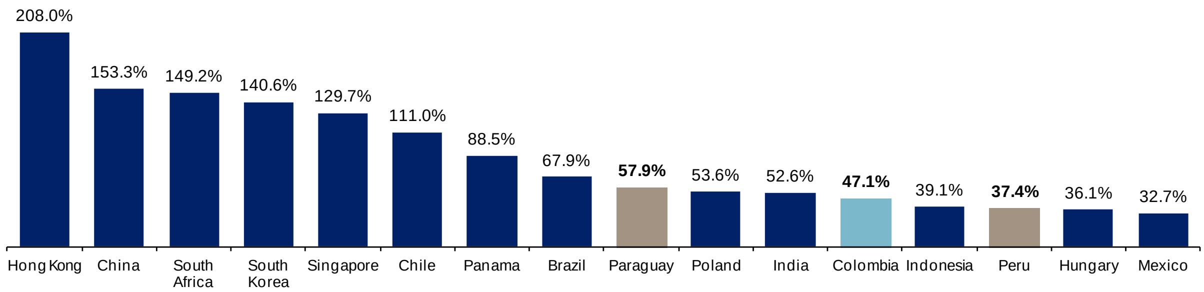
In 2011, the Central Bank adopted an inflation targeting scheme to manage monetary policy. The Paraguayan Central Bank focuses its efforts on maintaining a low, stable and predictable level of inflation. The main instrument to develop the inflation targeting system in Paraguay is the benchmark short-term interest rate, which allows the Paraguayan Central Bank to influence aggregate demand and inflation. The Paraguayan Central Bank's policies reduced inflation to an average of 4.0% during the 2011-2015 period, while maintaining exchange rate flexibility. To implement its inflation targeting scheme, the Paraguayan Central Bank develops and releases quarterly Monetary Policy Reports. The objectives of the Monetary Policy Report are to inform and explain the views of the Paraguayan Central Bank on recent and expected inflation and its consequences for monetary policy; make public the analytical framework used in the formulation of the monetary policy's horizon; and provide useful information to the market to build economic agents' expectations about the future path of inflation and economic activity.

Paraguayan inflation was 5.0% in 2014, and 3.1% in 2015 and 3.9% in 2016. The decrease in 2015 was mainly due to the positive impact on Paraguay, a net importer of crude oil, of the international trend of declining crude oil prices. The increase in 2016 primarily resulted from an increase in the price of food products due to environmental factors and the appreciation of the U.S. dollar.

Credit volume

Colombia

Credit volume in Colombia has grown steadily since 2000. Nevertheless, credit penetration is still relatively low when compared other developed and emerging markets. The following chart presents domestic credit to the private sector as a percentage of GDP of specified countries at December 31, 2015:

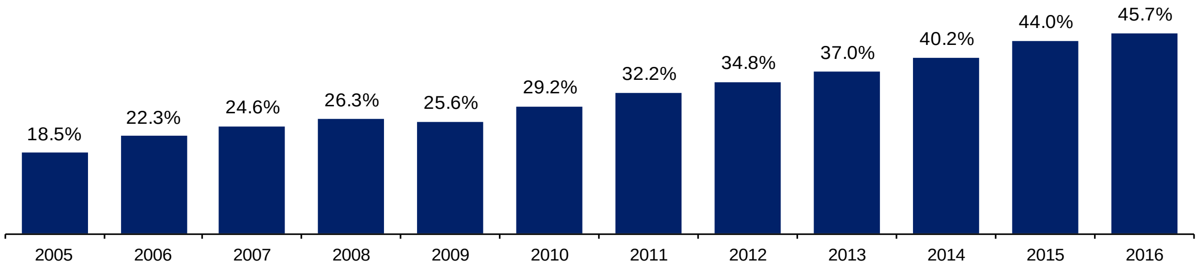


Source: 2016 World Bank Development Indicators.

Domestic credit to the private sector as a percentage of GDP, as defined by the World Bank Development Indicators, refers to financial resources provided to the private sector, such as through loans, purchases of non-equity securities, and trade credits and other accounts receivable, that establish a claim for repayment. This definition encompasses a broad range of entities that provide credit, and is not limited to banking institutions. It is widely used for comparison purposes across countries due to its reliability and homogeneity. The World Bank Development Indicators cover 217 countries from 1960 to 2016.

When referring to bank credit penetration, bank credit refers to gross loans and leasing operations provided by commercial banks in Colombia, according to data from the Colombian Superintendency of Finance, and GDP refers to nominal GDP pesos, according to data provided by DANE. We believe these definitions and the calculation resulting therefrom more appropriately reflect Colombia's domestic credit to GDP conditions, which calculation renders a 45.7% ratio for the year ended December 31, 2016.

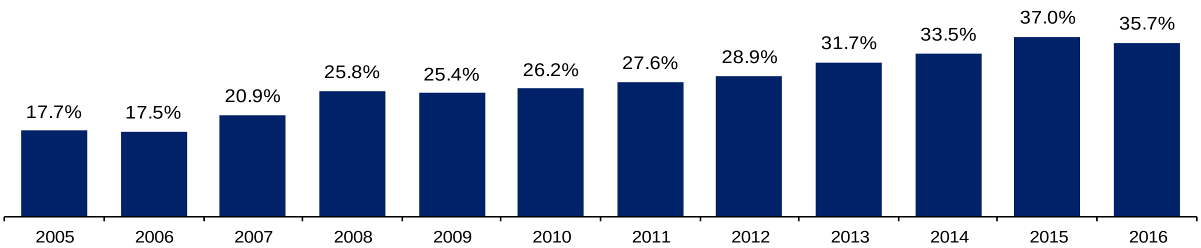
The Colombian bank credit market consists of four main business lines: commercial, consumer, microcredit and mortgage. According to the Colombian Superintendency of Finance, at December 31, 2016, a total of Ps 394 trillion of gross loans granted by Colombian banks were outstanding, of which 57.7% were commercial loans, 27.0% were consumer loans, 12.6% were mortgages, and 2.8% were microcredit loans. The following chart shows bank credit as a percentage of GDP since 2005:



Source: DANE and Colombian Superintendency of Finance. Metric refers to total loans, including leases, divided by GDP at current prices.

Peru

As in other Latin American markets, the lending activity in Peru has increased considerably in the last ten to 15 years. Still, credit penetration remains low compared to other emerging and developed markets (see "—Colombia"). Gross loans provided by Peruvian banking entities amounted to 35.7% of nominal GDP in 2016. This compares to a ratio of 25.8% in 2008. The following chart shows bank credit as a percentage of GDP since 2005:

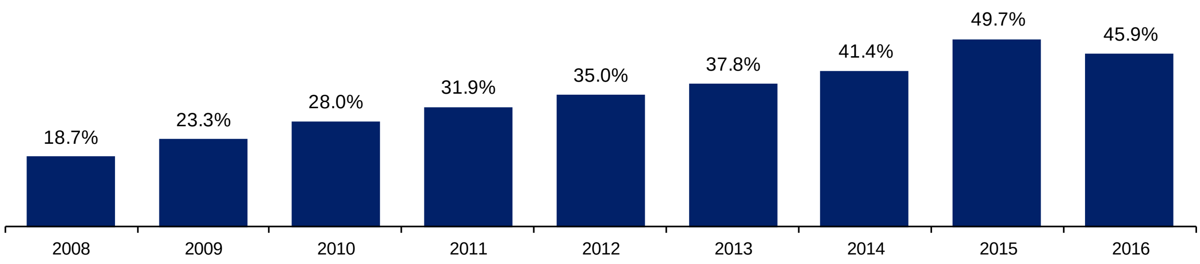


Source: Peruvian Central Bank and SBS. Metric refers to gross loans provided by Peruvian banking entities divided by GDP at current prices in Soles.

As of December 31, 2016, the SBS reported an outstanding gross loan balance of S./ 235 billion, of which 65.8% were commercial loans, 17.8% were consumer loans, and 16.4% were mortgages. In terms of asset quality metrics, non-performing loans, as defined by the SBS, amounted to 2.8% of the total portfolio. Loan loss coverage ratios have stabilized at adequate levels.

Paraguay

Financial intermediation has expanded rapidly in the aftermath of the global economic and financial crisis, as the country's agribusiness-centered economy experienced fast growth in demand from emerging consumer markets. As is the case in other Latin American markets, credit penetration remains low compared to other emerging and developed markets, with total credit representing 45.9% of GDP for the year ended on December 31, 2016. This compares to a ratio of 18.7% in 2008 and a peak of 49.7% in 2015. The following chart shows bank credit as a percentage of GDP since 2008:



Source: Paraguayan Central Bank. Metric refers to gross loans provided by Paraguayan banking entities divided by GDP at current prices in Guaraníes.

Reserve requirements

Reserve requirements significantly affect our results of operations. The raising or lowering of these requirements directly affects our results by increasing or decreasing the funds available for lending.

Colombia

Colombian banks are required to maintain a determined level of reserves depending on the volume and mix of their deposits. These are reflected in the line item "cash and due from banks" on our balance sheet. According to Colombian Central Bank regulations, the levels of cash reserves applicable to credit establishments such as the Bank are set at 11.0% for checking, savings and similar accounts, 4.5% for term deposits and similar products with a maturity of less than 18 months, and 0% for term deposits and similar products with a maturity equal to or greater than 18 months. The Colombian Central Bank, however, has the power to modify these requirements.

Peru

Under the Peruvian Banking Law, all financial institutions regulated by the SBS (except for small-business development non-bank institutions) are required to maintain a legal reserve (*encaje*) for certain obligations. The Peruvian Central Bank may require additional and marginal reserves. The exact level and method of calculation of the reserve requirement is set by the Peruvian Central Bank, which has issued different sets of regulations for foreign and local currency-denominated obligations of banks. Among others, the following liabilities are subject to the reserve requirement: demand and time deposits, savings accounts, certain bonds and funds administered by the bank and amounts due to foreign banks and other foreign financial companies (in certain circumstances).

Currently, the minimum legal reserve requirement for local and foreign currency deposits is 6.0% and 9.0%, respectively. Foreign currency deposits collected from the general public are subject to a marginal rate of 48% for funds that exceed a certain level set by the Peruvian Central Bank. Local and foreign currency borrowings from certain foreign sources with an original maturity of two years or less are subject to a 50% special rate. Financial institutions may satisfy the minimum reserve requirements with funds that they hold in vaults or that they have deposited in their accounts at the Peruvian Central Bank. They must also keep at least 1.0% and 3.0% of their local and foreign currency deposited in the Peruvian Central Bank, respectively.

Subject to certain requirements, the regulation excludes from the reserve requirement mid-term and long-term funding (i.e. liabilities with a minimum average maturity of more than two years, subject to other conditions) through the issuance of securities such as the notes.

Paraguay

Pursuant to Article 11 of Law No. 861 of 1996, as amended by Law No. 5787 of 2016, Paraguayan banks must maintain a minimum level of capital that is adjusted annually. They may capitalize certain voluntary reserves and retained earnings to satisfy this legal requirement.

The minimum capital required to be maintained by banks in Paraguay as of December 31, 2014, 2015 and 2016 was ₲.43,296 million (U.S.$7.5 million at the ₲.5,806.91 to U.S.$1.00 exchange rate as of December 31, 2015), and ₲.46,552 million (U.S.$8.1 million at the G.5,766.93 to U.S.$1.00 exchange rate as of December 31, 2016), respectively. The minimum capital required is ₲.50,000 million for 2017. Our paid-in capital (both common and preferred) as of December 31, 2014, 2015 and 2016 was ₲.236,517 million, ₲.260,097 million and ₲.306,302 million, respectively, each of which exceeded the applicable amount then required by the Paraguayan Central Bank.

Tax policies

Changes in tax policies can significantly affect our results of operations.

Colombia

In order to address weaknesses in fiscal accounts, the government enacted several laws to strengthen the fiscal regulatory regime, along with reforms on taxes and oil and mining royalties. The improvement in the fiscal regulatory regime requires expenses to grow in line with revenues and savings from excess oil revenues, with the goal of reducing Colombian central government public debt to below 30% of GDP by 2020, and structural fiscal deficit (excluding the effect of the business cycle or commodity prices) to only 1% of GDP by that same year.

In December 2009, the Colombian Government enacted Law No.1370, creating a tax on equity (*Impuesto al Patrimonio*), or the "Equity Tax." The Equity Tax was levied based on net worth at January 1, 2011, subject to certain adjustments. The tax rate applicable to us and our subsidiaries was 4.8% of our net worth. In addition, in December 2010 the government enacted Decree 4825, creating a surcharge to the Equity Tax to fund certain costs associated with the natural disasters derived from rain. The surcharge rate applicable to us and our subsidiaries was 1.2%. This tax and the surcharge were payable in eight separate installments through 2014, resulting in an annual average rate of 1.5%. We accrued a consolidated liability of Ps 38,036.0 million at January 1, 2011, due to the application of this tax regulation.

In 2011, the Colombian Congress enacted the Fiscal Rules, the Royalty Law and the Fiscal Sustainability Law (*Regla Fiscal, Ley de Regalías y Ley de Sostenibilidad Fiscal*). These laws and regulations promote a countercyclical fiscal policy, greater fiscal discipline and sounder governmental finances in the medium and long term. In part due to the adoption of these laws and regulations, the three principal rating agencies gave Colombia an investment grade rating, after twelve years of non-investment grade rating.

In 2012, a tax bill (Law No. 1607) with the main purpose of promoting the creation of new jobs and the reduction of inequality was enacted. Under this law, the corporate income tax rate was reduced to 25% and a new income tax for equity (*Impuesto sobre la Renta para la Equidad*, or CREE) was created. This tax provided for a 9% rate for 2012 through 2015 and an 8% rate afterwards. Taxable base of CREE is similar to the regular income tax base, limiting certain deductions. As a result of the introduction of CREE, by July 1, 2013, payroll taxes for the National Learning Service (*Servicio Nacional de Aprendizaje,* or SENA) and the Colombian Institute of Family Welfare (*Instituto Colombiano de Bienestar Familiar,* or ICBF), which affect 2% and 3% of the salary amount, respectively, were eliminated for employees earning less than ten minimum monthly wages. In addition, since

2013, mandatory contributions to the health system (which affect 8.5% of the salary amount) were also eliminated for employees earning less than ten minimum monthly wages.

In December 2014 the Colombian Congress adopted Law No.1739, a tax reform which introduced significant changes to the Colombian tax system, including the following:

- CREE tax rate and surcharge. Pursuant to Law No.1739, the CREE tax rate is 9% for 2016 onward. In addition, Law No. 1739 created an annually increasing surcharge of 5% in 2015, 6% in 2016, 8% in 2017 and 9% in 2018 applicable to our taxable income exceeding Ps 800 million. The CREE tax and the corresponding surcharge are calculated taking into consideration the greater of our taxable income or our presumptive income. Under applicable regulations, presumptive income is equivalent to 3% of the net tax equity (*patrimonio líquido fiscal*) on the last day of the immediately preceding taxable year. The surcharge will be eliminated in 2019.

- Wealth tax. Law No. 1739 created a wealth tax applicable to Colombian and foreign companies with net worth (total assets minus total liabilities) in Colombia in excess of Ps 1,000 million. This new wealth tax has replaced the Equity Tax. The wealth tax is calculated on January 1 of each year and is subject to an annually decreasing rate of 1.15% in 2015, 1% in 2016 and 0.40% in 2017. Law No. 1739 provides that companies may choose to either (a) recognize the expense associated with the payment of the wealth tax in their statement of operations for each accrued fiscal period or (b) offset it against equity reserves on their balance sheets. In 2015 and 2016, we recognized the expense associated with the payment of the wealth tax in our consolidated statement of operations.

- Tax on financial transactions. Prior to the implementation of Law No. 1739, the financial transactions tax rate was originally 0.4% and would be progressively reduced until its elimination in 2018. Law No. 1739 extended its applicability through 2021, subject to an annually decreasing rate of 0.4% until 2018, 0.3% for 2019, 0.2% for 2020 and 0.1% for 2021. As noted below, this tax on financial transactions was later made permanent at a rate of 0.4%.

In December 2016, the Colombian Congress adopted Law 1819 and certain policies that introduced significant changes to the Colombian tax system, including the following:

- the CREE tax and its surcharge were repealed;

- the general income tax rate was increased from 25% up to (i) 34% for 2017 and (ii) 33% for 2018 and beyond. In addition, a surcharge of 6% for 2017 and of 4% for 2018 was introduced for this tax, which only applies to taxpayers having a taxable base equivalent or higher than Ps800 million; and

- tax on financial transactions will not be repealed and, therefore will become permanent at a 0.4% rate.

In the future, decreases in tax revenues and increasing public debt and administrative expenses may make it difficult for the Colombian government to balance the budget and may result in higher levels of taxation, which can significantly affect our results of operations or financial condition.

Peru

The main taxes in the Peruvian fiscal regime are levied principally on consumption, income, circulation of money and equity. Direct and indirect taxes are collected by the National Superintendence of Customs and Tax Administration (*Superintendencia Nacional de Aduanas y Administración* Tributaria, or SUNAT). Municipal taxes are collected by municipal authorities.

Taxes that affect the banking sector directly are the income tax, the temporary net assets tax and the tax on financial transactions (ITF). The value added tax also affects the banking sector indirectly, with several exemptions explained below. Municipal taxes include property tax, property transfer tax and vehicle property tax, which applies when Banco GNB (Peru) owns vehicles or owns or acquires real estate.

Until 2014, the corporate income tax rate in Peru was 30.0% and the distribution of dividends to non-domiciled individuals or entities and resident individuals was subject to a withholding tax of 4.1%. For 2015 and 2016, the income tax rate was 28.0% and the dividend tax rate was 6.8%. As of 2017, the income tax rate is 29.50% and the dividend tax rate is 5.0%.

Peruvian corporations are allowed to deduct all costs and expenses incurred in the generation of income or maintenance of the source, such as interest expense (thin capitalization rules apply), insurance, depreciation and salaries, among many others.

Peruvian corporations such as Banco GNB (Peru) are subject to the temporary net assets tax, which is equivalent to 0.4% of the total value of net assets in excess of one million Soles, determined at December of the previous year. Temporary net asset tax payments can be used as a tax credit for income tax, or a refund may be requested.

A financial transaction tax is imposed on deposits into, and withdrawals from, Peruvian bank accounts, at a rate of 0.005% of the amount of the transaction. Any payment in excess of S/. 3,500 or U.S.$1,000 must be made through the Peruvian banking system. Otherwise, cost and expenses of payments cannot be deducted for income tax purposes. Likewise, any value-added tax related to an acquisition may be used as a tax credit. Banks withhold this tax.

The value-added tax, which is levied on the sale of goods, provision of services and import of goods into Peru, is currently at a rate of 18.0%. In January 2017, the Peruvian government published Decree 1347, which would reduce this tax rate to 17.0% in the event value-added tax collections reach 7.2% of Peru's GDP. Banks and financial institutions domiciled in Peru or abroad are exempted from value-added tax on the income derived from lending services. Likewise, the sale of securities is exempt from the value-added tax.

Paraguay

In 2013, the Paraguayan government submitted its Fiscal Responsibility Law ("FRL" or *Ley de Responsabilidad Fiscal*) to the Paraguayan Congress, which was enacted into law in October 2013. The FRL aims to promote fiscal discipline by containing current spending and setting limits on fiscal deficits. The FRL establishes a ceiling of 1.5% of GDP (or 1.0% average over a three-year period) on the government's fiscal deficit, limits any increase in annual expenditures to 4.0% in real terms and provides that wage increases in the public sector must be in line with increases in the minimum wage. Following the passage of the FRL, the government has taken steps to reduce non-discretionary expenses related to the public sector payroll by controlling salary expenditures, a hiring freeze and the reallocation of existing resources within the public sector to improve performance and productivity.

Improving tax revenues and collections have been a centerpiece of the administration's efforts to reduce the fiscal deficit and point back to a fiscal balance in the medium term.

Amendments to the agricultural income tax and the application of value-added tax to previously exempt agricultural products, in a framework of greater transparency, have contributed to the central government's revenues. All income of Paraguayan source including income generated through the rendering of financial services is subject to income tax at a rate of 10.0% over the applicable tax base. In addition, distributions are taxed at a rate of 5.0% over the net amount transferred to shareholders or owners. Value-added tax is charged at a rate of 10% over interest, commissions and fees related to loans and financings.

Critical accounting policies under Colombian Banking IFRS

Our critical accounting policies are described in note 4 to our audited annual consolidated financial statements. The following discussion describes those policies, under Colombian Banking IFRS, that require the most significant management judgments and estimates. These accounting estimates require management to make assumptions about matters that are highly uncertain and affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In each case, if management had made other estimates, or if changes in these estimates occur from period to period, our results of operations and financial condition could be materially affected.

Management bases its estimates and judgments on historical experience, the regulations of the Colombian Superintendency of Finance and on other factors. Actual results may differ from these estimates if actual experience differs from our assumptions or our assumptions change. Judgments or changes in assumptions are submitted to the audit committee of the board of directors and/or to our regulatory authorities and are disclosed in the notes to our consolidated financial statements.

Business model for financial assets in investments

We apply significant levels of judgment to determine our business model in the management of financial assets, and to evaluate whether financial assets meet the conditions defined in the model so that they can be classified as "fair value" or as "amortized cost." In general, we have classified our financial assets in debt securities in our investment portfolio as "fair value", and another, smaller part as "amortized cost". The latter corresponds basically to investments in Colombian government debt securities and mandatory investments under local regulations.

We classify loan portfolios at amortized cost. Financial assets at amortized cost, in the terms of our business model, may be sold only in limited circumstances, in very occasional transactions which are immaterial in relation to our total portfolio. This may occur when an asset ceases to satisfy our accounting policy for investment, or for adjustments to our asset and liability maturities structure, the need to finance important capital disbursements, and seasonal liquidity needs. During the years ended December 31, 2016 and 2015, we did not make any significant changes to our business model, and no significant sales have been made of financial assets classified at amortized cost.

Allowance for loan impairment losses

In accordance with the Colombian Superintendency of Finance and IAS 39 - Financial Instruments, Recognition and Measurement, we regularly review our loan portfolio to evaluate impairment and determine whether it needs to be recorded to profit or loss of the year. Our management exercises judgment to decide whether there are observable data that indicate a reduction in the estimated cash flow from the loan portfolio, before a reduction in that flow can be identified for a particular loan in it.

The process used to calculate of the provision includes an analysis of specific historical and subjective components. We use methods which include the following elements:

- a regular detailed analysis of the loan portfolio;
- a system of classifying of loans according to risk levels;
- a regular review of the summary of provisions for loan losses;
- identification of loans to be assessed individually for impairment;
- consideration of internal factors such as our size, organizational structure, structure of our loan portfolio, our loan management process, trend analysis of non-performing loans, and historical loss experience;
- Consideration of the risks inherent in different types of loans; and
- Consideration of local, regional and national external factors, as well as economic factors.

In the process of calculation of provisions against loans individually considered significant, using the discounted cash flow method, the management of each financial entity makes assumptions with regard to the amount to be recovered from each customer, and the time over which that recovery will take place. Any variation in this estimate may generate significant variations in the value of the provision made. Our management estimates the calculation of provisions against loans individually considered significant, based on related guarantees, to establish the fair value of those guarantees, with the assistance of independent experts, and any variation in the price which is finally obtained in the recovery of the guarantee may in turn generate significant variations in the value of provisions.

In the process of calculating collective impairment provisions for loans that are not considered individually significant or those individually significant loans that are not impaired and are assessed collectively for impairment, the historic loss rates used in the process are regularly updated to include the most recent data that reflect current economic conditions, trends in industry performance, geographic concentrations or concentrations of borrowers within each portfolio segment, and any other relevant information that could affect estimation of the loan impairment provision. Many factors can affect estimates of the provisions for losses on loans granted by us, including volatility in the probability of impairment, migration and estimates of the severity of the losses.

To quantify the losses incurred in collectively assessed portfolios, we have calculation methods that take into account four main factors; namely, exposure, probability of default, the loss identification period and the severity of the loss. For such purposes, loans are considered in default when they are past due for more than 90 days loans, restructured because of financial problems of the debtors, clients in bankruptcy and clients included in credit risk categories D or E, according to internal models of credit risk evaluation.

In the specific case of defaulted loans, the loan is provisioned 100%. The classification of a loan as “doubtful” arises when a loan is past-due for 90 days or more, and cases in which, although there is no failure to pay, there is doubt as to the solvency of the debtor (subjective doubt).

Deferred income tax

We evaluate the realization over time of the deferred income tax assets. These assets represent income tax recoverable through future deductions from taxable profits, and are recorded in the balance sheet. They are recoverable to the extent that it is probable that there will be related tax benefits. Future taxable income and the amount of tax benefits which are probable in the future are based on management´s medium-term plans. The business plan is based on management expectations that are believed to reasonable in the circumstances.

At December 31, 2016 and 2015, our management estimates that deferred income tax asset items will be recoverable as a function of the estimated future taxable profit, and the conversion adjustment for financial statements. No deferred tax liability has been recorded for the profits of subsidiaries which the Bank does not expect to repatriate in the near future, because the Bank controls the dividend policy of its subsidiaries, and has no intention to distribute dividends or sell the investments in the near future.

Goodwill

Annually, our management carries out an evaluation of goodwill impairment recognized in its financial statements; such assessment is made annually based on a valuation of business lines related to the revaluation, using the discounted cash flow method, and taking account of factors such as the economic situation of the country, the sector in which they operate, historical financial information and projected growth in income and costs over the next five years and subsequently, growth into the indefinite future, taking account of profit capitalization indices, discounted at risk-free interest rates for risk premiums required by the circumstances.

Provision for contingencies

We calculate and record an estimate for contingencies, in order to cover possible losses due to labor, civil and commercial litigation, tax demands, and other matters depending on circumstances which, in the opinion of external or internal legal advisers, are considered to be probable losses and to be reasonably quantifiable.

Given the nature of many of these claims or cases, it is sometimes not possible to make a precise forecast or to quantify the amount of the loss reasonably, and therefore the real amount of disbursements effectively made for claims or litigation generally differs from the amounts initially estimated and provided against; and these differences are recognized in the year in which they are identified.

Pension plans

The measurement of obligations for pensions, costs and liabilities depends on a wide variety of long-term assumptions, determined on an actuarial basis, including the estimated present value of future projected payments of pensions for members of the plan, considering the probability of potential future events such as increases in the minimum urban salary, and demographic experience. These premises may have an effect on the amount and future contributions, should some variation arise.

The discount rate used allowed future cash flows to be represented as a present value on the date of measurement. We set a long-term rate which represents the market rate for high quality fixed-yield investments or government peso-denominated bonds – i.e. for the currency in which the benefit will be paid - and considers the timing and amounts of the future benefit payments. Colombian Government bonds have been selected for this purpose.

We use other key assumptions to value their actuarial liabilities, which are calculated on the basis of specific experience combined with published statistics and market indicators.

Recent IASB IFRS pronouncements

The following updates, that have yet to be adopted by the Colombian regulator, have been issued by the IASB to IFRS. No estimated time for their adoption has been made public by relevant Colombian authorities.

The IASB issues from time to time new pronouncements on international accounting standards, which may or may not affect the presentation and content of our consolidated financial statements. Note 5 to our audited annual consolidated financial statements describes new pronouncements issued by the IASB subsequent to January 1, 2016 that relate to our business and accounting. Some of these pronouncements are not yet effective.

As more fully described in note 5 to our audited annual consolidated financial statements, most of these new pronouncements are not expected to have any significant impact on our business, results of operation or financial condition. However, the Bank is still evaluating the impact of the following new pronouncements:

- IFRS 9-Financial Instruments, Recognition and Measurement, which deals with the classification, measurement and recognition of financial assets and liabilities, the impairment of financial assets, and hedge accounting. This new rule replaces IAS 39 and includes changes from previous years, with a new model for expected losses, and some small changes to requirements in classification and measurement of financial assets.

- IFRS 15-Revenue from Contracts with Customers, which establishes a general framework as to the nature, amount, location and uncertainty of income and cash flows generated in contracts made by the entity with its customers, in order to determine when an entity should recognize income for a transaction price which the entity considers it is entitled to receive in consideration. This new rule, which becomes effective starting January 1, 2018, replaces IAS 11 -Construction contracts, IAS 18-Revenues - IFRIC 13- Customer Loyalty Programs, IFRIC -15 Agreements for the Construction of Real Estate and IFRIC 18- Transfers of Assets from Customers.

- IFRS 16-Leases, which eliminates the dual accounting model for lessees which distinguishes between financial leasing, which should be recorded in the balance sheet, and operating leases, which does not require the recognition of future lease payments. Instead, there is a single model, within the balance sheet, which is similar to that of the current rules for financial leasing. This new rule replaces IAS 17-

Leases, IFRIC 4 – Determining Whether an Arrangement Contains a Lease, SIC 15 - Operating leases-incentives; and SIC - 27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

Operational segment information

Our operations may be segmented into three geographical areas: Colombia, Peru and Paraguay. In Colombia, Banco GNB Sudameris S.A. is a universal bank with special focus on small and medium enterprises, or SMEs, mid-corporates and personal banking. Through its Colombian subsidiaries, we also provide asset, cash and portfolio management services as well as other fiduciary services, ATM services for a wide range of transactions and stock brokerage and other securities market services. See note 8 to our consolidated financial statements.

In Peru, we operate through Banco GNB (Peru), our Peruvian subsidiary bank, which offers commercial and retail banking services. The commercial banking business provides mainly working capital and trade related products to high net worth customers based on cash flow levels, as opposed to relying on collateral. The retail banking business is focused on premium customers, providing mainly payroll loans, including mortgages. Before accounting for eliminations for consolidation, Banco GNB (Peru) represented 18.8% and 35.8% of our income from interest and valuations and of our net income from interest and valuations, respectively, in 2016, and represented 16.3% of our total assets at December 31, 2016.

In Paraguay, we operate through Banco GNB (Paraguay), our Paraguayan bank subsidiary, which focuses its business on high quality commercial and corporate clients and premium retail payroll loans. Banco GNB (Paraguay) is currently seeking to increase its presence in the agribusiness and cattle ranching sectors. Before accounting for eliminations for consolidation, Banco GNB (Paraguay) represented 12.1% and 26.1% of our income from interest and valuations and of our net income from interest and valuations, respectively, in 2016, and represented 10.2% of our total assets at December 31, 2016.

The following tables present statement of income data for each of the years 2015 and 2016, on a segment basis:

	For the year ended December 31, 2015				
	Colombia	Peru	Paraguay	Elimination/ Others	Consolidated
			(in Ps millions)		
Income from interest and valuations	1,083,403	282,363	164,153	(99,633)	1,430,286
Interest expense:					
Interest expense from deposits	547,083	88,043	54,466	(2,353)	687,238
Financial debt and other interest	158,205	19,901	4,919	(4,593)	178,432
Total interest expense	705,288	107,944	59,385	(6,947)	865,670
Net income from interest and valuations	**378,115**	**174,419**	**104,768**	**(92,686)**	**564,616**
Impairment loss on financial assets	(73,411)	(55,849)	(18,660)	(18,414)	(166,334)
Net income from interest and valuations after impairment loss on financial assets	**304,704**	**118,570**	**86,108**	**(111,100)**	**398,282**
Net income from commissions and fees	84,867	32,966	18,318	321	136,472
Income valuation on derivatives instruments	110,764	2,015	3,604	0	116,383
Income from valuation at fair value, net	48,437	6,048	(1,200)	46,023	99,308
Other income	84,675	17,347	11,096	(9,936)	103,182
Other expenses	377,330	124,884	63,463	(14,606)	551,071
Net income before income tax	**256,117**	**52,062**	**54,463**	**(60,086)**	**302,556**
Income tax	78,699	14,207	6,008	7,855	106,771
Net income	**177,418**	**37,855**	**48,455**	**(67,942)**	**195,785**

	For the year ended December 31, 2016				
	Colombia	Peru	Paraguay	Elimination/ Others	Consolidated
			(in Ps millions)		
Income from interest and valuations	1,180,949	321,137	207,049	(142,960)	1,566,176
Interest expense:					
Interest expense from deposits	777,565	119,982	66,256	(2,780)	961,022
Financial debt and other interest	209,493	18,710	7,808	(4,104)	231,907
Total interest expense	987,058	138,692	74,063	(6,885)	1,192,929
Net income from interest and valuations	**193,891**	**182,445**	**132,986**	**(136,075)**	**373,247**
Impairment loss on financial assets	111,220	57,978	36,159	0	205,358
Net income from interest and valuations after impairment loss on financial assets	**82,671**	**124,467**	**96,827**	**(136,075)**	**167,889**
Net income from commissions and fees	93,790	34,517	20,098	141	148,546
Income valuation on derivatives instruments	124,539	0	3,311	(2,583)	125,267
Income from valuation at fair value, net	181,144	11,594	(526)	6,240	198,453
Other income	178,275	19,695	7,888	(31,497)	174,361
Other expenses	401,972	130,058	64,389	(16,923)	579,496
Net income before income tax	**258,446**	**60,216**	**63,209**	**(146,850)**	**235,020**
Income tax	24,489	15,498	6,246	(20,433)	25,800
Net income	**233,957**	**44,717**	**56,963**	**(126,417)**	**209,220**

The following tables present balance sheet data for each of the years 2015 and 2016, on a segment basis:

	At December 31, 2015				
	Colombia	Peru	Paraguay	Elimination/ Others	Consolidated
			(in Ps millions)		
Cash and cash equivalents	5,855,227	860,737	498,565	(58,382)	7,156,147
Investment securities, net[(1)]	6,156,285	196,018	210,651	(1,043,083)	5,519,870
Net loans	7,521,825	3,364,372	1,826,773	(77,650)	12,635,320
Total assets	19,979,008	4,596,034	2,599,487	(1,076,978)	26,097,551
Customer deposits	11,090,532	3,454,420	2,072,370	(58,381)	16,558,941
Total shareholders' equity	1,488,170	526,236	270,432	(794,205)	1,490,633

(1) Includes financial assets at fair value and financial assets at amortized costs.

	At December 31, 2016				
	Colombia	Peru	Paraguay	Elimination/ Others	Consolidated
			(in Ps millions)		
Cash and cash equivalents	6,260,725	714,619	532,359	(157,345)	7,350,358
Investment securities, net[(1)]	5,835,227	405,868	286,793	(1,242,917)	5,284,970
Net loans	7,418,071	3,201,137	1,900,069	37,414	12,556,691
Total assets	20,181,557	4,474,671	2,796,306	(1,223,099)	26,229,436
Customer deposits	10,905,606	3,363,158	2,082,061	(67,266)	16,283,558
Total shareholders' equity	1,711,956	573,409	311,161	(992,788)	1,603,738

(1) Includes financial assets at fair value and financial assets at amortized costs.

Results of operations for the year ended December 31, 2015 compared to the year ended December 31, 2016

The following table sets forth the principal components of our net income:

	For the year ended December 31,		
	2015	2016	Change
	(in Ps millions, except percentages)		
Income from interest and valuations	1,430,286	1,566,176	9.5%
Interest expense:			
Interest expense from deposits	687,238	961,022	39.8%
Financial debt and other interest	178,432	231,907	30.0%
Total interest expense	865,670	1,192,929	37.8%
Net income from interest and valuations	**564,616**	**373,247**	**(33.9)%**
Impairment loss on financial assets	(166,334)	(205,358)	(23.5)%
Net income from interest and valuations after impairment loss on financial assets	**398,282**	**167,889**	**(57.8)%**
Net income from commissions and fees	136,472	148,546	8.8%
Income valuation on derivatives instruments	116,383	125,267	7.6%
Income from valuation at fair value, net	99,308	198,453	99.8%
Other income	103,182	174,361	69.0%
Other expenses	551,071	579,496	5.2%
Net income before income tax	**302,556**	**235,020**	**(22.3)%**
Income tax	106,771	25,800	(75.8)%
Net income	**195,785**	**209,220**	**6.9%**

We generate revenue through several sources. Our main source of income is the income that we earn by borrowing funds from customers at certain rates and lending them to customers at higher rates.

We also derive income from the different banking and financial services our subsidiaries provide, including fiduciary activities (such as asset management, asset administration, cash management and portfolio management), payment and collection services, and stock brokerage and exchange services.

Our net income from interest and valuations decreased by 33.9%, from Ps 564,616 million in 2015 to Ps 373,247 million in 2016. This decrease was primarily due to the adverse effect on our results of the lag time of the impact on our deposits and loan portfolio of interest rate increases experienced in 2015 and 2016 in the Colombian and Peruvian markets, as well as the reasons described below. See "—Principal factors affecting our financial condition and results of operations."

Income from interest and valuations

Our income from interest and valuations increased by 9.5%, from Ps 1,430,286 million in 2015 to Ps 1,566,176 million in 2016. The following table sets forth the variations in the principal items that constitute income from interest and valuations:

	Year Ended December 31,		
	2015	**2016**	**Change**
	(in Ps millions, except percentages)		
Loan portfolio interest	1,225,270	1,382,483	12.8%
Interest on debt securities at amortized cost	91,796	74,415	(18.9)%
Other interest	113,220	109,278	(3.5)%
Total income from interest and valuations	**1,430,286**	**1,566,176**	**9.5%**

The increase in our income from interest and valuations in 2016 as compared to 2015 is due to a 12.8% increase in loan portfolio interest in 2016. This increase was mainly due to the combination of increases in volume of loans and in interest rates for our portfolio products in 2016 as compared to 2015 in Colombia and Paraguay and, to a lesser extent, in Peru.

The increase in loan portfolio interest was offset in part by an 18.9% decrease in interest on debt securities at amortized cost and a 3.5% decrease in other interest. This decrease occurred primarily in our Colombian operations, where we had a shift in resources from debt securities at amortized cost towards investments at fair value. Our investments increased from an aggregate of Ps 210,071 million at December 31, 2015 to Ps 329,088 million at December 31, 2016.

Interest expenses from deposits

Interest expenses from deposits increased by 39.8%, from Ps 687,238 million in 2015 to Ps 961,022 million in 2016. The following table sets forth the variations in the principal items that constitute interest expenses from deposits:

	Year Ended December 31,		
	2015	**2016**	**Change**
	(in Ps millions, except percentages)		
Current accounts	15,763	25,933	64.5%
Term deposits	388,238	511,452	31.7%
Savings accounts	283,237	423,637	49.6%
Total interest expenses from deposits	**687,238**	**961,022**	**39.8%**

The increase in our expenses from deposits is primarily due to an increase in interest rates due to the monetary policies of the Colombian and Peruvian central banks. The DTF, which is the Colombian reference interest rate, was 5.22% during 2015 and 6.68% during 2016. In Peru, the reference interest rate, which had been 3.50% in December 2015, was increased until reaching 4.25% by February 2016. In Paraguay, the reference interest rate was increased to 6.00% in February 2016, but later reduced to 5.50% in July 2016. The increase in these reference rates have the effect of increasing our funding costs, as we have to increase the interest rates we offer on our deposits. See "—Principal factors affecting our financial condition and results of operations—Interest rates."

Financial debt and other interest

Financial debt and other interest increased by 30.0%, from Ps 178,432 million in 2015 to Ps 231,907 million in 2016. The following table sets for the variations in the principal items that constitute financial debt and other interest:

	Year Ended December 31,		
	2015	**2016**	**Change**
	(in Ps millions, except percentages)		
Short-term financial debt	1,951	3,834	96.5%
Bank borrowings and others	40,571	61,841	52.4%
Long-term debt	91,762	98,122	6.9%
Borrowings from development entities	44,148	68,110	54.3%
Total financial debt and other interests	**178,432**	**231,907**	**30.0%**

The increase in financial debt and other interest was mainly due to (i) the effect on our peso-denominated borrowings of the increased interest rates in the Colombian market, and (ii) an increase in overall volume on borrowings (Ps 231,907 million at December 31, 2016 as compared to Ps 178,432 at December 31, 2015).

Impairment loss on financial assets

Impairment loss on financial assets increased by 23.5%, from Ps 166,334 million in 2015 to Ps 205,358 million in 2016. The following table sets forth the variations in the principal items that constitute impairment loss on financial assets:

	Year Ended December 31,		
	2015	**2016**	**Change**
	(in Ps millions, except percentages)		
Loans and receivables	324,037	391,727	20.9%
Foreclosed assets	1,986	14,826	646.5%
Recovery provision on impairment loss on loans and receivables	(159,689)	(201,195)	26.0%
Total impairment loss on financial assets	**166,334**	**205,358**	**23.5%**

The increase in impairment loss on financial assets was mainly due to a 20.9% increase in provisions for loans and receivables, which was in turn a result of the worsening financial condition of Colombian and Peruvian borrowers from certain economic sectors that were adversely affected by decreases in international oil prices as well as in commodity prices (especially in the mining sector). This increase in provisions was offset in part by a 26.0% increase in recoveries, as certain troubled loans improved their credit risk.

Net income from commissions and fees

Net income from commissions and fees increased by 8.8%, from Ps 136,472 million in 2015 to Ps 148,546 million in 2016. This increase was largely due to a combination of an increase in the ATM fees we charge for use in

Colombia, and an increase in the volume of ATM transactions in Colombia from 3.9 million in 2015 to 4.0 million in 2016.

Income from valuation on derivatives instruments

Income from valuation on derivatives instruments increased by 7.6%, from Ps 116,383 million in 2015 to Ps 125,267 million in 2016. This increase was primarily due to a greater volume of currency forward derivative transactions for clients in Colombia as a result of a higher volatility of the price of the U.S. dollar in 2016.

Income from valuation at fair value, net

Income from valuation at fair value, net increased by 99.8%, from Ps 99,308 million in 2015 to Ps 198,453 million in 2016. This increase was primarily due to the revaluation of our inflation-indexed debt securities, which constitute a significant part of our investment portfolio, as a result of the inflation experienced in Colombia in 2015 and 2016. See "—Principal factors affecting our financial condition and results of operation—Inflation—Colombia."

Other income

Other income increased by 69.0%, from Ps 103,182 million in 2015 to Ps 174,361 million in 2016. The following table sets forth the variations in the principal items that constitute other income:

	Year Ended December 31,		
	2015	**2016**	**Change**
	(in Ps millions, except percentages)		
Proceeds from sale of investments	14,096	47,052	233.8%
Dividends	1,539	912	(40.7)%
Exchange differences, net	0	24,440	–
Other	87,547	101,957	16.5%
Total other income	**103,182**	**174,361**	**69.0%**

The increase in other income is mainly the result of:

- a Ps 24,440 million variation in exchange differences, net primarily related to the volatility of the exchange rate of the U.S. dollar as compared to the peso in Colombia; and

- a Ps 32,956 million increase in proceeds from sale of investments, mainly related to the change in November 2016 of the corporate structure of Credibanco, a company that develops and manages payment systems for Visa credit cards and in which we held a participation, from a not-for-profit entity to a for profit entity. Our interest in Credibanco, which had previously been assigned no value due to its not-for-profit nature, was revaluated given its new for profit nature and, as a result, Ps 68,611 million was recorded as proceeds from the sale of investments.

Other expenses

Other expenses increased by 5.2%, from Ps 551,071 million in 2015 to Ps 579,496 million in 2016. The following table sets forth the variation in the principal items that constitute other expenses:

	Year Ended December 31,		
	2015	**2016**	**Change**
	(in Ps millions, except percentages)		
Personnel expenses	207,307	218,663	5.5%
Loss on sale of investments	10,180	14,681	44.2%
Exchange difference, net	437	0	–
Administrative expenses	164,572	168,087	2.1%
Depreciation	14,813	14,431	(2.6)%
Amortizations	4,920	5,728	16.4%
Others	148,842	157,906	6.1%
Total other expenses	**551,071**	**579,496**	**5.2%**

The increase in other expenses was mainly due to the effect of inflation-driven adjustments to personnel and administrative expenses, principally in Colombia.

Income tax

Income tax expense was Ps 106,771 million in 2015, as compared to Ps 25,800 million in 2016. Corporate income is taxed at a rate of 25%. There is an additional corporate equity tax (CREE) at a rate of 9% and a further surcharge of 5% for 2015 and 6% for 2016. As a result, our overall nominal rate was 39% and 40% for 2015 and 2016, respectively. However, our effective rate was 35.29% and 10.98% for 2015 and 2016, respectively. Our lower taxes and effective tax rate were due to a number of factors, including a lower taxable income (Ps 302,556 million in 2015 as compared to Ps 235,020 million in 2016), the application of prior period loss carryforwards in 2016 and the effect of tax rate differences in the different jurisdictions where we operate on our taxable income. See note 22 to our consolidated financial statements for a reconciliation of our tax expense for fiscal purposes to our tax expense as recorded in our consolidated financial statements.

Liquidity and capital resources

The following tables present our unconsolidated capitalization ratios for the Bank, and the average ratios for the Colombian system and the ratios required by regulation at December 31, 2016:

	At December 31, 2016		
	Unconsolidated Banco GNB Sudameris	Colombian banking system[1]	Requirement
Tangible equity ratio[2]	7.1	13.3	-
Tier I capital ratio[3].............	9.7	9.6	4.5
Capitalization ratio[4]	17.9	15.3	9.0

(1) Based on public information available from the Colombian Superintendency of Finance.

(2) Tangible equity ratio is calculated as total shareholders' equity plus minority interest minus goodwill, divided by total assets minus goodwill.

(3) Tier I capital ratio is calculated as primary capital divided by risk-weighted assets.

(4) Capitalization ratio is calculated as technical capital divided by risk-weighted assets. For a definition of technical capital, see "Colombian Banking Regulation—Capital adequacy requirements." Tangible capitalization ratio differs from capitalization ratio. Tangible capitalization ratio is calculated as technical capital minus goodwill, divided by risk-weighted assets minus goodwill.

We are required by the Colombian Superintendency of Finance to maintain a capitalization ratio of at least 9.0% of total risk-weighted assets. The following table sets forth our reported capital adequacy information at December 31, 2015 and 2016. The reported figures are calculated using the methodology prescribed by the Colombian Superintendency of Finance.

	At December 31, 2015		At December 31, 2016	
	Amount	Ratio	Amount	Ratio
	(in Ps millions, except percentages)			
Primary capital (Tier I)	884,356	5.7%	980,089	6.4
Secondary capital (Tier II)	911,490	5.9%	910,289	5.9
Primary and secondary capital (Tier I and II)	1,795,846	11.6%	1,890,378	12.3
Risk-weighted assets including regulatory value at risk[1]	15,436,895		15,363,929	

(1) Regulatory value at risk is calculated in accordance with the Colombian Superintendency of Finance guidelines, see "Colombian Banking Regulation—Capital adequacy requirements."

Funding

We fund most of our assets with local deposits, consistent with banks in the markets where we operate. Other sources of funding include interbank borrowings and overnight funds, borrowings from development banks and local and international issuances of debt instruments, such as the notes.

The following table summarizes our funding structure at the dates indicated:

	At December 31,	
	2015	2016
	(in Ps millions)	
Deposits	16,558,941	16,283,558
Short-term financial debt	4,254,119	4,746,897
Borrowings from development entities	1,566,869	1,369,312
Long-term debt	1,739,315	1,707,614
Total funding	**24,119,244**	**24,107,381**

From December 31, 2015 to December 31, 2016, total funding remained relatively stable.

We believe that our working capital is sufficient to meet our present requirements and that our current level of funding is adequate to support our business. Our funding base benefits from the highest available credit ratings in the Colombian market, BRC1+ as assigned by BRC Investor Services S.A. S.C.V. Changes in credit ratings may affect the cost of our funding.

Deposits

The following table presents our funding from deposits at the dates indicated:

	At December 31,	
	2015	2016
	(in Ps millions)	
Interest-bearing deposits:		
Current accounts	439,527	596,662
Term deposits	8,216,539	8,225,563
Savings accounts	6,433,510	6,272,184
Total	**15,089,576**	**15,094,409**
Non-interest-bearing deposits:		
Current accounts	1,469,365	1,189,149
Total	1,469,365	1,189,149
Total deposits	**16,558,941**	**16,283,558**

Current accounts

Our balance of current accounts was Ps 1,908,892 million at December 31, 2015 and Ps 1,785,811 million at December 31, 2016, representing 7.9% and 7.4% of total funding, respectively.

Term deposits

Our balance of term deposits was Ps 8,216,539 million at December 31, 2015 and Ps 8,225,563 million at December 31, 2016, representing 34.1% and 34.0% of total funding, respectively.

The following tables present term deposits held at December 31, 2016, by amount and maturity for deposits:

	At December 31, 2016
	(in Ps millions)
Up to 3 months	2,784,221
From 3 to 6 months	1,959,079
From 6 to 12 months	2,213,755
More than 12 months	1,268,508
Total	**8,225,563**

Savings accounts

Our balance of savings accounts was Ps 6,433,510 million at December 31, 2015 and Ps 6,272,184 million at December 31, 2016, representing 26.7% and 25.9% of total funding, respectively.

Short-term financial debt

Our short-term financial debt was Ps 4,254,119 million at December 31, 2015 and Ps 4,746,897 million at December 31, 2016, representing 17.6% and 19.6% of total funding, respectively.

The following table sets forth our short-term financial debt, which consists of interbank borrowings and overnight funds for the periods indicated:

	At December 31,			
	2015		2016	
	Amount	Nominal rate	Amount	Nominal rate
	(in Ps millions, except percentages)			
End of period	4,254,119	5.5%	4,746,897	7.2%
Average during period	379,321	4.7%[1]	645,911	6.0%
Maximum amount of borrowing at any month-end	4,431,757	5.5%[2]	4,746,897	7.8%
Interest paid during the period	15,873		37,321	

(1) The average nominal rate for the period is calculated as income from short-term financial debt transactions, divided by the annual average of these instruments.

(2) Maximum nominal rate refers to the rate used for these transactions and which relates to the interbank rate of the central bank.

As part of our interbank transactions, we maintain a portfolio of government securities and private sector liquid debt instruments used to obtain overnight funds from other financial institutions or investment funds by selling such securities and simultaneously agreeing to repurchase them. Due to the short-term nature of this source of funding, these transactions are volatile and are generally composed of Colombian, Peruvian and Paraguayan government securities.

We also have loans with foreign entities, including the Latin American Export Bank (*Banco Latinoamericano de Exportaciones*), Wells Fargo Bank, Citibank N.A. New York, and Standard Chartered Bank New York, which totalled in aggregate Ps 321,231 million at December 31, 2016. These loans are primarily used to fund the foreign currency needs of our commercial customers.

Borrowings from development entities

We obtain funding from governmental entities that promote lending to specific sectors of the economies where we operate. Generally, the maturities and interest rates of these borrowings are fully matched with those of the relevant loans in our portfolio. This source of funding mainly has fully matched maturities and interest rates with related loans. These lenders include, among others, the Territorial Development Bank (Financiera de Desarrollo Territorial—FINDETER), to which we owe Ps 726,076 million and the Bank for Foreign Trade (Banco de Comercio Exterior—Bancoldex), to which we owe Ps 143,731 million, each at December 31, 2016. In addition, on September 24, 2014 we entered into a five-year, amortizing U.S.$20 million loan facility at three-month LIBOR plus 2.25% per annum with Corporación Interamericana de Inversiones to finance our operations in Peru and Paraguay.

Borrowings from development entities totalled Ps 1,566,869 million at December 31, 2015 and Ps 1,369,312 million at December 31, 2016, representing 6.5% and 5.7% of total funding, respectively.

Long-term debt

We participate in the local and international capital markets to raise funds with long maturities. In particular, in July 2012 we issued U.S.$250.0 million of 7.50% subordinated notes due 2022, and in April 2013 we issued U.S.$300.0 million of 3.875% senior notes due 2018 (both in international markets). In addition, in October 2016, Banco GNB (Peru) issued locally U.S.$15.0 million of 5.4375% subordinated notes due 2026.

Long-term debt totalled Ps 1,739,315 million at December 31, 2015 and Ps 1,707,614 million at December 31, 2016, representing 7.2% and 7.1% of total funding, respectively.

Dividends

Under the Colombian Commerce Code, after payment of income taxes and appropriation of legal and other reserves, and after setting off losses from prior fiscal years, we must distribute to our shareholders at least 50% of our annual net income or 70% of our annual net income if the total amount of reserves exceeds our outstanding capital. Such dividend distribution must be made to all shareholders, in cash or in issued stock of the Bank, as may be determined by the shareholders, and within a year from the date of the ordinary annual shareholders' meeting in which the dividend was declared. Under Colombian law, the minimum dividend per share may be waived by an affirmative vote of the holders of 78% of the shares present at the shareholders' meeting.

Dividend payments to shareholders for fiscal years 2015 and 2016 were Ps 0.5 million and Ps 32,350 million, respectively.

Capital expenditures

We incurred Ps 9,318 million and Ps 2,989 million of capital expenditures in property, plant and equipment in the years December 31, 2015 and December 31, 2016, respectively. These expenditures relate primarily to investments in property, plant and equipment, namely information technology equipment and software.

Our planned capital expenditures for 2017 total Ps 16,088 million, which consist of investments in technology including, among others, online banking platforms, migration of computer centers, biometric authorization systems and improvement and expansion of virtual banking.

Off-balance sheet arrangements

In the ordinary course of business, we have entered into various types of off-balance sheet arrangements, including lines and letters of credit and financial guarantees. We utilize these instruments to meet our customers' financing needs. The contractual amount of these instruments represents the maximum possible credit risk should the counterparty draw down the entire commitment or we fulfil our entire obligation under the guarantee, and the counterparty subsequently fails to perform according to the terms of the contract. We may hold cash or other liquid collateral to support these commitments, and we generally have legal recourse to recover amounts paid but not recovered from customers under these instruments. Most of these commitments and guarantees expire undrawn. As a result, the total contractual amount of these instruments does not represent our future credit exposure or funding requirements. In addition, some of these commitments, primarily those related to consumer financing, are cancellable by us upon notice.

The following table presents the maximum potential amount of future payments under these instruments at the dates presented on a consolidated basis:

	At December 31,	
	2015	2016
	(in Ps millions)	
Civil demands against us	21,541	11,974
Issued and confirmed letters of credit	14,204	3,213
Bank guarantees	163,365	98,963
Approved credits not disbursed	12,760	11,163
Other	2,656	2,530
Total	**214,526**	**127,843**

Contractual obligations

The following table presents our principal contractual obligations at December 31, 2016:

	At December 31, 2016				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
			(in Ps millions)		
Term deposits	8,225,563	6,957,055	1,268,508	0	0
Short-term financial debt	4,746,897	4,746,897	0	0	0
Borrowings from development entities	1,369,312	428,570	48,980	72,913	818,850
Long-term debt	1,707,614	0	0	806,269	901,345
Total	**16,049,386**	**12,132,522**	**1,317,488**	**879,182**	**1,720,195**

For a description of the above contractual obligations, see "—Funding."

In addition to the above, we also enter into operating leases in connection with our branches and ATM machines. These leases generally have a multi-year term and are renewable.

RISK MANAGEMENT

General

We are exposed in the ordinary course of business to a range of financial, operational, reputational and legal risks. These risks include: credit risk, liquidity risk, and market risk, which includes foreign exchange risk, interest rate risk, equity price risk and investment fund risk. Our guiding principles of risk management have been the following:

- Collective decision-making for commercial lending at the board level;
- Extensive and in-depth market knowledge, the result of our experienced, stable and seasoned senior management;
- Clear top-down directives with respect to:
    - Compliance with know your customer policies; and
    - Commercial loan credit structures based on the clear identification of sources of repayment and on the cash-flow generating capacity of the borrower;
- Use of common credit analysis tools and loan pricing tools;
- Diversification of the commercial loan portfolio with respect to industries and economic groups;
- Specialization in consumer product niches;
- Extensive use of continuously updated rating and scoring models to ensure the growth of high credit quality consumer lending; and
- Conservative policies in terms of:
    - the trading portfolio composition, with a bias towards instruments with higher liquidity;
    - proprietary trading; and
    - the variable remuneration of trading personnel.

Our Board of Directors is responsible for adopting policies on the appropriate organization of risk management and relies on the asset and liability management committee ("ALCO"), our loans committee, our credit committee and our audit committee for the administration of our risk management system.

The ALCO's main objective is to support the Board of Directors in the general control of assets and liabilities. In particular, the ALCO is in charge of market risk and liquidity risk. The ALCO advises the Board of Directors in the definition of exposure limits by type of risk, term, amount, currency and instruments and compliance control. The ALCO also analyzes the forecasts of main economic and monetary variables, estimates the adequate degree of exposure and presents proposals for its adjustment. The members of the ALCO, who must be at least three, are designated by the Board of Directors. The ALCO is currently comprised of Luis Hernando Aguilera (who is our current Vice President of Payroll Lending), Efraín Castro Alvarez (who is our current Vice President of Credit) and Luis Alberto Rengifo Peláez (who is our current Risk Management Manager).

The credit committee, which is comprised of the President of the Bank, the Vice President of Credit, the Vice President of Corporate Banking, the National Business Manager and any other participants the committee may consider relevant from time to time, is responsible for analyzing, evaluating, monitoring, reviewing and approving credit proposals that fall within its power. The credit committee also makes recommendations to the board of directors on credit proposals that, because of their amount, are subject to approval by the board of directors. Each loan application is classified according to its industry sector and is then reviewed by a credit officer. The board of directors has given authority to the credit committee to approve certain facilities on a tiered basis, as set forth in the table below.

The loan committee, which is comprised of the President of the Bank, the Vice President of Corporate Banking, the Vice President of Consumer Banking, the Vice President of Administration, the National Business Manager and the Risk Management Manager, is responsible for analyzing customers and prospects by economic activity, analyzing credit classification, the variation in defaulting customers, variation of loan quality, following up on loans in arrears and legal collection, as well and analyzing trends.

The audit committee analyzes the structure, procedures and methods required for our internal control. This committee evaluates and detects weaknesses in our risk management system and makes recommendations to address such weaknesses. The audit committee is comprised of three members of the Board of Directors (two of whom must be independent directors), the President of the Bank, the General Auditor and the General Secretary. The Compliance Officer and other members of management may be invited as needed.

We have also established local ALCO, loan, audit and credit committees for each of Banco GNB (Peru) and Banco GNB (Paraguay). These local committees are comprised of executives from both the local bank as well as from the Bank. These local committees follow the guidelines of, and report to, the Bank's credit committee.

Credit risk

General

Our credit-risk management process takes into consideration the requirements of the Colombian Superintendency of Finance, the guidelines of our credit-risk management and the composition of our loan portfolio. In addition, in the case of our Peruvian and Paraguayan banks, we also consider the requirements of the local banking regulators. In all three countries where we operate, we use the same technological tool (SIAC-*Sistema Integral de Administración de Crédito*), an integral system for credit management, which we developed. This allows us to have an integrated and aligned process to monitor and control credit risk.

The following sets forth our loan portfolio by principal category as a percentage of total loan portfolio for the periods indicated:

	At December 31,	
	2015	**2016**
Payroll loans *(libranzas)*	28.2%	29.5%
Credit card	1.5%	1.3%
Personal loans	11.3%	11.0%
Total consumer loans	**40.9%**	**41.9%**
SMEs and mid-corporate loans:		
Commercial lending	58.2%	57.3%
Total SMEs and mid-corporate loans	**58.2%**	**57.3%**
Institutional loans:		
Commercial lending	0.8%	0.8%
Total institutional loans	0.8%	0.8%
Total loans	**100.0%**	**100.0%**

Lending policies and procedures

Lending policies, including the approval and review of credit procedures, are based upon conservative criteria that we have adopted. These policies are set within the criteria and guidelines established by the banking regulations of the countries where we operate and the guidelines set forth by our board of directors.

The credit approval process is based primarily on the evaluation of a borrower's repayment capacity and on commercial and banking references. A corporate borrower's repayment capacity is determined by analyzing the historical and projected financial condition of the corporate borrower and of the industry in which it operates. An analysis of the corporate borrower's current management, banking references and past experiences in similar transactions, as well as the collateral to be provided, are other important factors in the credit approval process.

For individual borrowers, the information that is presented by the prospective borrower is evaluated by a credit officer, and the application is passed through a scoring program for approval by a centralized credit unit. Credit risk management in personal banking involves assessing the client's credit history and other aspects in order to determine the borrower's ability to repay its debt. Additionally, loan approval is subject to a number of credit scoring models, which assign loan-loss probabilities related to expected returns in each market segment.

Authorized Limits

Approving Person	Commercial Banking	Consumer Banking[1]
Board of Directors	Above Ps 7,000 million	Above Ps 7,000 million
Credit committee	From Ps 500 million up to Ps 7,000 million, except for those loans that by law must be approved by the Board of Directors	From Ps 500 million up to Ps 7,000 million, except for those loans that by law must be approved by the Board of Directors
President, with Vice President of Corporate Banking or Vice President of Institutional Banking and the Vice President of Credit	From Ps 500 million up to Ps 7,000 million, jointly	Not applicable
President with the Vice President of Consumer Banking and the Vice President of Credit	Not applicable	From Ps 500 million up to Ps 7,000 million, jointly
Vice President of Corporate Banking Vice President with Vice President of Credit	Up to Ps 500 million jointly	Not applicable
Vice President of Consumer Banking with Vice President of Credit	Not applicable	From Ps 150 million up to Ps500 million, jointly
Vice President of Credit with Credit Manager for Institutional and Corporate Banking	Not applicable	From Ps 25 million up to Ps 150 million, jointly
Credit Manager in Institutional and Corporate Banking with National Business Manager	Not applicable	Up to Ps 150 million, jointly

(1) Includes individual entrepreneurs and small enterprises with revenues of less than Ps 2,200 million.

Our general policy is to grant loans to clients with strong credit or backed by payroll agreements with their employers. At December 31, 2016, Ps 6,069,483 million, representing 48.3% of our total loan portfolio, as compared to 43.1% at December 31, 2015, was secured by collateral. Liquid collateral is a small portion of the total collateral. In general, if we require collateral for the extension of credit, the value of such collateral must exceed the amount of the loan granted. The request for collateral is based on the particular financial situation of each customer, the term of the loan and the intended use for the funds, and is made after an evaluation is conducted by a loan officer. For example, when real property is given as collateral, we will usually request its value to be at least 142.8% of the loan; for standby letters of credit, 110%. Additionally, our general policy is to not accept machinery and equipment as collateral. If a borrower encounters difficulties, our policy is to obtain additional collateral. By regulation, we are required to have such collateral reappraised every three years.

We conduct unannounced internal audits of our financial statements and have an annual audit by external auditors of our books and credit records, in each case, consistent with Colombian banking regulations.

Credit classification and provisioning

We continually engage in the determination of risk factors associated with our credit related assets, through their duration, including restructurings. For such purposes, we have designed and adopted a unified System for Administration of Credit Risks, or "SARC," in accordance with Colombian Superintendency of Finance guidelines. The SARC has integrated credit policies and procedures for the administration of credit risks, models of reference for the determination and calculation of anticipated losses, provisions for coverage of credit risks and internal control procedures.

We are required to classify the loan portfolio in accordance with the rules of the Colombian Superintendency of Finance, which established the following loan classification categories: "AA," "A," "BB," "B," "CC" and "Default," depending on the strength of the credit and, after the loan is disbursed, its past due status.

Our Peruvian and Paraguayan operations each follow the criteria and guidelines of their respective local banking regulators with respect to loan classification. However, on a consolidated basis, we follow the procedures and classification of the Colombian Superintendency of Finance.

We review outstanding loan portfolio components under the above-mentioned criteria and classify individual loans under the risk-rating categories below on the basis of minimum objective criteria, such as balance sheet strength, profitability and cash generation capacity. The classification of new commercial loans is made on the basis of these objective criteria. The criteria are also evaluated on an ongoing basis, together with loan performance, in reviewing the classification of existing commercial loans.

Category	Approval	Commercial loan portfolio	Consumer loan portfolio
"AA"........	New loans with risk rating at approval of "AA."	Outstanding loans and financial leases with past due payments not exceeding 29 days (i.e., between 0 and 29 days past due). The debtor's financial statements or its projected cash flows, as well as all other credit information available to the financial subsidiaries, reflect excellent paying capacity.	Loans whose risk rating is "AA" according to the methodology of the Consumer Reference Model, or "MRCO," as established by the Colombian Superintendency of Finance.

Category	Approval	Commercial loan portfolio	Consumer loan portfolio
"A"	New loans with risk rating at approval of "A."	Outstanding loans and financial leases with delayed payments in excess of 30 days but not exceeding 59 days (i.e., between 30 and 59 days past due). The debtor's financial statements or its projected cash flows, as well as all other credit information available to the financial subsidiaries, reflect appropriate paying capacity.	Loans whose risk rating is "A" according to the methodology of the MRCO as established by the Colombian Superintendency of Finance.
"BB"	New loans with risk rating at approval of "BB."	Outstanding loan and financial leases past due more than 60 days but less than 90 days (i.e., between 60 and 89 days past due). Loans in this category are acceptably serviced and collateralized, but there are weaknesses which may potentially affect, on a transitory or permanent basis, the debtor's ability to pay or its projected cash flows, to the extent that, if not timely corrected, would affect the normal collection of credit or contracts.	Loans whose risk rating is "BB" according to the methodology of the MRCO as established by the Colombian Superintendency of Finance.
"B"	New loans with risk rating at approval of "B."	Outstanding loans and financial leases past due over 90 days but less than 120 days (i.e., between 90 and 119 days past due). The debtor shows insufficient paying capacity of its obligations.	Loans whose risk rating is "B" according to the methodology of the MRCO as established by the Colombian Superintendency of Finance.
"CC"	New loans with risk rating at approval of "CC."	Outstanding loans and financial leases past due more than 120 days but less than 150 days (i.e., between 120 and 149 days past due). Loans in this category represent grave insufficiencies in the debtors' paying capacity or in the project's cash flow, which may compromise the normal collection of the obligations.	Loans whose risk rating is "CC" according to the methodology of the MRCO as established by the Colombian Superintendency of Finance.
"Default" .	—	Outstanding loans and financial leases past due for 150 days or more. This category is deemed uncollectible. These loans are considered in default.	Consumer loan portfolio past due over 90 days.

For new consumer loans, we use our internal statistical origination models to develop an initial classification category ("AA," "A," "BB," "B" and "CC"). Once the loan is disbursed, we use formulas provided by the Colombian Superintendency of Finance, which incorporate payment performance of the borrower to calculate a score which in turn is used to determine the loan classification.

For financial statement reporting purposes, the Colombian Superintendency of Finance requires that loans and leases be given a risk category on the scale of "A," "B," "C," "D" and "E." As a result, the risk classifications are aligned to the risk categories as follows.

	Risk classification	
Risk category	**Commercial**	**Consumer**
"A"	"AA"	"AA" "A"—between 0 and 30 days past due
"B"	"A" "BB"	"A"—more than 30 days past due "BB"
"C"	"B" "CC"	"B" "CC"
"D"	"Default"	"Default"—all other past due loans not classified in "E"
"E"	"Default"	"Default"—past due loans with a loss given default ("LGD") of 100%[(1)]

(1) LGD is defined as a percentage to reflect the credit loss incurred if an obligor defaults. LGD for debtors depends on the type of collateral and would suffer a gradual increase in the percentage of loss according to the amount of days elapsing after being classified in each category. For this purpose, 100% of the collateral value is considered to cover the principal amount.

Credit collection

As part of our ongoing process to monitor risks, we monitor the credit collection process, which is the most important principle in our credit process. We analyze, evaluate and monitor each credit and, if applicable, its guarantees. Special attention is paid to non-performing loans and stricter measures are used for these loans. When expanding or restructuring a loan, we give consideration to the following key factors:

- Viability of the business as a going concern.
- Long-term cash flow consistency and sustainability of the business.
- Strengthening of the collateral underlying the loan.
- Contributions of partners or further capitalizations.
- Expectation of recovery and loss mitigation.

When a borrower fails to pay a loan on time, the credit is, after a specified number of days (depending upon the type of loan), classified as non-performing and transferred to the workout group, which analyzes and designs, together with the collection and legal departments, a collection plan. Any amendment to the original terms or conditions of the loan has to be approved by the workout group responsible for the loan. We do not make additional loans to a borrower in default.

Provisions for loan losses

Our individual financial institutions follow the norms dictated by the banking regulations of the country where each such institution operates. However, as a consolidated group, we follow the norms of the Colombian Superintendency of Finance for the establishment of provisions for loan losses. There are separate rules for commercial loans and consumer loans. See "Banking Regulation."

For commercial loans, the process is as follows:

- Determination of the loan classification ("AA," "A," "BB," "B," "CC" or "Default") based on the repayment capacity and payment record, among other considerations, of the borrower;
- Determination of the probability of default from tables provided by the Colombian Superintendency of Finance which take into account the loan classification ("AA" through "Default") and the size of the borrower in terms of assets (large, medium or small business);
- Determining the loss given default based on the type of credit support (guarantees) and the past due status of the loan, using guides (tables) provided by the Colombian Superintendency of Finance; and
- Based on the expected loss given default and the exposure at default, the amount of the loan provision for the individual loan is determined and booked.

For consumer loans, the process is as follows:

- Determination of the loan classification ("AA," "A," "BB," "B," "CC" or "Default") based on the score generated by the bank's internal statistical origination model (for new loans) or on a score determined by a formula provided by the Colombian Superintendency of Finance, which incorporates the payment performance of the borrower;
- Determining the probability of default from tables provided by the Colombian Superintendency of Finance which take into account the loan classification ("AA" through "Default");
- Determining the loss given default based on the type of credit support and past due status using tables provided by the Colombian Superintendency of Finance; and
- Based on the expected loss given default and the exposure at default, the amount of the loan provision for the individual loan is determined and booked. Once a loan is refinanced due to the inability of the borrower to comply with the original terms of payment, we maintain its default classification regardless of compliance by the borrower under the refinanced payment plan.

Anti-money laundering

We have established a comprehensive set of policies and procedures to comply with all regulatory requirements related to anti-money laundering and terrorism financing risk, which we apply uniformly to our operations in Colombia, Peru and Paraguay. Our Anti-Money Laundering and Terrorism Financing Administration System, or SARLAFT, is based on the premise of risk management by means of the so-called "know-your-customer" checklists. We aim to learn about our customers and their operations, market segments, clients, products, distribution channels and jurisdictions to monitor transactions and report suspicious operations (those that may be connected to money laundering or the financing of terrorist activities) to the authorities, in accordance with External Circular 029 of 2014 issued by the Colombian Superintendency of Finance, as amended and supplemented.

Our SARLAFT is supported by our corporate culture, policies, controls and procedures that are of common knowledge and application to our organization. They are compliant with the Colombian regulatory framework (and the Peruvian and Paraguayan regulatory frameworks), and include the recommendations and international best-practices on anti-money laundering, specifically those of the Financial Action Task Force. Specifically, prior to the rendering of a service or providing a product, personnel are required to obtain full identification from potential clients, including tax status, and to keep all such information in the account file. Any cash deposit with a value equal to or in excess of U.S.$5,000 is reported periodically to the authorities. Our employees are also required to identify and report any transaction that by its characteristics, origin, region or other attributes seems suspicious. Suspicious transactions include the exclusive use of cash or cash equivalents, especially old or damaged bills and documents that fail to identify completely the transactions. Our employees are trained to recognize suspicious transactions and, if appropriate, report them to the compliance officer in accordance with our policies.

In compliance with the applicable Colombian regulations, our board of directors has appointed a compliance officer and his alternate, who are duly registered before the Colombian Superintendency of Finance. Our compliance officer and his alternate are charged with overseeing the adoption and implementation of our anti-money laundering procedures as well as developing and promoting the staff training programs to educate employees on policies and regulations relating to the prevention of money laundering and acts of terrorism. Our conduct rules and procedures are outlined in our SARLAFT Manual, as required by Colombian law, as well as in our code of conduct, both of which are widely distributed and freely accessible to all our employees. We provide our employees with continuous training to meet our anti-money laundering risk management goals.

Liquidity risk

We are required to maintain adequate liquidity positions based on the Colombian Superintendency of Finance's liquidity parameters. In 2009, a short-term liquidity index (*Indicador de Riesgo de Liquidez*), or "IRL," that measures 7-, 15- and 30-day liquidity was established. This index is defined as the difference between adjusted liquid assets and net liquidity requirements. Liquid assets include total debt securities adjusted by market liquidity and exchange rate, excluding investments classified as "held to maturity" different from mandatory investments, and available cash adjusted by reserve requirements. Net liquidity requirements are the difference between expected contractual asset and liability cash flows. Cash flows from past due loans are not included in this calculation. The IRL of a financial institution that measures 7- and 30- day liquidity should always be equal to or higher than zero in respect of the amount IRL.

The Colombian Superintendency of Finance has implemented changes to liquidity reports requiring the calculation of new IRL ratio, or "IRL Ratio," as defined as adjusted liquid assets divided by the net liquidity requirements (in each case, as defined above), expressed as a percentage. The IRL Ratio may not fall below 100%. If the IRL Ratio falls below 100%, the Bank will be required to immediately inform the Colombian Superintendency of Finance of the fundamental reasons the IRL Ratio noncompliance and the actions to be adopted in order to reestablish a compliant IRL Ratio.

In addition, the Colombian Superintendency of Finance adjusted the components of the IRL and IRL Ratio. The adjusted liquid assets now have to be classified as "high quality" or "other" and high quality assets must represent at least 70% of the adjusted liquid assets. Non-contractual outflows (demand and savings deposits outflows) have to be calculated using the median of the fifth percentile of the series of the largest outflows since December 31, 1996.

The following table shows our IRL at December 31, 2015 and 2016, as reported to the Colombian Superintendency of Finance based on consolidated figures:

	At December 31,	
	2015	2016
	(in Ps millions)	
IRL-7 days	4,436,893	4,904,167
IRL-15 days	3,697,672	3,572,426
IRL-30 days	3,440,991	2,886,915

Our Peruvian and Paraguayan banking subsidiaries are required to maintain similar liquidity levels as per the applicable local regulations.

Operational risk

Our policies with respect to operational risk are directed at complying with the norms established by the Colombian Superintendency of Finance (which, in turn, follow the Basel II Accord of 2004), as well as the applicable Peruvian and Paraguayan banking regulations. These norms require that banks establish a system for the administration of operational risks which includes the identification, measurement, control and monitoring functions as well as a business continuity plan.

In order to comply with these norms, we established within our organizational structure an operational risk unit independent of the operational and control areas of the Bank. The unit is responsible for the establishment and definition of policies and methodologies, and the procedures for communicating within our organization all information related to operational risk. In addition to the staff of the operational risk unit, we have established operational risk advisors, which are employees in key areas who, in addition to their functional responsibilities, are required to report events or situations which may result in operational losses. Additionally, we have an operational risk management committee composed of the Vice-President of Operations and Technology, the Chief Risk Manager and selected officers, which meets on a biannual basis to review operational risks policies and follow up on the execution of action plans.

The principal activities of our operational risk unit, are as follows:

- advisory in the engagement of external consultants for the identification of gaps with international standards and the development of work plans to close the gap;
- analysis of norms and their effect;
- identification and application of best practices;
- identification and implementation of operational risk management tools;
- unification of criteria in the search of business continuity tools;
- economies of scale in the engagement of consultants and the acquisition of tools; and
- coordination in the preparation of requests for proposals and the evaluation of proposals.

Market risk

General

We have substantial market risk, primarily as a result of our lending, trading and investments businesses. The primary market risks to which we are exposed are interest rate risk, foreign exchange rate risk, variations in stock price risk, and investment fund risk.

We are exposed to interest rate risk whenever there is a mismatch between interest rate sensitive assets and liabilities, subject to any hedging we have engaged in using interest rate swaps or other off-balance sheet derivative instruments. Interest rate risk arises in connection with both trading and non-trading activities.

We are exposed to foreign exchange rate risk as a result of mismatches between assets and liabilities, and off-balance sheet items denominated in different currencies. We are exposed to variations in stock price risk in connection with investments in equity securities. We are exposed to fund risk primarily from investments in mutual funds.

We and our board of directors, through our risk management committee, are responsible for establishing policies, procedures and limits with respect to market risk. This committee also monitors overall performance in light of the risks assumed. These policies and procedures describe the control framework used by us to identify, to measure and to manage market risk exposures inherent in our activities. The main purpose of these policies and procedures is to set limits on risk. These policies and procedures are followed in market risk decision-making in all business units and activities. We comply with the requirements of the Liquidity Risk Management System (*Sistema de Administración de Riesgos de Mercado*) of the Colombian Superintendency of Finance, as well as the requirements in place in Peru and Paraguay, all of which comply with the Basel Accord.

We are responsible for setting market risk limits and monitoring market risk.

Risk management personnel are responsible for the following:

- identification, measurement and management of the market risk exposures inherent in their businesses;
- analyzing exposures under stress scenarios;
- confirming compliance with applicable risk management policies, reporting violations of such policies, and proposing new policies;
- designing methodologies for valuing securities and financial instruments; and
- reporting daily to senior management as to the levels of market risk associated with trading instruments.

Tools for measuring and managing market risk

We hold trading and non-trading instruments. Trading instruments are recorded in our "treasury books," and non-trading instruments are recorded in our "banking books."

Trading instruments

Trading instruments include our proprietary positions in financial instruments held for sale and/or acquired to take advantage of current and/or expected differences between purchase and sale prices. The tables in this section include certain investments recorded under Colombian Banking IFRS in "held to maturity." As a result of trading fixed income and floating rate securities, equity securities, investment funds and foreign exchange, we are exposed to interest rate, variations in stock prices, investment fund and foreign exchange rate risks, as well as volatility risk when derivatives are used. We trade foreign exchange, fixed income instruments, floating rate securities, and basic derivative instruments (forwards, options, cross currency swaps and interest rates swaps).

We use a value at risk calculation, or "VaR," to measure our exposure to market risk in trading instruments. VaR is an estimate of the expected maximum loss in market value of a given portfolio over a time horizon at a specific confidence interval, subject to certain assumptions and limitations discussed below.

VaR models have inherent limitations, including the fact that they rely on historical data, which may not be indicative of future market conditions or trading patterns. As a result, VaR models could overestimate or underestimate the value at risk and should not be viewed as predictive of future results. Furthermore, we may incur losses materially in excess of the amounts indicated by the VaR models on a particular trading day or over a period of time. VaR does not calculate the greatest possible loss. In addition, VaR models are subject to the reasonable judgment of our risk management personnel.

Our board of directors, assets and liabilities committee and risk management committee establish the maximum VaR for each type of investment and for each type of risk using their own internal VaR models as well as the Colombian Superintendency of Finance methodology, or the "regulatory VaR." We use VaR estimates to alert senior management whenever the statistically estimated losses in the bank's portfolios exceed pre-established levels. Limits on VaR are used to control exposure on a portfolio-by-portfolio basis.

In order to strictly control the trading portfolios, we have limits for every risk factor. To determine the limits, the effect of the variation (dollar value for 1 basis point or DV01) in each risk is taken into account. These risk limits are validated through stress testing based on historical extreme scenarios.

As described below, we measure interest rate risk, foreign exchange risk, variations in stock price risk and investment fund risk in accordance with VaR models. We use two types of approaches to measure VaR: (1) regulatory VaR methodology and (2) internal VaR models.

- The regulatory VaR used in the calculation of the capital ratio (capitalization ratio) follows the methodology established by the Colombian Superintendency of Finance. The Colombian Superintendency of Finance methodology is based on the Basel II model. The Colombian Superintendency of Finance has not made publicly available technical information on how it determines the volatilities used in this model, and only limited information is available. The volatilities used in the Colombian Superintendency of Finance's model are of a magnitude similar to those observed in very high volatility or stress periods. These parameters are seldom changed by the Colombian Superintendency of Finance. See "—Regulatory VaR" below.

- In addition, we use internal models to manage market risk. Parameters are set to adapt to the evolution of volatility of the risk factors over time using statistical methods to estimate them. We generally give recent data more weight in calculations to reflect actual market conditions. Our corporate governance bodies set limits based on this VaR measure in order to control the market risks. Parametric VaR and historical simulation methodologies are also used.

Regulatory VaR

The regulatory VaR calculation is primarily used for the Colombian Superintendency of Finance's capitalization ratio calculations.

The Colombian Superintendency of Finance methodology is based on the Basel II model. This model applies only to the banks' investment portfolio and excludes investments classified as "held to maturity" and any other non- trading positions include trading and "available for sale" portfolios. Total market risk is calculated on a daily basis by aggregating the VaR for each risk exposure category on a ten-day horizon using risk factors calculated in extreme market stress scenarios. VaR at month-end comprises part of the capital adequacy ratio calculation (as set forth in Decree 2555 of 2010). The Colombian Superintendency of Finance's rules require us to calculate VaR for the following risk factors: interest rate risk, foreign exchange rate risk, equity price risk and investment fund risk. Correlations between risk factors are not considered. The fluctuations in the portfolio's VaR depend on sensitivity factors determined by the Colombian Superintendency of Finance, modified duration and changes in balances outstanding. The ten-day horizon is defined as the average time in which an entity could sell a trading position on the market.

Our VaR calculation is the aggregate of the VaR of our banking business and our subsidiaries, including our Peruvian and Paraguayan banks.

Interest rate risk. Our exposure to interest rate risk in our trading portfolio primarily arises from investments in securities (floating and fixed rate) and derivative instruments. In accordance with the Colombian Superintendency of Finance rules, we calculate interest rate risk for positions in pesos, foreign currency and UVRs, separately. UVR is a Colombian inflation-adjusted monetary index calculated by the board of directors of the Colombian Central Bank and generally used for pricing home-mortgage loans. The interest rate risk model is designed to measure the risk of loss arising from changes in market interest rates. It includes the sum of the net short or long position in the whole trading book; a proportion of the matched positions in each time band (the "vertical disallowance") and a proportion of the matched positions across different time bands (the "horizontal disallowance"). The interest rate sensitivity factors and vertical and horizontal disallowances are not updated frequently by the Colombian Superintendency of Finance because those are calculated based on extreme historical market situations; the most recent update was made in November 2010 and published in External Circular 42 of 2010, which is consolidated in Chapter XXI of the Basic Accounting Circular.

The total interest rate exposure is calculated as the sum of the sensitivity for each band category.

Foreign exchange rate risk. We use a sensitivity factor to calculate the probability of losses as a result of fluctuations in currencies in which we hold positions. Regulatory VaR is computed daily by multiplying the net position by the maximum probable variation in the price of such positions on a ten-day horizon, determined by the Colombian Superintendency of Finance as shown in the following table:

U.S. dollar............................	5.5%.
Euro.....................................	6.0%.
Other currencies	8.0%

Our exposure to foreign exchange rate risk arises primarily from changes to the U.S. dollar/peso exchange rate. We use an approximation to estimate the risk in exchange rate-related option positions based on delta, gamma and vega sensitivities, which is included in foreign exchange risk.

The foreign exchange rate risk VaR calculation under the standard model of the Colombian Superintendency of Finance includes both the trading and non-trading book.

At December 31, 2016, our net foreign currency position was U.S.$83.4 million of net assets.

While we conduct the majority of our business in pesos, Soles and Guaranies, we occasionally make loans and financial leases in foreign currencies. Additionally, we hold some cash and accounts receivables in foreign currency. At December 31, 2016, we had U.S.$2,939.1 million in foreign currency-denominated assets. We also have some bank borrowings and other financial obligations denominated in foreign currencies. At December 31, 2016, we had U.S.$2,855.7 million in foreign currency-denominated liabilities. Our policy is to maintain limited foreign exchange rate exposure by seeking to match foreign currency-denominated assets and liabilities as closely as possible; however, variations in exchange rates may increase or decrease our holdings and liabilities.

Equity price risk. In determining regulatory VaR variations in equity price risk, certain investments are excluded: (a) equity investments in financial institutions that are supervised by the Colombian Superintendency of Finance and (b) equity investments derived from corporate restructuring processes (under Law No. 550 of 1999) or received as in-kind payment for non-performing loans. In addition, as part of the capitalization ratio calculation, equity investments in entities supervised by the Colombian Superintendency of Finance that do not consolidate are deducted from primary capital. Investments in entities that consolidate but are not supervised by the Colombian Superintendency of Finance (non-financial investment) are included in VaR calculations.

In December 2010, the Colombian Superintendency of Finance issued a revised methodology that excludes from the VaR calculation investments that are available for sale and equity securities that are acquired as strategic investments and intended to be held on a long-term horizon.

Variations in equity price risk VaR are computed daily by multiplying the net position by the maximum probable variation in the price of such positions on a ten-day horizon, determined by the Colombian Superintendency of Finance as 14.7%. This coefficient is based on historic volatilities and is seldom adjusted.

Investment fund risk. Investment fund risk comes from temporary investment of cash in portfolios managed by trust companies. Investment fund risk VaR is computed daily by multiplying the net position by the maximum probable variation in the price of such positions on a ten-day horizon, determined by the Colombian Superintendency of Finance as 14.7%.

The standard risk measurement methodology VaR at December 31, 2016 and 2015 produces the following results:

VaR Maximum, Minimum and Average	**December 31, 2016**			
	Minimum	**Average**	**Maximum**	**Period end**
Interest rate	67,214	71,399	79,836	70,786
Exchange rate	893	11,824	18,951	11,372
Equities	72	304	515	72
Unit funds	178	249	433	205
VaR Total		**83,776**		**82,435**

VaR Maximum, Minimum and Average	**December 31, 2015**			
	Minimum	**Average**	**Maximum**	**Period end**
Interest rate	79,567	96,697	122,475	122,475
Exchange rate	1,124	3,017	4,659	1,822
Equities	242	575	753	753
Unit funds	205	381	636	205
VaR Total		**100,670**		**125,255**

Our interest rate risk VaR decreased 42.2% between December 31, 2015 and December 31, 2016 as a result of a decrease in our exposure to interest rate risk as per the UVR monetary index of 48.2%.

Our foreign exchange risk VaR increased significantly between December 31, 2015 and December 31, 2016. This increase was mainly due to an increase in our U.S. dollar currency position from U.S.$0.2 million to U.S.$65.4 million.

Our equity price risk VaR decreased 90.4% between December 31, 2015 and December 31, 2016 because of the sale in May 2016 of our equity interest in CIFIN, a financial information entity.

Our investment fund risk VaR remained stable between December 31, 2015 and December 31, 2016.

Internal models for VaR calculation

In addition to regulatory VaR, we use internal models to measure VaR in order to determine and control our main risks under normal operating conditions. In particular, we use internal models to oversee the interest rate risk of our full investment portfolio on a daily basis.

We use methodologies such as parametric VaR and historical simulation. The parametric VaR, which is based on Riskmetrics Group, Inc.'s methodology, involves the identification of specific risks, such as interest and exchange rate risks that could affect the value of assets included in the trading book. The volatility of each factor, measured as a standard deviation, and the correlation with other factors are determined by using an exponentially weighted moving average model. Once this is determined, the expected cash flow of each security included in the portfolio is determined. These cash flows are classified into categories for each risk identified and multiplied by the corresponding volatility to calculate the VaR per factor. The VaR for the various factors is then aggregated using a correlation matrix to identify the overall standard deviation of the bank's treasury book. The VaR of our treasury book is determined based on the standard deviation subject to a confidence level of 95% and a ten-day horizon.

The historical simulation calculates daily Conditional Value at Risk, or "CVaR," based on the historical behavior of the one-day variations of prices in the market. This methodology does not assume any statistical distribution function for the earnings and loss of a portfolio. This simulation is based on the calculation of the average of the upper and lower fifth percentile of the daily yield distribution. Therefore, VaR by CVaR will be larger than the common historical simulation VaR in all cases.

The following table shows the interest rate VaR calculation based on internal models for December 31, 2015 and 2016 on a ten-day horizon (using an adjustment factor applied to VaR on a one-day horizon). Values presented are based on our internal models. The averages, minimums and maximums are determined based on daily calculations.

	(in Ps millions)
2015	
At December 31	18,217
Average	15,305
Maximum	22,832
Minimum	8,919
2016	
At December 31	12,385
Average	15,491
Maximum	21,284
Minimum	11,515

Non-trading instruments

Non-trading instruments consist primarily of loans and deposits. Our primary market risk exposure in our non-trading instruments is interest rate risk, which arises from the possibility of changes in market interest rates. Such changes in market interest rates affect our net interest income and valuations due to timing differences on the repricing of our assets and liabilities. We are also affected by gaps in maturity dates and interest rates in the different asset and liability accounts. As part of our management of interest rate risk, we analyze the interest rate mismatches between our interest earning assets and our interest-bearing liabilities.

Colombian Superintendency of Finance rules require us to measure foreign exchange rate risk VaR not only for treasury book positions but also for all assets and liabilities denominated in foreign currencies. Our non-trading instruments are exposed to foreign exchange rate risk primarily from loans and deposits denominated in dollars. This foreign exchange rate risk is monitored under the VaR methodology described above.

Sensitivity of fair value is determined using either one of two methodologies: (1) determining the difference between the fair value and the net present value of the expected cash flows using a discount rate of 50 basis points and 100 basis points higher than that used for the original calculation; or (2) determining the sensitivity of the remaining cash flows (modified duration), multiplied by the fair value, multiplied by the increase in discount rate for each scenario (50 basis points and 100 basis points). Methodology (1) is in some cases more precise while methodology (2) is a good approximation for moderate variations in the discount rate.

Sensitivity of certain instruments is assumed to be zero because their fair value is equal to its book value such as instruments with maturities of 90 days or less, or loans and borrowings from development banks.

Our sensitivity analysis methodology should be interpreted in light of the following limitations: (1) we have assumed a uniform interest rate change for assets and liabilities of varying maturities; and (2) we have assumed that the modified duration of variable rate assets and liabilities is the time remaining until the next interest reset date.

An increase in interest rates negatively affects the value of our assets and positively affects the value of our liabilities, as an increase in interest rates decreases the fair value of both assets and liabilities.

The following table presents our sensitivity analysis based on hypothetical changes of 50 and 100 basis point shifts in interest rates on the net present value of interest rate sensitive assets and liabilities for the periods indicated.

	December 31, 2015			**December 31, 2016**		
	Fair value	**+50 basis points**	**+100 basis points**	**Fair value**	**+50 basis points**	**+100 basis points**
			(in Ps millions)			
Assets						
Investment securities	5,501,655	18,927	37,829	5,279,454	26,985	53,982
Loans	12,617,283	125,849	252,377	12,201,649	126,425	253,585
Short-term funds	4,431,757	212	422	4,722,489	215	430
Customer's acceptances	0	0	0	0	0	0
Total interest rate sensitive assets	**22,550,694**	**144,987**	**290,629**	**22,203,592**	**153,625**	**307,996**
Liabilities						
Checking accounts, saving deposits and other	8,181,077	39,559	79,118	8,057,995	38,305	76,611
Time deposits	8,225,470	5,148	53,282	8,310,066	4,339	45,354
Bank acceptances outstanding	-	-	0	-	-	0
Short-term funds	4,016,669	192	384	4,523,439	213	426
Borrowings from banks	1,795,824	19,892	72,554	1,795,824	19,785	74,802
Long-term debt	1,739,315	25,115	53,505	1,707,614	26,108	52,490
Total interest rate sensitive liabilities	**23,958,354**	**89,906**	**258,843**	**24,394,937**	**88,750**	**249,683**
Total net change	**(1,407,660)**	**55,081**	**31,785**	**(2,191,345)**	**64,874**	**58,314**

BUSINESS

Overview

Banco GNB Sudameris S.A. is a universal bank in Colombia with special focus on small and medium enterprises, or SMEs, mid-corporates and personal banking. The Bank was created in August 1920 as a Colombian corporation. In 1924, it became a branch of Banque Française et Italienne pour l'Amérique du Sud. On December 22, 2003, Banque Sudameris, Banca Intesa and other shareholders sold their aggregate 94.7% ownership interest to Gilex Holding B.V., our current controlling shareholder, which in turn is controlled by the Gilinski family. The Gilinski family had been a controlling shareholder of Banco Andino and Banco de Colombia (now known as Bancolombia).

Between October 2013 and March 2014, we consummated the acquisition from HSBC and four other HSBC affiliates of HSBC's banking operations in Colombia, Paraguay and Peru. These acquisitions allowed us to increase our operations in Colombia and expand our presence in the South American region.

Before accounting for eliminations for consolidation, our Colombian banking operations represented 69.1% and 38.1% of our income from interest and valuations and of our net income from interest and valuations, respectively, in 2016; and represented 73.5% of our total assets at December 31, 2016. We have strengthened our position in the Colombian banking market through selective growth and increased liquidity driven by strict risk policies. In particular, we have focused on the following three products: payroll loans (*libranzas*), development loans (*carteras de fomento*) and funding agreements (*convenios*).

Banco GNB (Peru), our Peruvian subsidiary bank, offers commercial and retail banking services. The commercial banking business provides mainly working capital and trade related products to high net worth customers based on cash flow strength, as opposed to relying on collateral. The retail banking business is focused on premium customers, providing mainly payroll loans, including mortgages. Before accounting for eliminations, Banco GNB (Peru) represented 18.8% and represented 35.8% of our income from interest and valuations and of our net income from interest and valuations, respectively, in 2016, and represented 16.3% of our total assets at December 31, 2016.

Banco GNB (Paraguay), our Paraguayan bank subsidiary, also focuses its business on high quality commercial and corporate clients and premium retail payroll loans. Banco GNB (Paraguay) is currently seeking to increase its presence in the agribusiness and cattle ranching sectors. Before accounting for eliminations, Banco GNB (Paraguay) represented 12.1% and 26.1% of our income from interest and valuations and of our net income from interest and valuations, respectively, in 2016; and represented 10.2% of our total assets at December 31, 2016.

Through our Colombian subsidiaries, we also provide asset, cash and portfolio management services as well as other fiduciary services, ATM services for a wide range of transactions and stock brokerage and other securities market services.

The following table presents our key consolidated audited financial and operating data for the periods and at the dates presented:

	At and for the year ended December 31,	
	2015	**2016**
	(in Ps millions, except operating data or where otherwise indicated)	
Financial data:		
Total assets	26,097,551	26,229,436
Investment securities, net	5,519,870	5,284,970
Loans and financial leases, net	12,635,320	12,556,691
Deposits	16,558,941	16,283,558
Total shareholders' equity	1,490,633	1,603,738
Net income from interest and valuations	564,616	373,247
Net income	**195,785**	**209,220**
Key ratios:		
ROAA(1)	0.8%	0.8%
ROAE(2)	14.3%	13.5%
Net interest margin(3)	3.0%	2.7%
Cost-to-income ratio(4)	36.5%	37.9%
Other expenses to assets ratio(5)	2.3%	2.2%
Non-performing loan ratio(6)	1.6%	1.8%
Operational data (in units):		
Number of customers(7)	317,549	304,129
Number of employees	2,555	2,433
Number of branches	153	140
Number of ATMs	2,282	2,336

(1) "ROAA" (return on average total assets) is calculated as net income divided by average of total assets (the sum of total assets at the end of the fiscal year and total assets at the end of the previous fiscal year, divided by two).

(2) "ROAE" is calculated as net income divided by average shareholders' equity (the sum of shareholders' equity at the end of the fiscal year plus shareholders' equity at the end of the prior fiscal year, divided by two).

(3) Net interest margin is calculated as (net income from interest and valuations, plus income valuation on derivatives instruments, plus, income from valuation at fair value, net), divided by average interest-earning assets (the sum of interest-earning assets at the end of the fiscal year and interest-earning assets at the end of the previous fiscal year, divided by two).

(4) Calculated as (personnel expenses plus administrative expenses) divided by (net income from interest and valuations, plus net income from commissions and fees, plus income valuations on derivative instruments, plus income from valuation at fair value, net, plus other income).

(5) Other expenses to assets ratio is calculated as other expenses divided by average of total assets (the sum of total assets at the end of the fiscal year and total assets at the end of the previous fiscal year, divided by two).

(6) Calculated as non-performing loans as a percentage of total loans. Non-performing loans include all loans at least 31 days past due.

(7) Reflects only customers of the Bank.

History

The Bank was created in August 1920 as a Colombian corporation. In 1924, it became a branch of Banque Française et Italienne pour l'Amérique du Sud. However, in 1975 foreign ownership restrictions were imposed in the Colombian banking sector and the Bank became Banco Sudameris Colombia. The foreign ownership restrictions were lifted in 1990 and Banque Sudameris became the controlling shareholder of the Bank.

On December 22, 2003, Banque Sudameris, Banca Intesa and other shareholders sold their aggregate 94.7% ownership interest to Gilex Holding B.V., our current controlling shareholder, which in turn is controlled by the Gilinski family. See "Share Ownership and Principal Shareholder." A year later, the Bank became the largest shareholder of Servibanca, one of the largest ATM networks in Colombia at the time.

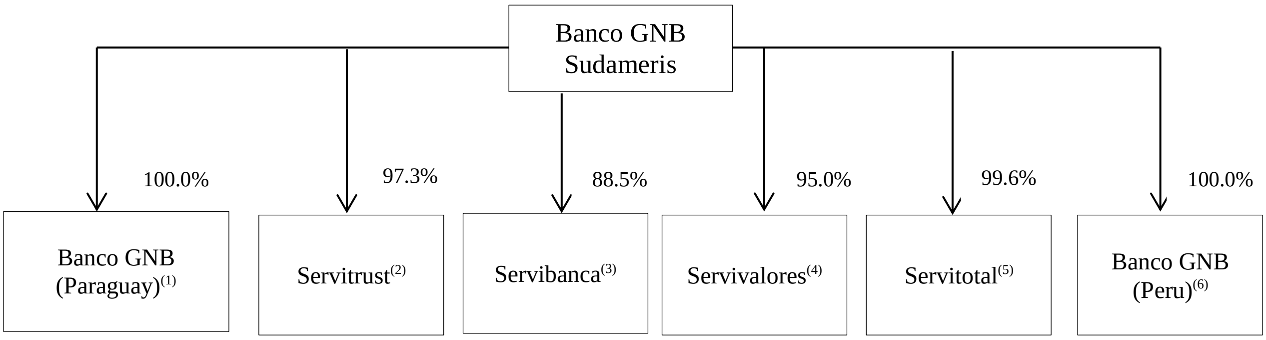
In February 2005, the Gilinski family acquired Banco Tequendama from the Peruvian banking group Credicorp. Banco Tequendama had developed a significant consumer credit portfolio and had pioneered a credit structure in Colombia (payroll loans under which loans were serviced by directly-sourced deduction from the salaries of the borrowers, who were generally governmental or other employees. In addition, Banco Tequendama provided fiduciary services to its clients, as did Banco Sudameris Colombia. In June 2005, Banco Sudameris Colombia and Banco Tequendama merged, resulting in what is today Banco GNB Sudameris S.A.

In February 2008, the Bank acquired 94.9% of a brokerage firm which later became Servivalores GNB Sudameris. In June 2010, the Bank strengthened its brokerage services position by acquiring broker Comisionista de Bolsa Nacional de Valores, which was later merged into Servivalores.

In May 2012, the Bank entered into an agreement with HSBC Latin America Holdings (UK) Ltd and other HSBC affiliates to acquire the banking operations of HSBC in Colombia, Paraguay, Peru and Uruguay. The acquisition of HSBC's Peru and Paraguay banking operations were completed in October and November 2013, respectively, representing the first step in our international expansion process. HSBC's Colombia bank was acquired in March 2014 and merged into Banco GNB Sudameris in October 2014. We desisted from acquiring HSBC's Uruguay banking operations.

Organizational structure

The Bank conducts its business directly and through its subsidiaries. The following diagram describes our principal subsidiaries, including our direct and indirect ownership interests:



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(1) Banco GNB (Paraguay) is a full service bank focused mainly on the commercial and corporate segments with a premium retail offering, and has its principal place of business at Aviadores del Chaco No. 2351, esq. Herib Campos Cervera, Asunción, Paraguay. Before accounting for eliminations for consolidation, Banco GNB (Paraguay) represented 12.1% and 26.1% of our income from interest and valuations and of our net income from interest and valuations, respectively, in 2016; and represented 10.2% of our total assets at December 31, 2016.

(2) Servitrust provides fiduciary services such as asset management and administration, cash management and portfolio management and has its principal place of business at Carrera 7 #75-85, piso 10, Bogotá, Colombia. See "—Other Services and Products—Fiduciary Services-Servitrust." Servitrust represented 0.1% and 0.4% of our income from interest and valuations and of our net income from interest and valuations, respectively, in 2016; and represented 0.2% of our total assets at December 31, 2016. A 1.5% interest in Servitrust is held by Gilex Holding B.V., our principal shareholder.

(3) Servibanca, is the only independent ATM network in Colombia and has its principal place of business at Carrera 7 #75-85, piso 9, Bogotá, Colombia. See "—Other Services and Products—ATM services— Servibanca." Servibanca represented 0.1% and 0.5% of our income from interest and valuations and of our net income from interest and valuations, respectively, in 2016; and represented 0.5% of our total assets at December 31, 2016.

(4) Servivalores provides securities brokerage, market and risk analysis, fund administration and foreign exchange intermediation services and has its principal place of business at Carrera 7 #75-85, piso 3, Bogotá, Colombia. See "—Other Services and Products Brokerage Services—Servivalores." Servivalores represented 1.9% of our net income from commissions and fees in 2016; and represented 0.2% of our total assets at December 31, 2016.

(5) Servitotal is a subsidiary that was created to develop technological solutions in a strategic alliance with Bantotal, a technological solutions company focused on the banking sector. Servitotal does not generate revenues and has minimal assets. The Bank holds 94.8% of Servitotal directly and the remaining 4.8% indirectly through its other subsidiaries.

(6) Banco GNB (Peru) is a full service bank focused mainly on the commercial and corporate segments with a premium retail offering, and has its principal place of business at Jirón Carabaya 891-899, Lima 15001, Peru. Before accounting for eliminations for consolidation, Banco GNB (Peru) represented 18.8% and 35.8% of our income from interest and valuations and of our net income from interest and valuations, respectively, in 2016, and represented 16.3% of our total assets at December 31, 2016.

Strengths

We believe that we have achieved and we are able to maintain, our strong position in the Colombian banking industry through the following competitive strengths.

We are a significant player in Colombia's banking sector with a strong exposure to key attractive segments with focus on highly profitable risk-adjusted products

We are a universal bank with special focus on SMEs, mid-corporates and personal banking. We believe these segments are attractive because they yield relatively higher margins than large corporate clients.

Our banking business is focused on three principal areas that have historically been highly profitable in relation to the risk involved: payroll loans *(libranzas)*, development loans (*carteras de fomento*) and funding agreements (*convenios*). Payroll loans, which represent the substantial majority of our consumer loan portfolio, are consumer loans serviced through directly-sourced deductions from the client's salary. Development loans are credit lines funded by governmental development entities that we on-lend to companies at an intermediation margin ranging between 2-4% for long term funding for domestic development projects. Funding agreements are arrangements we enter into with governmental entities and pension funds where they agree to deposit their funds with us in exchange for certain services. These deposit arrangements represent low-cost funding for us and reduce our reliance on wholesale funding. See "—Our banking operations—General."

Superior risk management culture with high asset quality and strong liquidity

We have the second lowest non-performing loan ratio of the Colombian banking system (1.8% at December 31, 2016 compared to 3.1% for the Colombian banking system). Our strong focus on payroll loans *(libranzas)* significantly reduces our consumer portfolio risk. We also maintain a strong liquidity position. At December 31, 2016, our investment-to-assets ratio was 28.8% as compared to 17.2% for the Colombian banking system, while our deposits-to-loans ratio was 146.2% as compared to 89.5% for the Colombian banking system. Our capitalization ratio, which is calculated as our technical capital divided by our risk-weighted assets, was 17.9%, as compared to 15.3% for the Colombian banking system. The minimum capitalization ratio required by Colombian banking regulations is 9.0%. Our coverage ratio (provisions as a percentage of past due loans) at December 31, 2016 was 190.4%, which compares favorably with the average for the Colombian banking system of 155.5%.

Our strong asset quality and capital and liquidity position has resulted in our local rating of AAA by Value and Risk Rating. These ratings have also allowed us to secure and maintain our funding agreements (*convenios*) with governmental entities and pension funds. In addition, we are one of only 13 recognized market makers for Colombian sovereign debt. As a recognized market maker, we have access to the liquidity of the Colombian electronic trading system (*Sistema Electrónico de Negociación*, or "SEN"). See "— Treasury operations."

We have one of the most efficient banking platforms nationwide with focus on alternative channels to reach clients throughout Colombia

We have a nationwide network of 140 branches and the second largest ATM network in Colombia with 2,336 ATMs at December 31, 2016. In addition, we have payroll loans *(libranzas)* centers onsite at the premises of approximately 492 employers. Our network covers each of the 32 departments of Colombia and is in approximately 691 cities and towns throughout Colombia, with a focus on the wealthiest and largest cities of Colombia (Bogotá, Medellín, Cali and Barranquilla). Our distribution network covers nearly 90% of the Colombian market.

Our focused approach to distribution through payroll loan centers and the use of next-generation ATMs, as well as our focus on development loans and funding arrangements, makes the use of the relatively more expensive branch format less critical to our banking business. See "—Other services and products—ATM services—Servibanca."

Our sophisticated technological backbone improves efficiency while enhancing processes and transactions

Our business model relies on the widespread presence of, and access to, highly-functional ATMs that provide a wide array of services to our clients in an efficient and hassle-free manner. We believe that the proper management of technology is key to the efficient management and growth of our business. We maintain a scalable technological infrastructure designed to facilitate processes while maximizing safety and privacy. Our central platform is Bantotal, a central system that acts as depositary of information regarding clients' activities and processes transactions in both domestic and foreign currency. We also maintain up-to-date information systems for processing, safety and contingencies. Our sophisticated information technological platform allows us to provide the services that our institutional clients require or demand. See "— Technology."

Our experienced management team has a strong track record of growing both organically and through acquisitions

The majority of our management has been with us from the time the Gilinski family became controlling shareholders in 2003. In particular, Mr. Jaime Gilinski Bacal, our Chairman of the board of directors, was also previously a member of the board of directors of Banco Andino and Banco de Colombia. Our President, Camilo Verástegui Carvajal, was also an executive officer of those banks at the same time as Mr. Gilinski. Their combined experience in the banking sector, as well as that of other officers of the Bank, positions us well to continue growing and to integrate efficiently any acquisitions. See "Management."

Under the stewardship of our current senior management, since 2003 we have undergone the integration of Banco Tequendama, the acquisition of two brokerage companies and the acquisitions in 2013 and 2014 of HSBC's banking operations in Colombia, Peru and Paraguay. During that time, our assets, shareholders' equity and client base has increased significantly. See "—History."

The acquisition of HSBC's banking operations in Colombia, Paraguay and Peru provided us access to countries with substantial potential where we expect to replicate the success we have had in Colombia

The acquisition of HSBC's banking operations in Colombia, Paraguay and Peru, which was completed in 2013 and 2014, represents a significant opportunity for our international expansion. These acquisitions allow us to diversify into countries that we believe have high economic growth potential and relatively low bank penetration rates. We believe that the assets are well-positioned banks, mostly in investment grade countries (Colombia and Peru) and in relatively solid financial systems. We believe that our management has the experience and technical expertise to replicate in those new markets our success in Colombia, and to exploit synergies in the Colombian market.

Strategy

Our overall objectives are to build upon our competitive strengths to pursue opportunities for growth and to enhance our long-term financial performance. To achieve these objectives, we intend to pursue a strategy with the following principal elements:

Continue our conservative risk management approach

We seek to maintain high quality assets and strong capital and liquidity positions. We believe that this policy has allowed us, and will continue to allow us, to enjoy an excellent reputation in the Colombian banking system. This has resulted in the development of a significant portfolio of funding arrangements (*convenios*), which provide us a stable, long-standing and reliable source of funds and reduces our reliance on wholesale funding. Our policy of maintaining a high level of liquidity, including by investing in highly liquid instruments, also allows us to react quickly to, and minimize the risk of, any volatility in the market. See "—Our banking operations—General."

Increase presence in the profitable payroll loan and SMEs commercial loan segments

We seek to increase our presence in the payroll loans segment of consumer loans, where we believe there is significant opportunity for growth. This type of loan has historically yielded relatively high margins and low non-performing loan ratios. We plan to continue to grow this business segment by having our sales force target employers and offering them our wide array of transactional services and our ATM network for their specific needs.

We also plan to focus on expanding our SME commercial loan portfolio by targeting smaller and medium-sized enterprises, which generally yield higher margins than large corporate clients. In our marketing efforts, we are able to offer not only loan products but a wide array of transactional services and our ATM network for their specific needs.

Focus on originating payroll loans, as opposed to acquiring them from intermediaries

We have been shifting our payroll loans business towards direct origination, which is more profitable than acquiring loans from third party originators, to whom we would have to pay commissions. On December 31, 2012, 68.4% of our payroll loans were originated by us, while 31.6% were originated by third parties. At December 31, 2016, 94.8% of our payroll loans were originated by us. In addition, we have focused on a smaller number of clients while increasing credit amounts.

Continue to innovate and develop alternative distribution channels to reach clients efficiently in Colombia and beyond

We plan to continue building out and innovating our distribution channels. In particular, we plan to grow and enhance our ATM network, as well as online banking, in line with market trends. Currently, through our ATM network we are able to provide not only traditional transactional services such as withdrawals, transfers between accounts and payments of utility bills and other, but also provide non-traditional services such as payment of taxes, newspaper subscriptions, airline reservations and liability insurance premiums, as well as wire transfer services. We believe that our ability to provide a wide array of services at our ATMs results in increased client referrals. See "—Other services and products—ATM services-Servibanca" and "—Distribution."

Improve our cross-selling efforts by offering clients our diverse set of products

In addition to our traditional banking products, we are able to offer other products through our subsidiaries, including payment and collection services through our ATM network; fiduciary services, such as asset administration and management, portfolio management and cash management through Servitrust; and brokerage and exchange services and mutual fund management through Servivalores. We plan to continue to focus on the cross-selling of our wide range of products and services. For example, we can offer our *libranza* clients credit card and other services beyond lending, and our institutional banking clients an ATM network located in their premises with services tailored to their specific needs. We believe that by cross-selling our products and services we are able to develop greater customer loyalty, which results in increased revenues.

Leverage our ATM platform and client service oriented culture to better serve clients

We seek to leverage our ATM platform to better serve our clients. We believe that a widespread ATM network is a much more efficient and service-friendly platform than the traditional branch network. Clients have more convenient access to ATMs than to branches because there will generally be many more ATMs than branches in the general location of the client. Through ATMs, clients are able to conduct banking and other transactions 24 hours a day, unlike branches, which serve clients only during business hours. Also, the transaction execution time for most transactions is generally faster through ATMs than at branches. By incorporating more services to our ATM system and increasing our ATM network, which currently covers nearly 90% of the Colombian market as measured by population, we believe we will continue to attract clients and develop more customer loyalty.

Achieve profitable growth in the region by exporting our proven business model to new markets

As part of our integration plan for the businesses we acquired from HSBC, we introduced our business model of conservative risk management, high liquidity, focus on profitable and high credit segments of consumer and commercial lending, diversified funding and an efficient distribution channel with emphasis on highly-functional ATMs. We believe that the different markets we have entered (Paraguay and Peru) and certain others in the region offer appropriate conditions for the successful development of our business model. As a result, we intend to continue to identify acquisition and investment opportunities in the region as they may arise that would present such conditions. We also believe that our management is fully capable of replicating our business model in other markets in the region given its experience integrating the HSBC businesses, Banco Tequendama, a fiduciary services company, an ATM network and two brokerage houses into our operations.

Diversify our sources of income, including by engaging in merchant banking operations

We continue to implement initiatives to increase our non-interest income, which consists primarily of net fees and other net services income. To this end, we plan to seek the approval of the Colombian Superintendency of Finance to incorporate a merchant banking subsidiary (*corporación financiera*). This merchant banking subsidiary would focus on equity investments in strategic sectors of the Colombian economy, including, in particular, financial services, infrastructure, energy and gas, agribusiness, real estate, industry and hospitality.

Develop an offering of U.S. dollar-denominated banking products and services through a Panamanian banking subsidiary

We provide U.S. dollar-denominated lending to entities involved in export commerce. However, we are limited in our ability to cross-sell our banking products and services to these entities because we cannot offer U.S. dollar-denominated accounts. To address this limitation, we plan to seek approval from the relevant regulatory authorities to establish a bank in Panama. We believe that having a Panamanian banking subsidiary will allow us to provide a fuller offering of products and services to these clients, which would increase our interest income and further diversify our funding sources.

Diversify our funding sources and mitigate exchange risk by accessing the local bond markets

We fund most of our assets with local deposits, consistent with other banks in the markets where we operate, interbank borrowings and overnight funds, borrowings from development banks and the issuance of debt instruments in the international markets. More recently, in October and November 2016, we established two bond programs in the Peruvian market for the issuance by Banco GNB (Peru) of up to U.S.$200 million (or its equivalent in Soles) of senior bonds and of up to US.$100 million (or its equivalent in Soles) of subordinated bonds. In October 2016, Banco GNB (Peru) issued U.S.$15 million of subordinated notes. We have also received approval by the Colombian Superintendency of Finance for a program of up to Ps 500 billion in subordinated notes. These new sources of funding give us additional flexibility to address any capital needs and provide a natural hedge against exchange risk.

Our Colombian banking operations

General

Before accounting for eliminations for consolidation, our Colombian banking operations represented 69.1% and 38.1% of our income from interest and valuations and of our net income from interest and valuations, respectively, in 2016; and represented 73.5% of our total assets at December 31, 2016. We have strengthened our position in the Colombian banking market through selective growth and increased liquidity driven by strict risk policies. In particular, we have focused on the following three products:

- Payroll loans *(libranzas)*, which are consumer loans serviced through directly-sourced deductions from the client's salary. We have agreements with approximately 492 employers for the commercialization of payroll loans. Employees are able to have credit approved and drawn within 48 hours. The loan amounts per employee range between the peso equivalent of U.S.$2,000 and U.S.$10,000. The average term of the payroll loans is between five and six years. If the employee leaves its employer, we generally renegotiate the loan terms either converting it into an ordinary secured or unsecured loan, or by establishing a new payroll loan arrangement with the new employer. These types of loans have historically yielded relatively low non-performing loan ratios. Our distribution of this loan product is made mainly through lending desks established within the employers' premises. Our payroll loans *(libranzas)* loan portfolio at December 31, 2016 was Ps 3,152,814 million, with approximately 178,133 clients.

- Development loans (*cartera de fomento*), which are long-term funding for domestic development projects. Credit lines are provided by governmental development entities like Bancoldex (Banco de Comercio Exterior), Finagro and FINDETER (Financiera de Desarrollo Territorial S.A.) and we act as intermediation bank and earn a commission for the service. Our development loan portfolio at December 31, 2016 was Ps 917,218 million, with approximately 366 clients.

- Funding agreements (*convenios*), with governmental and financial institutions. Pursuant to these funding agreements, various governmental institutions such as the army, the police department, universities and judge associations, as well as certain financial institutions (mainly pension funds), agree to deposit their funds with us, and we manage their payment transactions, such as public utilities collection, tax collection and pension payments. These funding agreements, which have been in place on average for ten years, provide us with a stable, long-standing and reliable source of funds and reduce our reliance on wholesale funding. An investment grade rating is required for securing these funding agreements, which we have obtained since 2007.

The following table presents our loan portfolio at the dates indicated, before provisions:

	At December 31,	
	2015	**2016**
	(in Ps millions)	
Commercial	4,368,570	4,178,340
Consumer	3,123,566	3,302,514
Total	**7,492,135**	**7,480,854**

The following table presents income from interest and valuations at the dates indicated:

	At December 31,	
	2015	**2016**
	(in Ps millions)	
Commercial	310,281	401,899
Consumer	437,173	469,845
Total	**747,454**	**871,744**

We offer customers current accounts, savings accounts, term deposits (CDs) and other deposits. The following table presents a breakdown of our deposits by product type at the dates indicated:

	At December 31,	
	2015	**2016**
	(in Ps millions, except for percentages)	
Savings accounts	5,277,215	5,435,211
Time deposits	4,593,610	4,693,749
Current accounts	1,028,480	1,037,748
Total	**10,886,949**	**10,908,573**

Our banking operations are divided into three main business segments: consumer banking, small and medium enterprise and mid-corporate banking, and institutional banking.

Consumer banking

Our consumer banking operations serve individuals and small enterprises with annual revenues below the peso equivalent of U.S.$1 million. At December 31, 2016, we had a total of approximately 295,765 clients in this segment. Our consumer banking operations accounted for Ps 49,006 million of our income from interest and valuations in the year ended December 31, 2016.

Payroll loans *(libranzas)* account for the vast majority of our consumer lending (95.5% at December 31, 2016). We also grant mortgage, credit card, personal, car and education loans. The average term of our consumer loans is 24 months. Our consumer loans represented 43.9% of our total loan portfolio at December 31, 2016.

We offer current account, savings account and term deposits to our clients. Our consumer banking deposits represented 14.3% of our total deposits at December 31, 2016.

The distribution network for our consumer banking services includes our 120-branch network, nine specialized payroll loans *(libranzas)* centers in the main cities of Colombia, some of which are located inside the employer’s place of business, and our 2,336-ATM network.

Commercial banking

Our commercial banking operations serve small and medium enterprises, mid-corporates and banking institutions and accounted for Ps 61,144 million of our income from interest and valuations in the year ended December 31, 2016. We offer current account, savings account and term deposits to our clients. Our commercial banking deposits represented 9.3% of our total deposits at December 31, 2016. At December 31, 2016, we had a total of approximately 7,083 clients in this segment. Our commercial loans represented 50.4% of our total loan portfolio at December 31, 2016.

SMEs and mid-corporate banking

Our SMEs and mid-corporate banking operations serve small and medium enterprises and mid- corporates with annual revenues higher than the peso equivalent of U.S.$1 million and less than U.S.$20 million. At December 31, 2016, we had approximately 974 clients in this segment. Our client selection criteria is strict, and is based in part on minimum indebtedness, incremental revenues, operating profits, working capital, inventory and receivables turnover standards. Our strategy is to focus mainly on manufacturing, wholesale and retailers and service industry clients, to avoid client concentration and to seek high-quality guarantees.

We offer loans for working capital and capital expenditure needs, treasury credits, development loans (*cartera de fomento*) and foreign trade financing. Treasury credits have an average term of 45 days, while development loans, which are provided with government funding, have terms of three to five years. Our SMEs and mid-corporate loans represented 11.5% of our total loan portfolio at December 31, 2016.

We offer current account, savings and term deposits and fixed income investments. Our deposits from SMEs and mid-corporate clients represented 86.9% of our total deposits at December 31, 2016.

The distribution network for our SMEs and mid-corporate banking services includes our 120-branch network.

Institutional banking

Our institutional banking operations serve governmental entities (the army, the police department, municipalities, central government, state-owned companies and public hospitals, schools and universities) and financial institutions (mainly pension funds). At December 31, 2016, we have 691 clients in this segment.

We offer long-term loans to our customers for infrastructure development of cities and municipalities. We also offer institutional banking short-term loans for banking capital needs. Our institutional banking loans represented 6.0% of our total loan portfolio at December 31, 2016.

We offer current account, savings and term deposits. Our deposits from institutional banking clients represented 74.2% of our total deposits at December 31, 2016, making institutional banking clients an important source of our funding. Of those deposits from institutional banking clients, 11.8% correspond to funding agreements *(convenios)*.

We also offer our institutional banking clients additional services such as collection of payments for public services, tax collection and pension payments.

The distribution network for our institutional banking services is made through agents located at approximately 100 collection points. These collection points provide customer service and are dedicated to the collections of payments for utilities, taxes and customs duties, among other things.

Our international banking operations

Peru

Banco GNB (Peru) is a full service bank that offers commercial and retail banking services. The commercial banking business provides mainly working capital and trade related products to high net worth customers based on cash flow strength, as opposed to relying on collateral. The retail banking business is focused on premium customers, providing mainly payroll loans, including mortgage loans. Before accounting for eliminations for consolidation, Banco GNB (Peru) represented 18.8% and 35.8% of our income from interest and valuations and of our net income from interest and valuations, respectively, in 2016, and represented 16.3% of our total assets at December 31, 2016.

Our consumer product and service offerings are designed strategically for three client segments: salaried clients, retirees and high income clients. For each one of these segments, Banco GNB (Peru) offers different transactional and investments solutions through deposit accounts, term investments and insurance plans. Our financial products focus on short-, medium- and long-term solutions with funding agreements and mortgage loans. In addition, we offer complementary products such as credit cards and car loans.

Our commercial banking strategy focuses on economic sectors with growth potential such as agribusiness, mining, energy, tourism, real estate and infrastructure. In these sectors, Banco GNB (Peru) covers the SME and mid-corporate segments, with a product and service offering that includes solutions for the integral management of treasury operations, working capital financing, investment, leasing and export.

The following table sets forth our ranking among the ten largest Peruvian banks (measured in terms of assets) with respect to the following ratios:

Banco GNB (Peru) Positioning[1]	**At and for the year ended December 31, 2016**
Non-performing loans ratio[2]	4
Coverage ratio[3]	7
Liquidity ratio[4]	10
Other expenses-to-assets ratio[5]	5

(1) Based on unconsolidated figures published by the SBS.

(2) Calculated as non-performing loans as a percentage of total loans. Non-performing loans include all loans at least 31 days past due.

(3) Calculated as provisions as a percentage of past-due loans. Past-due loans include all loans at least 31 days past due.

(4) Calculated as liquid assets as a percentage of total deposits. Liquid assets include cash and equivalents and investments held for trading.

(5) Calculated as other expenses as a percentage of total average assets (the sum of total assets at the end of the fiscal year and total assets at the end of the previous fiscal year, divided by two).

The following table sets forth our and the Peruvian system's efficiency ratio, non-performing loans ratio and ROAE (return on average shareholders' equity) for the periods presented:

	As of and for the year ended December 31,	
	2015	**2016**
	(in percentages)	
Position Compared to Peruvian Financial System[1]		
Unconsolidated efficiency ratio[2]		
Banco GNB (Peru)	55.2%	53.5%
Financial system	43.0%	43.0%
Unconsolidated non-performing loans ratio[3]		
Banco GNB (Peru)	2.0%	2.1%
Financial system	2.5%	2.8%
Unconsolidated ROAE[4]		
Banco GNB (Peru)	7.9%	8.3%
Financial system	22.1%	19.9%

(1) As of December 31, 2016, the Peruvian financial system consisted of 16 commercial banks, including Banco GNB (Peru), 11 financing companies, 12 municipal and six rural savings and loans associations (*cajas*), ten small business development non-bank institutions (*Edpymes*), two leasing companies and three state-owned institutions.

(2) Based on data published by the SBS. Calculated as administrative expenses divided by the operational margin.

(3) As published by the SBS. Calculated as non-performing loans as a percentage of total loans. Non-performing loans include all loans at least 31 days past due.

(4) Based on data published by the SBS. "ROAE" is calculated as net income divided by average shareholders' equity (the sum of shareholders' equity at the end of the fiscal year plus shareholders' equity at the end of the prior fiscal year, divided by two).

Paraguay

Banco GNB (Paraguay) focuses its business on high quality commercial and corporate clients and premium retail payroll loans. Banco GNB (Paraguay) is currently seeking to increase its presence in the agribusiness and cattle ranching sectors. Before accounting for eliminations for consolidation, Banco GNB (Paraguay) represented 12.1% and 26.1% of our income from interest and valuations and of our net income from interest and valuations, respectively, in 2016, and represented 10.2% of our total assets at December 31, 2016.

Banco GNB (Paraguay)'s consumer product and service offerings are designed to address the financial needs of businesses and individuals. Our consumer offerings are focused on high-income customers, through the *GNB Premier* concept, which provides exclusive services and benefits, including personalized customer and advisory services. The portfolio of products and services for such customers includes current accounts, term deposits, consumer loans, credit cards and insurance plans.

Our commercial product and service offerings are directed towards the corporate, agribusiness and livestock economic sectors, which conduct a substantial volume of trade with Brazil and Argentina. Banco GNB (Paraguay) provides solutions for treasury operation management, working capital financing and exports. We also offer products specific to the agribusiness and livestock sectors such as operating capital loans and inventory financing, among others.

The following table sets forth our ranking among the Paraguayan banks (measured in terms of assets) with respect to the following ratios:

Banco GNB (Paraguay) Positioning[(1)]	**At and for the year ended December 31, 2016**
Non-performing loans ratio[(2)]	5
Coverage ratio[(3)]	2
Liquidity ratio[(4)]	13
Operating expenses-to-assets ratio[(5)]	2

(1) Based on unconsolidated figures published by the Paraguayan Central Bank.

(2) Calculated as non-performing loans as a percentage of total loans. Non-performing loans include all loans at least 31 days past due.

(3) Calculated as provisions as a percentage of past-due loans. Past-due loans include all loans at least 31 days past due.

(4) Calculated as liquid assets as a percentage of total deposits. Liquid assets include cash and equivalents and investments held for trading.

(5) Calculated as other expenses as a percentage of total average assets (the sum of total assets at the end of the fiscal year and total assets at the end of the previous fiscal year, divided by two).

The following table sets forth our and the Paraguayan system's efficiency ratio, non-performing loans ratio and ROAE (return on average shareholders' equity) for the periods presented:

	As of and for the year ended December 31,	
	2015	**2016**
	(in percentages)	
Position Compared to Paraguayan Financial System(1)		
Unconsolidated efficiency ratio(2)		
Banco GNB (Paraguay)	47.6%	40.1%
Financial system	48.9%	50.1%
Unconsolidated non-performing loans ratio(3)		
Banco GNB (Paraguay)	1.3%	2.0%
Financial system	2.5%	2.8%
Unconsolidated ROAE(4)		
Banco GNB (Paraguay)	19.6%	19.8%
Financial system	21.3%	18.6%

(1) As of December 31, 2016, the Paraguayan financial system consisted of 17 banks, nine deposit-taking financial companies, four bonded warehouses, 30 foreign exchange trading institutions, one trust company and four other financial entities.

(2) Based on data published by the Paraguayan Central Bank. Calculated as administrative expenses divided by the operational margin.

(3) As published by the Paraguayan Central Bank. Calculated as non-performing loans as a percentage of total loans. Non-performing loans include all loans at least 31 days past due.

(4) Based on data published by the Paraguayan Central Bank. "ROAE" is calculated as net income divided by average shareholders' equity (the sum of shareholders' equity at the end of the fiscal year plus shareholders' equity at the end of the prior fiscal year, divided by two).

Other services and products

In addition to traditional banking services, we also offer the following other services and products through our other subsidiaries:

Fiduciary services-Servitrust

Our subsidiary Servitrust provides fiduciary services including asset management, asset administration, cash management and portfolio management, among others. Servitrust is the fifteenth-largest fiduciary in Colombia as measured by net income and the eighteenth-largest as measured by assets under management at December 31, 2016. Servitrust has an AAA rating from Value and Risk Rating S.A., a Colombian rating agency.

We offer fiduciary services through our branch network and are able to cross-sell our fiduciary services to our banking clients and vice versa.

The acquisition of, and subsequent merger in November 2015 with, HSBC's fiduciary services business has allowed us to increase our presence in the fiduciary services market and provided us with a more complete portfolio of services.

ATM services-Servibanca

Our subsidiary Servibanca operates the second-largest automated teller machine (ATM) network in the Colombian banking system in terms of numbers, with 2,336 ATMs at December 31, 2016.

Servibanca handles traditional transactions such as withdrawals from checking and savings accounts, cash advances on credit cards, balance inquiries, transfers between accounts, payments of bank obligations and credit card debt and payment of utility bills, mobile telephone, cable television, school tuition and healthcare. Servibanca also processes non-traditional transactions such as donations and payments of taxes, traffic violation fines, newspaper subscriptions, airline reservations and liability insurance premiums.

For institutional clients such as financial institutions, we process interbank transactions, offer cash withdrawals and collections. We install satellite ATMs in our institutional client's premises and maintain and monitor the ATM network. We are also a primary electronic banking member for the Visa and MasterCard franchises.

Brokerage services-Servivalores

Our subsidiary Servivalores provides brokerage services, market and risk analysis, exchange services and mutual fund management. Servivalores is the result of the acquisition of two brokerage firms, Suma Valores S.A., a brokerage firm, in 2008 and the acquisition and merger in 2010 of Nacional de Valores S.A. in 2010. Through these acquisitions, Servivalores has become the tenth-largest exchange firm in Colombia in terms of net income at December 31, 2016. Servivalores has an AA+ rating from Value and Risk Rating S.A., the Colombian rating agency. See "—Treasury operations."

Servivalores' assets under management have increased substantially, from Ps 9,447.2 million at December 31, 2008 to Ps 40,895 million at December 31, 2016. In the same period, our client base decreased from approximately 1,312 to 1,277. At December 31, 2016, of all of the assets under management, 77.1% were under commission contract and 5.2% were mutual funds.

Distribution

Colombia

The following table presents transaction volumes by number of transactions made by our clients through our physical distribution channels in Colombia at the dates indicated:

	Transactions Year Ended December 31,		% of total transactions Year Ended December 31,	
	2015	**2016**	**2015**	**2016**
	(in thousands)			
Branches	26,047	23,907	59.1%	57.4%
ATMs[1]	5,419	5,658	12.3%	13.5%
Other	12,608	12,056	28.6%	28.9%
Total	**44,075**	**41,620**	**100.0%**	**100.0%**

(1) Includes transactions from our clients in ATMs owned by us and by third parties.

We had a market share in Colombia of approximately 2.3% of all branches and 15.3% of all ATMs as of June 30, 2016.

The transaction volume by number of transactions made by users of our ATMs (regardless of whether the user is a client) was approximately 3.9 million in 2015 and 4.0 million in 2016.

The following table presents transaction volume by number of transactions for the online banking channel in Colombia at the dates indicated:

	Transactions Year Ended December 31,	
	2015	**2016**
	(in thousands)	
Online banking	470	518

Peru

As of December 31, 2016, Banco GNB (Peru) operated through a head office in Lima, as well as 13 branches (nine located in Lima and Callao, and the remainder in Chiclayo, Arequipa, Piura and Trujillo). Our customers can also access some of our services online and through an ATM network.

Paraguay

As of December 31, 2016, Banco GNB (Paraguay) operated through a head office in Asuncion, as well as seven branches (four located in Asunción, and one in each of Encarnación, Paraná and Hernandarias). Our customers can also access some of our services online through *Bancard*, an ATM network of which we are an equity participant.

Competition

Colombia

The following market share and other data comparing us to our competitors is based on information derived from unconsolidated financial information reported to the Colombian Superintendency of Finance by commercial banks based on Colombian Banking IFRS.

Deposits

We have the tenth-largest market share of total deposits in Colombia, with an aggregate of 3.1% of all deposits in Colombia at December 31, 2016. Our market ranking for checking, savings and term deposits was eleventh, eleventh and ninth, respectively, at December 31, 2016.

Loans

We have the twelfth-largest market share of loans in Colombia, with an aggregate of 1.9% of all loans in the Colombian banking system at December 31, 2016. Our market ranking for consumer and commercial loans was eleventh and tenth, respectively, at December 31, 2016.

Loan portfolio quality

We have the second-lowest non-performing loan ratio of the Colombian banking system. Our non-performing loan ratio was 1.8%, while the average ratio for the Colombian banking system was 3.1%, at December 31, 2016.

At December 31, 2016, the non-performing loan ratio for our commercial loan portfolio was 0.54%, while the average for the Colombian banking system was 2.26%. We believe that our leading ranking is due largely to our strict policy regarding loan intake and our focus on payroll loans (*libranzas*) and development loans, which we believe are less risky than other loan products.

Regulatory capital

Banks in Colombia are required to have regulatory capital of at least 9.0% of risk-weighted assets plus a risk premium calculated pursuant to the rules of the Colombian Superintendency of Finance. For a description of these requirements, see "Colombian Banking Regulation—Capital adequacy requirements." We are well-capitalized under Colombian regulatory capital requirements, and we believe that our current capitalization provides us with substantial flexibility to expand our operations.

The tables below present our unconsolidated capitalization ratio at December 31, 2016:

	December 31, 2016
	(in percentages)
Primary capital (Tier I)[(1)]	9.7%
Secondary capital (Tier II)[(2)]	8.2%
Total capitalization	**17.9%**

(1) Includes primary capital and reserves. See "Colombian Banking Regulation—Capital adequacy requirements."

(2) Includes primarily subordinated debt and unrealized gains on certain assets, including real estate. See "Colombian Banking Regulation—Capital adequacy requirements."

The average capitalization ratio for the Colombian banking system was 15.3% at December 31, 2016.

Liquidity

At December 31, 2016, we had a liquidity ratio of 43.7%, as compared to an average ratio for the Colombian banking system of 2.1%. Our ratio, which was the fourteenth-highest in the Colombian system, reflects our conservative policy of maintaining a high level of liquidity to protect us against severe market changes.

Peru

According to the SBS, as of December 31, 2016, the national financial system comprised 17 commercial banks, 11 financing companies, 12 municipal and six rural savings and loan associations (*cajas*), ten small business development non-bank institutions (*Edpymes*), two leasing companies and three state-owned institutions (not including the Central Bank): Banco de la Nación, Corporación Financiera de Desarrollo S.A-COFIDE, and Banco Agropecuario. Other participants under the supervision of the SBS include trust companies, bonded warehouses, mortgage administrators, factoring and money transfer companies, as well as 21 insurance companies and four private pension fund administrators.

As a result of Peru's strong economic growth, which has outpaced growth by nearby countries, in recent years, several foreign companies have shown interest in entering the Peruvian market while financial companies already in Peru have taken steps to expand operations and develop new businesses. While new entries into the Peruvian banking system over the last two years have not been as pronounced as in previous years, there is evidence that foreign-owned banks are taking steps to begin operations in the Peruvian market. For example, Itau Unibanco, Banco de Brasil, Caixabank, Banco Latinoamericano de Comercio Exterior ("Bladex"), Morgan Stanley Bank, Bank of Tokyo Mitsubishi and Sumitomo Mitsui Banking opened representative offices in Peru.

The table below shows, according to figures published by the SBS, the distribution by type of institution, of assets, direct loans and deposits of the Peruvian financial system, excluding insurance companies and private pension fund managers, as of December 31, 2016:

	As of December 31, 2016		
	Assets	Direct Loans	Deposits
		(in percentages)	
Commercial banks	84.0%	86.6%	82.0%
Municipal savings and loans associations.	5.1%	6.3%	6.5%
Financial companies	2.8%	3.7%	2.2%
Rural savings and loans associations	0.3%	0.4%	0.2%
Small business non-bank institutions	0.4%	0.6%	n.a
Leasing companies	0.1%	0.1%	n.a
State-owned banks[(1)]	7.3%	2.2%	9.0%
Total	**100.0%**	**100.0%**	**100.0%**

[(1)] Banco de la Nación and Banco Agropecuario de la Nación.

Paraguay

According to the Paraguayan Central Bank, as of December 31, 2016, the national financial system comprised 17 banks (nine private domestic banks, four foreign-owned banks, three branches of foreign banks, and state-owned Banco Nacional de Fomento), nine deposit-taking financial companies, four bonded warehouses, 29 foreign exchange trading institutions, and one trust company. The Paraguayan Central Bank also supervises the country's insurance sector, which comprises 36 insurance companies.

As of December 2016, direct foreign subsidiaries and banks with majority foreign participation held 41.9% of bank assets and 43.4% of deposits, while the majority of locally-owned banks had 51.4% of assets and 49.2% of deposits. In addition, the four largest banks, Banco Continental S.A.E.C.A., Banco Itau Paraguay S.A., Banco Regional S.A.E.C.A. and Banco Bilbao Vizcaya Argentaria Paraguay S.A., controlled an aggregate of 58.4% of total bank assets.

Financing companies (*entidades financieras*), which are supervised by the Paraguayan Superintendency of Banks, generally concentrate their operations on providing short-term loans and holding deposits, but are not allowed to offer current or checking accounts. Savings and loan cooperatives, which are supervised by the National Institute of Cooperatives, provide loans and hold deposits exclusively for their members, and their business services cover a majority of micro-loans and small-business financing.

The table below shows, according to figures published by the Paraguayan Central Bank, the distribution by type of institution, of assets, direct loans and deposits of the Paraguayan financial system, excluding insurance companies and private pension fund managers, as of December 31, 2015:

	As of December 31, 2015		
	Assets	Direct Loans	Deposits
		(in percentages)	
Commercial banks	81.6%	82.2%	82.6%
Savings and loans associations	10.0%	10.9%	9.1%
Financial companies	3.4%	4.1%	3.5%
State-owned banks[(1)]	4.9%	2.8%	4.8%
Total	**100.0%**	**100.0%**	**100.0%**

[(1)] Paraguayan National Development Bank (*Banco Nacional de Fomento*)

Treasury operations

Our treasury unit is an active participant in money market and foreign exchange trading. The unit manages our foreign exchange positions and reserves, is involved in analyzing liquidity and other asset/liability matters, and develops and executes new products for our banking clients.

Our proprietary trading consists of trading and short-term investments in securities. At December 31, 2016, we maintained an investment portfolio of Ps 5,284,970 million. The vast majority of our investments is in Colombian sovereign debt (70.64% at December 31, 2016) and has an average maturity of approximately 0.74 years. This reflects our policy of maintaining an investment profile of short maturity and high liquidity.

We are one of twelve recognized market makers for Colombian sovereign debt, and as such, we have access to the liquidity of the SEN. This allows us to carry out investment strategies directly in the secondary market, without having to incur the costs of intermediation by other agents. Our status as a market maker also allows us to participate and have a voice at meetings of the Ministry of Finance where sovereign debt management and Colombian sovereign debt market issues are discussed. We also have access to non-competitive bids for Colombian sovereign debt instruments.

In Peru and Paraguay, we carry out treasury operations that are similar to those in Colombia, except that there is no program of sovereign debt in either country. As a result, the volume of our investments in sovereign debt instruments in Peru and Paraguay is lower than in Colombia.

Technology

We continuously invest in new technology and the renewal of equipment and infrastructure in order to serve customers effectively, improve our profitability and grow our business. We believe that proper management of technology is key to the efficient management of our business. Our scalable technology architecture focuses on our customers and supports our business model.

Our central platform is Bantotal, a central system that acts as depositary of information regarding clients' activities and processes transactions in both domestic and foreign currency. We also use the Web Bantotal information system for our payroll loans (*libranzas*) operations; Dialogo for the administration of investment portfolios; Creditotal for the processing of credit cards; Pointer for the analysis of transactional behavior of clients; and Tivoli for the management of our technological infrastructure.

For technological safety, we use Bantotal Firewall for the detection of possible attacks or intrusions; McAfee for antivirus; Websense for control and filtering of internet navigation; and CriptoVault FTP Seguro for the ciphering and deciphering of archives for the exchange of information. In addition, we have contingency platforms designed to permit the smooth functioning of systems within four hours of any interruption of service.

In 2011, we incorporated a new subsidiary, Servitotal GNB Sudameris S.A., the purpose of which was to develop new technological platforms and solutions for our banking business, in a strategic alliance with Bantotal, a technological solutions company focused on the banking sector.

We incurred Ps 8,262 million and Ps 11,490 million of capital expenditures relating to information technology in the year ended December 31, 2015 and the year ended December 31, 2016, respectively.

Employees

The following table presents our employee count as of the dates specified:

	December 31	
	2015	**2016**
GNB Sudameris Colombia	1,541	1,529
GNB (Peru)	668	565
GNB (Paraguay)	199	201
Servitrust	62	55
Servibanca	73	73
Servivalores	12	10
Servitotal	0	0
Total	**2,555**	**2,433**

As of December 31, 2016, approximately 36.1% of our employees are unionized and 62.1% are included in a collective bargaining agreement. None of the employees at the subsidiaries are unionized or subject to a collective bargaining agreement.

We believe that our employee relations are good. No strikes or other work stoppages have occurred in recent years and none are currently threatened.

Properties

We own properties for corporate purposes only. At December 31, 2016, the value of our properties was Ps 160,636 million. At December 31, 2016, we owned 55 properties. We also lease properties for branches and ATMs.

Legal proceedings

We are subject to judicial and administrative proceedings incidental to the ordinary course of our business. We believe that none of our pending proceedings is material to our financial condition and results of operations. See note 22 to our consolidated financial statements.

INDUSTRY

Colombia

Overview

During the 1990s, Colombia's financial system consisted of a large number of specialized financial entities, which focused on specific areas of finance and the majority of which were separately regulated. However, following the enactment of a series of laws promoting the deregulation of the financial system, including Law No. 45 of 1990, Law No. 35 of 1993 and Decree 663 of 1993, as amended (*Estatuto Orgánico del Sistema Financiero*), or "EOSF," the financial system's competitive landscape shifted from several smaller financial institutions providing a limited set of services to large financial conglomerates with multiple capabilities within the same organization.

The economic crisis of the late 1990s affected most countries in Latin America, including Colombia. Many financial companies were acquired by large commercial banks, while others were nationalized or liquidated. In the aftermath of the crisis and partly as a result of it, the foundation for the current Colombian financial system was laid with the establishment of solid regulatory principles and strengthened financial groups operating under a single regulatory framework.

In the 2000s and 2010s, the financial system in Colombia has continued the consolidation process, leading to relatively high merger and acquisition activity, particularly between 2005 and 2011, with transactions such as: the merger of Corporación Nacional de Ahorro y Vivienda S.A., Corporación Financiera Nacional y Suramericana S.A. and Bancolombia S.A. ("Bancolombia"); the acquisition of Banco Aliadas S.A. by Banco de Occidente; the merger of Banco Tequendama S.A. and the Bank; the merger of Banco Colmena S.A. and Banco Caja Social S.A. to form BCSC S.A.; the acquisition of Bansuperior S.A. by Banco Davivienda S.A. ("Davivienda"); the acquisition of Banco Granahorrar S.A. by BBVA Colombia; and the acquisition of Banco Unión Colombiano S.A. by Banco de Occidente.

Also, during 2006, Banco de Bogotá acquired Megabanco S.A. and Davivienda acquired Gran Banco—Bancafé S.A. In 2007, Bancolombia completed the acquisition of Banagrícola in El Salvador, and in 2008, ABN AMRO Bank Colombia S.A. became Royal Bank of Scotland (Colombia) S.A. following the acquisition of ABN AMRO Bank NV by a consortium led by Royal Bank of Scotland, Fortis and Banco Santander S.A. Also, in 2008, General Electric Money purchased a 49.7% share in Banco Colpatria. In 2010, Scotiabank acquired Royal Bank of Scotland (Colombia) S.A., and five financing companies merged with their respective commercial banks (BBVA Leasing, Leasing Popular, Leasing de Occidente, Leasing Bogotá, and Helm Leasing). In 2011, Scotiabank agreed to acquire a 51% stake in Banco Colpatria and Corpbanca acquired Banco Santander Colombia. At the same time, Banco WWB S.A., Banco Coomeva S.A., Banco Finandina S.A., Banco Falabella S.A. and Banco Pichincha S.A. entered the banking market in Colombia. In 2012, Corpbanca acquired Helm Bank and Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir, S.A., a subsidiary of Grupo Aval Acciones y Valores, S.A., announced it reached an agreement to acquire BBVA Horizonte Sociedad Administradora de Fondos de Pensiones y Cesantías, S.A. In 2013, Grupo Aval acquired BBVA Panamá and Guatemala-based Banco Reformador.

This consolidation cycle continued with Colombian financial entities acquiring other banks and financial services companies abroad. In 2011, Grupo de Inversiones Suramericana, a Colombia-based financial group and Bancolombia's controlling shareholder, acquired ING Group's pension business across the region, which also included some insurance and asset management. In 2012, Davivienda acquired HSBC's businesses in El Salvador, Costa Rica and Honduras; Bancolombia announced the acquisition of 40% of Grupo Agromercantil, a Guatemalan banking conglomerate; Suramericana acquired Peruvian insurance company InVita Seguros de Vida and Salvadoran insurance company Aseguradora Suiza Salvadoreña; and GNB Sudameris acquired HSBC's businesses in Peru and Paraguay. In 2013, Bancolombia acquired HSBC Panama; Davivienda announced the acquisition of Colombian stock brokerage firm Corredores Asociados S.A. Comisionista de Bolsa, and Grupo Aval. More recently, in 2015, Suramericana acquired British insurance group RSA's Latin American operations.

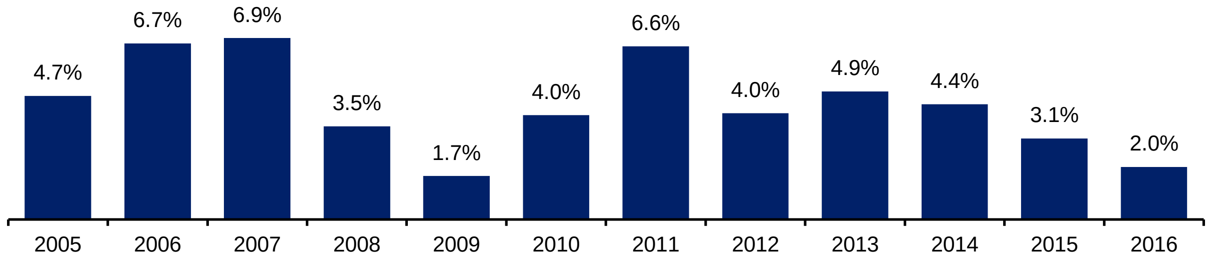
While the Colombian government has been promoting consolidation and expansion of the scope of activities of Colombian financial institutions, it has simultaneously been strengthening corporate governance, risk management and supervision. See "Colombian Banking Regulation."

Banking system during the global economic and financial crisis

Following the bankruptcy of Lehman Brothers in September 2008, international financial markets faced extraordinary levels of volatility. Colombia's financial system was comparatively less vulnerable to the effects of the global economic and financial crisis due to a combination of factors, including high capitalization ratios, lack of exposure to complex financial products such as credit default swaps and collateralized debt obligations, and a strong foundation of domestic deposits with little dependence on capital markets or external funding. Overall, the Colombian banking system benefited from these factors and from the Colombian Central Bank's ability to adopt a countercyclical monetary policy. In the aftermath of the global crisis the system's profitability measures remained stable.

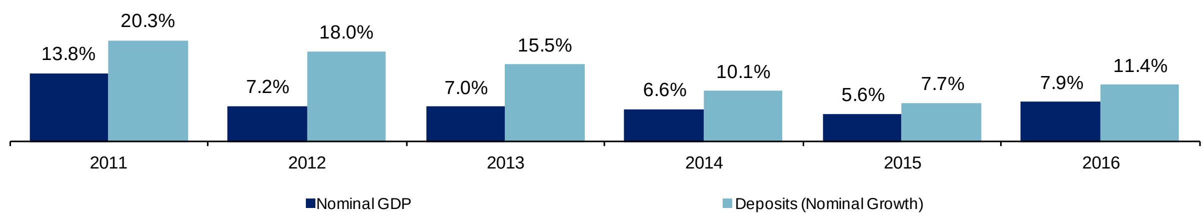
Recent growth of financial sector

From a macroeconomic perspective, the Colombian financial sector has been one of the primary engines of economic growth in the country in recent years. Economic stability, improvements in security conditions, increased employment rates, and enhanced purchasing power on the part of the Colombian population, have contributed to an increase in the penetration of financial services. According to DANE Colombian real GDP grew at a compound annual growth rate of 4.4% between December 31, 2004 and December 31, 2016. The following chart presents annual growth in Colombia's real GDP during the period:



Source: DANE (Data available as of March 2017). Real seasonally adjusted GDP figures based on 2005 constant prices.

Between December 31, 2011 and December 31, 2016, Colombia's unemployment rate fell by 1.1 percentage points, from a rate of 9.8% to 8.7%. In addition, deposits in the banking system grew at a compound annual growth rate of 12.5% in nominal terms between December 31, 2011 and December 31, 2016. The following chart presents the annual growth of Colombia's nominal GDP and deposits in the banking system, as provided by the Colombian Superintendency of Finance.

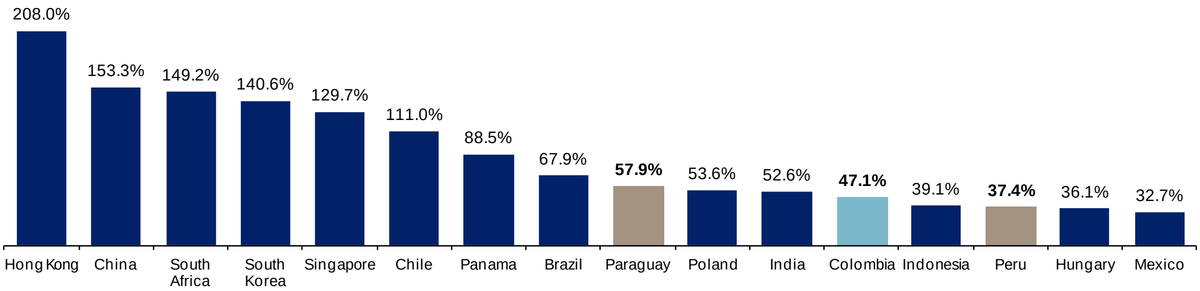


Source: DANE and the Colombian Superintendency of Finance (Data available as of March 2017). Nominal seasonally adjusted GDP figures based on 2005 prices.

Credit volume

Credit volume in Colombia has grown steadily since 2000. Nevertheless, credit penetration is still relatively low when compared other developed and emerging markets. The following chart presents domestic credit to the private sector as a percentage of GDP of specified countries at December 31, 2015:

Domestic credit to the private sector/GDP



Source: 2016 World Bank Development Indicators.

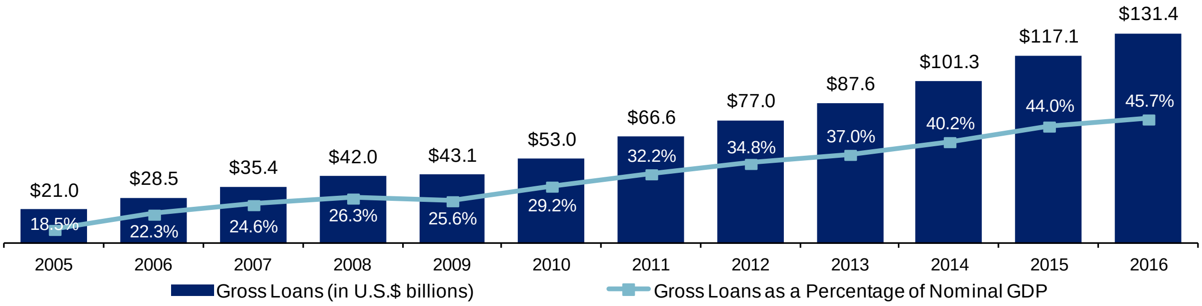
Domestic credit to the private sector as a percentage of GDP, as defined by the World Bank Development Indicators, refers to financial resources provided to the private sector, such as through loans, purchases of non-equity securities, and trade credits and other accounts receivable, that establish a claim for repayment. This definition encompasses a broad range of entities that provide credit, and is not limited to banking institutions. It is widely used for comparison purposes across countries due to its reliability and homogeneity. The World Bank Development Indicators cover 217 countries from 1960 to 2016.

When referring to bank credit penetration, bank credit refers to gross loans and leasing operations provided by commercial banks in Colombia, according to data from the Colombian Superintendency of Finance, and GDP refers to nominal GDP pesos, according to data provided by DANE. We believe these definitions and the calculation resulting therefrom reflect more appropriately Colombia's domestic credit to GDP situation and render a 45.7% ratio for the twelve-month period ended December 31, 2016.

The Colombian bank credit market consists of four main business lines: commercial, consumer, microcredit and mortgage. According to the Colombian Superintendency of Finance, at December 31, 2016, a total of Ps 394 trillion of gross loans granted by Colombian banks were outstanding, of which 57.7% were commercial loans, 27.0% were consumer loans, 12.6% were mortgages, and 2.8% were microcredit loans.

Gross bank loans in the Colombian banking sector as a percentage of GDP increased from 26.3% in 2008 to 45.7% in 2016. The following chart present total bank credit in U.S. dollars and as a percentage of GDP since 2005:

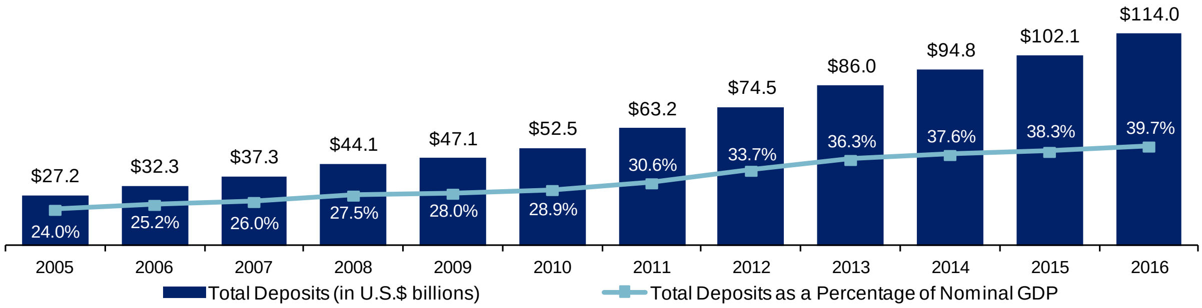
Total credit as a percentage of GDP evolution



Source: DANE and Colombian Superintendency of Finance. Gross loans refer to total loans, including leases. Metrics have been divided by GDP at current prices. Translated for convenience only using the representative market rates as computed and certified by the Colombian Superintendency of Finance of Ps 3,000.71 per U.S.$1.00 at December 31, 2016. On March 17, 2017, the representative market rate was Ps 2,923.96 per U.S.$1.00.

Total deposits as a percentage of GDP evolution

Total deposits in the Colombian banking sector as a percentage of GDP also increased during the same period, from 27.5% to 39.7%. The following chart present total bank credit in U.S. dollars and as a percentage of GDP since 2005:

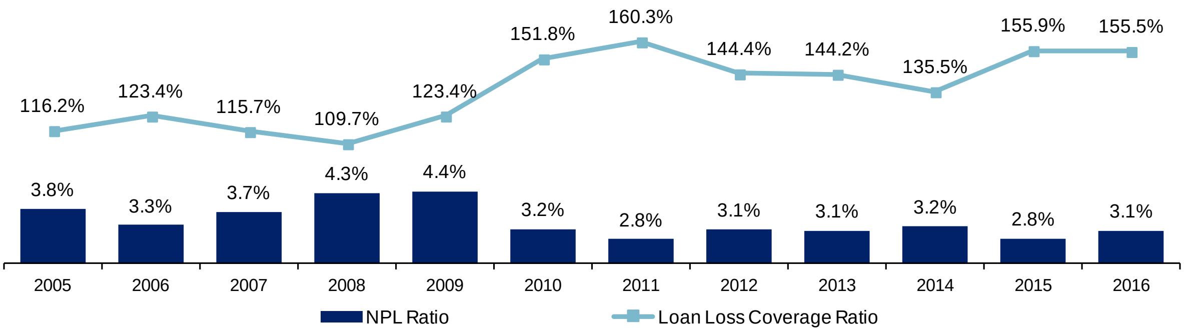


Source: DANE and Colombian Superintendency of Finance. Total deposits refer to current account deposits, simple deposits, term deposits, savings deposits, special savings accounts, and real-value savings certificates. Metrics have been divided by GDP at current prices. Translated for convenience only using the representative market rates as computed and certified by the Colombian Superintendency of Finance of Ps 3,000.71 per U.S.$1.00 at December 31, 2016. On March 17, 2017, the representative market rate was Ps 2,923.96 per U.S.$1.00.

Although asset quality metrics deteriorated between 2007 and mid-2009 as a result of the economic slowdown preceding the global crisis, loan quality and coverage ratios have improved and stabilized since then. In spite of an uptick in non –performing loans in 2016, coverage ratios remain at higher levels compared to pre-crisis years.

The following chart illustrates this trend showing non-performing loan ratio and the loan loss coverage ratio since 2005:

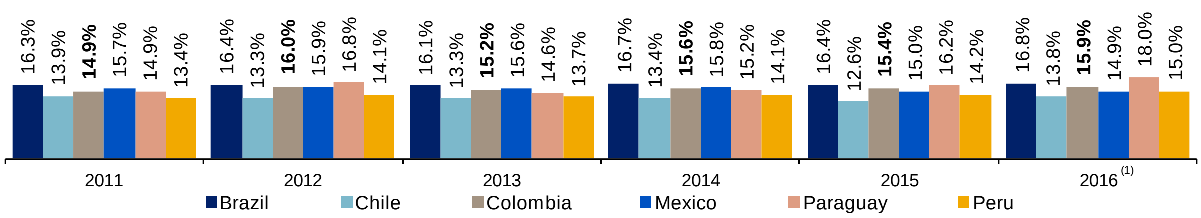
Non-performing loans and loan loss coverage ratio evolution



Source: Colombian Superintendency of Finance. "Non-performing loans" refers to loans overdue more than 30 days, as defined by the Colombian Superintendency of Finance. Loan loss coverage ratio refers to loan loss provisions divided by non-performing loans.

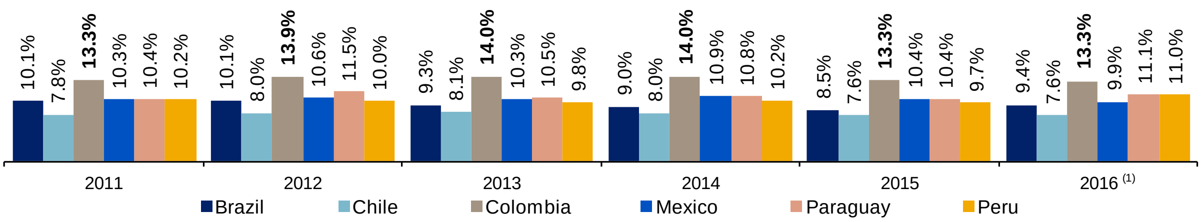
Colombia's banking system is well-capitalized, with an average risk-based capital ratio of 15.9% at December 31, 2016, significantly above the minimum regulatory requirement of 9.0%, as reported by the Colombian Superintendency of Finance. The capital-to-total assets ratio and the risk-based capital ratio have increased since 2007. These ratios exceed that of comparable countries in Latin America. The following charts present capital as a percentage of risk-weighted assets, and capital as a percentage of total assets since 2011 for the banking sector in Brazil, Colombia, Chile, Peru and Mexico.

Regulatory Capital / Risk-Weighted Assets



(1) 2016 refers to latest period available: Brazil - Sep-16; Chile: Dec-16; Colombia: Dec-16; Mexico: Dec-16; Paraguay: Dec-16; Peru: Dec-16.

Shareholders' Equity / Total Assets

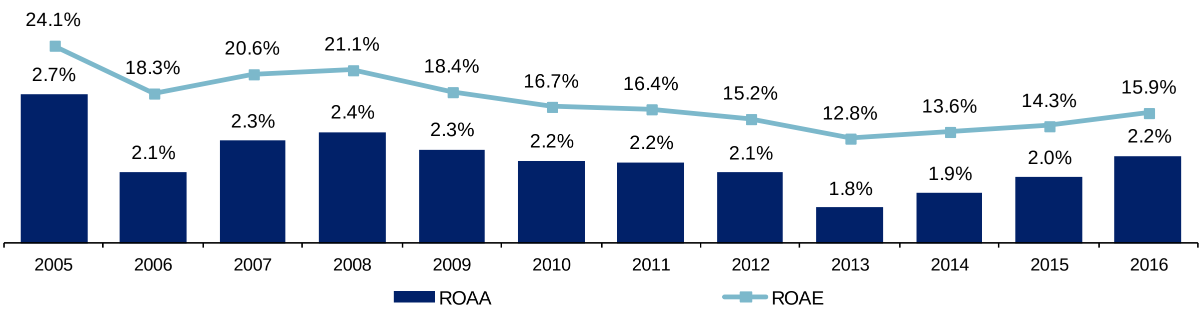


(1) 2016 refers to latest period available: Brazil - Sep-16; Chile: Dec-16; Colombia: Dec-16; Mexico: Dec-16; Paraguay: Dec-16; Peru: Dec-16.

Source: IMF Global Financial Stability Report, Central Bank of Brazil, Colombian Superintendency of Finance, Superintendency of Bank and Financial Institutions of Chile, SBS and National Commission, Bank and Securities of Mexico (*Comisión Nacional Bancaria y de Valores de México*).

After a period of decreasing returns following the global economic and financial crises, the Colombian banking sector's levels of profitability have improved in the past few years. The following chart presents the Return on Average Assets ("ROAA") and Return on Average Equity ("ROAE") for the Colombian financial sector since 2005.

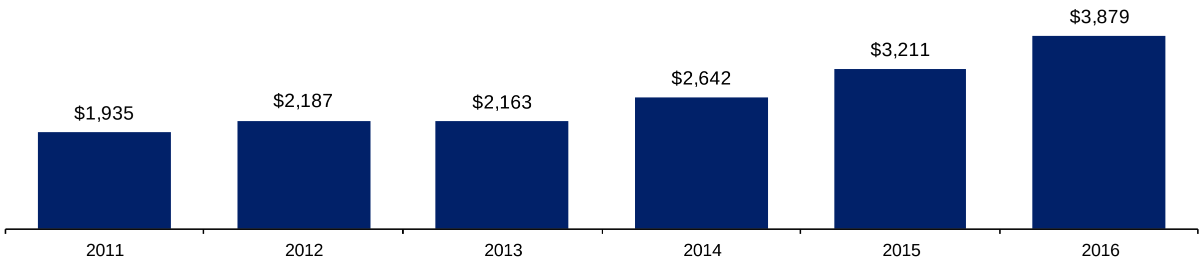
Return on average equity and return on average assets evolution



Source: Colombian Superintendency of Finance. ROAA refers to annualized net earnings divided by the average of assets in the current month and in the same month of the prior year. Similarly, ROAE refers to annualized net earnings divided by the average of shareholders' equity in the current month and in the same month of the prior year.

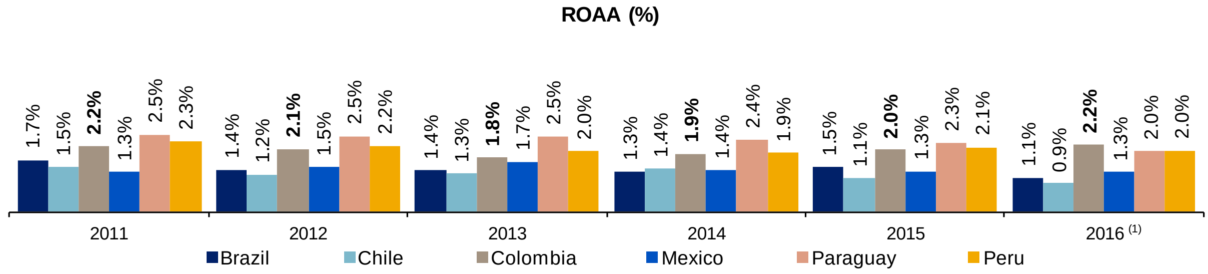
After a period of decreasing returns following the global economic and financial crises, the Colombian banking sector's levels of profitability have improved in the past few years. The following chart presents net income in the Colombian banking sector between 2011 and 2016.

Total net income in the Colombian banking sector in U.S.$ millions

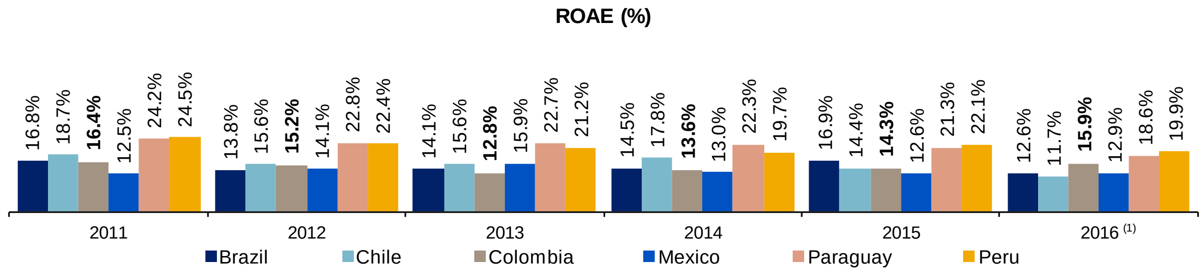


Source: Colombian Superintendency of Finance. Translated for convenience only using the representative market rates as computed and certified by the Colombian Superintendency of Finance of Ps 3,000.71 per U.S.$1.00 at December 31, 2016. On March 17, 2017, the representative market rate was Ps 2,923.96 per U.S.$1.00.

The profitability of Colombia's banking system also compares well to that of its regional competitors. The following charts present ROAA and ROAE for the banking sectors in Brazil, Chile, Colombia, Mexico, Paraguay and Peru between 2011 and 2016.



(1) 2016 refers to latest period available: Brazil - Sep-16; Chile: Dec-16; Colombia: Dec-16; Mexico: Dec-16; Paraguay: Dec-16; Peru: Dec-16.



(1) 2016 refers to latest period available: Brazil - Sep-16; Chile: Dec-16; Colombia: Dec-16; Mexico: Dec-16; Paraguay: Dec-16; Peru: Dec-16.

Source: Central Bank of Brazil, Colombian Superintendency of Finance, Superintendency of Bank and Financial Institutions of Chile, SBS, and National Commission, Bank and Securities of Mexico. ROAA has been calculated as annualized net income divided by the average between the asset balance as of the period and the same period the previous year. Similarly, ROAE has been calculated as each period's annualized net income divided by the average equity of the current period and the same period the previous year.

Main market participants

According to the Colombian Superintendency of Finance, at December 31, 2016, the main participants in the Colombian financial system were the Colombian Central Bank, 25 commercial banks, five finance corporations, 15 financing companies, 11 special official institutions (IOE) for the provision of mezzanine financing and five finance cooperative entities. Additionally, trust companies, insurance companies, insurance brokerage firms, bonded warehouses, pension and severance pay funds also participate. For a description of the roles of these entities, see "Banking Regulation—Colombia—Regulatory framework for Colombian financial institutions." For information about our competitive position, see "Business—Competition—Colombia."

Recent developments in the Colombian stock market

In 2013, the Colombia Stock Exchange established the COLCAP, a new benchmark index which replaced the IGBC. The COLCAP comprises the 20 most liquid stocks at the BVC weighed by their adjusted market capitalization.

After falling 12.0% in 2013, 5.8% in 2014 and 23.7% in 2015, the COLCAP rose 17.2% in 2016, driven by stabilizing crude oil prices, improving investors' perceptions of emerging markets amid a broader recovery of the commodities asset class and the peace agreement between the Colombian government and the country's main rebel group, FARC. As of December 31, 2016 the BVC had an aggregate market capitalization of Ps 311 trillion.

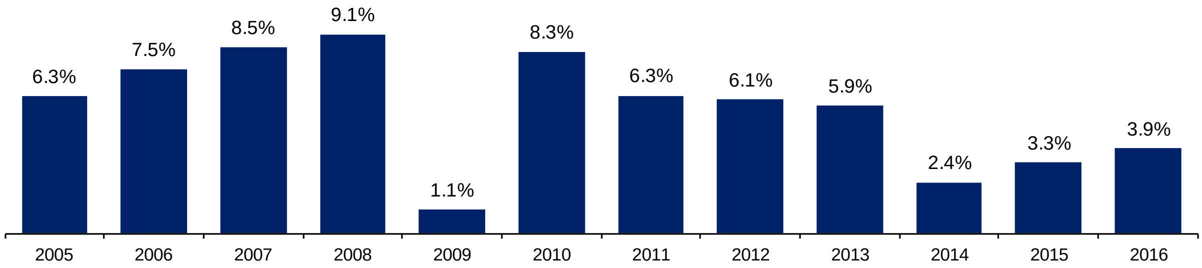
Alongside the Lima Stock Market and the Santiago Stock Market, the BVC was a founding member of the Latin American Integrated Market (*Mercado Integrado Latinoamericano*), or "MILA," a program that integrates the stock markets of the Pacific Alliance nations (Chile, Colombia, Mexico and Peru).

Peru

Overview

The Peruvian financial system was deregulated in the early 1990s. The enactment of the Organic Law of the Central Reserve Bank of Peru, in 1990 and Decree 770 of 1993 removed restrictions on foreign exchange, foreign capital flows and the banking activity. This led to greater inflow of foreign capital and subsequent consolidation on the wake of economic crises in several Latin American economies through the late 1990s. Global financial groups such as BBVA, Santander, HSBC and Scotiabank entered the market through the acquisition of local players between the late 1990s and early 2000s.

As a result of Peru's strong economic growth, which has outpaced nearby countries' in recent years, several companies expanded operations, established partnerships and developed new businesses in the financial sector. The following chart presents annual growth in Peru's real GDP between 2005 and 2016, as provided by the BCRP and the National Institute of Statistics and Information, INEI.



Source: Peruvian Central Bank and INEI (Data available as of March 2017). Real GDP figures based on 2007 constant prices.

In the first half of 2012, Banco Cencosud S.A., owned by the eponymous Chilean conglomerate, started operations in a joint enterprise with Wong, a Peruvian group. Also in 2012, we acquired HSBC Peru and renamed it Banco GNB (Sudameris) Peru. In 2013, rural savings bank (*caja rural de ahorro y crédito*), Nuestra Gente, merged into Confianza, a local financial firm.

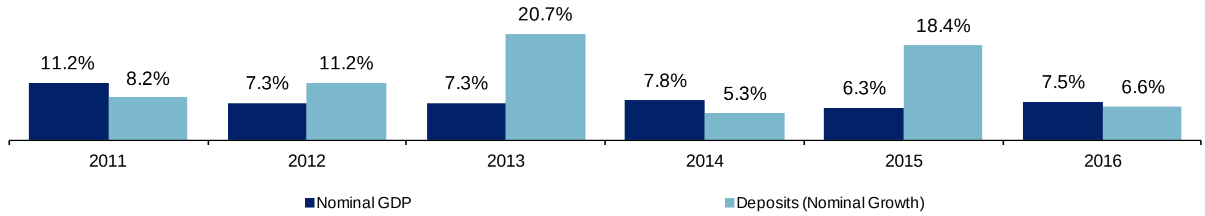
In 2014, the Industrial and Commercial Bank of China Limited ("ICBC") became the first Chinese bank to enter the Peruvian financial system, establishing ICBC Bank Peru. Also in 2014, Edyficar, a microfinance institution owned by Banco de Crédito del Perú, reached an agreement with Grupo ACP Corp to acquire its 60.68% stake in Mibanco. In December 2014, Scotiabank Perú acquired Citibank del Peru's retail banking unit.

While acquisitions and the new players have become less frequent since the global economic and financial crisis, the Peruvian market continues to be observed attentively. Foreign institutions that have recently opened representative offices in the country include Itau Unibanco, Bladex, Morgan Stanley Bank, Bank of Tokyo Mitsubishi and Sumitomo Mitsui Banking. On the other hand, in October 2015, Deutsche Bank ceased operations in Peru, as part of a broader restructuring effort that also targeted the German institution's operations in nine other countries.

Recent growth of financial sector

The Peruvian financial sector is relatively concentrated: as of December 31, 2016, the five largest players represent 86.6% of the system's gross loans, 85.8% of total deposits, and 85.4% of total equity. The relatively fast growth of the country's economy and low penetration of banking services have driven expansion mostly through organic initiatives by established local players. Macroeconomic stability, low credit risk levels, expanding middle classes and rising disposable incomes have fueled demand for financial services.

The following chart presents the annual growth of Peru's nominal GDP and deposits in the banking system, as provided by the SBS:



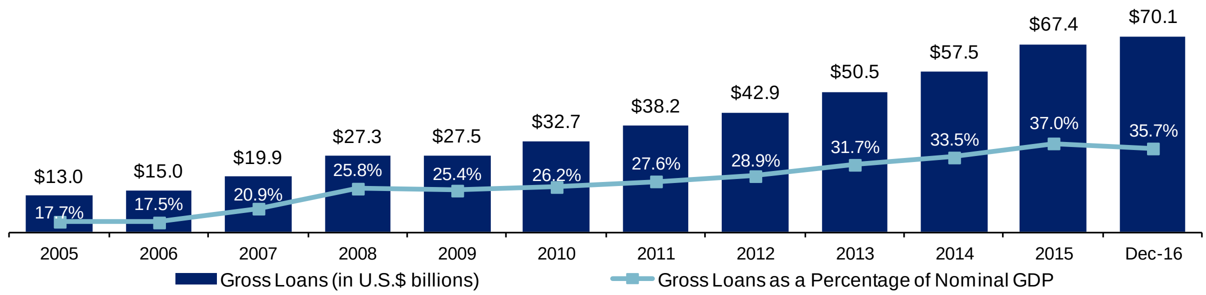
Source: INEI and SBS (Data available as of March 2017).

Credit volume

As in other Latin American markets, the lending activity in Peru has increased considerably in the last ten to 15 years. Still, credit penetration remains low compared to other emerging and developed markets (see "—Colombia."). Gross loans provided by Peruvian banking entities amounted to 35.7% of nominal GDP in 2016. This compares to a ratio of 25.8% in 2008.

The following chart plots bank credit expressed in U.S. dollars and as a percentage of GDP since 2005:

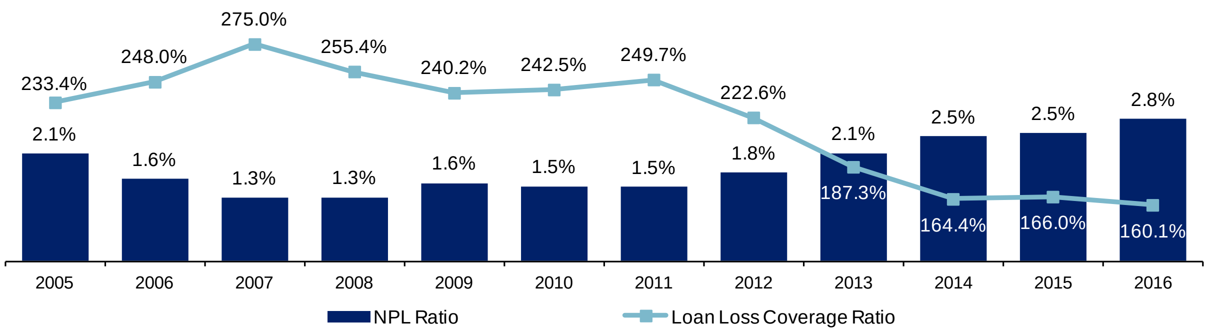
Total credit as a percentage of GDP evolution



Source: BCRP. Gross loans provided by Peruvian banking entities and then divided by GDP at current prices in Soles. Translated for convenience only using the average of banking, interbanking and informal rates as reported by the Peruvian Central Bank of S/ 3.36 per U.S.$1.00 at December 31, 2016. On March 29, 2017, the representative market rate was S/3.24 per U.S.$1.00.

As of December 31, 2016, the SBS reported an outstanding gross loan balance of S./ 235 billion, of which 65.8% were commercial loans, 17.8% were consumer loans, and 16.4% were mortgages. In terms of asset quality metrics, non-performing loans, as defined by the SBS, amounted to 2.8% of the total portfolio. Loan loss coverage ratios have stabilized at adequate levels. The following chart illustrates this trend:

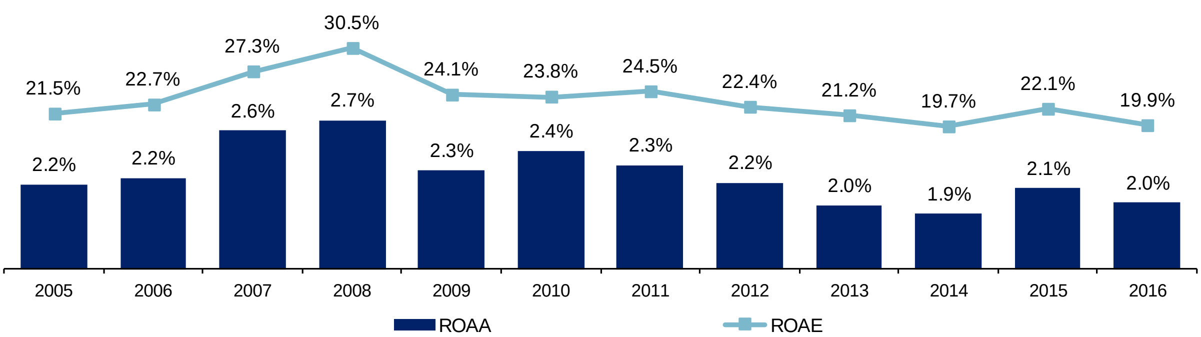
Non-performing loans and loan loss coverage ratio evolution



Source: SBS. As defined by the SBS, "non-performing loans" refers to corporate loans overdue for more than 15 days; and SME, mortgage and consumer loans overdue for more than 30 days. Loan loss coverage ratio refers to loan loss provisions divided by non-performing loans.

Profitability of the Peruvian financial sector has remained relatively stable over the past decade, and comparing favorably against Latin America's largest economies. The following chart presents the ROAA and ROAE for the Peruvian banking system since 2005:

Return on average equity and return on average assets evolution



Source: SBS. ROAA refers to annualized net earnings divided by the average of assets in the current month and in the same month of the prior year. Similarly, ROAE refers to annualized net earnings divided by the average of shareholders' equity in the current month and in the same month of the prior year.

Main market participants

According to the SBS, as of December 31, 2016, the national financial system comprised 16 commercial banks, 11 financing companies, 12 municipal and six rural savings and loan associations (*cajas*), ten small business development non-bank institutions (*Edpymes*), two leasing companies and three state-owned institutions (not including the Central Bank): Banco de la Nación, Corporación Financiera de Desarrollo S.A-COFIDE, and Banco Agropecuario. Other participants under the supervision of the SBS include trust companies, bonded warehouses, mortgage administrators, factoring and money transfer companies, as well as 21 insurance companies and four private pension fund administrators.

Recent developments in the Peruvian stock market

Peru was the top performing Latin American equity market in 2016, propelled by perceived market-friendly policies of the new administration and an improving backdrop in the emerging markets asset class. After falling 6.1% in 2014 and 33.4% in 2015, the S&P/Lima Stock Market Index (S&P/BVL Peru General), or S&P/BVL rose 58.1% in the year. This compares to an increase of 31.5% in the MSCI LatAm Index. The Lima Stock Exchange, closed 2016 with combined market capitalization of S./ 416 billion and average daily trading volume of S./ 61.5 million. The Lima Stock Exchange also is a member of MILA.

Paraguay

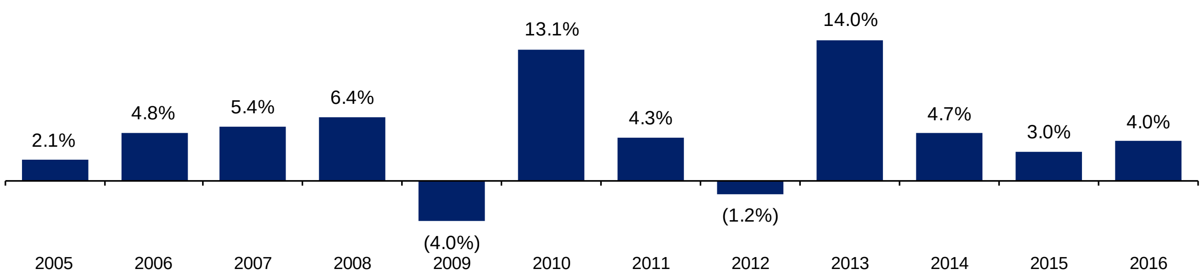
Overview

During the 1990s, Paraguay embarked on a process of financial liberalization. Authorities removed controls over the foreign exchange market, liberalized interest rates, reduced reserve requirements, gradually eliminated the discount facility at the Paraguayan Central Bank, and released public sector deposits from the central monetary authority to the banking system. Unaccompanied by regulatory and enforcement safeguards, rapid deregulation led to financial instability, and Paraguay experienced five financial crisis between 1995 and 2003. During this period, the national financial system was substantially affected by Argentina's sovereign debt crisis in 2001-2002.

In 2003, Law No. 2334 established additional protections for depositors and a new liquidation procedure for insolvent entities. Regulatory reform gathered pace in the 2000s and 2010s. In 2008, a new regulation was introduced to provide for improved risk assessment and the establishment of an assets/reserves ratio providing for better coverage for credit risks; that same year, the Paraguayan financial system's supervisory body introduced stricter prudential rules for the classification of assets, credit risk and reserves. Other measures included new regulations on the opening of financial institutions and the strengthening of on-site and off-site supervision and the supervisory capacity of the Paraguayan Superintendency of Banks. At the same time, new laws such as the Fiscal Responsibility Law and the Law to Modernize the State's Financial Administration also led to the perception of improvements in Paraguay's institutional framework.

Recent growth of financial sector

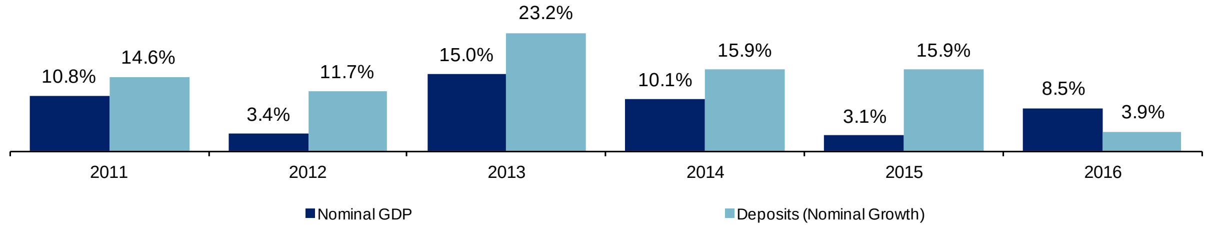
The Paraguayan financial system has expanded rapidly in the past few years, on the wake of institutional reform, expansion of economic activity (particularly in agribusiness and manufacturing) and rising purchasing power on the part of the Paraguayan population. The following chart presents annual growth in Paraguay's real GDP during the period:



Source: Paraguayan Central Bank (Data available as of March 2017). Real GDP figures based on 1994 constant prices.

Paraguay's high exposure to the agribusiness sector and economic crises in key trading partners Brazil and Argentina mean that the recent commodities slump and economic deceleration in its two largest neighbors have led to slower GDP growth. However, the development of new economic activities such as "maquila" industry and manufacturing has propelled demand for financial services. The financial sector, as a result, has consistently outperformed GDP in the past few years.

The following chart presents annual growth of nominal GDP and deposits in the banking system since 2011:

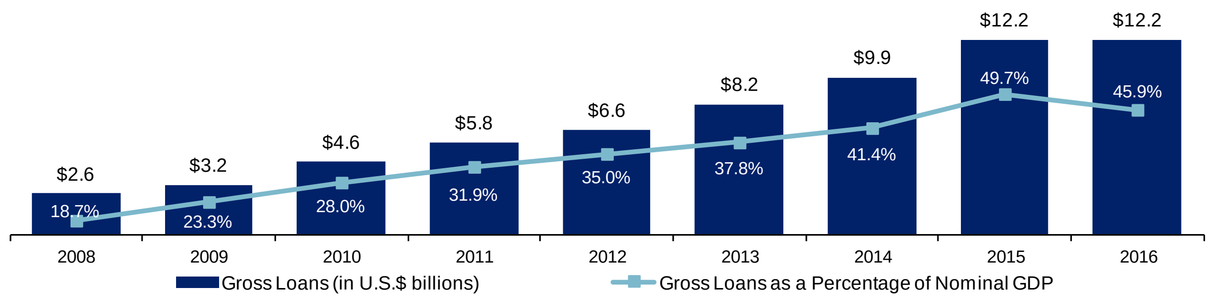


Source: Paraguayan Central Bank (Data available as of March 2017).

Credit volume

Financial intermediation has expanded rapidly in the aftermath of the global economic and financial crisis, as the country's agribusiness-centered economy experienced fast growth in demand from emerging consumer markets. As is the case in other Latin American markets, credit penetration remains low compared to other emerging and developed markets, with total credit representing 45.9% of GDP for the twelve-month period ended December 31, 2016. This compares to a ratio of 18.7% in 2008 and a peak of 49.7% in 2015:

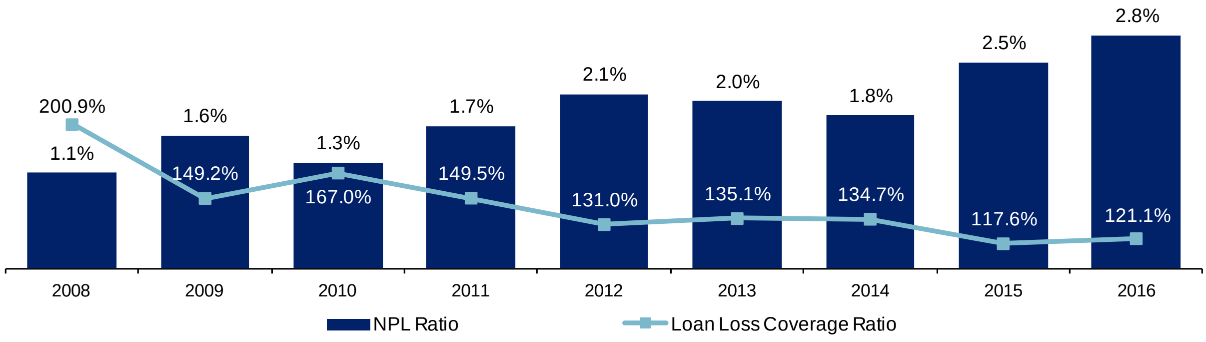
Total credit in as a percentage of GDP evolution



Source: Paraguayan Central Bank. Gross loans provided by Paraguayan banking entities and then divided by GDP at current prices in Guaraníes. Translated for convenience only using the market rate as reported by the Paraguayan Central Bank of ₲ 5,786 per U.S.$1.00 at December 31, 2016. On March 29, 2017, the representative market rate was ₲ 5,633.80 per U.S.$1.00.

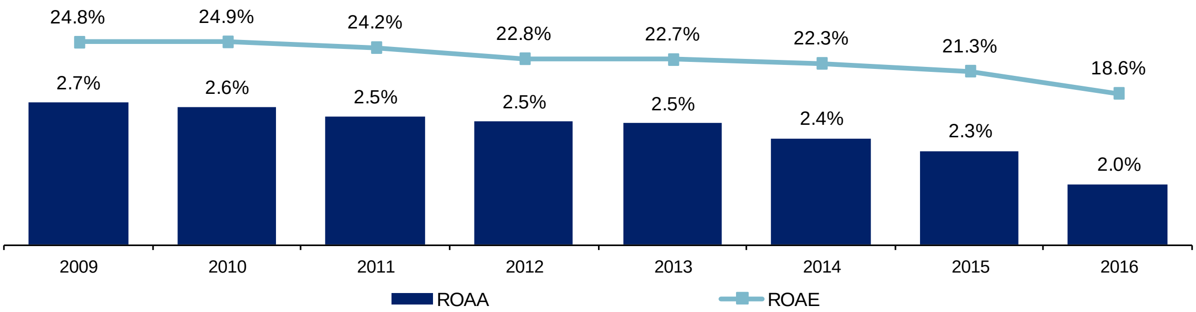
As of December 31, 2016, the Paraguayan Central Bank reported an outstanding gross loan balance of ₲ 71 trillion. In terms of asset quality, non-performing loans, as defined by the Paraguayan Central Bank, amounted to 2.8% of the total portfolio, whereas the loan loss coverage ratio stands at 121.1%. The following chart illustrates this trend:

Non-performing loans and loan loss coverage ratio evolution



Source: Paraguayan Central Bank. "Non-performing loans" refers to corporate loans overdue as defined by the Paraguayan Central Bank Loan loss coverage ratio refers to loan loss provisions divided by non-performing loans.

Reporting a ROAA and ROAE of 2.0% and 18.6%, respectively, in the year ended December 31, 2016, the Paraguayan financial sector compares favorably against Latin America's largest economies in terms of profitability, in spite of a recent slowdown in macroeconomic activity. The following chart presents the ROAA and ROAE for the banking system since 2009:



Source: Paraguayan Central Bank. ROAA refers to 12-month profits divided by the average of assets in the current month and in the same month of the prior year. ROAE refers to 12-month profits divided by the average of shareholders' equity in the current month and in the same month of the prior year.

Main market participants

According to the Paraguayan Central Bank, as of December 31, 2016, the national financial system comprised 17 banks (nine private domestic banks, four foreign-owned banks, three branches of foreign banks, and state-owned Banco Nacional de Fomento), nine deposit-taking financial companies, four bonded warehouses, 30 foreign exchange trading institutions, and one trust company. The Paraguayan Central Bank also supervises the country's insurance sector, which comprises 36 insurance companies.

BANKING REGULATION

Colombia

Colombian banking regulators

Pursuant to the Colombian Constitution, the Colombian Congress has the power to prescribe the general legal framework within which the government and other authorities may regulate the financial system. The Colombian Constitution also permits the Colombian Congress to authorize government intervention in the economy by statute. The agencies vested with the authority to regulate the financial system are the board of directors of the Colombian Central Bank, the Colombian Ministry of Finance, the Colombian Superintendency of Finance, the Superintendency of Industry and Commerce and the Securities Market Self-Regulatory Organization.

Colombian Central Bank

The Colombian Central Bank exercises the customary functions of a central bank, including price stabilization, legal currency issuance, regulation of currency circulation, credit and exchange rate monitoring and administration of international reserves. Its board of directors is the regulatory authority for monetary, currency exchange and credit policies, and is responsible for the direction and execution of the Colombian Central Bank duties. The Colombian Central Bank also acts as a last resort lender to financial institutions.

Pursuant to the Colombian Constitution, the Colombian Central Bank is autonomous and independent from the government in the formulation of monetary policy and currency exchange and credit policies. Specifically, the Constitution provides administrative, technical, budgetary and legal autonomy for the Colombian Central Bank and its board of directors in respect of monetary, credit and foreign exchange matters. The Colombian Central Bank reports to the Colombian Congress. Its board of directors has seven members, one of whom is the Minister of Finance and Public Credit, one member is the General Manager of the Colombian Central Bank, and the other five members, who are full-time employees of the Colombian Central Bank, are appointed by the President of Colombia for four-year terms that can be extended.

Ministry of Finance and Public Credit

The Ministry of Finance designs, coordinates, regulates and executes economic policy, seeking to create an optimal administration of public finances for the economic and social development of the country. The Ministry of Finance regulates all aspects of finance, securities and insurance activities, pursuant to powers conferred by the Colombian Constitution. As part of its duties, the Ministry of Finance issues decrees related mainly to financial, taxation, customs, public credit and budgetary matters that may affect banking transactions in Colombia. In particular, the Ministry of Finance is responsible for regulations relating to financial institutions' capital adequacy, risk limitations, authorized transactions, disclosure of information and accounting.

Decree 4172 of 2011, established the Unit of Financial Regulation, an affiliated unit of the Ministry of Finance. The Unit of Financial Regulation is responsible for preparing and drafting any new financial, credit, securities, foreign exchange and insurance regulation to be issued by the Colombian Government.

Colombian Superintendency of Finance

The Colombian Superintendency of Finance was created as a result of the merger between the Superintendency of Banking and the Superintendency of Securities in 2005. All of the powers and responsibilities of the former Superintendency of Banking and Superintendency of Securities were assigned to the newly created Colombian Superintendency of Finance.

The Colombian Superintendency of Finance is a technical entity affiliated with the Ministry of Finance that acts as the inspection, supervision and control authority of persons involved in financial, insurance and securities exchange activities, and any other operations related to the management, use or investment of resources collected from the public. The Colombian Superintendency of Finance is responsible for supervising the Colombian financial system with the purpose of preserving its stability and trustworthiness, as well as promoting, organizing and developing the Colombian securities market and protecting the users of financial and insurance services and investors in general.

Financial institutions must obtain the authorization of the Colombian Superintendency of Finance before commencing operations. In addition, all local public offering of securities require the prior approval of the Colombian Superintendency of Finance.

Violations of the financial system rules and regulations are subject to administrative, and in some cases, criminal sanctions. The Colombian Superintendency of Finance may inspect Colombian financial institutions on a discretionary basis and has the authority to impose fines on such institutions and their directors and officers for violations of Colombian laws or regulations, or such financial institutions' by-laws.

The Colombian Superintendency of Finance exerts its supervisory powers over the financial sector on a consolidated and comprehensive basis. The consolidated supervision extends to all financial institutions including banks operating in Colombia and their subsidiaries abroad, in the latter case to the extent permitted by the laws of the respective country of incorporation. For these purposes, the Colombian Superintendency of Finance has executed several memorandums of understanding with foreign financial sector regulators and is currently negotiating the execution of additional memorandums of understanding with other financial regulators, to promote an exchange of information and enhance its consolidated and comprehensive supervision.

According to Colombian law (Decree 2555 of 2010 and Basic Accounting Circular), and in order to facilitate the Colombian Superintendency of Finance's supervision, financial institutions are required to consolidate the results of operations of all of their subsidiaries in order to present consolidated financial statements of the controlling entity and its subsidiaries, consolidated capitalization ratios and capital adequacy requirements of the group. As financial institutions, the Bank, Servitrust and Servivalores are required to comply with these requirements.

The Colombian Superintendency of Finance may also conduct onsite inspections of Colombian financial institutions and even of their subsidiaries located abroad, in the latter case, subject to the applicable laws of the subsidiary's country of incorporation.

Direct capital investments by Colombian financial institutions in foreign financial, brokerage or insurance companies, branches or agencies, require the prior authorization of the Colombian Superintendency of Finance. Indirect capital investment (i.e. through a subsidiary) in foreign financial, brokerage or insurance companies, branches or agencies, require prior authorization by the Superintendency of Finance if: (i) the initial investment equals or exceeds 10% of the investor's paid-in capital, (ii) additional investments equal or exceed 5% of the investor's paid-in capital or (iii) the financial regulatory authority of the country where the investment is to be made has not executed a memorandum of understanding with the Colombian Superintendency of Finance. Other indirect investments require only prior notice to the Colombian Superintendency of Finance.

The Bank and its Colombian subsidiaries are subject to the regulatory supervision of the Colombian Superintendency of Finance. Additionally, as an issuer of securities traded on the Colombian Stock Exchange, the Bank is subject to the supervision of the Colombian Superintendency of Finance.

Currently, no foreign subsidiaries are subject to the regulations nor direct supervision of the Colombian Superintendency of Finance. However, the Colombia Superintendency of Finance requires the Bank to present information on its foreign subsidiaries and could require the Bank to undertake actions that would have an indirect effect on its foreign subsidiaries.

FOGAFIN

FOGAFIN was created in 1985 pursuant to Law No. 117. The primary function of FOGAFIN is to administer the deposit insurance system, with the objective of guaranteeing the deposits and savings held by the general public in Colombian financial institutions. See "—Troubled financial institutions—Deposit insurance." The other primary purposes for which FOGAFIN was formed were to support the banking industry, to facilitate the privatization of financial institutions by the Colombian government, and to liquidate financial institutions under receivership.

FOGAFIN has tools and mechanisms that enable it to administer and temporarily take equity stakes in troubled financial institutions in order to allow it to determine whether a financial institution is viable or requires liquidation.

Securities market self-regulatory organization

Self-regulation in the capital markets was formally introduced in Colombia by Law No. 964 of 2005, and the securities market self-regulatory organization (*Autorregulador del Mercado de Valores*), or "SRO," was created in June 2006.

The SRO has the power to supervise, sanction and regulate the entities subject to self-regulation (i.e., including securities intermediaries and any entity that voluntarily submits itself to self-regulation).

The SRO's supervisory powers entitle it to review compliance with applicable laws and regulations and impose sanctions in the case of violations. The SRO may also propose regulation aimed at various matters, including conflicts of interest and improving the integrity and quality of the capital markets.

Superintendency of Industry and Commerce

According to Law No. 1340 of 2009, the Superintendency of Industry and Commerce is the competent national authority for all antitrust matters in every sector of the economy, including the financial sector.

As such, the Superintendency of Industry and Commerce is responsible for advancing administrative investigations of antitrust violations to financial and non-financial corporations, and has the power to impose corresponding sanctions.

The Superintendency of Industry and Commerce is responsible for approving economic mergers, acquisitions and integrations between and among enterprises, except for mergers, acquisitions or integrations between financial entities. The Colombian Superintendency of Finance is the authority responsible for approving mergers, acquisitions and integrations between financial institutions. For those approvals, the Colombian Superintendency of Finance must obtain a prior written opinion by the Superintendency of Industry and Commerce.

Regulatory framework for Colombian financial institutions

The basic regulatory framework for the operations of the Colombian financial sector is set forth in the Financial Statute, as amended and supplemented, as well as in Decree 2555 of 2010, Resolution 8 of 2000, (exchange control regulation statute) and Resolution 4 of 2006 issued by the board of directors of the Colombian Central Bank, all as amended and supplemented.

The Financial Statute (*Estatuto Orgánico del Sistema Financiero*) defines the structure of the Colombian financial system and establishes various business entities, including (1) financial institutions (which are further categorized into banks, finance corporations, finance companies and finance cooperatives), (2) financial services entities, (3) capitalization corporations, (4) insurance companies and (5) insurance intermediaries.

The Financial Statute also provides that no financial, banking or credit institution may operate in Colombia without the prior approval of the Colombian Superintendency of Finance. Subject to prior approval of the Colombian Superintendency of Finance, foreign banks may operate in Colombia through their subsidiaries established and incorporated in Colombia. Under Law No.1328 of 2009, foreign banks, are permitted to operate through their "branches" and are not required to incorporate a Colombian subsidiary. These branches must comply with the same minimum capital requirements applicable to a Colombian subsidiary of a foreign bank.

The main role of banks, finance corporations and financing companies is to receive deposits. Banks place funds back into circulation by means of loans or any active credit operation; finance corporations place funds into circulation by means of active credit operations or investments, with the purpose of promoting the creation or expansion of enterprises; and financing companies place funds back into circulation by means of active credit operations, with the purpose of fostering the sale of goods and services including the development of leasing operations.

Each credit institution must be separately authorized before it may develop and provide financial services. Furthermore, the activities of credit institutions are subject to limitations and restrictions, including limitations and restrictions relating to the extension of credit, risk concentration, investments, conditional operations, foreign currency loans and negotiations, and the administration of third-party funds. One of the principal restrictions on financial activities is that banks may not acquire or hold products, merchandise, shares of corporations, income bonds, or other similar securities, except (1) when the bank has received those goods or securities as collateral for loans it has made or (2) with respect to shares, when they are issued by companies where banks are permitted to hold investments (mainly financial affiliates). Banks are also subject to other limitations, including limitations on lending activities.

Laws 510 of 1999, 546 of 1999, 795 of 2003 and 1328 of 2009 substantially modified the control, regulation and surveillance powers of the Colombian Superintendency of Finance. In addition, Law No. 510 of 1999 and Law 1328 of 2009 streamlined the procedures and powers for FOGAFIN.

The main purpose of Law 510 of 1999 was to increase the solvency and stability of Colombia's financial institutions by establishing rules regarding their incorporation, as well as the permitted investments of credit institutions, insurance companies and investment companies. Law No. 546 of 1999 was enacted in order to regulate the system of long-term home loans.

Law 795 of 2003 was enacted with the purpose of broadening the scope of activities to be performed by financial institutions and to update Colombian regulations with the principles of the Basel II framework. Law 795 of 2003 also increased the minimum capital requirements needed to incorporate a financial institution (see "—Minimum capital requirements") and authorized the Colombian Superintendency of Finance to take precautionary measures with respect to financial institutions whose capital falls below certain thresholds. For example, in order to avoid a temporary taking of possession by the Colombian Superintendency of Finance, troubled financial institutions must submit a restructuring program to the Colombian Superintendency of Finance.

Law 1328 of 2009, as amended, provided a new set of rights and responsibilities for customers of the financial system and a set of obligations for financial institutions, in order to minimize disputes. This law also broadened the scope of permitted business activities by regulated entities. Following its adoption, banks were allowed to operate leasing businesses and to extend loans to third parties so that borrowers may acquire control of other companies. Furthermore, Decree 2555 of 2010 establishes rules applicable to financial securities and insurance activities.

In order to implement and enforce the provisions related to Colombia's financial system, the Colombian Superintendency of Finance issues periodic circulars and resolutions. External Circular 029 of 2014, as amended, consolidates all of the rules and regulations applicable to financial institutions, including rules and regulations relating to the management, operations, investments, lending activities and money laundering prevention activities of financial institutions. External Circular 100 of 1995, or the "Basic Accounting Circular", as amended, consolidates all of the regulations applicable to the accounting and financial rules of financial institutions. Furthermore, the Basic Accounting Circular regulated the assessment of credit institutions' investments, risk management, financial statements, information disclosure and inter-banking credits.

Violations of Laws 510 of 1999, 546 of 1999, 795 of 2003 or 1328 of 2009, as well as of specific provisions of Decree 663 of 1993 and their relevant regulations, are subject to administrative sanctions and, in some cases, criminal sanctions.

Modifications to the regulatory framework for Colombian financial institutions based on the Basel III accords

Colombia is not Basel III fully compliant, to prepare for the implementation of the Basel III accords in Colombia, the Ministry of Finance, through the Unit of Financial Regulation, in consultation with the Colombian Superintendency of Finance, amended and supplemented Decree 2555 of 2010 through Decree 1771 of 2012, Decree 904 of 2013, 1648 of 2014, and 73 and 2392 of 2015, (the "Basel III Decrees"). Pursuant to these new decrees, new capital components were included within the assets to be recognized as Tier I Capital and Tier II Capital. Under Decree 2392 of 2015, credit institutions are permitted to issue debt instruments that comply with certain regulatory requirements in order to include their outstanding principal amount as a component of Tier I Capital or Tier II Capital. These requirements include, among others, provisions of perpetuity and loss absorption mechanism for Tier I Capital and loss absorption mechanisms for Tier II Capital and amortization provisions in both cases. In such a case, the outstanding principal amount eligible to be included as Tier II Capital amortizes on a straight-line, annual basis, during the five years immediately prior to their final maturity.

Additionally, Decree 2392 established a transitional rule to issue debt instruments as component of Tier II Capital meeting the requirements referred to in the preceding paragraph with the exception of the loss absorption mechanism and a special amortization rule for those debt instruments issued from December 31, 2015 to December 31, 2017 ("Transitional Tier II Capital Instruments"). The transitional rule provides that (i) 100% of the outstanding principal amount of the Transitional Tier II Capital Instruments that are issued from December 31, 2015 to December 31, 2017 will be eligible to be included as Tier II Capital until December 31, 2017.

Subsequently, the outstanding principal amount of the Transitional Tier II Capital Instruments will be phased out from then on, with the base for calculation set at an amount equivalent to the outstanding principal amount of all such Transitional Tier II Capital Instruments as of December 31, 2017 (the "Transitional Tier II Capital Base"). In 2018, a maximum of 90% of the Transitional Tier II Base of each Transitional Tier II Capital Instrument will be eligible to be considered as Tier II Capital. In the years following 2018, and on every anniversary thereafter, the percentage of the Transitional Tier II Capital Base eligible to be included as Tier II Capital will decrease by 10% per year. From January 1, 2026, the Transitional Tier II Capital Instruments will no longer be eligible to be included as a component of Tier II Capital. Notwithstanding the foregoing, beginning on the fifth year prior to the final maturity of the Transitional Tier II Capital Instrument, the outstanding principal amount of such instrument that will be eligible to be included as Tier II Capital will be the lesser of (i) the amount eligible for inclusion as determined based on the immediately preceding sentences and (ii) the amount that results from amortizing the outstanding principal amount of the instrument on a straight-line, annual basis during the five years prior to its final maturity.

The Unit of Financial Regulation of the Ministry of Finance has announced its intention to issue new provisions regarding Basel III capital adequacy requirements during the first semester of 2017 that will make Colombia more compliant with Basel III accords.

Furthermore, the Ministry of Finance, through the Unit of Financial Regulation, in consultation with the Colombian Superintendency of Finance, continue to perform an internal review of regulations applicable to financial institutions. Although it is expected that the Ministry of Finance will review all such regulations, to date it has focused its review on:

- the cyclical and countercyclical effects of changes in the financial environment: the Ministry of Finance has appointed a special committee to track financial developments, which is currently evaluating macroprudential instruments based on the Basel III accord; and

- the need for further adjustments to manage liquidity risk: the Ministry of Finance is currently reviewing the links and interactions between different market agents for how this could affect the liquidity of financial institutions.

The Colombian government is actively working on implementing the Basel III Accord and changes to current regulations.

Key interest rates

Colombian commercial banks, finance corporations and financing companies are required to report data to the Colombian Central Bank on a weekly basis regarding the total volume (in pesos) of certificates of deposit issued during the prior week and the average interest rates paid for certificates of deposit with maturities of 90 days. Based on such reports, the Colombian Central Bank calculates the DTF rate, which is published at the beginning of the following week for use in calculating interest rates payable by financial institutions. The DTF is the weighted average interest rate paid by commercial banks, finance corporations and financing companies for certificates of deposit with maturities of 90 days. For the week of March 27, 2017 to April 2, 2017, the DTF was 6.65%.

The Colombian Central Bank also calculates the interbank rate (*Interés Bancario de Referencia*), or "IBR," which acts as a reference of overnight and one-month interbank loans, based on quotations submitted each business day by eight participating banks to the Colombian Central Bank. Using a weighted average of the quotations submitted, the Colombian Central Bank calculates the overnight IBR each business day. The one- month IBR is calculated each Tuesday.

Article 884 of the Colombian Commercial Code provides for a limit on the amount of interest that may be charged in commercial transactions. The limit is 1.5 times the current banking interest rate (*Interés Bancario Corriente*), calculated as the average of the interest ordinarily charged by banks within a set period of time. The current banking interest rate is certified by the Colombian Superintendency of Finance.

Capital adequacy requirements

Capital adequacy requirements for Colombian credit institutions (as set forth in Decree 2555 of 2010) are based on the Basel Committee standards. The regulations establish five categories of assets, which are each assigned different risk weights, and require that a credit institution's technical capital (as defined below) be at least 9.0% of that institution's total risk-weighted assets.

As part of the implementation of the Basel III Accord in Colombia, the Colombian government, through the Ministry of Finance and the Colombian Superintendency of Finance, has issued the Basel III Decrees to amend and supplement Decree 2555. Among others, the Basel III Decrees modified the concepts that should be considered as part of the "technical capital" (*patrimonio técnico*) of banks. Decree 904 modified the concept of "adequate capital" (*patrimonio adecuado)* in order to include special state owned institutions and cooperative credit institutions as entities subject to the equity and solvency regulations of financial institutions, among others. Decree 1648 introduced the concept of hybrid instruments and modified the requirements that an instrument should meet to qualify as part of the additional primary capital (*patrimonio básico adicional*) of Tier I Capital, among others. Decree 2392 modified the requirements that an instrument should meet to qualify as secondary capital (*patrimonio adicional*) (Tier II Capital).

Pursuant to Decree 2555, as amended and supplemented by the Basel III Decrees, the technical capital, for the purposes of the regulations, consists of: (i) the sum of primary capital (*patrimonio básico*), net of deductions and the additional primary capital (*patrimonio básico adicional*) (Tier I Capital); and (ii) secondary capital (*patrimonio adicional*) (Tier II Capital).

A credit institution's technical capital must be at least 9.0% of that institution's total risk-weighted assets and must also comply with a measure of "core solvency" for the primary capital of Tier I Capital, which requires higher quality capital set at a minimum of 4.5% of risk-weighted assets. Pursuant to Decree 2555 of 2010, as amended, the Colombian Superintendency of Finance must grant prior approval of the eligibility of a debt, equity or hybrid instrument in order to be classified as Tier I Capital, or Tier II Capital.

Primary capital of Tier I Capital consists mainly of the following:

- outstanding and paid-in share capital that comply with the requirements set forth in Articles 2.1.1.1.6 and 2.1.1.1.7 of Decree 2555, modified by Decree;

- the amount of dividends to be paid in shares, as long as the shares comply with the requirements set forth in Articles 2.1.1.1.6 and 2.1.1.1.7 of Decree 2555, modified by Decree 1771;

- the premium on the placement of shares (capital surplus);

- legal reserves taken from liquid profits;

- irrevocable donations;

- net positive result of the cumulative translation adjustment account (*ajuste por conversión de estados financieros*);

- capital stock paid in prior to its issuance by the entity, provided, however, that the stock remains unissued for a maximum term of four months. After such time frame, it will no longer be considered as primary capital (Tier I);

- shares held as a guarantee by FOGAFIN when the entity is in compliance with a recovery program aimed at bringing the financial entity back into compliance with capital adequacy requirements.

- subordinated bonds held by FOGAFIN when they comply with certain requirements stated in the regulations.

- any other type of securities issued or guaranteed by FOGAFIN with the purpose of strengthening the capital of the entities, and

- non-controlling interests registered in the consolidated financial statements, subject to the conditions set forth in the regulations.

Items deducted from primary capital of Tier I Capital consist of the following:

- losses of any prior or current period;

- investments in shares, mandatory convertible bonds, subordinated bonds that may be convertible into shares or, in general, subordinated debt instruments or hybrid instruments issued, directly or indirectly, by foreign financial institutions or entities subject to the control of the Colombian Superintendency of Finance, without including valuations but including the adjustments with respect to entities that the consolidation does not apply. The following investments are not subject to this deduction:

    - investments made by the banks that are part of the national system of credit for agriculture of FINAGRO;

    - investments in other financial institutions controlled by the Colombian Superintendency of Finance made with the purpose of undertaking an acquisition proceeding under the terms of article 63 of the Financial Statute; and

    - investments made by the banks in entities subject to the control of the Colombian Superintendency of Finance that are consolidated by another controlled entity, when such participations cannot be considered as minority's interest by the consolidator.

- deferred income tax, if positive;

- intangible assets recorded since August 23, 2012;
- shares that are reacquired in the circumstances set forth in the Financial Statute; and
- the non-amortized value of the actuarial amount of any pension liabilities.

Additional primary capital of Tier I Capital includes, among others:

- outstanding and paid-in share capital that the Colombian Superintendency of Finance classifies as part of the secondary basic capital in accordance with articles 2.1.1.1.6 and 2.1.1.1.8 of the Decree 2555, as modified by Decree 2392 of 2015;
- the value of dividends declared to be paid in shares of the type mentioned above; and non- controlling interests registered in the consolidated financial statements, subject to the conditions set forth in the regulation; and
- Debt instruments that the Colombian Superintendency of Finance classifies as secondary basic capital in accordance with articles 2.1.1.1.6 and 2.1.1.1.8 of Decree 2555.

Secondary capital (Tier II Capital), consists of other reserves and retained earnings, which are added to primary capital net of deductions and the additional primary capital (*patrimonio básico adicional*) (Tier I Capital) to calculate technical capital. Secondary capital (Tier II Capital) includes:

- the profits of the current period in the percentage that the general assembly of shareholders irrevocably commits to capitalize or to increase the legal reserve at the end of such period. These profits will only be recognized as secondary capital (Tier II Capital) when the Colombian Superintendency of Finance approves the commitment document;
- the occasional reserves (other than the fiscal reserve provided in the Decree 2336 of 1995) up to an amount equivalent to 10% of the technical capital. These reserves will only be recognized as secondary capital (Tier II) when the Colombian Superintendency of Finance approves the minimum stay commitment document;
- non-controlling interests recorded in the consolidated financial statements, subject to the conditions set forth in the regulation;
- 50% of the fiscal reserve provided in Decree 2336 of 1995;
- 50% of the appraisals or profits not derived from investments classified as available for sale in debt and equity securities with high or medium marketability in the terms provided for in Decree 2555, as amended;
- 30% of the reappraisals or unrealized profits derived from investments in equity instruments with low or non-existing trade volumes, or not listed in trading platforms, subject to an appraisal by an independent expert, according to the regulations expected to be issued by the Colombian Superintendency of Finance, and to the terms provided in Decree 1771;
- mandatory convertible bonds effectively subscribed and paid for that comply with the conditions set forth in the Financial Statute;
- the value of the general provisions made by banks, in an amount not greater than 1.25% of risk-weighted assets; and

- subordinated debt instruments that the Colombian Superintendency of Finance classifies as secondary capital in accordance with articles 2.1.1.1.6 and 2.1.1.1.9 of Decree 2555, modified by Decree 2395. These subordinated debt instruments must meet the following characteristics:

  - The debt instrument should correspond to an authorized, placed and paid debt;

  - Incorporates a right over the residual assets in proportion to its participation in the subscribed capital, once the deposits and external liabilities have been paid in an event of liquidation. The rights may not be guaranteed, insured or have any type of arrangement pursuant to which its category or subordination level is increased;

  - The subordinated instruments could only be redeemed, re-paid or deleted from the technical capital by initiative of the issuer after a five-year term has elapsed, provided that the following requirements are met: (i) the issuer obtains prior approval of the Colombian Superintendency of Finance; (ii) the debt instruments are exchanged for debt instruments that qualify for the Tier I Capital or Tier II Capital and such exchange in terms that allow the issuer to have sustainable income generation capacity; and (iii) the issuer does not create expectations regarding the payment, redemption, or early repurchase of the instruments;

  - The issuer may incorporate a provision that allows the periodic adjustment of the base rate to which the instrument is indexed pursuant to the periodicity set forth in the relevant prospectus. However, such adjustment could not be in function of the credit solvency of the issuer;

  - The purchase of the debt instrument could not be financed by the issuer or any company related to the issuer;

  - During the five years immediately prior to the maturity date or the first call date, as the case may be, the registered value of the Tier II Capital will be reduced by 20% annually;

  - The debt instrument must incorporate a loss absorption mechanism that would cause the debt instrument principal to incur in losses should the capitalization ratio of the bank falls below a ratio threshold provided by applicable regulations, except for the Transitional Tier II Capital Instruments. See "—Modifications to the regulatory framework for Colombian financial institutions based on the Basel III Accords".

The following table sets forth our reported and as-adjusted consolidated capital adequacy information at December 31, 2015 and 2016. The reported figures are calculated using the methodology prescribed by the Colombian Superintendency of Finance, which requires that we subtract investments in non-consolidated entities from our regulatory capital.

	At December 31,	
	2015	**2016**
	(in Ps millions, except ratios)	
Subscribed and paid capital	66,020	66,020
Share premium	486,135	486,135
Reserves	661,883	776,559
Non-controlling interest	0	15,865
Less:		
Long-term investments	(11,216)	(42,863)
Revaluations of intangible assets	(171,730)	(212,923)
Results of previous periods	(59,708)	(108,704)
Unrealized gains (losses)	(87,028)	0
Primary capital (Tier I)	**884,356**	**980,089**
Net income	97,198	104,610
Others	18,507	0
Subordinated bonds	795,785	805,679
Computed secondary capital (Tier II)	**911,490**	**910,289**
Technical capital	1,795,846	1,890,378
Risk-weighted assets	14,045,175	14,444,705
Value at risk	125,255	82,730
Regulatory value at risk[(1)]	1,391,581	919,133
Risk-weighted assets including regulatory value at risk	15,436,895	15,363,929
Primary capital (Tier I) to risk-weighted assets including regulatory value at risk	5.7%	6.4%
Secondary capital (Tier II) to risk-weighted assets including regulatory value at risk	5.9%	5.9%
Capitalization ratio[(2)]	11.6%	12.3%

(1) Regulatory value at risk consists of value at risk multiplied by (100/9) as required by the Colombian Superintendency of Finance. See "—Capital adequacy requirements."

(2) Capitalization ratio is calculated as technical capital to risk-weighted assets including regulatory value at risk.

At December 31, 2016, the technical capital ratio was 12.3%, exceeding the requirement of the Colombian government and the Colombian Superintendency of Finance by 330 basis points. At December 31, 2015, our technical capital ratio was 11.6%.

The Basic Accounting Circular contains provisions relating to liquidity risk, interest rate risk, foreign exchange rate risk and market risk. Colombian banks are required to calculate a VaR based on a methodology provided by the Colombian Superintendency of Finance. VaR is used in assessing a bank's solvency. Future changes in VaR requirements could have a material effect on our operations in the future.

Our combined loan portfolio, net of provisions, is 14.2% weighted as risk-weighted assets at December 31, 2016. Provisions corresponding to our operations are determined by measuring credit risk. For this purpose, credit extensions are rated according to their risk level ("A," "B," "C," "D" or "E"); the Colombian Superintendency of Finance has established minimum provision levels for each rating.

Mandatory investments

Colombian banking institutions are required to invest in agricultural development bonds (*Títulos de Desarrollo Agropecuario* or "TDAs") issued by Finagro, a government entity, according to External Resolution 3 of 2000 of the Colombian Central Bank, as amended. The Colombian Central Bank requires that each bank maintain a total investment in these bonds equal to 5.8% of its checking and saving deposits, plus 4.3% of its term deposits with a maturity of up to 18 months. Finagro may issue two different types of agricultural development bonds, Class A with an interest rate of 4 percentage points below the DTF rate (DTF-4) and Class B with an interest rate of 2 percentage points below the DTF (DTF-2). If the DTF interest rate falls to 4% or less, the profitability of the Class A TDAs will be 0%, and if the DTF interest rate falls to 2% or less, the profitability of the Class B TDAs will be 0%. As of 2016, banks are required to invest 50% of the total mandatory investment in Class A TDAs and 50% in Class B TDAs.

Until 2006, banking institutions were required to invest in debt reduction bonds (*Títulos de Reducción de Deuda*), issued by the Colombian government. These bonds are no longer a mandatory investment but are still outstanding in the portfolios of bank institutions until maturity.

Under government discretion, authorities may extend the scope of current regulations or require additional disbursements on current or new types of mandatory investments.

Minimum capital requirements

Article 80 of Decree 663 of 1993, as amended by Law No. 795 of 2003, establishes minimum incorporation capital requirements for different financial institutions. When a financial institution fails to comply with the minimum required capital after a cure period granted by law, it may be intervened by the Colombian Superintendency of Finance, by virtue of which it may be liquidated, merged into another institution or its corporate form may be converted into another category of financial institution, notwithstanding the fact that the institution may be subject to fines imposed by the Colombian Superintendency of Finance.

The minimum incorporation capital requirement for banks on an unconsolidated basis for 2017 is Ps 884,644 million. Through December 31, 2016, we have consistently satisfied this incorporation capital requirement. At December 31, 2016, our incorporation capital was Ps 1,788,400 million.

Capital investment limit

All investments in subsidiaries and other authorized capital investments, other than those carried out in order to fulfill legal provisions, may not exceed 100% of the total aggregate of the capital, equity reserves and the equity revaluation account of the respective bank, financial corporation or financing company, excluding unadjusted fixed assets and including deductions for accumulated losses.

Foreign currency position requirements

According to External Resolution 9 of 2013 issued by the Board of Directors of the Colombian Central Bank, as amended and supplemented, a financial institution must comply with certain thresholds referring to foreign currency position (*posición propia en moneda extranjera*), foreign currency position in cash (*posición propia de contado*) and gross leverage position (*posición bruta de apalancamiento*).

External Resolution 9 of 2013 of the Colombian Central Bank, as amended and supplemented, provides guidelines for foreign currency positions of financial institutions, including the following:

- foreign currency position is the difference between such institution's foreign currency-denominated rights and liabilities (including any off-balance sheet items), realized or contingent, including those that may be sold in Colombian legal currency. The average of a bank's foreign currency position for three business days cannot exceed the equivalent in foreign currency of 20.0% of the bank's technical capital. Currency exchange intermediaries such as the Bank are permitted to hold a three business days' average negative foreign currency position not exceeding the equivalent in foreign currency of 5.0% of its technical capital (with penalties being payable after the first business day). At December 31, 2016, we had a consolidated foreign currency position of U.S.$791.6 million, in compliance with these regulatory guidelines;

- foreign currency position in cash is defined as the difference between all foreign currency-denominated assets and liabilities. A bank's three business days' average foreign currency position in cash cannot exceed 50.0% of the bank's technical capital. Currency exchange intermediaries such as the Bank are permitted to hold a three business days' average negative foreign currency position in cash not exceeding the equivalent in foreign currency of 20.0% of its technical capital (with penalties being payable after the first business day). At December 31, 2016, we had a consolidated foreign currency position in cash of U.S.$65.4 million, in compliance with these regulatory guidelines; and

- gross position of leverage, defined as (1) the value of term contracts denominated in foreign currency, plus (2) the value of transactions denominated in foreign currency to be settled in cash within one or more days, and (3) the value of the exchange rate risk exposure associated with exchange rate options and derivatives. Resolution 9 of 2013 the Colombian Central Bank establishes that the average of a bank's gross position of leverage for three business days cannot exceed 550.0% of the technical capital of such bank. In calculating the gross position of leverage, Resolution 9 of 2013 of the Colombian Central Bank excludes (i) any foreign exchange transactions that intermediaries of the FX Market perform as local suppliers of liquidity of foreign currency using the systems of compensation and liquidation of currencies when there is a breach of payment by a participant and (ii) financing operations obtained by intermediaries of the FX Market to perform liquidity supply operations in foreign currency. At December 31, 2016, we had a consolidated gross position of leverage of U.S.$726.1 million, in compliance with these regulatory guidelines.

Reserve requirements

Commercial banks are required by the Colombian Central Bank to satisfy reserve requirements with respect to deposits and other cash demands. These reserves are held by the Colombian Central Bank in the form of cash deposits. According to External Resolution 05 of 2008, as amended, the reserve requirements for Colombian banks are measured bi-weekly and the amounts depend on the class of deposits.

The reserves of credit institutions range between zero and 11.0%. For example, credit institutions must maintain reserves of 11.0% for current accounts deposits and saving accounts deposits, reserves of 4.5% for term deposits with a maturity of less than 18 months, and no reserves for term deposits with a maturity of more than 18 months days.

Credit institutions may maintain these reserves in their accounts at the Colombian Central Bank.

Foreign currency loans

Colombian residents may only obtain foreign currency loans from non-residents or from Colombian financial institutions. Foreign currency loans must be either channeled through foreign exchange intermediaries (such as Colombian financial institutions) or deposited in offshore compensation accounts (including specially designated accounts at foreign banks held by Colombian residents and registered with the Colombian Central Bank).

Under regulations issued by the Colombian Central Bank, every Colombian resident and institution borrowing funds in foreign currency is generally required to post with the Colombian Central Bank non-interest-bearing deposits for a specified term; however the size of the required deposit is currently zero. No such deposits would be required for foreign currency loans aimed at financing Colombian investments abroad or for short-term export loans (provided the loan is disbursed against the funds of Bancoldex).

In addition, pursuant to Law No. 9 of 1991, the Board of Directors of the Colombian Central Bank is entitled to impose conditions and limitations on the incurrence of foreign currency indebtedness in order to avoid pressure in the foreign exchange market.

Law 1607 of 2012 has established that loans obtained abroad by banks incorporated under the laws of Colombia when the creditor is a non-Colombian tax resident or is not domiciled in Colombia are not deemed to be held in Colombia and interest payments are not considered national source income for income tax purposes.

Restrictions on foreign investment in Colombia

Colombia's foreign investment statute regulates the manner in which non-residents are permitted to invest in Colombia and participate in the Colombian securities market. Among other requirements, Colombian law requires foreign investors to register certain foreign exchange transactions with the Colombian Central Bank and obtain authorization for certain types of investments. Certain foreign exchange transactions, including those between residents and non-residents, must be made through authorized foreign exchange market participants.

Non-residents are permitted to hold portfolio investments in Colombia, through either a registered stock brokerage firm, a trust company or an investment firm. Investors would only be allowed to transfer dividends abroad after the foreign investment registration procedure with the Colombian Central Bank has been completed. The failure of a non-resident investor to report or register foreign exchange transactions with the Colombian Central Bank relating to investments in Colombia on a timely basis may prevent the investor from remitting dividends, or an investigation that may result in a fine, may be commenced.

Provision for loan losses

Under Colombian Banking IFRS, calculation of provisions for loan losses in the separate financial statements of Colombian credit institutions differs from the way in which such provisions are calculated in their consolidated financial statements. Separate financial statements of credit institutions must follow the Colombian Superintendency of Finance guidelines relating to provisions for loan losses established in the Basic Accounting Circular, as amended, which refer to the adoption of a Credit Risk Administration System (*Sistema de Administración de Riesgo de Crédito*), or "SARC," by credit institutions.

The SARC system adopted by each credit institution must contain policies and procedures defining the manner in which the institution assesses, evaluates, classifies, grades, controls and covers credit risk. Management must adopt policies and procedures to ensure adequate risk management in connection with the establishment of provisions and of lending and continuous monitoring standards.

Under the current model of provisions for loan losses, loans must be classified and graded in five different categories, from "A" to "E" as established by the Colombian Superintendency of Finance. Loans classified in category "A" are considered "normal" or "ordinary," with a regular credit risk. Loans classified in category "B" are those considered to have an acceptable risk. In category "C," institutions must include loans with an appreciable risk, while in category "D," loans with a significant or material credit risk. Finally, loans that are not able to be recovered, or that have a reduced chance of being recovered, must be classified in category "E." Each bank must follow this system.

The Colombian Superintendency of Finance's guidelines specify the criteria for classifying loans, including type of loan (i.e., commercial, consumer, mortgage or microcredit loans), age of loan, term of default and variation of the credit risk of the debtor (by determining repayment capability and payment record). Credit institutions are also required to apply specific provisions to particular categories of loans, which are calculated as a percentage of the outstanding balance.

For mortgage loans and microcredit loans a general provision for loan losses of 1% of the principal amount must be established for each mortgage and microcredit loan.

In addition to the general provision, individual provisions for loan losses must be established.

The following table presents the minimum individual provision for mortgage loan losses, as established by the Colombian Superintendency of Finance:

Credit category	Percentage of provision over the guaranteed portion of the loan	Percentage of provision over the non-guaranteed portion of the loan
A	1.0	1.0
B	3.2	100.0
C	10.0	100.0
D	20.0	100.0
E	30.0	100.0

The following table presents the minimum individual provision for microcredit loan losses:

Credit grade	Minimum Provision Percentage[(1)]	Minimum Provision Percentage[(2)]
A	0.0	1.0
B	1.0	2.2
C	20.0	0.0
D	50.0	0.0
E	100.0	0.0

(1) Provision percentage that will be applied over the balance due on the loan, after discounting the value of acceptable guarantees, taking into account the rules provided in Annex 1 of Chapter II of Basic Accounting Circular.

(2) Provision percentage that will be applied over the balance due on the loan without discounting the value of acceptable guarantees.

In any case, the minimum individual provision for credit losses corresponds to the sum of:

- The provision percentage applicable to the balance due, net of the value of acceptable guarantees; and
- The provision percentage applicable to the entire balance due on the loan.

In the case of consumer and commercial loans, Annex 3 to Chapter II of the Basic Accounting Circular (as amended by External Circular No. 32 of 2015) issued by the Colombian Superintendency of Finance, establishes that financial institutions which provide consumer and commercial loans may prepare lending internal models which classify and qualify all consumer and commercial loans granted by said entity, in order to constitute non- performing loan provisions (that includes countercyclical parameters) reflecting the classification and qualification set in the model.

Under this regulation, each financial institution may submit its own internal models for the review (and non-objection opinion) of the Colombian Superintendency of Finance. However, if an entity does not propose such internal models or if they are objected to by the Colombian Superintendency of Finance, the reference models contained in the Basic Accounting Circular must be applied to their lending activities.

Lending limits

Decree 2555 of 2010, provides that a financial institution may not lend to a single borrower an amount in excess of 10% of such institution's technical capital (*patrimonio técnico*) if the only collateral for such obligations is the borrower's assets. However, financial institutions may lend to a single borrower an amount up to25% of such institution’s technical capital as long as such obligations are secured by eligible collateral sufficient to secure a risk exceeding 5% of such equity, in accordance with the financial institution’s guidelines.

Furthermore, a financial institution may lend to a single borrower an amount up to 25% of such institution’s technical capital when financing fourth generation road concessions (*cuarta generación de concesiones viales*) under public-private partnerships (*asociaciones público privadas*), as specified in Law 1508 of 2012, provided that the borrowing public-private partnership complies with the eligibility criteria set forth in the National Council for Economic and Social Policy (“CONPES”) documents CONPES 3760 of August 20 of 2013 or other CONPES documents approved in accordance with such CONPES 3760.

Pursuant to Decree 2555 of 2010, a bank may not make a loan to any shareholder that holds directly more than 10% of its share capital for one year after such shareholder reaches the 10% threshold. In no event may a loan to a shareholder holding, directly or indirectly, 20% or more of a bank’s share capital exceed 20% of a bank’s technical capital. In addition, no loan to a single financial institution may exceed 30% of a bank’s technical capital, with the exception of loans funded by Colombian development banks for which no limit exists. Loans secured by a stand-by letter of credit issued by a foreign bank may be granted up to an amount equivalent to 40% of the bank’s technical capital, provided that if the stand-by letter of credit issuer is a related party to the Colombian financial institution, the loan may not exceed 30% of a bank’s technical capital.

If a financial institution exceeds these limits, the Colombian Superintendency of Finance may impose a fine equal to up to twice the amount by which any such loan exceeded the limit and, in some cases, there may be criminal sanctions.

At December 31, 2016, our lending limit per borrower was Ps 183,028 million for unsecured loans and Ps 366,355 million for secured loans.

Decree 2555 of 2010 sets a maximum limit for risk concentrated in one single party, equivalent to 30% of a bank’s technical capital, the calculation of which includes loans, leasing operations and equity and debt investments.

The Colombian Central Bank also has the authority to establish maximum limits on the interest rates that commercial banks and other financial institutions may charge on loans.

Intervention powers of the Colombian Superintendency of Finance—Bankruptcy considerations

Pursuant to the Colombian Banking Law, the Colombian Superintendency of Finance has the power to intervene in the operations of a bank in order to prevent it from, or to control and reduce the effects of, a bank failure.

The Colombian Superintendency of Finance may intervene in a bank’s business (1) prior to the liquidation of the bank, by taking precautionary measures in order to prevent the bank from being taken over by the Colombian Superintendency of Finance, or (2) to take possession of the bank to either administer the bank or order its liquidation, depending on the severity of the situation.

The purpose of taking possession is to allow the Colombian Superintendency of Finance to decide (1) whether the entity-should be liquidated, (2) whether it is possible to place it in a position to continue doing business in the ordinary course, or (3) whether other measures may be adopted to secure better conditions so that depositors, creditors and investors may obtain the full or partial payment of their credits.

If the Colombian Superintendency of Finance takes possession of a bank, FOGAFIN must appoint a special agent (who must be accepted by the Colombian Superintendency of Finance) to administer the affairs of the bank during such process and until the bank is ordered to be liquidated or the entity is reestablished to continue doing business in the ordinary course.

During the period of the Colombian Superintendency of Finance's possession (which period ends when the liquidation process begins), Colombian banking laws prevent any creditor of the bank from (1) initiating any procedure for the collection of any amount owed by the bank, (2) enforcing any judicial decision rendered against the bank to secure payment of any of its obligations, (3) placing a lien or attachment on any of the assets of the bank to secure payment of any of its obligations, or (4) making any payment, advance or compensation or assuming any obligation on behalf of the bank, with the funds or assets that may belong to it and are held by third parties, except for payments that are made by way of set-off between regulated entities of the Colombian financial and insurance systems.

In the event that the bank is liquidated, the Colombian Superintendency of Finance must, among other measures, provide that all term obligations of the bank are due and payable at the date when the order to liquidate becomes effective.

During the liquidation process bank deposits and other types of saving instruments will be excluded from the liquidation process. Claims of creditors, as a general rule, rank as follows: (i) the first class of credits includes mainly court expenses incurred in the interest of all creditors, wages and other obligations related with employment contracts and tax authorities' credits regarding national and local taxes; (ii) the second class of credits generally comprises credits secured by a security interest on movable assets; (iii) the third class of credits includes the credits secured by real estate collateral, such as mortgages; (iv) the fourth class of credits contains some other credits of the tax authorities against the debtor that are not included in the first class of credits and credits of suppliers of raw materials and input to the debtor; and (v) finally, the fifth class of credits includes all other credits without any security interest or privilege; provided however, that among credits of the fifth class, subordinated credits shall be ranked junior to the external liabilities (*pasivos externos*) senior only to capital stock. Each category of creditors will collect in the order indicated above, whereby distributions in one category will be subject to completing full distribution in the prior category.

Troubled financial institutions—Deposit insurance

Subject to specific limitations, FOGAFIN is authorized to provide equity and/or secured loans to troubled financial institutions, and to insure deposits of commercial banks and certain other financial institutions. In 1998 and 1999, to address the adverse effects of the economic crisis at the time, certain regulations were adopted, among others, Law No. 546 of 1999 (*Ley de Vivienda*) and Law No. 550 of 1999 (*Ley de Reactivación Económica*).

To protect the customers of commercial banks and certain financial institutions, Resolution 1 of 1988 of FOGAFIN, as amended, requires mandatory deposit insurance. Under this resolution, banks must pay an annual premium of 0.3% of total funds received on savings accounts, current accounts and certificates of deposit, among others. If a bank is liquidated, the deposit insurance will cover the funds deposited by an individual or corporation with such bank, up to a maximum of Ps 20 million, regardless of the number of accounts held.

Anti-money laundering provisions

The regulatory framework to prevent and control money laundering is contained in, among others, the Financial Statute and External Circular 029 of 2014 issued by the Colombian Superintendency of Finance, as well as Law No. 599 of 2000 (the Colombian Criminal Code).

Colombian laws adopt the latest guidelines related to anti-money laundering and other terrorist activities established by the Financial Action Task Force on Money Laundering, or "FATF." Colombia, as a member of the GAFI-SUD (a FATF style regional body) follows all of FATF's 40 recommendations and eight special recommendations.

Anti-money laundering provisions have been complemented with provisions aimed at deterring terrorism financing. For that purpose, by means of External Circular 029 of 2014, as amended, the Colombian Superintendency of Finance has issued regulations requiring the implementation by financial institutions of a system of controls for money laundering and terrorism financing.

The requirements include “know your customer” rules and procedures to protect financial institutions from being used directly by shareholders and executives in money laundering activities, for channeling funds for terrorist activities, or for the concealment of assets from such activities; those rules and procedures set forth detailed instructions for monitoring these risks.

External Circular 290 of 2014, issued by the Colombian Superintendency of Finance and applicable to issuers of securities in the capital markets, other than financial entities, provides rules and guidelines regarding the prevention of money laundering and terrorism financing.

Finally, the Colombian Criminal Code introduced criminal rules and regulations to prosecute all matters related to financing terrorism and money laundering. The criminal rules and regulations cover the omission of reports on cash transactions, mobilization or storage of cash, and the lack of controls.

Regulatory framework for non-financial subsidiaries

Subsidiaries that are not part of the financial sector are governed by the laws and regulations of the Colombian Civil Code and the Colombian Code of Commerce, as well as any regulations issued by the Colombian Superintendency of Industry and Commerce and the Superintendency of Corporations or any other type of special regulations that may be applicable to the commercial and industrial activities carried out by these subsidiaries.

Regulation on guarantees over personal property

On August 20, 2013, the Colombian Congress enacted Law 1676 with the purpose of increasing the public access to credit by providing a new regulation on guarantees over personal property. Law 1676, as implemented by Decree 1074 of 2015 and Decree 1835 of 2015, introduced substantial modifications to Colombian regulation on guarantees over personal property, including: (a) the creation of a unified guarantees public registry, (b) the ability for creditors to directly realize the collateral in accordance with certain requirements, such as an appraisal granted by an independent expert, (c) the ability of creditors to enforce their rights over the collateral upon insolvency of the debtor outside of the insolvency proceeding, provided that the personal property is not essential for the business continuity of the insolvent debtor, and (d) an upgrade of priority upon liquidation.

Regulation on electronic deposits and payments

Law 1735 of 2014 created a new type of financial institution with the sole purpose of offering electronic deposits and payments (*Sociedades Especializadas en Depósitos y Pagos Electrónicos* or “SEDPEs”) in order to promote financial inclusion. Decree 2555 of 2010 establishes the regulations applicable to SEDPEs operations, including know-your-customer requirements.

Regulation on payroll loans

On April 27, 2012, the Colombian Congress enacted Law 1527, as amended, which consolidated the then existing regulatory framework on payroll deduction loans. Payroll loans are secured by an irrevocable order or authorization from the clients to their respective employers or to the entity that pays their salary or other financial benefits arising from their employment to directly pay the loan. As opposed to the prior regulatory regime, employers may currently freely determine the financial institution granting the relevant financial product or service. Likewise, Law 1527 of 2012 provides that the employer is jointly and severally liable for the employee’s payment obligation.

Regulation on derivatives transactions

Law 964 of 2005, Decree 2555 and the Basic Accounting Circular provide that financial institutions, when entering into derivatives transactions, must use agreements that abide by certain requirements, such as defined terms, interpretation criteria, representations and warranties, early termination events, events of default, effects on early termination and effects upon default, among others. Colombian financial institutions rely on (i) the master agreements published by the International Swaps and Derivatives Association (ISDA) for their cross-border derivatives transactions; and on (ii) the local master agreement for derivatives transactions (*contrato marco local para instrumentos financieros derivados*) published by the Colombian association for banking institutions (*Asobancaria*) which follows most of the ISDA agreement provisions, when entering into local derivatives transactions, both of which comply with the requirements set forth in applicable regulations.

Peru

Peruvian banking regulators

Peruvian banking regulation follows the standards set by the Basel Committee on Banking Supervision. Peruvian banks and other Peruvian financial institutions are primarily governed by two banking regulatory authorities: the SBS and the Central Bank. The Peruvian Constitution establishes that the SBS's main function and responsibility is to protect depositors of the Peruvian banking and financial sector, while the main function of the Central Bank is to preserve monetary stability.

The regulatory framework for the operations of the Peruvian financial sector is set forth in the Peruvian Banking Law. In accordance with the Peruvian Banking Law, the SBS is responsible for issuing banking regulations and for monitoring the Peruvian banking and financial sector. The SBS supervises and regulates financial institutions such as commercial banks, financial companies, financial leasing companies, small business financial companies, savings and loan corporations, financial services companies, such as trust companies and investment banks, insurance companies and private pension fund managers. The SBS has administrative and financial autonomy.

The Peruvian Central Bank was founded in 1922 and performs the functions common to a central or reserve bank, such as issuing bank notes, implementing governmental monetary policies, regulating the money supply, managing official gold and foreign exchange reserves and managing the interbank cash clearance system. The Peruvian Central Bank exercises its power and authority independently and is responsible for its affairs in accordance with the government's policies. The Peruvian Central Bank is empowered to determine the inflation target and to adopt a monetary policy in accordance thereof, and is also responsible for establishing mandatory minimum liquidity reserves.

The Peruvian Superintendency of the Securities Market (*Superintendencia del Mercado de Valores, or "SMV"*) is the Peruvian capital markets regulatory entity attached to the Ministry of Economy and Finance (*Ministerio de Economia y Finanzas*). The main purpose of the SMV is to promote, regulate and supervise the Peruvian capital markets. The SMV, controls compliance and sanctions any violation of the Peruvian Securities Market Law, the ordered text of which (*Texto Único Ordenado*) was approved by Supreme Decree 093-2002- EF (*Ley del Mercado de Valores* or "Peruvian Securities Market Law") and its regulations.

Implementation of Basel principles

In order to implement the Basel II Framework, the SBS has approved a two-phase schedule based on a mandatory phase and a voluntary phase. During the first phase, which started in 2008 and ended in June 2009, the SBS performed quantitative impact studies and drafted the most relevant regulations. On June 22, 2008, President Garcia issued Legislative Decree 1028, which contains certain amendments to the Peruvian Banking Law, most of which are aimed at adapting it to Basel II Framework standards.

To conform to Basel II Framework standards, the methodology for measuring credit, market and operational risks has been amended to permit standardized and internal model-based methods for measuring market and credit risks. Peruvian financial institutions will also be able to request validation and approval to implement the internal ratings-based ("IRB") methodology. Only those financial institutions which apply to use the IRB methodology will follow the second implementation phase of the Basel II standards.

The second phase consists of a validation process and an approval by the SBS of the IRB methodology. Once the SBS has validated and approved the IRB methodology, the financial institution in question will use regulatory capital floors to calculate its capital requirements. The amount of regulatory capital (*patrimonio efectivo*) may not be less than the percentage of capital requirements obtained under the alternative methodology.

	First Year	Second Year	Third Year
Basic IRB and Internal Models of Credit Risk	95%	90%	80%
Advanced Models of Credit Risk and/or Operational Risk...........	90%	90%[(1)]	-

(1) 80% for operational risk.

The SBS is currently evaluating the implementation of the Basel III Framework, adjusted to Peruvian financial market conditions.

Capital adequacy

Under the provisions of article 199 of the Peruvian Banking Law, and on an unconsolidated basis, the regulatory capital (*patrimonio efectivo*) may not be lower than 10% of a bank's total weighted assets, which is equivalent to the sum of: (i) ten times the regulatory capital allocated to cover market risks, (ii) ten times the regulatory capital allocated to cover operational risks and (iii) the total amount of credit risk-weighted assets.

According to articles 184 and 185 of the Peruvian Banking Law, the regulatory capital (*patrimonio efectivo*) is constituted by the sum of: (i) basic capital and (ii) supplementary capital.

Basic capital or tier I capital is comprised of paid-in capital (which includes common stock and non-cumulative perpetual preferred shares), legal reserves, supplementary capital premiums, voluntary reserves which may be reduced only with prior SBS approval and retained earnings with capitalization agreements (earnings that the general shareholders' meeting or the Board of Directors, as the case may be, have committed to capitalize as common stock). It also includes other instruments, which have the characteristics of permanence and loss absorption, issued in compliance with regulations recently enacted by the SBS. Basic capital excludes losses of past years and of the current year, any deficit due to provisions and goodwill resulting from corporate reorganizations and acquisitions. Basic capital is also subject to certain additional deductions (e.g., 50% of the investments in shares and subordinated debt issued by other local or foreign financial institutions or financial insurance companies, etc.).

Supplementary capital is constituted by the sum of tier II and tier III capital. Tier II capital consists of voluntary reserves (which could be reduced without any prior consent from the SBS), the eligible portion of redeemable subordinated debt instruments that have mixed debt and equity features and the generic loan loss provision (up to certain limits). Tier II capital is subject to certain deductions foreseen by the Peruvian Banking law (e.g., 50% of the investments in shares and subordinated debt issued by other local or foreign financial institutions or financial insurance companies, etc.). Tier III capital consists of redeemable subordinated debt that is incurred for the exclusive purpose of covering market risk.

On July 20, 2011, the SBS issued SBS Resolution No. 8425-2011, establishing the methodologies and the implementation schedule of additional capital requirements consistent with certain aspects of Basel III. The new capital requirements include requirements to cover economic cycle concentration, market interest rate and systemic risk. Additionally, pro- cyclical capital requirements were also established. These additional requirements were fully implemented in July 2016.

On February 24, 2016, the SBS issued Resolution No. 975 -2016 – the "Subordinated Debt Regulation", which aims to improve the quality of the total regulatory capital (*patrimonio efectivo*), increase solvency requirements and align Peruvian regulation towards Basel III, by modifying (i) the characteristics that subordinated debt must meet to be considered in the calculation of total regulatory capital and (ii) the calculation of risk-weighted assets.

Credit risks

According to article 186 of the Peruvian Banking Law, and SBS Resolution No. 14354-2009, enacted in November 2009, as amended, financial institutions are allowed to use the standardized methodology and, with the prior approval of the SBS, the IRB methodology for calculating their regulatory capital requirement for credit risk.

Market risks

Regulations for the supervision of market risks enacted in May 1998 require financial institutions to establish internal policies and procedures to monitor these risks, as well as market risk exposure limits. Regulations define market risks as the probable loss derived from exposure to various classes of commodities, securities, foreign exchange, derivative operations or commercial assets that banks may hold in their portfolios, which may not be reflected in their balance sheets. On June 2009, the SBS enacted SBS Resolution No. 6328-2009, as amended, which defines the methodology to be applied, and the requirements to be satisfied, to calculate the regulatory capital requirement for market risks under the standard methodology and the IRB methodology.

Operational risks

SBS Resolution No. 2115-2009, enacted in April 2009, as amended, defines the methodology to be applied, and the requirements to be satisfied by financial institutions in calculating their regulatory capital requirement for operational risk under the IRB methodology, the alternative standardized methodology and the advanced methodologies. The IRB methodology uses a bank’s gross operational margin as “exposure indicator” and its application does not require the prior approval by the SBS. Application of the alternative standardized methodology or the advanced methodologies requires compliance with certain provisions included in SBS Resolution No. 2115-2009 and prior approval from the SBS.

SBS Resolution No. 2116-2009, enacted in April 2009, as amended, which approves the guidelines for managing operational risk, defines “operational risk” as the possibility of suffering losses due to inadequate procedures, failures of personnel, information technology or external events, including, without limitation, legal risks (but excluding strategic and reputational risk). It also establishes that a bank’s board of directors is responsible for designing the general policies to manage operational risk and that a bank’s management is in charge of implementing such policies. Finally, it provides that each bank is obligated to create a database of all of such bank’s losses due to operational risk, classifying such losses by event.

Loan loss reserves

Pursuant to SBS Resolution No. 11356-2008, enacted in November 2008 and in force since July 2010, as amended, banks must consider certain criteria with respect to the borrower, including the securities; the credit category; the borrower’s liquidity, including whether the borrower has adequate equity and a low amount of outstanding debt relative to their ability to generate profits; whether the borrower or its industry is susceptible to significant variation in cash flow; whether the borrower has a history of prompt payments on its debt; and whether the borrower is part of an economic sector that demonstrates a trend towards growth.

Risk Categories according to days of delay:

Classification	Corporate, large business, medium business	Small business, micro business, revolving consumer, non revolving consumer	Residential mortgage
Class “A” Normal	0 to 30	0 to 8	0 to 30
Class “B” Potential Problem	31 to 60	9 to 30	31 to 60
Class “C” Deficient	61 to 120	31 to 60	61 to 120
Class “D” Doubtful	121 to 365	61 to 120	121 to 365
Class “E” Loss	366+	121+	366+

SBS regulations require the following minimum reserves to be recorded for statutory purposes for all types of credit: a 1% reserve on loans and credits classified as Normal with respect to which no credit issues have been identified (except for corporate loans, large business loans and residential mortgage loans, for which the applicable percentage is 0.7%), and a 5%, 25%, 60% and 100% specific reserve on loans for the unsecured portion and credits in risk categories Potential Problem, Substandard, Doubtful and Loss, respectively. Whenever such loans or credits, or any portion thereof, are secured with "preferred" collateral, required reserves for risk categories Potential Problem, Substandard, Doubtful and Loss are 2.5%, 12.5%, 30% and 60%, respectively. The amount of the reserve for any such loans or credits, or portions thereof, secured with "self-liquidity" collateral may be reduced by 50%. Loans or credits, or the portions thereof, secured with "preferred readily realizable collateral", require at least a 1% reserve. When the collateral is insufficient to secure the outstanding balances, the higher percentage requirements are applicable to the unsecured portion of the loans or credits. In the case of consumer loans, the required reserves are as follows: a 1% reserve on loans classified as Normal with respect to which no credit issues have been identified, and a 5%, 25%, 60% and 100% specific reserve on loans in risk categories Potential Problem, Deficient, Doubtful and Loss, respectively.

SBS regulations require Peruvian banks to maintain two types of loan loss reserves: (a) "generic" loan loss reserves (*provisiones genéricas*) on their total direct and indirect loan portfolio that is classified as category "A" (normal) at an provision rate of (i) 0.7% for corporate loans, large business loans and residential mortgage loans, and (ii) 1.0% for medium business loans, small business loans, micro business loans, revolving consumer loans and non-revolving consumer loans, and (b) specific reserves (*provisiones específicas*) on their total direct and indirect loan portfolio classified under categories "B" (Potential Problems) through "E" (Loss) described above at an provision rate of 5%, 25%, 60%, and 100%. These percentages may be reduced if the loans are secured with certain types of collateral and for certain special types of loans.

Risk of over-indebtedness by consumer banking customers

According to SBS Resolution No. 6941-2008, as amended, banks and other financial entities must adopt a system to manage the risk of over-indebtedness that (a) allows the mitigation of such risk before and after making the loan, (b) permits the performance of a permanent monitoring of the portfolio to identify over indebted borrowers and (c) includes the periodic evaluation of the control mechanisms being used and of the corrective actions or required improvements, as the case may be. The board of directors of such banks and other financial entities are responsible for (i) establishing and reviewing the policies and proceedings for the identification, measuring, treatment, control, reporting and monitoring of the risk from the level of indebtedness of its consumer banking customers and (ii) causing the management to adopt the necessary measures to monitor and control such risks. In addition, the bank and/or financial entity to have an organizational structure that guarantees total independence between the risk and the commercial divisions and that the incentive schemes for employees' performance does not cause a conflict of interest with risk management policies.

Lending limits

Under article 206 of the Peruvian Banking Law, the total amount of direct and indirect credits and financings granted in favor of a person shall not exceed 10% of a bank's regulatory capital. A person is defined for the purposes therein as a person or group of persons or entities representing a common or single risk. The 10% limit indicated above may be raised to 15%, 20% and 30%, depending on the type of collateral securing the excess over each limit.

In addition to the individual limits mentioned above, other special lending limits include lending to aggregated related parties or affiliates (30% of regulatory capital), to local banks (30%), and to foreign banks (from 5% for non-regulated banks to 30% for first category international banks (as defined by the Peruvian Central Bank from time to time), which may also be raised to 50% when backed by letters of credit). There are other limits that require banks to diversify their portfolio in different types of assets, benefiting liquid and low risk assets.

Country risk reserve requirements

SBS Resolution No. 7932-2015, enacted in December 2015, and in effect since July 1, 2016, requires the establishment of reserves to cover exposure to country risk, which includes sovereign risk, transfer risk and expropriation or nationalization risk, all of which may affect operations with companies or individuals in foreign countries.

Integral risk management

SBS Resolution No. 37-2008, enacted in January 2008, as amended, contains guidelines for integral risk management of financial institutions. Integral risk management is a process intended to identify potential events that can affect banks and to manage those events according to a bank's nature and risk level. This regulation covers all kinds of risks that could affect a banking operation, such as operational, market, credit, strategic, liquidity, anti-money laundering, technical, reinsurance, legal and reputational risks, as well as corporate governance. Starting on January 1, 2018, new integral risk management regulations pursuant to SBS Resolution 272-2017 will go into effect.

Investments in financial instruments

Investment in financial instruments by Peruvian banks is restricted to those financial instruments listed in the Peruvian Banking Law, such as equity instruments traded on a stock exchange, debt instruments (to the extent that certain requirements are satisfied), sovereign debt instruments and quotas in mutual and investment funds, among others. Investments in financial instruments by Peruvian banks are classified into any of the following categories: (a) investments at fair value with changes in results (short term), (b) investments available for sale, (c) investments held to maturity (long term) and (d) investments in subsidiaries and affiliates.

Reserve requirements required by the Peruvian Central Bank

Under the Peruvian Banking Law, all financial institutions regulated by the SBS (except for small-business development non-bank institutions) are required to maintain a legal reserve (*encaje*) for certain obligations. The Peruvian Central Bank may require additional and marginal reserves. The exact level and method of calculation of the reserve requirement is set by the Peruvian Central Bank, which has issued different sets of regulations for foreign and local currency- denominated obligations of banks. Among others, the following liabilities are subject to the reserve requirement: demand and time deposits, savings accounts, certain bonds and funds administered by the bank and amounts due to foreign banks and other foreign financial companies (in certain circumstances).

Currently, according to the Circular No. 030-2016-BCRP (foreign currency) and Circular No. 029-2016-BCRP (local currency), the minimum legal reserve requirement for local and foreign currency deposits is 6.0% and 9.0%, respectively. Foreign currency deposits collected from the general public are subject to a marginal rate of 48% for funds that exceed a certain level set by the Peruvian Central Bank. Local and foreign currency borrowings from certain foreign sources with an original maturity of two years or less are subject to a 50% special rate. Financial institutions may satisfy the minimum reserve requirements with funds that they hold in vaults or that they have deposited in their accounts at the Peruvian Central Bank. They must also keep at least 1.0% and 3.0% of their local and foreign currency deposited in the Peruvian Central Bank, respectively.

Subject to certain requirements, the regulation excludes from the reserve requirement mid-term and long-term funding (i.e. liabilities with a minimum average maturity of more than two years, subject to other conditions) through the issuance of securities such as the notes.

Deposit insurance fund

Bank deposits are protected by the Deposit Insurance Fund (*Fondo de Seguro de Depósitos* or "FSD") against bank failure. Specifically, savings deposit accounts maintained by individuals, savings deposit accounts maintained by non-profit entities and checking accounts are covered in full up to an amount that is revised quarterly by SBS. For the period between September 1, 2016 and November 30, 2016 the maximum coverage amount is S/96,227 per person per bank.

Anti-money laundering rules

Money laundering is considered a criminal act in Peru. A special legal framework was established in April 2002, which follows the 40 recommendations of the Financial Action Task Force on Money Laundering, or "FATF," established by the G-7. Since then, this legal framework has been amended in order to improve and increase the efficiency of the Peruvian anti-money laundering system.

On July 16, 2016, SBS Resolution N° 3862-2016 was enacted to grant to the FATF the authority to freeze funds and assets from persons that are engaged in money laundering and financing terrorism, as well as those related to the production of weapons of mass destruction identified within the framework of the resolutions issued by the Security Council of the United Nations.

On August 14, 2016, SBS Resolution N° 4349-2016 was enacted to include within the framework due diligence rules applicable to clients that are politically exposed people ("PEP"). The list of PEP clients includes founders, members of governing bodies, legal representatives, accountants, treasurers and election candidates of political parties or electoral alliances, ambassadors, consuls and plenipotentiary ministers, as well as the direct collaborators of the aforementioned people as long as they are the maximum authority of the institution they belong to.

Intervention by the SBS and liquidation

Pursuant to the Peruvian Banking Law, the SBS has the power to interrupt the operations of a bank in order to prevent it from, or to control and reduce the effects of, a bank failure. Accordingly, the SBS may intervene in a bank's business by adopting either a temporary surveillance regime or a definitive intervention regime depending on how critical the situation is deemed to be by the SBS. Either of these actions may be taken upon the occurrence of certain events, including (a) suspension of payments; (b) repeated failure to comply with instructions from the SBS or the Peruvian Central Bank; (c) repeated violation of the Peruvian Banking Law or the Bank's by-laws; (d) unauthorized or unsound management; or (e) deficit of regulatory capital (to the extent that if it is in excess of 50%, then an intervention is mandatory). Less drastic measures, such as (i) placing additional requirements, (ii) ordering a capital increase or an asset divesture, or (iii) imposing a financial restructuring plan, may be adopted by the SBS when the situation allows for them.

Paraguay

Paraguayan banking regulators

Paraguayan Central Bank

The Paraguayan Central Bank was established in 1952 and works together with the government on monetary, credit and foreign exchange policies. The Paraguayan Central Bank is also responsible for the supervision and regulation of the financial system. The Paraguayan Central Bank also serves as a financial agent and economic advisor of the government.

The Paraguayan Central Bank is governed by a five-member board of directors, including the president of the Central Bank. All board members are appointed by the Paraguayan President and ratified by the Senate. Board members serve five-year terms with no limit on the number of terms a member may serve. The president of the Central Bank is appointed for the same constitutional period as the Paraguayan President.

The Paraguayan Central Bank, acting through the Paraguayan Superintendency of Banks, exercises supervision, reorganization and regularization powers over all banks, financial companies, warehousing companies and foreign exchange trading institutions in Paraguay, which are the component of the financial sector, and, through the Paraguayan Superintendency of Insurance, exercises supervision powers over all insurance and reinsurance entities.

The main legal instrument governing the financial sector is the General Law on Banks, Finance Companies and other Credit Institutions (the "Law No. 861 of 2016, as amended by Law No. 5787 of 2016"). This law provides rules for the creation and supervision of financial entities, as well as for the protection of the financial system as a whole. Law No. 861 of 2016, as amended by Law No. 5787 of 2016 incorporates the Basel Committee on Banking and Supervision ("Basel") provisions relating to the supervision of banks and minimum capital requirements.

The Board of the Paraguayan Central Bank must authorize the opening of banks, finance companies and other credit institutions. There are no limits on the participation of foreign capital in financial entities or requirements with respect to the nationality of the members of the board of directors or the shareholders. Law No. 861 of 2016, as amended by Law No. 5787 of 2016 establishes that foreign investment in financial entities will receive the same treatment as domestic capital. Owners of shares in a bank that allow them to exercise shareholder control or decisively influence the corporate will of the bank, may not hold more than 20% of the shares of another bank, finance company or credit institution.

Paraguayan Superintendency of Banks

The Paraguayan Superintendency of Banks has the authority to establish the accounting principles under which banks, financial companies, warehousing companies and foreign exchange trading institutions must prepare their books and records. These books and records must be audited annually by external independent auditors.

As part of its supervisory powers, the Paraguayan Superintendency of Banks also requires these institutions to submit to the Paraguayan Central Bank daily and monthly reports regarding their operations. In addition, the Paraguayan Superintendency of Banks requires banks to publish annual and quarterly financial statements together with the names of directors and managers in a national newspaper. The Paraguayan Superintendency of Banks may also require the disclosure of any other financial information that it deems necessary to present to the public.

Capital adequacy

Under Law No. 861 of 2016, as amended by Law No. 5787 of 2016, the Paraguayan Superintendency of Banks requires financial institutions to maintain a minimum total capital to risk-weighted assets (loans) ratio of 8%. This minimum total capital to risk-weighted assets ratio requirement could increase to 12% in certain circumstances.

Loan loss reserves

In determining their compliance with various Paraguayan Central Bank standards and requirements, financial institutions must classify loans according to specific categories. The category used for classification depends on the length of time a loan obligation has been past due. A loan is deemed non-performing after obligations under the loan have been past due for more than 60 days. The objective of the Paraguayan Superintendency of Banks is to comply with the Basel Core Principles for Effective Banking Supervision. In that regard, Basel I standards are currently in effect in Paraguay, with some elements of Basel II, which standards have been implemented through the adoption of Law 5787 of 2016.

The following table sets forth the categories used to classify past due loans and the provisions made according to each category:

Category	Obligations past due between	Provisions
1.a	1 to 30 days	0.5%
1.b	31 to 60 days	1.5%
2	over 60 to 90 days	5.0%
3	over 90 to 150 days	25.0%
4	over 150 to 180 days	50.0%
5	over 180 to 270 days	75.0%
6	over 270 days	100.0%

The Paraguayan Superintendency of Banks may conduct inspections to the institutions it supervises whenever it deems necessary. In practice, these inspections are conducted at least annually.

Deposit guarantee fund

The Deposit Guarantee Fund, established in 2003, functions as a bank deposit insurance program, and is financed by contributions from financial institutions (including the subsidiaries of foreign banks) and the Paraguayan Central Bank and guarantees deposits up to an amount equivalent to 75 times the legal minimum wage, per natural or legal person, in the event that a financial institution is liquidated.

Anti-money laundering

In recent years, Paraguay has enhanced its anti-money laundering regulations designed to combat the financing of terrorism ("AML/CFT") regime by approving important legislation and strengthening its supervision and control system. The Financial Action Task Force ("FATF") noted that Paraguay had largely met its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in February 2010. For example, the Office of Prevention of Laundering of Money and Assets (*Secretaría de Prevención de Lavado de Dinero o Bienes,* or "SEPRELAD") implemented regulations relating to remittances not made through banks or other financial institutions and regulations requiring originator information in relation to wire transfers.

Pursuant to these regulations, Paraguay performed offsite and onsite inspections of money transfer companies and issued written warnings to companies that did not comply with the new procedures, requiring the warned entities to adhere to the newly-implemented regulations within a specific time period. In addition, Paraguay implemented regulations relating to cross-border cash transactions by maintaining cross-border posts staffed with customs personnel after having carried out cross-border control exercises with international organizations. As a result, Paraguay is no longer subject to monitoring under the FATF's ongoing global AML/CFT compliance process.

Paraguay developed a national strategy for the further strengthening of the AML/CFT regime with the assistance of the Inter-American Development Bank and the International Monetary Fund. The national strategy was approved by the government in 2013. In March 2015, the Public Prosecutor established a unit specialized in money-laundering and financial terrorism.

Reorganization regime

Law No. 2334 of 2003 provides that all financial sector entities must submit a reorganization plan that must be approved by the Paraguayan Superintendency of Banks in case one or more of the following situations arise:

- legal reserve deficiency larger than the level determined by regulation of the Paraguayan Central Bank;

- excesses in the legal or regulatory prudential limits set by the Paraguayan Superintendency of Banks for a period exceeding 10 consecutive calendar days;

- recorded losses for two consecutive quarters, which forecast for the next semester will affect the capital of the entity and, given the continuity of this trend, reduce the capital ratio below the minimum level required by law;

- deficit in the capital ratio below the limit legally enforced, for a period of at least five working days;

- when the entity requires use of facilities provided by the Paraguayan Central Bank as a lender of last resort, except for those facilities which terms and amounts were determined by the Paraguayan Central Bank;

- repeated infringement of recommended measures or mandatory resolutions issued by the Paraguayan Superintendency of Banks and/or the board of the Paraguayan Central Bank, according to current laws and regulations;

- when the Paraguayan Superintendency of Banks proceeds to reclassify the credit risk classification made by the financial institution in a higher percentage than the level prescribed by regulations; and

- when reorganization is determined by the Paraguayan Superintendency of Banks, provided a well-founded decision is given that the entity is acting in a way that endangers the safety of public deposits or the liquidity and capital situation of the entity.

Moreover, the Paraguayan Superintendency of Banks will oversee the reorganization process, having the authority to require immediate correction of other abnormalities presented by the entity under reorganization, without the need to require a new reorganization plan. The decision to put an entity of the financial system into the reorganization process will be kept under strict confidentiality, communicating it only to the concerned institution. During reorganization, the competence and authority of governing bodies of the entity will remain, with no other restrictions than those resulting from provisions of other articles of the law.

MANAGEMENT

Board of directors

The board of directors of the Bank is composed of five principal members each of whom serves for a one-year term and may be reelected indefinitely. The business address for each of the members of the board of directors is Carrera 7a. No. 75-85/87, Bogotá, Colombia.

The current members of the board of directors were appointed at a shareholders' meeting held on April 29, 2016. The following table presents the names of the current principal and alternate members of the board of directors:

Board Member	Position
Mr. Jaime Gilinski Bacal	Chairman
Mr. Joshua Moises Gilinski	Member
Mr. Ricardo Diaz	Member
Mr. Oliverio Lew	Member
Ms. Carolina Mazuera	Member

Patricia Villamil Giraldo is the secretary of our board. Biographical information of the members of our board of directors is set forth below.

Mr. Jaime Gilinski Bacal

Mr. Gilinski holds a master's degree in business administration from Harvard University. Mr. Gilinski is the Chairman of the board of directors of the Bank and has held this position since January 14, 2010. In addition, he is the Chairman of the board of directors of JGB Financial Holding Company. Prior to joining the Bank, Mr. Gilinski was a member of the board of directors of Banco Andino S.A. and Banco de Colombia S.A.

Mr. Joshua Moises Gilinski

Mr. Gilinski holds a bachelor's degree in economics from the Wharton School of the University of Pennsylvania. He is currently a member of the board of directors of JGB Financial Holding Company.

Mr. Ricardo Diaz

Mr. Diaz holds an accounting degree from the Universidad Jorge Tadeo Lozano–Bogotá. Mr. Diaz is a member of the board of directors of the Bank and has held this position since May 6, 2004. In addition, he is the controller of PBZ Ltda. Prior to joining the Bank, Mr. Diaz was the accountant of Serviaseo S.A., the CEO of Volta S.A., the controller of Bancol y Cia. S. en C., and El Progreso Ltda.

Mr. Oliverio Lew

Mr. Lew received his juris doctorate from the University of Buenos Aires, School of Law in 1993 and holds a master's degree in law from Columbia University. Mr. Lew is a member of the board of directors of the Bank and has held this position since November 8, 2008. In addition, Mr. Lew was a member of the board of directors of Phone 1 Global Wide Inc. until 2008. Prior to joining the Bank, Mr. Lew worked for Proskauer Rose LLP, a law firm in New York City.

Ms. Carolina Mazuera

Ms. Mazuera holds an industrial engineering degree from Universidad de Los Andes—Bogotá and a master's degree in business administration from Columbia University. Ms. Mazuera has been a member of the board of directors of the Bank since October 1, 2009. In addition, Ms. Mazuera is an independent consultant. Prior to joining the Bank, Ms. Mazuera worked for McKinsey & Company.

Executive officers

The executive officers of the Bank are responsible for the day-to-day management of the Bank. The executive officers serve until removed.

The following table lists the names and positions of our executive officers:

Name	Position
Mr. Camilo Verástegui Carvajal..........................	Chief Executive Officer
Ms. Catalina Falquez..	Vice-President, Institutional Banking
Ms. Lesbia Benavides Leon................................	Vice-President, Operation and Technology
Mr. Mauricio Antonio Garces Hernández	Vice-President, Consumer Banking
Mr. Luis Guillermo Rozo Díaz...........................	Vice-President, Corporate Banking
Mr. Luis Hernando Aguilera	Vice-President, Payroll Lending
Ms. Angélica María Muñoz Mantilla	Vice-President, Treasury
Mr. Efraín Castro Alvarez	Vice-President, Credit
Mr. Edgar Guerrero Molano................................	Vice-President, Administration
Ms. Nora Ximena Hernández Perdomo..............	National Manager of Marketing and Product Development
Mr. Henry Usme Gómez	National Business Manager
Mr. Wilson Ricardo Goyes Bustos......................	Compliance Officer
Mr. Gerardo Terán Malagón................................	General Auditor
Mr. Luis Alberto Rengifo Peláez.........................	Risk Management Manager
Ms. Patricia Villamil Giraldo	General Secretary

Biographical information of our executive officers and key employees who are not directors is set forth below.

Mr. Camilo Verástegui Carvajal

Mr. Verástegui holds a degree in economics from Universidad de los Andes, Colombia. Mr. Verástegui is the Chief Executive Officer of the Bank and has held this position since January 2004. In addition, he is the Chief Executive Officer of the Board of Servitrust, Servibanca and Servivalores. Mr. Verástegui has over 30 years of experience in the financial industry. Previously, Mr. Verástegui has served as the International and Finance Vice-President of Banco Andino, Banco de Colombia and President of Banco de Colombia in Ecuador, and GNB Sudameris Bank in Panamá. In addition, he served as an Operations Officer of the World Bank for 10 years.

Ms. Catalina Falquez Martinez-Aparicio

Ms. Falquez holds a degree in psychology from Universidad del Norte, Colombia. Ms. Falquez has been the Vice-President of Institutional Banking of the Bank since December 2005. In addition, she was the Commercial Vice-President of Fiduciaria La Previsora. In addition, Ms. Falquez has served as the President of Fiduciaria Union and the General Manager of Servitrust.

Ms. Lesbia Benavides León

Ms. Benavides holds a degree in business administration from Universidad de la Salle, Colombia. Ms. Benavides has been the Vice-President, Operations and Technology since June 2014, having previously served in that role from December 2005 to August 2012. Ms. Benavidas, who joined the Bank in 1981, has also served as Vice-President, Project Integration, Director of the Department of Organization and Methods, Director of Operations, Operating Support and Control Manager, Administrative Manager, and National Manager of Operations and Technology, among other roles.

Mr. Mauricio Antonio Garcés Hernández

Mr. Garcés holds a degree in business administration and has a postgraduate degree in marketing management from Pontificia Universidad Javeriana. Mr. Garcés is a PhD candidate in business management in the Universidad Complutense de Madrid. Mr. Garcés has been Vice-President of Consumer Banking of the Bank since October 2014. Mr. Garcés joined the Bank in June 2010. Prior to joining the Bank Mr. Garcés has also served as Vice-president of Retail Banking (*encargado*) and Bogota Region Banking Manager of Banco GNB Colombia, previously HSBC Colombia S.A. Prior to joining the bank, Mr. Garcés was Bogota Region Banking Manager of Factoring Bancolombia S.A., Retail Banking Manager and Commercial Manager for Foreign Affiliates of Bancolombia S.A., and Business Chief for Almacenes Éxito S.A.

Mr. Luis Guillermo Rozo Díaz

Mr. Rozo holds a degree in business administration from the Universidad Externado, Colombia. Mr. Rozo also has a specialization in finance from the EAFIT University, Colombia. Mr. Rozo has been Vice-President of Corporate Banking of the Bank since June 2016. Mr. Rozo, who joined the Bank in June 1992, has also served as Vice President of International Affiliates and National Business Manager for the Bank. Prior to joining the Bank, Mr. Rozo served as Director of the Money Desk, National Business Manager and National Country Manager of Banco Tequendama.

Mr. Luis Hernando Aguilera

Mr. Aguilera holds a degree in business administration and a postgraduate degree from Universidad Politécnico Gran Colombiano, Colombia. In addition, he has an MBA from the Instituto de Dirección Empresarial ("INALDE"), Colombia. Mr. Aguilera has been Vice-President of Payroll Lending of the Bank since December 2016. Mr. Aguilera, who joined the Bank in 1991, has served as Vice-President of Operations and Technology and Vice-President of Administration. Mr. Aguilera has over 25 years of experience in the financial industry. Prior to joining the Bank, Mr. Aguilera served as Economic Planning Analyst of the Corporación de Ahorro y Vivienda Ahorramás.

Ms. Angélica María Muñoz Mantilla

Ms. Muñoz holds a degree in economics from Universidad Externado, Colombia and has a postgraduate degree in finance from Universidad de los Andes, Colombia. Ms. Muñoz has been the Vice-President of Treasury of the Bank since October 2014. Ms. Muñoz, who joined the Bank in 2001, has previously served as Finance Manager. Prior to joining the Bank, Ms. Muñoz worked as Financial Control Analyst for the Civil Aeronautics Office of Colombia.

Mr. Efrain Castro Álvarez

Mr. Castro holds a degree in economics from Universidad Central, Colombia. Mr. Castro has been Vice-President of Credit for the Bank since October 2014. Mr. Castro, who joined the Bank in April 1994, has served as Risk Director, Risk Analysis Manager, National Credit Manage and Vice-President of Credit for the Banco GNB Colombia. Prior to joining the Bank, Mr. Castro served as vice-manager of credit for Banco Latino.

Mr. Edgar Guerrero Molano

Mr. Guerrero holds a degree in business administration from the Universidad Jorge Tadeo Lozano, Colombia. Mr. Guerrero has been Vice-President of Administration since November 2016. Mr. Guerrero, who joined the Bank in February 2005, previously served as General Manager of Servitrust and National Manager for Human Resources for the Bank. Prior to joining the Bank, Mr. Guerrero served as Human Resources Manager of Colseguros and Administrative and Human Resources Manager of Banco Andino.

Ms. Nora Ximena Hernández Perdomo

Ms. Hernández holds a degree in Computer Engineering from Universidad Piloto, Colombia and a postgraduate degree in marketing from Universidad de los Andes, Colombia. Ms. Hernández has been National Manager for Product Development and Marketing for the Bank since October 2014. Ms. Hernández, who joined the bank in March 2005, previously served as National Manager of Special Projects and Marketing. Prior to joining the Bank, Ms. Hernández served as Director of Development of Banco Granahorrar, Technology Advisor of Retail Banking and Sub manager of Development of Banco Andino and Project Manager of Telefónica Móvil de Colombia.

Mr. Henry Usme Gomez

Mr. Usme holds a degree in economics from Universidad Santo Tomás, Colombia. Mr. Usme has been National Business Manager for the Bank since October 2014. Mr. Usme, who joined the Bank in January 1997, previously served as Manager of Credit and Manager of Corporate Banking. Prior to joining the Bank, Mr. Usme served as Chief of Commercial Analysis and Chief of Credit Analysis of Banco del Estado.

Mr. Wilson Ricardo Goyes Bustos

Mr. Goyes holds a degree in public accounting from Universidad Central, Colombia. Mr. Goyes has been Compliance Officer of the Bank since March 2006. Mr. Goyes, who joined the Bank in February 1980, has previously served as Chief Controller, Delegate and Chief Controller, Delegate Internal Auditor, Chief of Regional Operations, Manager Controller of Banco Sudameris Colombia and Manager of Operations and Logistics of Servibanca. Mr. Goyes has almost 30 years of experience in the financial sector.

Mr. Gerardo Terán Malagón

Mr. Terán holds a degree in accounting Universidad Libre, Colombia and has a postgraduate degree in financial regulation from Universidad de los Andes, Colombia and a postgraduate degree in internal auditing (*revisoría fiscal*) from Universidad Central de Bogotá, Colombia. Mr. Terán is a CFE (Certified Fraud Examiner) by the Association of Certified Fraud Examiners of the United States, as well as a CGAP (Certified Government Auditor Professional) and a CIA (Certified Internal Auditor) of the Institute of Internal Auditors of the United States. Mr. Terán has been the General Auditor of the Bank since August 2008. Mr. Terán currently sits on the board of directors of the Colombian Institute of Internal Auditors (*Instituto de Auditores Internos de Colombia*). Mr. Terán has over 30 years of experience in the financial industry. Mr. Terán joined the Bank in August 2008. Prior to joining the Bank, Mr. Terán served as Internal Auditor for Bancafé, Internal Auditor for Banco Superior, Financial Auditor for Bancoldex, Internal Auditor for Banco for AV Villas and Senior Auditor for KPMG.

Mr. Luis Alberto Rengifo Peláez

Mr. Rengifo holds a degree in public accounting from Universidad Central, Colombia and postgraduate degrees in internal control from Universidad Militar Nueva Granada, Colombia, and economics, finance and foreign affairs from Universidad Sergio Arboleda, as well as a Master's in Risk Management from Universidad de Nebrija y de EALDE Business School. Mr. Rengifo has been Risk Management Manager for the Bank since June 2016. Mr. Rengifo, who joined the Bank in September 1988, has previously served as Director for the Department of Control, Manager of the Project for the Modernization of Administrative Management, Administrative Manager and Director of Risk Management.

Ms. Patricia Villamil Giraldo

Ms. Villamil holds an LLB and a postgraduate degree in public economic law from Universidad Sergio Arboleda, Colombia and a postgraduate degree in banking and securities from Universidad Externado, Colombia. Ms. Villamil has been General Counsel for the Bank since January 2017. Ms. Villamil, who joined the Bank in 1997, has previously served as Director of Legal Advice for the Bank and its affiliates, and Director of Legal

Assessment and Corporate Business. Prior to joining the Bank, Ms. Villamil served as Legal Corporate Manager of Banco Tequendama, and as legal counsel of Bancoop and Universidad Nacional, Colombia.

Audit committee

Our audit committee advises the board of directors generally on internal control matters, and it specifically undertakes to:

- review financial statements prior to their submission to the board of directors and to the general shareholders' meeting;

- supervise the internal auditor to verify if its actions address the internal control needs of the Bank and to identify limitations with respect to its duties;

- review all internal control reports of the Bank and supervise compliance with such reports by the Bank's management;

- issue its opinion on the independence of the external auditor, based on standards set forth by Colombian regulations;

- monitor the Bank's levels of risk exposure at least every six-months and propose mitigation measures as needed;

- provide assistance to our board of directors in fulfilling its responsibilities with respect to our compliance with legal and regulatory requirements;

- make recommendations to the general shareholders meeting concerning the engagement of the independent accounting firm; and

- issue reports to the board of directors on matters deemed relevant.

Pursuant to regulations of the Colombian Superintendency of Finance, the audit committee has a charter approved by the board of directors, which sets forth the main aspects related to the operation of such committee, including, among others, its composition and duties. The audit committee was last appointed by the board of directors pursuant to its Directive 706, signed on March 16, 2012. The audit committee, whose members are appointed by the board of directors, consists of three members of the board of directors, two of which must be independent, the President of the Bank and the Bank's Auditor General.

SHARE OWNERSHIP AND PRINCIPAL SHAREHOLDER

Our only class of outstanding share capital consists of our common shares. We have 165,049,441 common shares issued and outstanding each with a nominal value of Ps 400.00.

Gilex Holding B.V. is the registered holder of 94.7% of our issued and outstanding share capital at the date of this listing prospectus. Gilex Holding B.V. is controlled, directly and indirectly, by the Gilinski family. Our principal shareholder, as a common shareholder, does not have any different or special voting rights in comparison to any other common shareholder.

RELATED PARTY TRANSACTIONS

General

We currently engage in, and expect from time to time in the future to engage in, financial and commercial transactions with "related parties." Such transactions are conducted on an arm's-length basis in the ordinary course of business, on terms no more favorable than those offered to third parties.

In accordance with Colombian banking regulations, related parties include directors, principal executive officers and holders that own, directly or indirectly, more than 10% of our shares, and companies controlled by any of them, among others. Under Colombian banking regulations, all loans to related parties must be made on terms no more favorable than those offered to third parties. The Colombian Superintendency of Finance regulates and closely monitors related-party transactions and establishes limits on related party transactions. For example, for unsecured loans to shareholders holding 20% or more of the bank's shares, the maximum aggregate amount of the loans is limited to 20% of the bank's technical capital. For unsecured loans to shareholders holding less than 20% of the Bank's shares, the maximum aggregate amount of the loans is limited to 10% of the bank's technical capital per borrower, which is the same limit Colombian banking regulations impose on unsecured loans to third-parties.

Under Peruvian banking regulations, related parties are people or legal entities that have property relations (*relaciones de propiedad*) or management relations (*relaciones de gestión*) with a financial institution. A property relation exists when a person or legal entity owns, directly or indirectly, 4% or more of the shares or quotas with voting rights of a financial institution. Property relations also include the spouse and family members of a person, mandataries and representatives. Management relations include persons that exercise control over an economic group, directors, managers, principal officers and/or a person that has property relations with the financial institution, representatives, persons or legal entities that have been financed and the final beneficiary of such financing, among others. Under Peruvian banking regulation, any transaction that qualifies as financing, services, obligations or other, irrespective of the existence or lack of existence of consideration between related parties, must be made on terms no more favorable than those offered to unrelated parties, and must be approved by the financial institution's Board of Directors or equivalent body. The SBS establishes limits on related party transactions. For example, the total of loans, leasings, investments and exposure to related parties, directly or indirectly, may not exceed 30% of the financial institution's regulatory capital (*patrimonio efectivo*).

Paraguayan banking regulations forbid financial institutions from transacting with directors, officers or trustees on terms more favorable than those offered to customers. The Paraguayan Superintendency of Banks establishes limits on related party transactions. For example, a bank cannot grant unsecured loans to employees or directors in excess of 0.5% of the bank's technical capital (*patrimonio efectivo*), individually, in excess of 10% of the bank's technical capital (*patrimonio efectivo*), in aggregate. For secured loans, these limits can increase up to 1% individually and 20% in aggregate.

Our related-party exposure (as measured in accordance with Colombian banking regulations) equaled 9.8% of our technical capital at December 31, 2016, given that we had no loans outstanding to related parties as of such date.

Loans to shareholders

From time to time, we have made loans to Gilex Holding B.V., our principal shareholder which is controlled by the Gilinski family, and Glenoaks Investment S.A., a shareholder who, until October 2015, held 5.0% of our issued and outstanding common shares. These loans are generally of short-term maturity.

At December 31, 2014, 2015 and 2016, we had loans outstanding with Glenoaks Investment S.A. in U.S. dollar in aggregate amounts of Ps 174,398 million (U.S.$72.8 million), Ps 181,784 million (U.S.$57.7 million) and zero, respectively. Accrued interest on these loan was Ps 8,961 million (U.S.$3.7 million), Ps 11,095 million (U.S.$3.5 million) and Ps 2,526 million (U.S.$0.8 million) in 2014, 2015 and 2016, respectively.

We did not make any loans to Gilex Holding B.V., nor earned interest on any such loans, since prior to January 1, 2014. We currently have no loans outstanding with any of our shareholders.

Other transactions

At December 31, 2014, 2015 and 2016, the Bank had a checking account with a balance of U.S.$0.5 million, U.S.$0.5 million and U.S.$0.4 million, respectively, in GNB Bank, Panamá, a banking institution controlled by the Gilinski family.

At December 31, 2016, we had a loan outstanding with a company owned by Mr. Jaime Gilinski Bacal, the Chairman of our Board of Directors and a member of the Gilinski family, which owns our principal shareholder Gilex Holding B.V., in an aggregate amount of U.S.$61.9 million.

Some of the members of our Board of Directors and of our management have deposit accounts with, and obtain credit from, our banking institutions, in compliance with applicable banking regulations. See note 29 to the consolidated financial statements.

DESCRIPTION OF THE NOTES

As used below in this "Description of the Notes" section, the "Bank" means Banco GNB Sudameris S.A., a *sociedad anónima* organized and existing under the laws of Colombia registered before the Bogota Chamber of Commerce under registration number 00208199 of March 30, 1984, and its successors, but not any of its subsidiaries. The Bank will issue the Notes (as defined herein) described in this listing prospectus under an indenture to be dated as of April 3, 2017 (the "Indenture") to be executed between the Bank and The Bank of New York Mellon, as trustee (the "Trustee"), transfer agent, paying agent and security registrar. The terms of the Notes include those set forth in the Indenture. You may obtain a copy of the Indenture from the Bank at its address set forth elsewhere in this listing prospectus and, for so long as the Notes are admitted to listing on the Official List of the Luxembourg Stock Exchange (the "LSE") and to trading on the Euro MTF Market, at the office of the paying agent in Luxembourg.

The following is a description of the material terms and provisions of the Notes. The following description does not purport to be a complete description of all the terms of the Notes and is subject to the detailed provisions of, and qualified in its entirety by reference to, the Indenture. You can find definitions of certain terms used in this description under the heading "—Certain Definitions."

General

The 6.50% Subordinated Notes due 2027 (the "Notes") are being issued by the Bank as *bonos subordinados* under the laws of Colombia (with the effects set forth in Article 2.1.1.1.9 of Decree 2555). The Notes are not treated under the banking laws and regulations of Colombia as bank deposits, and Holders are not required to open accounts with the Bank. Holders will not have recourse to deposit insurance or any other protections afforded to depositors in financial institutions under the laws of any jurisdiction. The Notes are treated under Colombian and New York law as debt instruments.

According to Colombian banking laws, banks are permitted to issue subordinated debt, including the Notes, and to include the outstanding aggregate principal amount of such subordinated debt as a component of Tier Two Capital, provided that: (i) the instrument creating or evidencing such subordinated debt or pursuant to which the same is outstanding expressly provides that, in the event of the Bank's liquidation, such subordinated debt will rank junior in right of payment to the prior payment in full of all of the Bank's existing and future Senior Liabilities; (ii) the instrument is not secured, insured nor has any contractual provision providing for a different degree of subordination or any other change in the nature of the instrument; (iii) such subordinated debt has a term to maturity equal to or greater than five (5) years; (iv) there are no optional prepayments or any other rights conferred upon the creditors of such subordinated debt that reduce such term to less than five (5) years; and (v) for the five (5) years following its issuance date, the instrument may only be redeemed, repurchased or prepaid provided that: (a) the issuer obtains prior approval of the SFC, (b) the debt instrument is exchanged for a debt instrument that qualifies as Tier One Capital or Tier Two Capital in an exchange whose terms allow the issuer to have sustainable revenue generation capacity, and (c) the issuer does not create expectations regarding the prepayment, redemption or early repurchase of the instrument.

Technical Capital is comprised of Tier One Capital, which consists of different types of capital, such as Capital Stock, capital reserves and certain types of indebtedness, and Tier Two Capital, which includes subordinated debt which satisfies the requirements set forth above, such as the Notes. However, commencing on January 1, 2018, the amount of the Notes that will be eligible to be included in the Bank's Tier Two Capital will decrease annually by 10% of the aggregate outstanding amount thereof until December 31, 2025. After December 31, 2025, the Notes will not qualify as Tier Two Capital. See "Colombian Banking Regulation."

Principal, Maturity and Interest

The Notes will mature on April 3, 2027. The Notes will de redeemed at 100% of their face value at maturity. The Notes will bear interest on their principal amount from and including the Issue Date, to but excluding, April 3, 2022 (the "Reset Date"), at the rate of 6.50% per year. During the period from and including the Reset Date to, but excluding, the date of maturity or earlier redemption date of the Notes, the Notes will bear interest on their principal amount at a rate per year that will be equal to the sum of (i) the Benchmark Reset Rate on the Reset Date and (ii) 456.1 basis points. Interest on the Notes will be payable semi-annually on April 3 and October 3 of each year (each, an “interest payment date”), commencing on October 3, 2017. Interest on the Notes will be paid on the dates specified above to the Holders of record at the close of business on March 19 or September 18, as the case may be, immediately preceding the relevant interest payment date. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months. If any interest payment date or final maturity date is a day that is not a Business Day, the related payment of the principal and interest will be made on the next succeeding Business Day as if it were made on the date the payment was due, and no interest will accrue on the amounts so payable for the next period from and after the interest payment date or the final maturity date, as the case may be, to the next succeeding Business Day.

The Notes will be issued in registered form, without interest coupons, and in minimum denominations of U.S.$10,000 and integral multiples of U.S.$1,000. Each book-entry note will be represented by one or more notes registered in the name of The Depository Trust Company (“DTC” or the “depositary”) or its nominee. Beneficial interests in the Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. See “—Book-Entry System; Delivery and Form.”

The Bank will pay the principal of and interest on the Notes and any Additional Amounts (as defined below) in U.S. Dollars.

An aggregate principal amount of Notes equal to U.S.$300,000,000 is being issued in this offering. The Bank may issue additional Notes having identical terms and conditions (other than issue date, issue price and in certain cases, first interest payment date) to the Notes being issued in this offering (the “Additional Notes”). Any Additional Notes will be part of the same issue as the Notes being issued in this offering and will be treated as one class with the Notes being issued in this offering, including for purposes of voting, redemptions and offers to purchase; provided, however, that if the Additional Notes are not fungible with the Notes for U.S. federal income tax purposes, the Additional Notes will have a separate CUSIP and ISIN. Holders of Additional Notes would have the right to vote together with Holders of the Notes issued hereby as one class. For purposes of this “Description of the Notes,” references to the Notes include Additional Notes, if any.

Additional Amounts

All payments made by the Bank under or with respect to the Notes will be made free and clear of and without withholding or deduction for or on account of any present or future Taxes imposed or levied by or on behalf of any Taxing Authority in any jurisdiction in which the Bank is organized or is otherwise resident for tax purposes or any jurisdiction from or through which payment is made (each a “Relevant Taxing Jurisdiction”), unless the Bank is required to withhold or deduct Taxes by law or by the interpretation or administration thereof. If the Bank is required to withhold or deduct any amount for or on account of Taxes imposed by a Relevant Taxing Jurisdiction, from any payment made under or with respect to the Notes, the Bank will pay such additional amounts (“Additional Amounts”) as may be necessary so that the net amount received by each Holder (including Additional Amounts) after such withholding or deduction (including withholding or deduction with respect to Additional Amounts payable hereunder) will equal the amount the Holder would have received if such Taxes had not been withheld or deducted; provided, however, that no Additional Amounts will be payable with respect to any Tax:

(1) to the extent such Taxes are imposed by reason of any present or former connection between the Holder and the Relevant Taxing Jurisdiction (including being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) other than the mere holding of the Notes or enforcement of rights thereunder or the receipt of payments in respect thereof;

(2) to the extent such Tax is imposed due to the failure to satisfy any certification, identification or other reporting requirements whether imposed by statute, treaty, regulation or administrative practice, provided, however, that the Bank has delivered a request to the Holder to comply with such requirements at least 30 days prior to the date by which such compliance is required; or

(3) to the extent such Taxes are imposed due to the failure by the Holder to present the Notes (where presentation is required) for payment within 30 days after the date such payment was due and payable or was duly provided for, whichever is later, provided that the Bank will pay Additional Amounts to which a Holder would have been entitled had the Notes been surrendered on the last day of such 30-day period;

(4) where such Taxes are an estate, inheritance, gift, value added, use or sales Tax or any similar Tax; or

(5) where the Holder could avoid such Tax by requesting that a payment on the Notes be made by, or is able to avoid such tax by presenting the relevant Notes for payment to, another paying agent in the European Union.

Notwithstanding anything to the contrary in the preceding paragraph, none of the Bank, any paying agent or any other person shall be required to pay any Additional Amounts with respect to any withholding or deduction imposed on or in respect of any note pursuant to the Foreign Account Tax Compliance Act provisions of the Hiring Incentives to Restore Employment Act (generally referred to as "FATCA"), the laws of Colombia implementing FATCA, or any agreement between the Bank and the United States or any authority thereof entered into for FATCA purposes.

In addition, Additional Amounts will not be payable if the registered holder of a Note is a fiduciary, a partnership or any other person other than the sole beneficial owner of, or Person ultimately entitled to obtain an interest in, such Notes had been the Holder and such beneficiary or settlor with respect to a fiduciary, a member of a partnership or the beneficial owner of such payment would not be entitled to the payment of Additional Amounts by reason of clauses (1) to (5) above if it had been the registered holder of such Note. In addition, Additional Amounts will not be payable with respect to any Taxes which are payable otherwise than by withholding from payments of, or in respect of principal of, or any interest or other amounts payable on or with respect to, the Notes.

Whenever in the Indenture or in this "Description of the Notes" there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or of any other amount payable under or with respect to any of the Notes, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Taxes are, were or would be payable in respect thereof.

Within 30 days after any request, the Bank will provide the Trustee with documentation satisfactory to the Trustee evidencing the payment of Additional Amounts.

The Bank will pay any present or future stamp, court or documentary taxes, or any other excise or property taxes, charges or similar levies which arise in any jurisdiction from the execution, delivery or registration of the Notes or any other document or instrument referred to therein, or the receipt of any payments with respect to the Notes, excluding any such taxes, charges or similar levies imposed by any jurisdiction other than a jurisdiction in which the Bank is organized or is otherwise resident for tax purposes, the United States of America or any jurisdiction in which a paying agent is located, but not excluding those resulting from, or required to be paid in connection with, the enforcement of the Notes or any other such document or instrument following the occurrence of any Event of Default with respect to the Notes.

Methods of Receiving Payments on the Notes

The Bank will make payments of principal of and interest on the Notes and any Additional Amounts represented by global securities by wire transfer of U.S. dollars to DTC or to its nominee as the registered holder of the Notes, which will receive the funds for distribution to the owners of beneficial interests in the Notes. The Bank has been informed by DTC that the owners will be paid in accordance with the procedures of DTC and its participants. Neither the Bank, the Trustee, nor the paying agent shall have any responsibility or liability for any of the records of, or payments made by, DTC or its nominee.

Notices

Notices to be given to Holders of a global note will be given only to DTC in accordance with its applicable policies as in effect from time to time. If Notes are issued in individual definitive form, notices will be sent by mail to the respective addresses of the Holders as they appear in the security register maintained by the security registrar, and the Bank will consider such a notice to be given at the time it is mailed. Neither the failure to give any notice to a particular Holder, nor any defect in a notice given to a particular Holder, will affect the sufficiency of any notice given to another Holder.

In addition, so long as the Notes are listed on the LSE for trading on the Euro MTF Market and the rules of such exchange so require, notices will also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or on the website of the LSE (www.bourse.lu). Any such notice will be deemed to have been delivered on the date of first publication.

Subordination of Notes

The payment of all obligations on or relating to the Notes will, in the event of liquidation or as otherwise set forth in the Indenture, be subordinated in right of payment to the prior payment in full in cash or cash equivalents of all outstanding obligations due in respect of Senior Liabilities of the Bank, whether outstanding on the Issue Date or incurred after that date. The Notes will rank *pari passu* with all other unsecured and subordinated Indebtedness of the Bank, if any, that complies with the Tier Two Capital requirements set forth in Decree 2555. Pursuant to Colombian banking laws, the Notes will constitute Tier Two Capital "subordinated bonds" (*bonos subordinados*) in compliance with the requirements of Decree 2555.

The creditors holding Senior Liabilities will be entitled to receive payment in full in cash or cash equivalents of all obligations due in respect of Senior Liabilities before the Holders will be entitled to receive any payment or distribution of any kind or character with respect to any obligations on or relating to the Notes in the event of any distribution to creditors of the Bank:

1. in a total or partial liquidation, dissolution or winding up of the Bank; and

2. in the event that the SFC takes possession of the Bank and determines to liquidate the Bank.

As a result of the subordination provisions described above in the event of a liquidation of the Bank, the Notes will be senior only to subordinated instruments constituting Tier One Capital and the Bank's Capital Stock, and accordingly, Holders may recover less ratably than creditors of the Bank who are creditors of Senior Liabilities.

Optional Redemption

On the Reset Date, subject to (i) the applicable Colombian laws and regulations then in effect and (ii) the prior approval of the SFC or any other then-applicable Colombian governmental authority, if required, the Bank may at its option redeem the Notes in whole or in part, upon giving not less than 30 nor more than 60 days' notice to the Holders of the Notes, at a redemption price equal to 100% of the principal amount of the Notes being redeemed plus any accrued and unpaid interest on the principal amount of the Notes being redeemed up to, but excluding, the date of such redemption, plus Additional Amounts, if any (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Certain Covenants

The Indenture will contain, among others, the following covenants:

Mergers, Consolidations, Etc.

The Bank will not consolidate with or merge into, or sell, lease, convey or transfer, in one transaction or a series of transactions, all or substantially all of the Bank's properties and assets to any Person, unless:

(1) the surviving entity, if other than the Bank, is organized and existing under the laws of Colombia or the United States and assumes via supplemental indenture all of the obligations under the Notes and the Indenture;

(2) the Bank, or the surviving entity, as the case may be, is not immediately after such transaction in Default under the Notes or the Indenture; and

(3) the Bank or the surviving entity will have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each, in form and substance satisfactory to the Trustee, stating that such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition, and if a supplemental indenture is required in connection with such transaction, such supplemental indenture, complies with the requirements of the Indenture and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture and the Notes constitute legal, valid and binding obligations of the continuing person, enforceable in accordance with their terms.

Maintenance of Office or Agency

The Bank shall maintain an office or agency in the Borough of Manhattan, The City of New York, where notices to and demands upon the Bank in respect of the Notes and the Indenture may be served. Initially this office will be the corporate trust office of the Trustee, and the Bank will agree not to change the designation of such agent without prior notice to the Trustee and designation of a replacement agent in the Borough of Manhattan, The City of New York.

Provision of Financial Statements and Reports

So long as any Notes are outstanding, the Bank will furnish to the Trustee:

(1) Within 120 days following the end of each of the Bank's fiscal years, an English version (or accompanied by an English translation thereof) of the Bank's consolidated audited income statements, balance sheets, statements of shareholders equity and cash flow statements and the related notes thereto for the two most recent fiscal years in accordance with Colombian Banking IFRS, together with an audit report thereon by the Bank's independent auditors and with corresponding notes to the financial statements in English; and

(2) Within 60 days following the end of the first three fiscal quarters in each of the Bank's fiscal years, commencing March 31, 2017, an English version (or accompanied by an English translation thereof) of the Bank's quarterly reports containing unaudited consolidated balance sheets, statements of income, statements of shareholders equity and statements of cash flows and the related notes thereto, in each case for the quarterly period then ended and the corresponding quarterly period in the prior fiscal year and prepared in accordance with Colombian Banking IFRS, and with corresponding notes to the financial statements in English.

In addition, if and so long as the Notes are admitted to listing on the Official List of the LSE and to trading on the Euro MTF Market and the rules of the LSE so require, copies of such reports and information furnished to the Trustee will also be made available at the specified office of the paying agent in Luxembourg.

The Bank shall furnish to any Holder of Notes or to any prospective purchaser designated by such Holder, upon request of such Holder, financial and other information described in paragraph (d)(4) of Rule 144A with respect to the Bank to the extent required in order to permit such Holder to comply with Rule 144A with respect to any resale of its Notes, unless, at the time of such request, the Bank is subject to the reporting requirements of Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") or is exempt from such requirements pursuant to Rule 12g3-2(b) under the Exchange Act (as amended from time to time and including any successor provision).

Delivery of such reports, information and documents to the Trustee shall be for informational purposes only and the Trustee's receipt of such reports, information and documents shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Bank's compliance with any of the covenants contained in the Indenture (as to which the Trustee will be entitled to conclusively rely upon an Officers' Certificate).

Further Actions

The Bank will, at its own cost and expense, satisfy any condition or take any action (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) at any time required, as may be necessary or as the Trustee may reasonably request, in accordance with applicable laws and/or regulations, to be taken, fulfilled or done in order to (i) enable the Bank to lawfully enter into, exercise its rights and perform and comply with its obligations under the Indenture and the Notes, as the case may be; (ii) ensure that its obligations under the Indenture and the Notes are legally binding and enforceable; (iii) make the Indenture and the Notes admissible in evidence in the courts of the State of New York and Colombia; (iv) preserve the enforceability of, and maintain the Trustee's rights under, the Indenture; and (v) respond to any reasonable requests received from the Trustee to enable the Trustee to facilitate the Trustee's exercise of its rights and performance of its obligations under the Indenture and the Notes, including exercising and enforcing its rights under and carrying out the terms, provisions and purposes of the Indenture and the Notes.

Events of Default

Each of the following is an "Event of Default:"

(1) failure by the Bank to pay interest or Additional Amounts, if any, on any of the Notes when it becomes due and payable and the continuance of any such failure for thirty (30) days;

(2) failure by the Bank to pay the principal on any of the Notes when it becomes due and payable, whether at stated maturity or otherwise and the continuance of any such failure for seven (7) days;

(3) the Bank pursuant to or within the meaning of any Bankruptcy Law:

(a) commences a voluntary case;

(b) consents to the entry of an order for relief against it in an involuntary case; assets;

(c) consents to the appointment of a Custodian of it or for all or substantially all of its assets;

(d) makes a general assignment for the benefit of its creditors; or

(e) is subject to any other Intervention Measure or Preventive Measure;

(4) a court of competent jurisdiction or relevant entity enters an order or decree under any Bankruptcy Law that:

(a) is for relief against the Bank as debtor in an involuntary case;

(b) appoints a Custodian of the Bank or a Custodian for all or substantially all of the assets of the Bank; or

(c) orders the liquidation of the Bank, and the order or decree remains unstayed and in effect for sixty (60) days.

If the Bank fails to make payment of principal of or interest or Additional Amounts, if any, on the Notes (and, in the case of payment of principal, such failure to pay continues for seven (7) days or, in the case of payment of interest or Additional Amounts, such failure to pay continues for thirty (30) days), each Holder has the right to demand and collect under the Indenture and the Bank will pay to the Holders the applicable amount of such due and payable principal, accrued interest and Additional Amounts, if any, on the Notes; provided, however, that to the extent that the SFC has adopted an Intervention Measure in connection with the Bank, under the Bankruptcy Law, the Holders would not be able to commence proceedings to collect amounts owed outside the intervention proceeding.

There is no right of acceleration in the case of a Default in any payment on the Notes (whether when due or otherwise) or the performance of any of the Bank's other obligations under the Indenture or the Notes. Notwithstanding the immediately preceding sentence, the Holders shall have the right to accelerate the payments due under the Notes during the occurrence of an Event of a Default; provided that there shall have been a change, amendment or modification to Colombian banking laws that would permit such right without disqualifying the Notes from Tier Two Capital status and the Holders exercise such right in accordance with applicable Colombian banking law. Subject to the subordination provisions of the Notes, if any Event of Default occurs and is continuing, the Trustee may pursue any available remedy (excluding acceleration, except as provided herein) to collect the payment of principal and interest on the Notes or to enforce the performance of any provision under the Indenture. See "Risk Factors—Risks Relating to the Notes—Holders of notes will not have the right to accelerate the notes."

The Trustee is not to be charged with knowledge of any Default or Event of Default (other than a payment default under (1) or (2) above) or knowledge of any cure of any Default or Event of Default unless an authorized officer of the Trustee with direct responsibility for the Indenture has received written notice of such Default or Event of Default by the Bank or any Holder.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to rights of registration of transfer or exchange of Notes, which shall survive until all Notes have been canceled) as to all outstanding Notes when:

(a) either:

(1) all the Notes that have been authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has been deposited in trust or segregated and held in trust by the Bank and thereafter repaid to the Bank or discharged from this trust) have been delivered to the Trustee for cancellation; or

(2) all Notes not delivered to the Trustee for cancellation otherwise have become due and payable and the Bank has irrevocably deposited or caused to be deposited with the Trustee trust funds in trust in an amount of money sufficient to pay and discharge all principal and accrued interest on the Notes not theretofore delivered to the Trustee for cancellation, and the Bank has delivered irrevocable instructions to the Trustee to apply the deposited money toward the payment of the Notes at maturity;

(b) the Bank has paid all sums payable by it under the Indenture; and

(c) the Bank has delivered an Officers' Certificate and an Opinion of Counsel stating that all conditions precedent to satisfaction and discharge have been complied with.

Transfer and Exchange

A Holder will be able to register the transfer of or exchange Notes only in accordance with the provisions of the Indenture. The security registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. Without the prior consent of the Bank, the Registrar is not required to register the transfer or exchange of a Note between a record date and the next succeeding interest payment date.

The Notes will be issued in registered form and the registered Holder will be treated as the owner of such Note for all purposes.

Purchase of Notes

The Bank may at any time purchase Notes at any price in the open market, in privately negotiated transactions or otherwise. Notes so purchased by the Bank may be held, resold in accordance with the Securities Act, or any exemption therefrom, or surrendered to the Trustee for cancellation.

Amendment, Supplement and Waiver

Subject to certain exceptions, the Indenture or the Notes may be amended with the consent (which may include consents obtained in connection with a tender offer or exchange offer for Notes) of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding, and any existing Default under, or compliance with any provision of, the Indenture may be waived (other than any continuing Default in the payment of the principal or interest on the Notes) with the consent (which may include consents obtained in connection with a tender offer or exchange offer for Notes) of the Holders of a majority in aggregate principal amount of the Notes then outstanding; provided, that without the consent of each Holder affected, no amendment or waiver may:

(1) reduce, or change the maturity of, the principal of any Note;

(2) reduce the rate of or extend the time for payment of interest on any Note;

(3) change the currency or place of payment of principal of or interest on the Notes;

(4) modify or change the definitions affecting the subordination of the Notes or any provision of the Indenture (including the covenants in the Indenture) in a manner that adversely affects the Holders;

(5) reduce the percentage of Holders necessary to consent to an amendment or waiver to the Indenture or the Notes;

(6) impair the rights of Holders to receive payments of principal of or interest on the Notes; or

(7) make any change in these amendment and waiver provisions.

Notwithstanding the foregoing, the Bank and the Trustee may amend the Indenture or the Notes without the consent of any Holder to cure any ambiguity, defect or inconsistency, to provide for uncertificated notes in addition to or in place of certificated notes, to provide for the assumption of the Bank's obligations to the Holders in the case of a merger, consolidation or sale of all or substantially all of the assets in accordance with "—Certain Covenants—Mergers, Consolidations, Etc.," to add to the covenants of the Bank, or to surrender any right or power under the Indenture conferred upon the Bank, for the benefit of the Holders, to conform the text of the Indenture or the Notes to any provision in this "Description of the Notes," to provide for the issuance of Additional Notes and to set forth the terms thereof, to add to the rights of the Holders, to provide for the acceptance of a successor trustee, and to make any change that does not adversely affect the rights of any Holder.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Bank will have any liability for any obligations of the Bank under the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws. It is the view of the SEC that this type of waiver is against public policy.

Concerning the Trustee

The Bank of New York Mellon has been appointed by the Bank as the Trustee under the Indenture and as security registrar and paying agent with regard to the Notes. The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of the Bank, to obtain payment of claims in certain cases, or to realize on certain assets received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest (as defined in the Indenture), it must eliminate such conflict or resign.

The Holders of a majority in principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that, in case an Event of Default occurs and is not cured, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent person in similar circumstances in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless such Holder shall have offered to the Trustee security and indemnity satisfactory to the Trustee in its sole discretion. The Indenture does not require the Trustee to submit to the jurisdiction of any non-U.S. court or enforce remedies outside of the United States. A co-Trustee may be appointed for such purposes.

Unclaimed Amounts

Any money deposited with the Trustee or paying agent or held by the Bank, in trust, for the payment of principal, premium, interest or any Additional Amounts, that remains unclaimed for two (2) years after such amount becomes due and payable shall be paid to the Bank or its requestor or, if held by the Bank, shall be discharged from such trust. The Holder will look only to the Bank for payment thereof, and all liability of the Trustee, paying agent or of the Bank shall thereupon cease. However, the Trustee or paying agent may at the expense of the Bank cause to be published once in a newspaper in each place of payment, or to be mailed to Holders, or both, notice that the money remains unclaimed and any unclaimed balance of such money remaining, after a specified date, will be repaid to the Bank.

No Sinking Fund

The Notes will not be entitled to the benefit of a sinking fund.

Listing

In the event that the Notes are admitted to listing on the Official List of the LSE and to trading on the Euro MTF Market, the Bank will use its reasonable best efforts to maintain such listing, provided that if, as a result of the European Union regulated market amended Directive 2001/34/EC (the "Transparency Directive") or any legislation implementing the Transparency Directive the Bank could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which it would otherwise use to prepare its published financial information, or the Bank determines that it is unduly burdensome to maintain a listing on the LSE, the Bank may delist the Notes from the Euro MTF Market in accordance with the rules of the LSE and seek an alternative admission to listing, trading and/or quotation for the Notes on a different section of the LSE if reasonably available. Although the Bank cannot assure Holders as to the liquidity that may result from a listing on the LSE, delisting the Notes from the LSE may have a material effect on the ability of Holders of the Notes to resell the Notes in the secondary market.

Ratings

The Bank will use commercially reasonable efforts to maintain ratings on an international scale from at least two Rating Agencies, which efforts shall include, but are not limited to, paying all fees of each applicable Rating Agency and responding to reasonable requests for information from each applicable Rating Agency from time to time in order to permit the applicable Rating Agency to maintain a rating with respect to the Notes.

Governing Law; Submission to Jurisdiction

The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York.

The Trustee and the Bank will waive any right to trial by jury in any action, proceeding or counterclaim arising out of or relating to the Indenture or the Securities or any transaction related hereto to the fullest extent permitted by applicable law.

The Bank consents to the non-exclusive jurisdiction of any court of the State of New York or any United States Federal court sitting, in each case, in the Borough of Manhattan, New York, New York, United States of America, and any appellate court from any court thereof, and to the courts of its own corporate domicile, in respect of actions brought against it as a defendant, and waives, to the maximum extent permitted by law, any immunity from the jurisdiction of such courts over any suit, action or proceeding that may be brought in connection with the Indenture or the Notes and any right to which it may be entitled on account of place of residence or domicile.

The Bank will agree that service of all writs, claims, process and summons in any suit, action or proceeding against it or its properties, assets or revenues with respect to the Indenture and the Notes or any suit, action or proceeding to enforce or execute any judgment brought against the Bank in any court of the State of New York, or any United States Federal court sitting, in each case, in the Borough of Manhattan, New York, New York, United States of America, may be made upon CT Corporation System at 111 Eighth Avenue, New York, New York 10011, and it will irrevocably appoint CT Corporation System as its agent to accept such service of any and all such writs, claims, process and summonses.

Currency Rate Indemnity

U.S. Dollars are the sole currency of account and payment for all sums payable by the Bank under or in connection with the Indenture and the Notes. Therefore, the Bank has agreed that, if a judgment or order made by any court for the payment of any amount in respect of any Notes is expressed in a currency other than U.S. dollars, the Bank will indemnify the Trustee and/or relevant Holder against any deficiency arising from any variation in rates of exchange between the date as of which the denomination currency is notionally converted into the judgment currency for the purposes of the judgment or order and the date of actual payment. Any amount received or recovered in a currency other than U.S. Dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Bank or otherwise) by Trustee and/or any Holder in respect of any sum expressed to be due to it from the Bank will only constitute a discharge of the Bank to the extent of the U.S. Dollar amount that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). This indemnity will constitute a separate and independent obligation from the Bank's other obligations under the Indenture, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted from time to time and will continue in full force and effect notwithstanding any judgment or order for a liquidated sum or sums in respect of amounts due under the Indenture or the Notes.

Certain Definitions

Set forth below is a summary of certain of the defined terms used in the Indenture and the Notes. Reference is made to the Indenture and/or the Notes, as applicable, for the full definition of all such terms.

"*amend*" means to amend, supplement, restate, amend and restate or otherwise modify; and "*amendment*" shall have a correlative meaning.

"*Bankruptcy Law*" means the U.S. Bankruptcy Code or the provisions of the Financial Statute concerning intervention (*toma de posesión*), administrative liquidation and bankruptcy of financial institutions, the Decree 2555, as amended, and any other Colombian law or regulation regulating the insolvency of financial entities from time to time.

"*Benchmark Reset Rate*" means (i) the rate per annum corresponding to the semi-annual equivalent yield to maturity, under the heading that represents the average for the week immediately prior to the Reset Date, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication that is published weekly by the U.S. Federal Reserve and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities", for the 5-Year U.S. Treasury Bond or (ii) if such release (or any successor release) is not published during the week preceding the Reset Date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the 5-Year U.S. Treasury Bond, calculated by the Independent Investment Banker using a price for the 5-Year U.S. Treasury Bond (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the Reset Date. The Benchmark Reset Rate will be determined by the Independent Investment Banker at 3:30 p.m. on the Reset Date and notified to the calculation agent in writing within one Business Day.

"*Board of Directors*" shall mean, with respect to any Person, (i) in the case of any corporation, the board of directors of such Person, (ii) in the case of any limited liability company, the board of managers of such Person, (iii) in the case of any partnership, the Board of Directors of the general partner of such Person and (iv) in any other case, the functional equivalent of the foregoing.

"*Business Day*" means a day other than a Saturday, Sunday or other day on which banking institutions in New York or Colombia are authorized or required by law to close.

"*Capital Stock*" means any and all classes of shares a Colombian financial institution is authorized to issue under applicable Colombian laws including, but not limited to, common shares, non-voting preferred shares, privileged shares and *acciones representativas de capital garantía* set forth in Decree 2555 and issued in favor of Fogafin.

"*Colombian Banking IFRS"* means the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted in Colombia in accordance with Law 1314 of 2009, Decree 2420 of 2015, Decree 2496 of 2015 and the regulations of the SFC.

"*Comparable Treasury Issue*" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity date comparable to the Reset Date or the maturity date, as the case may be, that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the Reset Date or the maturity date, as the case may be.

"*Comparable Treasury Price*" means, with respect to any redemption date (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"*Custodian*" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

"*Decree 2555*" means Decree 2555 of 2010, as amended and supplemented from time to time, of Colombia.

"*Default*" means (1) any Event of Default or (2) any event, act or condition that, after notice or the passage of time or both, would be an Event of Default.

"*Financial Statute*" means Decree 663 of 1993, as amended and supplemented from time to time, of Colombia.

"*Fitch*" means Fitch Inc., a subsidiary of Fimalac, S.A., and any successor to its rating agency business.

"*Fogafin*" means the *Fondo de Garantías de Instituciones Financieras*.

"*Holder*" means any registered holder, from time to time, of the Notes.

"*Indebtedness*" means, with respect to any Person, without duplication: (i) money borrowed and premiums (if any) and accrued interest in respect thereof, (ii) liabilities under or in respect of any acceptance or credit, (iii) the principal and premium (if any) and any accrued and unpaid interest in respect of any bonds, notes, debentures, debenture stock, loan stock, certificates of deposit or other securities whether issued for cash or in whole or in part for a consideration other than cash, (iv) all obligations issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable in the ordinary course of business), (v) guarantees and other contingent obligations in respect of Indebtedness referred to in clauses (i) through (iv) above, and (vi) any other obligation that would appear or be treated as indebtedness upon a balance sheet if such Person prepared it in accordance with Colombian Banking IFRS as applicable to financial institutions.

"*Independent Investment Banker*" means one of the Reference Treasury Dealers appointed by the Bank.

"*Intervention Measure*" means any of the measures described in article 114 of the Financial Statute, as amended from time to time, that allow the SFC to take possession of a financial institution, Decree 2555 as amended, and any other Colombian law or regulation regulating the administrative takeover of a financial institution.

"*Issue Date*" means April 3, 2017, the date on which the Notes are originally issued.

"*Moody's*" means Moody's Investors Service, Inc. and any successor to its rating agency business.

"*Officer*" means any of the following of the Bank: the Chief Executive Officer, the Chief Financial Officer, the President, any Vice President, the Treasurer or the Secretary.

"*Officers' Certificate*" means a certificate signed by two Officers.

"*Opinion of Counsel*" means a written opinion of counsel, who may (except as otherwise expressly provided in the Indenture) be an employee of, or counsel to, the Bank. Such opinion shall be in form and substance satisfactory to the Trustee.

"*Person*" means any individual, corporation, partnership, limited liability company, joint venture, incorporated or unincorporated association, joint-stock company, trust, unincorporated organization or government or other agency or political subdivision thereof or other entity of any kind.

"*Preventive Measure*" means any of the measures described in article 113 of the Financial Statute, as amended from time to time, that the SFC can take with respect to a financial institution prior to and in order to avoid having to take an Intervention Measure under Decree 2555 and any other Colombian law or regulation regulating such type of measures.

"*principal*" means, with respect to the Notes, the principal of, and premium, if any, on the Notes.

"*SEC*" means the U.S. Securities and Exchange Commission.

“*Rating Agency*” means, initially, any of S&P, Moody’s and Fitch or, if any of S&P, Moody’s or Fitch shall not make a rating on any series of Notes publicly available (other than due to the Bank’s failure to (i) provide such Rating Agency with such reports and other information or documents as such Rating Agency shall reasonably request to monitor and continue to assign ratings to the Notes, (ii) pay customary fees to such Rating Agency in connection therewith or (iii) take any other action reasonably requested by such Rating Agency in connection therewith), a nationally recognized statistical rating organization (or two or three such organizations, as the case may be), as such term is defined in Section 3(a)(62) of the Exchange Act, selected by the Bank which shall be substituted for any or all of S&P, Moody’s or Fitch, as the case may be, and their respective successors.

“*Reference Treasury Dealer*” means Merrill Lynch, Pierce, Fenner & Smith Incorporated and four others to be named by the Bank, or their respective affiliates which are primary United States government securities dealers and not less than three other leading primary United States government securities dealers in New York City reasonably designated by the Bank; provided, however, that if any of the foregoing shall cease to be a primary United States government securities dealer in New York City (a “Primary Treasury Dealer”), the Bank will substitute therefor another Primary Treasury Dealer.

“*Reference Treasury Dealer Quotation*” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked price for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 p.m. New York City time on the third Business Day preceding such redemption date.

“*S&P*” means Standard & Poor’s Ratings Services, a division of McGraw-Hill Companies, Inc., and any successor to its rating agency business.

“*Securities Act*” means the U.S. Securities Act of 1933, as amended.

“*Senior Liabilities*” means any liabilities to third parties that constitute external debt of the Bank (*pasivo externo*) under Colombian banking laws and accounting principles whether outstanding on the Issue Date or thereafter created, incurred or assumed, unless, the instrument creating or evidencing the same or pursuant to which the same are outstanding complies with the subordination requirements set forth under Decree 2555. Under Colombian banking laws and accounting principles, “external debt” (*pasivo externo*) means, in the case of the Bank, any and all liabilities to third parties, as reflected in the financial statements of the Bank from time to time or any and all liabilities to third parties in the event of liquidation.

“*SFC*” means the Superintendence of Finance of Colombia.

“*Taxes*” means any taxes, duty, levy, impost, assessment or other governmental charge (including penalties, interest and any other liabilities related thereto).

“*Taxing Authority*” means any government or political subdivision or territory or possession of any government or any authority or agency therein or thereof having power to tax.

“*Technical Capital*” means, in respect of a Colombian bank, the “*Patrimonio Técnico*” of such bank, comprised of Tier One Capital and Tier Two Capital, as the same is defined in article 2.1.1.1.5 of Decree 2555 or any other Colombian law or regulation regulating the *Patrimonio Técnico*.

“*Tier One Capital*” means, as of any date of determination, the “*Patrimonio Básico*” as the same is defined in articles 2.1.1.1.6, 2.1.1.1.7, 2.1.1.1.10 and 2.1.1.1.11 and “*Patrimonio Básico Adicional*” as defined in articles 2.1.1.1.6, 2.1.1.1.8 and 2.1.1.1.12 of Decree 2555 or any other Colombian law or regulation regulating the *Patrimonio Básico* and *Patrimonio Básico Adicional* in effect from time to time.

“*Tier Two Capital*” means, as of any date of determination, the “*Patrimonio Adicional*” as the same is defined in articles 2.1.1.1.6, 2.1.1.1.9 and 2.1.1.1.13 of Decree 2555 or any other Colombian law or regulation regulating the *Patrimonio Adicional* in effect from time to time.

Book-Entry System; Delivery and Form

The Notes are being offered and sold in connection with the initial offering thereof solely to "qualified institutional buyers," as that term is defined in Rule 144A under the Securities Act, pursuant to Rule 144A, and in offshore transactions to persons other than "U.S. persons," as defined in Regulation S under the Securities Act, in reliance on Regulation S. Following the initial offering of the Notes, the Notes may be resold (a) to the Bank or any of its subsidiaries, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A, (c) outside the United States in compliance with Rule 903 or 904 of Regulation S, (d) pursuant to an exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States and other jurisdictions. See "Transfer Restrictions."

The Global Notes

Rule 144A Global Note

Notes offered and sold to qualified institutional buyers pursuant to Rule 144A will initially be issued in the form of one or more registered Notes in global form, without interest coupons. The Rule 144A global note will be deposited on the date of the closing of the sale of the Notes with, or on behalf of, DTC and registered in the name of Cede & Co., as nominee of DTC, and will remain in the custody of The Bank of New York Mellon, as custodian pursuant to the FAST Balance Certificate Agreement between DTC and The Bank of New York Mellon, as custodian. Interests in the Rule 144A global note will be available for purchase only by qualified institutional buyers.

Regulation S Global Note

Notes offered and sold in offshore transactions to non-U.S. persons in reliance on Regulation S under the Securities Act will initially be issued in the form of one or more registered notes in global form, without interest coupons. The Regulation S global note will be deposited upon issuance with, or on behalf of, a custodian for DTC in the manner described in the preceding paragraph for credit to the respective accounts of the purchasers.

Except as set forth below, the Rule 144A global note and the Regulation S global note, collectively referred to in this section as the "global notes," may be transferred, in whole and not in part, solely to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in respect of the global notes may not be exchanged for Notes in physical, certificated form (referred to as "certificated notes") except in the limited circumstances described below.

The Notes will be subject to certain restrictions on transfer and will bear a restrictive legend as set forth under "Transfer Restrictions."

All interests in the global notes, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems.

Exchanges Among the Global Notes

Prior to the 40th day after the later of the commencement of the offering of the Notes and the date of the closing of the sale of the Notes (through and including the 40th day, the "Restricted Period"), transfers by an owner of a beneficial interest in respect of the Regulation S global note to a transferee who takes delivery of this interest through the Rule 144A global note will be made only in accordance with applicable procedures and upon receipt by the Trustee of a written certification from the transferor of the beneficial interest in the form provided in the Indenture to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A. Such written certification will no longer be required after the expiration of the Restricted Period.

Transfers by an owner of a beneficial interest in respect of the Rule 144A global note to a transferee who takes delivery of such interest through the Regulation S global note, whether before or after the expiration of the Restricted Period, will be made only upon receipt by the Trustee of a certification from the transferor in the form provided in the Indenture to the effect that such transfer is being made in accordance with Regulation S.

Any beneficial interest in respect of one of the global notes that is transferred to a person who takes delivery in the form of an interest in another global note will, upon transfer, cease to be an interest in such global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other global note for as long as it remains such an interest.

Certain Book-Entry Procedures for the Global Notes

The descriptions of the operations and procedures of DTC, Euroclear and Clearstream set forth below are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to change by them from time to time. Neither the Bank, the

Trustee, any paying agent, security registrar, transfer agent nor the initial purchasers take any responsibility for these operations or procedures, and investors are urged to contact the relevant system or its participants directly to discuss these matters.

DTC has advised us that it is (i) a limited purpose trust company organized under the laws of the State of New York, (ii) a "banking organization" within the meaning of the New York Banking Law, (iii) a member of the Federal Reserve System, (iv) a "clearing corporation" within the meaning of the Uniform Commercial Code, as amended, and (v) a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitates the clearance and settlement of securities transactions between participants through electronic book-entry changes to the accounts of its participants, thereby eliminating the need for physical transfer and delivery of certificates. DTC's participants include securities brokers and dealers (including the initial purchasers), banks and trust companies, clearing corporations and certain other organizations, including Euroclear and Clearstream. Indirect access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies, or indirect participants that clear through or maintain a custodial relationship with a participant, either directly or indirectly. Investors who are not participants may beneficially own securities held by or on behalf of DTC only through participants or indirect participants.

We expect that pursuant to procedures established by DTC (i) upon deposit of each global note, DTC will credit the accounts of participants designated by the initial purchasers with an interest in the global note and (ii) ownership of the Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the interests of participants) and the records of participants and the indirect participants (with respect to the interests of persons other than participants).

The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Accordingly, the ability to transfer interests in the Notes represented by a global note to such persons may be limited. In addition, because DTC can act only on behalf of its participants, who in turn act on behalf of persons who hold interests through participants, the ability of a person having an interest in Notes represented by a global note to pledge or transfer such interest to persons or entities that do not participate in DTC's system, or to otherwise take actions in respect of such interest, may be affected by the lack of a physical definitive security in respect of such interest.

So long as DTC or its nominee is the registered owner of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by the global note for all purposes under the Indenture. Except as provided below, owners of beneficial interests in respect of a global note will not be entitled to have Notes represented by such global note registered in their names, will not receive or be entitled to receive physical delivery of certificated Notes, and will not be considered the owners or holders thereof under the Indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the Trustee thereunder. Accordingly, each holder owning a beneficial interest in respect of a global note must rely on the procedures of DTC and, if such holder is not a participant or an indirect participant, on the procedures of the participant through which such holder owns its interest, to exercise any rights of a holder of Notes under the Indenture or such global note. We understand that under existing industry practice, in the event that we request any action of holders of Notes, or a holder that is an owner of a beneficial interest in respect of a global note desires to take any action that DTC, as the holder of such global note, is entitled to take, DTC would authorize the participants to take such action and the participants would authorize holders owning through such participants to take such action or would otherwise act upon the instruction of such holders. Neither we nor the Trustee or any paying agent, security registrar or transfer agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of Notes by DTC, or for maintaining, supervising or reviewing any records of DTC relating to such Notes.

Payments with respect to the principal of, premium, if any, and interest on any Notes represented by a global note registered in the name of DTC or its nominee on the applicable record date will be payable by the Trustee to or at the direction of DTC or its nominee in its capacity as the registered holder of the global note representing such Notes under the Indenture. Under the terms of the Indenture, we and the Trustee, the paying agents, the security registrar and the transfer agents may treat the persons in whose names the Notes, including the global notes, are registered as the owners thereof for the purpose of receiving payment thereon and for any and all other purposes whatsoever. Accordingly, neither we nor the Trustee, any paying agent, security registrar or transfer agent has or will have any responsibility or liability for the payment of such amounts to owners of beneficial interests in respect of a global note (including principal, premium, if any, liquidated damages, if any, and interest). Payments by the participants and the indirect participants to the owners of beneficial interests in respect of a global note will be governed by standing instructions and customary industry practice and will be the responsibility of the participants or the indirect participants and DTC.

Transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds. Transfers between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes, cross-market transfers between the participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary. However, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant global notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a global note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the global notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time. Neither we nor the Trustee or any paying agent, security registrar or transfer agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Certificated Notes

If (i) we notify the Trustee in writing that DTC is no longer willing or able to act as a depositary or DTC ceases to be registered as a clearing agency under the Exchange Act and a successor depositary is not appointed within 90 days of such notice or cessation, (ii) we, at our option, notify the Trustee in writing that we elect to cause the issuance of certificated notes under the Indenture, (iii) upon the request of any holder subsequent to the occurrence of any Default under the Indenture or (iv) upon the occurrence of certain other events as provided in the Indenture, then, upon surrender by DTC of the global notes, certificated notes will be issued to each person that DTC identifies as the beneficial owner of the Notes represented by the global notes. Upon any such issuance, the Trustee is required to register such certificated notes in the name of such person or persons (or the nominee of any thereof) and cause the same to be delivered thereto.

Neither we nor the Trustee, any paying agent, security registrar or transfer agent shall be liable for any delay by DTC or any participant or indirect participant in identifying the beneficial owners of the related Notes and each such person may conclusively rely on, and shall be protected in relying on, instructions from DTC for all purposes (including with respect to the registration and delivery, and the respective principal amounts, of the Notes to be issued).

Replacement of Notes

In case of mutilated, destroyed, lost or stolen Notes, application for replacement thereof may be made to the Trustee or us. Any such Note shall be replaced by the Trustee in compliance with such procedures, on such terms as to evidence and indemnification as the Trustee and we may require and subject to any applicable law or regulation. All such costs as may be incurred in connection with the replacement of any Notes shall be borne by the applicant. Mutilated Notes must be surrendered before new ones will be issued.

TAX CONSIDERATIONS

Certain U.S. Federal income taxation considerations

This section describes the material U.S. federal income tax consequences of acquiring, holding and disposing of the notes. It applies to you only if you acquire your notes in this offering at their issue price on the issue date for U.S. federal income tax purposes, and you hold your notes as capital assets for U.S. federal income tax purposes. This discussion is based upon the provisions of the U.S. Internal Revenue Code of 1986, as amended, or the Code, Treasury regulations promulgated thereunder, administrative rulings and judicial decisions, all as of the date hereof. We have not sought any ruling from the U.S. Internal Revenue Service, or the IRS, with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions.

This discussion also does not address the tax considerations arising under the laws of any U.S. state or local or any non-U.S. jurisdiction, estate and gift tax, the Medicare tax on net investment income or any alternative minimum tax consequences. In addition, this discussion does not address tax considerations applicable to an investor's particular circumstances or to investors that may be subject to special tax rules, including, without limitation:

- a dealer in securities or currencies,
- a financial institution,
- a regulated investment company,
- a grantor trust,
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings,
- a bank or other financial institution,
- a real estate investment trust,
- a tax-exempt organization,
- an insurance company,
- a person that actually or constructively owns 10% or more of our voting stock,
- a person that holds notes as part of a straddle, hedge, conversion, constructive sale or other integrated transaction,
- a U.S. Holder (as defined below) whose functional currency is not the U.S. dollar, or
- a U.S. expatriate.

These laws are subject to change, possibly on a retroactive basis. There is currently no comprehensive income tax treaty between the United States and Colombia.

You are a "U.S. Holder" if you are a beneficial owner of notes and you are:

- an individual who is a citizen or resident of the United States,

- a corporation or any other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof, or the District of Columbia,
- an estate whose income is subject to U.S. federal income tax regardless of its source, or
- a trust if (1) a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust or (2) the trust has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

A "non-U.S. Holder" is a beneficial owner of notes that is not a United States person for U.S. federal income tax purposes.

In addition, if a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of notes, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A beneficial owner of notes that is a partnership, and partners in such partnership, should consult their own tax advisors regarding the tax consequences of acquiring, owning and disposing of the notes.

This section addresses only U.S. federal income taxation. Please see "Certain Colombian Tax Considerations" below for a discussion of certain Colombian tax considerations that may be applicable to you.

Holders are urged to consult their own tax advisors to determine the U.S. federal, state and local income and other tax and legal consequences that may be relevant to them.

Tax characterization of the notes

The interest rate on the notes may be reset on the Reset Date (See "Description of the Notes—Principal, Maturity and Interest"). Debt instruments whose yield is contingent may be subject to special rules applicable to contingent payment debt instruments unless the instrument is instead subject to Treasury regulations for variable rate debt instruments or Treasury regulations applicable to instruments with alternative payment schedules. Based on applicable Treasury regulations relating to the accrual of interest and original issue discount on debt instruments that provide for "alternative payment schedules" (such as debt instruments that provide the issuer with an optional right to redeem the debt instruments), we intend to treat the notes, for U.S. federal income tax purposes, as maturing on the Reset Date. Under this treatment, interest paid on a note (including any Additional Amounts) will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder's regular method of accounting for U.S. federal income tax purposes.

Our determination that the notes will mature on the Reset Date for tax purposes is binding on investors unless they disclose a contrary position to the IRS in the manner that is required by applicable Treasury regulations. No assurance can be made, however, that the IRS will not take a different position or that a court would uphold our treatment of the notes. If the IRS successfully challenges our position and treats the notes as having contingent interest under the Treasury regulations governing debt instruments that provide for contingent payments, the timing, character and amount of taxable income in respect of the notes may differ from that described herein and have adverse consequences to the Holders.

Holders should consult their own tax advisors about the consequences to them if the contingent payment debt rules were to apply. The remainder of this discussion assumes that our position that the notes will mature on the Reset Date will be respected.

Taxation of U.S. Holders

The discussion in this section applies only to U.S. Holders. If you are not a U.S. Holder, this section does not apply to you.

Payments of interest on the notes

The notes will be issued without original issue discount for U.S. federal income tax purposes. As a result, stated interest paid on the notes, including any Additional Amounts paid pursuant to the obligations described under "Description of the Notes—Additional Amounts," will be taxable to you as ordinary interest income at the time it accrues or is received, in accordance with your method of accounting for U.S. federal income tax purposes.

The amount of interest taxable as ordinary income will include any amounts withheld in respect of Colombian taxes. Interest income earned with respect to a note generally will be foreign-source income, and generally will be treated as "passive" category income for purposes of the limitation on the creditability of federal taxes paid. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. In addition, Colombian taxes, if any, withheld from interest paid on a note may be eligible for credit against your U.S. federal income tax liability, subject to generally applicable limitations and conditions, including a minimum holding period requirement. Alternatively, a U.S. Holder may make an election to treat all foreign taxes paid as deductible expenses in computing taxable income, rather than as a credit against tax, subject to generally applicable limitations. The rules governing foreign tax credits are complex, and U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits and the possibility of electing to treat foreign taxes paid as deductions in their particular circumstances.

Sale, exchange, retirement or other taxable disposition of the notes

Upon the sale, exchange, retirement or other taxable disposition of a note, you generally will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange, retirement or other taxable disposition and your adjusted tax basis in the note, which will generally be your cost for the note. Gain or loss, if any, will generally be U.S.-source income for purposes of computing your foreign tax credit limitation. For these purposes, the amount realized does not include any amount attributable to accrued interest, which is treated as described under "Payments of Interest on the Notes" above.

Gain or loss realized on the sale, exchange or retirement of a note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or retirement your holding period in such note is greater than one year. Certain non-corporate taxpayers (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations.

Disclosure of information with respect to foreign financial assets

Certain U.S. individuals who hold any interest in "specified foreign financial assets," including the notes, during such holders' taxable year must attach to their U.S. tax return for such year certain information with respect to each such asset if the aggregate value of all of such assets exceeds $50,000 (or a higher dollar amount prescribed by the IRS), unless such notes are held in an account maintained by a U.S. payor, such as a U.S. financial institution or the U.S. branch of a foreign bank or insurer. For this purpose, a "specified foreign financial asset" includes any depositary, custodial or other financial account maintained by a foreign financial institution, and certain assets that are not held in an account maintained by a financial institution, including any stock or security issued by a person other than a U.S. person. U.S. Holders should consult their own tax advisor concerning any obligation they may have to furnish information to the IRS as a result of holding the notes.

Non-U.S. Holders

The discussion in this section applies only to non-U.S. Holders. If you are not a non-U.S. Holder, this section does not apply to you.

If you are a non-U.S. Holder, stated interest paid to you on, as well as any gain recognized on the sale or other disposition of, the notes will not be subject to U.S. federal income tax on a net income basis with respect to interest and Additional Amounts unless such interest is either (a) "effectively connected" with your conduct of a trade or business within the United States, and such interest is attributable to a permanent establishment that you maintain in the United States if that is required by an applicable income tax treaty as a condition for subjecting you to United States taxation on a net income basis or (b) with respect to any gain recognized on a sale or other disposition of the notes, you are an individual, you are present in the United States for 183 or more days in the taxable year of the sale and certain other conditions exist. In such cases you generally will be taxed in the same manner as a U.S. Holder. If you are a corporate non-U.S. Holder, "effectively connected" interest may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

Backup withholding and information reporting

Information reporting generally will apply to payments of principal of, and interest on, notes (including Additional Amounts), and to proceeds from the sale, exchange or other taxable disposition (including redemption) of notes, to a U.S. Holder (other than an exempt recipient). Backup withholding may be required on reportable payments if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, information reporting and backup withholding. Non-U.S. Holders generally will be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of information reporting and backup withholding. Backup withholding is not an additional tax. A holder of notes generally will be entitled to credit any amounts withheld under the backup withholding rules against its U.S. federal income tax liability or to obtain a refund of the amounts withheld provided the required information is furnished to the IRS in a timely manner.

FATCA withholding

Pursuant to Sections 1471 to 1474 of the Code and Treasury Regulations thereunder (provisions commonly referred to as "FATCA"), a "foreign financial institution" may be required to withhold U.S. tax on certain passthru payments made on or after January 1, 2019 to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after the date on which applicable final regulations defining "foreign passthru payments" are filed generally will be "grandfathered" and exempt from withholding unless the obligations are materially modified after that date. Accordingly, FATCA would apply to payments on the notes only if there was a significant modification of the notes for U.S. federal income tax purposes after the expiration of this grandfathering period. Many non U.S. governments have entered into agreements with the United States to implement FATCA in a manner that alters the rules described above.

Colombia and the United States entered into an intergovernmental agreement (an "IGA"), effective as of August 27, 2015, to help implement FATCA. Pursuant to IGA, we are required to comply with the provisions of FATCA as enacted by the Colombian legislation implementing the IGA (the "Colombian IGA Legislation"), rather than directly complying with the U.S. provisions implementing FATCA. Although U.S. provisions implementing FATCA impose a 30% U.S. withholding tax on all or a portion of withholdable payments on the notes that are treated as "foreign passthru payments," under the terms of the IGA, Colombian resident financial institutions that comply with the obligations under the IGA should not be required to withhold under FATCA on withholdable payments on the notes. We expect that we will be considered to be a reporting Colombian "financial institution" as defined under the IGA and we will be required to obtain and report certain information regarding certain holders of notes (including any direct or, in certain cases, indirect U.S. persons and certain financial institutions that are not FATCA compliant) to the government of Colombia, which information may ultimately be reported to the IRS.

The scope and application of FATCA withholding and information reporting pursuant to the terms of FATCA and the IGA and the rules may change. Holders should contact their own tax advisors on how these rules may apply to their investment in the notes and to their particular circumstances.

Certain Colombian tax considerations

The following summary contains a description of the principal Colombian income tax considerations in connection with the purchase, ownership and sale of the notes, but does not purport to be a comprehensive description of all Colombian tax considerations that may be relevant to a decision to purchase the notes. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than those of Colombia.

This summary is based on the tax laws of Colombia as in effect on the date of this listing prospectus, as well as regulations, rulings and decisions in Colombia available on or before such date and now in effect. All of the foregoing is subject to change, which change could apply retroactively and could affect the continued validity of this summary.

Prospective purchasers of the notes should consult their own tax advisors as to Colombian tax consequences of the purchase, ownership and sale of the notes, including, in particular, the application of the tax considerations discussed below to their particular situations, as well as the application of state, local, foreign or other tax laws.

Article 25-a(3) and Article 266(3) of the Colombian Tax Code (*Estatuto Tributario*) provide that indebtedness obtained abroad by banks do not generate income for Colombian tax purposes and is not deemed to be held in Colombia. Furthermore, Article 266(6) generally provides that debt securities issued by a Colombian issuer and traded abroad are not deemed to be held in Colombia.

As a result, under current Colombian law, payments of principal and interest on the notes to holders of the notes who are not Colombian tax residents or domiciled in Colombia are not subject to Colombian income tax, and no income tax will be withheld from payments by us to holders of the notes who are not Colombian tax residents or domiciled in Colombia. Payments of interest on the notes to holders of the notes who are residents or domiciled in Colombia are subject to Colombian income tax. However, there are arguments supporting non-performance of such withholding based on article 25(a) of the Colombian Tax Code, which expressly states that interest payments under loans obtained abroad by banks incorporated in Colombia are not subject to withholding. Under a different interpretation, such interest payments are subject to withholding for income tax purposes, as inferred under Concept No. 38742 of 2014 issued by the Colombian Tax Authority. Nonetheless, payment of interest under notes issued by banks incorporated in Colombia to holders of notes who are resident or domiciled in Colombia are not currently being subject to withholding for income tax purposes by the Bank.

In addition, and considering that the notes will be deemed to be a loan possessed abroad, gains realized on the sale or other disposition of the notes will not be subject to Colombian income tax or withholdings as long as the holder of the notes is not a Colombian resident for tax purposes or is not domiciled in Colombia.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement between us and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as the initial purchaser, we have agreed to sell to the initial purchaser, and the initial purchaser has agreed to purchase from us, U.S.$300,000,000 aggregate principal amount of notes.

Subject to the terms and conditions set forth in the purchase agreement, the initial purchaser has agreed to purchase all of the notes sold under the purchase agreement if any of these notes are purchased.

We have agreed to indemnify the initial purchaser against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the initial purchaser may be required to make in respect of those liabilities.

The initial purchaser is offering the notes, subject to prior sale, when, as and if issued to and accepted by it, subject to approval of legal matters by its counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchaser of officer's certificates and legal opinions. The initial purchaser reserves the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and discounts

The initial purchaser proposes initially to offer the notes at the offering price set forth on the cover page of this listing prospectus. After the initial offering, the offering price or any other term of the offering may be changed.

Notes are not being registered

The notes have not been registered under the Securities Act or any state securities laws. The initial purchaser proposes to offer the notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The initial purchaser will not offer or sell the notes except to persons it reasonably believes to be qualified institutional buyers or pursuant to offers and sales to non-U.S. persons that occur outside of the United States within the meaning of Regulation S. In addition, until 40 days following the commencement of this offering, an offer or sale of notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the notes will be deemed to have made acknowledgments, representations and agreements as described under "Transfer Restrictions."

New issue of notes

The notes are a new issue of securities with no established trading market. Although we expect to apply to have the notes listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market, we cannot assure you that an active market for the notes will develop. We have been advised by the initial purchaser that it presently intends to make a market in the notes after completion of the offering. However, it is under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

No sales of similar securities

We have agreed that we will not, for a period of 90 days after the date of this listing prospectus, without first obtaining the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated, directly or indirectly, sell, offer, contract or grant any option to sell, pledge, transfer or establish an open "put equivalent position" within the meaning of Rule 16a-1 under the Exchange Act, or otherwise dispose of, or transfer, any debt securities of the Bank or securities exchangeable for or convertible into debt securities of the Bank, except for the notes sold to the initial purchaser pursuant to the purchase agreement.

Short positions

In connection with the offering, the initial purchaser may purchase and sell the notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchaser of a greater principal amount of notes than it is required to purchase in the offering. The initial purchaser must close out any short position by purchasing notes in the open market. A short position is more likely to be created if the initial purchaser is concerned that there may be downward pressure on the price of the notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the initial purchaser's purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

Neither we nor the initial purchaser make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor the initial purchaser make any representation that the initial purchaser will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Notice to prospective investors in the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), no offer of notes may be made to the public in that Relevant Member State other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive) as permitted under the Prospectus Directive, subject to obtaining the prior consent of the initial purchaser; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of notes shall require the Bank or its representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

This listing prospectus has been prepared on the basis that any offer of notes in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of notes. Accordingly any person making or intending to make an offer in that Relevant Member State of notes which are the subject of the offering contemplated in this listing prospectus may only do so in circumstances in which no obligation arises for the Bank or the initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Bank nor the initial purchaser have authorized, nor do they authorize, the making of any offer of notes in circumstances in which an obligation arises for the Bank or the initial purchaser to publish a prospectus for such offer.

For the purpose of the above provisions, the expression "an offer to the public" in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Notice to prospective investors in the United Kingdom

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and/or (ii) who are high net-worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

Notice to prospective investors in Switzerland

This listing prospectus does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the notes will not be listed on the SIX Swiss Exchange. Therefore, this listing prospectus may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the notes with a view to distribution. Any such investors will be individually approached by the initial purchaser from time to time.

Notice to prospective investors in the Dubai International Financial Centre

This listing prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This listing prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this listing prospectus nor taken steps to verify the information set forth herein and has no responsibility for the listing prospectus. The notes to which this listing prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the notes offered should conduct their own due diligence on the notes. If you do not understand the contents of this listing prospectus you should consult an authorized financial advisor.

Notice to prospective investors in Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this listing prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Other relationships

The initial purchaser and its affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the initial purchaser and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The initial purchaser or its affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such parties would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such short positions could adversely affect future trading prices of the notes offered hereby. The initial purchaser and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

TRANSFER RESTRICTIONS

The notes have not been registered, and will not be registered, under the Securities Act or any state securities laws, and the notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the notes are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A under the Securities Act; and

- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

Purchasers' representations and restrictions on resale and transfer

Each purchaser of notes (other than the initial purchaser in connection with the initial issuance and sale of notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

(1) it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;

(2) it acknowledges that the notes have not been registered under the Securities Act or with any securities regulatory authority of any state and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(3) it understands and agrees that notes initially offered in the United States to qualified institutional buyers will be represented by a global note and that notes offered outside the United States pursuant to Regulation S will also be represented by a global note;

(4) it will not resell or otherwise transfer any of such notes except (a) to us or any of our subsidiaries,(b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 of Regulation S under the Securities Act, (d) pursuant to an exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States and other jurisdictions;

(5) it agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes;

(6) it acknowledges that prior to any proposed transfer of notes (other than pursuant to an effective registration statement) the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture, including with respect to notes sold or transferred pursuant to Rule 144A or Regulation S;

(7) it acknowledges that the trustee, registrar or transfer agent for the notes may not be required to accept for registration or transfer of any notes acquired by it, except upon presentation of evidence satisfactory to us that the restrictions set forth herein have been complied with;

(8) it acknowledges that we, the initial purchaser and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of

the acknowledgements, representations and agreements deemed to have been made by its purchase of the notes are no longer accurate, it will promptly notify us and the initial purchaser; and

(9) if it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

Legends

The following is the form of restrictive legend which will appear on the face of the Rule 144A global note and which will be used to notify transferees of the foregoing restrictions on transfer. This legend will only be removed with our consent. If we so consent, it will be deemed to be removed.

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 903 OR 904 OF REGULATION S AND, WITH RESPECT TO (A) AND (B), EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO SUCH ACCOUNT, (2) AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT (A) (I) TO THE ISSUER OR ANY SUBSIDIARY THEREOF, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (III) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (IV) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

THIS LEGEND MAY ONLY BE REMOVED AT THE OPTION OF THE ISSUER.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH PARAGRAPH 2A(V) ABOVE, THE ISSUER RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS, OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

The following is the form of restrictive legend which will appear on the face of the Regulation S global note and which will be used to notify transferees of the foregoing restrictions on transfer:

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS. PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT), THIS SECURITY MAY NOT BE REOFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED

STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE REFERRED TO HEREIN.

LISTING AND GENERAL INFORMATION

The Bank has applied to admit the notes for listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market. If listed and so long as the rules of the Luxembourg Stock Exchange require, any notice with respect to the notes will be published on the website of the Luxembourg Stock Exchange at www.bourse.lu (or if the rules so require, in a leading daily newspaper of general circulation in Luxembourg, which the Bank expects to be *Luxemburger Wort*).

The Bank accepts responsibility for the information contained in this listing prospectus. To the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this listing prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Bank has appointed The Bank of New York Mellon SA/NV, Luxembourg Branch as the Luxembourg paying agent, transfer agent and listing agent for the notes in Luxembourg. The address of The Bank of New York Mellon SA/NV, Luxembourg Branch is Vertigo Building—Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg. The Bank reserves the right to vary such appointment. So long as the notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange, the Bank will maintain a paying agent in Luxembourg.

Copies of the indenture and the Bank's bylaws will be available free of charge at the corporate trust office of the trustee and at the offices of the Luxembourg paying agent.

Clearing Information

The global notes representing the notes have been accepted into the applicable systems used by DTC, Euroclear and Clearstream. The common code, ISIN and CUSIP number for the notes are as follows:

144A note ISIN	**144A note CUSIP Number**	**114A note Common Code**
US059593AC70	059593 AC7	159322793

Regulation S note ISIN	**Regulation S note CUSIP Number**	**Regulation S note Common Code**
USP1265VAD49	P1265V AD4	159316998

Authorization

The Bank's board of directors authorized the issuance of the notes at their meeting on January 25, 2017. The Bank has obtained all other consents and authorizations necessary under Colombian law for the issuance of the notes.

Litigation

Other than as set forth in this listing prospectus, the Bank is not involved in any litigation or arbitration proceeding that is material in the context of the issuance of the notes. The Bank is not aware of any material litigation or arbitration proceeding that is pending or threatened other than as set forth in this listing prospectus.

Registered Office

The registered office and principal address of the Bank is Cra 7a, No. 75-85/87, Bogotá, Colombia.

Financial Information

The Bank intends to prepare audited fiscal year-end consolidated financial statements and quarterly unaudited interim condensed consolidated financial statements while the notes are outstanding, in conformity with Colombian Banking IFRS. There has been no material adverse change in the Bank's business, financial condition, results of operations or prospects since December 31, 2016, the date of the last audited financial statements.

Copies of the Bank's latest audited annual and unaudited interim reports may be obtained, and copies of offering documents referred to herein (including the forms of the notes) will be available free of charge at the corporate trust office of the trustee, the offices of the Luxembourg paying agent and the Bank's principal office, at the addresses listed on the inside back cover page of this listing prospectus.

Listing Information

Other than as expressly provided in this listing prospectus, the financial information included in the listing prospectus has been presented on a consolidated basis, in accordance with Colombian Banking IFRS. The following subsidiaries are included in the consolidation: Banco GNB (Peru), Banco GNB (Paraguay), Servitrust, Servibanca and Servivalores. See "Business—Organizational Structure" for additional information on each subsidiary.

Legal Matters

The validity of the notes being offered hereby is being passed upon for us by Proskauer Rose LLP, New York, New York. Certain legal matters will be passed upon for the initial purchaser by Milbank, Tweed, Hadley & McCloy LLP, New York, New York.

Matters of Colombian law are being passed upon for us by Dentons Cardenas & Cardenas Ltda., our special Colombian counsel, and for the initial purchaser by Philippi Prietocarrizosa Ferrero DU & Uría S.A.S., Colombian counsel for the underwriters. Matters of Peruvian law are being passed upon for us by Lazo, De Romaña & CMB Abogados S. Civil de R.L., our special Peruvian counsel. Matters of Paraguayan law are being passed upon for us by Palacios, Prono & Talavera Abogados Asociación Civil, our special Paraguayan counsel.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements of Banco GNB Sudameris S.A. and its subsidiaries as of and for the year ended December 31, 2015 have been audited by KPMG S.A.S., formerly Ltda., independent auditors, as stated in their report appearing elsewhere herein.

The financial statements as of 2016 and for the period ended December 31, 2016, included in this listing prospectus, have been audited by PricewaterhouseCoopers Ltda., independent accountants, as stated in their report appearing herein.

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Independent auditor's report

To the shareholders of Banco GNB Sudameris S. A.

March 13, 2017

We have audited the accompanying consolidated financial statements of Banco GNB Sudameris S. A. and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2016 and the consolidated statement of income, consolidated statement of other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the accounting and financial reporting standards accepted in Colombia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in Colombia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness

PricewaterhouseCoopers Ltda., Calle 100 No. 11A - 35, Piso 5, Bogotá, Colombia
Tel: (57-1) 6340555, Fax: (57-1) 2188544, www.pwc.com/co

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of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Banco GNB Sudameris S. A. as of December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and financial reporting standards accepted in Colombia.

Other matters

The consolidated financial statements of the Banco GNB Sudameris S. A. for the year ended December 31, 2015 were audited by another firm of auditors whose report, dated April 15, 2016 expressed an unmodified opinion on those statements. Our opinion is not qualified in respect of this matter.

As part of our audit of the 2016 financial statements, we also audited the reclassifications described in Note 2 that were applied to amend the 2015 financial statements. In our opinion, such reclassifications are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2015 financial statements of the Banco GNB Sudameris S. A. other than with respect to the reclassifications and, accordingly, we do not express an opinion or any other form of assurance on the 2015 financial statements taken as a whole.

PriceWaterhouseCoopers Ltda.
PricewaterhouseCoopers Ltda.
Bogota, Colombia
March 13, 2017

BANCO GNB SUDAMERIS S.A. AND ITS SUBSIDIARIES

Consolidated Statement of Financial Position

As of December 31, 2016 and 2015

ASSETS		December 31, 2016	December 31, 2015
ASSET			
CASH AND CASH EQUIVALENTS	(Note 9)	7,350,358	7,156,147
FINANCIAL ASSETS AT FAIR VALUE THROUG PROFIT OR LOSS			
Debt securities	(Note 10)	4,023,997	3,810,627
Equity securities	(Note 10)	60,417	75,746
Total securities		4,084,414	3,886,373
Derivatives instruments	(Note 10)	170,348	68,429
Total financial assets at fair value		4,254,762	3,954,802
AT AMORTIZED COST			
Debt securities at amortized cost, net	(Note 10)	1,030,209	1,565,068
		1,030,209	1,565,068
Loans			
Commercial	(Note 11)	7,478,794	7,586,697
Consumer	(Note 11)	4,303,696	4,170,256
Home mortage	(Note 11)	1,080,712	1,089,782
Provisions	(Note 11)	(306,511)	(211,415)
Total net loans		12,556,691	12,635,320
Other account receivable, net	(Note 12)	503,575	204,002
Total financial assets at amortized cost		14,090,474	14,404,390
NON-CURRENT ASSETS HELD FOR SALE	(Note 13)	17,740	7,997
TANGIBLE ASSETS, NET			
Investment properties	(Note 15)	28,880	432
Property and equipment in own use	(Note 14)	185,709	193,680
		214,589	194,112
INTANGIBLE ASSETS- NET			
Goodwill	(Note 16)	212,923	246,327
Other intangible assets		23,425	30,206
		236,348	276,533
OTHER ASSETS	(Note 17)	65,165	103,570
TOTAL ASSETS		26,229,436	26,097,551

LIABILITIES AND EQUITY		De
LIABILITIES		
FINANCIAL LIABILITIES AT FAIR VALUE		
Derivatives instruments	(Note 10)	
FINANCIAL LIABILITIES AT AMORTIZED COST		
Customer deposits		
Current accounts		
Savings accounts		
Term deposits		
	(Note 18)	
FINANCIAL OBLIGATIONS		
Short term financial debt		
Borrowings from development entities		
Total debt	(Note 19)	
Long term debt	(Note 19)	
Total financial obligations		
EMPLOYEE BENEFITS	(Note 20)	
PROVISIONS		
Legal contingencies	(Note 21)	
Other provisions	(Note 21)	
INCOME TAX		
Current	(Note 22)	
Deferred	(Note 22)	
OTHER LIABILITIES	(Note 23)	
TOTAL LIABILITIES		
EQUITY		
Controlling interests		
Subscribed and paid capital	(Note 24)	
Share premium		
Retained earnings		
Reserves	(Note 24)	
Net income of the year		
Acummulated retained earnings		
Other Comprehensive Income		
Total equity of controlling interests		
Non-controlling interests		
TOTAL EQUITY		
TOTAL LIABILITIES AND EQUITY		

See the notes forming part of the consolidated financial statements

BANCO GNB SUDAMERIS S.A. AND ITS SUBSIDIARIES
Consolidated Statement of Income
for the years ended on December 31, 2016 and 2015
(Amounts expressed in millions of Colombian pesos)

		December 31, 2016	December 31, 2015
Interest income and similars			
Loan portfolio interest		1,382,483	1,225,270
Interest on debt securities at amortized cost		74,415	91,796
Other interest		109,278	113,220
Total income from interest and valuations		1,566,176	1,430,286
Interest expenses			
Deposits			
Current accounts		25,933	15,763
Term deposits		511,452	388,238
Savings accounts		423,637	283,237
Total interest expenses		961,022	687,238
Financial debt and other interest			
Short term financial debt		3,834	1,951
Bank borrowings and others		61,841	40,571
Long term debt		98,122	91,762
Borrowing from development entities		68,110	44,148
Total interest expense		1,192,929	865,670
Net interest and similars		373,247	564,616
Impairment loss on financial assets			
Loans and receivables		391,727	324,037
Foreclosed assets		14,826	1,986
Recovery provision of impairment loss on loans and receivables		201,195	159,689
Net interest after impairment loss and financial assets		167,889	398,282
Comissions and fees			
Income from commissions and fees	(Note 26)	205,365	189,223
Expenses in commissions and fees		56,819	52,751
Net income from commissions and fees		148,546	136,472
Income valuation on derivatives instruments		125,267	116,383
Income from valuation on debt securities at fair value		329,088	210,071
Expense from valuation on equity investments at fair value		130,635	110,763
Income from valuation at fair value, net		198,453	99,308
Other income	(Note 26)		
Proceeds from sale of investments		47,052	14,096
Dividends		912	1,539
Exchange differences, net		24,440	0
Others		101,957	87,547
Total other income		174,361	103,182
Other expenses			
Personnel expenses	(Note 27)	218,663	207,307
Loss on sale of investments		14,681	10,180
Exchange differences, net		-	437
Administrative expenses		168,087	164,572
Depreciation		14,431	14,813
Amortizations		5,728	4,920
Others		157,906	148,842
Total other expenses		579,496	551,071
Net income before income tax		235,020	302,556
Income tax	(Note 22)	25,800	106,771
NET INCOME		$ 209,220	$ 195,785
Net income for the year attributable to:			
Controlling interests		$ 205,928	$ 193,477
Non-controlling interests		$ 3,292	2,308
		$ 209,220	$ 195,785
Net income per share of controlling interests (in Colombian pesos)		$ 1,248	$ 1,172

See the notes forming part of the consolidated financial statements

BANCO GNB SUDAMERIS S.A. AND ITS SUBSIDIARIES

Consolidated Statement of Equity
for the periods ended on December 31, 2016 and 2015
(Amounts expressed in millions of Colombian pesos)

		Capital	Additional paid in-capital	Retained earnings: Reserves Appropiated	Retained earnings: Net Income for the year	Retained earnings: Acummulated	Retained Earnings	Other comprehensive results	Total co… inter…
Balance at December 31, 2014		**66,020**	**404,889**	**515,064**	**155,192**	**(36,012)**	**636,034**	**77,243**	**1,**
Transfers to reserves		-	-	151,068	(155,192)	-	(4,124)	-	
Other comprehensive income		-	-	-	-	-	-	(14,465)	
Increase in reserves		-	-	31,656	-	-	31,656	-	
Increase in additional paid in- capital		-	1,246	-	-	-	-	-	
First time adoption effect		-	-	-	-	4,730	4,730	-	
Increase in non-controlling interest		-	-	-	-	-	-	-	
Net income of the year		-	-	-	195,785	-	195,785	-	
Balance at December 31, 2015	**$**	**66,020**	**406,135**	**698,578**	**195,785**	**(31,282)**	**863,091**	**62,778**	**1,**
Profits appropriated to Mandatory Reserve in the parent		-	-	114,676	(195,785)	81,109	-	-	
Net movement of Other comprehensive income		-	-	-	-	-	-	6,204	
Payment of dividends		-	-	-	-	(32,350)	(32,350)	-	
Movement wealth tax bank		-	-	11,096	-	(11,096)	-	-	
Transfer of retained earnings to reserves Banco Gnb Peru		-	-	32,180	-	(32,180)	-	-	
Prior year adjustment of retained earnings subsidiaries in cost of investment		-	-	-	-	(72,913)	(72,913)	-	
Elimination of retained earnings of investment		-	-	-	-	(302)	(302)	-	
Increase in non-controlling interests		-	-	-	-	-	-	-	
Net income of the year		-	-	-	209,220	-	209,220	-	
Balance at December 31, 2016	**$**	**66,020**	**406,135**	**856,530**	**209,220**	**(99,014)**	**966,736**	**68,982**	**1,**

See the notes forming part of the consolidated financial statements

BANCO GNB SUDAMERIS S.A. AND ITS SUBSIDIARIES

Consolidated Statement of Cash Flows
for the periods ended on December 31, 2016 and 2015
(Amounts expressed in millions on Colombian pesos)

		December 31, 2016	December 31, 2015
Cash flows from operatring acitivities			
Net income of the year	$	**209,220**	**195,785**
Reconciliation of net income of the year and the cash (used ind) provided by operating activities			
Income tax expense		25,800	106,771
Depreciation		14,431	14,813
Amortization		5,728	4,920
Impairment loss on financial assets		391,727	324,037
Recoveries of loss on financial assets		(201,195)	(159,689)
Income valuation on derivatives instruments		(125,267)	(116,383)
Interest on debt securities at amortized cost		(74,415)	(91,796)
Long-term financial debt at amortized cost		6,097	-
Income from valuation at fair value and exchange difference		(229,509)	(99,308)
Profit on sale of investments		(32,371)	(3,916)
Interest received		(1,491,761)	(1,338,490)
Interest paid		1,192,929	865,670
Dividends received		(912)	(1,539)
Changes in operating assets and liabilities			
Decrease (Increase) in loans		1,305,822	(1,664,015)
Increase in other receivables		(299,573)	(62,884)
(Decrease) Increase in customer deposits		(1,236,405)	1,228,767
Increase (Decrease) in other liabilities		48,577	90,353
(Decrease) Increase in other assets		32,402	5,860
Decrease in provisions		2,354	(19,318)
Decrease (Increase) in employee benefit plans		(2,201)	(7,168)
Variation in investments - debt securities at fair value		(100,999)	(272,610)
Variation in investments - equity securities		17,403	(138,022)
Short-term obligations receipts		625,962	1,682,725
Short-term obligations payments		(137,018)	(21,574)
New borrowings with development entities		121,809	264,734
Payments of borrowings with development entities		(327,508)	(16,313)
Increase in non-current assets held for sale		(9,743)	1,890
Variation in deferred tax		(58,277)	(130,022)
Variación in operations with derivatives		49,937	110,524
Decrease in other contributions to equity		-	(53,871)
		(566,176)	**504,146**
Net cash (used in) provided by operating activities		**(356,956)**	**699,931**
Cash flows from investment activities			
Acquisition of plant and equipment		(17,782)	(23,457)
Proceeds from the sale of properties and equipment		11,322	4,977
(Increase) decrease in intangible assets, net		83,116	48,258
Variation in investments - debt securities at amortized cost		609,275	827,881
Adquisition of investment properties		(28,448)	(54)
Net cash provided by investment activities		**657,483**	**857,605**
Cash flows from financing activities			
Long-term financial debt		45,391	371,394
Interest paid for long-term financial debt		(99,493)	-
Dividends paid		(32,350)	-
Non-controlling interests		3,246	1,767
Net cash (used in) provided by financing activities.		**(83,206)**	**373,161**
Net increase in cash and cash equivalents		217,321	1,930,697
Effect of changes in the exchange rate of cash and cash equivalents		(23,110)	-
Cash and cash equivalents at the beginning of the year		7,156,147	5,225,449
Cash and cash equivalents at the end of the year	$	7,350,358	7,156,147

See the notes forming part of the consolidated financial statements.

NOTE 1. - REPORTING ENTITY

Banco GNB Sudameris S. A. as the parent or controlling entity ("the Bank") of the financial group which includes Servitrust GNB Sudameris, Servivalores GNB Sudameris, Servibanca and Servitotal in Colombia. The affiliates outside Colombia include Banco GNB Perú and Banco GNB Paraguay. Together the group reports their consolidated financial statements as follows:

Banco GNB Sudameris S. A. is a stock corporation incorporated in Bogota D. C. under Public Deed 8067 dated December 10, 1976, Notary 5. According to the Articles of Incorporation the Bank's legal existence will expire on January 1, 2076, but this term may be reduced by dissolution or increased by extension. The Bank's business model is to enter into contracts and operate as permitted for commercial banks subject to the requirements and limitations of Colombian law.

The Superintendency of Finance Resolution 3140 dated September 24, 1993 renewed the Bank's operating license.

The latest amendment to the Articles include amendments requested by the Superintendency of Finance in Circular 028/2014 to include Article 59 – Rules for Country Code and compiling the entire Articles on November 20, 2015 (Deed 7731, Notary 13).

At December 31, 2016 the Bank had 1,529 full-time staff and 82 seasonal employees.

Servivalores GNB Sudameris S. A.

The securities broker was incorporated by Deed 767 dated March 14, 2003 (Notary 11, Bogotá). The company's business model is to trade listed securities on the Bogotá exchange (BVC). The Financial Superintendency of Finance approved their trading license through Resolution 133 dated March 11, 2013. The company trades freely in the market, manages customer funds, acts as a broker and finances securities purchases amongst other things.

Banco GNB Sudameris S. A. is the majority stockholder for Servivalores GNB Sudameris S. A. with 94.9% of its outstanding shares and for Nacional de Valores S. A. with 90.1% of its outstanding shares. Given the majority ownership the company and the minority shareholders came to an agreement that resulted in the merger between the two in a short-form procedure with advanced notice.

The Superintendency of Finance Resolution 1871 dated September 22, 2010 issued a Statement of No objection to the merger between Servivalores GNB Sudameris S. A. (absorbing) and Nacional de Valores S. A. (absorbed) which was formalized on October 1, 2010 in Deed 3299, Notary 36, Bogotá.

Servitrust GNB Sudameris S. A. is a private stock corporation incorporated by Deed 3873 dated July 10, 1992 Notary 18, Bogota. It is a general trust company in the financial services sector that may undertake any business permitted by local regulations.

Sociedad al Servicio de la Tecnología y Sistematización Bancaria Tecnibanca S. A. – Servibanca S. A. is a Colombian stock corporation in the business of automation and modernization of banking and financial services and operations to provide, dispense, pay and clear cash.

Servitotal GNB Sudameris S. A. is a stock corporation incorporated by Deed 7177 dated December 26, 2011, Notary 13, engaged in technical and administrative services. IT services such as the definition, analysis, design, construction, configuration, certification, testing, implementation, support and maintenance of ICT software and hardware.

Affiliates in Colombia have 147 full-time employees and 16 seasonal employees.

Subsidiaries outside Colombia

The Superintendency of Finance letter 2014002611-080 dated July 8, 2014 authorized Banco GNB Sudameris S.A. to acquire the shares of HSBC Bank Peru S.A. and HSBC Bank Paraguay S.A. The Peruvian Superintendency letter SBS 5378-2014 dated September 6, 2014 and Banco Central de Paraguay Resolution 19 (Minute 74) dated October 24, 2014 clarified by Note SBSG 01484/2014 dated November 7, 2013, authorized the acquisition of the shares of the HSBC banks in Peru and Paraguay, respectively.

On October 4 and November 29, 2014 the Bank proceeded to acquire the Peruvian bank, now Banco GNB Peru, and the Paraguayan bank, now Banco GNB Paraguay S.A. with 670,551,999, 3,016 and 1 provisional share certificate respectively representing 99.99% and 99.96% of their respective outstanding shares.

Banco GNB Perú S. A.

This is a Peruvian financial institution incorporated by a Public Deed 22 dated November 30, 2006 Notary Zumilda A, Narvaja, registered as No. 11877589 in the Lima Business Register; it was authorized to operate as a "multiple bank" by Superintendency of Finance Resolution SBS 537-2006 dated April 28, 2006.

The Bank´s operations with Banco GNB Peru S. A. relate to the financial intermediation as permitted with "multiple banks" regulated by the Superintendency of Finance under the Parenting Law (No. 26702), which is the statute regulating private banking and insurance activities. The Bank takes deposits from the public and invests them along with their own capital in loans and securities, grant guarantees through the use of endorsements and sureties, engage in financial leasing operations, financial intermediation, banking services and other activities allowed by local regulations.

On October 4, 2013 Banco GNB Sudameris acquired 99.99% of the HSBC Bank Peru S. A. shares (now Banco GNB Perú S. A.)

The registered offices of the Bank are at Calle Begonias 415 p. 26 Urbanización Jardín, San Isidro, Lima. On December 31, 2016 the company's locations include their Headquarters and 18 Agencies in Lima and several provinces in Peru. On December 31, 2016 it had 562 full time employees and 3 seasonal employees.

Banco GNB Paraguay S. A.

This is a Paraguayan stock corporation that began their operations in 1920 as the first international bank in the country, a branch of Banco de Londres y Rio de la Plata. In 1985 it became the Paraguay Branch of Lloyds Bank, and subsequently the Paraguay Branch of Lloyds TSB Bank in 2000. The operation was acquired by HSBC in 2007 and became HSBC Bank Paraguay S. A. On November 29, 2014, after receiving regulatory approvals, Banco GNB Sudameris acquired 99.96% of the outstanding shares.

The Paraguayan Central Bank issued Resolution 19 in Act 74 dated October 24, 2014 authorizing the change of name to Banco GNB Paraguay S. A., the change was agreed upon at an Extraordinary Meeting of Shareholders on November 29, 2013 (Minute 12)

The Paraguayan Banking Law (Law 861) and regulations (and the Civil Code as otherwise applicable) permit banks to take in local and foreign currency current and term savings and checking account deposits, place notes and bonds in local and foreign currencies and issue negotiable term deposit certificates; they may discount, buy and sell term trade bills and grant loans, etc. all as locally regulated.

There are no restrictions on dividend remittances to Colombia by entities outside Colombia.

At December 31, 2016 and 2015, the assets, liabilities, equity and results of the Bank and its Subsidiaries, and the Bank´s interest in the latter, were as follows:

December 31, 2016

	Banco GNB Sudameris	Servitrust	Servibanca	Servivalores	Servitotal	Banco GNB Paraguay	Banco GNB Perú	Net Eliminations	Consolidated Total
Share		97.34%	88.49%	94.99%	94.80%	99.96%	99.99%		
Assets	19,941,246	59,499	140,089	40,904	538	2,803,674	4,523,993	(1,280,507)	26,229,436
Liabilities	18,447,504	5,980	30,636	7,019	4	2,485,881	3,916,058	(246,560)	24,646,522
Equity	1,493,742	53,519	109,453	33,885	534	317,793	607,935	(1,033,947)	1,582,914

December 31, 2015

	Banco GNB Sudameris	Servitrust S. A.	Servibanca S. A.	Servivalores S. A.	Banco GNB Paraguay	Banco GNB Perú	Net Eliminations	Consolidated Total
Share		97.34%	88.49%	94.99%	99.96%	99.99%		
Assets	19,752,560	58,518	124,494	43,435	2,571,954	4,572,063	(1,025,473)	26,097,551
Liabilities	18,426,839	11,791	40,037	12,399	2,329,055	4,069,921	(283,124)	24,606,918
Equity	1,325,721	46,727	84,457	31,036	242,899	502,142	(742,347)	1,490,633

At December 31 2016 there were no changes in the structure of the Bank and its subsidiaries compared to December 31, 2015.

NOTE 2. - BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MAIN ACCOUNTING POLICIES

a. Compliance Statement

The consolidated Financial Statements of the Bank and its subsidiaries included herein have been prepared in accordance with Accounting and Financial Standards accepted in Colombia (COL-IFRS) as required by Law 1214/2009, regulated by Decree 2420/2015, as amended by Decree 2496/2015 and Decree 2131/2016, COL-IFRS are based on International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and which were in effect and officially translated into Spanish as at December 31, 2013, except for the specific requirement of the Superintendency of Finance to record directly in Other Comprehensive Income the difference between the loan impairment losses determined as required by International Accounting Standard (IAS) 39 and the impairment provision determined as required for the separate financial statements based on specific rules of the Superintendency of Finance.

Colombian laws require the Bank and its subsidiaries prepare separate and consolidated financial statements.

The separate financial statements are used as the basis for the shareholders to decide on dividend distribution and other appropriations, while the consolidated financial statements are presented only for informational purposes.

The main accounting policies applied in preparing the consolidated financial statements of the Bank and its subsidiaries as of December 31, 2016 and 2015, are as follows:

b. Presentation of the financial statements

The following observations apply to the presentation of the attached consolidated financial statements:

- The statement of financial position presents assets and liabilities based on their liquidity since it provides relevant and reliable information, in accordance with International Accounting Standard (IAS) "Presentation of Financial Statements".

- The statements of income and other comprehensive income are presented separately in two statements as permitted by IAS 1 "Presentation of Financial Statements". Likewise, the statement of income is presented by nature as it provides relevant and reliable information.

- Statements of cash flow are presented using the indirect method, whereby the net cash flows from operating activities are determined by reconciling the income before taxes, changes due to the effects of the non-cash items, net changes in assets and liabilities derived from operating activities and for any other items whose effects are from investing or financing activities. Revenues and expenses due to interests received and paid form part of the operating activities.

c. Consolidation of controlled entities

According to International Financial Reporting Standards IFRS 10 the Bank prepares consolidated financial statements with entities over which it has control. The Bank has control over another entity if, and only if, it meets all of the following conditions:

- Power over the investee that gives the Bank and its subsidiaries current capacity to guide the relevant activities that affect its performance.

- Exposure or entitlement to variable returns from its interest in the investee.

- Capacity to use its power over the investee to influence the amount of the investor’s returns.

In the process of consolidation the Bank and its subsidiaries combine the assets, liabilities and income of the entities in which control is determined to exist, before converting their accounting policies and the figures of controlled entities abroad into Colombian Pesos. In this process, any reciprocal transactions and unrealized earnings between them are eliminated. The share of non-controlling interest in controlled entities is presented in the consolidated assets of the Bank and its subsidiaries, separate from the equity of the controlling interests.

With respect to foreign subsidiaries financial statements for consolidation purposes their assets and liabilities are translated to Colombian Pesos at the closing exchange rate. The income statement is translated at the annual average exchange rate and equity at the historical exchange rate. The resulting net adjustment of the translation process is included in equity as an “Adjustment for Conversion of the Financial Statements” in the “Other Comprehensive Income”(OCI) account.

d. Functional and presentation currency

The functional currency of the Bank and its subsidiaries have been determined taking into consideration the definition of reporting functional currency considering its operations are fundamentally related to lending activities. The main activities of the Bank and its subsidiaries are granting loans to clients in Colombia. performing investments in securities issued by the Republic of Colombia or by national entities, registered or not with the National Securities and Issuers Registry – RNVE - in Colombian Pesos, and to a lesser extent, granting loans to Colombian residents in foreign currency and investing in securities issued by foreign banking entities, securities issued by foreign companies of the real sector whose stock is listed on one or several stock exchanges internationally recognized and bonds issued by multilateral credit entities, foreign governments or public entities. Such loans and investments are financed mainly with clients’ deposits and financial obligations in Colombia, also in Colombian Pesos. Performance of the banks and its subsidiaries in Colombia are measured and reported to their shareholders and to the general public in Colombian Pesos. As a consequence the Bank and its subsidiaries’ Management defined the Colombian peso as the currency which more faithfully represents the economic effects of transactions, events and underlying conditions of the Bank and its subsidiaries. Consequently, the presentation and functional currency defined for submitting the consolidated financial statements is also the Colombian peso. The foreign subsidiaries have different functional currencies.

e. Transactions in foreign currencies

Foreign currency transactions are converted into the functional currency of each entity at the exchange rate prevailing on the day of the transaction. Monetary assets and liabilities in foreign currency are converted into the functional currency using the prevailing exchange rate at the reporting date of the statement of financial position. Non-monetary assets and liabilities denominated in foreign currencies in terms of historical costs are measured using the exchange rate at the date of the transaction. Financial instruments measured at fair value are translated using the exchange rate from the date the fair value was determined. Profits or losses resulting from the translation process are included in the statement of income.

At December 31, 2016, and 2015, the representative market rates as computed and certified by the Superintendency of Finance were Ps. 3,000.71 per U.S. $1.00, Ps. 3,149.47 per U.S. $1.00, respectively.

f. Prior year adjustments and reclassifications of consolidated financial position statement

Prior year adjustments

During the preparation of the financial statements as of December 31, 2015, the Company identified an error related to the elimination of their investment in its subsidiaries due the fact that the profits resulting from Colombian and foreign subsidiaries were not properly eliminated during the consolidation process. This error resulted in an overstatement of the goodwill account and retained earnings amounting to Ps. 72,915. The management of the Bank assessed the qualitative and quantitative impact over the financial statements and concluded that the effect of correcting this error it is not material based on IAS 1. Therefore, it does not consider it necessary to carry out a process of restatement in this respect of the financial statements for that year and proceeded to make its correction in the financial statements for the year 2016.

Reclassifications:

The Bank and its Subsidiaries reclassified the following figures regarding December 31, 2015 amounts in order to be comparative in the presentation of the financial statement issued during 2016.

	As previous presentation	Reclassification	Current presentation
Assets			
Deferred tax asset	79,897	(79,897)	-
Total assets	**26,177,448**	**(79,897)**	26,097,551
Liabilities			
Income tax			
Deferred	188,298	79,897	108,401
Current	-	6,612	6,612
Provisions			
Employee benefits	49,863	(49,863)	-
Legal contingencies	24,691	(15,821)	8,870
Other provisions	35,530	(6,612)	28,918
Employee benefits	-	49,863	49,863
Short term financial debt	4,016,669	237,450	4,254,450
Other liabilities	442,851	(221,433)	221,222
Total liabilities	**24,686,815**	**(79,897)**	**24,606,918**

	As previous presentation	Reclassification	Current presentation
Interest income and similar			
Loan portfolio interest	1,225,270	-	1,225,270
Interest on debt securities at amortized cost	91,796	-	91,796
Other interest	113,184	36	113,220
Income valuation on derivatives instruments	116,383	(116,383)	-
Income from valuation on equity investments at fair value	2,844	(2,844)	-
Income from valuation on debt securities at fair value	210,071	(210,071)	-
Total income from interest and valuations	**1,759,549**	**(329,262)**	**1,430,286**

Total interest expense	**865,670**	-	865,670
Impairment loss and financial assets	**326,023**	**(159,689)**	166,334
Commissions and fees	**136,472**	-	136,472
Income valuation on derivatives instruments	-	**116,383**	**116,383**
Expense from valuation on equity investment	-	**110,763**	110,763
Income from valuation at fair value, net	-	**210,071**	**210,071**
Other income	**262,871**	**(159,689)**	103,182
Other expenses	664,643	**(113,572)**	**551,071**
Tax income	106,771	-	106,771
Net income	195,785	-	195,785

	Previously presented	Reclassification	Currently Presented
Net income of the year	195,785		195,785
Net cash (used in) provided by operating activities	(682,303)	1,382,235	699,932
Net cash provided by investment activities	349,181	508,424	857,605
Net cash (used in) provided by financing activities.	2,263,820	(1,890,659)	373,161

NOTE 3. ACCOUNTING POLICIES

a. Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other short-term investments in active markets with maturities shorter than three months. For a financial investment to be classified as a cash equivalent it must be held in order to satisfy a short-term payment commitment rather than for investment purposes, must be easily convertible into a defined amount of cash, and must be subject to insignificant risk of changes in value.

b. Financial assets

1) Definition

A financial asset is any asset that can be defined as cash, an equity instrument, a contractual right to receive cash or another financial asset of another entity to exchange financial assets on favorable terms, or a contract that may be settled using the entity’s own equity instruments.

2) Classification

The Bank and its subsidiaries classify their investment financial assets as debt securities. Taking into consideration the business model used by management, and the characteristics of contractual flows the financial assets are separate into two groups: a) “fair value, with adjustment through profit or loss”, or b) “at amortized cost”.

For loans the Bank and its subsidiaries consider their principal business to be the placement and collection of loans under contractual terms, as such they classify them “at amortized cost”. The evaluation considers that loans comply with contractual conditions which give rise to specific dates for cash flows consisting only of payments of principal and interest on outstanding balances.

3) Initial recognition

Regular investment purchases and sales are recognized on the date on which the Bank and its subsidiaries commit to purchase or sell a security. Financial assets at fair value adjusted through profit or loss are initially recognized at fair value and transaction costs are recorded as an expense when incurred.

Financial assets classified at amortized cost are recorded at their book value or acquisition price at the time of acquisition or grant or at the face value in the case of loans, which, unless otherwise evidenced, coincides with fair value, plus transaction costs directly attributable to the acquisition or grant, less commissions received.

4) Subsequent recognition

After the initial recognition for all financial assets classified and measured at fair value any changes in the fair value are presented in the profit or loss. However, if it was previously decided for equity instruments the variations in fair value can be included in Other Comprehensive Income.

In turn, financial assets classified at amortized cost subsequent to initial recording are adjusted for interest income with a credit to income using the effective interest rate method.

The effective interest method is used to calculate the amortized cost of an asset or liability and to allocate interest income or expense during the relevant period. The effective interest rate is exactly equal to the payments or future cash inflows estimated for the expected life of the financial instrument or for a shorter period with the net book value of the asset at the initial moment. In order to calculate the effective interest rate, the Bank and its Subsidiaries estimate the cash flows considering contractual terms of the financial instrument, except for future credit losses, and considering the opening balance, transaction costs and premiums granted, less received fees and discounts that are an integral part of the effective rate.

5) Estimates of fair value

Following IFRS 13 “Measurement of fair value” describes fair value as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Based on the foregoing valuations at fair value for financial assets are made as follows:

- For highly liquid investments the price used is supplied by the Superintendency of Finance authorized price suppliers. Those prices are calculated on the basis of average prices taken on the last trading day at the closing date for the financial statements.

- The fair value of financial assets not quoted on an active market are determined using different valuation techniques. The Bank and its subsidiaries use a variety of valuations methods and make assumptions based on the market conditions existing on each reporting date. The valuation techniques used include the use of comparable recent transactions with similar conditions, reference to other instruments which are substantially alike, analysis of discounted cash flows and other valuation techniques commonly employed by market participants making maximum use of market data.

6) Allowance for financial assets impairment loss

According to the Superintendency of Finance rules regarding to the separate financial statements preparation, the Bank and its subsidiaries use an allowance model established by the Superintendency. Such models require the loans classification by credit-risk levels according to the following categories:

Category A and AA - “Normal risk”: Loans and finance leases in this category are appropriately serviced. The debtor’s financial statements or its projected cash flows, as well as all other credit information available to us, reflect adequate paying capacity.

Category B and BB - “Acceptable risk, above normal”: Loans and finance leases in this category are acceptably serviced and guaranty protected, but there are weaknesses which may potentially affect, on a transitory or permanent basis, the debtor’s paying capacity or its projected cash flows, to the extent that, if not timely corrected, would affect the normal collection of credit or contracts.

Category C and CC * “Appreciable risk”: Loans and finance leases in this category have debtors with insufficient paying capacity or relate to projects with insufficient cash flow, which may compromise the normal collection of the obligations.

Category D * - “Significant risk”: Loans and finance leases in this category have the same deficiencies as loans in category C, but to a larger extent; consequently, the probability of collection is highly doubtful.

Category E * - “Risk of non-recoverability”: Loans and finance leases in this category are deemed uncollectible.

(*) Categories D and E are loans considered “as default” for allowance calculation of commercial and consumer loans.

For mortgage and microcredit credits, the previous classification by risk levels is carried out monthly considering the number of days past due.

After the loans classification by credit-risk level, allowances for loans impairment losses are calculated and recorded with charge to profit or loss account using the following formula:

Expected Loss = [Exposure to default “ED”] x [Probability of default “PD”] x [Loss given default “LGD”]

“ED” of an asset is the current balance of the principal outstanding plus, accrued and unpaid interest and other receivables.

“PD” corresponds to the probability of the debtors defaulting on their obligations in a period of twelve months, PD is defined as a percentage according to the following matrixes, established by the Superintendency of Finance of Colombia:

Commercial loans

	Matrix A (*)				Matrix B (*)			
	Companies				Companies			
Classification	Large	Medium	Small	Individuals	Large	Medium	Small	Individuals
AA	1.53%	1.51%	4.18%	5.27%	2.19%	4.19%	7.52%	8.22%
A	2.24%	2.40%	5.30%	6.39%	3.54%	6.32%	8.64%	9.41%
BB	9.55%	11.65%	18.56%	18.72%	14.13%	18.49%	20.26%	22.36%
B	12.24%	14.64%	22.73%	22.00%	15.22%	21.45%	24.15%	25.81%
CC	19.77%	23.09%	32.50%	32.21%	23.35%	26.70%	33.57%	37.01%
Default	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Consumer loans

	Matrix A (1)			Matrix B (1)		
Classification	Automobile and vehicle loans	General purpose loans **(2)**	Credit card	Automobile and vehicle loans	General purpose loans **(2)**	Credit card
AA	0.97%	2.10%	1.58%	2.75%	3.88%	3.36%
A	3.12%	3.88%	5.35%	4.91%	5.67%	7.13%
BB	7.48%	12.68%	9.53%	16.53%	21.72%	18.57%
B	15.76%	14.16%	14.17%	24.80%	23.20%	23.21%
CC	31.01%	22.57%	17.06%	44.84%	36.40%	30.89%
Default	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

As defined by the Superintendency of Finance of Colombia, Matrix A reflects PD in a growing economic scenario while Matrix B reflects PD in a worsening economic scenario. Matrix A is used to calculate the pro-cyclical component of the individual allowance while Matrix B is used to calculate the counter-cyclical component.

“General purpose” refers to all consumer loans other than automobile and vehicle loans and credit cards.

Microcredit and home mortgage loans

	Microcredit	*Mortgage Loans*	
Risk Category	**Provision as % of principal**	**Provision as % of principal covered by guarantee**	**Provision as % of principal not covered by guarantee**
A	1.0%	1.0%	1.0%
B	3.2%	3.2%	100.0%
C	20.0%	10.0%	100.0%
D	50.0%	20.0%	100.0%
E	100.0%	30.0% (*)	100.0%

"LGD" is defined as a percentage to reflect the credit loss incurred if an obligor defaults.

LGD for debtors depends on the type of collateral and would suffer a gradual increase in the percentage of loss according to the amount of days elapsing after being classified in each category. For this purpose, 100% of the collateral value is considered to cover the principal amount. The LGD is calculated using the following tables:

Commercial loan portfolio

Type of guarantee	*Days past due*	*LGD*	*Days past due*	*LGD*	*Days past due*	*LGD*
Not admissible guarantee	1-269	55%	270-539	70%	540 or more	100%
Subordinated debt	1-269	75%	270-539	90%	540 or more	100%
Admissible financial collateral	–	0 - 12%	–	–	–	–
Commercial and residential real estate properties	1-539	40%	540-1079	70%	1080 or more	100%
Assets under real estate leasing	1-539	35%	540-1079	70%	1080 or more	100%
Assets under leasing modalities other than real estate leasing	1-359	45%	360-719	80%	720 or more	100%
Other forms of collateral	1-359	50%	360-719	80%	720 or more	100%
Collection rights	1-359	45%	360-719	80%	720 or more	100%
Unguaranteed	1-209	55%	210-419	80%	420 or more	100%

Consumer loan portfolio

Type of guarantee	*Days past du*	*LGD*	*Days past due*	*LGD*	*Days past due*	*LGD*
Not admissible guarantee	1 – 209	60%	210-419	70%	420 or more	100%
Admissible financial collateral	–	0 – 12%	–	–	–	100%
Commercial and residential real estate properties	1 – 359	40%	360-719	70%	720 or more	–
Assets under real estate leasing	1 – 359	35%	360-719	70%	720 or more	100%
Assets under leasing modalities other than real estate leasing	1 – 269	45%	270-539	70%	540 or more	100%
Other forms of collateral	1 – 269	50%	270-539	70%	540 or more	100%
Collection rights	1 – 359	45%	360-719	80%	720 or more	100%
Unguaranteed (*)	1 - 30	75%	31-90	85%	91 or more	100%

For the preparation of the Bank's consolidated financial statements the allowances for loans impairment losses are calculated following IAS 39 "Financial Instruments: Recognition and Measurement". However, following the instructions of the Superintendency of Finance the difference between provisions made in the separate financial statements of each entity, calculated in accordance with the Superintendency´s rules, described above, and allowance for loan impairment losses made in accordance with the terms of this section are recorded and charged to the OCI in the Equity section not to profit or loss as provided in IAS 39.

Under IAS 39, the Bank and its subsidiaries evaluate whether there is objective evidence that a financial asset or group of financial assets measured at amortized cost has been impaired. This objective evidence includes: important financial difficulties related to the issuer, failure or delay in payment of interest and principal, restructuring of a loan, or acceleration of the terms where the Bank and its Subsidiaries do not consider that a borrower or issuer is bankrupt; disappearance from active market or observable data in relation to assets such as adverse changes in the conditions of payment of the borrower, or local economic conditions which are correlated with failures to repay the Bank's assets, If there is objective evidence of impairment, an allowance is calculated.

The Bank and its Subsidiaries individually evaluate financial assets in the form of investments and loans that they consider significant, analyzing the profile of each debtor, guarantees given, and reports from credit bureaus, Financial assets are considered to be impaired when, based on information and current or past events, it is probable that the Bank and its Subsidiaries may not recover all the amounts due in the under the original contract, including interest and commissions agreed. Where a financial asset has been identified as impaired, the amount of the loss is measured as the difference between the present value of future cash flows expected in accordance with the conditions of the debtor, discounted at the original originally-agreed contractual rate, or the present value of the collateral backing the loan, less the estimated cost of sale, when it is determined that the basic source of collection of the credit is that guarantee, and the book value of the loan.

For loans individually not considered significant, and for the portfolio of individually significant loans which in the individual analysis described above are not considered to be impaired, the Bank and its Subsidiaries make a collective evaluation of impairment, grouping together portfolios of financial assets by segments with similar characteristics, using statistical techniques of evaluation based on an analysis of historic losses in order to determine the estimated percentage of losses incurred on those assets at the date of the Statement of Financial Position; in other words, they have not been individually identified (please see note 4 for further details, of the manner of calculating the collective provision).

Once a financial asset or group of similar financial assets in the object of a provision as a result of an impairment loss, interest income continues to be recognized using the original contractual rate of interest for the loan, on the book value of the loan, net of the allowance recorded.

For equity instruments with changes in OCI, a significant or prolonged reduction in the fair value of the instrument below its cost is considered to be objective evidence of impairment, Impairment losses previously recognized in the consolidated statement of income are not reversible. Any increase in the value subsequent to an impairment loss is recognized in “OCI”.

Impaired financial assets are derecognized from the Statement of Financial Position, and charged allowances, when considered unrecoverable. Recoveries of financial assets previously written off are recorded as a credit to profit or loss.

7) Restructured financial assets with collection problems

A “restructured financial asset” is one that has problems of collection, and for which the Bank and its Subsidiaries have given concessions to the debtor which would not otherwise have been considered. These concessions generally refer to a reduction of interest rate, an extension of term for repayment, or a reduction of balances owed, Restructured financial assets are recorded at the present value of future expected cash flows, discounted at the original rate for the asset prior to restructuring.

If the terms of the financial asset are renegotiated or modified, or one financial asset is replaced by another (new) one due to the financial difficulties of the borrower, an evaluation is made as to whether this financial asset should be recognized. If the cash flows of the renegotiated asset are substantially different, then the contractual rights of the original financial asset are considered to have expired. In this case, the original financial asset is derecognized and the new financial asset is recognized at fair value.

Impairment losses prior to restructuring are measured as follows:

If the expected restructuring does not give rise to the derecognition of the existing asset then the estimated future cash flows of the financial asset are included in the measurement of the existing asset based on its estimated useful life, after discounting the effective original interest rate of the existing financial asset.

If the expected restructuring will give rise to the derecognition of the existing asset then the expected fair value of the new asset is understood to be the final cash flow of the existing financial asset of the time of derecognition, This value will be deducted on the date provided for derecognition in the accounts using the original effective interest rate for the existing financial asset.

8) Transfers and derecognition from the Statement of Financial Position for financial assets.

The accounting treatment for transfers of financial assets is conditioned by the way in which the risks and benefits associated with the assets are to be transferred to third parties. Financial assets are only recognized in the consolidated statement of financial position when the cash flows they generate has been extinguished, or when the risks and benefits implicit in them have been substantially transferred to third parties. In the latter case, the financial asset transferred is derecognized in the Statement of Financial Position, and simultaneously, any right or obligation retained or created as a consequence of the transfer is recognized.

It is considered that the Bank and its Subsidiaries have substantially transferred the risks and benefits if risks and benefits transferred represent most of the total risks the benefits of the assets transferred. If the risks and benefits associated with the financial assets are substantially withheld:

The financial asset transferred is not derecognized from the statement of financial position and continues to be valued with the same criteria used prior to transfer.

A financial liability is recorded for an amount equal to the consideration received, which is subsequently valued at amortized cost.

Income associated with the financial asset transferred continues to be recorded (and not derecognized) along with expenses associated with the new financial liability.

Financial liabilities are derecognized in the Statement of Financial Position and when they have been legally extinguished or substantially all the risks and benefits of the assets have been transferred to third parties.

9) Offset of financial instruments in the Statement of Financial Position

Financial assets and liabilities are offset, and the net amount is reported in the Statement of Financial Position when there is a legal right to offset their amounts, and management has the intention to liquidate them on a net basis, or to realize the asset liquidate the liability simultaneously.

10) Derecognition of financial assets

Financial assets are derecognized from the statement of financial position only when the rights have been legally extinguished or when substantially all the risks and rewards of the asset have been transferred to third parties.

c) Derivative financial instruments and hedge accounting

A derivative is a financial instrument whose value changes in response to one or more underlying variables denominated as underlying (a specific interest rate, the price of a financial instrument, or a listed raw material, a foreign currency exchange rate, etc.), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable and that is settled in a future date.

The Bank and its subsidiaries trade the following in financial markets: forward contracts, future contracts and swaps that fulfill the definition of a derivative.

Derivative transactions are initially recognized at fair value. Subsequent changes in the fair value are recognized in the statement of income, unless the derivative instrument is designated as a hedging instrument and, in this case, the accounting criteria will depend on the nature of the hedged item, as described below:

For fair value hedge of assets or liabilities and firm commitments, changes in the fair value of the derivative instrument are recognized in the statement of income, as well as any other change in the fair value of the asset, liability or firm commitment attributable to the covered risk.

Cash flow hedge of a particular risk associated with a recognized asset or liability or a projected highly probable transaction, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income (OCI) in equity. The gain or loss relating to the portion that is not effective for the hedging or that does not relate to the covered risk is immediately recognized in the statement of income.

The values accumulated in other comprehensive income (OCI) are transferred to profit or loss in the same period in which the hedged item is carried to profit or loss.

Hedging of net investments in a foreign operation are recognized similarly to cash flow hedging: the effective portion of changes in fair value of the hedging instrument is recognized in other comprehensive (OCI), and the ineffective portion of the changes in fair value of the derivatives are recognized in the statement of income. The hedging instrument’s gains or losses accumulated in equity will be recognized in the statement of income when the net investment in foreign operations is sold in whole or proportionally when it is sold in part.

The Bank and its subsidiaries applied hedge accounting to exchange rate differences originating between the functional currency and the operational currency of the subsidiaries. Exchange rate differences which arise upon conversion of designated hedging investments in a net investment outside Colombia are recognized in Other Comprehensive Income to the extent that hedging is effective. To the extent that hedging is not effective the differences are recognized through profit or loss. In the situation when a part of the hedging of the net investment is eliminated the amount recognized in Other Comprehensive Income is transferred to profit or loss.

d) Non-current Assets Held for Sale

Foreclosed and noncurrent assets held for sale, which the Bank and its subsidiaries intend to sell in a period of less than one year, and whose sale is considered highly probable are recognized as “noncurrent assets held for sale”. These assets are measured at the lower value of their carrying value at the time of transfer and fair value, less estimated costs of disposal. If the term expires and the assets have not been sold, they are reclassified into the categories from which they came (Properties Plant and Equipment, Other Assets).

The Bank and its subsidiaries will recognize impairment losses due to initial or subsequent reductions of the value of the asset for disposal in the income statements to fair value less selling costs.

e) Property and Equipment

Property and equipment include the assets, owned or under financial leases held by the Bank and its subsidiaries for current or future use and which expects to use for more than one period.

They are recognized in the statement of financial position at their acquisition or construction cost, minus the corresponding accumulated depreciation and, if applicable, the estimated losses resulting from comparing the carrying amount of each asset with its recoverable value.

Depreciation is calculated applying the straight-line method over the acquisition cost of the assets, minus the residual value, under the premise that the lands, where the buildings and other constructions are built, have an undetermined useful life and, therefore, are not subject to depreciation.

The depreciation is estimated on a straight-line basis during the estimated useful life of the asset. The annual depreciation rates for each item of assets are:

Account	Useful life
Buildings	60 – 80 years
Machinery and equipment	
Hardware – IT Infrastructure	9 - 25 years
PC Portables	3 - 7 years
Servers	3 - 5 years
Communications	6 - 8 years

Account	Useful life
Equipment for specific extension	5 - 7 years
ATMs	5 - 10 years
Medium/high capacity equipment: generating plant >40 KW/UPS > 30 KVA/Premises air conditioning	10 - 12 years
Generators /UPS/ Air conditioning in offices	5 - 10 years
Furniture and fittings	3 - 10 years
Vehicles	5 - 10 years

The costs related to repair and maintenance of property and equipment are recognized as an expense in the period in which it occurs and are recorded as “Overhead”

Property and equipment is initially measured at cost, including:

- Purchase price including cost of importation and non-deductible taxes after deducting discounts;

- Any cost directly attributable to bring the assets to its location and conditions necessary for it to be serviceable;
- Decommissioning Costs. This corresponds to initial estimate of the restoration costs.
- Borrowing costs.

Derecognition of tangible assets

Carrying value, including the residual value of a Property and equipment item, is derecognized when no further future economic benefit associated with it is expected, and profits or losses from this derecognition are recognized in profit or loss of the period.

Impairment of items of property and equipment

At each reporting date the Bank and its subsidiaries review the carrying amounts of its property, plant and equipment to determine whether there is any indication of impairment, If any such indication exists, then the asset's recoverable amount is estimated (the greater between fair value and cost less disposal costs and value in use), Where the carrying value exceeds recoverable value an adjustment is made to bring carrying value down to recoverable value, modifying future depreciation charges in accordance with remaining useful life.

f) Investment properties

Lands and buildings considered in whole or in part held to earn rental income or for capital appreciation rather than for own use or sale in the ordinary course of business are classified as Investment properties, Investment properties are recognized initially at cost, including all costs associated with the transaction, and subsequently measured at fair value with changes in fair value recognized in profit or loss.

g) Leases - Lessor accounting

Leases are classified as a financial or operating lease. A lease is classified as a financial lease when it substantially transfers all the risks and rewards inherent to the property to the lessee. A lease is classified as operating if it does not substantially transfer all the risks and rewards inherent to the property. Lease contracts classified as financial are included in the statement of financial position as "Loans and receivables" and are recognized in the same way as other loans. Lease contracts classified as operating are included as property, plant and equipment or Investment property for the Bank and its subsidiaries and are recognized and depreciated in the same manner as property and equipment of its own use. Revenues from payments are recognized in profit or loss of the period using the straight line accrual method.

h) Leases - Lessee Accounting

At their initial recognition assets are classified as financial or operating leases in the same way as described above.

Lease agreements classified as financial leases are included in the statement of financial position as property, plant and equipment or as investment properties, in accordance with the intention of Bank and its subsidiaries in relation to the asset. Financial leases are initially recognized in assets and liabilities simultaneously for an amount equal to the fair value of the asset received on lease or for the present value of the minimum lease payments, if the latter is lower. The present value of the minimum lease payments is established using the implicit interest rate in the lease contract, or if such rate is not determined, the average interest rate of the bonds placed by the Bank and its subsidiaries in the market was used. Any initial direct cost of the lessee is added to the recognized asset amount.

After initial recognition these assets are accounted for in the same manner as other property, plant and equipment or investment properties, where they were recognized initially. The value recognized as a liability is included as a financial liability.

Payments made under lease contracts classified as operating are recognized in the statement of income based on the straight-line basis during the lease term. Incentives received from leasing are recognized as an integral part of the total leasing payments during its term.

i) Intangible assets

1) Goodwill

Business combinations are accounted for using the "acquisition method" when control is transferred. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. If there are any non-controlling interests during the acquisition of control of the entity they are recognized at either fair value or at the proportionate interest in the recognized amount of the identifiable net assets of the acquiree. This election is allowed on a transaction by transaction basis.

Goodwill is measured as the excess of the aggregate of the consideration transferred, amount of any business acquired and the net of the acquisition date amounts of the identifiable assets and liabilities assumed. Goodwill acquired in a business combination is assigned to each of the groups of cash-generating units from which a benefit is expected as a consequence of the acquisition. Goodwill is not subsequently amortized but it shall be subject to an annual assessment of impairment of the Cash-generating Unit "CGU" to which Goodwill has been assigned, from which benefits are expected deriving from the synergies of business combinations.

A loss due to impairment recognized on Goodwill cannot be reversed in subsequent periods. In addition, the statement of income of the acquired business the Bank and its subsidiaries' is included from the acquisition date as part of the consolidated financial statements.

2) Other intangibles

They mainly comprise computer programs (software), which are initially measured at the cost incurred during the acquisition or during its internal development phase. Costs incurred during the research phase are directly recognized in statement of income.

Development expenses which are directly attributable to design and performance of tests of software which are identifiable are recognized as intangible assets when the following conditions are met:

Technically, it is possible to complete the intangible asset production so it can be available for use;

Management intends to complete the corresponding intangible asset for use;

The Bank has the ability to use the intangible asset;

It is probable that future economic benefits that are attributable to the asset will flow to the entity;

There is availability of adequate technical or financial resources or other type for completion of development and for using the intangible asset; and

Costs attributable to intangible assets during its development phase can be estimated in a reliable manner and can be measured reliably.

Costs that are directly attributable and capitalized as part of computing programs include personnel expenses of people developing such programs and an adequate percent of overhead expenses.

Expenses not fulfilling these criteria are recognized as expenses on an accrual basis. Disbursements over intangible assets are initially recognized as expenses of the period and they will not be subsequently recognized as intangible assets.

Subsequent to their initial recognition, these assets are measured at cost less amortization, which is carried out during its estimated useful life as follows: Computing programs and licenses: 10 years. Amortization is recognized on straight-line method according to the estimated useful lives.

j) Financial liabilities

A financial liability is any contractual liability of the Bank and its subsidiaries to deliver cash or other financial asset to another entity or person, or to exchange financial assets or financial liabilities under potentially unfavorable conditions for the Bank and its subsidiaries, or a contract which will be terminated or could be settled using equity instruments owned by the entity. Financial liabilities are initially recognized based on their fair value, which is usually equal to the transaction value less directly attributable costs. Subsequently, such financial liabilities are measured at their amortized cost according to the effective interest rate method determined at initial recognition and recognized in income statement as finance expenses.

k) Employee Benefits

The Bank and its subsidiaries provide the following in exchange of services rendered by their employees:

1) Short-term employee benefits

Pursuant to the Colombian labor rules such benefits are salaries, legal and extra-legal premiums, holidays, severance payments and payroll tax contribution to Colombian Government agencies which are paid within the next 12 months following the end of the period. Such benefits are recognized on an accrual basis and recognized in the statement of income.

2) Post-employment benefits (defined benefit plans)

These are benefits that the Bank and its Subsidiaries pay to their employees when they retire or upon completion of their employment period, different from indemnities. According to Colombian labor rules such benefits are retirement pensions which are directly assumed by the Bank and its Subsidiaries, pending severance payments to employees belonging to the labor regime prior to Law 50 1990 and certain extra-legal benefits or agreed in collective labor conventions.

Post-employment benefits liabilities are determined based on present value of estimated future payments calculated based on actuarial reviews prepared using the projected unit of credit method, actuarial assumptions about mortality rate, increase of salaries, personnel turnover, and interest rates determined with reference to market returns in effects of bonds at the reporting date by the Colombian Government’s bonds or high-quality business liabilities. Under the projected unit of credit method future benefits which will be paid to employees are assigned to each accounting period in which the employee renders the service. Therefore, the corresponding expense due to these benefits recognized in the statement of income of the Bank and its subsidiaries include the present service cost assigned in the actuarial calculation plus the financial cost of calculated liabilities. Changes in liabilities due to changes in actuarial assumptions are recognized in other comprehensive income.

Changes in actuarial liabilities due to changes in employment benefits granted to employees that have a retroactive effect are recognized as an expense in the earlier of the following dates:

- When a modification of the granted employment benefits takes place or
- When provisions for restructuring costs are recognized by a subsidiary or a business of the Bank and its Subsidiaries.

3) Other long-term employee benefits

Other long-term employee benefits include all employee benefits different from employee short-term benefits, post-employment benefits and indemnities due to cessation. In accordance with the collective conventions and regulations of each company of the Bank and its Subsidiaries such benefits are mainly seniority bonds.

Long-term liabilities for employee benefits are determined in the same manner as post-employment benefits described above; the only difference is that the changes in the actuarial liability due to changes in the actuarial assumptions are recognized in the statement of income.

4) Termination benefits

These benefits are payments carried out by the Bank and its subsidiaries deriving from a unilateral decision of terminating a labor contract or by a decision of the employee to accept benefits offered by a company in exchange for terminating the employment contract. Pursuant to Colombian law such payments correspond to compensations and other benefits that Entities unilaterally decide to grant to their employees in these cases.

Termination benefits are recognized as a liability and in the statement of income at the earlier of the following dates:

- When the Bank and its Subsidiaries formally inform to the employee about its decision of dismissal; or
- When provisions for restructuring costs are recognized by a subsidiary or business of the Bank and its Subsidiaries.

m) Taxes

1) Current income taxes

Income tax expenses include current and deferred tax. Tax expenses are recognized in the statement of income except for items recognized in other comprehensive income OCI directly in equity.

The current income tax is calculated based on the tax laws in force (enacted or substantively enacted) in Colombia as of the reporting date of the financial statements or of the country where subsidiaries of each subsidiary are located. Management periodically assesses, at each subsidiary level, the tax return positions with respect to situations where the applicable tax regulation is subject to interpretation and establishes provisions, when appropriate, on the basis of amounts expected to be paid to tax authorities.

2) Deferred taxes

Deferred taxes are recognized on temporary differences arising between the tax basis of assets and liabilities and the carrying amounts in the consolidated financial statements. However, deferred taxes are not recognized if they derive from the initial recognition of goodwill; temporary differences on the initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting or taxable profit or loss and temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is determined using enacted or substantively enacted tax rates at the reporting date of the statement of financial position.

Deferred taxes assets are only recognized to the extent it is probable that future taxable income is expected to be available to offset temporary differences.

Deferred tax liabilities arise from taxable temporary differences, except for the deferred tax liabilities on investments in subsidiaries, when the opportunity of reversion of temporary differences is controlled by the Bank and its subsidiaries and it is not reversed in the near future. Generally, the Bank and its Subsidiaries have the ability to control the reversion of temporary differences of investments in associates.

Current taxes and deferred taxes are offset only when it has a legal enforceable right to offset and it intends either to settle on a net bias or to realize the asset and settle the liability simultaneously. Deferred taxes are offset when there is a legal entitlement to offset current deferred taxes against current tax liabilities and when the deferred tax assets and liabilities are related to income taxes levied by the same tax authority over the same taxable entity or over different entities. However, these different entities have an intention to settle current tax liabilities and asset on a net basis or their tax assets and liabilities will be realized simultaneously for each period in which these differences reverse.

3) Wealth tax

Law 1739/2014 created a wealth tax payable by all entities in Colombia with net assets of more than $1,000 (approximately US$420,000). For accounting purposes in Colombia, the tax may be recorded as a charge on equity reserves in the equity section. The Bank and its Subsidiaries record this amount in Profit or loss in 2015 and in equity in 2016.

4) Provisions and contingencies

Provisions for restructuring costs and legal claims, etc., are recognized when the Bank and its Subsidiaries face a present legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation. Restructuring provisions include penalties due to cancelation of leases and employee dismissal payments.

The amount of the provision is determined on a best-estimate basis and when liquidation is expected in the long term, it is discounted to present value.

Provisions are regularly assessed at least at the closing date for each period, and they are adjusted to reflect the best available estimate at any given time. The provision is reversed if it is no longer probable that the funds will have to be disbursed to cover the related obligation. If there is a change of estimates these are booked on a prospective basis as changes in accounting estimates, following IAS 8. Accounting Policies - Changes in Accounting Estimates and Errors.

n) Revenues

Revenues are measured at fair value of the consideration received or estimated and represent amounts to be collected for the delivered goods or rendered services, net of discounts, returns and the value added tax. The Bank and its subsidiaries recognize revenues when the amount thereof can be measured in a reliable manner, when it is likely that future economic benefits will flow to the entity and when the specific criteria for each activity of the Bank and its Subsidiaries have been fulfilled.

1) Rendering of services

The Bank and its subsidiaries render services regarding several activities. Revenue from services is recognized in the period when the service is provided. The services are rendered, with reference to the completion stage of the specific transaction and assessed on the basis of the real service provided, as a proportion of all the services that will be rendered. When the services are rendered through an undetermined number of acts, throughout a specific period of time, income is recognized on a straight line basis throughout the period.

2) Revenue from commissions and fees

Commissions and fees are recognized as revenue in the statement of income as follows:

- Commissions for banking services are recognized when services are rendered;

- The annual commissions on credit cards are registered and amortized on a straight line basis during the useful life of the product.

o) Net income per share

Net income per share is calculated by dividing the net income for the period attributable to the controlling interest by the weighted average number of common shares outstanding during the period. The Bank does not have financial instruments with potential voting rights. As a consequence, only basic earnings per share are disclosed in these financial statements.

p) Operating segments

An operating segment is a component of an entity which:

- Conducts business activities from which it can obtain revenue and incur expenses (including revenue and expenses from transactions with other components of the same entity);

- Its operating profit or losses are regularly revised by the chief operating decision maker who decides on the resource allocation to the segment and assesses its performance; and

- It has differentiated available financial information.

The Bank and its Subsidiaries disclose information separately for each identified operating segment that exceeds the minimum quantitative thresholds of a segment:

- Reported revenue from the ordinary activities, including revenues from external clients and as well as revenues or transfers inter-segments, which are equal or greater than 10 per cent of the revenue of combined ordinary activities, internal and external, of all operating segments.

- The amount of the reported net income is, in absolute terms, equal to or greater than 10 per cent of the amount greater of: (i) the combined reported net income of all the segments of the operation which have not had losses; or (ii) the reported combined loss of all segments of the operation which had losses.

- Its assets are equal to or greater than 10 percent of the combined assets of all segments of the operation.

NOTE 4. - JUDGMENTS AND CRITICAL ACCOUNTING ESTIMATES IN THE APPLICATION OF ACCOUNTING POLICIES.

The management of the Bank and its Subsidiaries make estimates and assumptions that affect the recognized amounts in the consolidated financial statements and the carrying value of the assets and liabilities within the fiscal year. The judgments and estimates are continuously evaluated and are based on the experience of management and other factors including the occurrence of future events that are believed to be reasonable under the current circumstances. Management also makes certain judgments besides those which involve estimates during the process of applying accounting policies. Those judgments that have the most significant effects on the recognized amounts in the consolidated financial statements and the estimates that may cause an important adjustment to the value in the carrying value of assets and liabilities in the following year include the following:

a. Going concern: The management of the Bank and its Subsidiaries prepare financial statements on the basis of a going concern. In the execution of this judgment the management considers the financial position, its actual intentions, the result of the operations and access to financial resources in the market and analyzes the impact of such factors in future operations.

As of the date of this report management does not have any knowledge of any situation that makes the Bank and its Subsidiaries believe that it does not have the ability to continue as an ongoing business during the year.

1) Business model for financial asset in investments

The Bank and its subsidiaries apply significant levels of judgment to determine their business model for the management of financial assets and to evaluate whether financial assets meet the conditions defined in the model so that they can be classified as “fair value” or at “amortized cost”. Therefore, in general, the Bank and its subsidiaries have classified their financial assets in debt securities in their investment portfolios at “fair value”, and another smaller portion at “amortized cost”. The latter correspond basically to investments in Colombian Government debt securities and mandatory investments under local regulations.

The Bank and its subsidiaries classify loan portfolios at amortized cost. Financial assets at amortized cost, in the terms of the business model, may be sold only in limited circumstances which are immaterial in relation to the total portfolio. This may occur when an asset ceases to satisfy the accounting policy for investment of the Bank and its Subsidiaries or for any adjustments to asset and liability maturities structure, the need to finance important capital disbursements and seasonal liquidity needs. During the periods ended December 31, 2016 and 2015, the Bank and its subsidiaries did not make any significant changes to the business model and no significant sales have been made of financial assets classified at amortized cost.

2) Allowance for loan impairment losses

In accordance with the Superintendency of Finance rules and IAS 39 - Financial Instruments, Recognition and Measurement - the Bank and its subsidiaries regularly review their loan portfolios in order to evaluate impairment and determine whether it needs to be recorded through profit or loss for the year. Management exercises judgment to decide whether there is observable data that would indicate a reduction in the estimated cash flow from their loan portfolio before a reduction in that flow can be identified for a specific loan.

The process used to calculate the allowance includes an analysis of specific, historical and subjective components.

The methods used by the Bank and its subsidiaries includes the following:

- A regular detailed analysis of the loan portfolio

- A system of classifying loans according to risk levels

- A regular review of the summary of loan-loss provisions

- Identification of loans to be assessed individually for impairment

- Consideration of internal factors such as size, organizational structure, the structure of the loan portfolio, the loan management process, a trend analysis of non-performing loans and historical loss experiences

- Consideration of the risks inherent in different types of loans

- Consideration of external factors - both local, regional and national - as well as economic factors.

b. Principal sources of uncertainty

In the process of calculating the allowances against individual loans considered significant, using the discounted cash flow method, the Bank and its subsidiaries management makes assumptions with regard to the amount to be recovered from each customer and the time over which that recovery will take place. Any variation in this estimate may generate significant variations in the value of the provision made. Management estimates the calculation for the allowances against individual loans considered significant based on related guarantees to establish the fair value of those guarantees, with the assistance of independent experts, and any variation in the price which is finally obtained in the recovery of the guarantee may in turn generate significant variations in the value of provisions.

In the process of calculating collective impairment allowances for loans that are not individually considered or those individually significant loans that are not impaired and are assessed collectively for impairment, the historic loss rates used in the process are regularly updated to include the most recent data that reflect current economic conditions, trends in industry performance, geographic concentrations or concentrations of borrowers within each portfolio segment, and any other relevant information that could affect estimation of the loan impairment provision. Many factors can affect estimates of the provisions for losses on loans granted by the Bank and its subsidiaries, including volatility in the probability of impairment, migration and estimates of the severity of the losses.

To quantify the losses incurred in collectively assessed portfolios the Bank and its subsidiaries have calculation methods that take into account four main factors; namely, exposure, probability of default, the loss identification period and the severity of the loss. For such purposes, loans are considered in default when they are past due for more than 90 days, restructured because of financial problems of the debtors, clients in bankruptcy and clients included in credit risk categories D or E, according to internal models of credit risk evaluation.

Exposure at default (EAD) is the amount of the risk if the debtor fails to pay.

- Probability of default (PD) is the probability that a debtor will fail to meet his capital and/or interest obligations. The likelihood of default is associated with the rating or score or ageing of delay in payment for each debtor or operation. In the specific case of defaulted loans the PD assigned is 100%. The classification of the loan as “doubtful” arises when a loan is past-due for 90 days or more and cases in which, although there is no failure to pay, there is doubt as to the solvency of the debtor (subjective doubt)

- Loss given default (LGD) is the estimated loss to be suffered should default occur. This depends mainly on the characteristic of the debtor and the valuation of guarantees or collateral associated with the operation.

- Loss identification period (LIP) corresponds to the time elapsed between the occurrence of an event that causes a given loss and the moment at which that loss becomes evident at individual level, The analysis of LIPs is made on the basis of homogeneous risk portfolios.

c. Deferred income tax

The Bank and its subsidiaries evaluate the realization over time of the deferred income tax assets. These assets represent income tax recoverable through future deductions from taxable profits and are recorded in the Statement of Financial Position. They are recoverable to the extent that it is probable that there will be related tax benefits, Future taxable income and the amount of tax benefits which are probable in the future are based on management´s medium-term plans. The business plan is based on management expectations that are believed to reasonable given the current circumstances.

At December 31, 2016 and 2015, the Bank and its subsidiaries’ management estimate that deferred income tax asset items will be recoverable as a function of the estimated future taxable profit and the conversion adjustment for financial statements. No deferred tax liability has been recorded for the profits of subsidiaries which the Bank does not expect to repatriate in the near future, because the Bank controls the dividend policy subsidiaries, and has no intention to distribute dividends or sell the investments in the near future.

d. Goodwill

Annually Bank and its subsidiaries' management carry out an evaluation of goodwill impairment recognized in its financial statements; such assessment is made based on a valuation of business lines related to the revaluation, using the discounted cash flow method, and taking into account factors such as the economic situation of the country, the sector in which it operates, historical financial information and rejected growth in income and costs over the next five years and subsequently, growth into the indefinite future, taking account of profit capitalization indices, discounted at risk-free interest rates for risk premiums required by the circumstances. The principal assumptions used in those valuations and their analysis is to be found in Note 16.

e. Provisions for contingencies

The Bank and its subsidiaries calculate and record an estimate for contingencies in order to cover possible losses due to labor, civil and commercial litigation, tax demands, and other matters depending on circumstances, which in the opinion of external or internal legal advisers, are considered to be probable losses and can be reasonably quantified.

Given the nature of many of these claims or cases, it is sometimes not possible to make a precise forecast or to quantify the amount of the loss reasonably and therefore the real amount of disbursements effectively made for claims or litigation is constantly different from the amounts initially estimated and provided against. These differences are recognized in the year in which they are identified.

f. Pension plans

The measurement of obligations for pensions, costs and liabilities depends on a wide variety of long-term assumptions determined on an actuarial basis, including the estimated present value of future projected payments of pensions for members of the plan, considering the probability of potential future events such as increases in minimum urban salary, and demographic experience. These premises may have an effect on the amount and future contributions should some variation arise.

The discount rate used allowed future cash flows to be represented as a present value on the date of measurement. The Bank and its subsidiaries set a long-term rate which represents the market rate for high quality fixed-yield investments or government peso-denominated bonds – e.g., for the currency in which the benefit will be paid - and considers the timing and amounts of the future benefit payments. Colombian Government bonds have been selected for this purpose.

The Bank and its subsidiaries use other key assumptions to value their actuarial liabilities which are calculated on the basis of specific experience combined with published statistics and market indicators (the most important assumptions used in the actuarial calculations and the related sensitivity analysis are described in note 20).

NOTE 5. - NEW IASB INTERNATIONAL ACCOUNTING PRONOUNCEMENTS

a. New and Amended IFRSs

Below is a list of the new and amended standards that have been issued by the IASB and are effective for annual periods starting on or after January 1, 2016. Management is in the process of assessing the potential impact of these pronouncements on the Bank and its subsidiaries' consolidated financial statements.

New or Amended Standard	Title of the Standard	Effective for Annual Periods Beginning on or After
Annual Improvements	Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016
Amendments to IAS 27	Equity Method in Separate Financial Statements	January 1, 2016

Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	January 1, 2016
Amendments to IAS 1	Disclosure Initiative	January 1, 2016
Forthcoming requirements		
Amendments to IAS 7	Disclosure Initiative	January 1, 2017
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 9	Financial Instruments	January 1, 2018
IFRS 16	Leases	January 1, 2019
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed

b. Annual Improvements to IFRSs 2012-2014 cycle:

The latest annual improvements clarify:

- IFRS 5 – when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such
- IFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitutes 'continuing involvement' and, therefore, whether the asset qualifies for derecognition.
- IFRS 7 – that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34.
- IAS 19 – that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.
- IAS 34 – what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'; entities taking advantage of the relief must provide a cross-reference from the interim financial statements to the location of that information and make the information available to users on the same terms and at the same time as the interim financial statements.

c. Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Ventures: The amendments clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business as defined in IFRS 3 Business Combinations. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business.

This includes:

- Measuring identifiable assets and liabilities at fair value
- Expensing acquisition-related costs
- Recognizing deferred tax, and
- Recognizing the residual as goodwill, and testing this for impairment annually.

Existing interests in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained. The amendments also apply when a joint operation is formed and an existing business is contributed.

d. Clarification of Acceptable Methods of Depreciation and Amortization – Amendments to IAS 16 and IAS 38: The amendments clarify that a revenue-based method of depreciation or amortization is generally not appropriate.

The IASB has amended IAS 16 *Property, Plant and Equipment* to clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment.

IAS 38 *Intangible Assets* now includes a rebuttable presumption that the amortization of intangible assets based on revenue is inappropriate. This presumption can be overcome if either.

The intangible asset is expressed as a measure of revenue (ie where a measure of revenue is the limiting factor on the value that can be derived from the asset), or

It can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.

e. Equity method in separate financial statements – Amendments to IAS 27: The IASB has made amendments to IAS 27 *Separate Financial Statements* which will allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates.

IAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or as a financial asset in their separate financial statements. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively.

f. Investment entities: Applying the consolidation exception – Amendments to IFRS 10, IFRS 12 and IAS 28: Amendments made to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in associates and joint ventures clarify that:

The exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities.

An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities.

Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement.

g. Disclosure Initiative - Amendments to IAS 1: The amendments to IAS 1 *Presentation of Financial Statements* are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:

Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.

Notes – confirmation that the notes do not need to be presented in a particular order.

OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

h. Forthcoming requirements

IFRS 9 Financial Instruments and associated amendments to various other standards: IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortized cost and fair value.

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortized cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognized at fair value.

All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss).

For financial liabilities that are measured under the fair value option entities will need to recognize the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss.

The new hedge accounting rules (released in December 2013) align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. With these amendments, IFRS 9 is now complete. The changes introduce:

- a third measurement category (FVOCI) for certain financial assets that are debt instruments
- a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g.,. trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

For financial years commencing before 1 February 2015, entities could elect to apply IFRS 9 early for any of the following:

- the own credit risk requirements for financial liabilities
- classification and measurement (C&M) requirements for financial assets
- C&M requirements for financial assets and financial liabilities, or
- C&M requirements for financial assets and liabilities and hedge accounting.

After 1 February 2015, the new rules must be adopted in their entirety.

i. IFRS 15 Revenue from contracts with customers and associated amendments to various other standards: The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue can be recognized:

- identify contracts with customers
- identify the separate performance obligation
- determine the transaction price of the contract

- allocate the transaction price to each of the separate performance obligations, and
- recognize the revenue as each performance obligation is satisfied.

Key changes to current practice are:

- Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- Revenue may be recognized earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc.) – minimum amounts must be recognized if they are not at significant risk of reversal.
- The point at which revenue is able to be recognized may shift: some revenue which is currently recognized at a point in time at the end of a contract may have to be recognized over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few.

As with any new standard, there are also increased disclosures.

These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications.

Entities will have a choice of full retrospective application, or prospective application with additional disclosures

j. IFRS 16 Leases: will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

k. Recognition of Deferred Tax Assets for Unrealized Losses – Amendments to IAS 12: Amendments made to IAS 12 in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

l. Disclosure Initiative – Amendments to IAS 7: Going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (eg drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealized exchange differences.

Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities.

Entities may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities.

The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated.

m. Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28: The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognize the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognized by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively.

In December the IASB decided to defer the application date of this amendment until such time as the IASB has finalized its research project on the equity method.

The Bank is expected to be impacted to some extent by the new accounting pronouncements. At this time the Bank is evaluating their operations in order to understand the impact the new IASB pronouncements could have over their accounting. Once their analysis is complete they will implement the new accounting standards.

NOTE 6. - FAIR VALUE ESTIMATES

The fair value of the financial assets and liabilities traded in active markets (such as financial assets in debt securities and equity certificates and derivatives actively listed in stock exchanges or interbank markets) is based on dirty prices supplied by a price vendor.

An active market is a market wherein transactions for assets or liabilities are carried out with sufficient frequency and volume in order to provide price information on an ongoing basis. A dirty price is that which includes accrued and pending interest on the security, as from the date of issuance or last payment of interest, until the date in which the purchase and sale operation is due. The fair value of financial assets and liabilities that are not traded in an active market are determined through appraisal techniques determined by the price supplier or by the management of the Bank and its subsidiaries. Appraisal techniques used for non-standardized financial instruments such as foreign exchange swaps and derivatives from the over-the-counter market include the use of interest rates or currency assessment curves built by market price data providers and extrapolated to the specific conditions of the instrument that is appraised. Discounted cash flow analysis and other valuation techniques commonly used by market participants who use the most out of market data.

The Bank may use models developed internally for financial instruments that do not possess active markets. These models are usually based on valuation techniques and methods generally standardized in the financial sector. The valuation models are mainly used for appraising equity financial instruments not listed on the stock exchange, debt certificates and other debt instruments for which the markets were or have been inactive during the financial period. Some inputs of these models may not be observable in the market and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty and the valuation techniques used may not fully reflect all the factors relevant to the positions of the Bank. Therefore, the appraisals are adjusted, if necessary, to allow additional factors including country risk, liquidity risks and counterpart risks.

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for assets or liabilities identical to those which the entity can access as of the date of measurement.

- Level 2 inputs are inputs different than quoted prices included in Level 1 that are observable for the asset or liability, whether directly or indirectly in non-active markets.

- Level 3 inputs are unobservable inputs for the asset or liability.

The level of fair value within which a fair value measurement is justified in its entirety is determined on the basis of the lowest entry-level which would be significant to measure the fair value in its entirety. Therefore, the importance of an entry is evaluated in relation to the measurement of fair value in its entirety. If the measurement of fair value uses observable inputs which require significant adjustments based on non-observable inputs the measurement is a Level 3 measurement. The evaluation of the importance of particular input for the measurement of fair value in its entirety requires judgment taking into account the specific factors of the asset or liability.

The determination of what is meant by “observable” requires significant judgment by the Bank and its subsidiaries. The Bank and its subsidiaries consider “observable” data to be market data which are available, regularly distributed or updated, are reliable and verifiable, have no rights of ownership and are provided by independent sources which play an active part in the reference market.

a. Measurement of fair value on a recurring basis

Measurements of fair value on a recurring basis are those which IFRS accounting standards require or allow in financial position statement at the end of each accounting period.

The Superintendency of Finance approved methodologies for that require price providers to receive information from all external and internal sources of trading, information and recording within certain established working hours.

The most common methods applicable to derivatives valuations are the following:

- Currency forwards: the provider publishes curves assigned to match the currency of origin of the underlying security. The curve becomes the nominal rate for periods in arrears associated with exchange forwards.

- Bond forwards: the determination of a forward valuation for a defined date calculates the theoretical future value of the bond based on the price at the valuation date and the country-risk-free reference rate for the underlying security. Then the present value of the difference between the theoretical future value and agreed price of the bond in a forward contract is obtained using the country-risk-free discount rate of reference for the underlying security over the days to maturity.

- Swaps: the provider publishes curves assigned in accordance with the underlying security, base swap curves (exchange of payments associated with variable interest rates), domestic and foreign curves and implied curves associated with exchange forwards.

The valuation of real property recognized as investment property at fair value is measured using a Level 3 market approach with available data in relation to the available prices in different regions of Colombia.

The following table analyses, within the hierarchy of fair value, the assets and liabilities (by class) held by the bank which are measured at fair value as of December 31, 2016 and 2015 on a recurring basis.

December 31, 2016

	Level 1	Level 2	Level 3	Total
Assets				
Trading debt securities				
In Colombian Pesos				
Debt Securities	4,023,997	-	-	4,023,997
Equity Investments – Issuers in Colombia	-	60,417	-	60,417
Derivative Instruments	-	170,348	-	170,358
Investment Properties	-	-	28,880	28,880
Total assets at fair value on recurring bases	**4,023,997**	**230,765**	**28,880**	**4,283,652**
Liabilities				
Derivative Instruments	-	90,377	-	90,377
Total liabilities at fair value on recurring bases	**-**	**90,377**	**-**	**90,377**

December 31, 2015

	Level 1	Level 2	Level 3	Total
Assets				
Debt Securities	3,810,627	-	-	3,810,627
Equity Investments – Issuers in Colombia	-	75,746	-	75,746
Derivative Instruments	-	68,429	-	68,429
Investment Properties	-	-	432	432
Total assets at fair value on recurring bases	**3,810,627**	**144,175**	**432**	**3,955,234**
Liabilities				
Derivative Instruments	-	63,788	-	63,788
Total liabilities at fair value on recurring bases	**-**	**63,788**	**-**	**63,788**

No transfers between levels 1 and level 2 were made during 2016.

b. Items measured at fair value on a non-recurring basis
The Bank and its subsidiaries do not have any assets or liabilities measured at fair value with a non-recurring basis as of December 31 2016 and 2015.

c. Fair value determination
The Bank determined financial instruments that are traded in an active market as Level 1. Its fair value was established according to quoted prices (unadjusted) supplied by the price vendor, which determines the same through weighted averages of transactions carried out during the trading day.

The Bank defined financial instruments that are traded in non-active market as Level 2. The following table provides information about valuation techniques and significant inputs when measuring assets and liabilities.

	Valuation technique	Significant inputs
Assets		
Debt Securities	Discounted cash flow	Estimated prices
Equity Investments – Issuers in Colombia	Market Price	Market price or price calculated based on benchmarks set by price providers methodologies
Derivative Instruments	Discounted cash flow	- Underlying asset price - Currency by underlying asset - Forward exchange rate - Matrixes and curves
Investment Properties (1)	Discounted cash flow	The processes used to collect data determine the fair value of the asset best based on a valuation made at each ending period, by an independent expert appraisal under comparable market transactions.
Liabilities		

Derivative Instruments	Discounted cash flow	- Underlying asset price. - Currency by underlying asset. - Forward exchange rate. - Matrixes and curves.

(1) **Level 3 -** The Bank and its Subsidiaries defined financial instruments that are not traded in an active market as Level 3. The following paragraph provides information about the different significant inputs and valuation techniques:

d. Investment properties:

Investment properties are recognized at fair value, based on a valuation made at each ending period, by an independent expert appraisal. In Colombia the frequency of transactions is low; however, management believes there's enough market activity to assess the fair value of investment properties of the Bank and its Subsidiaries based on comparable market transactions. Management has reviewed the main assumptions used by the independent external appraisers (such as inflation, interest rates, etc.) and believes they are consistent with market conditions at each period end. However, management believes that the estimation of the fair value of investment properties depends on significant judgment from the independent expert appraisers and as such there's a significant probability that the actual price of sale of a property differs from its fair value.

The reconciliation of the balances at start of the period to the closing balances with the fair value measurements classified at Level 3 is shows in Note 15.

Fair value of financial assets and liabilities recognized at amortized cost

The following table shows a summary of financial assets and liabilities accounted at amortized cost and valued at fair value only for purposes of this disclosure as of December 31, 2016 and 2015.

	December 31, 2016		**December 31, 2015**	
	Book value	**Fair value estimate**	**Book value**	**Fair value estimate**
Assets				
Cash and cash equivalents	7,350,358	7,350,358	7,156,147	7,156,147
Debt securities at amortized cost	1,030,208	1,024,692	1,565,068	1,546,853
Loans and receivables (1)	12,863,202	12,201,649	12,846,735	12,617,283
Liabilities				
Customer deposits (2)	8,225,563	8,310,066	8,216,539	8,225,470
Financial obligations (3)	3,076,926	3,384,146	4,254,119	3,264,852
Interbank borrowings	1,369,312	1,588,322	1,566,869	1,453,543
Long term debt	1,707,614	1,795,824	1,739,315	1,811,309

(1) For the loans portfolio at amortized cost its fair value was determined using models of cash flows discounted at the interest rates offered by banks for granting new loans taking into account the credit risk and its maturity. The process of valuation is deemed as level 3.

(2) The fair value for demand deposits is equal to their book value. For fixed-term deposits with maturities of less than 180 days its fair value is deemed equal to its carrying value. For fixed-term deposits with maturities of more than 180 days its fair value was estimated using the model of discounted cash to the interest rates offered by banks in accordance with their maturity. It is considered that this is a level 2 valuation.

(3) For short-term liabilities the carrying value was considered at its fair value. The fair value of long-term financial liabilities was determined using models of discounted cash flow at interest rates free of risk adjusted by risk premiums for each entity. The fair value of outstanding bonds is determined according to quoted prices or estimated prices supplied by the price vendor. It is considered that this is a valuation of level 2.

NOTE 7. - RISK MANAGEMENT

For the Bank and its Subsidiaries risk management is a fundamental element to achieve efficiency and effectiveness in operations, the reliability of reports and compliance with laws, standards and regulations. It is therefore important in the achievement of its strategic objectives.

The analysis of the strategic content in which its activities develop allows the Bank and its subsidiaries to establish means to prevent the occurrence of events that will affect the normal course of processes and the achievement of the objectives set by it. If this turns out not to be reasonably possible they can implement measures for the mitigation of risks in order to diminish its impact.

a. Organizational structure of risk management

The Board of Directors is the senior authority in risk management for the Bank and its subsidiaries. It determines profiles and defines policies and procedures for risk management aligned with internal controls, in the context of the overall strategic plan, objectives and targets. It therefore follows up each Risk Management System with objectives, plans and regulatory compliance and control indicators.

The Bank and its subsidiaries aims to preserve the efficacy, efficiency and effectiveness of its operating management and capacity, safeguard its funds managed using an integrated system of risk management, and an organizational structure which enables it to minimize the impact of costs and damage caused by those risks in the following structure:

1) The Board of Directors

The Board is responsible for adopting decision on, amongst other things, the appropriate organization of the risk management system of each entity:

Definition and approval of risk management policies

- Approval of regulations, procedure manuals and functions of its own areas and related updates
- Approval of the code of ethics, the internal control system and the organizational and technological structure of risk management systems.
- Approval of operating limits and counterparties by defined levels of authority
- Approval of exposure and limits for different kinds of risk
- Approval of actions where exposure limits are exceeded or an exception to a rule is required, and of contingency plans to be adopted for any extreme situation.
- Appointment of member of ALCO, definition of their functions, approval of its regulations within applicable provisions of law.
- Approval of methods and models for the administration of Risk Management Systems
- Ongoing monitoring of compliance with Risk Management System guidelines and policies.
- The Board basically relies on the following committees for the administration of the various risk management systems:

2) Asset and Liability Management Committee (ALCO)

The organizational scheme and integrated management are complemented by the ALCO Committee, whose prime objective is to support the Board of Directors with follow-up and control of general asset and liability management policies, and in particular, market risk and liquidity risk follow-up.

Points evaluated by the Committee:

- Advice the Board in the definition of exposure limits by type of risk, term, amount, currency, instruments and compliance control.
- Analysis and forecasts of the main economic and monetary variables showing the liquidity situation in the economy and the range of financial instruments.

- Verification of comprehensive management of asset and liability structures, estimating and controlling the degree of exposure to market risk and liquidity risk in order to afford protection against potential changes that could cause losses in the financial statements.

- Review of liquidity risk and market risk exposure limits with any excess arising and proposals for their adjustment.

- Analysis and review of the method used to measure market risk and liquidity risk at least once a year.

- Assurance of prompt, efficient and full compliance with Superintendency of Finance instructions regarding the evaluation, measurement and control of the range of risks on the adoption of policies for their efficient management.

- Other duties related to the Committee´s objectives and rules for risk management not assigned to other organs and those issued by a competent authority as being mandatory.

3) Loans Committee

- Analysis of results for ongoing and half-year classification.

- Sector analysis by customers and prospects by economic activity.

- Monthly analysis and variation of customers at default.

- Analysis of the monthly variation of loan quality by risk.

- Analysis of customers at default and monthly variation by portfolio.

- Follow-up of past-due loans in special and legal collection.

- Analysis of figures, trends and evolution of past-due loans in regional offices and channeling of effort to avoid operating losses.

- Evaluation, design and recommendation of policies designed to recover past-due accounts.

- Presentation of figures and recommendations for strategies to be followed in collecting costumer loans from past due accounts from major customers.

- Analysis and evaluation of the provision projections by portfolio.

4) Credit Committee

- Analysis, evaluation, monitoring, review and approval of credit applications within authority levels and recommendations for the presentation of proposals where the amount requires Board of Directors approval.

- Verification and approval by signature of specific credit operations of the respective banking area, in collegiate action, taking into account the allocation of limits within authority levels in Board Directive FC4 with related signatures.

- Presentation of proposed limits to the Board in accordance with the authority levels of each department.

- Assured compliance with the selection and maintenance of business banking, institutional banking, consumer banking and payroll-loan customers following the proposal for approval by the Board of the structure, procedures and methods required for the SCI to function.

5) Audit Committee

- Proposals for the Board of Directors approval of the structure, procedures and methods required for the functioning of the internal control system.

- Evaluation of the bank's internal controls such that it can be determined whether procedures designed give reasonable protection to the entity´s assets and those of third parties under administration or custody, Additionally, evaluate whether controls exist to verify that operating transactions are being appropriately authorized and recorded.

- Assurance that the preparation, presentation and disclosure of financial information is in accordance with applicable standards, verifying that the necessary controls are in place.

- Study of financial statements and preparation of the related report for Board consideration based on the evaluation of alternately related projects with notes. They also focus on the opinions and observations of control entities arising from the regulations made by the committees and other related documents.

- Proposals for programs and controls to the Board to prevent, detect and provide an adequate response to the risk of fraud and misconduct.

- Supervision of functions and activities of the Audit function in order to determine its independence and objectivity in activities audited, identification of the existence of limitations that prevent appropriate performance and verification whether the scope of that of its work is satisfactory.

- Follow-up levels of risk exposure, the implications for the Bank and its Subsidiaries, and measures adopted to control or mitigate them at least every six months, or more frequently if appropriate. They have to present to the Board the resulting reports on the most important aspects of the work performed.

- Evaluation of internal control reports by the audit function verifying that the administration has taken into account the suggestions and recommendations.

- Follow-up on Board of Directors or equivalent instructions.

- Presentation to the general meetings, through the Board of Directors, of candidates to occupy the post of Statutory Auditor.

- Analysis of functional Information Systems, their reliability and integrity for decision making and submitting purposes.

- Other functions as established by the Board in Internal Regulations.

b. The working framework for risk management

The Board of Directors is responsible for setting and supervising the structure of the Bank and its subsidiaries' risk management. The Board of Directors has created the asset and liability committee (ALCO) and Loan Committee which are responsible for developing and monitoring the Bank and its Subsidiaries risk management policies in specific areas. All the Committees have been formally installed and regulated and provide General Management for the Bank and its subsidiaries with regular activity reports.

The Bank and its subsidiaries risk management policies were established in order to identify and analyze risks faced by the Bank and set appropriate limits and risk controls to monitor risk and comply with the limits. There are regular reviews of policies and risk management systems to reflect changes in market conditions and the products and services offered. The Bank and its subsidiaries' regulations and management procedures aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Bank and its Subsidiaries Audit Committee supervises the way in which management monitors policy compliance and the procedures for the Bank and its subsidiaries' risk management and reviews whether the risk management framework is appropriate with regard to the risks faced. The Committee is assisted by Internal Audit in its supervisory roles. Internal Audit also conducts regular and random reviews of controls, procedures and risk management with the results reported to the Bank and its subsidiaries' Audit Committee.

c. Analysis of individual risks

The Bank and its Subsidiaries are exposed in the ordinary course of business to a range of financial, operational, reputational and legal risks. The financial risks include (i) market risk (ii) credit risk (including dealing and price risks as detailed below); and (iii) structural risks due to the composition of assets and liabilities including variations in exchange rates, liquidity and interest rates.

The following is an analysis of each of the risks mentioned in order of importance:

- Credit risk;
- Liquidity risk;
- Market risk
- Foreign exchange rate
- Interest rate risk

d. Credit risk

The Bank and its Subsidiaries 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 is also incurred as result of credit activities and transactions with counterparties.

For the purposes of risk management reporting the exercise considers and consolidates all elements of exposure to credit risk (such as the risk of an individual debtor failing to pay, country risk, and sector risk.).

For the purposes of risk management the credit risk arising from trading assets is managed independently and information about them is disclosed below.

The maximum exposure to credit risk of the Bank and its subsidiaries, according to IFRS 7, at a consolidated level is reflected in the carrying value of financial assets the in the statement of financial position as of December 31, 2016 and 2015 as follows:

	December 31,2016	December 31, 2015
Deposits in banks different than the Central Bank (Banco de la República)	297,999	304,039
Financial instruments a fair value		
Government	3,158,662	3,422,277
Financial entities	882,889	408,525
Other sectors	42,863	55,571
Derivatives instruments	170,348	68,429
Loans and receivables		
Commercial	7,478,794	7,586,697
Consumer	4,303,696	4,170,256
Mortgage Portfolio	1,080,712	1,089,782
Other receivable accounts	503,575	204,002
Total financial assets with credit risk	**17,919,538**	**17,309,578**
Financial instruments with credit risk outside of the financial position statement at its nominal value		
Financial guarantees and letters of credit	5,309,799	4,404,109
Credit commitments	539,852	210,145
Total exposure to credit risk outside of the financial position statement	**5,849,651**	**4,614,254**
Total maximum exposure to credit risk	**23,769,189**	**21,923,832**

The Board of Directors has delegated responsibility for the supervision of credit risk to the Bank´s Loan Committee. The Credit Risk Area, accountable to the National Credit Risk Management Division, reports to the Bank´s Lending Committee and is responsible for managing the Bank´s credit risk including:

- Setting credit policy in consultation with business units, covering collateral requirements, classification and credit reports, and compliance with regulatory and statutory requirements.

- Monitoring of the authorization structure for approval and renewal of credit lines.

- Authorization limits are collectively allocated, that is, at least two officers with powers to approve new credit lines are involved, depending on the amounts defined. The approval of two or more officers, or the Credit Committee or the Board is required, depending on the size of the credit line.

- Credit risk monitoring The Bank´s Credit Division evaluates all credit exposures which exceed designated limits, before lines are committed to customers by the related business unit. Renewals and reviews of loans are subject to the same review process.

- Limits to exposure concentration this applies to counterparts, geographical places and industries (in the case of loans and advances), and by issuer, credit classification band, market liquidity and country (in the case of investment instruments).

- Development and maintenance of risk classification in the Group to categorize exposure in accordance with the degree of risk of financial loss faced and to focus management on arising risks. The risk classification system is used to determine when impairment provisions need to be recorded against specific credit exposure. In the current framework for risk classification there are six classes that reflect a range of risks from recoverability and the available guarantees or other types of factors mitigating credit risk. The responsibility to establish degrees of risk is the responsibility of the Credit Risks Area which reports to the Bank´s Lending Committee for final approval when appropriate. Decrees of risk are subject to regular reviews by the Credit Risks Area.

- Compliance review for business units with agreed exposure limits including those industries, country risk and types of product selected. Reports on credit quality in local portfolios are made to the Bank´s Lending Committee and corrective actions are taken as appropriate.

- The provision for advice, guidance and specialist skills for business units in order to promote best credit risk management practices across the Bank.

The Bank, as Parent, defines the group´s credit policies and procedures establishing the limits for the approval for letters of credit for each business unit. Each business unit has a Credit Director who reports to the local management and to the Risk Committee on all credit matters. Each business unit is responsible for the quality and yield of its loan portfolio, for monitoring and controlling all credit risks in its portfolio, and for reporting results to the Bank.

Internal Audit makes regular audits of business units and processes in the Credit Area and in the National Risk Management Division of the Bank.

The detail of loans by type of guarantee received for loans of the consolidated GNB Group are as follows at December 31, 2016 and 2015:

Types of guarantee - 2016	**Commercial**	**Consumer**	**Mortgage**	**Total**
Unsecured	4,043,255	4,266,797	-	8,310,052
Collateralized loans:				
Home mortgage	-	-	1,080,712	1,080,712
Other real property	1,797,733	5,950	-	1,803,683
Investments in equities	119,660	-	-	119,660
Cash or cash equivalent	272	5,866	-	6,138
Trust agreements, letters of credit and FNG	197,999	12,413	-	210,412
Pledges of income	331,207	-	-	331,207
Liens	17,508	9,329	-	26,837
Other assets	971,160	3,341	-	974,501
Total gross loans	**7,478,794**	**4,303,696**	**1,080,712**	**12,863,202**

Types of guarantee – 2015	**Commercial**	**Consumer**	**Mortgage**	**Total**
Unsecured	4,133,329	4,132,065	27,279	8,292,674
Collateralized loans:				
Home mortgage	-	-	1,062,503	1,062,503
Other real property	1,799,585	3,845	-	1,803,430
Investments in equities	127,152	-	-	127,152
Cash or cash equivalent	-	6,621	-	6,621
Trust agreements, letters of credit and FNG	163,591	19,151	-	182,742
Pledges of income	397,001	-	-	397,001
Liens	19,542	8,182	-	27,724
Other assets	946,497	392	-	946,888
Total gross loans	**7,586,697**	**4,170,256**	**1,089,782**	**12,846,735**

As of December 31 2016 and 2015, the following is a summary of the portfolio credit by risk level rating.

	Customer loans		Interbank loans		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Commercial						
A	6,773,602	7,136,538	163,535	152,669	6,937,137	7,289,207
B	170,835	182,614	-	-	170,835	182,614
C	264,680	63,244	-	-	264,680	63,244
D	89,913	34,100	-	-	89,913	34,100
E	16,228	17,533	-	-	16,228	17,533
Subtotal Commercial	**7,315,258**	**7,434,029**	**163,535**	**152,669**	**7,478,793**	**7,586,697**
Consumer						
A	4,084,810	3,986,471	-	-	4,084,810	3,986,471
B	39,993	39,933	-	-	39,993	39,933
C	83,251	56,958	-	-	83,251	56,958
D	70,669	66,740	-	-	70,669	66,740
E	24,973	20,154	-	-	24,973	20,154
Subtotal Consumer	**4,303,696**	**4,170,256**	**-**	**-**	**4,303,696**	**4,170,256**
Home mortgage						
A	1,045,901	1,063,511	-	-	1,045,901	1,063,511
B	22,071	13,592	-	-	22,071	13,592
C	3,059	4,307	-	-	3,059	4,307
D	4,127	4,690	-	-	4,127	4,690
E	5,554	3,682	-	-	5,554	3,682
Subtotal home mortgage	**1,080,712**	**1,089,782**	**-**	-	**1,080,712**	**1,089,782**
Gross loan portfolio	**12,699,666**	**12,694,066**	**163,535**	**152,669**	**12,863,201**	**12,846,735**
Allowance	305,947	210,305	564	1,110	306,511	211,415
Net loan portfolio	**12,393,719**	**12,483,761**	**162,971**	**151,559**	**12,556,691**	**12,635,320**

e. Impaired loans and debt instrument investments

Impaired loans and instruments correspond to loans, advances and investments in debt instruments (other than those carried at fair value with changes through profit and loss) for which the Bank and its Subsidiaries decide that it is probable that it will not be possible to collect capital and interest due in accordance with the contractual terms of the loan/investment security agreements. The loans, advances and investments in debt instrument carried at fair value with changes through profit and loss are not evaluated for impairment, but are subject to the same system of internal classification (see note 11 – Loans).

f. Loans and debt instrument investments in arrears, but not impaired.

Loans and investments in debt instruments in arrears but not impaired, other than those recognized at fair value with changes through profit and loss or those in which contractual interest or capital repayments are in arrears, based on the level of security/available collateral/stage of collection of amounts due to the Bank and its subsidiaries.

g. Loans with renegotiated terms

Loans that carry renegotiated terms are those which have been restructured due to impairment of the final position of the borrower and the Bank and its Subsidiaries have made concessions which it would not otherwise consider.

Once the loan has been restructured it continues to be included in this category regardless of satisfactory performance after restructuring.

h. Writing-off policy

The Bank and its Subsidiaries write off loan balances, investments in debt instrument or any provision related to them through impairment losses when the Bank´s Recoveries and Collections Department decides that a loan or instrument cannot be recovered.

The decision to write off the assets is taken after consideration of information such as the occurrence of significant changes in the financial position of the borrower or issue, such that they cannot continue to pay, repay the obligation or that collection against collateral is not sufficient to pay the entire exposure. In the case of smaller, standard-type loans, write-off decisions are usually cased on the specific ageing status of default in the product.

The following is an analysis of gross write-offs of individual impaired assets by risk:

	Colombia	Perú	Paraguay	Total
	Written off	Written off	Written off	Written off
December 31, 2016				
Commercial	1,106	9,780	507	11,393
Consumer	29,543	50,563	938	81,044
Mortgage	-	-	-	-
Total	**30,649**	**60,343**	**1,445**	**92,437**
December 31, 2015				
Commercial	10,125	1,226	6	11,357
Consumer	32,919	42,249	2,027	78,283
Mortgage	1,036	-	-	1,036
Total	**44,080**	**43,475**	**2,033**	**89,586**

The Bank and its Subsidiaries take collateral against loans and advances to customers in the form of a mortgage interest on properties and other instruments recorded on assets in guarantee. Estimates of fair value of guarantees are evaluated at the time of making the loan and generally updated in accordance with current regulations, except where the loan is individually evaluated as being impaired. Generally, collateral is not taken on loans or advances to banks, except where instruments are held as part of a resale activity, and instruments on loan.

The following are details of an estimate of the fair value of collateral and other improvements to instruments taken against loans and advances to customers and banks:

	Customer loans		Interbank loans	
	2016	**2015**	**2016**	**2015**
Against individual impairments				
Property	166,842	67,235	-	-
Debt instruments	9,475	944	-	-
Equity	25,444	29,272	-	-
Other	24,393	40,039	-	-
Against collective impairments				
Property	37,164	24,177	-	-
Other	23	-	-	-
Against accounts not in arrears or impaired				
Property	3,148,833	2,451,701	-	-
Debt instruments	401,991	387,138	-	-
Equity	518,424	529,219	-	-
Other	1,713,214	1,872,009	20,000	20,002
	6,045,803	**5,401,734**	**20,000**	**20,002**

When the Bank and its subsidiaries obtain financial and non-financial assets during the period by calling on guarantees taken as instruments against loans and advances it results in other credit improvements.

The Bank´s policy is to pursue calls on guarantees in an orderly and timely fashion. The Bank and its Subsidiaries generally do not use non-monetary collateral for their own operations.

i. Concentration of credit risk

The Bank monitors credit risk concentration by sector and geographical location. An analysis of credit risk concentration from loans and advances and investment instruments was as follows at the closing date:

	Customer loans 2016	Interbank loans 2016	Total 2016	Customer loans 2015	Interbank loans 2015	Total 2015
Concentration by Sector						
Commerce	1,341,168	-	1,341,168	1,458,356	-	1,458,356
Agriculture	1,205,969	-	1,205,969	1,279,405	-	1,279,405
Manufacture	1,084,921	-	1,084,921	1,114,332	-	1,114,332
Real Property	1,008,864	-	1,008,864	1,102,275	-	1,102,275
Financial intermediation	458,907	-	458,907	458,472	-	458,472
Transport	375,952	-	375,952	334,745	-	334,745
Health	311,977	-	311,977	310,764	-	310,764
Education	322,485	-	322,485	280,635	-	280,635
Electricity and gas	196,151	-	196,151	193,582	-	193,582
Communications	56,146	-	56,146	57,932	-	57,932
Mining	3,688	-	3,688	5,002	-	5,002
Other	886,236	-	886,236	762,985	-	762,985
Government	62,795	-	62,795	75,544	-	75,544
Banks	-	163,535	163,535	-	152,668	152,668
Unsecured	4,303,696	-	4,303,696	4,170,256	-	4,170,256
Home mortgage	1,080,712	-	1,080,712	1,089,782	-	1,089,782
Provisions	(305,946)	(565)	(306,511)	(210,305)	(1,110)	(211,415)
Total	**12,393,721**	**162,970**	**12,556,691**	**12,483,762**	**151,558**	**12,635,320**

Concentration by geographical location of loans and advances are measured on the basis of the location of the Group entity holding the assets, which has a high correlation with the location of the borrower. Concentration by location for investment interest are measured on the location of the instrument´s issue.

	Customer loans	Interbank loans	
Geographical concentration	**December 2016**		**Total**
Colombia	6,995,735	78,454	7,074,189
Perú	3,257,508	85,080	3,342,588
Paraguay	1,997,695	1	1,997,696
Panamá	448,729	-	448,729
Total allowances	**(305,946)**	**(565)**	(306,511)
Total	**12,393,721**	**162,970**	**12,556,691**
	Customer loans	**Interbank loans**	
	December 2015		**Total**
Colombia	6,953,438	83,954	7,037,392
Perú	3,400,762	68,710	3,469,472
Paraguay	1,886,150	4	1,886,154
Panamá	453,717	-	453,717
Total allowances	**(210,305)**	**(1,110)**	(211,415)
Total	**12,483,762**	**151,558**	**12,635,320**

j. Market risk

Market risk is defined as the potential loss on the value of financial assets due to adverse movements in factors determining price such as interest rates, exchange rates, share prices and other factors affecting the value of financial products traded by the Bank.

The market risk management system (SARM) implemented by the Bank and its Subsidiaries is designed to identify, measure, control and monitor the market risk to which they are exposed in the course of treasury operations taking account the structure and size of the entity.

The Bank and its subsidiaries trade in the money market, the exchange market and the capital market to meet its own needs and those of its customers in accordance with established policies and risk levels. The bank manages a range of portfolios of financial assets within permitted limits and levels.

The risks assumed in operations, both in the Bank's book and the Treasury's book are consistent with the general business strategy and risk appetite of the Bank and its subsidiaries. This is based on the depth of the market for each instrument, weighting of risk assets, the level of solvency, profits budget established for each business unit and the overall structure of the Financial Position.

Business strategies are established in accordance with approved limits seeking a balance between risk and reward. At the same time, there are structural limits which are consistent with the general philosophy of the Bank based on levels of capital, profit and tolerance for risk.

The Bank and its subsidiaries are exposed to the following risk factors:

- Interest rate risk. Defined as a possibility that variations in interest rates may adversely affect the value of financial instruments held

Investments held by the Group are exposed to this risk due to the effects of fluctuations in interest rates which may affect the financial position and future cash flows. Interest margins can be increased as a result of changes in interest rates, but they may also be reduced and because losses should unexpected movements take place.

- Exchange risk. This is defined as the sensitivity of the value of a position in a currency other than the Colombian peso in the face of potential movements in the exchange rates to which the Bank and its Subsidiaries are exposed. The risk is implicit in currency dealings, mainly forwards. Exchange risk is also present where there is a mismatch in the net currency position affected by fluctuations in exchange rates.

1) Hedging

- Banco GNB Sudameris as part of its strategy to strengthen business in the region and following the acquisition of Banco GNB Perú and Banco GNB Paraguay, has developed hedging mechanisms through the issue of subordinated bonds and a loan taken from IDB. The Bank seeks to mitigate exchange risk by using hedging tools.
- The accounting treatment for hedging is subject to compliance with methodological requirements to secure effective coverage. Banco GNB Sudameris makes a quarterly test to guarantee compliance with the conditions required.

The Bank and its subsidiaries constantly work on the review of models to manage market risk on the basis of identification and analysis of variations in risk factors (interest rate, exchange rate and price indexes) on the value of the various financial instruments portfolios.

The standard risk measurement methodology (VaR) at December 31, 2016 and 2015 produces the following results:

VaR Maximum, Minimum and Average		**December 31, 2016**		
	Minimum	**Average**	**Maximum**	**Period end**
Interest rate	67,214	71,399	79,836	70,786
Exchange rate	893	11,824	18,951	11,372
Equities	72	304	515	72
Unit funds	178	249	433	205
VaR Total		**83,776**		**82,435**

VaR Maximum, Minimum and Average	**December 31, 2015**			
	Minimum	**Average**	**Maximum**	**Period end**
Interest rate	83,709	96,697	122,207	122,475
Exchange rate	1,124	3,017	4,659	1,822
Equities	242	575	753	753
Unit funds	205	381	636	205
VaR Total		**100,670**		**125,255**

	December 31, 2016		**December 31, 2015**	
Entity	**Amount**	**Tier I basic points**	**Amount**	**Tier I basic points**
Banco GNB Sudameris	86,000	79.40	117,334	108.80
Servitrust	1,200	1.10	1,499	1.30
Servivalores	917	0.90	1,264	1.10
Servibanca	3,048	3.90	4,246	3.60
Paraguay	5,535	6.50	7,121	6.10
Peru	7,527	5.80	3,891	3.30
VaR Total, Consolidated affiliates	**104,227**	**97.60**	**135,355**	**124.20**

k. Exchange Risk

The Bank is exposed to exchange risk from its positions in any currency other than the Colombian peso, mainly dollars and euros, both in its own position and investments held in affiliates outside Colombia.

The spot position is determined by the difference between currency assets and liabilities on and off the balance sheet, both direct and contingent, including those which may be settled in Colombian pesos. The limit is 50% of the Banks computable capital for the two previous periods re-expressed at the market reference rate (TRM) for the following month.

The gross leverage position includes short-term foreign currency operations of the Bank and its Subsidiaries. Short and long-term operations are expressed as flows or maturities, rights and obligations under contracts for future settlement in foreign currency, and exchanging exposure in contingencies acquired through trading in options and derivatives involving currencies with a limit of 550% of computable capital for the two previous months re-expressed at the TRM for the following month.

Further, derivatives are excluded from the global position and are recorded for their face value in Memorandum Accounts, including purchases and sales, with a limit of 20% of computable capital for the last day of the previous two months converted at the exchange rate set by the Superintendency of Finance for the preceding month.

The determination of maximum and minimum amounts of the daily position and the spot position in foreign currency is based on computable capital of each entity on the last day of the previous two months converted at a rate established by the Superintendency of Finance at the close of the preceding month.

Substantially all foreign currency assets and liabilities of the Bank and its Subsidiaries are held in dollars. The following is the detail at December 31, 2016 and 2015.

December 31, 2016

Account	US dollars (Millions)	Euros (Millions)	Other currencies converted to US dollars (Millions)	Total in Colombian pesos (Millons)
Cash and cash equivalents	357.42			1,072,514
Loans	104.69			314,144
Others	973.70	3.31	1,502.63	7,440,681
Assets	1,435.81	3.31	1,502.63	8.827.339
Current accounts	17.34			52,032
Savings accounts	16.66			49,992
Term deposits	67.87			203,658
Others	1,542.22	3.27	1,210.80	8,270,827
Liabilities	1,644.09	3.27	1,210.80	8,576,509
Net position	**(208.28)**	**0.04**	**291.83**	**250,830**

December 31, 2015

Account	US dollars (Millions)	Euros (Millions)	Other currencies converted to US dollars (Millions)	Total in Colombian pesos (Millons)
Cash and cash equivalents	365.15			1,150,029
Loans	118.47			373,118
Others	964.12	3.92	1,412.27	7,496,715
Assets	1,447.74	3.92	1,412.27	9,019,862
Current accounts	17.12			53,919
Savings accounts	16.39			51,620
Term deposits	62.92			198,165
Others	1,604.10	3.83	1,093.57	8,508,293
Liabilities	1,700.54	3.83	1,093.57	8,811,997
Net position	**(252.80)**	**0.09**	**318.70**	**207,865**

1. The estimated effect of an increase or decrease for every $10/US 1 in relation to the exchange rate at December 31 2016 would be $217,252.

2. The estimated effect of an increase or decrease for every $10/US 1 in relation to the exchange rate at December 31, 2015 would be $595.

l) Interest rate risk on structure

The Bank and its subsidiaries' assets and liabilities for their financial instruments are exposed to market fluctuations in interest rates affecting its financial position. This risk is based on the relationship between asset and liability positions. On the asset side the positions taken for investment and loan placements with fixed and floating rates are in turn funded by liabilities such as deposits and bank borrowings at fixed and floating rates. This means that interest margins may increase or decrease as a result of movements in these rates. Margins may increase to bring greater profits or fall as a consequence of unexpected market events.

The following is a sensitivity analysis of the principal productive assets and interest-bearing liabilities exposed to interest rate changes. The table presents average volumes and accumulated amounts at December 31, 2016 and 2015 and the impact of a variation of 50 bp.

December 31, 2016

				Variation of 50 bp in Interest rates	
	Average for the year	**Interest income/ expense**	**Average interest rate**	**Favorable**	**Unfavorable**
Colombian currency loans	6,430,301	816,903	12.70%	52,063	(52,063)
Foreign currency loans	6,117,042	572,358	9.36%	73,731	(73,731)
Peso money market asset operations	1,155,103	80,200	6.94%	53	(53)
Foreign currency money market asset operations	135,448	3,462	2.56%	5	(5)
Peso investments in debt securities available for sale	5,549,895	409,793	7.38%	28,029	(28,029)
Interest-earning financial assets	19,387,789	1,882,716	9.71%	153,881	(153,881)

December 31, 2016

				Variation of 50 bp in Interest rates	
Account detail	**Average for the year**	**Interest income/ expense**	**Average interest rate**	**Favorable**	**Unfavorable**
Customer peso current and savings accounts and TDs	5,437,692	395,567	7.27%	25,345	(25,345)
Customer peso fixed-term TDs	4,672,514	359,642	7.70%	12,913	(12,913)
Peso financial debt	1,353,570	101,163	7.47%	19,170	(19,170)
Total peso interest-bearing financial liabilities	11,463,776	856,372	7.47%	57,428	(57,428)
Customer foreign currency current and savings accounts and savings TDs	1,307,948	28,908	2.21%	6,355	(6,355)
Customer foreign currency fixed-term TDs	3,606,064	151,810	4.21%	9,257	(9,257)
Foreign currency financial debt	686,562	35,143	5.12%	2,724	(2,724)
Total foreign currency interest-bearing financial liabilities	5,600,574	215,861	3.85%	18,336	(18,336)
Total interest-bearing financial liabilities	17,064,350	1,072,233	6.28%	75,764	(75,764)
Total net peso financial assets subject to interest rate risk	1,671,522	450,524	5.80%	22,717	(22,717)
Total net foreign currency financial assets subject to interest rate risk	651,916	359,958	8.40%	55,400	(55,400)
Total net financial assets subject to interest rate risk	2,323,438	810,482	3.43%	78,117	(78,117)

December 31, 2015

Account detail	Average for the year	Interest income/ expense	Average interest rate	Variation of 50 bp in Interest rates Favorable	Unfavorable
Peso loans	5,946,813	694,486	11.68%	50,273	(50,273)
Foreign currency loans	5,649,221	484,451	8.58%	61,545	(61,545)
Peso money market asset operations	1,987,050	90,833	4.57%	93	(93)
Foreign currency money market asset operations	77,327	1,638	2.12%	4	(4)
Peso investments in debt securities available for sale	5,316,706	297,120	5.59%	18,110	(18,110)
Interest-earning financial assets	18,977,117	1,568,528	8.27%	130,025	(130,025)

December 31, 2015

Account detail	Average for the year	Interest income/ expense	Average interest rate	Variation of 50 bp in Interest rates Favorable	Unfavorable
Customer peso current and savings accounts and TDs	5,799,558	256,922	7.27%	27,381	(27,381)
Customer peso fixed-term TDs	4,984,120	277,804	7.70%	17,155	(17,155)
Peso financial debt	932,321	56,967	7.47%	16,355	(16,355)
Total peso interest-bearing financial liabilities	11,715,999	591,693	7.47%	60,891	(60,891)
Customer foreign currency current and savings accounts and savings TDs	964,542	27,143	2.21%	4,649	(4,649)
Customer foreign currency fixed-term TDs	3,156,247	110,449	4.21%	8,781	(8,781)
Foreign currency financial debt	780,036	32,181	5.12%	2,159	(2,159)
Total foreign currency interest-bearing financial liabilities	4,900,825	169,773	3.85%	15,589	(15,589)
Total interest-bearing financial liabilities	16,616,824	761,466	6.28%	76,480	(76,480)
Total net peso financial assets subject to interest rate risk	1,534,571	490,747	5.80%	7,586	(7,586)
Total net foreign currency financial assets subject to interest rate risk	825,724	316,316	8.40%	45,960	(45,960)
Total net financial assets subject to interest rate risk	**2,360,295**	**807,063**	**3.43%**	**53,546**	**(53,546)**

1) If there had been a variation of 50 bp in interest rates for the year ended December 31, 2016, interest-earning financial assets would have had a variation in income of +/- $153,881 million.

2) If there had been a variation of 50 bp in interest rates for the year ended December 31, 2016, interest-bearing financial liabilities would have had a variation in cost of +/- $76,480 million.

3) If there had been a variation of 50 bp in interest rates for the year ended December 31, 2016, total financial assets subject to interest rate risk would have had a variation of +/- $78,117 million.

m. Liquidity risk

1) Management and models

The consolidated liquidity risk management system (SARL) provides an evaluation of the Banks and its Subsidiaries' liquidity risk exposure and enables prompt decisions to be made in order to mitigate risk appropriately, as applicable, and determine the amount of adequate capital to match risk levels and manage the liquidity policy.

The Bank and its Subsidiaries manage liquidity risk in accordance with the Superintendency rules for liquidity risk management through the basic principles of the SARL which sets minimum prudent parameters. Banks are required to supervise these parameters in their operations in order to manage liquidity risk efficiently through elements of the stages in the SARL (identification, measurement, control and monitoring), depending on the structure complexity and size of the consolidated operation.

The liquidity risk indicator measurement and other measures regarding international affiliates are the responsibility of each particular business. The overall management of liquidity is the responsibility of the Liquidity Risk Area in the Bank. The area analyzes the implications of financing liquidity structures and their compatibility in terms of Bank policies and guidelines within the scheme of limits, alerts and alerts approved by the Board of Directors to facilitate joint liquidity risk management.

The development and updating of liquidity risk policies has contributed to the appropriate regulation of the risk management system, not only in terms of limits and alerts but also in procedures. Complementary management tools have been developed and regular stress exercises are conducted for the models as a basis for taking preventive or mitigating measures; therefore, they limit exposure with a liquidity "cushion", adjusting risk profiles and structuring the contingency plan.

The Bank and its Subsidiaries analysis of risk liquidity also measures the volatility of deposits with no contractual maturity through statistical analysis, the evolution of financial assets and liabilities, the structure of interest rates, the indicator for normal liquidity cover (ICL), and the indicator for stress liquidity cover (stress-ICL), the concentration of sources of funding, own position, liquidity gap by currency, and funding positions between related parties.

Senior management (through the asset and liability management committee - ALCO-) is aware of the consolidated liquidity situation and makes decisions required in the light of high-quality liquid assets to be held, tolerances in liquidity management or minimum liquidity, funding, policy on surplus liquidity placement, changes in the characteristics of existing products and new products, diversification of sources of funds in order to avoid concentration in deposit-taking from a small number of investors or savers, strategies for hedging, and changes in the financial position structure.

The Bank and its Subsidiaries each have a liquidity contingency plan with clear specifications of roles and responsibilities to activate it, They have a crisis team whose functional responsibility is to take the actions required to mitigate the effects of a situation regarding liquidity risk exposure in any of the entities forming the Bank and its Subsidiaries implying a series of strategies designed to correct the liquidation structure, This is based on support from Banco de la República, their own assets, principal customers, shareholders, or (as the last case) the deposit insurer FOGAFIN, In addition they define the management of communication of internal information, provide information to the media, the supervisor, and the public in general through the Communications Plan.

High-quality liquid assets are composed of cash and trading investments in debt instruments, unit funds opened with no commitment of term in holding, debt investments available for sale, and investments held to maturity, provided that they are money-market operations.

The Bank and other consolidated operations meet the requirements to establish the mandatory cash reserve as regulated in each country, in the case of the affiliates outside Colombia, cash and bank deposits, and the related central bank deposits are maintained, applying the percentages set in each case for deposits and liabilities.

2) Quantitative information

At December 31, 2016, the Group maintained a relatively high level of liquidity sufficient to cover all liquidity requirements as can be seen in the chart below at the close of 2016. Also included are the maximum, minimum and average balances in the course of the year.

At December 31, 2016 and 2015, the Bank and its Subsidiaries liquidity position is as follows:

December 31, 2016

Entity	Amount	Percentage
Banco GNB	3,812,479	73.61%
Servivalores	8,863	0.17%
Servitrust	42,860	0.83%
Servibanca	74,897	1.45%
Perú	923,432	17.83%
Paraguay	316,663	6.11%
Total	**5,179,194**	**100.00%**
Maximum	$5,881,239	
Minimum	$4,595,507	
Average	$5,181,169	

December 31, 2015

Entity	Amount	Percentage
Banco GNB	4,531,030	89.50%
Servivalores	12,553	0.25%
Servitrust	41,799	0.83%
Servibanca	88,677	1.75%
Peru	86,649	1.71%
Paraguay	301,596	5.96%
Total	**5,062,303**	**100.00%**
Maximum	$6,467,525	
Minimum	$5,062,303	
Average	$5,684,501	

At the close of 2016 and 2015, the Bank made an analysis of financial liabilities, with the following consolidated contractual maturities:

Analysis of consolidated financial liability maturities at December 31, 2016

Financial liabilities	**< 1 month**	**1-3 months**	**3-12 months**	**More than 12 months**
Customer deposits	2,375,512	2,261,699	3,593,161	8,056,153
Short-term financial debt	4,523,439		-	-
Long-term financial debt	74	61	-	1,707,614
Bank loans	229,996	41,816	174,522	1,012,999
Total financial liabilities	**7,129,021**	**2,303,576**	**3,767,683**	**10,776,766**

Analysis of consolidated financial liability maturities at December 31, 2015

Financial liabilities	**< 1 month**	**1-3 months**	**3-12 months**	**More than 12 months**
Customer deposits	1,774,720	2,406,436	3,301,462	9,076,323
Short-term financial debt	4,016,669	-	-	-
Long-term financial debt	-	-	-	1,739,315
Bank loans	158,140	154,404	262,396	991,930
Total financial liabilities	**5,949,529**	**2,560,840**	**3,563,858**	**11,807,568**

NOTE 8. - OPERATIONAL SEGMENTS

In consolidated terms the Bank has segmented its operations by geographical distribution in countries where it is present. The segments are components of a matrix intended to develop commercial activities generating income and expenses. The Board of Directors regularly reviews the results.

The matrix is organized into three business segments: Colombia, Peru and Paraguay. All the companies forming the segments provide services related to financial sector activities, and each is subject to the laws of its country of residence and the Bank´s instructions.

a. Colombia

The Colombian segment is formed by GNB Banco GNB Sudameris and its local affiliates Servitrust GNB Sudameris, Servibanca and Servivalores GNB Sudameris. Banco GNB Sudameris has more than 95 years' experience in Colombia, offering a portfolio of products and services to customers in a range of sectors of the economy including consumer, commercial and institutional interests which are complemented with those offered by its domestic affiliate. The trust company, Servitrust GNB Sudameris, has wide experience in handling unit funds and escrows, Servibanca is a strategic ally for the implementation of technology-based products with a network of more than 2200 ATMs in some 600 cities and towns across the country. Servivalores GNB Sudameris is the securities broking firm with more than 20 years' experience engaged solely in activities on the Colombian securities exchange.

b. Perú

This segment corresponds to Banco GNB Perú, acquired from HSBC in 2013, Its operations began in 2007 and have been consolidated to become a significant player in the Peruvian banking system, GNB Perú operates in consumer, commercial and corporate areas.

c. Paraguay

This segment corresponds to Banco GNB Paraguay a long-established bank in that country operating since 1920. It was acquired by Banco GNB Sudameris from HSBC in 2013. The Bank concentrates its activities in the two segments of retail banking and commercial and corporate banking.

Segmentation by country is a result of the strategic organization of the Bank with regard to the offer of products and services which answer to customer needs in different sectors of the economy in the countries where they are present.

The Board holds consolidated and individual financial information for each of these companies forming the segments. They follow up performance as reflected in the results obtained through on the various lines of the Statement of Financial Position and Statement of Results and in the complementary indicators.

The following is a summary is a summary of financial information by segment, at December 31, 2016 and 2015:

Financial position statement December 31, 2016	**Colombia**	**Perú**	**Paraguay**	**Elimination**	**Consolidated**
Cash and cash equivalents	6,170,646	714,619	532,359	(67,267)	7,350,357
Financial assets at fair value through profit of loss	4,806,018	404,868	286,793	(1,242,917)	4,254,762
Financial assets at amortized cost	1,030,208	-	-	-	1,030,208
Loans	7,531,994	3,201,137	1,900,069	(76,510)	12,556,690
Other accounts receivable, net	445,326	46,755	12,172	(678)	503,575
Non-current assets held for sale	230	10,829	6,681	-	17,740
Tangible assets, net	190,962	13,880	9,747	-	214,589
Intangible assets, net	15,757	18,540	4,885	197,166	236,348
Other assets	12,850	42,508	9,809	-	65,167
Total assets	20,203,991	4,453,136	2,762,515	(1,190,206)	26,229,436
Customer deposits	10,771,072	3,363,158	2,082,061	67,267	16,283,558
Financial obligations	7,401,621	386,764	292,346	(166,532)	7,914,199
Employee benefits	47,795	4,470	-	-	52,265
Provisions	59,698	-	-	-	59,698

	Colombia	Perú	Paraguay	Elimination	Consolidated
Income tax	50,590	14,797	737	(390)	65,734
Other liabilities	100,797	137,361	11,903	182	250,243
Total liabilities	18,431,574	3,906,550	2,387,047	(99,473)	24,625,698

Income statement December 31, 2016	**Colombia**	**Perú**	**Paraguay**	**Elimination**	**Consolidated**
Income					
Interest received	1,343,912	332,732	210,361	133,529	2,020,534
Interest paid	911,585	119,982	66,781	(6,690)	1,091,658
Commissions, exchange	-				-
Exchange	11,401	7,567	5,472	-	24,440
Net commissions	89,699	34,517	20,098	4,232	148,546
Dividends	912	-	-	-	912
Other operating income	222,860	100,399	10,272	16,673	350,204
Total income	2,580,369	595,197	312,984	147,744	1,452,978
Expenses					
Personnel expenses	123,388	67,235	28,041	-	218,664
Administrative expenses	134,164	18,507	15,912	(496)	168,087
Depreciation and amortizations	6,793	10,428	2,938	-	20,159
Others	557,836	198,347	69,520	(14,656)	811,047
Total expenses	822,181	294,517	116,411	(15,152)	1,217,957
Net income before tax	**1,758,188**	**300,680**	**196,573**	**162,896**	**235,020**

Financial position statement December 31, 2015	**Colombia**	**Perú**	**Paraguay**	**Elimination**	**Consolidated**
Cash and cash equivalents	5,855,228	860,736	498,565	(58,382)	7,156,147
Financial assets at fair value through profit of loss	4,591,216	196,018	210,651	(1,043,083)	3,954,802
Financial assets at amortized cost	1,565,068	-	-	-	1,565,068
Loans	7,279,696	3,442,013	1,855,117	58,495	12,635,321
Other accounts receivable, net	136,004	82,802	43,697	(58,501)	204,002
Non-current assets held for sale	2,285	5,637	75	-	7,997
Tangible assets, net	164,058	18,143	11,905	6	194,112
Intangible assets, net	246,096	22,948	7,258	231	276,533
Other assets	51,331	49,718	2,521	-	103,570
Total assets	19,890,982	4,678,015	2,629,789	(1,101,234)	26,097,552
Customer deposits	10,973,769	3,454,420	2,072,370	58,382	16,558,941
Financial obligations	7,036,688	498,578	226,548	(137,723)	7,624,091
Employee benefits	44,829	5,034	-	-	49,863
Provisions	53,444	165	-	-	53,609
Income tax	110,909	7,142	1,151	(4,189)	115,013
Other liabilities	106,505	85,608	13,289	-	205,402
Total liabilities	**18,326,144**	**4,050,947**	**2,313,358**	**(83,530)**	**24,606,919**

Income statement December 31, 2015	**Colombia**	**Perú**	**Paraguay**	**Elimination**	**Consolidated**
Income					
Interest received	1,293,944	292,342	167,757	48,720	1,802,763
Interest paid	696,045	89,959	55,667	2,354	844,025
Commissions, exchange	-				-
Exchange	(14,627)	7,274	6,915	-	(438)
Net commissions	84,866	32,966	18,318	321	136,471
Dividends	1,452	-	-	87	1,539
Other operating income	179,551	63,028	8,466	10,287	261,332
Total income	2,241,231	485,569	257,123	61,769	1,357,642
Expenses					
Personnel expenses	111,671	67,362	28,274	-	207,307
Administrative expenses	129,541	17,730	17,706	(405)	164,572
Depreciation and amortizations	8,614	8,297	2,822	-	19,733
Others	452,574	171,793	53,747	(14,640)	663,474
Total expenses	702,400	265,182	102,549	(15,045)	1,055,086
Net income before tax	**1,538,831**	**220,387**	**154,574**	**76,814**	**302,556**

Main eliminations of total income, expenses, assets and liabilities between segments with the corresponding consolidated entries at the level of Bank and its subsidiaries are:

- Investments in term deposits and outstanding bonds of in other segments,
- Investments in subordinate eliminations and records of non- controlling interests,
- Expenses and incomes for commissions.

Analysis of Revenues by Products and Services

The Bank and its subsidiaries' revenues are analyzed by products and services in the statement of income.

Income by Country

The Bank and its Subsidiaries' revenues for each individual country for which revenues are significant are shown in the following table for the years ended as of December 31, 2016 and December 31, 2015:

	December 31, 2016		December 31, 2015	
Colombia	Ps,	1,009,639	Ps,	965,554
Perú		321,137		282,363
Panamá		28,030		18,216
Paraguay		207,049		164,153
Virgin British Islands		321		-
Total consolidated revenues	**Ps,**	**1,566,176**	**Ps,**	**1,430,286**

The foregoing analysis is based on the customer's domicile, Income from off-shore entities of Colombian customers are reported as income from Colombia. The revenues include income for interests, fees, commissions and other operating income.

Assets by Country

The Bank and its subsidiaries' non-current assets for each individual country for which non-current assets are significant are shown in the following table for the years ended as of December 31, 2016 and December 31, 2015:

December 31, 2016	**Own – use Property, and equipment, net**	**Intangible assets**
Colombia	190,962	15,757
Perú	13,880	18,540
Paraguay	9,747	4,885
Eliminations	-	197,166
Total	**214,589**	**236,348**

December 31, 2015	**Own – use Property, and equipment, net**	**Intangible assets**
Colombia	164,058	246,096
Perú	18,143	22,948
Paraguay	11,905	7,258
Eliminations	6	231
Total	**194,112**	**276,533**

During the year ended December 31, 2016 and 2015 the Bank and its subsidiaries reported no concentration of revenue in customers with more than a 10% share of revenue from ordinary activities.

NOTE 9. - CASH AND CASH EQUIVALENTS

The cash and cash equivalents a detail is as follows:

	December 31, 2016	December 31, 2015
Colombian currency		
Cash	272,131	269,815
Central Bank	1,143,154	1,021,648
Banks and other financial entities	5,104	8,031
Clearing	79	-
Remittances in transit	9	44
Repos	-	8,177
Simultaneous operations (Repurchase agreement)	4,571,416	4,298,770
Subtotal	**5,991,893**	**5,606,485**
Foreign currency		
Cash	79,314	90,490
Central Bank	1,051,944	1,166,069
Banks and other financial entities	164,052	165,498
Clearing	1,921	2,796
Remittances in transit	183	-
Interbank funds	61,051	124,809
Subtotal	**1,358,465**	**1,549,662**
Total	**7,350,358**	**7,156,147**

NOTE 10. – INVESTMENTS FINANCIAL ASSETS

a. At fair value with changes in profit or loss
The financial assets in debt and equity investments balance at December 31, 2016 and 2015 is as follows:

	At December	
	2016	2015
Debt securities		
Peso-denominated		
Securities issued or secured by the Colombian Central Government	3,071,429	3,424,628
Securities issued or secured by other Colombian government entities	9,328	4,232
Securities issued or secured by financial entities	250,580	43,526
Total peso-denominated	3,331,337	3,472,386
Foreign currency-denominated		
Securities issued or secured by financial entities	163,130	8,364
Securities issued by foreign governments	522,893	326,742
Other securities	6,637	3,135
Total foreign currency-denominated	692,660	338,241
Total debt securities, net	4,023,997	3,810,627
Equity securities, net	44,872	57,144
Investment Funds, net	15,545	18,602
Total investment securities, net	**4,084,414**	**3,886,373**

The following is a list of financial assets at fair value that guarantee repo operations that have been delivered in guarantee of operations with financial instruments and instruments which have been delivered to third parties as collateral backing financial operations with other banks.

b. Investments at amortized cost
The following table presents the book value of investments in debt and equity securities, net of allowance for investment securities losses, at the dates indicated.

	At December 31,	
	2016	**2015**
Securities		
Peso-denominated		
Securities issued or secured by the Colombian Central Bank	659,776	1,191,720
Total peso-denominated	659,776	1,191,720
Foreign currency-denominated		
Securities issued or secured by foreign Central Banks	370,432	373,348
Total foreign currency-denominated	370,432	373,348
Total debt securities at amortized cost	**1,030,208**	**1,565,068**

At December 31, 2016 and 2015, financial investments in debt securities are guaranteeing repos and simultaneous operations for a total of $4,632,467 and $4,431,756, respectively.

The following is a detail of credit quality, defined by independent risk rating agents, for the issuers of debt securities in which the Bank has an interest:

Fair value	**December 31, 2016**	**December 31, 2015**
Issued or guaranteed by Central Banks	482,928	250,423
Issued or guaranteed by governments	2,931,311	3,569,377
Investment grade	620,122	62,333
Speculative operations	-	771
Not classified/not available	50,054	3,469
Total	4,084,414	3,886,374

No provisions were made for impairment during 2016.

c. Maturity of financial assets

The following is a summary of financial assets by maturity date.

	December 31, 2016				
Description	**0 to 30 days**	**31 to 180 days**	**181 to 360 days**	**More than 360 days**	**Outstanding balance**
Investments in debt Securities at fair value	28,552	2,513,702	535,460	946,283	4,023,997
Equity securities at fair value through profit or losses	13,495	-	2,050	-	15,545
Investments in debt securities at amortized cost	116,028	418,665	125,066	370,449	1,030,208
Equity securities at fair value through Other Comprehensive Income OCI	-	-	-	44,872	44,872
Derivative operations	170,348	-	-	-	170,348
	328,423	2,932,367	662,576	1,361,604	5,284,970

Description	December 31, 2015 0 to 30 days	31 to 180 days	181 to 360 days	More than 360 days	Outstanding balance
Investments in debt securities at fair value	19,482	346,726	879,033	2,565,385	3,810,627
Equity securities at fair value through profit or losses	11,258	4,312	3,032	1	18,602
Investments in debt securities at amortized cost	141,639	183,931	565,340	674,159	1,565,068
Equity securities at fair value through Other Comprehensive Income OCI	-	-	-	57,143	57,144
Derivative Operations	41,512	25,896	622	398	68,429
Total Investments	**213,891**	**560,865**	**1,448,027**	**3,297,087**	**5,519,870**

d. Derivatives

Trading Derivatives

The chart below shows the fair value at the end of the period for forwards, futures, interest rate swaps, securities and currency exchange swaps that form part of the commitments of the Bank and its subsidiaries.

Derivatives contracted by the Bank and its subsidiaries are traded on international and domestic financial markets. The fair value of the derivatives can have either positive or negative variations as a result of exchange rate or interest rate fluctuations, or other risk factors depending on the type of underlying instrument.

	December 31, 2016			December 31, 2015		
	Amount USD	**Notional amount**	**Fair Value**	**Amount USD**	**Notional amount**	**Fair Value**
Assets	-	**3,000,71**	-	-	**3,149,47**	-
Currency spot	250,000	750	750	-	-	-
Currency forwards	56,470,929	169,453	169,453	21,690,865	68,315	68,315
Interest rate swaps	48,381	145	145	36,260	114	114
Total assets	**56,769,310**	**170,348**	**170,348**	**21,727,125**	**68,429**	**68,429**
Liabilities						
Currency forwards	**886,046**	**2,659**	**2,659**	**461,503**	**1,453**	**1,453**
Interest rate swaps	55,773	167	167	52,765	166	166
Currency spots	249,108	748	748	-	-	-
Currency futures	28,927,513	86,803	86,803	19,739,192	62,169	62,169
Total liabilities	**30,118,440**	**90,377**	**90,377**	**20,253,461**	**63,788**	**63,788**
Net position	**26,650,871**	**79,971**	**79,971**	**1,473,664**	**4,641**	**4,642**

e) Offsets of financial assets and financial liabilities

The following is a detail of financial instruments subject to contractually-required offset at December 31, 2016 and 2015:

December 31, 2016

	Gross value of financial assets recognized	Gross value of Financial liabilities recognized offset in the Statement of Financial Position	Net value of Financial assets shown in the Statement of Financial Position
Assets			
Derivatives	233,491	(63,893)	169,598
Repos and simultaneous operations (Repurchase agreement)	750	-	750
Total	**234,241**	**(63,893)**	**170,348**

	Gross value of financial assets recognized	Gross value of financial assets recognized offset in the Statement of Financial Position	Net value of financial liabilities shown in the Statement of Financial Position
Liabilities			
Derivatives	193,678	(104,048)	89,630
Repos and simultaneous operations (Repurchase agreement)	747	-	747
Total	**194,425**	**(104,048)**	**90,377**

December 31, 2015

	Gross value of financial assets recognized	Gross value of financial liabilities recognized offset in the Statement of Financial Position	Net value of financial assets shown in the Statement of Financial Position
Assets			
Derivatives	163,755	(95,326)	68,429
Repos and simultaneous operations (Repurchase agreement)	-	-	-
Total	**163,755**	**(95,326)**	**68,429**

	Gross value of financial liabilities recognized	Gross value of financial assets recognized offset in the Statement of Financial Position	Net value of financial liabilities shown in the Statement of Financial Position
Liabilities			
Derivatives	100,221	(36,433)	63,788
Repos and simultaneous operations (Repurchase agreement)	-	-	-
Total	**100,221**	**(36,433)**	**63,788**

f. Hedging instruments

The Bank and its subsidiaries decided to manage the hedge accounting of the Subsidiaries outside Colombia - Banco GNB Perú and Banco GNB Paraguay - with non-derivative instruments (foreign currency borrowings).

The purpose of these operations is to protect the Bank from exchange rate risk generated by structural positions of the Bank and its subsidiaries outside Colombia.

The primary position to be hedged is the net investment outside Colombia.

The hedge used by the Bank to cover their investments in Banco GNB Perú (68.7%) and GNB Paraguay (31.3%) is in the form of subordinated bonds. Furthermore, a loan from the Interamerican Development Bank covers an additional 63.5% of the risk related to Paraguay.

The following information details the total investments currently covered through hedges and the type of hedge employed outside Colombia:

December 31, 2016

	Foreign Currency (Thousands)		Colombian pesos (Millions)		
Investment detail	**Value of Investment Hedged**	**Value of the coverage in obligations in US dollars Net**	**Cumulative translation in foreign in investment adjustment currency obligations**	**Hedging financial obligations Net**	**OCI Account**
Investment in Banco GNB Perú (Peruvian Soles)	627	187	110,246	110,246	-
Investment in Banco GNB Paraguay (Paraguayan Guaraníes)	524,919	63	24,143	24,143	-
Loans		28			
Total	**525,546**	**278**	**134,389**	**134,389**	**-**

December 31, 2015

	Foreign Currency (Thousands)		Colombian pesos (Millions)		
Investment detail	**Value of Investment Hedged**	**Value of the coverage in obligations in US dollars Net**	**Cumulative translation in foreign in investment adjustment currency obligations**	**Hedging financial obligations Net**	**OCI Account**
Investment in Banco GNB Perú (Peruvian soles)	172	172	41	411	(108,578)
Investment in Banco GNB Paraguay (Paraguayan Guaraníes)	91	78	22	218	(53,479)
Loans		13			
Total	**263**	**263**	**62**	**629**	**(162,057)**

g. Tests of the effectiveness of hedging

IAS 39 considers hedging to be highly effective if at the beginning of the period, and in in subsequent periods, it is expected to be highly effective in compensating changes in the fair value or cash flows attributable to the risk hedged during the period for which hedging has been taken and the efficacy of the hedging is in a range of 80% - 125%. The Bank and its subsidiaries evaluate this effectiveness at the end of each accounting period.

In order to complete the regression analysis to calculate their coverage the company has decided to use quarterly information. Using quarterly information provides a better adjustment where, in terms of the characteristics of a non-financial hedging asset, there are no future flows that could depend on an estimate of market variables. In other words, the exchange rate risk related to the hedge will be the same if the exercise is made quarterly or every 10 years.

The results of the analysis show that all the characteristics needed to consider the hedge as effective, in terms of standard market literature, are satisfied. The regression Betas fall in the range between 0.80-1.25, while the R2 and correlation values are greater than 0.80 for all periods, both for the Prospective and the Retrospective tests.

During the year ended December 31, 2016 the portion of profit or loss related to the hedging instruments determined to be an effective hedge are recognized in Other Comprehensive Income, and the ineffective portion through profit or loss for the Period. At December 31, 2016 no net investment hedging was recorded for operations outside Colombia.

The Bank and its Subsidiaries have documented the effectiveness of hedging of their net investments of foreign currency. Because the net value of those investments fluctuates over the year, the Bank and its Subsidiaries evaluate the hedging ratio daily and the results of the test of effectiveness in this manner.

NOTE 11 - LOANS

Financial assets at amortized cost on the statement of financial position are detailed below.

Credit Portfolio by Modality

The distribution of the credit portfolio of the Bank and its Subsidiaries by modality is shown as follows:

	December 31, 2016	December 31, 2015
Ordinary loans	5,261,247	5,238,700
Loans with resources from development in entities	1,014	1,018
Overdrafts in current accounts	53,373	59,968
Credit cards	187,997	203,346
Loans to small and medium entities SMEs	6,268,500	6,249,450
Residential mortgage loans	1,080,712	1,081,222
Employee loans	10,359	13,031
Gross balance of Financial Assets of credit portfolio	**12,863,202**	**12,846,735**
Allowance for impairment of financial assets from the loan portfolio	(306,511)	(211,415)
Net balance of Financial Assets to credit portfolio	**12,556,691**	**12,635,320**

The movement of the impairment provision of the financial assets of the credit portfolio during the years ended December 31, 2016 and December 31, 2015 is as follows:

	2016			
Provisions for customer impairment	**Commercial**	**Consumer**	**Residential Mortgage**	**Total gross portfolio**
Opening balance for the period reported	58,664	151,407	1,344	211,415
Impairment loss for the period:				
Provision for the period with charge to profit or loss	95,048	151,214	23,941	270,203
Recoveries or charges against OCI on equity	26,043	41,433	6,560	74,036
Recoveries with credit to profit or loss	(88,214)	(84,722)	(28,259)	(201,195)
Effect of foreign currency movements	47,488	-	-	47,488
Accounts Receivable Provisions	(2,999)	-	-	(2,999)
Write-offs	(11,392)	(81,042)	(3)	(95,436)
Subtotal Impairment – customers	**124,638**	**178,290**	**3,583**	**306,511**

	2015			
Provisions for customer impairment	**Commercial**	**Consumer**	**Residential Mortgage**	**Total gross portfolio**
Opening balance for the period reported	71,582	139,251	1,893	212,726
Impairment loss for the period:				
Provision for the period with charge to profit or loss	87,005	179,880	846	267,731
Recoveries or charges against OCI on equity	18,298	37,829	178	56,307
Recoveries with credit to profit or loss	(53,273)	(105,984)	(431)	(159,689)
Effect of foreign currency movements	(24,721)	(51,110)	(240)	(76,071)
Write-offs	(11,357)	(77,196)	(1036)	(89,589)
Subtotal Impairment – customers	**87,534**	**122,670**	**1,210**	**211,415**

The distribution of loans portfolio of the Bank and its Subsidiaries by maturity period is as follows:

December 31, 2016

	Up to 1 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
Commercial	3,468,449	1,343,909	1,305,720	1,360,716	7,478,794
Consumer	297,967	437,088	787,237	2,781,404	4,303,696
Residential Mortgage	876	5,963	19,091	1,054,782	1,080,712
Total gross loans portfolio	3,767,292	1,786,959	2,112,048	5,196,902	12,863,202

December 31, 2015

	Up to 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
Commercial	4,010,817	1,027,788	1,260,080	1,273,235	7,586,697
Consumer	317,519	486,185	839,666	2,550,249	4,170,256
Residential Mortgage	313	5,813	15,874	1,059,195	1,089,782
Total gross loans portfolio	4,328,649	1,519,786	2,115,620	4,882,680	12,846,735

Arrears but not impaired loans:
As of December 31, 2016 and 2015 a summary of the overdue portfolio by days past due is as follows:

December 31, 2016
Arrears but not impaired

	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	Total arrears but not impaired	Total in arrears impaired
Commercial	278,760	15,010	10,070	303,841	88,325
Consumer	140,627	28,728	36,251	205,606	85,595
Home mortgage	56,266	15,437	7,180	78,882	13,460
Total loans portfolio	**475,653**	**59,175**	**53,501**	**588,329**	**187,380**

December 31, 2015
Arrears but not impaired

	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	Total arrears but not impaired	Total in arrears impaired
Commercial	179,398	13,738	8,965	202,100	89,753
Consumer	241,470	30,751	19,488	291,709	75,780
Home Mortgage	45,728	14,575	4,092	64,395	13,085
Total loans portfolio	**466,595**	**59,064**	**32,545**	**558,204**	**178,618**

NOTE 12. - OTHER ACCOUNTS RECEIVABLE

The detailed information of other accounts receivable as of December 31, 2016 and 2015 is as follows:

	December of 2016	December of 2015
Dividends	-	406
Commissions and fees	1,048	1,091
Debtors	101	65
Shareholders, partners	-	18,938
Deposits	16,833	125,133
Taxes	203,481	565
Supplier advances	1,121	5,010
Employee advances	3,965	11,641
Payments for customer account	12,099	44,788
Sale commitments*	193,136	-
Insurance claims	21,843	-
ICETEX accounts abandoned	3,725	-
Colombian treasury	2,009	-
Sundry**	53,819	3,645
Subtotal	**513,180**	**211,282**
Impairment	(9,605)	(7,280)
TOTAL	**503,575**	**204,002**

(*) This item includes $160,129, in advance for the purchase of one building in Bogotá, amounting $180,859, which transfer to the Bank will be made during 2017.

(**) The sundry accounts ($53,819) includes: $10,997,329,085.00 of Colpensiones payroll loans, paid at the start of the following month; $5,360,745,523 for the legalization of a foreclosed asset of customer CIMENTUM S. A. S., $11,094,236,315.76 of payroll-loan installments of customer Assets y Finanzas S.A.

NOTE 13. - NON-CURRENT ASSETS HELD FOR SALE

The detailed information of non-current assets held for sale as of December 31, 2016 and 2015 is as follows:

	December of 2016	December of 2015
Foreclosed assets		
Current assets	183	303
Real property	17,387	6,690
Machinery and equipment	170	1,004
Total	**17,740**	**7,997**

The following is the movement of non-current assets held for sale for the years ended December 31, 2016, and 2015.

	December of 2016	December of 2015
Opening balance	7,997	9,887
Acquisitions and withdrawals of property	14,475	(1,890)
Reclassification to property and equipment	(4,732)	-
Closing balance	**17,740**	**7,997**

NOTE 14. - PROPERTY AND EQUIPMENT

The detailed information for property and equipment as of December 31, 2016 and 2015 is as follows:

December 31, 2016	**Cost**	**Accumulated depreciation**	**Net**
Land	27,278	-	27,278
Buildings	124,200	(38,475)	85,725
Vehicles	2,683	(1,566)	1,117
Furniture	33,164	(8,997)	24,167
Computer equipment	67,437	(20,015)	47,422
Total	**254,762**	**(69,053)**	**185,709**

December 31, 2015	**Cost**	**Accumulated depreciation**	**Net**
Land	27,285	-	27,285
Buildings	109,548	(23,938)	85,610
Vehicles	2,968	(836)	2,132
Furniture	30,034	(6,369)	23,665
Computer equipment	68,283	(13,295)	54,988
Total	**238,118**	**(44,438)**	**193,680**

The following is the movement of carrying value amounts for property and equipment accounts during the years ended on December 31, 2016 and 2015:

	December 31, 2015	**Additions**	**Reclassifications**	**December 31, 2016**
Land	27,285	-	(7)	27,278
Buildings	109,548	14,652	-	124,200
Vehicles	2,968	-	(285)	2,683
Furniture	30,034	3,130	-	33,164
Computer equipment	68,283	-	(846)	67,437
Total	**238,118**	**17,782**	**(1,138)**	**254,762**

	December 31, 2014	**Additions**	**Reclassifications**	**December 31, 2015**
Land	24,595	2,690	-	27,285
Buildings	103,673	5,875	-	109,548
Vehicles	2,083	885	-	2,968
Furniture	26,437	3,597	-	30,034
Computer equipment	60,398	7,885	-	68,283
Total	**217,186**	**20,932**	**-**	**238,118**

The following is the movement for accumulated depreciation related to property and equipment accounts during the years ended on December 31of 2016 and 2015:

	Buildings	Vehicles	Furniture and fittings	Computer equipment	Total
December 31, 2014	(13,852)	(312)	(3,961)	(9,048)	(27,173)
Depreciation expense of the year	(10,086)	(524)	(2,408)	(4,247)	(17,265)
December 31, 2015	(23,938)	(836)	(6,369)	(13,295)	(44,438)
Depreciation expense of the year	(4,353)	(730)	(2,628)	(6,720)	(14,431)
Other accumulated depreciation	(10,184)	-	-	-	(10,184)
December 31, 2016	**(38,475)**	**(1,566)**	**(8,997)**	**(20,015)**	**(69,053)**

The Bank evaluated whether there were any indicators for the deterioration of assets in Property, Plant and Equipment and found no evidence to indicate the need for an impairment test for the period. Therefore, no impairment was recognized or recorded during the period.

NOTE 15. - INVESTMENT PROPERTIES

The following table summarizes investment properties as of December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
Cost	12,999	1,167
Fair value	15,881	-
Impairment	-	(735)
Total	**28,880**	**432**

For the periods ended December 31, 2016 and 2015 investment property rentals earned revenues of $61 and $62, respectively.

No contractual commitments to purchase investments properties were made in 2016.

There are no restrictions on the sale of investment properties. See Note 6 for movements of fair value investments in level 3.

The reconciliation of the balances at start of the period to the closing balances with the fair value measurements classified at Level 3 is shown in the following table:

Investment properties

January 1, 2014	378
December 31, 2014	**378**
Additions	54
December 31, 2015	432
Valuation adjustments	15,880
Additions	12,568
December 31, 2016	**28,880**

NOTE 16. – INTANGIBLES

a. Goodwill

Following is the movement of goodwill account during the years ended December 31, 2016 and 2015:

	December 31, 2 016	**December 31, 2015**
Balance at the beginning of the year	173,414	229,545
Foreign exchange adjustment	39,509	16,782
Balance at the end of the year	**212,923**	**246,327**

Following is the detail of goodwill assigned by cash generating units (CGU) which represent the lowest level within the Bank and its Subsidiaries are monitored by the management and which are not greater than the business' segments:

December 31, 2016

CGU	**Goodwill carrying amount**	**CGU Book Value**	**CGU Recoverable amount**	**Excess**
Banco GNB Perú	191,448	191,448	204,761	13,313
Banco GNB Paraguay	4,035	4,035	4,035	-
Servivalores	1,684	1,684	1,684	-
HSBC	15,756	15,756	485,000	469,244
	212,923	**212,923**	695,480	482,557

December 31, 2015

CGU	**Goodwill carrying amount**	**CGU Book Value**	**CGU Recoverable amount**	**Excess**
Banco GNB Perú S. A.	161,135	161,135	201,673	40,538
Banco GNB Paraguay	20,629	20,629	20,629	-
Servitrust	11,74	11,374	11,374	-
Servivalores	6,122	6,122	6,122	-
Servibanca	31,311	31,311	31,311	-
HSBC	15,756	15,756	15,756	-
	246,327	**246,327**	**286,865**	**40,538**

The following are the assumptions used to assess impairment of the most important goodwill recorded as of December 31, 2016:

Banco GNB Perú	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
US Treasury 10-year	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%
Country risk Peru	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
USD risk-free rates	4.20%	4.20%	4.20%	4.20%	4.20%	4.20%
Market risk premium	7.40%	7.40%	7.40%	7.40%	7.40%	7.40%
Sector Beta	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%
Leveraged Beta	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%
Nominal cost of equity(Ke) USD	7.20%	7.20%	7.20%	7.20%	7.20%	7.20%
Devaluation	1.80%	0.60%	0.20%	0.20%	0.20%	0.20%
Cost of equity(Ke) PEN nominals	**9.10%**	**7.80%**	**7.40%**	**7.40%**	**7.40%**	**7.40%**

Cost of Capital
CAPM Method
HSBC Goodwill

	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
US Treasuries 10 years	2.17%	2.27%	2.44%	2.44%	2.44%	2.44%	2.44%	2.44%
Colombia Country Risk	1.53%	2.70%	1.64%	1.64%	1.64%	1.64%	1.64%	1.64%
Risk free rate in US Dollars*	2.75%	3.02%	3.07%	3.07%	3.07%	3.07%	3.07%	3.07%
Market Risk Premium (Rm)**	7.14%	8.66%	7.11%	7.11%	7.11%	7.11%	7.11%	7.11%
Tx	34%	39%	40%	40%	37%	33%	33%	33%
Beta	(0.18)	(0.07)	0.25	0.25	0.25	0.25	0.25	0.25
Debt/Equity ratio	-	-	-	-	-	-	-	-
Beta	(0.18)	(0.07)	0.25	0.25	0.25	0.25	0.25	0.25
Cost of equity (Ke) US Dollars	3.5%	5.3%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%
Devaluation	24.2%	31.6%	(4-7%)	5.8%	4.0%	1.6%	(3.0%)	0.0%
Cost of equity (Ke) Colombian Pesos	27.6%	37.0%	1.0%	11.5%	9.7%	7.3%	2.7%	5.7%
Debt	-	-	-	-	-	-	-	-
Capital	1,140,285	1,252,492	1,397,333	1,597,627	1,817,060	2,219,889	2,398,882	2,594,366
Average cost of capital USD	5.4%							
Average cost of capital Colombian Pesos	12.8%							

* 30 year American treasury bonds
** Colombian sovereign bonds due July 2024

b. Software programs and applications

Below is the detail of the balances related to software and other applications as of December 2016 and 2015:

	December 31, 2014	Additions and withdrawals	Amortization	December 31, 2015	Additions and withdrawals	Amortization	December 31, 2016
Software acquired	22,761	3,819	-	26,580	(12,339)	-	14,241
Software in transit	16,556	(16,556)	-	-	9	-	9
Software withdrawn	28,204	28,437	-	56,641	(30,997)	-	25,644
Accumulated amortization of software acquired	(12,215)	(3,069)	(1,929)	(17,213)	12,128	(1,643)	(6,728)
Accumulated amortization of software withdrawn	(28,053)	(4,758)	(2,991)	(35,802)	30,143	(4,085)	(9,741)
Total Intangibles	**27,253**	**7,873**	**(4,920)**	**30,206**	**(1,053)**	**(5,728)**	**23,425**

NOTE 17. - OTHER ASSETS

The following is the detailed balances for other assets as of December 31 2016 and 2015:

	December 31, 2016	December 31, 2015
Other participations – Foreclosed assets	51,676	-
Prepaid expenses	5,024	5,315
Pledges	-	47,242
Sundry	8,818	-
Impairment of other assets	(2,143)	(1,873)
Art and culture assets	1.790	1.790
Tax advances	-	51,096
Total	**65,165**	**103,570**

NOTE 18. - CUSTOMER DEPOSITS

Customer deposits

Customer deposits received by the Bank in the course of operations are detailed as follows:

Checking Accounts	December 31, 2016	December 31, 2015
Private - active	1,316,848	1,603,175
Private- inactive	16,089	10,444
Official - active	450,456	294,215
Official - inactive	764	1,058
Private - abandoned	1,653	-
Official - abandoned	1	-
Total checking accounts	**1,785,811**	**1,908,892**

Savings accounts	December 31, 2016	December 31, 2015
Ordinary - active	6,189,472	6,353,275
Ordinary - inactive	80,734	80,235
With term deposit	23	-
Abandoned	1,955	-
Total savings accounts	**6,272,184**	**6,433,510**

Term Deposits	December 31, 2016	December 31, 2015
Maturity at the terms deposits inception - Under 6 months	4,420,057	4,194,328
6-12 months	1,190,519	1,598,550
12-18 months	1,290,504	793,820
18 months and over	1,324,483	1,629,841
Total term Deposits	**8,225,563**	**8,216,539**

A summary of the effective interest rates which are accrued on customer deposits is as follows:

	December 31, 2016			
	Deposits in Colombian Pesos Rate		In foreign currency	
	Minimum	**Maximum**	**Minimum**	**Maximum**
	%	**%**	**%**	**%**
Checking accounts	2.54%	3.39%	0.10%	2.54%
Saving accounts	6.35%	7.49%	6.35%	7.49%
Other funds on demand	0%	0%	0%	0%
Fixed term deposit certificates	7.04%	8.36%	0%	0%

	December 31, 2015			
	Deposits in Colombian Pesos Rate		In foreign currency	
	Minimum	**Maximum**	**Minimum**	**Maximum**
	%	**%**	**%**	**%**
Checking accounts	1.05%	4.05%	1.05%	4.75%
Saving accounts	0.05%	8.23%	0.25%	3.75%
Other funds on demand	0%	0%	0%	0%
Fixed term deposit certificates	0%	10.02%	0%	0%

Deposits by economic sector

The following charts show the customer deposit exposure by economic sector, using Banco de la Republica classifications, with a separate item for individuals, salaried employees and renters.

Checking account deposits at December 31, 2016

Sector	Colombia	Peru	Paraguay	Total
Agriculture and livestock breeding	3,685	1,391	1,551	6,627
Commerce	257,728	97,319	108,543	463,590
Construction	887	335	373	1,595
Services	414,579	156,547	174,602	745,728
Transport	4,947	1,868	2,083	8,898
Financial	173,093	65,361	72,899	311,353
Industry	83,727	31,616	35,262	150,605
Mining and energy	1,002	378	422	1,802
Solidarity	9,237	3,488	3,890	16,615
Other - salaried employees and rentiers	43,918	16,584	18,496	78,998
Total	**992,803**	**374,887**	**418,121**	**1,785,811**

Saving accounts at December 31, 2015

Sector	Colombia	Peru	Paraguay	Total
Agriculture and livestock breeding	953	65	119	1,137
Commerce	332,058	22,807	41,475	396,340
Construction	389	27	49	465
Services	1,781,326	122,350	222,495	2,126,171
Transport	4,959	341	619	5,919
Financial	2,684,940	184,414	335,360	3,204,714
Industry	226,961	15,589	28,348	270,898
Mining and energy	2,368	163	296	2,827
Solidarity	14,029	964	1,752	16,745
Other - salaried employees and rentiers	206,912	14,212	25,844	246,968
Total	**5,254,895**	**360,932**	**656,357**	**6,272,184**

Term deposits at December 31, 2016

Sector	Colombia	Perú	Paraguay	Total
Agriculture and livestock breeding	24,839	378,945	145,324	549,108
Commerce	445,068	106,701	40,920	592,689
Construction	443	204,457	78,409	283,309
Services	1,533,670	414,706	159,039	2,107,415
Transport	16,591	78,603	30,144	125,338
Financial	1,618,242	983,854	377,306	2,979,402
Industry	36,470	57,412	22,017	115,899
Mining and energy	75,372	140,401	53,843	269,616
Solidarity	40,069	56,158	21,536	117,763
Other - salaried employees and rentiers	799,880	206,104	79,040	1,085,024
Total	**4,590,644**	**2,627,341**	**1,007,578**	**8,225,563**

Checking accounts at December 31, 2015

Sector	Colombia	Perú	Paraguay	Total
Agriculture and livestock breeding	7,155	67,049	71,596	145,800
Commerce	223,187	78,380	91,658	393,225
Construction	127	493	384	1,004
Services	419,206	230,640	129,612	779,458
Transport	6,361	2,752	2,143	11,256
Financial	96,891	96,296	74,991	268,178
Industry	118,145	46,579	36,274	200,998
Mining and energy	773	557	434	1,764
Solidarity	6,932	5,139	4,002	16,073
Other - salaried employees and rentiers	47,676	24,433	19,027	91,136
Total	**926,453**	**552,318**	**430,121**	**1,908,892**

Savings accounts at December 31, 2015

Sector	Colombia	Perú	Paraguay	Total
Agriculture and livestock breeding	989	49	73,680	74,718
Commerce	216,669	16,430	81,911	315,010
Construction	570	19	56	645
Services	1,648,836	88,140	194,364	1,931,340
Transport	4,177	245	719	5,141
Financial	3,047,170	132,851	315,564	3,495,585
Industry	267,125	11,230	62,892	341,247
Mining and energy	132	117	343	592
Solidarity	13,531	694	2,033	16,258
Other - salaried employees and rentiers	212,750	10,238	29,986	252,974
Total	**5,411,949**	**260,013**	**761,548**	**6,433,510**

Term deposits at December 31, 2015

Sector	Colombia	Perú	Paraguay	Total
Agriculture and livestock breeding	22,775	363,549	206,225	592,549
Commerce	327,263	124,823	53,290	505,376
Construction	1,796	205,605	68,535	275,936
Services	1,574,766	501,170	89,012	2,164,948
Transport	7,266	79,044	26,348	112,658
Financial	1,763,131	905,241	283,071	2,951,443
Industry	292,705	57,734	19,245	369,684
Mining and energy	122	141,189	47,063	188,374
Solidarity	31,939	56,473	18,825	107,237
Other - salaried employees and rentiers	671,986	207,261	69,087	948,334
Total	**4,693,749**	**2,642,089**	**880,701**	**8,216,539**

NOTE 19. - FINANCIAL OBLIGATIONS

a. Deposits of financial institutions

The following is the detail of deposits from financial institutions.

Short-term financial obligations

	December 31, 2016	December 31, 2015
Banks	35,233	3,033
Special deposits	108,176	133,933
Service credits	80,049	100,483
Interbank funds	164,586	255,413
Repo operations	3,111,537	2,825,865
Simultaneous operations (Repurchase agreement)	1,247,316	935,392
Total	**4,746,897**	**4,254,119**

Financial obligations with development entities and Banks outside Colombia

Following is the summary of the financial obligations of Bank and its subsidiaries as of December 31, 2016 and 2015:

Entity	Interest rates in	December 31, 2016	December 31, 2015
Banco de la República	7.50%	6,074	8,683
Banco de comercio exterior (Bancoldex)	Between 6.58,% - 5.06%	143,731	172,774
Fondo Para el Financiamiento del sector Agropecuario FINAGRO	Between 14.58% - 9.06%	-	166
Financiera de Desarrollo Territorial S. A. FINDETER	Between 9.06% - 5.06%	726,076	630,889
Foreign banks		321,231	608,425
Other financial obligations		172,2	145,928
Total		**1,369,312**	**1,566,869**

Short-term financial obligations - effective interest rates

The following is a summary of the effective annual interest rates accruing on short-term financial liabilities:

	December 31, 2016				December 31, 2015			
	Exchange rate in Colombian Pesos		Exchange rate in foreign currency		Exchange rate in Colombian Pesos		Exchange rate in foreign currency	
	Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %
Interbank funds **(I)**	7.40	7.40	0.45	0.60	5.68	5.70	0.45	0.60
Repo operations **(R)**	7.44	7.70	-	-	5.75	5.75	-	-
Simultaneous operations (Repurchase agreement) **(S)**	7.05	7.48	-	-	5.75	5.75	-	-

Long term financial obligations

Entity	**December 31, 2016**	**December 31, 2015**	**Interest rate in force**
Subordinated debt in circulation - USD	805,679	795,785	7.50%
Senior debt in circulation - USD	901,935	943,530	3.88%
Total	**1,707,614**	**1,739,315**	

The following is a detail of the bonds characteristics:

	Issue type	**Issue amount**	**Peso balance**	**Interest rate**	**Issue date**	**Maturity date**	**Form of payment**
Issue 2012	Subordinated	USD 250,000,000	805,679	7,500%	July 30, 2012	July 30, 2022	Interest half-yearly: in arrears
Issue 2013	Ordinary	USD 300,000,000	901,935	3,875%	May 2, 2013	May 2, 2018	Interest half-yearly: in arrears

NOTE 20. - EMPLOYEE BENEFITS

According to Colombian labor legislation wherein the Bank and its Colombian subsidiaries and pursuant to labor conventions and labor collective agreements entered into with employees, employees of the Bank and its subsidiaries have short term benefits such as: salaries, holidays, legal and extralegal premiums, severances and interests on severances, long term benefits such as seniority bonds premiums and medical aids, and post-employment benefits retirement benefits such as: severance payments to employees that continue with labor regime before Law 50 of 1990 and legal and extralegal retirement pensions. Compensation for key personnel of the management includes salaries, benefits different than cash and contributions to a benefit plan defined as post-employment.

Regarding the subsidiaries in Perú and Paraguay the employee benefits only include short term benefits.

Through personnel benefits plans the Bank and its subsidiaries are exposed to several risks (interest rates and operating), which seek to minimize applying risk management policies and procedures defined in Note 7 above.

The following is the detail of provisions for employee benefits as of December 31, 2016 and 2015.

	December 31, 2016	December 31, 2015
Short–term	14,936	15,311
Postemployments	26,381	26,119
Long-term	10,948	8,433
Total	**52,265**	**49,863**

a. Short term benefits

Payment of short-term benefits (other than severance) must be made within 12 months after period end for which an employee has rendered services. These benefits are accrued and charged through profit or loss. In terms of local labor law, the provisions of the Collective Agreement between the Bank and the unions ("Collective Agreement") and of the benefits applicable to employees excluded from the Agreement, the benefits consist of basic salary, all-in salary, severance under Law 50/1990, interest on severance, holidays, service bonus, discretionary bonuses, subventions, paid leaves and contributions to the social security health and pension systems and payroll taxes.

b. Post-employment benefits

These benefits are paid to employees at the time of withdrawal or after completing a period of employment (other than by severance indemnity). Local labor law and the Collective Agreement refer to retirement pensions (for employees who qualify for pensions with the Bank or employees who qualify for shared pensions with Colpensiones Colpensiones). Retirement Subvention which is paid to employees covered by the Collective Agreement who have qualified for an old-age pension.

The liability for post-employment benefits is based on the present value of the future estimated payments for employees who qualify for an old-age pension based on actuarial studies. The expense for these benefits is recorded through profit or loss. It includes the present cost of service assigned to in the actuarial calculation plus the financial cost of the liability calculated.

The Bank has no asset or insurance policy designed to attend to the payment of post-employment benefits and the entire liability is therefore included in the financial statements.

The Bank does not make share-based payments as a benefits to employees.

c. Termination benefits

Termination benefits are paid to an employee as a consequence of either of the following:

- the company´s decision to terminate the employment contract before the normal retirement age, or
- the employee´s voluntary acceptance of the termination of employment against payment of this compensation.

The Bank has no retirement plans or programs for its employees. If a decision is made to terminate an employment contract without cause local law and the Collective Agreement requires the Bank to pay an indemnity.

Termination benefits are recognized as a liability and charged through profit or loss on the earlier of:

- the date on which the Bank communicates the decision to withdraw employment formally from the employee, or
- the date of recognition for a provision related to restructuring costs by a subsidiary or business which involves termination payments for an employee.

d. Other long-term benefits

Other long-term benefits include all benefits, other than short-term benefits, post-employment benefits and severance. In accordance with local law and the Collective Agreement the discretionary benefits due to employees excluded from the Agreement include: long-service bonus and pre-Law 50/1990 severance terms.

The long-term employee benefit liability is determined in the same way as Post-employment benefits, that is, through actuarial calculations as described above. The expense is therefore recorded through profit or loss including the cost of present services allocated to the actuarial calculation plus the financial cost of the liability calculated.

The Bank has no asset or insurance policy designed to attend to the payment of other long-term benefits and the entire liability is therefore included in the financial statements.

e. Actuarial calculations

The measurement of pensions, subsidies, service bonus and severance with retroactive payments depends on a variety of premises and long-term assumptions determined on an actuarial basis. This includes an estimate of the present value of future payments projected for employee benefits, considering the probability of potential future events such as minimum salary increases, staffing levels, etc. These premises and assumptions may have an effect on the amount of the actuarial calculations, and as such future contributions, with a consequent variation in interest and service costs.

The actuarial studies are computed using the credit unit projected method based on actuarial assumptions such as the percentage variation in the cost of living, mortality rates, average working life, salary increases, rotation of staff and discount rates.

The discount rate used in the preparation of actuarial calculations to establish the present value of future cash flows is a long-term investment rate. The rate represents the market rate for fixed-yield investments or Government bonds denominated in the currency in which the benefit is to be paid and considering the amount and timing of payment for future benefits.

f. Pension benefits

In Colombia employees qualify for pensions when they reach a certain age and complete a certain number of years of service. Pensions are paid from public or private pension funds based on defined contribution plans in which both the employer and employee make a monthly contribution defined by law for access to pension upon retirement. Some employees engaged prior to 1968 have met the age and service requirement and their pensions are paid directly by the Bank.

The following is the movement of employee retirement benefits and long-term benefits for the periods ended on December 31, 2016 and 2015:

	Post-employment benefits		Other long term benefits	
	2016	**2015**	**2016**	**2015**
Balance at the beginning of the year	26,119	25,901	8,433	10,571
Costs incurred during period	256	2,242	746	1,357
Interests cost	1,987	1,712	662	706
Payments to employees	(2,534)	(2,782)	(1,436)	(1,005)
Adjustments (ORI)	553	(954)	2,543	(3,196)
Balance at the end of the year	**26,381**	**26,119**	**10,948**	**8,433**

Actuarial assumptions

The variables used to calculate the obligation for the various benefits are the following:

Actuarial assumptions	December 31, 2016	December 31, 2015
Discount rate	7.50%	8.75%
Inflation rate	3.50%	4.00%

Employee rotation is calculated based on actuarial calculations used in the SOA 2003 Table.

Employees' life expectation is calculated based on the mortality tables published by the Superintendence of Finance of Colombia, which is based in mortality experiences provided by several insurance companies operating in Colombia to the Superintendency of Finance.

g. Other long-term benefits:

The Bank pays discretionary quinquennial long-service bonuses (for completion of 5, 10, 15, 20 etc., years' service) in terms of days' salary (ranging from 15 to 180 days) for each payment.

- The Bank has a group of employees who joined the Bank when Law 50/1990 was not yet operative and whose severance accrual is therefore retroactive and cumulative. The calculation is based on the number of years of service and the latest salary earned, less any advance partial payments made.

The remuneration of key management personnel is detailed in Note 27 – Related Parties.

h. Sensitivity analysis

The sensitivity analysis for post-employment liabilities due to defined benefits plans different actuarial and financial variables is shown below, maintaining and other variables constant values:

	Change in variable	Increase in variable	Decrease in variable
Post-employment benefits		**+50 pts**	**-50 pts**
Discount rate	7.50%	(822.56)	881.74
Salary growth rate	4.50%	173.77	(161.60)
Pension growth rate	3.50%	813.88	(765.60)

	Change in variable	Increase in variable	Decrease in variable
Long-term benefits		**+50 pts**	**-50 pts**
Discount rate	7.50%	(310.77)	329.29
Salary growth rate	4.50%	340.97	(324.47)

i. Pensions

The actuarial calculation for retirement pensions at December 31, 2016 was $20,870.78. The Bank recorded the obligation as a liability covering 100% of the amount as required by IAS19 in relation to the Legal Retirement Pension Plan for the Bank.

j. Key personnel benefits

The Bank has no exclusive benefit plan applicable to key members of senior management other than those received by all employees excluded from the Collective Agreement.

NOTE 21. - PROVISIONS FOR LEGAL CONTINGENCIES AND OTHER PROVISIONS

The following is the movement of the provisions as of December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
Litigation, fines, sanctions and indemnities		
Other administrative fines and sanctions	-	319
Labor claims	3,941	2,737
Administrative and arbitration cases	5,206	5,814
Total litigation, fines, sanctions and indemnities	**9,147**	**8,870**

Other provisions	December 31, 2016	December 31, 2015
a. Provisions	**30,995**	**28,918**

At December 31, 2016 provisions were recorded for labor claims against the Bank. Historically the majority of such claims have been decided in favor of the Bank.

Provisions are estimated on the evolution of each case with the opinions of the attorneys engaged in it to assess the probability that the decision might be unfavorable.

b. Administrative Proceedings

As of December 31, 2016 and 2015 the provision includes administrative proceedings for $5,206 and $5,814 for litigation against the Bank, mainly due to demands for credits under the UPAC System in Colombia and handicap access to the different branches owned by the bank. The expected time of resolution is uncertain since each case is subject to review and analysis by experts in charge as well as a legal ruling over the disputed matters.

c. Labor Proceedings

As of December 31, 2016 and 2015 the provision includes labor proceedings for $3,941 and $2,737 for litigation against the Bank, mainly due to demands for unjust enrichment on the Bank's part by appropriating social security and other benefits from employees and not delivering them to the respective government agencies. Additionally, the bank also faces litigation regarding employment contracts from former employees seeking additional termination benefits. The expected time of resolution is uncertain since each case is subject to review and analysis by experts in charge as well as a legal ruling over the disputed matters. Most labor proceedings have been historically decided in the Bank's favor.

d. Legal Proceedings and other matters

As of December 31, 2016 and 2015 the provision includes administrative proceedings for $179 and $532 for client indemnities, complaints, improper client disbursements among others. The expected time of resolution is uncertain since each case is subject to review and analysis by experts in charge as well as a legal ruling over the disputed matters.

NOTE 22. - INCOME TAX

a. Expense Components for Income Tax:
The expense components for income tax for the years ended December 31, 2016 and 2015 are detailed below:

Concept	December 31, 2016	December 31, 2015
Current period income tax	45,758	64,331
CREE tax	7,491	13,207
CREE surcharge	4,993	6,934
SUBTOTAL	**58,242**	**84,472**
Deferred taxes	(33,167)	22,299
Adjustment due to deferred taxes related to an investment reclassification	725	-
TOTAL	**25,800**	**106,771**

b. Reconciliation of the Nominal Tax Rate and the Effective Rate
Colombian regulation in Colombia for income and related taxes applicable for 2015 and 2016 include the following:

- Corporate taxable income is 25% for income tax.
- There is an additional corporate equity tax (CREE) at 9% and a further surcharge of 5% for 2015 and 6% for 2016; this is scheduled to rise to 8% for 2017 and 9% for 2018.
- Non ordinary income on the sale or disposal of non-current assets held for more than two years: they are taxed at 10%.
- The tax base for income tax and CREE may not be less than 3% of net equity at the end of the preceding year. When net taxable profit is less than that base, the difference, known as "presumed income", is deductible from taxable income over up to the next five years.
- Tax losses incurred since of 2007, fiscally adjusted, may be offset with no percentage limit, at any time, against ordinary future income, for both income tax and CREE.
- The taxable base of items included in the calculation of net taxable income in tax returns is determined on the basis of accounting standards in use in Colombia up to December 31, 2014, and prior to the introduction of IFRS and special regulations now current.
- A corporate income tax return is taken as firm two years after the date of filing, unless the taxpayer is liquidated or offsets fiscal losses, in which case the return is in firm five years after the date of filing.

In December 2016 Congress issued a tax reform (Law 1819), which amongst other things contains the following regulations on income and related taxes for 2017:

- Taxable income is taxed at 34% in 2017; and at 33% in 2018 and subsequent years.
- The corporate equity tax - CREE - is eliminated and a surcharge on income tax is payable at 6% in 2017 and 4% in 2018 for those with taxable incomes exceeding $800 million.
- Corporate tax returns are in firm three years after the date of filing.
- Fiscal losses incurred prior to 2017 continue to be deductible on the same terms than applied for 2016, but they may not be fiscally adjusted. Corporate tax losses incurred since 2017 and subsequent years may be offset against ordinary income over the next twelve years; and income tax filing and corrections to them which contain or offset tax losses become in firm six years after the date of filing.

- Capital or “windfall” gains are still tax added at 10%.
- The base for calculation of corporate income tax may not be lower than 3.5% of fiscal equity at the end of the preceding year; and, as before, if the taxable income is lower than that base, the difference may be deducted from taxable income within five years of its occurrence, as “excess of presumed income”.
- The determination of income and related taxes, since January 1, 2017 requires that current local technical framework of accounting standards be applied to the value of assets, liabilities, equity, income and expenses, both where tax regulations expressly refer to them and in cases where there is no regulation on the matter. At all events, tax regulations may expressly require that some different treatment be applied.

The detailed reconciliation between the total tax expense for fiscal purposes and the recorded tax expense in the financial statements for the years ended December 31, 2016 and 2015 is included below:

Concept	December 31, 2016	December 31, 2015
Profit (loss) before income tax	235,020	302,556
Theoretical income tax expense calculated using the enacted tax rate 2016 - 40% and 2015 - 39%)	94,008	117,997
Plus or minus any taxes that increase or decrease the tax expense		
Non-deductible expenses	2,693	3,786
Prior year loss carryforward	(19,297)	-
Nontaxable income	(13,712)	(37,717)
Non recurrent gains	(12,358)	-
Different tax rates in other countries	(24,984)	20,282
Other	(550)	2,424
Total tax expense for the period	**25,800**	**106,771**
Effective tax rate	**10.98%**	**35.29%**

Deferred tax due to timing differences

The difference between the book values for assets and liabilities and the fiscal basis gives rise to the following timing differences. The timing differences generate deferred taxes calculated and recorded for the years ended on December 31, 2016 and 2015 based on tax rates in force for the years in which the timing differences will revert.

Year ended December 31, 2016

Deferred tax asset	Balance as of December 31, 2015	Credited (charged) to profit or loss	Credited (charged) to OCI	Balance as of December 31, 2016
General impairment	3,184	(3,184)	-	-
Assets received as payment	82	716	-	798
Art and culture Assets - Integration project	6,757	(4,449)	-	2,308
Country Clubs	103	(103)	-	-
Improvements	394	(138)	-	256
Software	1,602	(914)	-	688
Remodels	139	(139)	-	-
Commission for placement of investment titles	2,319	(1,310)	-	1,009
Losses carryforward	46,645	9,717	-	56,362
Forward contracts	-	1,063	-	1,063
Employee benefits	3,957	1,747	139	5,843
ICA Movement	1,263	58	-	1,320
Other concepts	13,452	(13,509)	57	-
Sub total	**79,897**	**(10,446)**	**196**	**69,647**

Deferred tax liabilities	Balance as of December 31, 2015	Credited (charged) to profit or loss	Credited (charged) to OCI	Balance as of December 31, 2016
Equity securities at fair value	(8,045)	4,676	(2,428)	(5,797)
Forward contracts	(2,556)	2,556	-	-
Property, plant and equipment	(18,577)	(864)	-	(19,441)
Land	(1,430)	-	-	(1,430)
Debt securities	(64,784)	53,725	29	(11,030)
Allowance for impairment on loans and receivables	(62,889)	-	27,355	(35,534)
Amortized loans and receivables cost	(8,292)	-	(7,242)	(15,534)
Equity investments with less than 20% ownership	-	(7,328)	-	(7,328)
Goodwill HSBC	(1,944)	(1,109)	-	(3,053)
Goodwill Servivalores	-	(623)	-	(623)
Goodwill Paraguay	-	(7,420)	(900)	(900)
Other concepts	(19,781)	-	(208)	(27,409)
Subtotal	**(188,298)**	**43,613**	**16,606**	**(128,079)**
Total Net Position (liability)	**(108,401)**	**33,167**	**16,802**	**(58,432)**

J.

Year ended December 31, 2015

Deferred tax asset	Balance as of December 31, 2014	Credited (charged) to profit or loss	Credited charged) t OCI	Reclassifica-tions	Balance as of December 31, 2015
General impairment	-	3,184	-	-	3,184
Assets received as payment	-	-	-	82	82
Art and culture Assets - Integration project	6,786	(29)	-	-	6,757
Country Clubs	90	13	-	-	103
Improvements	571	(177)	- -	-	394
Software	3,441	(1,839)	-	-	1,602
Remodels	206	(67)	-	-	139
Commission for placement of investment titles	4,789	(2,470)	-	-	2,319
Losses carryforward and presumptive income	-	14,552	32,093	-	46,645
Employee benefits	5,420	(1,463)	-	-	3,957
ICA Movement	89	1,162	-	12	1,263
Other concepts	3,893	10,425	-	(866)	13,452
Sub Total	**25,285**	**55,914**	**32,093**	**(772)**	**79,897**

Deferred tax liabilities	Balance as of December 31, 2014	Credited (charged) to profit or loss	Credited (charged) to OCI	Reclassifica-tions	Balance as of December 31of 2015
Equity securities at fair value	(7,550)	(2,297)	1,799	-	(8,048)
Forward contracts	(40)	(2,516)	-	-	(2,556)
Property, plant and equipment	(17,527)	(2,014)	-	964	(18,577)
Land	(1,430)	-	-	-	(1,429)
Debt securities	(70,767)	(4,649)	10,634	-	(64,782)
Allowance for impairment on loans and receivables IFRS application	(45,888)	(6,608)	(10,393)	-	(62,889)
Allowance for impairment on loans and receivables	(9,259)	-	967	-	(8,292)
Goodwill HSBC	(807)	(1,137)	-	-	(1,944)
Other concepts	(10,281)	(9,500)	-	-	(19,781)
Sub Total	**(163,396)**	**(21,093)**	**13,217**	**964**	**(188,298)**
Total Net Position (liability)	**(138,111)**	**34,821**	**13,217**	**192**	**(108,401)**

Effect of current and deferred tax on each component of Other Comprehensive Results in the equity section.

The following is the effect of current and deferred tax on each component in Other Comprehensive Income:

	December 31, 2016		
	Amount before tax	**Deferred tax income (expense)**	**Net**
Items that may subsequently be reclassified to Results			
Profit (loss) on gains (losses) on equity financial instruments	1,850	-	1,850
Cummulative translations adjustment on foreign subsidiaries financial statement	44,928	-	44,928
Exchange difference on hedging foreign financial liabilities	27,652	(2,428)	25,224
Differences between loan impairments provision recorded in separate and consolidated financial statements calculation	(74,036)	20,113	(53,923)
Investment accounted by equity method	(386)	-	(386)
Others	(6,003)	(1,022)	(7,025)
Items not to be reclassified to Results			
Profit (loss) on employee benefit plans	(4,603)	139	(4,464)
Total Other Comprehensive Results for the period	**(10,598)**	**16,802**	**6,204**

	December 31, 2015		
	Amount before tax	Deferred tax income (expense)	Net
Items that may subsequently be reclassified to Results			
Profit (loss) on gains (losses) on equity financial instruments	(1,298)	-	(1,298)
Cumulative translations adjustment on foreign subsidiaries financial statement	63,821	-	63,821
Exchange difference on hedging foreign financial liabilities	(162,057)	1,802	(160,255)
Differences between loan impairments provision recorded in separate and consolidated financial statements calculation	56,307	22,667	78,974
Investment accounted by equity method	(1,337)	-	(1,337)
Low tax deferred investments adjustment IFRS	39,333	10,632	49,965
Others	(9,509)	192	(9,317)
Items not to be reclassified to Results			
Profit (loss) on employee benefit plans	275	-	275
Total Other Comprehensive Results for the period	**(14,465)**	**35,293**	**20,828**

Equity tax

The Bank and its subsidiaries in Colombia are liable for equity tax during the period starting in 2015 through 2017. This levy on equity tax was established in Colombia during 2014 according to fiscal laws. The amount is calculated based on the company's equity determined under fiscal rules at January 1, 2015, 2016 and 2017. The equity tax is charged at progressive rates, depending on the amount of equity. These rates fluctuate between 0.20% and 1.15% in 2015, 0.15% and 1% in 2016, and 0.05% and 0.40% in 2017. During the year ended at December 31, 2016, the Bank and its subsidiaries recorded an obligation for $12,551 in tax recorded through OCI in accordance with local standards ($14,852 in 2015).

NOTE 23. - OTHER LIABILITIES

The following is the detail of Other Liabilities as of December 31, 2016 and 2015

Concept	December 31, 2016	December 31, 2015
Fogafin	18,569	15,267
Ascredibanco	600	255
Cancelled accounts	5,685	5,722
Commissions and fees	3,511	3,719
Expenses and accounts payable	1	20
Taxes	17,029	16,105
Dividends payable and cash surplus	3,493	7,769
Leases	59	281
Contributions on transactions	1,707	1,415
Suppliers and services payable	15,487	14,436
Contributions, affiliations and transfers	482	451
Withholdings taxes and labor contributions	10,545	11,402
Unearned revenue	6,873	7,241
Deferred payment on letters of credit	-	1,829
Deferred credits	3,083	1,954
Other contributions	179	213
Other concepts	182,496	133,312
Total	**269,799**	**221,222**

NOTE 24. - EQUITY

Capital

Bank shares authorized, issued and outstanding have a par value of $400 (pesos) each at December 31, 2016 and 2015, as follows:

	December 31, 2016	December 31, 2015
Authorized	187,500,000	187,500,000
No. Pending subscription	22,450,559	22,450,559
No. of Shares subscribed and paid	165,049,441	165,049,441
Subscribed and paid capital	66,020	66,020

Reserves

Legal (mandatory) reserve

All banks must set up a mandatory reserve by appointing 10% of net profits for each period until the reserve reaches 50% of subscribed capital. The reserve may be reduced from 50% of subscribed capital when the object is to cover losses exceeding undistributed profits. This mandatory reserve may not be used to pay dividends or to cover expenses or losses if the Bank has any undistributed profits.

Appropriated retained earnings

As of December 31, 2016 and 2015 the appropriation of retained earnings is as follows:

Reserves	December 31, 2016	December 31, 2015
Mandatory	804,235	686,704
Voluntary	86,104	199,652
Eliminations	(33,809)	(187,778)
Total Reserves	**856,530**	**698,578**

Dividends Declared

Dividends are declared and paid to shareholders based on net profit of the separate financial statements of the preceding period in which none were declared.

The calculation of profit per share for the periods ended on December 31, 2016 and 2015 is as follows:

Basic profit per share	December 31, 2016	December 31, 2015
Net income for the year	209,220	195,785
Less: Non-controlling interests	3,292	2,308
Net income for the year attributable to controlling interest	205,928	193,477
Weighted average of the ordinary shares used in the calculation of net income for basic shares	165,049,441	165,049,441
Basic net income per share of controlling interests (in Colombian pesos)	**1,247.67**	**1,172.24**

NOTE 25. - INCOME AND EXPENSES FOR COMMISSIONS AND OTHER SERVICES

The following is the detail of the expenses for commissions and other services as of December 31, 2016 and 2015

Item	December 31, 2016	December 31, 2015
Bank acceptances	58	68
Letters of credit	439	990
Bank guarantees	1,703	1,674
Banking services	63,150	65,309
Credit and debit card affiliate establishments	6,908	6,821
Credit card management fees	1,891	1,764
Other	131,216	112,597
Subtotal	**205,365**	**189,223**
Banking services	15,051	13,518
Bank guarantee	3,921	3,681
Office network services	-	174
Commissions on sales and services	10	-
Board of Directors	57	103
Statutory and external audit	2,719	2,407
Valuations	2	2
Legal advice	3,449	3,322
Financial advice	-	5
Trust business	47	415
Other	31,563	29,124
Subtotal	**56,819**	**52,751**
Total	**148,546**	**136,472**

NOTE 26. - OTHER INCOME

The following is the detail of other income as of December 31, 2016 and 2015:

Item	December 31, 2016	December 31, 2015
Sale of investments	**47,052**	**14,096**
Dividends and other capital surpluses	**912**	**1,539**
Sale of property, plant and equipment	729	1,562
Rent	5,924	5,252
Sundry	95,304	80,733
	101,957	**87,547**
Total	**149,921**	**103,182**

NOTE 27. - OTHER EXPENSES

The following is the detail for other expenses as of December 31, 2016 and 2015:

Concept	December 31, 2016	December 31, 2015
Employee benefits	**218,663**	**207,307**
Fees on investment sales	14,681	8,389
Valuation loss on cash transactions	-	1,791
Loss on sale of investments	**14,681**	**10,180**
Legal	3	4
Leases	64,567	72,545
Contributions, affiliations and transfers	25,328	23,586
Insurance	37,408	33,906
Repairs and Maintenance	38,900	32,678
Employee expenses - ARL	-	-
Adaptation and installation	1,881	1,850
Total general administrative expenses	**168,087**	**164,572**
Depreciation of property, plant and equipment	**14,431**	**14,813**
Amortization of intangible assets	**5,728**	**4,920**
Administration and intermediation services	240	209
Operational risk related loss	306	900
Taxes and fees	41,689	34,900
Non-controlling interests	3,292	2,308
Sanctions, fines, lawsuits, indemnifications and operational risks	733	85
Other concepts	111,646	110,440
Other expenses	**157,906**	**148,842**
Total other expenses	**579,496**	**550,634**

NOTE 28. - COMMITMENTS AND CONTINGENCIES

Credit commitments

In the course of its normal operations the Bank issues guarantees and letters of credit to customers in which the bank assumes full responsibility for payments to third parties if customers do not satisfy their obligations. These guarantees amount to the same credit risk as a direct loan. The grant of guarantees and letters of credit is subject to the same approval policies as those for a loan disbursements with regards to customer credit quality and guarantees are obtained as deemed appropriate.

Commitments to extend credit represent the unutilized portions of authorized loans, credit cards, overdraft limits and letters of credit. The credit risk associated with commitments to extend credit lines exposes the Bank and its subsidiaries to an amount equal to the total amount of an unutilized commitments, if the amount not utilized were to be entirely drawn. However, the amount of the loss is smaller than the total amount of unutilized commitments since most commitments to extend credit are contingent on the customer maintaining specific standards of credit risk. The

Bank and its subsidiaries monitor the maturities of commitments regarding credit limits because long-term commitments carry a higher risk than short-term ones.

The outstanding balances for credit lines and guarantees do not necessarily represent future cash requirements, since those limits may expire, and all or part of them may remain unutilized.

Contingencies

Legal

As of December 31, 2016 and 2015 the Bank was facing administrative and other litigation against them. The valuation of these cases was calculated on the basis of analysis and opinions by the assigned legal counsel resulting in the following contingencies:

Labor cases

As of December 31, 2016 and 2015, there were labor claims for $4,611 and $2,737 respectively. Historically, most of these cases have been decided in favor of the Bank and its Subsidiaries.

Civil cases

As of December 31, 2016 and 2015 the recorded obligations related to civil claims, without including unlikely claims, totals $6,836 and $3,095, respectively.

Administrative and other litigation

Administrative and other tax cases, initiated by national and local tax authorities, set penalties that would be due from the Bank as an active collector of regional taxes. Other cases include an assessment for higher taxes payable with the Bank as taxpayer. As of December 31, 2016 and 2015, the amount of these claims totals $526 and $13,957, respectively.

NOTE 29. RELATED PARTIES

Related parties are considered to be:

1) Individual shareholders who hold more than 10% of the Bank´s capital and individuals who hold less than 10%, but who are involved in operations in excess of 5% of the Banks computable capital.

Shareholders with more than 10% holding:

- Gilex Holding BV

Shareholders with less than 10% holding but with control over operations exceeding 5% of equity:

- As of December 31, 2016 and 2015 the Bank had no operations exceeding 5% of equity with any shareholders who own less than 10%.

2) Key management personnel. These are individuals with authority or responsibilities to plan, manage and control the Bank´s activities, directly or otherwise, including any director or administrator (whether executive or not) of the Bank. These include members of the Board of Directors, the President-CEO and Vice Presidents.

3) Subsidiaries in which the Bank exercises control as Parent

- Banco GNB Perú.
- Banco GNB Paraguay.
- Servitrust GNB Sudameris.
- Servivalores GNB Sudameris.

- Servibanca.

4) Other non-Subsidiary related parties.

a. Operations with related parties:

The Parent may engage in operations, agreements or contracts with related parties on the understanding that these operations will be undertaken at fair values respecting market conditions and tariffs.

In the periods ended December 31, 2016 and 2015 the following did not apply to operations between the Parent and related parties:

- Loans implying that the borrower would be subject to an obligation not corresponding to the essence or nature of the loan.
- Loans at interest rates other than those ordinarily paid or charged to third parties in similar conditions of term, risk, etc.
- Operations with characteristics different from those granted to third parties.

During the years ended December 31, 2016 and 2015 Directors fees were paid for $61 and $62, respectively, for attendance at Board and committee meetings.

All operations were conducted at market prices. The average loan placement rate which the Bank granted to its related parties is equal to DTF +3.45. Credit card and overdraft operations were made at full market rates.

In the course of business, the Bank engaged in operations with subsidiaries such as its participation, loans, and financial liabilities, as follows:

December 31, 2016

	Shareholders	**Members of the Board of Directors**	**Key personnel in the management**
Assets			
Accounts receivables	181,784	-	1,701
Liabilities			
Deposits	-	-	592

December 31, 2015

	Shareholders	**Members of the Board of Directors**	**Key personnel in the management**
Assets			
Accounts receivables	-	-	2,000
Liabilities			
Deposits	-	-	99

The transactions during the years ended as of December 31, 2016 and 2015, with related parties comprise:

December 31, 2016

	Shareholders	**Members of the Board of Directors**	**Key personnel in the management**
Interest income	88	-	220
Financial expenses	-	-	36
Fee income and commissions	10	-	2
Other income	11	-	-
Other expenses	-	-	5,972

December 31, 2015

	Shareholders	Members of the Board of Directors	Key personnel in the management
Interest income	11,087	66	160
Financial expenses	-	-	8
Fee income and commissions	-	9	2
Fee income and commissions	-	-	-
Fee expenses and commissions	8	-	-
Other expenses	-	-	5,608

Benefits for key personnel

Some key management personnel of the Bank are also key members of its Subsidiary entities.

The compensation of key personnel is composed of the following:

Item	December 31, 2016	December 31, 2015
Salary	5,972	5,608

This compensation includes salaries, non-cash benefits and contributions to a defined post-employment benefits plan.

NOTE 30. - STRUCTURED NON-CONSOLIDATED ENTITIES

The term "Structured non-consolidated entities" refers to entities not controlled by the Bank. The Bank engages in operations with structured non-consolidated entities in the normal course of business in order to facilitate customer transactions and specific investment opportunities.

The table below shows the total assets of the structured non-consolidated entities in which the Bank has a participating interest at the date of reporting and its maximum exposure from those investments.

	Bank-managed funds in FIC
Bank interest – asset	
Investments at fair value with changes in Results	15,341
Other receivables	41
Total assets in relation to the Bank´s interest in Structured non-consolidated entities	**15,382**
Bank´s maximum exposure	**15,382**

	Bank-managed funds in FIC
Bank interest – asset	
Investments at fair value with changes in Results	12,280
Other receivables	1
Total assets in relation to the Bank´s interest in Structured non-consolidated entities	**12,281**
Bank´s maximum exposure	**12,281**

In the normal course of operations the Bank has a trust company and a securities exchange broker that manage unit funds and assets of third parties who receive commissions.

The obligations of these entities in the management of these assets are transactional only and they do not guarantee results. The maximum exposure to the risk of loss is determined by possible failings from the funds management related to the yields managed and the returns on customer assets.

NOTE 31 - SUBSEQUENT EVENTS

The Bank and its Subsidiaries did not experience any significant events subsequent to the date of this report.

NOTE 32 - APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were authorized for issue by the Board of Directors, Audit Committee and legal counsel on February 22, 2016.

KPMG

KPMG S.A.S.
Calle 90 No. 19C - 74
Bogotá D.C. - Colombia

Teléfono 57 (1) 6188000
57 (1) 6188100
Fax 57 (1) 2185490
57 (1) 6233403
www.kpmg.com.co

INDEPENDENT AUDITORS' REPORT

To Board of Directors and Shareholders
Banco GNB Sudameris S.A.:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Banco GNB Sudameris S.A. and its subsidiaries (the "Group"). which comprise the consolidated statements of financial position as at December 31, 2015, the consolidated statements of income and other comprehensive income, changes in equity and cash flows for year ended 2015, and notes, comprising a summary of significant accounting policies and other explanatory information. The consolidated financial statements as at and for the year ended December 31, 2014, prepared in accordance with accounting principles generally accepted in Colombia, which was the applicable accounting standards at the time, were audited by us; those consolidated financial statements including the opening balances on January 1, 2014 were adjusted to the new accounting standards, hereinafter referred to as "Accounting and Financial Reporting Standards accepted in Colombia".

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Accounting and Financial Reporting Standards accepted in Colombia, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Colombia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity 's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well

KPMG

as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2015, and of its consolidated financial performance and its consolidated cash flows for the year ended 2015 in accordance with Financial Reporting Standards accepted in Colombia.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 28 in the consolidated financial statements which describes how the new technical and regulatory framework affected the consolidated financial position of the Group, its consolidated financial performance and its consolidated cash flows previously reported. The consolidated financial statements as at December 31, 2015 are the first set of financial statement prepared in accordance with Financial Reporting Standards accepted in Colombia.

KPMG S.A.S.

María Ligia Cifuentes Z.
Partner
Registration 30070 - T

April 15, 2016

BANCO GNB SUDAMERIS S.A. AND SUBSIDIARIES

Consolidated Statement of Financial Position
At December 31, 2015
(with comparative figures at December 31 and January 1, 2014)
(Amounts in millions of Colombian pesos)

ASSETS		Dec-31-15	Dec-31-14	Jan-1-14
CASH AND CASH EQUIVALENTS	(note 8)	7,156,147	5,225,449	3,242,762
FINANCIAL INVESTMENTS				
AT FAIR VALUE WITH CHANGES IN RESULTS				
Debt Securities	(note 9)	3,810,627	3,324,030	3,653,080
Equities Securities	(note 9)	75,746	46,948	43,929
Spot operations and derivatives	(note 9)	68,429	72,447	36,772
DEBT SECURITIES AT AMORTIZED COST, NET	(note 9)	1,565,068	2,301,153	1,650,457
Total investments		**5.519,870**	**5,744,578**	**5,384,238**
LOANS AND FINANCIAL LEASING OPERATIONS				
Commercial	(note 10)	7,586,697	6,133,217	3,773,035
Consumer	(note 10)	4,170,256	3,929,049	4,159,803
Mortgage	(note 10)	1,089,782	813,293	543,743
Micro loans	(note 10)	0	0	2
Provision for impairment	(note 10)	(211,415)	(212,725)	(141,436)
Total loans, net		**12,635,320**	**10,662,834**	**8,335,147**
OTHER RECEIVABLES, NET	(note 11)	204,002	141,118	87,265
NON-CURRENT ASSETS HELD FOR SALE	(note 12)	7,997	9,887	154,549
TANGIBLE ASSETS, NET				
Investment Properties	(note 14)	432	378	378
Equipment on operating leases	(note 13)	10,996	11,204	6,996
Property, Plant and Equipment held for own use	(note 13)	182,684	178,609	133,316
INTANGIBLE ASSETS, NET				
Goodwill	(note 15)	246,327	229,545	200,386
Other intangibles		30,206	27,253	1,783
DEFERRED TAX ASSETS				
Deferred	(note 16)	79,897	25,286	25,760
OTHER ASSETS	(note 17)	103,570	109,430	52,299
TOTAL ASSETS		**26,177,448**	**22,365,771**	**17,654,879**

LIABILITIES AND EQUITY		Dec-31-15	Dec-31-14	Jan-1-14
LIABILITIES				
FINANCIAL DEBT AT FAIR VALUE				
Spot operations and derivatives	(note 9)	83,788	73,665	37,674
FINANCIAL DEBT AT AMORTIZED COST				
Customer deposits	(note 18)	16,558,941	15,330,174	12,446,843
Short term debt		4,016,669	2,372,664	1,089,388
Debt to discount entities and banks outside Colombia		1,566,869	1,318,448	1,080.242
Long-term debt	(note 18)	1,739,315	1,367,921	1,062.825
PROVISIONS				
Employee benefits	(note 19)	49,863	57,031	44,229
Legal contingencies	(note 20)	24,691	25,822	5.357
Other	(note 20)	35,530	31,284	38,119
DEFERRED TAX LIABILITY				
Deferred	(note 21)	188,296	163,550	123,993
OTHER LIABILITIES	(note 21)	442,651	351,173	454.235
TOTAL LIABILITIES		**24,686,815**	**21.091,732**	**16,383.105**
EQUITY				
Paid capital	(note 22)	66,020	66,020	66,015
Addicional Paid in capital		486,135	484,869	469,433
Reserves	(note 22)	698,578	515,654	413,021
First-time adoption of IFRS		9,690	9,690	9.690
Other comprehensive results		62,778	77,243	154,857
Resultados of previous periods		(40,972)	(45,702)	149,228
Profit for the year		195,785	155,192	-
Total Controlling Interest		**1,478,014**	**1,263,186**	**1,262,244**
Non-controlling interest	(note 22)	12,619	10,853	9.530
TOTAL EQUITY		**1,490,633**	**1,274,039**	**1,271,774**
TOTAL LIABILITIES AND EQUITY		**26,177,448**	**22,365,771**	**17,654,879**

See the Notes forming part of the Consolidated Financial Statements

BANCO GNB SUDAMERIS S.A. AND SUBSIDIARIES

Consolidated Statement of Other Comprehensive Income
for the year ended December 31, 2015
(with comparative figures for the year ended December 31, 2014)
(Amounts in millions of Colombian pesos)

		December 31, 2015	December 31, 2014
NET INCOME	**$**	195,785	155,192
Items that can subsequently be reclassified to results			
Profit (loss) on Equity Financial Instruments		(1,298)	7,645
Cummulative traslation adjustment on foreing subsidiaries		63,821	(48,809)
Difference in loan impairment between Individual and Consolidated Financial Statements		65,535	12,320
Non.-controlling interests		(9,228)	(25,690)
Investment accounted by equity method		(1,337)	(115)
Exchange difference on hedging foreing financial liabilities		(162,057)	-
Other net equity items		29,824	(31,167)
		(14,740)	(85,816)
Items not to be reclassified to Results			
Profit (loss) on employee benefit plans		275	8,202
Total Other Comprehensive Results for the year, net of tax	**$**	**(14,465)**	**(77,614)**
Total Other Comprehensive Results for the year	**$**	**181,320**	**77,578**

See the Notes forming part of the Consolidated Financial Statements

BANCO GNB SUDAMERIS S.A. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

For the year ended December 31, 2015

(with comparative figures for the year ended December 31, 2014)

(Amounts in millions of Colombian pesos)

		2015	2014
Cash flows from operating activities			
Net income of the year (note 23)	$	195,785	155,192
Adjusment to reconcile net income to net cash used in operating activities:			
Income tax expense (note 16)			
Depreciation and amortization expense (note 25)		19,734	14,030
Loan impairment (provisions)		325,995	212,531
Recoveries of loans and receivables		(159,689)	(87,326)
Profit on derivatives		(116,384)	(23,726)
Profit/Loss on valuation of investments		(304,711)	(238,544)
Profit/Loss on sale of investments		109,655	21,376
		(125,400)	**(101,659)**
Changes in operating assets and liabilities			
Increase in loans		(2,073,258)	(2,440,572)
Increase in other receivables		(62,884)	(53,853)
Increase in customer deposits		1,228,767	2,883,331
Increase in income tax and Equity Tax liability		24,748	39,557
Decrease in Provisions		3,115	13,630
Increase in non-financial assets		(68,486)	(81,286)
Increase/(decrease) in other liabilities		91,678	(103,064)
Decrease/ (increase) in employee benefit plans		(6,893)	21,004
Increase in derivatives		110,525	23,842
		(878,088)	**200,930**
Net cash (used in) provided by operating activities		**(682,303)**	**356,122**
Cash flows from investment activities			
Net decrease (increase) in Porperty Plant and Equipment held for own us		(23,401)	(63,729)
Decrease (increase) in investments		370,746	(280,946)
Increase in non-current assets held for sale		1,890	144,662
Increase in Investment Properties		(54)	-
Net cash provided by (used in) investment activities		**349,181**	**(200,013)**
Cash flows from financing activities			
Long -term financial debt		619,815	543,302
Short-term financial debt		1,644,005	1,283,276
Net cash provided by financing activities		**2,263,820**	**1,826,578**
Net increase in cash and cash equivalent		1,930,698	1,982,687
Cash and cash equivalent at the beginning of the year		5,225,449	3,242,762
Cash and cash equivalent at the end of the year	$	**7,156,147**	**5,225,449**

See the Notes forming part of the Consolidated Financial Statements.

BANCO GNB SUDAMERIS S.A. AND SUBSIDIARIES

Consolidated Statement of Changes in Equity

for the year ended December 31, 2015

with comparative figures for the year ended December 31, 2014

(Amounts in millions of Colombian pesos, except per-share information)

		Capital	Mandatory reserve	Voluntary reserve	Additional paid in capital	Convergence results: First-time adoption	Convergence results: Other comprehensive results	Retained Earnings
Balance at December 31, 2013		66,015	408,103	4,916	469,433	9,690	154,857	140,228
Appropriation of profit to Parent Mandatory Reserve		0	94,338	0	0	0	0	(94,338)
Increase due to share exchange value in merger of Banco GNB Colombia		5	0	0		0	0	0
Other Comprehensive Income		0	0	0	0	0	(77,614)	0
Increase in reserves and additional paid in capital		0	8,374	123	15,456	0	0	(105,594)
Profit for the period	(note 23)	0	0	0	0	0	0	0
Balance at December 31, 2014		$ 66,020	510,815	5,039	484,889	9,690	77,243	(45,702)
Appropriation of profit to Parent Mandatory Reserve		0	137,889	0	0	0	0	(20,570)
Other Comprehensive Income		0	0	0	0	0	(14,465)	0
Increase in reserves and additional paid in capital		0	13,180	31,656	1,246	0	0	25,300
Profit for the year	(note 23)	0	0	0	0	0	0	0
Balance at December 31, 2015		$ 66,020	661,883	36,695	486,135	9,690	62,778	(40,972)

See the Notes forming part of the Consolidated Financial Statements

1. Reporting Entity

Banco GNB Sudameris S.A. is a controlling entity (“Parent” or “Bank”) of a financial group formed by Servitrust GNB Sudameris, Servivalores GNB Sudameris, Servibanco and Servitotal in Colombia; and Banco GNB Peru and Banco GNB Paraguay.

Banco GNB Sudameris S. A. is a corporation incorporated by Public Deed 8067 of December 10, 1976, Notary 5, Bogotá D.C. According to its Articles of Incorporation, the Parent’s legal existence will expire on January 1, 2076, but this term may be reduced by dissolution or increased by extension. The business of the Parent is to perform all operations and enter into all contracts permitted for commercial banks, subject to the requirements and limitations of Colombian law.

Financial Superintendency (the “Superintendency”) Resolution 3140 of September 24, 1993 renewed the Parent’s operating license. The latest amendment to Articles provided that important operations with related parties in Colombia and abroad requiring Parent guarantee, endorsement or support did not require approval from the Shareholders General Meeting. (Deed 2605 April 21, 2014 Notary 13)

Most relevant statutory reforms are as follows:

- In response to Superintendency Circular 28/2014, an Article 59 – Rules for Country Code – were included in the Articles (Deed 7731, Notary 13, November 20, 2015) and articles were compiled.

- The merger of GNB Colombia into Banco GNB Sudameris was formalized on October 10, 2014 (Deed 7060 Notary 13, Bogotá).

- Article 36 was amended with the addition of a paragraph appointing an Honorary President on September 3, 2014 and Articles were compiled (Deed 6176, Notary 13).

- Paragraph 25(m) of the Articles related to operations with related parties – Functions of the General Meeting was amended on April 21, 2015. (Deed 2605, Notary 13) and articles were compiled.

- The Parent´s authorized capital was increased from $50.000 to $75,000 million, divided into 187,500,000 shares of $400 par value each on March 5, 2012 (Deed 1029, Notary 13, Bogotá)

- Acting on Superintendency Circular 054/2008 and its recommendations in Communication 2008017272-004-0000 and other matters within the competence of the shareholders, the Parent amended its Articles as required (Deed 3725 of April 22, 2009, Notary 72, Bogota) and articles were compiled.

- Banco Sudameris Colombia merged Banco Tequendama S.A., which was then dissolved but not liquidated (Deed 6432, June 25, 2005, Notary 29, Bogota).

- Change of name from Banco Sudameris Colombia S.A. to Banco GNB Sudameris S.A. authorized to use the name Banco GNB Sudameris or Sudameris S.A. (or omitting S.A.) without losing its nature as a stock corporation. (Deed 6520, Notary 29 Bogota, June 29, 2005).

- Articles 25(a), 29, 31 and 32 were amended to suppress the appointment of personal alternates for the principal Directors, as required by Article 44 of Law 964/2005 (Deed 4679, Notary 29 Bogota, April 2, 2007).

- The Bank´s parent is Gilex Holding BV, a Netherlands incorporation with registered offices at Herikerbergweg 238, Luna Arena (11001CM), Amsterdam Zuidoost, Netherlands.

The Parent’s registered offices are in Bogota, and operates with a Head Office, 20 branches, 41 agencies, 9 satellite agencies, 8 cash desks and 46 collection points, 4 “superservice points” for public services, 2 payment points, 3 enrolment points, 23 sales points for Payroll Instalment Loans, 1 Premier Center and 1 payment and collection center.

Merger with Banco GNB Colombia

On February 21, 2014, following Superintendency Statement of No-Objection No. 2334 of December 23, 2013, Banco GNB Sudameris S.A., acquired 150,122,727,677 shares of Banco GNB Colombia S.A. (formerly HSBC Colombia), representing 99.94% of its outstanding shares.

Superintendency Resolution 1684 of September 26, 2014 gave a Statement of No Objection to the merger in which Banco GNB Colombia S.A. was merged by Banco GNB Sudameris S.A.

Public Deed 7060 of October 10, 2014 at Notary 13 Bogotá, D.C., recorded the merger of Banco GNB Colombia S.A. into Banco GNB Sudameris and acquired the entire investment in Fiduciaria GNB equivalent to a 99.62% of capital interest.

Banco GNB Sudameris had the majority shareholding in the two trust companies and decided to arrange their merger using the fast-track procedure of Section 56.3 of the Banking Law and Article 172 of the Colombian Commercial Code.

The Superintendency issued a No Objection approval for the proposed merger of the two trust companies in Resolution 1342 on September 29, 2015 in which Servitrust absorbed Fiduciaria GNB

The merger of Fiduciaria GNB into Servitrust was formalized at the Chamber of Commerce on November 20, 2015, with the registration of Deed 3583, Notary 13 of November 18. Fiduciaria GNB was thus dissolved but not liquidated

The merger brought an increase of 12,207 shares of Banco GNB Sudameris on October 10, 2014; and the number of shares outstanding rose to 165,049,441 at par $400 (pesos) each.

The following tables shows the effects from the merger at each group of account level as at October 10, 2014, including effects from eliminations:

	Banco GNB Sudameris Stand Alone	Banco GNB Colombia Stand-alone l	Banco GNB Sudameris Merged
ASSETS	**$ 13,998,347**	**1,375,011**	**15,284,247**
Cash and due from banks	894,593	76,755	971,348
Money market asset positions	1,499,831	0	1,499,831
Investments	5,053,177	566,039	5,383,609
Loans and financial leasing operations	5,971,062	632,849	6,603,911
Acceptances, spot operations and derivatives	1,063	125	1,188
Accounts receivable	122,300	22,890	145,190
Foreclosed assets	5,661	0	5,661
Property and equipment	90,919	17,923	108,842
Other assets	273,468	36,956	394,218
Revaluations - gains	149,440	21,473	170,913
Revaluations - losses	63,168	0	466
LIABILITIES	**$ 12,773,929**	**1,200,437**	**13,974,366**
Deposits and demand accounts	10,581,753	835,387	11,417,140
Money market liability positions	32,847	200,000	232,847
Bank acceptances and derivatives	2,376	204	2,580
Bank loans and other financial obligations	842,894	55,754	898,648
Accounts payable	110,235	19,261	129,496
Long-term debt	1,129,128	50,000	1,179,128
Other liabilities	25,604	15,237	40,841
Estimated liabilities and provisions	49,092	24,594	73,686
STOCKHOLDERS´ EQUITY	**$ 1,224,418**	**174,574**	**1,309,881**
Capital	66,015	191,152	66,020
Reserves	965,066	392	965,065
Surplus / deficit	89,694	21,584	173,980
Results of previous periods	0	(39,727)	0
Profit for the period	103,643	1,173	104,816
INCOME	**$ 1,078,730**	**5,875**	**1,084,605**
Operating	1,064,386	5,833	1,070,219
Non-operating	14,344	42	14,386
COSTS AND EXPENSES	**$ 975,085**	**4,704**	**979,789**
Operating	947,799	4,632	952,431
Non-operating	4,974	72	5,046
Income tax	22,312	0	22 312

Servivalores GNB Sudameris S.A.

Securities broker incorporated by Deed 767 of March 14, 2003 (Notary 11, Bogotá). Its business is to trade securities listed in the Bogotá Stock Exchange (BVC). The Financial Superintendency licensed it in Resolution

133 of March 11, 2013. It trades for its own account, manages customer funds, acts as a broker and finances securities purchases, amongst other things.

On June 28, 2010 Banco GNB Sudameris S.A. completed the purchase of 4,217,038 shares of Nacional de Valores S.A. Comisionista de Bolsa, equivalent to 90.1% of its outstanding shares. The Superintendency and the BVC approved this transaction.

Since Banco GNB Sudameris S.A. is the majority stockholder of Servivalores GNB Sudameris S.A., owning 94.9% of its outstanding shares and of Nacional de Valores S.A. owning 90.1% of its outstanding shares, a decision was made with the minority shareholders to promote a merger between the two in a short-form procedure with advance notice.

Superintendency Resolution 1871 of September 22, 2010 issued a Statement of No Objection to the merger of Servivalores GNB Sudameris S.A. with Nacional de Valores S.A. and this was formalized in Deed 3299, Notary 6, Bogotá on October 1, 2010.

Servitrust GNB Sudameris S.A.

Is a private corporation incorporated by Deed 3873 of July 10, 1992 Notary 18, Bogota. It is a general trust company in the financial services sector, and may undertake any business permitted by local regulations.

Sociedad al Servicio de la Tecnología y Sistematización Bancaria Tecnibanca S.A. – Servibanca S.A.

Is a Colombian stock corporation in the business of automation and modernization of banking and financial services and operations to provide, dispense, pay and clear cash etc.- the administration and operation of one or more low-value payments system. Superintendency Resolution 872 of May 25, 2006 required organizations engaged in low-value payment systems to adopt the Uniform Plan of Accounts (PUC) of Resolution 3600/1998.

Servitotal GNB Sudameris S.A.

Is a stock corporation incorporated by Deed 7177 of December 26, 2012 Notary 13, engaged in technical and administrative services, IT service and services such as the definition, analysis, design, construction, configuration, certification, testing, implementation, support and maintenance of software and hardware for ICT.

This subsidiary is not consolidated because it has not yet commenced operations.

Subsidiaries in Colombia have the following staff:

Subsidiaries in Colombia	Number of Employees	
	Payroll	Temporary
SERVITRUST GNB SUDAMERIS	62	12
SERVIBANCA	73	4
SERVIVALORES GNB SUDAMERIS	12	0
TOTAL	**147**	**16**

Subsidiaries outside Colombia

Colombian Superintendency Letter 2014002611-080 of July 8, 2013 authorized Banco GNB Sudameris S.A. (the Parent) to acquire the shares of HSBC Bank Peru S.A., HSBC Bank Paraguay S.A. And HSBC Bank Uruguay S.A. Peruvian Superintendency letter SBS 5378-2014 of September 6, 2013 and Banco Central de Paraguay Resolution 19 (Minute 74) of October 24, 2013 clarified by Note SBSG 01484/2013 of November 7, 2013, authorized the acquisitions of the shares of the HSBC banks in Peru and Paraguay, respectively.

The Parent therefore, on October 4 and November 29, 2013 proceeded to acquire HSBC Bank Perú S.A., now Banco GNB Peru, and HSBC Bank Paraguay S.A., now Banco GNB Paraguay S.A. with 670,551.999 and 3,016 shares, respectively, representing 99.99% and 99.96% of their respective outstanding shares and a provisional certificate.

Acquisition of subsidiaries outside Colombia

The following were the balances acquired in the above operations:

	Banco GNB Perú S.A. (1)			Banco GNB Paraguay S.A. (2)		
Description	**Balance in New Soles 04-oct-13 a**	**New Soles/USD X-rate 04-oct-13 b**	**Acquired in USD equivalent a / b**	**Balance in Guaraníes 29-nov-13 c**	**Guaraní/USD X-rate 29-nov-13 d**	**Acquired in USD equivalent c / d**
Assets	S/, 4,171,069,321	2,779	USD 1,500,924,549	Gs, 3,292,161,804,444	4,422,000	USD 744,496,111
Liabilities	3,772,852,346		1,357,629,488	2,997,410,663,689		677,840,494
Equity	S/, 398,216,975		USD 143,295,061	Gs, 294,751,140,755		USD 66,655,618

(1) Banco GNB Peru S.A.

This is a Peruvian financial institution incorporated by a Public Deed 22 of November 30, 2006 Notary Zumilda A. Narvaja, registered as No. 11877589 in the Lima Business Register; it was authorized to operate as a “multiple bank” by Superintendency Resolution SBS 537-2006 of April 28, 2006.

The Parent´s operations are basically financial intermediation as permitted to “multiple banks” regulated by the Superintendency under the Parenting Law (No. 26702), which is the statute regulating private banking and insurance activities. The Bank is licensed to take deposits from the public and invest them and its own capital in loans and securities, to grant guarantees by endorsement and sureties, engage in financial leasing operations, financial intermediation, banking services and other activities allowed by local regulations.

The Bank began trading as HSBC Bank Peru S.A., as part of HSBC´s plan to expand in the region. After a global review of May 11, 2012, HSBC announced the sale of the subsidiaries in Colombia, Peru, Paraguay and Uruguay to Banco GNB Sudameris S.A.

On October 4, 2013 Banco GNB Sudameris acquired 99.99% of the HSBC Bank Peru S.A. (now Banco GNB Perú S.A.)

With the authorization of Superintendency Resolution SBS 5386-2013, a General Meeting of April 16, 2013 changed the name from HSBC Bank Peru S.A. to Banco GNB Peru S.A.

The registered offices of the Parent are at Calle Begonias 415 p. 26 Urbanización Jardín, San Isidro, Lima. At December 31, 2015 it had a Head Office, 18 Agencies in Lima and the provinces. On December 31, 2015 it had 668 contract staff and 1 temporary employee.

(2) Banco GNB Paraguay S.A.

This is a Paraguayan stock corporation which started operations in 1920 as the first international bank in the country, a branch of Banco de Londres y Rio de la Plata. In 1985 it became the Paraguay Branch of Lloyds Bank, and subsequently the Paraguay Branch of Lloyds TSB Bank in 2000. The operation was acquired by HSBC in 2007 and became HSBC Bank Paraguay S.A. On November 29, 2014, after receiving regulatory approvals, Banco GNB Sudameris acquired 99.96% of the outstanding shares.

The Paraguayan Central Bank issued Resolution 19 in Minute 74 of October 24, 2013, authorizing the change of name to Banco GNB Paraguay S.A., and the change was agreed at an Extraordinary Meeting of Shareholders on November 29, 2013 (Minute 12)

The Paraguayan Banking Law (Law 861) and regulations (and the Civil Code as otherwise applicable) permit banks to take in local and foreign currency sight and term savings and checking account deposits, place notes and bonds in local and foreign currencies and issue negotiable term deposit certificates; they may discount, buy and sell term trade bills and grant loans, etc. – all as locally regulated.

At December 31, 2015 the Parent has a Head Office and 6 agencies in Asunción and in the provinces. There are 200 contract staff and 63 outsourced staff.

At December 31, 2015 and 2014 and January 1, 2014, the assets, liabilities, equity and results of the Parent and Subsidiaries, and the Parent´s interest in the latter, were as follows:

DECEMBER 2015	BANCO GNB SUDAMERIS	SERVITRUST S.A	SERVIBANCA S.A	SERVIVALORES S.A.	BANCO GNB PARAGUAY	BANCO GNB PERU	NET ELIMINATION	CONSOLIDATED FIGURES
ASSETS	$ 19,752,560	$ 58,518	124,494	43,435	2,628,764	4,629,799	(1,060,121)	26,177,448
LIABILITIES	$ 18,426,839	$ 11,791	40,037	12,399	2,340,473	4,083,089	(202,970)	24,686,815
EQUITY	$ 1,325,721	$ 46,727	84,457	31,036	288,291	546,710	(85,151)	1,490,633

Parent interest in subsidiaries	97.33%	88.50%	94.99%	99.96%	99.99%
Gilex Holding B V interest in subsidiaries	3.02%				

DECEMBER 2014	BANCO GNB SUDAMERIS	SERVITRUST S.A	SERVIBANCA S.A	SERVIVALORES S.A.	FIDUCIARIA GNB S.A.	BANCO GNB PARAGUAY	BANCO GNB PERU	NET ELIMINATION	CONSOLIDATED FIGURES
ASSETS	$ 17,602,149	36,171	114,312	38,905	33,031	1,861,782	3,417,637	(738,418)	22,365,771
LIABILITIES	$ 16,404,168	14,490	44,397	7,735	10,327	1,667,833	3,116,928	(166,308)	21,091,732
EQUITY	$ 1,197,981	21,431	69,915	31,171	22,704	183,949	300,709	(572,110)	1,274,039
Parent interest in subsidiaries		34.89%	88.50%	94.99%	96.69%	99.99%			
Gilex Holding B V interest in subsidiaries		3,02%							

JANUARY 2014	BANCO GNB SUDAMERIS	SERVITRUST S.A	SERVIBANCA S.A	SERVIVALORES S.A.	BANCO GNB PARAGUAY	BANCO GNB PERU	NET ELIMINATION	CONSOLIDATED FIGURES
ASSETS	$13,862,289	45,782	109,652	33,731	1,411,035	2,567,356	(374,966)	$17,654,879
LIABILITIES	$12,782,850	27,106	49,457	1,776	1,287,513	2,228,886	(24,118)	$16,383,105
EQUITY	$1,079,439	18,676	60,195	31,955	123,522	338,470	(350,848)	$1,271,774
Parent interest in subsidiaries		94.89%	88.50%	94.99%	99.96%	99.99%		
Gilex Holding B V interest in subsidiaries		3.02%						

Excess of cost of the investment over book value

Upon elimination of investments in Subsidiaries against their equity, there is an excess of investment cost over book value as follows:

INVESTMENT	EXCESS
Banco GNB Perú S.A.	$ 161,135
Banco GNB Paraguay S.A.	20,629
Servitrust GNB Sudameris	11,374
Servivalores GNB Sudameris	6,122
Servibanca	31,311
HSBC	15,756
TOTAL	**$ 246,327**

2. Basis of Preparation

a) Compliance Statement

The consolidated Financial Statements of the Bank and its Subsidiaries included herein have been prepared in accordance with Accounting and Financial Reporting Standards accepted in Colombia (Colombian IFRS) as required by Law 1214/2009, regulated by Decree 2420/2015, as amended by Decree 2496/2015 and Decree 2131/2016. COL-IFRS are based on International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and which were in effect and officially translated into Spanish as at December 31, 2013, except for the specific requirement of the Superintendency of Finance to record directly in Other Comprehensive Income the difference between the loan impairment losses determined as required by

International Accounting Standard (IAS) 39 and the impairment provision determined as required for the separate financial statements based on specific rules of the Superintendency of Finance. Up to December 31, 2014, the Parent prepared its consolidated Financial Statements in accordance with accounting principles generally accepted in Colombia ("COL-GAAP"). The financial information corresponding to prior periods, included in these Financial Statements for comparative purposes, has been modified and is presented here in accordance with the new technical standards. The effects of the changes between COL-GAAP applied up to the close at December 31, 2013 and IFRS are explained in detailed reconciliations in Note 28. The Statutory Auditor has given an unqualified opinion for this on March 4, 2015.

The Financial Statements were authorized by Board of Directors and Legal Representative on April 14, 2016, be presented to the Annual General Meeting for approval or amendment.

For legal purposes in Colombia, the principal Financial Statements are the Separate Financial Statements.

b) Basis of measurement

The consolidated Financial Statements are prepared on a historic cost basis, except for the following items included in the Statement of Financial Position.

- Derivatives are measured at fair value;
- Financial instruments of fair value with changes in results are measured at fair value;
- Investment properties are measured at fair value; and
- For employee benefits, the assets for the benefits defined is recognized as a net total of the assets of the plan, plus the cost of unrecognized past services; and actual and unrecognized actuarial losses, less unrecognized actuarial gains and the present value of the obligation for defined benefits

c) Consolidation of controlled entities

Subsidiaries are considered to be entities over which the Parent and its Subsidiaries have the ability to exercise control, and this ability is usually but not always manifested through direct or indirect ownership, of at least 50% the interest in the associated entities, or indeed, if the interest is lower or nil, if as in the case of shareholder agreements for the same, the Bank and its Subsidiaries are awarded that control. Control exists where the Parent and its Subsidiaries are exposed, or have the right to variable yields originating from their involvement in the entity in which there is an interest, and they have the capacity to influence those yields, or through their power over it. Therefore, the Parent and its Subsidiaries control entities in which they have an interest if and only if all the following elements are present:

- Power over the investment
- Exposure or rights to variable yields derived from the interests in the entity
- The capacity to affect those yields through its power over the entity in which the interest exists.

The Parent re-assesses its Subsidiaries with regard to changes of control, to see whether there are events or circumstances which indicate that there are changes to one or more of the three elements of control indicated. In accordance with IFRS 10, at December 31, 2015, the Parent and its Subsidiaries reassessed the conclusion of control for its associates.

In the consolidation process, the Parent and its Subsidiaries combine the assets, liabilities and results of the entities in which control has been determined, after homogenizing accounting policies. This process also involves the elimination of reciprocal operations and unrealized profits between them.

Non-controlling interests in controlled entities are presented in the equity section separately from the equity of the Parent´s shareholders.

Colombian domestic entities in which the Parent has the capacity to exercise control are the following

NAME	No. of SHARES	HOLDING %
Servitrust GNB Sudameris	12,961,996	97.33%
Servibanca S A	21,793,417	88.50%
Servivalores GNB Sudameris	2,661,324	94.99%
Servitotal GNB Sudameris S A	474	94.80%

The following are entities outside Colombia in which the Parent has the capacity exercise control

NAME	No of SHARES	HOLDING %
Banco GNB Perú	467,920,159	99.99%
Banco GNB Paraguay	5,200	99.96%

d) Noncontrolling interest.

Noncontrolling interests represents the portion of profits, losses and net assets, in which the Parent and its Subsidiaries are not the direct or indirect owners. This information is presented separately in the Consolidated Comprehensive Statement of Other Results for the Period, and is included in the equity section of the Consolidated Statement of Financial Position, separately from the shareholders´ equity.

e) Functional currency and currency of presentation

The primary activity of the financial conglomerate of Banco GNB Sudameris and its affiliates is lending to customers in Colombia, principally concentrated on the business of payroll the agreements, in which it is a market leader, the granting of loans to customers abroad through its international affiliates, in addition to the investment in securities issued by entities which may or may not be registered on the Colombian National Securities Issuer Register (RNVE) in Colombian pesos. This also refers to investments in securities issued abroad and listed on one or more internationally recognized securities exchanges, bonds issued by multilateral lenders, foreign governments, or public agencies.

As a result, the Parent´s management considers that the Colombian peso is its functional currency and currency of presentation, taking account of the fact that it is the currency that represents economic effects of operations, events and underlying conditions of the Parent with the greatest fidelity.

f) Use of estimates and judgment

The Parent and its Subsidiaries make estimates and suppositions which affect the amounts recognized in the Financial Statements and the carrying value of assets and liabilities during the following accounting period. Judgment and estimates are continuously evaluated, based on the experience of the Parent and other factors including expected future events which are believed reasonable.

The Parent also makes judgments in addition to those which involve estimates in the process of applying accounting policies. The judgments which have the most important effect on the amounts recognized the Financial Statements, and estimates which may cause a major adjustment in the carrying value of assets and liabilities in the following year include:

i) Financial instruments

For the preparation of the Bank’s consolidated financial statements the allowances for loans impairment losses are calculated following IAS 39 “Financial Instruments: Recognition and Measurement.” However, following the instructions of the Superintendency of Finance the difference between provisions made in the separate financial statements of each entity, calculated in accordance with the Superintendency´s rules, described above, and allowance for loan impairment losses made in accordance with the terms of this section are recorded and charged to the OCI in the Equity section not to profit or loss as provided in IAS 39.

Under IAS 39, the Bank and its subsidiaries evaluate whether there is objective evidence that a financial asset or group of financial assets measured at amortized cost has been impaired. This objective evidence includes: important financial difficulties related to the issuer, failure or delay in payment of interest and principal, restructuring of a loan, or acceleration of the terms where the Bank and its Subsidiaries do not consider that a borrower or issuer is bankrupt; disappearance from active market or observable data in relation to assets such as adverse changes in the conditions of payment of the borrower, or local economic conditions which are correlated with failures to repay the Bank's assets. If there is objective evidence of impairment, an allowance is calculated.

The Bank and its Subsidiaries individually evaluate financial assets in the form of investments and loans that they consider significant, analyzing the profile of each debtor, guarantees given, and reports from credit bureaus, Financial assets are considered to be impaired when, based on information and current or past events, it is probable that the Bank and its Subsidiaries may not recover all the amounts due in the under the original contract, including interest and commissions agreed, Where a financial asset has been identified as impaired, the amount of the loss is measured as the difference between the present value of future cash flows expected in accordance with the conditions of the debtor, discounted at the original originally-agreed contractual rate, or the present value of the collateral backing the loan, less the estimated cost of sale, when it is determined that the basic source of collection of the credit is that guarantee, and the book value of the loan.

For loans individually not considered significant, and for the portfolio of individually significant loans which in the individual analysis described above are not considered to be impaired, the Bank and its Subsidiaries make a collective evaluation of impairment, grouping together portfolios of financial assets by segments with similar characteristics, using statistical techniques of evaluation based on an analysis of historic losses in order to determine the estimated percentage of losses incurred on those assets at the date of the Statement of Financial Position; in other words, they have not been individually identified (please see note 4 for further details, of the manner of calculating the collective provision).

Once a financial asset or group of similar financial assets in the object of a provision as a result of an impairment loss, interest income continues to be recognized using the original contractual rate of interest for the loan, on the book value of the loan, net of the allowance recorded.

For equity instruments with changes in OCI, a significant or prolonged reduction in the fair value of the instrument below its cost is considered to be objective evidence of impairment, Impairment losses previously recognized in the consolidated statement of income are not reversible. Any increase in the value subsequent to an impairment loss is recognized in "OCI".

Impaired financial assets are derecognized from the Statement of Financial Position, and charged allowances, when considered unrecoverable, Recoveries of financial assets previously written off are recorded as a credit to profit or loss.

ii) Impairment of loans and financial assets measured at amortized cost:

The Banks and Subsidiaries regularly evaluate their loans and financial assets measured at amortized cost to verify whether there was objective and fair evidence to recognize impairment, and charge them to Results for the Period.

This evaluation may include historic analysis of the trends in the loan portfolio, the system of classification of risk classification by levels, and an individual identification of impairment, as well as an analysis of inherent risk by class of loan. Further, an estimate to make the best calculation for the amount and timing of maturities of future cash flows, is made in order to reduce the difference between estimated loss and that actually incurred.

Investment impairment

The Parent and Subsidiaries calculate investment impairment by making judgments based on financial information of the issuer's, the review of the of credit quality, and other macroeconomic variables, to produce an internal classification. This specification is reviewed against that given by the risk rating agencies, for investments which are included by them. Where there is the probability of impairment, an estimate is made of provisions to be charged in accordance with chapter I-1 of the Colombian Superintendency´s Basic Financial and Accounting Circular, in the percentages given in subsection (d) Financial Instruments, in these notes.

iii) Fair value of derivatives, including hedge accounting

Information on fair values for Level-2 financial instruments are disclosed in Note 5. The determination of fair value and evaluation of financial instruments are determined in accordance with the three-level hierarchy of fair value, which reflects the importance of the inputs used in measurement. The determination of what is considered "observable" require significant judgment by the Parent and Subsidiaries.

The Parent and Subsidiaries consider observable data to be those available in the market and already available, which are distributed or updated regularly, and verifiable and reflect suppositions which market participants would use in setting the price of an asset or liability.

g) Income tax

i) Current Tax

This is the amount paid for income and related taxes and the equity tax CREE, calculated on the basis of current Colombian tax regulations for the period for which the Financial Statements are presented. The Bank calculates the tax liability as current in accordance with published rates, and this amount is regularly reviewed along with the calculation for the provision for each tax based on taxable profit, or presumed income.

ii) Deferred tax

The Parent evaluates the incidence of timing differences for the deferred income tax asset. This represents income text which is recoverable through future deductions from taxable profits, and is recorded in the Statement of Financial Position. Deferred tax assets are recoverable over the time that the related tax benefits are probable. The future tax revenues, and the amount of tax benefits which are probable for the future are based on mid-term plans in accordance with it management expectations of the conglomerate, thought fair in the circumstances.

At December 31, 2015 and 2014 and January 1, 2014 the Parent and Subsidiaries estimate that the deferred tax asset items are recoverable as a function of estimated future taxable profits. The deferred tax liabilities are recognized with regard to timing differences associated with undistributed profits in the Subsidiaries, except where the Parent controls the dividend policy of the Subsidiary, and it is probable that the difference will not be reverted in the foreseeable future. See Note 16.

h) Estimated litigation costs

The Parent estimates provisions against the results of litigation, in order to cover possible losses due to labour, civil, commercial, and tax claims, and others depending on circumstances, which in management´s opinion, supported by the opinions of external legal advisers where circumstances justify it, are considered to be probable losses, and can be reasonably quantified. Given the nature of the claims, cases or proceedings, it is not always possible to make a an accurate forecast to quantify the amount of loss reasonably, and for that reason, the differences between the real amount of disbursements actually made and the estimated amounts originally provided are recognized in the period in which they are identified.

i) Employee benefits

The measurement of "pensions and other long-term liabilities" depend largely on a variety of premises and long-term suppositions, determined on actuarial basis. This includes estimates of the present value of future payments projected for benefits, considering the probability of potential future events, such as minimum salary increases and demographic experience. These premises and suppositions may have an effect on the amount of future contributions, if any such variation should occur.

The discount rate allows future pension cash flows to be brought to present value on the measurement date. The Parent determines a long-term rate which represents market rate for fixed-yield investments or government bonds, which is denominated in the currency in which the benefit will be paid; it also considers the timing and amount of payment of future benefits, for which the Parent has selected the government bond rate.

Benefits to key employees.

It should be noted that the Parent does not have a benefit plan applicable to key senior management other than that which is applied to all employees which who are not part of the current collective bargaining agreement.

3. Significant accounting policies

The principal accounting policies described below have been consistently applied for all periods presented, and in the preparation of the Opening Statement of Financial Position made for the purposes of transition to COL-IFRS.

a) Foreign currency

i. Foreign currency operations

Financial operations are converted into Colombian pesos at the prevailing rate on the date of the operation. Monetary assets and liabilities in foreign currency are converted to the functional currency using the exchange rate prevailing on the closing date for the Statement of Financial Position, and non-monetary assets in foreign currency and measured at a historic rate of exchange. At December 31, 2015 the rate was $3,149.47 (pesos), at December 31, 2014 it was $2,392.46 (pesos), and at January 1, 2014 it was $1, 926.83 (pesos).

Exchange differences arising conversion are in general recognized in results. However, exchange differences arising from conversion in the following items are recognized in Other Comprehensive Results.

- Financial liabilities designated as hedging investments (net) in an operation abroad, provided that hedging is effective;
- Hedging of qualifying cash flows, provided that hedging is effective

ii. Operations outside Colombia

The assets and liabilities of operations outside Colombia are converted into pesos at the exchange rate of the date of the Statement of the Financial Position. Income expenses from operations outside Colombia are converted to pesos at the average exchange rate

iii. Hedging in business outside Colombia

Hedge accounting is applied to exchange differences originating between the functional currency and the foreign operation, and the functional currency of the controlling entity.

Exchange differences which arise upon conversion of designated hedging investments of a net investment in business outside Colombia are recognized in Other Comprehensive Results to the extent that hedging is effective, and is recorded in the Equity Conversion Reserve. To the extent that hedging is not effective, these differences are recognized in results. Where part of the hedging of the net investment is eliminated, the amount recognized in Other Comprehensive Results is transferred to results as part of the profit or loss.

b) Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other short-term investments in active markets with maturities at three months or less. For a financial investment to the class as a cash equivalent, it must be held in order to comply with short-term payment commitments, rather than for investment purposes or similar. It must be easily convertible into a defined amount of cash, and must be subject to an insignificant risk of changes in value.

c) Financial instruments

Investments are classified in accordance with the business model defined, as approved by the Parent´s Board of Directors. Investments are classified as financial investment and assets at fair value with changes in results, or financial investments assets at amortized cost with changes in results

i. Financial asset investments

This includes investments acquired by the Parent in order to maintain a secondary liquidity reserve, or to acquire direct or indirect control of a financial or service sector entity, or to comply with legal or regulatory provisions, or with the sole object of eliminating a market risk to which assets, liabilities or other items in the Financial Statements are exposed.

The Parent values most of its investments using information supplied by the Price Provider INFOVALMER. The Price Provider provides inputs for the valuation for investment valuation (prices, rates, curves, margins, etc.), and has methodologies for the valuation of investments approved in the terms of Decree 2555/2010, and the instructions of the Superintendency's Basic Legal Circular.

Investments in shares in which the Bank holds less than 20% are valued on an equity basis in the Opening Statement of Financial Position, and in transition (2014), because the was no valuation available from the Price Provider.

In November 2015, and offer was made for the shares in CIFIN, which moved the market, and as a consequence INFOFALMER made an evaluation of these investments which the Bank recorded as "with changes with results".

The following is the form in which the various types of investment are classified, valued and recorded in accordance with the Parent´s business model.

Financial assets investments at fair value with changes in results.

Characteristics	Valuation	Recording
Portfolio to manage fixed and variable yield others than shares for the principal purpose of obtaining profits, as a product of variations in market prices of the range of instruments, and activities in securities purchases and sales. Gives rise to asset purchases and sales.	Investments represented in securities in debt securities, to the value of the basis of the price set by the Price Provider. Depending on the level of fair value at which highest priority is given to quoted prices, and a lower priority where there is no observable data in the market- Level I: prices quoted on active markets Level II: Price is calculated on the basis of observable data in the markets. Level III. Prices calculated on the basis of data not observable in the market but which are reflected through suppositions of the best estimate at an exit price on the measurement date. In exceptional cases in which no determined fair value exists on valuation date, the securities are valued exponentially based on their IRR. The procedure is conducted daily. Participation in unit funds, private capital funds, hedging funds, mutual funds, and others, and securities issued in the course of securitization processes are to be valued taking account of the value of the unit calculated by the management company on the day prior to the valuation date.	The recording of these investments is to be made in the "investments at fair value with changes in results " of the single catalogue of financial information for supervision purposes. The difference arising between the present fair value and the preceding one is recorded as an increase or decrease in the investment, affecting Results for the Period. This procedure is conducted daily.

	Nonetheless, participations in unit funds, private capital funds, hedge funds, exchange funds, mutual funds, and others, which are listed in exchanges marking a secondary market price, are to be valued in accordance with the above procedure	
Financial Asset Investments at Amortized Cost with Changes in Results		
Held to maturity. Securities for which the Bank has a purpose and legal and contractual, financial and operating capacity to maintain through to maturity or redemption, taking account of the fact that the structure of eligible financial instruments for this portfolio implies only payment of principal and interest. With regard to these investments, money market operations they may not be used in money market operations (repos, simultaneous and temporary transfers), unless these are mandatory investments or investments subscribed in the primary market, and provided that the counterpart is Banco de la Republica, the Finance Ministry, or the Colombian Treasury, or entities under Superintendency supervision. At the same time, the these securities may be delivered in guaranteed to a Central Counterpart Risk Clearing House, in order to support performance of operations accepted by it for clearing and settlement and/or as a guarantee of money market operations.	The amortized cost of the financial asset is the initial measurement of the assets less repayment of principal, plus or less accumulated amortization calculated using the effective interest method for any difference between the initial amount and the repayment amount at maturity, and less any decrease due to impairment of value or recoverability. This procedure is conducted daily	The accounting of these investments is made in the account “Investments at Amortized Cost”, using the Single Catalogue for Financial Information for supervisory purposes (CUIF). The present value is recorded as an increase to the value of the investment affecting Results for the Period. Yields receivable on pending collection are recorded as an increased value of the investment. Therefore, the collection of these yields is to be recorded as a reduction in investment. The procedure is conducted daily.

ii. Investment repurchase rights

This line corresponds to investments representing collateral for commitments to repurchase investments. With regard to these investments, the Parent retains the right economic rights and benefits associated with the security, and also retains its inherent risks, even if it transfers legal ownership when entering into a money market operation.

- The securities continue to be valued daily and recorded in the Statement of Financial Position or Results, depending on the methodology and procedure applicable to investments at fair value with changes in results.

iii. Investments delivered in guarantee

- Investments in debt securities are delivered in guarantee to back settlement the operations accepted by a Central Counterpart Risk Clearing House, for offset and settlement.

The securities are valued daily and recorded in the Statement of Financial Position or Results depending on the applicable methodology and procedures for the category in which he securities were held prior to delivery in guarantee.

iv. Derivatives

In accordance with IAS 39, a derivative is a financial instrument or other contract whose value changes over time in response to changes in an underlying variable (specific interest rate, the price of a financial instrument, the price of raw materials quoted, and exchange rate for a foreign currency, etc.). No initial net investment is required, nor is an investment lower than that required for other types of contract in which a similar response can be expected to changes in market conditions; and they are settled at a future date.

In the course of its operations, the Parent usually deals in financial instrument markets in order to negotiate forwards, futures, swaps, options and spot operations; and hedging operations (forward), which meet the definition of “derivative”.

All derivatives operations are recorded initially at fair value. Subsequent changes in fair value are adjusted by charges or credits to Results, as the case may be, unless the derivative is designated as a hedging instrument, and if so, it will depend on the nature of the item hedged and the type of hedging relationship. The Parent designates hedging derivatives of net foreign currency investment in the terms of its strategy as follows: the portion which is a profit or loss on a hedging instrument which is in turn which is determined to be an effective hedge, is recognized as in Other Comprehensive Results (OCR), and the ineffective portion is recognized in Other Results for the Period. Profits or losses for the hedging instrument accumulated in the equity section are reclassified into Results at the time of disposal of all or part of the business outside Colombia.

The Parent documents the relationship between the hedging instrument and the item hedged at the time of the operation, along with the objective and strategy for risk management to achieve hedging. The Parent also documents its evaluation both at time that the operation commences, and on a recurrent basis, that the hedging is highly effective in offsetting changes in fair value or cash flows of the items hedged.

Financial assets and liabilities for derivatives are offset in the Statement of Financial Position only at the time the legal right to offset the amounts recognized arrives, and the Bank and the Parent has the intention of the assets and liabilities simultaneously, as required by IAS 32.

The Bank documented the relationship existing between the hedging instrument and the item hedged and the objective and strategy and risk management to effect hedging. The Bank also documents its evaluation of the start-date and on a recurrent basis to ensure that the hedging relationship is highly effective in offsetting changes in fair value or cash flows of the items hedged.

Financial assets and liabilities due to derivatives are not offset in the Statement of Financial Position.

Hedging a net investment in a business outside Colombia, including the hedging of a monetary item recorded as part of a net investment under IAS 21, will be recorded in a manner similar to cash flow hedging; where part of the gain or loss in the hedging instrument is considered effective, it will be recognized in Comprehensive Results, and the ineffective part will be recognized in Results for the Period.

d) Loans-impairment

Following IAS 39, the Parent and Subsidiaries Banco GNB Peru and Banco GNB Paraguay evaluate at the end of each period to see whether there is objective evidence that a financial asset or Group them, measures at amortized cost, may come to be impaired. Indicators used to consider that a financial asset has been impaired include significant economic difficulties of the debtor, the probability that the debtor will go into liquidation, or financial restructuring, and arrears of payment.

In order to comply with this rule, the Parent and the Subsidiaries Banco GNB Peru and Banco GNB Paraguay make an individual evaluation of financial assets taken to be considered significant, analyzing the debt profile of each debtor, payment record, and collateral given. Financial assets are considered to be impaired when, based on information and current or past events, it is probable that the Parent and its Subsidiaries Banco GNB Peru and Banco GNB Paraguay cannot recover all the amounts owed to them in the terms of the original contract, including interest and commissions agreed there. When a financial asset has been identified as impaired, losses incurred are quantified taking account of the three basic factors: (i) exposure at default, (ii) probability of default, and (iii) loss given default.

Exposure at Default (“EAD”) is the amount of risk contracted at the time of the counterpart´s failure to pay.
Probability of default (PD) is the probability that the debtor will fail to pay obligations of capital and sexual interest. PD is calculated on the basis of transition matrices for commercial and consumer loans. In the specific case of doubtful accounts, PD is taken as 100%.

Loss given default ("LGD") is the estimated loss when failure to pay occurs. This principle depends on characteristics of the borrower, and the valuation of guarantees or associated collateral.

The value of the loss incurred will be equal to EAD x PD x LGD. The Parent and subsidiaries Banco GNB Peru and Banco GNB Paraguay calculate the loss incurred for 2015 and 2014 in commercial and consumer portfolios using the method mentioned.

For the portfolio of loans not considered significant, the Parent and subsidiaries Banco GNB Peru and Banco GNB Paraguay made a collective assessment, grouping together portfolios of financial assets by segments with similar characteristics, and using the model established by the Colombian Financial Superintendency to assess the estimated percentage of loss on those assets at the closing date.

Losses are recognized in Results, and reflected in the account for provision against loans and advances. The interest on an impaired assets continues to be recognized through the reversion of the discount. If an event subsequently occurs to cause a reduction in the amount of impairment loss, this reduction in the loss is reversed in Results.

The Parent is exposed to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operating Risk

This Note presents information with regard to Group exposure to these risks, and the objectives, policies and procedures which it employs to measure and manage risk, and capital management in the Parent.

Working framework for risk management

The Board is responsible for setting and supervising the structure of Group risk management. The Board has created asset and liability committees (ALCO) and Loan Committees, responsible for developing and monitoring Group risk management policies in specific areas. All the Committees have been formally installed and regulated, and provide General Management of the Parent with regular activity reports.

Group risk management policies are established in order to identify and analyze risks faced by the Parent, and set appropriate limits and risk controls to monitor risk and comply with limits. There are regular reviews of policies and risk management systems to reflect changes in market conditions and the products and services offered. The Parent's regulations and management procedures aim to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Parent's Audit Committee supervises the way in which management monitors policy compliance and the procedures of Group risk management, and reviews whether the risk management framework is appropriate with regard to the risks faced. The Committee is assisted by Internal Audit in its supervisory roles; Internal Audit make also conducts regular and random reviews of controls and procedures and risk management, and results are reported to the Parent´s Audit Committee.

(b) Credit risk

Credit risk is the risk of financial loss faced by the Parent if the counterpart of a financial instrument does not meet its contractual obligations; it originates mainly in loans and advances to clients and other banks and Group investment instruments. For the purposes of risk management reporting, the exercise considers and consolidates all elements of exposure to credit risk (such as the risk of an individual debtor failing to pay, country risk, and sector risk.).

For the purposes of risk management, the credit risk arising from trading assets is managed independently; and information about them is disclosed below.

Market risk related to changes in the value of trading assets, arising from changes in market credit differentials applied to instruments and derivatives included in trading assets is managed as a market risk component. Further information is disclosed in note 4 (d) below.

(e) Non-current Assets Held for Sale

Foreclosed assets received in lieu of repayment of loans, and non-current assets held for sale which the Parent has the intention of selling within not more than one year – and if their sale is considered highly probable - are recorded as “Non-current Assets Held for Sale”, and these assets are booked for the lower of carrying value at the time of transfer to this account, or at fair value less estimated selling costs. If the term expires and the assets have not been sold, they are reclassified into the categories from which they came (Foreclosed Assets, Properties Plant and Equipment, Other Assets).

Foreclosed Assets

The value of assets received by the Parent in lieu of payment of unpaid balances of its loans is recorded in this account. When these assets are represented in real property, they are received for the value of a professional valuation; and if they are movable assets, such as shares or capital interests, the amount is based on the market value.

The following condition is considered when recording foreclosed assets:

The initial recognition of a foreclosed asset is made at the lower of the balance of the loan covered by the asset, and its fair value.

Depreciation and Impairment

The Parent does not depreciate (or amortize) a non-current asset while it is classified as “Held for Sale, “or when it forms part of a Group of assets for disposal, classified as “Held for Sale.” Nonetheless, interest and other expenses attributable to the liabilities of the Group of assets classified as “Held for Sale” continue to be recognized.

The Parent will recognize impairment losses due to initial or subsequent reductions of the value of the asset (or Group of assets) for disposal, in the Statement of Results, down to fair value less selling costs.

The Parent will recognize a gain for any subsequent increase derived from measurement of the fair value of an asset – less selling costs - but not for more than the accumulated loss provision already recognized.

Real property

Impairment of this type of asset is recorded in accordance with the application of the model developed by the Parent and approved by the Colombian Financial Superintendency. The model estimates the maximum expected loss on the sale of foreclosed assets, in accordance with historical figures for recoveries of assets so, the inclusion of expenses incurred in their reception, maintenance and sale; and they are grouped into common categories to estimate the base rate for impairment. This rate is adjusted with by a factor related to the time elapsed since reception, and up to 80% of impairment of the value of the asset for a maximum term of 48 months; nonetheless, if an extension is not requested, or is not granted prior to expiry of the term of two years allowed for disposal, impairment is recorded and adjusted until reaching 80% of the value arrived at after two years.

Movable assets

If it has not been possible to sell an asset within the first year of receipt, an impairment test is conducted to determine whether some percentage of its value should be charged to impairment, gradually affecting acquisition cost. Nonetheless, movable foreclosed assets in the form of investment securities are valued using criteria of recognition, measurement and disclosure which apply to the type of investment set out in the Parent´s accounting policy.

Rules regarding the mandatory term for sale

Foreclosed assets must be sold within one year following the date of reception, but if due to circumstances outside the control of the Parent, this term is extended, the Parent must commit to a sales plan.

Due to local regulations, if this term exceeds two years, the Superintendency's permission must be asked for an extension to dispose of a foreclosed asset, and the request to do so must be presented prior to the expiry of the initial term.

f) Investment properties

According to IAS 40, these properties are described and defined as land or buildings considered as held by the Parent in all or in part to obtain income, to make valuation gains on the asset, or both, instead of to use them for its own purposes.

Investment properties are initially measured at cost, including:

a) Purchase price, including the cost of importation, deductible taxes, after deducting trade discounts;
b) Any cost directly attributable to bring the asset to its location, and conditions required for it to be serviceable.

Some assets may have been acquired in exchange for one or more non-monetary assets, and in this case, the cost of the asset will be measured at fair value, unless:

a) The exchange transaction does not have a commercial nature; or
b) The fair value of the asset received or delivered cannot be reliably measured.

If the asset is classified as Investment Property, and is acquired through financial leasing, the initial cost corresponds the level of fair value and the present value of minimum lease payments, in accordance with IAS 17. The recognition of costs will cease when the element is at its location and in a serviceable condition.

The Parent selected the cost model for subsequent measurement, applying the requirements established in the property, plant and equipment policy.

Depreciation and impairment

Calculations are made for depreciation and impairment of investment properties following the guidelines in the property, plant and equipment policy.

g) Property, Plant and Equipment

Property, Plant and Equipment includes assets owned or leased, which the Parent maintains for current or future use, and expects to use for more than one accounting period.

These assets are recognized at acquisition cost, less accumulated depreciation, and if appropriate, estimated losses resulting for comparing net carrying value of each item with its related recoverable value.

Depreciation is calculated on a straight-line basis, based on the acquisition cost of assets less residual value; it is understood that the land on which buildings are constructed, and other constructions, have an indefinite useful life, and therefore are not the object of depreciation. Depreciation is recognized through a charge to Results, calculated on the following useful lives:

Account	Useful life
Buildings	
Foundations, structure and roofing	50 - 70 years
Walls and division	20 - 30 years
Finish	10 - 20 years
Machinery and equipment Hardware – IT Infrastructure	10 - 25 years
PC Portables	3 - 7 years
Servers	3 - 5 years
Communications	6 - 8 years

Account	Useful life
Equipment for specific extension	5 - 7 years
ATMs	5 - 10 years
Medium/high capacity equipment: generating plant >40 KW/UPS > 30 KVA/Premises air conditioning	10 - 12 years
Generators /UPS/ Air conditioning in offices	5 - 10 years
Furniture and fittings	3 - 10 years
Vehicles	5 - 10 years

The Parent´s criterion in determining useful life of these assets and specifically, for the buildings for its own use, is based on independent valuations.

The costs of conservation and maintenance of property and equipment are recognized as an expense in the period in which they occur, and are recorded as “Overhead”.

Property, Plant and Equipment is initially measured at cost, including:

a) Purchase price, including cost of importation and non-deductible taxes after deducting trade discounts;
b) Any cost directly attributable to bring the assets to its location and conditions necessary for it to be serviceable;
c) Costs of dismantling. This corresponds to initial estimate of the cost of dismantling or withdrawal of the item, and reconditioning of its site.
d) Loan costs. Financing costs related to a serviceable asset, which is one that is necessarily requires a substantial period of downtime prior to being ready for the use for which it is intended, or for sale, are a part of the Results for the Period in accordance.
e) Property, Plant and Equipment are measured at cost less accumulated depreciation and the accumulated amount of impairment losses in value, as applicable.

Derecognition of tangible assets

Carrying value, including the residual value of a Property, Plant and Equipment item, is derecognized when no further future economic benefit associated with it is expected, and profits or losses from this derecognition are recognized in Results for the Period.

Impairment of items of Property, Plant and Equipment

At each accounting close, the Parent analyzes whether there are external or internal indications that a material asset may be impaired. If there is evidence of impairment, the Parent analyses whether there is any effective impairment comparing the net carrying value of the asset with its recoverable value (as the greater between fair value and cost less disposal costs, and value in use). Where the carrying value exceeds recoverable value, an adjustment is made to bring carrying value down to recoverable value, modifying future depreciation charges, in accordance with remaining useful life.

Similarly, where there are indications that the value of the material assets has been recovered, the Parent estimates the recoverable value of the asset and it is recognized in the Results the period, recording the reversion of the impairment loss accounted in previous periods, and adjusting future amortization charges correspondingly. A reversion of an impairment loss on asset may in no case suppose an increase in carrying value higher than that which it would have had if the impairment loss had not been recognized in previous periods.

Leasing Assets

Assets leased by the Banco are classified at the time of the signature of the financial or operating leasing agreement. A leasing operation is classified as financial when substantially all risks and advantages inherent in ownership are transferred. A leasing operation is classified as operational when substantially all risks and advantages inherent in ownership are not transferred. Leasing agreements classified as financial are included in the Statement of Financial Position as “Financial Assets in loans, at amortized cost”, and they are recognized in the same way as other loans granted. Operational leases are included in the account for “Property Plant and Equipment”, and are booked and depreciated in the same way as other items in that class of assets. The Bank is only engaged in operational leases.

Leased Assets

Leased assets are also classified as financial or operating leases when initially received, in the same way as leasing assets described above.

Leasing agreements classified as financial are included in the Statement of Financial Position as “Property Plant and Equipment in Own Use” or “Investment Properties” depending on the object, and they are initially recognized as assets and liabilities simultaneously for an amount equal to the fair value of the asset received under a leasing agreement, or for the present value of the minimum lease payments, if less. The present value of minimum lease payments is determined by using the implied interest rate in the leasing agreement; or, if there is no such agreement, an average interest rate for bonds placed by the Bank in the market is used. Any initial direct cost to the lessee is added to the amount recognized as an asset. The value recognized as a liability is included as a financial liability, and recorded in the same way.

Payments made under operational leasing agreements are recognized in results on a linear basis during the term of the lease of the operation. Incentives for lease payments received are recognized as part of the total expense for leasing during the term of the agreement.

h) Intangible assets

i. Goodwill

According to IFRS 3, goodwill represent the difference between prices paid at fair value for assets and liabilities acquired in a business combination (with some exceptions, in which carrying value is used). According to IAS 38 and IAS 36, goodwill are considered to be of indefinite useful life, and are not amortized. However, the they are subject to an annual review for impairment, and the Parent makes an assessment through an independent expert, and based on that assessment, decides whether there is some impairment; should this be the case, a charge is made to Results. Once in impairment loss is recognized, it is not reversed in subsequent periods.

The Parent took up the exemption from recording goodwill in accordance with transitional standards established in IFRS 1, for the carrying value at January 1, 2014.

ii. Impairment

Dividend flow valuation method is used to test for impairment for each investment generating the effects of goodwill. If the net present value of discounted future flows is lower than carrying value, an impairment is recorded. Any impairment loss will be recognized in the Statement of Results for the Period, and once recognized, it is not reversed in subsequent periods.

iii. Other intangibles

These items are mainly represented by software, measured initially at acquisition cost or at the phase of internal development. Costs incurred in the research phase are charged directly to Results. Subsequent to initial recognition, these assets are amortized over their estimated useful life, which in the case of software is 10 years based on technical opinions and the Parent´s experience.

A finite useful asset life has been defined for licenses, and the cost is amortized over that useful life. Amortization is recognized on a straight-line basis along the estimated useful life. Licenses are amortized over 10 years

i) Financial liabilities.

Financial liabilities are recognized and measured at amortized cost, except for derivatives, which are measured at fair value based on available support on compliance with requirements applicable requirements of IFRS 9.

The amortized cost of financial liabilities in current accounts, savings accounts, term deposits, and bonds outstanding, local currency bonds and bank borrowings are determined based on the face value of the obligation, including expenses caused by interest payable.

Financial liabilities for long-term debt and foreign currency bonds are recognized as a deduction from the liability for transaction costs associated with obtaining the financial liabilities classified as incremental costs. The effective interest rate is recalculated and on that basis the financial expense corresponding to Results for the Period is recognized, except in cases where the liabilities have been designated as hedging instruments, in which case the related accounting principle is applied (see Note 19).

j) Employee Benefits

Following IAS 19 (Employee Benefits), the recognition requires all forms of considerations granted by the Parent in exchange for employee services to be divided into three classes.

i. Short-term benefits

Colombian labour law, and the Parent´s collective-bargaining agreement, and in current discretionary benefits, these items include severance accrual, interest on severance accrual, holidays, service bonus, and discretionary bonuses and subventions, along with contributions to the Social Security System (Pensions and Health), and payroll taxes. Payment of the benefits other than severance indemnities must be made within 12 months of the closing of the period in which the employees have rendered their services. Benefits are accumulated on an accrual basis, and charged to Results.

ii. Post-employment benefits

This type of employment benefit is paid to an employee at the time of termination, or after completing a period of employment (other than indemnities upon severance). The benefits, in terms of Colombian labour law and the collective-bargaining agreement, correspond to retirement pensions (when for account of the Bank, or shared with the State pension fund Colpensiones), and the retirement subvention, which is paid to employees covered by the collective-bargaining agreement, and who have been awarded their old age pension.

The liability for post-employment benefits is determined on the basis of the present value of estimated future payments to be made to employees whose old-age pension has been recognized, calculated on the basis of actuarial studies and made through the projected unit method, using actuarial suppositions and the percentage of cost of living increase, mortality rates, average working life, salary increases, staff rotation and interest rates determined by reference to market yields for Colombian government bonds (TES). Therefore, the expense of these benefits is recognized in the Statement of Results, and includes the cost of the service of the present service allocated in the actuarial calculation plus the financial cost of the liability. Variations in the liability for changes in actuarial assumptions are recognized in the equity section as Other Comprehensive Results (OCR).

It should be noted that the Parent has no asset or insurance policy to attend to the payment of employee benefits.

The Parent does not make payments for employee benefits in the form of shares.

iii. Other long-term benefits

This item includes all employee benefits other than the short-term benefits, subsequent to periods of employment and severance indemnities according to collective bargaining agreements and current regulations: These benefits are basically service bonuses and severance payments made to employees from the regime in force prior to Law 50/1990.

Liabilities for long-term employee benefits are determined in the same way as post-employment benefits, described in (ii) above.

The Parent has no asset or insurance policy designed to attend to payment of employee benefits

iv. Termination Benefits

The termination benefit, or indemnity, is a form of remuneration to be paid to employees as a consequence of:

a) The Bank´s decision to end the contract of employment before normal retirement age; or
b) The employee´s decision to accept termination of the employment relationship voluntarily, in exchange for the indemnity.

It should be mentioned that the Parent has no plans or retirement plans or programs established for its employees. At all events, the statutory indemnity is payable if the decision is made to impose an unilateral decision for termination without cause, as permitted by Colombian regulations, and as established in the collective bargaining agreement.

Termination benefits are recognized as a liability and charged to Results on the earliest of the following two dates:

- When the Parent formally communicates to the employee its decision to terminate; and
- When provisions due to restructuring costs by a Subsidiary or business of the Parent involving termination benefit payments has been recognized.

k) Taxes

i. Income tax

The income tax expense includes current and deferred taxes. These are recognized in the same way as the base which generates it, in the Results for the Period, as part of the revaluation in a business combination, or directly in the equity section.

ii. Current taxes and Equity Tax (CREE)

Current taxes include the expected tax payable or receivable on taxable profits or losses for the year, and any adjustment related to prior years. This is measured using tax rate approved, or in the process of approval and practically completed at the closing date. Current taxes also include any tax due on dividends.

Law 6007/2012 created the Equity Tax – CREE – payable on earned income which could increase equity, without including windfall gains and income not part of taxable income, calculated according to current tax rates.

iii. Deferred tax

Deferred tax is recognized for timing differences arising between the tax bases of assets and liabilities, and amounts recognized in the Financial Statements. These give rise to amounts which may be deductible or taxable when determining the taxable profit or loss corresponding to future periods, and when the amount recorded as assets will be recovered or the liability paid off. However, deferred tax liabilities are not recognized if they arise from an initial recognition of revaluation; nor is deferred tax recognized if its initial recognition is due to an asset or liability in an operation other than a business combination which at the time of the operation does not affect book or taxable profits or losses. Deferred tax is determined using the tax rates in force at the closing date: and they are expected to be applied when the deferred tax asset is realized, or when the deferred tax liability is to be offset.

Deferred tax assets are recognized only to the extent that it is probable that future taxable income will be available to offset the timing differences for which they can be used.

Deferred tax liabilities are recorded for timing differences which are taxable except for deferred tax liabilities on investments in Subsidiaries, associates and joint business, when the timing of the reversion of the timing differences is controlled by the Parent, and it is possible that the timing difference will not be reversed in the foreseeable future. The Parent is usually not in a position to control the reversion of timing differences of investments in associates.

Deferred tax assets are recognized for timing differences deductible from investments in Subsidiaries, associates and joint businesses only to the extent that it is probable that timing difference will be reversed in the future, and that there is sufficient taxable profit against which the timing difference may be used.

Deferred tax assets and liabilities are offset when there is a legal entitlement to do so by matching deferred current taxes against deferred tax liabilities, and where the deferred tax asset and liability deferred tax relate to the same taxation authority and the same entity, or different entities whether it is an intention to offset balances on a net basis.

iv. Wealth tax

Law 1739/2014 created a wealth tax, payable by all entities in Colombia with net assets of more than $1,000 (approximately US$420,000). For accounting purposes in Colombia, the tax may be recorded as a charge on equity reserves in the equity section. The Parent and its Subsidiaries record this amount as a charge to Results.

l) Provisions and contingencies

A provision is recognized if it is the result of a past event, and the Parent has a current obligation, whether legal or implied, which may be reliably estimated, and it is probable that it will be necessary to disburse funds which would otherwise represent economic benefits in order to cancel the obligation.

The amount of the provision is determined on a best-estimate basis, and, when liquidation is expected in the longer term, it is discounted to present value.

Each provision must be used only to cover the disbursements for which they are originally recognized

If the entity has a contract involving a consideration for its account, the present obligations deriving from it must be recognized and measured in the Financial Statements as provisions.

Provisions are regularly updated at least to the closing date for each period, and they are adjusted to reflect the best available estimate at any given time. The updating of provisions to reflect the passage of time is recognized in Results for the Period as a financial expense. The provision is reversed if it is no longer probable that the funds will have to be disbursed to discharge the related obligation.

If there is a change of estimates, these are booked on a prospective basis as changes in accounting estimates, following IAS 8, Accounting Policies - Changes in Accounting Estimates and Errors.

m) Income

Income is measured at fair value for consideration received or to be received, and represents amounts to be collected for goods provided or services rendered, net of discounts returns and value-added tax (IVA). The Parent recognizes income when the amount can be reliably measured, and it is probable that future economic benefits will flow into it, and when it has satisfied the specific criteria for each of the Parent´s activities.

i. Services rendered

The Parent provides a range of service activities. Income from the rendering of services is recognized in the accounting period in which they are rendered, by reference to the stage of completion of the specific operation evaluated on the basis of services actually rendered as a proportion of the total services required. Where services are rendered through an indeterminate number of actions over a specified period of time, ordinary activity income is recognized on linear basis throughout the length of time agreed.

ii. Customer loyalty programmes

The Parent operates a loyalty program, in which customers accumulate points for purchases made, entitling them to redeem points for prizes in accordance with a policy and a prizes plan current at the time of redemption.

Prize points are recognized as an identifiable component, separate from the initial operation, and allocated at fair value for the consideration received between the prize points and other components of the sale, such that loyalty points are initially recognized as deferred income at fair value. Prize points income is recognized in Results for the Period in which they are exchanged.

iii. Commission income

Commissions are recognized as income in the Results for the Period as follows:

a) Banking services commissions, when the services are rendered; and
b) Credit card commissions are recognized and amortized on a straight-line basis over the period to which they refer.

n) Net profit per share

Basic net profit per share of the Parent during the years ended December 31, 2015 and 2014 was calculated on the basis since of the number of outstanding paid shares, corresponding to 165,049,441 for each period. The basic net profit per share for the year in 2015 was $1,190.36 (pesos) and in 2014, $940.27 (pesos).

4. New IASB international accounting pronouncements.

The following is a detail of new accounting pronouncements issued by IASB internationally subsequent to January 1, 2013. They are either already current, or which may have been adopted internationally but not yet in Colombia due to the fact that pronouncements issued in 2013 come into force as of January 1, 2016, and those subsequently issued have not yet been incorporated into the Regulatory Decrees for Law 1314/2009.

The new pronouncements are taken into account from January 1, 2013 onwards.

a) IFRS 9 (Financial Instruments: Classification and Measurement)

This new standard replaces IAS 39, and deals with the classification and measurement and recognition of financial assets and liabilities, the impairment of financial assets and hedge accounting.

IFRS 9 requires that financial assets be classified into three measurement categories: amortized costs, fair value with changes to equity, and fair value with changes to results. The selection of category is made at the time of initial recognition. Classification depends on the business model, for the management of financial instruments and contractual characteristics of the instruments

For financial liabilities, the standard contains a majority of the requirements of IAS 39; however, it includes fair value for credit risk of the business itself in Other Comprehensive Results instead of being recorded in Results.

IFRS 9 incorporates requirements for impairment related to the recognition of expected loan losses on financial assets and commitments to grant credit. From this point of view, it is no longer necessary for a credit event to have occurred in order to recognize impairment losses on financial assets. The entity will always base its analysis on expected loan losses. The amount of the impairment is updated at each close to reflect changes in credit risk since the time of initial recognition, providing more up-to-date information on the impairment of loans.

Hedge accounting defined in IFRS 9 contains requirements which align hedge accounting with risk management, establishing a focus based on hedge accounting principles, and deals with inconsistencies and weakness in the hedge accounting model of IAS 39.

The Bank is evaluating what the impact of the adoption of this standard would be for its financial position.

b) Changes to IFRS 13-Valuation to Fair Value.

IFRS 13 changes the definition of fair value, establishing that it is the price which would be received by selling an asset or a by transferring a liability in an orderly transaction between market participants on the valuation date. Therefore, fair value is an exit price and not an acquisition price, and there may arise initial differences between the amount of the operation of the acquisition of the asset or suppositions on liabilities and their fair value.

IFRS 13 also states that the measurement of fair value of the non-financial asset should consider the capacity of the market participant to generate economic benefits using the assets to their maximum and best use, or for sale to another market participant which would use it to its maximum and best use. Maximum best use is that which would maximize the value of the asset or Group of assets and liabilities in which the asset would be used. The maximum and best use should take account of the use which is physically possible, legally admissible and financially viable. Consideration should be given to the use of the asset from the point of view of market participants, regardless of the fact that the entity may intend to give the asset and another use. In relation to liabilities and equity instruments, the measurement of fair value assumes that the financial or non-financial liability for the equity instrument owned is transferred to the market participant on valuation date. Transfer assumes that:

- The liability remains outstanding and the participant who has taken it up will have to meet the obligation

- The equity instrument remains outstanding, and the participant who has taken it up will this take the rights and obligations associated with the instrument.

Although there is no observable market to determine the price of a liability or equity instrument, there may be an observable market if those items were held by third parties as assets.
If there is no quoted price for an identical or similar liability or equity instrument, but item is held as an asset by third parties, the entity must determine the fair value from the point of view of the market participant that holds the identical asset at the valuation date. This interpretation was effective for annual period starting January 2014. The Bank is evaluating what the impact would be on the adoption with the adoption of this standard on its financial position.

c) Modifications to IAS 36. Impairment of asset values

This amendment was issued in May 2013. As a consequence of the issue of IFRS 13, IASB decided to modify IAS 36, requiring additional disclosures for impaired assets whose recoverable value was fair value less selling costs. Based on this, the Bank would be required to disclose the level of fair value, techniques of valuation used, and the hypotheses applied by management to determine fair values, less selling costs.

Changes to IAS 36 are retrospective and were effective from January 2014 onwards. The Bank is evaluating the impact of adoption of this Standard for the financial position.

d) IFRIC 21-Levies

Issued in May 2013, this interpretation of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" sets criteria for the recognition of a liability, one of which is a requirement that the entity has a current obligations as a result of a past event (known as an "obligating event"). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the continuity of the activity that produces the payment of the levy in the period following that of the generation of income from that activity. In this case, what is meant is that the generation of income in the preceding period is necessary, but not sufficient, to create a present obligation. This interpretation was effective for annual period starting January 2014.

The Bank is evaluating what the impact be of the adoption of this standard on its financial position

Interpretation 21 "Taxes" (issued May 2013 and effective for 2014 onwards)

This interpretation clarifies the accounting of an obligation to pay taxes other than income tax. The obligating event for the liability is the event identified by legislation that causes the obligation to pay the tax. The fact that the entity is economically obliged to continue operating in a future period or to prepare Financial Statements, on the supposition of an ongoing business, does not create the obligation.

The Bank is currently evaluating these pronouncements in order to determine their impact when the pronouncements will become mandatory in Colombia.

e) Changes to IAS 39-Financial Instruments: Recognition and Measurement

This change was issued in June 2013, and states that it is not necessary to suspend hedge accounting if one hedging derivative has been substituted by another, provided that certain criteria are met. Changes to IAS 39 are applied retrospectively, and were effective from January 2014. The adoption of this standard has had no impact on the results of operations or the financial position.

The following changes in interpretations are effective as from January 1, 2016, but are not relevant to the Bank:

f) Income from Contracts with Customers-IFRS 15

IFRS 15 provides a general framework to determine when an entity must recognize income that represents the transfer of goods or services offered to customers for a transaction price which the entity considers will entitle it to receive in exchange for them.

This standard will come into force starting January 1, 2017. Early adoption is permitted, and is applied prospectively. An analysis of the possible impact of the adoption of this standard is process; however, it is not expected that will be any significant impact on the results of operations or the financial position.

g) Change to IAS 27–Separate Financial Statements

Issued in August 2014, this change allows controlling entities to use the equity method to recognize subsidiaries, associates and joint businesses in their Separate Financial Statements. This change takes effect from January 1, 2016; early adoption is permitted and applies retrospectively. The Bank is evaluating what the impact of adoption would be on the financial position.

h) Change to IAS 28- Investments in Associates and Joint Businesses; and IFRS 10- Consolidated Financial Statements

Issued in September 2014, this change resolves current inconsistencies between IFRS 10 and IAS 28, with regard to the recognition of sales or contributions in nonmonetary assets which an investor makes to its associates or joint businesses. The profit or loss on the operation will be recognized by the investor if the nonmonetary efforts assets transferred are “business”, as defined in IFRS 3-”Business Combination”.

These changes come into force from January 1, 2016. Early adoption is permitted and is for forward application. The Bank is evaluating what the impact of adoption of the standard would be on its financial position

5. Fair Value Estimates

The fair value of financial assets and liabilities traded on active markets (as financial but assets in debt securities debt and equity securities, and derivatives actively quoted on exchanges or in interbank markets) is based on quoted market prices at the date of the close.

An active market is a market in which trades for assets and liabilities are conducted frequently, and in sufficient volumes to provide price information continuously.

The Parent makes a daily calculation of the fair value of its derivatives, using price and other input information supplied by the official Price Provider (INFOVALMER). This provider has satisfied the rules applicable to price providers for valuations in Colombia, including its business object, working regulations, process of approval of valuation methods and technological infrastructure required, amongst other elements. The conclusion from an evaluation of the methods of the Price Provider INFOVALMER is that the fair value calculated for derivatives based on their prices and inputs is adequate.

The Parent may use internally-developed models for instruments not traded on active markets. These models are in general based on generally standardized methods and techniques for valuation used in the financial sector. The valuation models are used mainly to value financial equity instruments not quoted on exchanges. Some inputs for these models may not be observable in the market, and the results are therefore estimated on the basis of certain assumptions.

The output from a model is always an estimate or approximation of the value which cannot be determined with certainty, and valuation techniques employed may not fully reflect all relevant factors in the Parent´s positions. Therefore, valuations are adjusted where necessary to allow additional factors-including model risks, liquidity risk, and counterpart risk.

The fair value of non-current assets held for sale and investment properties is determined by independent experts, using replacement costs less demerits.

The hierarchy of fair value has the following levels:

- Level 1 input: Quoted prices are unadjusted quoted prices in active asset or liability markets identical to those which the entity may access at the measurement date

- Level 2 input: Input other than quoted prices included in Level I which are observable for the asset or liability, directly or otherwise

- Level 3 input: Non-observable inputs for assets and liabilities

The level of fair value within which a fair value measurement is justified in its entirety is determined on the basis of the lowest entry-level which would be significant to measure the fair value in its entirety. Therefore, the importance of an entry is evaluated in relation to the measurement of fair value in its entirety. If the measurement of fair value uses observable inputs which require significant adjustments based on non-observable inputs, the measurement is a Level 3 measurement. The evaluation of the importance of particular input for the measurement of fair value in its totality requires judgment, taking account of the specific factors of the asset or liability.

The determination of what is meant by “observable” requires significant judgment by the Parent. The Parent considers “observable data” to be market data which are available, and regularly distributed or updated, and are reliable and verifiable; they have no rights of ownership, and are provided by independent sources which play an active part in the reference market.

BANCO GNB SUDAMERIS – CONSOLIDATED
At fair value
$ million

Financial instrument	**31- Dec-15**	**31-Dec-14**	**1-Jan-14**
Investment	5,354,149	5,596,291	5,278,134
Loans	12,832,919	11,047,000	8,273,315
TD’s	8,171,084	7,225,278	4,135,476
U.S. bonds	1,697,639	1,377,467	1,062,120

Measurement of fair value on a recurrent basis

These items are measurements which IFRS accounting standards require or permit in the Statement of Financial Position at the end of each accounting period.

The Parent has determined that financial assets and liabilities measured at fair value are classified as Level 2, as seen below:

December 31, 2015	**Fair values calculated using internal models**		**Effect of reasonable assumptions on fair value**	
Assets				
FAIR-VALUE MEASUREMENTS RECURRENT	**LEVEL 2**	**TOTAL**	**Valuation technique For Level 2**	**Principal Input date**
Investments in debt securities at fair value				
Colombian sovereign issues or guarantees	3,337,786	3,337,786	Interest rate	Transaction systems
Issued or guaranteed by other institutions	43,256	43,256	Interest rate	Transaction systems
	3,381,042	**3,381,042**		
Equity investments				
Trading derivatives				
Currency forwards				
Interest rate swaps	(51,985)	(51,985)	Interpolation	Interest rate
Investment properties at fair value				
TOTAL ASSETS AT FAIR VALUE	**3,329,057**	**3,329,057**		

To determine the hierarchical level of fair value, an evaluation is made for each instrument following information of the type of calculation reported by INFOVALMER, the expert criterion of the Front Office and the Middle Office, who will give an opinion taking account of factors such as continuity in the publication of historic prices, amount of amounts in circulation, the recording of operations undertaken, the number of price contributors as a measure of depth, market knowledge, constant quotations by one or more counterparts for the specific security, bid/offer spreads, etc.

The Colombian Superintendency approved methodologies for price providers require them to receive information from all external and internal sources of trading, information and recording within certain established working hours.

The commonest methods applicable to derivatives valuations are the following:

Currency forwards: the provider publishes curves assigned to match the currency of origin of the underlying security. The curves become the nominal rates for periods in arrears associated with exchange forwards.

Bond forwards: the determination of a forward valuation to a defined date calculates the theoretical future value of the bond based on the price at valuation date and the country-risk-free reference rate for the underlying security. Then, the present value of the difference between the theoretical future value and agreed price of the bond in a forward contract is obtained using the country-risk-free discount rate of reference for the underlying security over the days to maturity.

Swaps: the provider publishes curves assigned in accordance with the underlying security, base swap curves (exchange of payments associated with variable interest rates), domestic and foreign curves, and implied curves associated with exchange forwards.

OTC options: the provider publishes curves assigned in accordance with the currency of origin of the underlying security, types of forward exchange curve for domestic currency object of the operation, implied curves associated with forward exchange contracts, swap curves assigned in accordance with the underlying security, and a matrix and curve for implied volatilities.

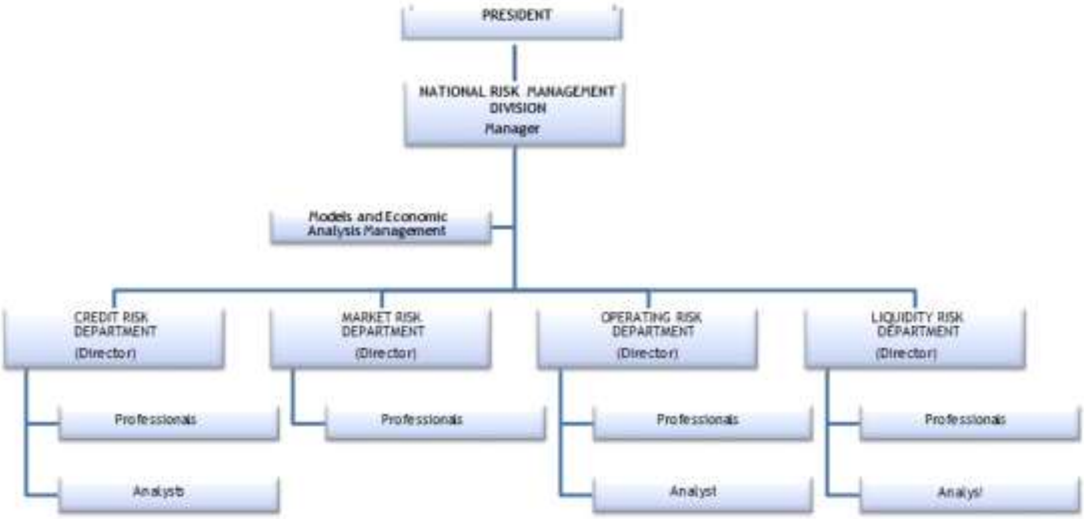
6. Risk administration and management

For the Parent GNB Sudameris S. A. risk management is a fundamental element to achieve efficiency and effectiveness in operations, the reliability of reports and compliance with laws, standards and regulations. It is therefore most important in the achievement of its strategic objectives

The analysis of the strategic content in which its activities develop allows Banco GNB Sudameris to establish means to prevent the occurrence of events that will affect the normal course of processes, and the achievement of the objectives set by it; or if this turns out not to be reasonably possible, to implement measures for treatment of mitigation of risks, to diminish impact.

Organizational structure of Risk Management

The Parent GNB Sudameris aims to preserve the efficacy, efficiency and effectiveness of its operating management and capacity, and to safeguard its funds managed, using an integrated system of risk management, and an organizational structure which enables it to minimize the impact of costs and damage caused by those risks.


PRESIDENT
NATIONAL RISK MANAGEMENT DIVISION
Manager
Models and Economic Analysis Management
CREDIT RISK DEPARTMENT
(Director)
MARKET RISK DEPARTMENT
(Director)
OPERATING RISK DEPARTMENT
(Director)
LIQUIDITY RISK DEPARTMENT
(Director)
Professionals
Analysts
Professionals
Professionals
Analyst
Professionals
Analyst

Asset and Liability Management Committee (ALCO)

The organizational scheme and integrated management are complemented by the ALCO Committee, whose prime objective is to support the Board with follow-up and control of general asset and liability management policies, and in particular, market risk and liquidity risk follow-up.

Points of evaluation by the Committee:

- Definition of risk strategy;
- Regular review of the functioning of risk management systems and models supporting them;
- Valuation of the degree of exposure to risk, and follow-up of actions designed for control, monitoring and mitigation;
- Analysis of portfolio composition, exposure to liquidity and market risk;
- Definition of exposure limits by risk, time, amount, currency and approval of counterpart limits;
- Analysis of economic and monetary variables and the impact on the liquidity of the economy and the comportment of financial instruments; and
- Evaluation and compliance with financial sector regulators instructions.

The working framework for risk management

The Board is responsible for setting and supervising the structure of Group risk management. The Board has created asset and liability committees (ALCO) and Loan Committees, responsible for developing and monitoring Group risk management policies in specific areas. All the Committees have been formally installed and regulated, and provide General Management of the Parent with regular activity reports.

Group risk management policies established in order to identify and analyze risks faced by the Parent, and set appropriate limits and risk controls to monitor risk and comply with limits. There are regular reviews of policies and risk management systems to reflect changes in market conditions and the products and services offered. The Parent´s regulations and management procedures aim to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Parent´s Audit Committee supervises the way in which management monitors policy compliance and the procedures of Group risk management, and reviews whether the risk management framework is appropriate with regard to the risks faced. The Committee is assisted by Internal Audit in its supervisory roles; Internal Audit make also conducts regular and random reviews of controls and procedures and risk management, and results are reported to the Parent´s Audit Committee.

a) Credit risk

Credit risk is the risk of financial loss faced by the Parent if the counterpart of a financial instrument does not meet its contractual obligations; it originates mainly in loans and advances to clients and other banks and Group investment instruments. For the purposes of risk management reporting, the exercise considers and consolidates all elements of exposure to credit risk (such as the risk of an individual debtor failing to pay, country risk, and sector risk.).

For the purposes of risk management, the credit risk arising from trading assets is managed independently; and information about them is disclosed below.

Market risk related to changes in the value of trading assets, arising from changes in market credit differentials applied to instruments and derivatives included in trading assets is managed as a market risk component. Further information is disclosed in note 4(d) below.

The Board has delegated responsibility for the supervision of credit risk to the Parent´s Lending Committee. The Credit Risk Area, accountable to the National Credit Risk Management Division, reports to the Parent´s Lending Committee, and is responsible for managing the Group´s credit risk, including:

- Setting credit policy, in consultation with business units, covering collateral requirements, classification and credit reports, and compliance with regulatory and statutory requirements.

- Monitoring of the authorization structure for approval and renewal of credit lines. Authorization limits are collectively allocated, that is, at least two officers with powers to approve new credit lines are involved, depending on the amounts defined. The approval of two or more officers, or the Credit Committee or the Board is required, depending on the size of the credit line.

- Credit risk monitoring. The Parent´s Credit Division evaluates all credit exposures which exceed designated limits, before lines are committed to customers by the related business unit. Renewals and reviews of loans are subject to the same review process.

- Limits to exposure concentration. This applies to counterparts, geographical places and industries (in the case of loans and advances), and by issuer, credit classification band, market liquidity and country (in the case of investment instruments).

- Development and maintenance of risk classification in the Group, to categorize exposure in accordance with the degree of risk of financial loss faced, and to focus management on risks arising. The risk classification system is used to determine when impairment provisions need to be made against specific credit exposure. In the current framework for risk classification there are six classes that reflect a range of risks from recoverability, and the available guarantees or other types of mitigating factor for credit risk. The responsibility of establishing degrees of risk is the business of Credit Risks Area, which reports to the Parent´s Lending Committee for final approval where appropriate. Decrees of risk are subject to regular reviews by the Credit Risks Area.

- Compliance review for business units with agreed exposure limits, including those industries, country risk and types of product selected. Reports on credit quality in local portfolios are made to the Parent´s Lending Committee, and corrective actions are taken as appropriate.

- The provision of advice, guidance and specialist skills for business units in order to promote best credit risk management practices across the Parents.

The Parent defines Groups credit policies and procedures, establishing approval letter of credit approval limits for each business unit. Each business unit has a Credit Director, who reports to the local management and to the Risk Committee on all credit matters. Each business unit is responsible for the quality and yield of its loan portfolio, for monitoring and controlling all credit risks in its portfolio, and for reporting results to the Parent.

Internal Audit makes regular audits of business units and processes in the Credit Area and in the National Risk Management Division of the Parent.

Exposure to credit risk

	9 *Note*	Customer loans and advances 2015	Customer loans and advances 2014	Bank loans and advances 2015	Bank loans and advances 2014
Book value		$ 12,483,761	$ 10,615,481	$ 151,559	$ 47,353
Assets at amortized cost					
Individual impairment:					
Classification B		210,811	121,386	-	-
Classification C		98,661	95,483	-	-
Classification D		51,141	94,512	-	-
Classification E		36,805	39,084	-	-
Gross amount		**397,418**	**350,465**	-	-
Impairment provision		(116,607)	(125,428)	-	-
Book value		**280,811**	**225,037**	-	-
Collective impairment:					
Classification B		26,098	8,967	-	-
Classification C		26,029	1,262	-	-
Classification D		51,106	7,426	-	-
Classification E		4,881	2,067	-	-
Gross amount		**108,114**	**19,722**	-	-
Impairment provision		(10,519)	(7,278)	-	-
Book value		**97,595**	**12,444**	-	-
Not in arrears, not impaired					
Classification A		12,156,699	10,430,427	152,669	47,632
Impairment provision		(83,180)	(79,739)	(1,110)	(279)
Book value		**12,073,519**	**10,350,688**	**151,559**	**47,353**
Includes accounts with renegotiated terms		-	-	-	-
Book value – amortized cost		**$12,451,925**	**$10,588,169**	**$ 151,559**	**$ 47,353**
Debt assets at fair value with changes in Results					
Classification A		30,956	26,422	-	-
Classification B		134	90	-	-
Classification C		232	212	-	-
Classification D		501	525	-	-
Classification E		13	62	-	-
Book value – fair value		**31,836**	**27,311**	-	-
Total book value		**$12,483,761**	**$10,615,481**	**$ 151,559**	**$ 47,353**
Detail of arrears:					
31-60 days		$59,064	88,322	-	-
61-90 days		32,545	26,394	-	-

91-180 days	72,631	27,114	-	-
181 days +	105,987	58,785	-	-
Book value	**$270,227**	**200,615**	-	-

Impaired loans and debt instrument investments

Impaired loans and instruments correspond to loans and advances and debt instruments investments (other than those carried at fair value with changes in results), for which the Parent and its Subsidiaries decide that it is probable that it will not be possible to collect capital and interest due in accordance with the contractual terms of the loan/investment security agreements). The loans and advances and debt instrument investments carried at fair value with changes in results are not evaluated for impairment, but are subject to the same system of internal classification.

Loans and debt instrument investments in arrears, but not impaired.

Loans and debt instrument investments in arrears but not impaired, other than those recognized at fair value with changes in results, or those in which contractual interest or capital repayments are in arrears, but the Parent believes that impairment is not appropriate based on the level of security/available collateral/stage of collection of amounts due to the Group.

Loans with renegotiated terms

Loans that carry renegotiated terms are those which have been restructured due to impairment of the final position of the borrower, and the Parent has made concessions which it would not otherwise consider.

Once the loan has been restructured, it continues to be in this category regardless of satisfactory performance after restructuring.

Impairment provisions

The Parent and its Subsidiaries establish impairment loss provisions on assets carried at amortized cost, which represents its estimate of losses incurred in its portfolio of loans and investment debt instruments. The main components of this provision are specific losses related to exposure, and for assets measured at amortized cost, a collective provision for losses on loans established by groups of homogeneous assets, and significant individual exposures which are subject to an evaluation of individual impairment, but which are not individually impaired. The assets carried at fair value with changes in results are not subject to impairment tests, since the measurement of fair value reflects the credit quality of each assets.

Writing-off policy

The Parent and its Subsidiaries write off balances of loans or debt instrument investments and any provision related to them in impairment losses, when the Recoveries and Collections Department of the Parent decides that a loan or instrument cannot be recovered.

This decision was taken after consideration of information such as the occurrence of significant changes in the financial position of the borrower or issue, such as that they cannot continue to pay to repay the obligation, or that collection against collateral is not sufficient to pay the entire exposure.

In the case of smaller standardized loans, decisions on write-offs are generally based on the specific status of arrears of a product of a product.

The following is an analysis of gross and net write-offs of individual impaired assets by degree of risk.

	COLOMBIA	PERÚ	PARAGUAY	TOTAL
	Customer loans and advances	**Customer loans and advances**	**Customer loans and advances**	**Customer loans and advances**
	Written off	**Written off**	**Written off**	**Written off**
December 31, 2015				
Corporate	$ 10,125	1,226	6	11,357
Consumer	32,919	42,249	2,027	78,283
Mortgage	1,036	-	-	1,036
TOTAL	**$ 44,079**	**43,475**	**2,033**	**89,586**
December 31, 2014				
Corporate	$ 1,753	10,581	835	13,169
Consumer	17,275	36,405	1,177	54,857
Mortgage	-	-	-	-
TOTAL	**$ 19,029**	**46,986**	**2,012**	**68,026**

The Parent and business units take collateral against loans and advances to customers in the form of a mortgage interest on properties and other instruments recorded on assets in guarantee. Estimates of fair value of guarantees are evaluated at the time of making the loan, and generally updated in accordance with current regulations, except where the loan is individually evaluated as being impaired. Generally, collateral is not taken on loans or advances to banks, except where instruments are held as part of a resale activity, and instruments on loan.

The following are details of details of an estimate of the fair value of collateral and other improvements to instruments taken against loans and advances to customers and banks:

	Customer loans and advances		Bank loans and advances	
	2015	**2014**	**2015**	**2014**
Against individually impaired accounts				
Property	67,235	43,219	-	-
Debt instruments	944	913	-	-
Equities	29,272	24,886	-	-
Other	40,039	53,345	-	-
Against collectively impaired accounts	-	-	-	-
Property	24,177	22,749	-	-
Debt instruments	-	-	-	-
Equities	-	-	-	-
Other	-	-	-	-
Against those not in arrears, not impaired	-	-	-	-
Property	2,451,701	2,338,294	-	-
Debt instruments	387,138	445,799	-	-
Equities	529,219	581,762	-	-
Other	1,872,009	1,813,142	20,002	-
Control fair value with change in results	-	-	-	-
Property	-	-	-	-
Debt instruments	-	-	-	-
Equities	-	-	-	-
Other	-	-	-	-
	$ 5,401,734	**$ 5,324,108**	**$ 20,002**	**$ 0**

When the Parent obtains financial and non-financial assets during the period by calling on guarantees taken as instruments against loans and advances, it also takes up other credit improvements, and maintains them up to the year ended December 31

The Parent´s policy is to pursue calls on guarantees in an orderly and timely fashion. The Parent and Subsidiaries generally do not use non-monetary collateral for their own operations.

Concentration of credit risk

The Parent monitors credit risk concentrations by sector and geographical location. An analysis of risk credit risk concentrations from loans and advances and investment instruments was as follows at the closing date:

Concentration of credit risk

	Customer loans and advances		Loans and advances due to Bank	
	2015	**2014**	**2015**	**2014**
Book value	$ 12,483,761	$ 10,615,481	$ 151,559	$ 47,353
Concentration by sector				
Corporate	**7,343,708**	**6,000,413**	**152,669**	**242,351**
Commerce	1,458,356	1,164,871	-	-
Agriculture	1,264,628	793,161	-	-
Manufacturing	1,114,332	994,856	-	-
Real estate	1,102,275	969,593	-	-
Financial	458,472	254,074		
Transport	334,745	348,769	-	-
Health	310,764	196,493	-	-
Education	280,635	258,049	-	-
Electricity & gas	193,582	172,044	-	-
Communications	57,932	36,920		
Mining	5,002	13,162		
Other	762,985	798,423	-	-
Government	**75,543**	**73,946**	-	-
Banks	**-**	**-**	**152,669**	**47,632**
Consumer	**5,274,815**	**4,753,567**	-	-
Unsecured loans	*4,219,521*	*3,978,038*	-	-
Mortgage loans	*1,055,294*	*775,529*	-	-
Provisions	***(210,305)***	***(212,446)***	***(1,110)***	***(279)***
TOTAL	**$ 12,483,761**	**$ 10,615,481**	**$ 151,559**	**$ 47,353**
Concentration by geographical location				
Colombia	$ 7,407,154	6,899,563	83,955	6,322
Perú	3,400,762	2,575,118	68,710	41,308
Paraguay	1,886,150	1,353,246	4	2
Total Provisions	***(210,305)***	***(212,446)***	***(1,110)***	***(279)***
TOTAL	**$ 12,483,761**	**$ 10,615,481**	**$ 151,559**	**$ 47,353**

Concentrations by geographical location of loans and advances are measured on the basis of the location of the Group entity holding the assets, which has a high correlation with the location of the borrower. Concentrations by location for investment interest are measured on the location of the instrument´s issue.

a) Market risk

Market risk is defined as the potential loss on the value of financial assets due to adverse movements in factors determining price, such as interest rates, exchange rates, share prices and other factors affecting the value of financial products traded by the Bank.

The market risk management system (SARM) implemented by the Parent and its Subsidiaries is designed to identify, measure, control and monitor the market risk to which they are exposed in the course of treasury operations, taking account of the structure and size of the entity.

The Group trades in the money market, the exchange market and the capital market, to meet its own needs and those of its customers in accordance with established policies and risk levels. Here, it manages a range of portfolios of financial assets within permitted limits and levels.

The risks assumed in operations, both in the Bank Book and the Treasury Book are consistent with the general business strategy of the Parent and its Subsidiaries, and their appetite for risk. This is based on the depth of the market for each instrument, in the weighting of risk assets, the level of solvency, profits budget established for each business unit, and the overall structure of the Financial Position.

Business strategies are established in accordance with approved limits, seeking a balance between risk and reward. At the same time, there are structural limits which is consistent with the general philosophy of the Parent, based on levels of capital, profit and tolerance of risk.

The Group is exposed to the following risk factors:

- Interest rate risk. Defined as a possibility that variations in interest rates may adversely affect the value of financial instruments held

  Investments held by the Group are exposed to this risk due to the effects of fluctuations in interest rates which may affect the financial position and future cash flows. Interest margins can be increased as a result of changes in interest rates, but they may also be reduced and cause losses should unexpected movements take place.

- Exchange risk. This is defined as the sensitivity of the value of a position in currencies other than the Colombian peso, in the face of potential movements of exchange rates to which the Parent and Subsidiaries are exposed. The risk is implicit in currency dealings, mainly forwards. Exchange risk is also present where there is a mismatch in the net currency position, and this is affected by fluctuations in exchange rates.

Hedging

- Banco GNB Sudameris, as part of its strategy to strengthen business in the region, and following the acquisition of Banco GNB Peru and Banco GNB Paraguay, has developed hedging mechanisms through the issue of subordinated bonds and a loan taken from IDB. The Bank thus seeks to mitigate exchange risk by using hedging tools.

- The accounting treatment of hedging is subject to compliance with methodological requirements to secure efficacy. Banco GNB Sudameris makes a quarterly test to guarantee compliance with the conditions required.

The Group constantly works on the review of models to manage market risk on the basis of identification and analysis of variations in risk factors (interest rate, exchange rate and price indexes) on the value of the various financial instruments portfolios.

The standard risk measurement methodology (VaR) at December 31, 2015 and 2014, produces the following results:

VaR Maximum, Minimum and Average Values	December 31, 2015			
	Minimum	Average	Maximum	Latest
Interest rate	83,709	96,697	122,207	122,475
Exchange rate	1,124	3,017	4,659	1,822
Shares	242	575	753	753
Unit funds	205	381	636	205
VaR Total	**85,280**	**100,670**	**128,255**	**125,255**

VaR Maximum, Minimum and Average Values	December 31, 2014			
	Minimum	Average	Maximum	Latest
Interest rate	87,737	91,537	96,249	96,700
Exchange rate	46	1,603	3,896	3,896
Shares	286	305	325	286
Unit funds	680	892	1,187	775
VaR Total	**85,280**	**94,337**	**101,657**	**101,657**

The VaR indicators recorded by the Bank and its affiliates or Subsidiaries at December 31, 2015 and 2014 were as follows:

	December 31, 2015		December 31, 2014	
NAME	Amount	Basic points of computable capital	Amount	Basic points of computable capital
Banco GNB Sudameris y Subordinadas	117,445	109	89,370	108.00
Servitrust GNB Sudameris	1,499	1	3,123	3.00
Servivalores GNB Sudameris	1,264	1	726	1.00
Servibanca	4,246	4	3,597	4.00
Banco GNB Paraguay	7,121	6	9,758	11.00
Banco GNB Peru	3,780	3	2,111	1.00
	135,355	124	108,684	128

b) Exchange Risk

The Bank is exposed to exchange risk from its positions in currencies other than the Colombian peso, mainly dollars and euros, both in its own position and investments held in affiliates outside Colombia.

The spot position is determined by the difference between currency assets and liabilities on and off the balance sheet, both direct and contingent, including those which may be settled in Colombian pesos. The limit is 50% of the Banks computable capital, for the 2 previous months, re-expressed at the market reference rate (TRM) for the following month.

The gross leveraged position includes short-term foreign currency operations of the Bank and its Subsidiaries, and short and long-term operations are expressed as flows or maturities, and rights and obligations under contracts for future settlement in foreign currency, and exchanging exposure in contingencies acquired through trading in options and derivatives involving currencies, with a limit of 50% of computable capital, for the two previous months, re-expressed at the TRM for the following month.

Further, derivatives are excluded from the global Own Position, and are recorded for their face value in Memorandum Accounts, including purchases and sales, with a limit of 20% of computable capital for the two previous months, re-expressed at the TRM for the following month.

c) Risk of interest rate structure

The consolidated assets and liabilities of the Bank are exposed to market fluctuations in interest rates, affecting its financial position. This risk is based on the relationship between asset and liability positions. On the asset side, the positions taken for investment and loan placements with fixed and floating rates, are in turn funded by liabilities such as deposits and bank borrowings at fixed and floating rates. This means that interest margins may grow or shrink as a result of movements in these rates, and margins may increase to bring greater profits, or fall as a content consequence of unexpected market events.

The following is a sensitivity analysis of the principal productive assets and interest-bearing liabilities exposed to interest rate changes. The table presents average volumes and accumulated amounts at December 31, 2015 and 2014, and the impact of a variation of 50 BP.

Banco GNB Sudameris - Consolidated

December 31, 2015

Figures in $ million

				Variation of 50BP in interest rates	
Account detail	**Average /year**	**Interest income/expense**	**Average interest rate**	**Favourable**	**Unfavourable**
Interest-earning financial assets	**18,983,757**	**1,585,281**	**8.35%**	**89,626**	**(89,626)**
Peso loans	5,946,813	694,486	11.68%	50,689	(50,689)
Currency loans	5,649,221	501,187	8.87%	5,698	(5,698)
Peso money ,market asset operations	1,987,050	90,833	4.57%	95	(95,000)
Currency money-market asset operations	83,966	1,638	1.95%	4	(4,000)
Peso debt trading and held-to-maturity investments	5,316,706	297,137	5.59%	32,500	(32,500)

Banco GNB Sudameris - Consolidated

December 31, 2015

Figures in $ million

				Interest rate changed by 50PB	
Account detail	**Year average**	**Interest income/expense**	**Average interest rate**	**Favourable**	**Unfavourable**
Peso customer savings and Savings TD deposits	5,799,558	256,922	4.43%	27,768	(27,768)
Currency customer savings and Savings TD deposits	964,542	27,143	2.81%	4,691	(4,691)
Peso customer TDs	4,984,120	277,804	5.57%	15,803	(15,803)
Currency customer TDs	3,156,247	110,449	3.50%	10,208	(10,208)
Peso borrowings	929,592	56,967	6.13%	15,997	(15,997)
Currency borrowings	780,036	32,181	4.13%	1,758	(1,758)
Total peso interest-bearing liabilities	11,713,270	591,692	5.05%	59,567	(59,567)
Total currency interest bearing liabilities	4,900,825	169,773	3.46%	16,657	(16,657)
Total interest bearing financial liabilities	**16,614,095**	**761,465**	**4.58%**	**76,224**	**(76,224)**
Net total financial assets subject to interest rate risk	**2,369,663**	**823.816**	**3.77%**	**13,402**	**(13,402)**

Banco GNB Sudameris - Consolidated

December 31, 2014

Figures in $ million

Account detail	Average /year	Interest income/expense	Average interest rate	Variation of 50BP in interest rates: Favourable	Variation of 50BP in interest rates: Unfavourable
Interest-earning financial assets	**15,541,728**	**1,253,750**	**8.07%**	**78,809**	**(78,809)**
Peso loans	5,470,928	626,311	11.45%	45,988	(45,988)
Currency loans	3,670,071	337,455	9.19%	3,187	(3,187)
Peso money-market asset operations	1,343,069	52,341	3.90%	258	(258)
Currency money-market asset operations	103,717	1,926	1.86%	20	(20)
Peso debt trading and held-to-maturity investments	4,953,943	235,718	4.76%	28,862	(28,862)

Banco GNB Sudameris - Consolidated

December 31, 2014

Figures in $ million

Account detail	Average/year,	Interest income/expense	Average interest rate	Variation of 50BP in interest rates: Favourable	Variation of 50BP in interest rates: Unfavourable
Peso customer savings and Savings TD deposits	5,825,429	235,804	4.05%	27,994	(27,994)
Currency customer savings and Savings TD deposits	1,135,445	18,493	1.63%	5,586	(5,586)
Peso customer TDs	4,196,335	210,188	5.01%	14,577	(14,577)
Currency customer TDs	2,030,852	90,915	4.48%	7,090	(7,090)
Peso bank borrowings	801,454	49,271	6.15%	15,131	(15,131)
Currency borrowings	353,372	8,967	2.54%	809	(809)
Total peso interest-bearing liabilities	10,823,218	495,263	4.58%	57,702	(57,702)
Total currency interest-bearing liabilities	3,519,669	118,375	3.36%	13,485	(13,485)
Total financial interest-bearing liabilities	**14,342,887**	**613,638**	**4.28%**	**71,187**	**(71,187)**
Net total financial assets subject to interest-rate risk.	**1,198,841**	**640,112**	**3.79%**	**7,622**	**(7,622)**

If the variation of 50 BP had taken place in interest rates during 2015 with the closing figures at December 31, 2015, interest-earning financial assets would have had a variation in income variation of approximately $89,626.

If there had been a variation of 50 BP in interest rates during 2015 with the closing figures at December 31, 2015, interest-bearing financial liabilities would have had a variation in cost of approximately $76,224.

If there had been a variation of 50 BP in interest rates during 2015 with the closing figures for December 31, 2015, total financial risk assets would have had a variation of approximately $13,402.

d) Liquidity risk

i. Management and models

The consolidated liquidity risk management system (SARL) provides an evaluation of the Group´s liquidity risk exposure, and enables prompt decisions to be made to mitigate risk appropriately as applicable, and determine the amount of adequate capital to match risk levels, and to manage liquidity policy.

The Group manages liquidity risk in accordance with the standard model contained in Colombian Superintendency Basic Accounting and Financial Circular Chapter VI, and rules for liquidity risk management through the basic principles of the SARL, which sets minimum prudent parameters. Banks are required to supervise these parameters in our operations, in order to manage liquidity risk efficiently, through elements of the stages in the SARL (identification, measurement, control and monitoring), depending on the structure complexity and size of the consolidated operation.

The liquidity risk indicator measurement, and other measurements regarding international affiliates, are the responsibility of each particular business: the overall management of liquidity is the responsibility of the Liquidity Risk Area in the Parent. The Area analyzes the implications of financing of liquidity structures, and their compatibility in terms of Parent policies and guidelines, within the scheme of limits, alerts and alerts approved by the Board to facilitate joint liquidity risk management.

The development and updating of liquidity risk policies has contributed to the appropriate regulation of the risk management system, not only in terms of limits and alerts, but also in procedures. Complementary management tools have been developed, and regular stress exercises are conducted for the models as a basis for taking preventive or mitigation measures, and therefore, to limit exposure, with a liquidity “cushion”, adjusting risk profiles and structuring the contingency plan.

The Group analysis of risk liquidity also measures the volatility of deposits with no contractual maturity, through statistical analysis, the evolution of financial assets and liabilities, the structure of interest rates, the indicator for normal liquidity cover (ICL), and the indicator for stress liquidity cover (stress-ICL), the concentration of sources of funding, own position, liquidity gap by currency, and funding positions between related parties.

Senior management (through the asset and liability management committee -ALCO- is aware of the consolidated liquidity situation and takes decisions required in the light of high-quality liquid assets to be held, tolerances in liquidity management or minimum liquidity, funding, policy on surplus liquidity placement, changes in the characteristics of existing products and new products, diversification of sources of funds in order to avoid concentration in deposit-taking from a small number of investors or savers, and strategies for hedging, and changes in the Financial Position structure.

The Parent and its affiliates each have a liquidity contingency plan, with clear specifications of roles and responsibilities to activate it, and the Group has a crisis team; its functional responsibility is to take the actions required to mitigate the effects of a situation of liquidity risk exposure in any of the entities forming the Group, implying a series of strategies designed to correct the liquidation structure. This is based on support, whether from Banco de la Republica, or own assets, or principal customers, shareholders, or (in the last instance) the deposit insurer FOGAFIN, in addition to defining the management of communication of internal information, providing information to the media, the supervisor, and the public in general, through the Communications Plan.

High-quality liquid assets are composed of cash and trading investments in debt instruments, unit funds opened with no commitment of term in holding, debt investments available for sale, and investments held to maturity, provided that they are money-market operations.

The Parent and consolidated operations meet the requirements to establish the mandatory cash reserve, as regulated locally in each country, in the case of the affiliates outside Colombia cash and bank deposits, and the related central bank deposits are maintained, applying the percentages set in each case for deposits and liabilities.

ii. Quantitative information

During 2015, the Group maintained a relatively high levels of liquidity, sufficient to cover all liquidity requirements as can be seen in the chart below at the close of 2015, and the maximum, minimum average balances in the course of the year.

Dec-15

Name	Amount	Share of total
Bank	$ 4,531,030	89.51%
Servivalores	$ 12.553	0.25%
Servitrust	$ 41.799	0.83%
Servibanca	$ 88.667	1.75%
Peru	$ 86.649	1.71%
Paraguay	$ 301.596	5.96%
Total	$ 5,062,303	100.00%

Maximum	$ 6,427,525
Minimum	$ 5,062,303
Average	$ 5,684,501

At close of 2014, the following is an analysis of Group liquidity, following the Colombian Superintendency´s instructions.

Dec-14

Name	Amount	Share
Banco	$ 4,184,857	89.30%
Servivalores	$ 1,480	0.03%
Servitrust	$ 18,351	0.39%
Servibanca	$ 66,025	1.41%
Peru	$ 232,891	4.97%
Paraguay	$ 182,532	3.90%
Total	$ 4,686,136	100.00%

Maximum	$ 5,272,625
Minimum	$ 4,265,947
Average	$ 4,727,764

At the close of 2015 and 2014, the Parent made an analysis of financial liabilities, with the following consolidated contractual maturities:

Analysis of Financial Liabilities – 2015 - Consolidated				
Financial liabilities	**<1 month**	**1-3 months**	**3-12 months**	**Over 12 months**
Customer deposits	1,774,720	2,406,436	3,301,462	9,076,323
Short-term debt	4,016,669	-		
Long-term debt	-	-		1,739,315
Bank loans	158,140	154,404	262,396	991,930
Total financial liabilities	**5,949,529**	**2,560,839**	**3,563,858**	**11,807,568**

Consolidated Analysis of Financial Liability maturities 2014				
Financial Liabilities	**< 1 month**	**1-3 months**	**3-12 months**	**Over 12 months**
Customer Deposits	$ 1.943.191	$ 1.835.020	$ 3.150.174	$ 8.401.789
Short-term debt	$ 2.372.664			
Long-term debt				$ 1.367.921
Bank borrowings	$ 128.331	$ 246.536	$ 326.243	$ 617.338
Total Financial Liabilities	**$ 4.444.186**	**$ 2.081.556**	**$ 3.476.417**	**$ 10.387.048**

f) Operating risk

Group operating risk plays a fundamental role in management, and there is constant monitoring of a range of events which may or may not cause losses due to failures in internal processes, human error, and/or systems, or those derived from external circumstances.

The operating risk management (SARO) of the Bank and its Subsidiaries includes all operating risks and business continuity risks; it is supported by the definition of policies, procedures and methods for management, through identification and classification of risk, recording and follow-up of operating risk events, evaluation of controls, and development of action plans and strategies for mitigation.

Following Superintendency regulations, progress continued to be made in 2015 in the process of operating risk management, always with the objective of contributing to a reduction in losses of this kind, and helping to maintain exposure levels within tolerable limits for the Group, through appropriate schemes of risk management and control.

In addition to regulatory compliance, operating risk management has been seen as an objective in the Bank and its Subsidiaries to evaluate processes from the point of view of risk analysis. Based on an analysis to differentiate the causes, effects and events, effects and impacts of operating risk, appropriate strategies can be defined to deal with risks using a preventive approach.

As part of the responsibilities of the Board, the CEO, senior management, and the Operating risk Area, and the control units in each Group member, work was done in 2015 to strengthen each of them internally, with a culture to control operating risks, define action plans and identify opportunities for improvement and processes, and in internal control systems. Some of the activities undertaken were as follows:

- In 2015 work continued on the emphasis on monitoring and security operations and processes in each of the Group members, particularly in following up events, and always aiming to contribute to a minimization of loss, helping to maintain tolerable exposure limits internally.

- Information continued to be collected on operating risk events, with an emphasis on obtaining new sources of information on them, and to standardize reporting, measurement and consolidation by company, country and at Group level.

- There was also progress in the activity plan to adjust policies and procedures for SARO management to Parent company guidelines

- There was more work done in updating potential risk evaluations, and risks were evaluated for new products and services, with important changes to processes, suppliers, and technological infrastructure.

- There was training on operating risks, with an emphasis on annual training for all Group of employees, and an induction program for new staff.

- Special management was given to the recovery of cash due to operating risk events, stressing the follow-up of recoveries through insurance cover for fraud, and there was direct action to effect recovery in incidents detected.

- Regulators and supervisors made visits, issued requirements, and offered recommendations in each country, and company, including matters of internal and external review

- The execution of the contingency operating plan continued, including testing, updates of documents for business impact analysis, and the business continuity plan, to meet the new context of the Group.

Operating risk events. In 2015, we continued to compile information about these events. Accumulated Type A losses or events in operating risk at December 31, 2015 by company, country, and conglomerate, are detailed in the attached chart, where those related to external fraud have the greatest impact.

Risk profile. Risk profile based on events and their impact show shows that the residual risks represent a low economic impact in most processes and products of each of the Group´s companies. All of them were within acceptable or tolerable risk levels.

The products which offer the greatest economic impact, related to external fraud, are mainly associated with current and savings accounts, and credit and debit cards; also, this occurs in ATMs, with operations not recognized by customers, but these are covered by insurance policies; also, there are failures in execution, mainly caused by unintentional staff errors, or by technological failures, particularly due to certain inconsistencies or faults in telecommunication systems, hardware, or associated software.

Given that the economic impact is low, the participation of Type A operating risk events, accumulated at December 31, 2015 compared to the total number of events of events arising, were the following ($ million).

Name	Amount	Share
Banco GNB Sudameris	665,453	39.15%
Servitrust	336	0.02%
Servivalores	25,356	1.49%
Servibanca	284,880	16.76%
Paraguay	709,481	41.74%
Peru	14,456	0.85%
Total	1,699,964	100.00%

7. Operational segments

In consolidated terms, Banco GNB Sudameris has segmented its operations by geographical distribution in countries where it is present. The segments are components of a matrix intended to develop commercial activities generating income and expenses. The Board regularly reviews the results using individual and consolidated information.

So, the matrix is organized into three business segments: Colombia, Peru and Paraguay. All the companies forming the segments provide services related to financial sector activities, and each is subject to the Laws of its country of residence, and Parent directives.

Colombia

The Colombian segment is formed by GNB Banco GNB Sudameris and its local affiliates Servitrust GNB Sudameris, Servibanca and Servivalores GNB Sudameris. Banco GNB Sudameris has more than 95 years of experience in Colombia, offering a portfolio of products and services to customers in a range of sectors of the economy, with consumer, commercial institutional interests, and complements them with those offered by its domestic affiliate. The trust company, Servitrust GNB Sudameris, has wide experience in handling unit funds and escrows, Servibanca is a strategic ally for the implementation of technology-based products, with a network of more than 2200 ATMs in some 600 cities and towns across the country; Servivalores GNB Sudameris is the securities broking firm with more than 20 years of experience, engaged solely in activities on the Colombian securities exchange.

Peru

This segment corresponds to Banco GNB Peru, acquired from HSBC in 2013. Its operations began in 2007, and have been consolidated to become a significant player in the Peruvian banking system. GNB Peru operates in consumer, commercial and corporate areas.

Paraguay

This segment corresponds to Banco GNB Paraguay, a long-established bank in that country operating since 1920. It was acquired by Banco GNB Sudameris from HSBC in 2013. The Bank concentrates its activities in the two segments of retail banking, and commercial and corporate banking.

Segmentation by country is a result of the strategic organization of the Parent, with regard to the offer of products and services which answer to customer needs in different sectors of the economy in the countries where they are present.

The directors have consolidated and individual financial information for each of these companies forming the segments, and follow up performance as reflected in the results obtained through on the various lines of the Statement of Financial Position and Statement of Results, and in the complementary indicators.

The following is a summary of financial information by segment, at December 31, 2015 and 2014.

BANCO GNB SUDAMERIS - CONSOLIDATED
December 2015

$ million		Colombia	Peru	Paraguay	Elimin.		Consolidated
Cash	$	1,438,024	860,737	484,011	-58,382	$	2,724,391
Interbank Funds		4,417,202	0	14,554	0		4,431,757
Investments		6,156,285	196,018	210,651	-1,043,083		5,519,870
Loans		7,491,111	3,469,471	1,767,393	-214,192		12,513,784
Other assets		445,671	174,907	63,498	303,571		987,647
Total Assets	**$**	**19,948,294**	**4,701,133**	**2,540,107**	**-1,012,085**	**$**	**26,177,448**
Customer Deposits		11,235,281	3,504,679	2,073,160	-58,382		16,754,738
Interbank Borrowings		4,016,669	0	0	-		4,016,669
Financial Obligations (Colombian Peso)		632,272	143,784	9,611	0		785,666
Financial Obligations (Forcing Currency)		547,510	222,026	149,390	-137,723		781,203
Long Term Debt		1,739,315	0	0	-		1,739,315
Other Liabilities		320,020	199,432	96,894	17,721		634,067
Total liability	**$**	**18,491,067**	**4,069,921**	**2,329,055**	**-178,384**	**$**	**24,711,658**
Total equity	**$**	**1,457,227**	**631,211**	**211,052**	**-833,701**	**$**	**1,465,790**
Total liabilities and equity	**$**	**19,948,294**	**4,701,133**	**2,540,107**	**-1,012,085**	**$**	**26,177,448**

BANCO GNB SUDAMERIS - CONSOLIDATED

Accumulated December 31, 2015

MILLIONS OF COP	Colombia	Peru	Paraguay	Elimin.	Consolidated
INTEREST RECEIVED	1,154,336	290,327	164,153	37,327	1,646,143
INTEREST PAID	705,287	107,944	59,385	(6,947)	865,669
INTEREST MARGIN	**449,048**	**182,383**	**104,768**	**44,275**	**780,474**
Commissions, Exchange, Other	251,362	54,302	31,806	(100,694)	236,776
FINANCIAL MARGIN	**700,410**	**236,685**	**136,574**	**(56,420)**	**1,017,250**
Overhead/payroll	370,125	128,775	63,452	(7,659)	554,693
OPERATING MARGIN	**330,285**	**107,910**	**73,122**	**(48,760)**	**462,557**
Provisions and non-operating income	73,885	55,849	18,660	18,414	166,809
PROFIT BEFORE TAX	**256,400**	**52,061**	**54,462**	**(67,175)**	**295,749**
Provision for income tax	78,699	14,207	6,008	365	99,280
NET PROFIT	**177,701**	**37,854**	**48,454**	**(67,540)**	**196,468**

BANCO GNB SUDAMERIS - CONSOLIDATED
December 2014

$ million	Colombia	Peru	Paraguay	Elimin.	Consolidated
CASH	1,268,256	706,714	345,995	(28,586)	2,292,378
INTERBANK FUNDS	2,926,649	0	6,421	-	2,933,070
INVESTMENTS	6,344,505	131,676	181,317	(912,920)	5,744,579
LOANS	6,905,885	2,616,426	1,353,248	(212,725)	10,662,833
OTHER ASSETS	320,416	163,225	63,036	186,233	732,910
TOTAL ASETS	**17,765,711**	**3,618,041**	**1,950,017**	**(967,998)**	**22,365,771**
DEPOSITS AND DEMAND ACCOUNTS	11,264,356	2,687,965	1,513,864	(28,586)	15,437,599
INTERBANK FUNDS AND REPOS	2,356,639	16,025	0	-	2,372,664
PESO BANK LOANS	468,634	49,010	4,133	-	521,776
CURRENCY BANK LOANS	718,978	188,761	85,231	(137,723)	855,247
BONDS	1,367,921	0	0	-	1,367,921
OTHER ASSETS	305,035	186,620	121,728	(41,733)	571,650
TOTAL LIABILITIES	16,481,563	3,128,380	1,724,956	(224,878)	21,110,021
TOTAL EQUITY	**1,284,148**	**489,661**	**225,062**	**(743,121)**	**1,255,750**
TOTAL LIABILITIES AND EQUITY	**17,765,711**	**3,618,041**	**1,950,017**	**(967,998)**	**22,365,771**

BANCO GNB SUDAMERIS - CONSOLIDATED
Accumulated December 31, 2014

$ million	Colombia	Perú	Paraguay	Elimin.	Consolidated
INTEREST RECEIVED	1,002,938	212,807	113,959	-5,430	1,324,275
INTEREST PAID	584,998	72,781	48,054	(5,358)	700,475
INTEREST MARGIN	**417,940**	**140,026**	**65,905**	**(72)**	**623,799**
Commissions, exchange and other	201,244	44,464	24,802	(46,897)	223,613
FINANCIAL MARGIN	**619,184**	**184,490**	**90,707**	**(46,969)**	**847,412**
Payroll and overhead	346,934	107,242	56,100	(6,501)	503,776
OPERATING MARGIN	**272,249**	**77,249**	**34,607**	**(40,469)**	**343,636**
Provisions and non-operating inc0me	58,839	51,566	14,857	-	125,262
PROFIT BEFORE TAX	**213,410**	**25,683**	**19,749**	**(40,469)**	**218,374**
Income tax provision	48,654	11,776	2,752	-	63,182
NET PROFIT	**164,756**	**13,907**	**16,997**	**(40,469)**	**155,192**

8. Cash and cash equivalents

The detail of cash and cash equivalents is the following:

	December 31, 2015	December 31, 2014	January 1, 2014
Local currency			
Cash			
Cash	$ 269,815	$ 270,603	$ 242,514
Banco de la República	1,021,648	880,633	791,688
Banks and other financial entities	8,031	558	6,079
Clearing	0	0	5,231
Remittances in transit	44	49	53
Cash equivalents			
Interbank funds	0	40,009	34,063
Repos	8,177	16,430	13,357
Simultaneous	4,298,770	2,819,948	1,000,096
Subtotal	**5,606,485**	**4,028,230**	**2,093,081**
Foreign currency			
Cash	90,490	82,355	22,911
Banco de la República	1,166,069	900,882	669,490
Banks and other financial entities	165,498	153,510	435,564
Clearing	2,783	3,423	2,420
Remittances in transit	13	366	28
Cash equivalents			
Interbank funds.	124,809	56,683	19,268
Subtotal	**1,549,662**	**1,197,219**	**1,149,681**
Total	**$ 7,156,147**	**$ 5,225,449**	**$ 3,242,762**

There are no restrictions on cash and cash equivalents.

9. Financial investments

Investments at fair value with changes in results

The balance of financial assets in debt and equity investments is as follows at December 31, 2015 and 2014, and January 1, 2014:

	December 31, 2015	December 31, 2014	January 1, 2014
Debt securities	$ 3,810,627	3,324,030	3,653,080
Equity investments – issuers in Colombia	75,746	46,948	43,929

Investments at amortized cost

The balance of financial investments at December 31, 2015 and 2014, and January 1, 2014 is as follows:

	December 31, 2015	December 31, 2014	January 1, 2014
Securities			
Colombian sovereign issues or guarantees	$1,191,720	$1,841,365	$1,181,493
Colombian Government agency issues or guarantees	373,348	459,788	468,508
Total	**$ 1,565,068**	**$2,301,153**	**$1,650,457**

At December 31, 2015 and 2014, financial investments in debt securities are guaranteeing repos and simultaneous operations for a total of $4.414.756 and $2,894,761, respectively.

The following is a detail of credit quality, defined by independent risk rating agents, for principal counterparts in debt securities in which the Parent has amortized cost financial investments:

Amortized cost

	December 31, 2015	December 31, 2014	January 1, 2014
Government issues or guarantees	$1,191,721	$1,841,365	$1,841,493
Investment grade	373,347	444,695	468,508
Multilaterals	0	15,093	0
TOTAL	**$1,565,068**	**$2,301,153**	**$1,650,457**

Fair value

	December 31, 2015	December 31, 2014	January 1, 2014
Central bank issues or guarantees	$ 236,547	$ 135,016	$ 122,254
Government issues or guarantees	3,526,984	3,169,620	3,472,423
Speculative	542	517	14,556
Investment grade	59,722	45,045	59,722
Multilaterals	0	8,186	0
Not classified/not available	62,575	12,595	87,775
TOTAL	**$3,886,370**	**$3,370,978**	**$3,697,009**

No provisions were recorded for Impairment during the period January 1 - December 31, 2015.

Investment time bands

The following is a summary of financial assets by maturities:

December 31,2015

	< 3 months		➢ 3 months- < 1 year		1-3 years	> 1 year		Total
	< 1 month	1-3 months	3-6 months	6-12 months		3-5 years	Over 5 years	
Investments at fair value								
Debt instruments	$ 3,046	5,332	264,539	750,973	2,649,216	121,265	16,256	**3,810,627**
Equities	0	0	0	0	0	0	75,746	**75,746**
Investments at amortized cost								
Investments at amortized cost	$ 141,638	5,308	178,623	565,340	674,159	0	0	**1,565,068**

December 31, 2014

	<3 months		3 -12 months			Over 1 year		
	< 1 month	1-3 months	3-6 months	6-12 months	1-3 years	3-5 years	5 years	Total
Trading investments								
Debts instruments	$ 8,642	132,000	1,227,940	434,841	1,301,559	208,094	10,954	**3,324,030**
Equities	0	0	0	0	0	0	46,948	**46,948**
Investments at amortized cost								
Investments at amortized cost	$ 147,703	560,273	152,179	224,584	804,853	411,561	0	**2,301,153**

January 1, 2014

	<3 months					Over 1 year		
	< 1 month	1-3 months	3-6 months		1-3 years	3-5 years	> 5 years	Total
Trading investments								
Debts instruments	$ 526,390	5,456	176,818	1,670,771	711,079	85,327	477,239	**3,653,080**
Equities	0	0	0	0	0	0	43,929	**43,929**
Investments at amortized cost								
Investments at amortized cost	$ 95,022	6,807	163,736	278,809	711,670	394,413	0	**1,650,457**

Derivatives

Trading Derivatives

The chart below shows fair USD nominal value at the end of the period for forwards and futures, interest rate, securities and currency swaps that form part of the Banks commitments.

Derivatives contracted by the Parent are traded in offshore markets and on international and domestic financial markets. The fair value of derivatives has positive or negative variations as a result of exchange rate or interest rate fluctuations, or other risk factors depending on the type of underlying instrument.

Item	December 31, 2015 US$	December 31, 2015 Fair value	December 31, 2014 US$	December 31, 2014 Fair value	January 1, 2014 US$	January 1, 2014 Fair value
ASSETS						
Currency spot operations	$	-	6,585	2	-	-
Currency forward purchases	24,795,777	7,873	17,157,009	5,211	1,131,049	587
Currency forward sales	190,360,266	60,442	221,329,039	67,223	69,718,490	36,183
	215,156,043	**68,315**	**238,486,048**	**72,434**	**70,849,539**	**36,772**
Currency swaps	-	-	-	-	-	-
Interest rate swaps	-	114	36,217	11	3,854	2
	-	**114**	**36,217**	**11**	**3,854**	**2**
TOTAL ASSETS	**$ 215,156,043**	**68,429**	**238,522,265**	**72,445**	**70,853,393**	**36,772**
LIABILITIES						
Currency forward purchases	69,288	22	-	-	-	-
Currency forward sales	4,510,041	1,432	18,118,407	5,503	1,132,976	588
	$ 4,579,329	**1,454**	**18,118,407**	**5,503**	**1,132,976**	**588**
Interest rate swaps	522,812	166	32,925	10	11,561	6
	522,812	**166**	**32,925**	**10**	**11,561**	**6**
Currency futures sales	195,796,251	62,168	224,387,734	68,152	71,832,222	37,280
	195,769,251	**62,168**	**224,387,734**	**68,152**	**71,832,222**	**37,280**
TOTAL LIABILITIES	**$ 200,898,392**	**63,788**	**242,539,066**	**73,665**	**72,976,759**	**37,874**
NET POSITION	**$ 14,257,651**	**4,641**	**(4,016,801)**	**(1,220)**	**(2,123,367)**	**(1,102)**

*USD in nominal values

Hedging instruments

The Parent decided to manage the hedge accounting of its Subsidiaries outside Colombia - Banco GNB Peru and Banco GNB Paraguay - with non-derivative instruments (foreign currency borrowings, and derivative operations such as those established in Paragraphs 72 and 78 of IAS 39.

The purpose of these operations is to protect the Parent from exchange risk generated by structural positions of the Subsidiaries outside Colombia.

The primary position to be hedged is the net investment outside Colombia.

For hedging instruments not derived from operations described in Paragraph 72 of IAS 39, a financial asset or liability which is not derivative can only be designated as a hedging instrument if it is to be a foreign currency hedging instrument. Likewise, a portion of the complete hedging instrument – for example, a notional sum of 50% - can be designated as hedging instrument in a hedging relationship.

The hedge which Banco GNB Sudameris uses to cover the investment of Banco GNB Peru is in the form of subordinated bonds for 68.7%; and hedging will use subordinated bonds for the remaining 31.3% in Paraguay, and additionally, there is the IDB loan for 63.5%.

The following is a detail of items hedged and hedging instruments in businesses outside Colombia:

Investment in Banco GNB Perú	USD 172 million
Investment in Banco GNB Paraguay	USD 91 million
TOTAL INVESTMENTS COVERED	USD 263 million

Financial hedging instruments:

Subordinated bond	USD 250 million
IDB loan	USD 13 million
TOTAL HEDGING INSTRUMENTS	USD 263 million

Quarterly closings are used for the regression analysis of cover, in order to provide a better adjustment where, in terms of the characteristics of a non-financial hedging asset, there are no future flows may depend on an estimate of market variables. In other words, the exchange risk for hedging will be the same if the exercise is made quarterly or every 10 years.

The results of the analysis show that all the characteristics to consider effective hedging, in terms of standard market literature, are satisfied. In this, the beat regression Betas are between 0.80-1.25, while R2 and correlation are greater than 0.80 for all periods, both for the prospective tests and for the retrospective trip test.

During the year ended December 31, 2015 the portion of profit or loss in hedging instruments determined to be an effective hedge is recognized in Other Comprehensive Results, and the ineffective portion in Results for the Period. At December 31, 2014 no net investment hedging was recorded for operations outside Colombia.

10. Loans and Leasing Operations

The following is a detail of loans and leasing operations, by mode.

Customer loans and advances

$ million	2015	2014	01 January 2014
Customer loans and advances at fair value with changes in Results	31,836	27,311	21,497
Customer loans and advances at amortized cost	12,662,230	10,800,616	8,455,086
Less: specific impairment provisions	(210,305)	(212,446)	(141,436)
Sub-total Customer loans and advances.	**$ 12,483,761**	**$ 10,615,481**	**$ 8,335,147**

Loans and advances due to Bank

$ million	2015	2014	01 January 2014
Loans and advances due to Bank	152,669	47,632	-
Less: specific impairment provisions	(1,110)	(279)	-
Sub-total Loans and advances due to Bank.	**$ 151,559**	**$ 47,353**	**-**
TOTAL NET LOANS	**$ 12,635,320**	**$ 10,662,834**	**$ 8,335,147**

Customer loans and advances at amortized cost

$ million	Gross amount	Impairment provision	Book value	Gross amount	Impairment provision	Book value
		2015			2014	
Retail customers						
Mortgage loans	1,055,294	21,391	1,033,903	775,529	15,615	759,914
Personal loans	4,000,522	110,076	3,890,446	3,748,070	133,605	3,614,465
Credit cards	187,164	9,845	177,318	202,656	12,256	190,400
Corporate customers						
Financial leasing operations	-	-	-	-	-	-
Other secured loans	3,585,433	25,821	3,559,612	3,200,520	20,259	3,180,261
Resale agreement	3,833,819	43,172	3,790,647	2,873,839	30,711	2,843,129
TOTAL	**12,662,231**	**$ 210,305**	**12,451,926**	**10,800,614**	**$ 212,446**	**10,588,169**

Impairment provisions by customer

$ million	2015	2014
Specific impairment provisions		
Opening balance for the period	$ 212,725	176,988
Impairment losses in the period:		
Charged in the period	119,977	128,272
Recovered	(66,218)	(50,486)
Effect of foreign currency movements	33,407	25,698
Effect of discount		
Written off	(89,586)	(68,026)
Subtotal impairment provisions - customers	**$ 210,305**	**$ 212,446**
Specific impairment provisions		
Balance at the beginning of the period	$ 279	0
Impairment loss in the period		
Charge for the period	933	279
Effect of currency movements	954	-
Effect of discount	-1,057	-
Subtotal impairment provisions - Banks	**$ 1,110**	**$ 279**
TOTAL NET LOANS	**$ 211,415**	**$ 212,725**

11. Other Accounts Receivable

The following is the detail of Other Accounts Receivable

	December 31, 2015	December 31, 2014	January 1, 2014
Interest	$ 3,644	1,125	899
Dividends	406	23	2,323
Commissions and fees	1,091	1,350	370
Debtors	65	128	49
Deposits	18,938	9,654	0
Taxes	125,133	82,080	53,722
Supplier advances	565	797	385
Employee advances	5,010	8,564	129
Payments for customer accounts	11,641	10,724	4,163
Sundry	44,788	28,005	25,229
Subtotal	**$ 211,282**	**143,740**	**87,271**
Impairment	(7,280)	(2,622)	(5)
TOTAL	**$ 204,002**	**141,118**	**87,265**

12. Non-current Assets Held for Sale

The following is the detail of non-current assets held:

	December 31, 2015				December 31, 2014				January 1, 2014			
	Cost	Impairment	% Imp	TOTAL	Cost	Impairment	% Imp	TOTAL	Cost	Impairment	% Det	TOTAL
Foreclosed Assets												
Movable assets	$3,597	3,294	92%	303	3,597	3,080	86%	517	3,473	2,818	81%	655
Real property	11,455	7,563	66%	3,892	12,128	8,095	67%	4,033	12,141	5,404	45%	6,737
Real property Servitrust	1,149	919	80%	230	1,149	919	80%	230				
Real property GNB Peru	3,326	761	23%	2,565	6,290	1202	19%	5088	1333	77	6%	1,256
Real property GNB Paraguay	3	0	0	3	18	0	0	18	14	0	0	14
Other non-current assets held for sale												
Real property	0	0	0	0	0	0	0	0	145,887	0	0	145,887
Leasing assets GNB Perú	1,277	273	21%	1,004								
TOTAL	**$20,807**	**12,810**		**7,997**	**23,182**	**13,296**		**9,887**	**163,031**	**8,299**		**154,549**

(1) The following is a movement of non-current assets held for sale for the years ended December 31, 2015, and 2014, and at January 1, 2014:

	31.12.2015	31.12.2014	1.1.2014
Opening balance	$ 9,887	154,549	1,100
Reclassifications	(1,890)	(144,662)	153,449
Closing balance	**$ 7,997**	**9,887**	**154,549**

(2) The following is a movement for the impairment of foreclosed assets:

	Foreclosed assets
Balance at 31.12.2015	$ (12,810)
Provision expensed	1,167
Reclassifications	(310)
Recoveries	(1,175)
Provision in affiliates	(168)
Balance at 31.12.2014	(13,296)
Provision expensed	3,007
Reclassifications	(13)
Recoveries	(41)
Provision in affiliates	2,044
Balance at 1.1.2014	$ (8,299)

The following is detail of foreclosed and restored assets by ageing:

	< 2 years	2-3 years	3-5 years	Over 5 years	Total Cost	Provisions
Balance at 31.12.2015						
Real property	$ 1,837	6,000	345	9,028	17,210	(9,516)
Movable assets	0	737	11	2,849	3,597	(3,294)
TOTAL	$ 1,837	6,737	356	6,122	20,807	(12,810)
Balance at 31.12.2014						
Real property	$ 0	8,444	212	10,929	19,585	(10,215)
Movable assets	0	748	153	2,696	3,597	(3,080)
TOTAL	$ 0	9,192	365	6,168	23,182	(13,295)
Balance at 1.1.2014						
Real property	$ 155,295	557	0	3,523	159,375	(5,481)
Movable assets	737	11	153	2,572	3,473	(2,818)
TOTAL	$ 154,685	568	153	6,095	162,848	(8,299)

13. Property, Plant and Equipment Held for Own Use:

The following is a detail of Property, Plant and Equipment:

31.12.2015	**Cost**	**Accumulated depreciation**	**Net**
Land	$ 27,285	0	27,285
Buildings	98,552	(23,938)	74,615
Vehicles	2,968	(836)	2,132
Fittings and accessories	30,034	(6,369)	23,665
Computer equipment	68,283	(13,295)	54,988
Total	**$ 227,122**	**(44,438)**	**182,684**

31.12.2014	**Cost**	**Accumulated depreciation**	**Net**
Land	$ 24,595	0	24,595
Buildings	92,469	(13,852)	78,617
Vehicles	2,083	(312)	1,771
Fittings and accessories	26,437	(3,961)	22,477
Computer equipment	60,398	(9,048)	51,350
Total	**$ 205,982**	**(27,173)**	**178,809**
1.1.2014	**Cost**	**Accumulated depreciation**	**Net**
Land	$ 17,923	0	13,157
Buildings	60,756	(7,763)	52,993
Vehicles	1,745	(223)	1,522
Fittings and accessories	18,232	(2,329)	15,903
Computer equipment	51,561	(6,588)	44,973
Total	**$ 150,219**	**(16,903)**	**133,316**

The following is the movement of the cost of Property, Plant and Equipment:

	Balance at 31.12.2014	**Additions**	**Reclassifications**	**Balance at 31.12.2015**
Land	$ 24,595	2,690	0	27,285
Buildings	78,617	0	(4,002)	74,615
Vehicles	1,771	361	0	2,132
Fittings and accessories	22,477	1,188	0	23,665
Computer equipment	51,350	3,638	0	54,988
Total	**$ 178,809**	**7,877**	**(4,002)**	**182,684**

The following is the movement of depreciation on Property, Plant and Equipment:

	Buildings	Vehicles	Fittings & accessories	Computer equipment	TOTAL
Balance at 1.1.2014	**$ (7,763)**	**(223)**	**(2,329)**	**(6,588)**	**(16,903)**
Depreciation	(6,090)	(89)	(1,631)	(2,460)	(10,269)
Withdrawn/sold	0	0	0	0	0
Exchange difference	0	0	0	0	0
Balance at 31.12.2014	**$ (13,853)**	**(312)**	**(3,960)**	**(9,048)**	**(27,172)**
Depreciation	(10,085)	(524)	(2,409)	(4,247)	(17,265)
Withdrawn/sold	0	0	0	0	0
Exchange difference	0	0	0	0	0
Balance at 31.12.2015	**$ (23,937)**	**(836)**	**(6,369)**	**(13,295)**	**(44,438)**

EQUIPMENT HELD UNDER OPERATING LEASES			
	31.12.2015	**31.12.2014**	**1.1.2014**
Banco GNB Perú	$ 10,276	10,040	6,997
Banco GNB Paraguay	720	1,165	-
TOTAL	**$ 10,996**	**11,205**	**6,997**

14. Investment Properties

The following is a detail of Investment Properties:

	31.12.2015	31.12.2014	1.1.2014
	Buildings	**Buildings**	**Buildings**
Cost	$ 1,167	1,113	1,113
Impairment	(735)	(735)	(735)
Total	**$ 432**	**378**	**378**

The following is the movement of the cost of Investment Properties:

	Buildings
Balance at 1.1.2014	**$ 378**
Balance at 31.12. 2014	**378**
Reclassifications	54
Balance at 31.12. 2015	**$ 432**

- During the years ended on December 31, 2015 and 2015 there was income from investment property rents for $59 and $66, respectively.
- There were no contractual obligations to acquire investment properties during the period.
- There are no restrictions on the disposal of investment properties.
- During the periods mentioned there were no changes to the fair value of investment properties

15. Intangibles

INTANGIBLE ASSETS	December 31, 2015	December 31, 2014	December 31, 2014
Banco GNB Paraguay	20,629	9,620	21,069
Banco GNB Peru	161,135	162,989	145,763
Fiduciaria GNB Colombia	-	2,857	-
Servitrust	11,374	2,243	7,447
Servibanca	31,311	30,476	21,184
Servivalores	6,121	5,604	4,923
HSBC	15,756	15,756	-
Subtotal	**246,326**	**229,545**	**200,386**
Programas y Aplicaciones	30,206	27,253	1,783
TOTAL	**276,532**	**256,798**	**202,169**

- **Revaluations**

At December 31, 2015 and 2014, the goodwill for due to acquisition of Banco GNB Colombia totalled $15,756. With the merger by absorption of Banco GNB Colombia, Banco GNB Sudameris incorporated assets for $1,375, 011 (cash, $ 76,755, investments, $ 566,039, net loans, $632,849 and others $99,368); and liabilities for $1,200,437 (deposits and demand accounts, $ 835,387; money market liabilities $200,000, bank borrowings $55,754, bonds $50,000 and other $59,296; all of these figures contribute to the growth of Banco GNB Sudameris.

ASSETS

Loans

($ million)	Sep-14	Dec-15	Var % Sep 14 - Dec 15
Net loans	5,990,910	7,330,880	22.4%

As can be seen from the above figures, net loans increased $1,339,970 from September 2014 to December 2015, 47% of which ($632,449) was generated by Banco GNB Colombia. Here, the majority of migrated customers still remain, and the most important of them have considerably increased their borrowings.

Further, customers whose loans were received and had outstanding balances at the December close, have maintained a similar characteristics, since the indicator of past-due accounts at December 2015 was 1.63%, which is similar to that at the time of the merger (1.62%). At the same time, the coverage indicator for December was 163.1%, and this is markedly better than those recorded by the Colombian banking system in the most recent available information at November 2015 (past dues, 3.01% and coverage, 145.79%). These indicators reflect the good quality of the Bank's main assets.

Investments

($ million)	Sep-14	Dec-15	Var % Sep 14 - Dec 15
Net loans	5,002,979	6,053,078	21.0%

Investments

Banco GNB Colombia initially accounted for 11.3% ($566,039) of total growth, of which 91% was in TES securities, 6% in mandatory investments and 3% in equity investments (mainly CIFIM, Servitrust), which Banco GNB Sudameris retains in its operations with an important revaluation of more than $20,000, at the close of 2015.

Property, Plant and Equipment

This item corresponds to assets held for own use, and contribute to the generation of operating profits. It was recognized for a total of $90,916 prior to the merger (September 2014), and totalled $131,490 at December 2015, representing 0.67% of total assets.

At the time of the merger, three properties in Bogotá were received from Banco GNB Colombia, with a carrying value of $10,875, along with one in Medellín, for $315.9, two in Cali for $1,838.6, two in Barranquilla for $181.8, and two in Bucaramanga for $1,185.7, for a total of $14,397. Banco GNB Sudameris retains these properties, which at December 31, 2014 were revalued by more than $7,090, and will certainly have enjoyed important revaluation in 2015. Computer equipment and office furniture was also received, for a net value of $3,526.

LIABILITIES

Deposits

($ million)	Sep-14	Dec-15	Var % Sep 14 – Dec 15
Net Deposits	**10,577,793**	**11,090,532**	**4.8%**

As can be seen, when the chart above, deposits compared from one month prior to the merger (September 2014), and the close at December 2015, show an increase of 4.8%. In nominal terms, savings accounts have had the largest share, representing 49% of total deposits.

The following are the most important customers that migrated from Banco GNB Colombia in the merger with Banco GNB Sudameris.

Deposits

Customers	GNB COLOMBIA	dic-15
Liberty	23,597	26,796
Transmilenio - Fondo Contingencias	12,456	26,179
Transmilenio - Fondo Principal	5,367	23,091
Kentz Caribbean Sucursal Colombia	72	19,495
Mundial de seguros	10,000	12,580
Valerus Field Solutions Colombia SA	226	12,447
Autofinanciera	9,091	10,592
Transmilenio - SITM	3,864	9,223
Delta Partners Limited SAS	3,087	8,070
Neiva Espinal	19,114	7,032
Union Temporal Alianza Fase II	1,044	6,853
Coenersa SAS ESP	2,633	6,846
Bloque Sangretoro	6,492	6,655
Petroleos del Norte SA	3,902	6,065
Consorcio SNC Lavalin SKM	11,884	5,933
Transmilenio - Conexión Mobil	12,350	5,670
Misys Colombia SL	3,545	5,287
Transmilio - Angelcom	1,057	4,407
Cummins Colombia SAS	6,353	4,238
Club Turavia SA de CU Sucursal COL	149	4,065
TOTAL	**136,284**	**211,523**

CDTS

Customers	GNB COLOMBIA	dic-15
Fideicomisos Sociedad Fiduciara de	15,500	56,616
Cartera Colectiva Abierta Renta	8,000	43,000
Corredores Asociados CCA Intereses	5,500	31,000
Cartera Colectiva abierta Fiduexced	2,500	28,000
FIC Abierto Valor Plus 1	13,000	23,810
Fiduoccidente FDO C O Occirenta	8,500	23,000
Universidad Industrial de Santander	11,000	22,000
FDO ABTO con Pacto de Permanenc C*C	3,000	20,500
Camara de Comercio de Bogota	1,875	16,387
Cartera Colectiva Abierta Alianza F	10,000	11,500
Fondo Inversion Colectiva Olimpia	1,000	7,500
Fiducolombia P.A Fideicomiso IMPSAT	2,000	6,400
FIC Abierto Confianza Plus	1,000	6,000
Consorcio Pensiones C/Marca 2012	2,000	6,000
Maria Consuelo Rocha Granados	783	5,802
Mario Angel Meza Rivas	6,700	4,700
Cavelca LTDA	3,162	3,572
Corporacion Universidad Libre-Bogota	2,000	3,331
Cajasan-Caja Santanderana de Subsid	2,245	3,085
Fiduocci CCA con PP Minima Occibono	2,000	3,000
TOTAL	**101,765**	**325,202**

Equity

($ million)	Dec-14	Dec-15	Var % Dec 14 - Dec 15
Net	**1,140,284**	**1,252,492**	**9.80%**

A comparison of the equity of Banco GNB Sudameris for the periods ended December 31, 2014 and December 31, 2015 clearly shows the full effects of the incorporation of the operations of Banco GNB Colombia, with equity growth of 9.8%, and this was a source of a good part of the profits generated in the period, totalling $150,061.

16. Income tax

i. Components of the income tax expense:

The income tax expense in the years ended at December 31, 2015 and 2014 is as follows:

Tax expense	31.12. 2015	31.12. 2014
Current	$ 108,960	$ 57,492
Deferred	2,189	5,690
Total	**$ 106,771**	**$ 63,182**

ii. Reconciliation of tax rates in accordance with tax regulations, and the effective rate

The following are the basic parameters used for income tax in Colombia:

- Taxable profit is taxed at 25%.
- As of January 1, 2013, Law 1607 of December 2012 created an equity tax-CREE-as a contribution for legal entities and similar taxpayers to contribute to the benefit of workers, generate employment and foster social investment. The CREE rate for 2014, 2015 and subsequent years is 9%
- As of 2015, an additional surcharge of 5% was made to CREE for 2015, 6% for 2016, 8% for 2017 and 9% for 2018.
- Profits of the Subsidiaries outside Colombia are taxed at 30% in Peru and 10% in Paraguay.
- The taxable base for income tax and CREE may not be less than 3% of the equity at the close of the preceding year.

The following is the detail of reconciliation between total income tax expense for the Bank, calculated at current rates, and the effective tax expense recorded in Results for the Period for the years ended December 31, 2015 and 2014.

ITEM	31.12. 2015	31.12. 2014
Profit before tax	**$ 302,556**	**$ 218,374**
Theoretical tax expense (using current rates (2015 - 39% and 2014 - 34%)	117,997	74,247
PLUS OR LESS TAXES THAT INCREASE OR DECREASE THEORETICAL TAX		
Wealth tax	5,333	335
Non-allowable taxes	763	5,841
Non-allowable provisions	-	1,204
Adjustment for reduced rate on windfall income	-	(14,195)
Dividends received as non-taxable income	1,991	(9,219)
Income from the equity method	(35,418)	-
Untaxed income	(78)	(48)
Amortization of tax credit on merger	-	(13,695)
Non-taxable interest and other income	(1,350)	(594)
Recoveries of non-taxable provisions	(3,905)	-
Tax-exempt income	(321)	(370)
Other	21,759	19,676
Total tax expense for the year	**$ 106,771**	**$ 63,182**

iii. Deferred tax for investments in Subsidiaries.

For the years 2015 and 2014, the Bank did not record any deferred tax liability on the value of the timing differences between carrying value and fiscal cost of investments in Subsidiaries, equivalent to $265,905 and $141, 895, respectively, in application of the exception in Paragraph 39 of IAS 12.

This was done because the Bank can control the moment in which these differences are reverted, and does not expect that this will take place in the foreseeable future.

iv. Deferred taxes by type of timing difference

The differences between the carrying value of assets and liabilities and the taxable base of the same give rise to the following timing differences that generate deferred taxes, calculated and recorded for the years ended December 31, 2015 and 2014, based on tax rates then current as a reference point for years in which these timing differences will revert.

The following is the movement and detail of timing differences at December 31, 2015 and 2014

At December 31, 2015:

Timing difference – deferred tax asset	Balance at 31.12. 2014	Credited/ (charged) to Results	Credited/ (charged) to OCR	Balance at 31.12. 2015
Deferred charges	15,860	(4,569)	0	11,291
Actuarial calculation	469	(346)	0	123
Employee benefits	4,968	(1,134)	0	3,834
Turnover tax provision	1,567	(304)	0	1,263
Permanent contributions	89	14	0	103
Tax credits to be offset	897	13,655	32,093	46,645
Other	556	15,995	0	16,551
Assets available for sale	-	83	0	83
Property, Plant and Equipment	877	(875)	0	3
Provisions for expenses	2	0	0	2
Total deferred tax asset	**25,285**	**22,519**	**32,093**	**79,897**

Timing difference – deferred tax liability	Balance at 31.12. 2014	Credited/ (charged) to Results	Credited/ (charged) to OCR	Balance at 31.12. 2015
Debt investments	(73,228)	7,785	0	(65,443)
Equity investments	0	(4,445)	0	(4,445)
Property, Plant and Equipment	(22,834)	(2,768)	0	(25,602)
Subordinated bonds	(5,748)	(2,297)	0	(8,045)
Derivatives	(39)	(2,516)	0	(2,555)
Goodwill	(807)	(1,138)	0	(1,945)
Other	(446)	253	0	(193)
Loans	(60,447)	(19,583)	(41)	(80,071)
Total deferred tax liability	**(163,549)**	**(24,708)**	**(41)**	**(188,298)**
Total deferred tax net	**(138,264)**	**(2,189)**	**32,052**	**(108,401)**

At December 31, 2014:

Timing difference – deferred tax asset	Balance at 31.12. 2013	Credited/ (charged) to Results	Credited/ (charged) to OCR	Balance at 31.12. 2014
Deferred charges	12,937	2,923	0	15,860
Actuarial calculation	9,443	(8,974)	0	469
Employee benefits	117	4,851	0	4,968
Turnover tax provision	740	827	0	1,567
Permanent contributions	47	42	0	89
Tax credits to be offset	1,528	(631)	0	897
Other	72	484	0	556
Property, Plant and Equipment	876	1	0	877
Provision for expenses	0	2	0	2
Total deferred tax asset	**25,760**	**(475)**	**0**	**25,285**

Timing difference – deferred tax liability	Balance at 31.12. 2013	Credited/ (charged) to Results	Credited/ (charged) to OCR	Balance at 31.12. 2014
Debt investments	(59,026)	(14,202)	0	(73,228)
Equity investments	(20,627)	(2,207)	0	(22,834)
Property, Plant and Equipment	(6,620)	872	0	(5,748)
Subordinated bonds	(39)	0	0	(39)
Derivatives	(6,516)	6,516	0	0
Goodwill	(790)	790	0	0
Other	(740)	294	0	(446)
Loans	(29,635)	2,722	(33,534)	(60,447)
Total deferred tax liability	**(123,993)**	**(5,215)**	**(33,534)**	**(162,742)**
Total deferred tax net	**(98,233)**	**(5,690)**	**(33,534)**	**(137,457)**

v. Effect of current and deferred taxes on each component of Other Comprehensive Results in the equity section.

The effects of current and deferred taxes in each component of Other Comprehensive Results is the following:

COMPONENT	Balance at 31.12. 2015				Balance at 31.12. 2014			
	Pre-tax amount	Current tax income (expense)	Deferred tax expense (income)	NET	Pre-tax amount	Current tax income (expense)	Deferred tax expense (income)	NET
(Loss) Profit on financial instruments valued on equity variation with changes to OCR	(1,298)	0	0	(1,298)	7,645	0	0	7,645
Gain(loss) on conversion of financial statements	63,821	0	0	63,821	(48,809)	0	0	(48,809)
Loan impairment for consolidated financial statements	65,576	0	(41)	65,535	45,854	0	(33,534)	12,320
Losses on non-controlling interests	(9,228)	0	0	(9,228)	(25,690)	0	0	(25,690)
Surplus from equity method	(1,337)	0	0	(1,337)	(115)	0	0	(115)
Other net equity	(195,435)	31,109	32,093	(132,233)	(31,167)	0	0	(31,167)
Employee benefit plan gains	275	0	0	275	8,202	0	0	8,202
TOTAL	**(77,626)**	**31,109**	**32,052**	**(14,465)**	**(44,080)**	**0**	**(33,534)**	**(77,614)**

vi. Uncertainties regarding open tax positions

An analysis has been made of the Statement of Financial Position at December 31, 2015 and 2014, to examine tax positions adopted in filings made and still open to review by the tax authorities. The intention is to identify uncertainties associated with a difference between the positions of the Bank and the possible positions of the authorities. The analysis did not show that any events had been identified to be disclosed in this regard.

17. Other Assets

The following is the detail of Other Assets:

	31.12. 2015	31.12. 2014	1.1.2014
Prepaid expenses	$ 5,315	4,709	7,914
Purchase/sale commitments	47,242	35,887	0
Sundry	52,885	69,690	75,165
Impairment	(1,873)	(857)	(780)
Total	**$ 103,570**	**109,430**	**82,299**

18. Financial Assets at amortized cost

Customer Deposits

Customer deposits in the Parent have performed as follows:

	31.12. 2015	31.12. 2014	1.1.2014
By type			
Sight			
Current accounts	$ 1,908,892	1,407,336	939,866
Savings	6,433,510	6,351,693	5,758,436
Term			
Term deposits	8,216,539	7,571,145	5,748,541
Total	**$ 16,558,941**	**15,330,174**	**12,446,843**

Customer deposits: interest rates

The following is a summary of effective annual interest rates accrued on customer deposits:

	31.12. 2015				31.12. 2014				1.1.2014			
	Local currency rate		Foreign currency rate		Local currency rate		Foreign currency rate		Local currency rate		Foreign currency rate	
	Min%	Max%	Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %
Current accounts	0	0	0	0.55%	0	4.89%	0	0.25%	0	4.57%	0	0.25%
Savings	0	0	0	0.75%	0	4.50%	0	1%	0	4.05%	0	1.25%
Term deposits	0	1.02%	0.05%	2.40%	0.05%	9.18%	0.10%	2.40%	0.91%	9.63%	0.10%	2%

• Deposits from financial entities

The following is the detail of deposits of financial entities:

Short-term borrowings

Interbank fund purchases	31.12. 2015	31.12. 2014	1.1.2014
Local currency			
Funds purchased	$ 208,171	66,016	62,432
Open repo sale commitments	2,825,865	2,240,541	982,176
Simultaneous investment transfer commitments	935,390	50,082	0
Simultaneous short position commitments	0	0	44,780
Subtotal local currency	**3,969,426**	**2,356,639**	**1,089,388**
Foreign currency			
Funds purchased	47,243	16,025	0
Total	**$ 4,016,669**	**2,372,664**	**1,089,388**

Borrowings from discount businesses and banks outside Colombia

Name	31.12.2015	31.12.2014	1.1.2014	Current interest rate
Fondo Para el Financiamiento del sector Agropecuario FINAGRO	$ 166	666	2,479	
Financiera de Desarrollo Territorial S.A FINDETER	630,889	465,732	570,282	6.62%
Banks outside Colombia	608,425	619,414	87,662	
Other debt	327,389	232,636	419,819	3.73%
Total	**$ 1,566,869**	**1,318,448**	**1,080,242**	

Short-term borrowings-effective interest rates

The following is a summary of effective annual interest rates accrued on short-term borrowings:

	31.12. 2015				31.12. 2014				1.1.2014			
	Peso rate		Foreign currency rate		Peso rate		Foreign currency rate		Peso rate		Foreign currency rate	
	Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %
Interbank funds **(I)**	5.68	5.70	0.45	0.60	4.44	4.44			3.17	3.17		
Repos **(R)**	5.75	5.75			4.50	4.50			3.25	4.25		
Simultaneous **(S)**	5.74	5.75			0.00	0.00			0.00	0.00		

Long-term debt

Item	31.12.2015	31.12.2014	1.1.2014	Current interest rate
Subordinated dollar bonds outstanding	$ 795,785	603,151	487,469	7.500%
Ordinary dollar bonds outstanding	943,530	714,552	575,356	3.875%
Subordinated peso bonds outstanding	0	50,218	0	IPC+2.95
Total	**$ 1,739,315**	**1,367,921**	**1,062,825**	

(*) Maturity bands for long- and short-term debt appear in the section on Liquidity Risk.

The following are the characteristics of the bonds:

31.12. 2015

	Type of Issue	Amount of Issue	Balance COP	Interest rate	Date of Issue	Maturity	Form of payment
Issue 2012	Subordinated	USD 250.000.000	$ 795,785	7.500%	30-Jul-12	30-Jul-22	6 monthly in arrears
Issue 2013	Ordinary	USD 300.000.000	943,530	3.875%	02-May-13	02-May-18	6 monthly in arrears

31.12. 2014

	Type of Issue	Amount of Issue	Balance COP	Interest rate	Date of Issue	Maturity	Form of payment
Issue 2012	Subordinated bonds	USD 250.000.000	$ 603,151	7.500%	30-Jul-12	30-Jul-22	Six monthly in arrears
Issue 2013	Ordinary bonds	USD 300.000.000	714,552	3.875%	02-May-13	02-may-18	Six monthly in arrears
Issue 2005	Ordinary bonds	COP 50.000	50,218	3.875%	06-Dec-05	06-dic-15	Quarterly in arrears

1.1.2014 Opening Statement of Financial Position							
	Type of Issue	**Amount of Issue**	**Balance COP**	**Interest rate**	**Date of Issue**	**Maturity**	**Form of payment**
Issue 2012	Ordinary bonds	USD 250.000.000	$ 487,469	7.500%	30-Jul-12	30-Jul-22	6 monthly in arrears
Issue 2013	Ordinary bonds	USD 300.000.000	575,356	3.875%	02-May-13	02-May-18	6 monthly in arrears

19. Employee Benefits

The following is detail of provisions for employee benefits and December 31, 2015 and 2014, and at January 1, 2014.

	31.12. 2015	31.12. 2014	1.1.2014
Short-term benefits	$ 14,791	14,579	15,068
Termination benefits	26,119	18,600	16,917
Long-term benefits	8,953	23,852	12,244
Total	**$ 49,863**	**57,031**	**44,229**

Short-term benefits

Colombian labour Law and the Parent´s collective bargaining agreements provide employees are entitled to short-term benefits such as salary, holidays, service bonus and discretionary bonus; also, severance and interest on the severance accrual under the regime of Law 50/1990; and long-term benefits, such as discretionary long service bonuses and severance accrual for employees who continue in the regime in force prior to Law 50/1990; and retirement benefits, such as retirement bonus and pensions.

Retirement benefits for employees

In Colombia, retirement pensions are earned after a certain age and a certain number of years´ service; and this cost is borne by public or private pension funds, based on defined contribution plans by employers and employees, who make a monthly payment to have access to a retirement pension for the employee. However, some employees were contracted prior to 1968, and that requirements of age and years of service, and their pensions are born directly by the Parent.

The Parent also recognizes a discretionary bonus, or a bonus under a collective bargaining agreement, to employees who will retire when they reach a certain age and years of service, to take the pension offered by the pension funds.

The following movement of retirement pensions for employees and long-term benefits during periods ended December 31, 2015 and 2014.

	Pension plans		Other long-term benefits	
Item	**31.12. 2015**	**31.12. 2014**	**31.12. 2015**	**31.12. 2014**
Opening balance	$ 25,901	21,179	14,721	12,910
Interest	1,930	1,572	1,759	1,529
Reclassification of short-term liabilities	0	0	0	0
Changes in actuarial assumptions	(954)	5,760	(3,328)	1,490
Payments made to employees	(2,782)	(2,610)	(1,137)	(1,208)
Closing balance	**$ 24,094**	**25,901**	**12,015**	**14,721**

(i) The other benefits include discretionary long-service bonuses: the severance accrual is for employees in the pre-Law 50/1990 regime, and retirement bonuses.

Actuarial assumptions

The variables used to calculate the projected obligation for the various retirement and other long-term benefits appear below:

Assumptions made	31.12. 2015	31.12. 2014	1.1.2014
Discount rate	8.75%	7.00%	7.00%
Inflation	4.00%	3.00%	3.00%
Salary increases	4.00%	3.00%	3.00%
Pension increases	3.66%	1.94%	2.44%
Employee rotation	SOA 2003	SOA 2003	SOA 2003

The life expectancy of employees calculated on mortality rates published by the Colombian Financial Superintendency has been constructed on the basis of mortality experience supplied by insurance companies operating in Colombia.

Other long-term benefits

- The Parent pays discretionary long-service bonuses to employees during the employment depending on the number of years' of service (at 5, 10, 15 and 20 years, etc.) calculated as a multiplier of days salary (15-180) in each case.

- The Parent has a group of employees entitled to severance benefits prior to Law 50/1990. Here, each benefit is cumulative, and is based on the latest salary earned multiplied by the number of years' of service, less any partial advances made.

The remuneration of key management personnel in each category benefit is disclosed in Note 27 - Related Parties

Sensitivity analysis

The sensitivity analysis for liabilities for employee retirement benefits in the range of financial and actuarial variables is as follows, other variables remaining constant.

Pensions

POST-EMPLOYMENT BENEFITS	CHANGES IN VARIABLE	INCREASE IN VARIABLE	DECREASE IN VARIABLE
		+50 pts	-50 pts
Discount rate	8.75%	(610.68)	637.46
Salary growth rate	4.00%	150.83	(141.18)
Pension growth rate	4.00%	513.89	(500.44)

20. Other Provisions

The following is the movement of Other Provisions at December 31, 2015 and 2014, and January 1, 2014

	Litigation, fines and indemnities (1)	Taxes other than income tax	Sundry provisions	TOTAL
Balance at 31.12. 2015	**$ 9,083**	**5,284**	**45,854**	**60,221**
Increase to current provisions	0	0	10,001	10,001
Provisions used	0	(2,567)	(3,458)	(6,025)
Unused provisions retained	(861)	0	0	(861)
Balance at 31.12. 2014	**9,944**	**7,851**	**39,311**	**57,106**
New provision	4,773	0	0	4,773
Increase to current provisions	0	0	13,914	13,914
Provisions used	0	(5,057)	0	(5,057)
Balance at 31.1.2014	**$ 5,171**	**12,908**	**25,397**	**43,476**

1) At December 31, 2015 and 2014, the provisions for litigation correspond to labour claims ($1,330 and $1,251 respectively), civil claims for $534 and $ 3,692 respectively. According to our legal advisers, these cases will cause an expense to the Bank.

21. Other Liabilities

The following is the movement of other liabilities at December 31, 2015 and December and 2014, and January 1, 2014

ITEM	31.12. 2015	31.12. 2014	1.1.2014
Accounts payable			
Commissions and fees	$ 3,718	3,844	3,752
Taxes	16,105	12,045	15,548
Dividends and other capital surpluses	7,768	5,653	3,081
Rent	281	60	76
Bank transaction tax	1,415	1,561	1,900
Purchase commitments	57	57	57
Suppliers and services	14,435	22,202	15,705
Contributions, affiliations and transfers	451	380	239
Employment withholdings and contributions	11,402	10,040	7,099
Insurance	0	1,598	1,103
Sundry	98,043	36,132	226,716
Other liabilities			
Income received in advance	7,241	5,949	5,047
Deferred payment letters of credit	1,829	0	2,064
Deferred credits	1,956	1,075	925
Sundry	34,979	25,302	24,543
Cancelled accounts	5,722	4,973	923
Special deposits	133,933	120,095	92,111
Payable for services	100,483	75,600	45,174
Banks and correspondents	3,033	24,607	8,172
Total	**$ 442,851**	**351,173**	**454,235**

22. Equity

Capital

Authorized, issued and outstanding shares in the Parent had a par value of $400 (pesos) each, at December 31, 2015 and 2014, and January 1, 2014, as follows:

	31.12. 2015	31.12. 2014	1.1.2014
Shares authorized	$ 187,500,000	187,500,000	187,500,000
Shares pending subscription	22,450,559	22,450,559	22,462,766
Shares paid	165,049,441	165,049,441	165,037,234
Paid capital	$ 66,020	66,020	66,015

Reserves

The composition of reserves December 31, 2015 and 2014, and January 1, 2014 is as follows.:

	31.12. 2015	31.12. 2014	1.1.2014
Mandatory			
Resolution 29/84	0	0	122,043
Taxed	$ 374,149	255,071	83,356
Untaxed	203,924	160,972	195,897
Reserves Servitrust	10,588	5,172	3,062
Reserves Servibanca	16,124	12,090	11,598
Reserves Servivalores	2,304	1,690	1,264
Reserves Paraguay	48,872	54,273	21,120
Reserves Perú	74,855	56,822	0
Reserves Fiduciaria GNB	0	4,400	0
Subtotal	**730,816**	**550,490**	**438,340**
Eliminations	(32,238)	(34,636)	(25,319)
Total	**$ 698,578**	**515,854**	**413,021**

Mandatory Reserve

All banks must set up a mandatory reserve by appropriating 10% of net profits for each period, until the reserve reaches 50% of subscribed capital. The reserve may be reduced from 50% of subscribed capital when the object is to cover losses exceeding undistributed profits. This mandatory reserve may not be used to pay dividends or to cover expenses or losses during the time that the Parent has undistributed profits.

Statutory and voluntary reserves

These reserves are determined by the Shareholders General Meeting.

Dividends declared

Dividends declared and paid to shareholders are based on net profits for the Separate Financial Statements of the preceding period. In this case, no dividends were declared, and the value of the profits for preceding periods was as follows:

	31.12. 2015	31.12. 2014	1.1.2014
Profit for the year	$ 196,468	155,192	0
Total ordinary shares outstanding	165,049,441	165,049,441	165,037,234

The calculation of profit per share for the years ended December 31, 2015 and 2014 is as follows:

	31.12. 2015	31.12. 2014
Profit for the year	$ 196,468	155,192
Shares outstanding	165,049,441	165,049,441
Basic profit per share	**$ 1,190**	**940**

See Capital Management Policies, Note 29.

23. Commission and other services: revenues and expenses

The following are the revenues and expenses for commissions and other services at December 31, 2015 and 2014:

	31/12/2015	31/12/2014
Bank acceptances	68	50
Letters of Credit	990	201
Bank guarantees	1,674	1,246
Trust services	65,309	52,859
Trust business	-	13,194
Establishments affiliated to cards	6,821	4,730
Card administration fees	1,764	-
Other	112,597	43,940
SUBTOTAL	189,223	116,220
Commissions	(44,122)	(30,281)
Fees	(8,629)	(7,000)
TOTAL	136,472	78,939

24. Other Income

The following is the Other Income for years ended December 31, 2015 and 2014:

Item	31.12. 2015	31.12. 2014
Dividends and other capital surpluses	$ 1,539	5,017
Rent	5,252	0
Operating risk recoveries	8	6
Sundry	96,383	78,249
Impairment (provision) recoveries	159,689	87,326
Total	**$ 262,871**	**170,598**

25. Other Expenses

The following are Other Expenses for the year ended December 31, 2015 and 2014.

ITEM	31/12/2015	31/12/2014
Employee benefits	207,307	156,756
Fees	8,629	7,342
Taxes and levies	41,707	29,410
Rent	72,545	26,348
Contributions and affiliations	23,586	17,065
Insurance	33,906	31,849
Maintenance and repairs	32,678	18,115
Premises remodelling	1,852	1,065
Fines and litigation	83	50
Depreciation and amortization	19,733	14,030
Advertising	10,876	8,810
Service outsourcing	9,442	18,540
Cleaning, , cafeteria , security	11,035	8,120
Transport	15,018	10,338
Public services and mobiles	23,181	16,705
Stationery	8,036	3,953
Other	145,029	139,169
TOTAL	**664,643**	**507,665**

26. Commitments and Contingencies

Credit commitments

In the course of its normal operations, the Parent issues guarantees and letters of credit to customers in which the Group makes an irrevocable commitment to make payments to third parties if customers do not perform their obligations to those third parties; this amounts to the same credit risk as a direct loan. The granting of loan of guarantees and letters of credit is subject to the same policies for the approval of loan disbursements with regard to customer credit quality, and guarantees are obtained as appropriate to the circumstances.

Commitments to extend credit represent the unutilized portions of authorizations to for loans, the use of credit cards, overdraft limits, and letters of credit. With regard to credit risk on commitments to extend credit lines, the Parent is potentially exposed to last for an amount equal to the total amount of an unutilized commitments, if the amount not utilized were to be entirely drawn down. However, the amount of the loss is smaller than the total amount of unutilized commitments, since most commitments to extend credit are contingent on the customer maintaining specific standards of credit risk. The Parent monitors the maturities of commitments regarding credit limits, because long-term commitments carry a higher risk than short-term ones.

The outstanding balances of credit loans of unutilized credit lines and guarantees does not necessarily represent future cash requirements, because those limits may expire, and all or part of them may remain unutilized.

<u>Contingencies</u>

Legal

At December 31, 2015 and 2014, the Parent attended to administrative and ordinary litigation, to contest the valuation of claims against it. The quantification of these cases was made on the basis of analysis and opinions by legal counsel responsible for them, and the following contingencies were recorded:

Labour cases

At December 31, 2015 and 2014, there were labour claims for $2,737 and $2,816 respectively. Historically, most of these cases have been decided in favour of the Parent and its subsidiaries.

Civil cases

At December 31, 2015 and 2014, the probable result of valuation of civil claims, without including remote abilities, totals $3,095 and $3,953, respectively

Administrative and other litigation

Administrative and other tax cases, initiated by national and local tax authorities, in some cases set penalties that would be due from the Parent as an active collector of regional taxes; and in others, there is an assessment for higher taxes payable with the Bank as taxpayer. At December 31, 2015 and 2014, the amount of these claims totals $13,957 and $29,734, respectively

27. Related parties

Related parties are considered to be:

1) Individual shareholders holding more than 10% of the Parent´s capital, and those whose individual share is lower than that but whose who are involved in operations in excess of 5% of the Banks computable capital.

Shareholders with more than 10% holding:

- Gilex Holding BV

Shareholders with less than 10% capital holding, but operations exceeding 5% of technical of computable capital:

- At December 31, 2015 and 2014, the Parent had no operations exceeding 5% of the Parent´s computable capital with shareholders holding less 10%.

2) Key management personnel. These are individuals with authorities or responsibilities to plan, manage and control the Parent´s activities, directly or otherwise, including any director or administrator (whether executive or not) of the Parent. These include members of the Board of Directors, the President-CEO and Vice Presidents.

3) Subsidiaries in which the Parenting exercise control

- Banco GNB Peru
- Banco GNB Paraguay
- Servitrust GNB Sudameris
- Servivalores GNB Sudameris
- Servibanca

4) Other non-Subsidiary related parties.

Operations with related parties:

The Parent may engage in operations, agreements or contracts with related parties on the understanding that these operations will be undertaken at fair values, respecting market conditions and tariffs.

In the periods ended December 31, 2015 and 2014, the following did not apply to operations between the Parent and related parties:

- Loans implying that the borrower would be subject to an obligation not corresponding to the essence or nature of a loan.

- Loans at interest rates other than those ordinarily paid or charged to third parties in similar conditions of term, risk, etc.

- Operations has characteristics were different from those granted to third parties.

During the years ended December 31, 2015 and 2014, Directors fees were paid for $83 and $68 respectively, for attendance at Board and committee meetings.

At December 31, 2015 and 2014, the Parent recorded loan and deposit balances with parties related to directors administrators of the Parent, as shown below:

All operations were conducted at market prices. The average loan placement rate which the Parent granted to its related parties is equal to DTF +3.45. Credit card and overdraft operations were made at full rates for those products.

The following is the grouping of these balances in operations with related parties, including the detail of detail of operations with key management personnel.

Operations with shareholders

Type of Operation	Nit	Name	Ref:	Currency	USD balance	TRM (Pesos)	COP million	Maturity	Rate	Collateral
Loan	830137184	GLENOAKS INVESTMENTS S.A.	436	USD	57,000,000	3.149,47	179,520	18/01/2016	Libor + 5.90	SBLC GNB Sudameris Bank S.A. Panamá for USD 28.500.000
						Sub total	**$ 179,520**			

In the course of its commercial operations, the Bank undertakes operations with its Subsidiaries, such as holding an interest in them, and in respect of loans, financial liabilities, as follows:

December 31, 2015

ASSETS	Servitrust	Servibanca	Servivalores	GNB Paraguay	GNB Perú	Servitotal
Investments in Subsidiaries, associates, joint businesses	$ 51,484	76,132	31,810	266,757	650,040	474
Spot operations	0	11,307	0	0	0	0
Loans and financial leasing	0	0	0	0	136,144	0
Other receivables	0	0	0	0	1,579	0
LIABILITIES						
Borrowings	23,969	43,575	2,148	0	0	0
INCOME						
Interest	0	0	0	234	3,719	0
Commissions and other services	182	593	0	641	0	0
Other income	427	4,665	11	2,990	2,029	0
EXPENSES						
Financial	808	1,469	77	0	0	0
Commissions and other services	0	1,317	846	0	0	0
Other expenses	0	219	0	0	0	0

December 31, 2014

ASSETS	Servitrust	Servibanca	Servivalores	Paraguay	Perú	Fiduciaria	Servitotal	HSBC
Money market	$ 0	0	0	38,279	0	0	0	0
Investments subsidiaries, associates, joint businesses c	14,868	72,521	33,998	198,485	551,818	22,681	474	15,756
Spot operations	0	18	0	0	0	0	0	0
Loans and financial	0	0	0	46,952	147,249	0	0	0
Other receivables	0	0	0	190	347	0	0	0
ASSETS	**Servitrust**	**Servibanca**	**Servivalores**	**Paraguay**	**Perú**	**Fiduciaria**	**Servitotal**	**HSBC**
LIABILITIES								
Borrowings	$ 2,600	18,766	3,305	0	0	3,937	0	0
Payables	0	0	0	0	0	0	0	0
INCOME								
Interest	0	0	0	175	900	0	0	0
Commissions and other	428	0	0	158	0	165	0	0
Other income	1,521	17,894	3,472	28,473	6,927	0	0	0
EXPENSES								
Financial	282	787	125	0	0	29	0	0
Commissions and	0	1,049	1,012	0	0	0	0	0
Other expenses	0	237	83	0	0	0		

Benefits for key personnel

Some key management personnel of the Parent are also key members of Subsidiary entities.

28. First time adoption of the new technical standards, converging to IFRS.

Law 1340/2009 set regulatory principles and standards for accounting and financial information accepted in Colombia, and was intended to create a single, high-quality system for financial reporting. Decree 2784/2012 and other amendments, set a regulatory regime for those preparing financial information classified as Group 1, and following parameters established in that Decree (Technical Regulatory Framework), the Bank is classified in that Group, because it is of public interest and it is a securities issuer.

The Technically Regulatory Framework now current is based on IFRS, published by IASB on January 1, 2013, and in special technical standards issued by the Superintendency and applicable to the Bank in the preparation of its Separate Financial Statements, the accounting treatment of loans and impairment, investments and impairment of foreclosed or restored assets. At the same time, Law 1739/2014 required annual instalment accruals and the option to charge Wealth Tax to equity reserves without affecting Results for the Period.

The Parent prepared its Opening Statement of Financial Position at January 1, 2014 following the new Technical Regulatory Framework.

" First time adoption for IFRS" and other provisions legally applicable in Colombia, for the recognition of transitional Financial Statements from the previous system ("COL-GAAP"), and the new standards (IFRS with exceptions - "Colombian IFRS")

The following reconciliations between COL-GAAP and COL-IFRS, include: i) Opening Statement of Financial Position at January 1, 2014; 2) Statement of Financial Position at December 31, 2014; 3) Comparative reconciliations of equity at January 1, and December 31, 2014; 4) Reconciliation of comprehensive results at December 31, 2014; and 5) Explanatory notes for the main adjustments and the reclassifications between COL-GAAP and COL-IFRS.

Reconciliation of the Opening Statement of Financial Position at January 1, 2014

		COL-GAAP prior to January 1, 2014	Effect of transition	Opening Colombian IFRS Statement at January 1.2014
Assets				
CASH AND CASH EQUIVALENT	a	3,242.747	15	3,242,762
FINANCIAL ASSET INVESTMENT				
AT FAIR VALUE WITH CHANGES IN RESULTS				
In debt securities		3,071,420	581,660	3,653,080
In equities		35,967	7,962	43,929
Derivatives and spot operations		36,772	(0)	36,772
		3,144,159	589,662	3,733,781
AT FAIR VALUE WITH CHANGES IN EQUITY (OCR)			-	
Debt securities		581,661	(581,661)	-
Equities		(91)	91	-
			-	
DEBT SECURITIES AT AMORTIZED COST NET		1,650,457	-	1,620,457
Total investments	b	**5,376,186**	**8,051**	**5,384,237**
LOANS AND FINANCIAL LEASING OPERATIONS				
Commercial		3,745,694	27,341	3,773,035
Consumer		4,083,424	76,379	4,159,803
Mortgage		541,035	2,708	543,743
Micro		-	2	2
Financial leasing				
		8,370,153	**106,431**	**8,476,584**
Provision		(287,763)	146,328	(141,436)
Total net loans	c	**8,082,389**	**252,757**	**8,335,147**
OTHER ACCOUNTS RECEIVABLE, NET		**180,346**	**(93,081)**	**87,265**
NONCURRENT ASSETS HELD FOR SALE	d	9,042	145,507	154,549
INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT BUSINESSES		7,962	(7,962)	-
TANGIBLE ASSETS, NET				
Investment properties		-	378	378
Equipment delivered under operating leasing contacts		-	6,998	6,998
Property and equipment held for own use	e	143,096	(9,780)	133,316
		143,096	**(2,404)**	**140,692**
INTANGIBLES, NET				
Revaluations		32,654	167,731	200,386
Other intangibles		137,347	(32,167)	1,783
		170,001	**32,167**	**202,168**
INCOME TAX ASSETS			-	
DEFERRED ITEMS		-	25,760	25,760
OTHER ASSETS		244,708	(162,409)	82,299
Total Assets		**17,456,478**	**198,402**	**17,654,879**

LIABILITIES ANDA EQUITY	Nota	COL-GAAP prior to January 1, 2014	Effect of transition	Opening Colombian IFRS Statement at January 1. 2014
LIABILITIES				
FINANCIAL LIBIALITIES AT FAIR VALUE	f			
Derivatives and spot operations	$	37,868	6	37,874
FINANCIAL LIABILITIES AT AMORTIZED COST				
Customers deposits		12,474,711	(27,868)	12,446,843
Short-term financial dent		1,081,139	8,249	1,089,388
Debt to discount entities and banks outside Colombia		1,083,599	(3,357)	1,080,242
Long-term financial debt		1,059,757	3,069	1,062,825
		15,699,206	**(19,908)**	**15,679,298**
PROVISIONS				
Employee benefits		37,555	6,674	44,229
Legal contingencies		5,342	15	5,357
Other provisions		36,436	1,683	38,119
		79,333	**8,372**	**87,705**
INCOME TAX AND CREE LIABILITY				
Current		-	-	-
Deferred		1,574	122,419	123,993
OTHER LIABILITIES		460,023	(5,787)	454,235
Total Liabilities		**16,278,004**	**105,101**	**16,383,105**
EQUITY				
Paid capital		66,015	(0)	66,015
Non-controlled interest		-	9,530	9,530
Reserves		531,552	(118,531)	413,021
Share placement premium		465,809	3,625	469,433
INFRS First-time adoption		-	9,690	9,690
IFES convergence gains		-	-	-
Other comprehensive income		-	154,857	154,857
Results of previous periods		15,700	133,528	149,228
Profit for the period		99,399	(99,399)	-
Total Equity		**1,178,474**	**93,300**	**1,271,774**
Total Liabilities and Equity	$	**17,456,478**	**198,401**	**17,654,879**

	Banco GNB Sudameris and Subsidiaries
COL-GAAP EQUITY AT 01.01.2014	**$ 1,178,474**
Current asset/liability: Increases (decreases)	(165,438)
Non-current asset and liability increases (decreases)	131,887
Loans increases (decreases)	87,887
OCR tax adjustment	38,964
Colombian FRS EQUITY AT 01.01 2014	**$ 1,271,774**

Notes to the reconciliations

The following are explanatory notes for adjustments and reclassifications made from COL-GAAP to Colombian FRS at January 1 and December 31, 2014.

a. Cash and cash equivalents

Cash had no equity effect for the Parent, and reclassification of petty cash was made from Other Non-financial Assets to Cash and Cash Equivalents for $15, following accounting policy.

b. Financial Investments

The Parent reclassified “investments at fair value with changes to OCR” to “Fair value with changes to results”, and low-turnover equity investments for $8,053, the and increasing investment financial assets.

c. Loans

The Parent reclassified employee loans and interest on total loans for $106,431, which were previously recorded under COL-GAAP as receivables and other assets. There were other adjustments of $ 146,328, corresponding to the difference between impairment models.

d. Non-current assets held for sale and investment properties

In accordance with IFRS 5, the Bank reclassified the El Nogal building for $144,708, now held as Non-current Assets Available for Sale, given that its disposal was highly probable; and under IAS40, Foreclosed Assets were reclassified for $ 378, to Investment Properties.

The detail of Investment Properties is:

Item	**Adjusted cost**
Suite 704 and parking in Medellín for hotel occupation	$ 185
Premises and parking Promotora, Medellín offices	226
House Barrio San Fernando Cali	703
Impairment	(736)
TOTAL INVESTMENT PROPERTY	**$ 378**

e. Property, Plant and Equipment

Following IFRS 1, the Parent took the most recent valuations as the cost attributed to land and buildings. It also maintained a group of assets under the cost model, and made corresponding adjustments to values recognized using COL-GAAP.

The Parent reclassified land and buildings for a net total of $145,507, to Non-current Assets Available for Sale, since there was a real offer on the El Nogal building, which meets the requirements of IFRS 5. There was a net reduction of $9,780 in relation to the increase made by independent valuations and the reclassification of Investment Properties for $125,127 in Property, Plant and Equipment.

f. Financial liabilities

For transition purposes, the Parent reclassified and adjusted financial liabilities for $19,907, in which the most important item was the calculation of amortized costs of Ordinary and Subordinated dollar bonds, including costs directly associated with the operation of their issue and placement. The internal IRR was calculated, and cash flows were discounted and that rate. As a result, the value decreased by $15,756.

Reconciliation of the Statement of Financial Position at December 31, 2014

The following is a reconciliation of the Statement of Financial Position in terms of COL-GAAP, and Colombian FRS at December 31, 2014. The impact correspondence in part to the effect of transition after January 1, 2014, recognized in the equity section, and the subsequent effect recognized in Results for the Period and Other Comprehensive Results, as appropriate:

		Colombian IFRS December 31, 2014	Transition effect	COL GAAP December 31, 2014
Assets				
CASH AND CASH EQUIVALENT		$5,225,449	38,326	5,187,122
FINANCIAL ASSET INVESTMENT				
AT FAIR VALUE WITH CHANGES IN RESULTS				
In debt securities		3,324,030	2,404,837	919,193
In equities		46,948	23,019	23,929
Derivatives and spot operations		72,447	0	72,447
		3,443,425	2,427,856	1,015,569
AT FAIR VALUE WITH CHANGES IN EQUITY (OCR)			-	
Debt securities		-	(2,404,837)	2,404,837
Equities		-	69	(69)
			-	
DEBT SECURITIES AT AMORTIZED COST NET		2,301,153	(0)	2,301,153
Total investments	b	**5,744,579**	**23,089**	**5,721,490**
LOANS AND FINANCIAL LEASING OPERATIONS			-	
Commercial		6,133,217	77,669	6,055,548
Consumer		3,929,049	50,267	3,878,782
Mortgage		813,293	(5,865)	819,158
Micro		-	-	-
Financial leasing		-	-	
		10,875,558	**122,070**	**10,753,488**
Provision		(212,725)	156,721	(369,446)
Total net loans	c	**10,662,833**	**278,791**	**10,384,042**
OTHER ACCOUNTS RECEIVABLE, NET		**141,118**	**(151,991)**	293,109
			-	
NON.CURRENT ASSETS HELD FOR SALE	d	9,887	(378)	10,265
INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT BUSINESSES		0	(36,668)	36,668
TANGIBLE ASSETS, NET			-	
Investment properties		378	378	-
Equipment delivered under operating leasing contacts		11,204	11,204	-
Property and equipment held for own use	e	178,809	75,554	103,255
			-	
		190,391	**87,137**	**103,255**
INTANGIBLES, NET			-	
Revaluations		229,545	98,025	131,520
Other intangibles		27,253	(6,943)	34,196
		256,798	**91,082**	**165,716**
INCOME TAX ASSETS			-	
DEFERRED ITEMS		25,286	25,286	-
			-	
OTHER ASSETS		**109,430**	**(93,676)**	**203,106**
Total Assets		**$22,365,771**	**260,978**	**22,104,793**

	Colombian IFRS December 31, 2014	Transition effect	COL GAAP December 31, 2014
LIABILITIES AND EQUITY LIABILITIES			
FINANCIAL LIABILITIES AT FAIR VALUE			
Derivatives and spot operations	$ 73,665	38,279	35,386
FINANCIAL LIABILITIES AT AMORTIZED COST			
Customers deposits	15,330,174	(33,403)	15,363,577
Short-term financial dent	2,372,664	16	2,372,648
Debt to discount entities and banks outside Colombia	1,318,448	4,045	1,314,403
Long-term financial debt	1,367,921	2,068	1,365,853
	20,389,207	**(27,274)**	**20,416,481**
PROVISIONS			
Employee benefits	57,031	19,340	37,691
Legal contingencies	25,822	22	25,800
Other provisions	31,284	(259)	31,543
	114,137	**(7,329)**	**95,034**
INCOME TAX AND CREE LIABILITY			
Current	-	-	-
Deferred	163,550	161,872	1,678
OTHER LIABILITIES	351,173	(9,163)	360,336
Total Liabilities	**21,091,732**	**182,817**	**20,908,915**
EQUITY		-	
		-	
Paid capital	66,020	-	66,020
Non-controlled interest	10,853	10,853	-
Reserves	515,854	(59,843)	575,697
Share placement premium	484,889	15,456	469,433
INFRS First-time adoption	9,690	9,690	-
IFES convergence gains	-	-	-
Other comprehensive income	77,243	77,243	-
Results of previous periods	(45,702)	(26,533)	(19,169)
Profit for the period	155,192	51,294	103,897
Total Equity	**1,274,039**	**78,160**	**1,195,879**
Total Liabilities and Equity	**$ 22,365,771**	**260,978**	**22,104,793**

Reconciliation of Equity

The following is a reconciliation of equity between COL-GAAP and Colombian IFRS at December 31, 2014

BALANCE OF EQUITY AT DECEMBER 31, 2014 COLGAAP	**$ 1,195,879**
Adjustment for first time adoption of IFRS	9,690
Share placement premium	15,456
OCR Financial Statements conversion	(48,810)
OCR Deferred Tax	(41,304)
OCR Difference between individual and consolidated financial statements	153,049
Movement of profit	24,761
Reserves	(59,843)
Other adjustments	25,161
BALANCE OF EQUITY AT DECEMBER 31, 2014 Colombian FRS	**$ 1,274,039**

Reconciliation of Comprehensive Results at December 31, 2014

The following is a reconciliation between the net profit for the period in COL-GAAP and Comprehensive Results under Colombian FRS for the year ended December 31, 2014.

	Colombian IFRS December 31, 2014	Transition effect	COL GAAP December 31, 2014
Income from interest and revaluations			
Loans and leasing interest	$ 1,003,519	41,214	962,304
Valuation of debt securities at amortized value	89,141	138	89,003
Valuation of debt securities at fair value	292,393	153,407	138,986
Valuation of equities at fair value	2,007	-	2,007
Valuation of trading derivatives	29,447	-	29,447
Other interest	123,849	46,805	77,044
Total income from interest and revaluations	**1,540,355**	**241,563**	**1,298,792**
Interest and valuation expense			
Current accounts	12,433	12,433	-
Term deposits	301,116	301,116	-
Savings	253,876	(313,090)	566,966
Valuation of equity investments at fair value	144,997	144,997	-
Valuation of trading derivatives	5,721	-	5,721
Total interest and revaluation income	**718,143**	**145,456**	**572,687**
Obligations and other interest	133,051	4,485	128,566
Total interest expense	**851,194**	**149,941**	**701,254**
Net interest and revaluation income	**689,161**	**91,622**	**597,538**
Provisions			
Loans, leasing operations and interest receivable	212,531	7,826	204,704
Foreclosed and restored assets	29	28	1
Other items	-	(133)	133
	212,560	**7,721**	**204,839**
Net interest and revaluation income after provisions	**476,601**	**83,901**	**392,700**
Income from commissions and fees	116,220	(1,096)	117,315
Expense from commissions and fees	37,381	(134)	37,515
Net income from commissions and fees	**78,838**	**(962)**	**79,800**
Other income			
Profit on sale on investments	19,889	(0)	19,889
Exchange	759,446	-	759,446
Divideds and other capital yields	5,017	3,462	1,555
Recoveries on loans, leasing operations and accounts receivable	87,326	1	87,325
Other	58,366	(62,392)	120,757
Other Income	**930,044**	**(58,929)**	**988,973**
Other expenses			
Payroll	156,756	(7,977)	164,733
Loss on sale of investments	41,265	5	41,260
Exchange	728,586	(13,614)	742,200
Overhead	108,917	(14,222)	123,139
Depreciation and amortizations	14,030	(261)	14,292
Other	217,554	(12,991)	230,544
Total Other expenses	**1,267,109**	**(49,060)**	**1,316,169**
Profit before Income Tax and CREE	**218,375**	**73,071**	**145,304**
Income Tax and CREE	63,182	21,776	41,407
Profit for the year	**$ 155,192**	**51,295**	**103,897**

29. Management of Capital Adequacy.

In its management of capital adequacy (CAR), the Parent aims to a) comply with capital requirements set by the Colombian Government for financial entities, and b) to maintain an adequate structure of its equity, to generate value for shareholders.

The total capital ratio, defined as the ratio between computable capital and risk weighted assets (CRAR), may not be lower than 9%, and the basic capital ratio, defined as the ratio between ordinary computable capital and risk-weighted assets, may not be lower than 4.5%, as indicated in sections 2.1.1.1.2 and 2.1.1.3, respectively of Decree 2505/2010, as amended by Decree 1771/2012 and Decree 1648/2014.

Individual compliance is verified monthly, and consolidated compliance with Subsidiaries in Colombia under Superintendency supervision, and Subsidiaries outside Colombia is verified quarterly.

The classification of risk assets into each category is effected by applying percentages set by the Superintendency for each line of assets, creditor contingencies, and trust business as defined in the Unified Plan of Accounts. At January 30, 2002, market risk was also included as a factor in risk-weighted assets.

At December 31, 2015 and 2014 the capital ratio recorded by the Parent was 18.39% and 19.14% respectively. Computable capital at those dates was $12,642,728 and $12,147,306 respectively. The economic management of capital, and the generation of value for shareholders has meant that management maintains a detailed follow-up of profitability levels for each of its business lines, and meets capital needs in accordance with growth expectations for each line. Likewise, capital management implies analysis of the effects that credit risk, market risk, liquidity risk and operating risks to which the Bank is exposed, will have on results.

30. Approval of Financial Statements

The Consolidated Financial Statements and accompanying Notes were approved by the Board of Directors and Legal Representative on April 8, 2016, for presentation to the Annual General Meeting and its approval, or amendment.

31. Relevant events

Acquisition of HSBC in Colombia, Peru and Paraguay

Banco GNB Sudameris signed a share purchase agreement on May 11, 2012 with HSBC Latin American Holdings (UK) Ltd and others to acquire Banco HSBC Peru S.A., Banco HSBC Paraguay S.A. and Banco HSBC Colombia S.A.

The Parent created a senior management team to develop and execute the integration process

The Parent obtained approval from the Colombian Superintendency to acquire 100% of the HSBC operations in Peru, Paraguay and Uruguay, and obtained authorizations from the appropriate authorities to formalize that acquisition in the individual in Peru and Paraguay. The parties decided to desist from the Uruguay operation, and terminated their agreement for it

Likewise, the Bank requested authorization to purchase HSBC Colombia S. A. and the Superintendency authorized this on December 23, 2013 (Resolution 2334/2013).

Banco GNB Sudameris S. A. acquired 99.9% of HSBC Colombia and 4.6807% of HSBC Fiduciaria, on February 21, 2014. These two companies changed their name to Banco GNB Colombia and Fiduciaria GNB respectively. 94.9471% of the share capital of Fiduciaria GNB belongs to Banco GNB Colombia, becoming Banco GNB Sudameris the Parent or controlling company for the entities acquired. Once Banco GNB Colombia and Fiduciaria GNB were included, some Banco GNB Sudameris s officers were designated to support the Bank´s management, and issued institutional policies required to secure the smooth running of the entire operation.

At the same time, proceedings were started and requirements were met to obtain Superintendency authorization to a merger for Banco GNB Sudameris to absorb Banco GNB Colombia; and the Superintendency give that authorization, on September 26, 2014.

In parallel, legal, technical and operational activities were planned and executed as required to integrate these entities, and this process was completed successfully on October 10, 2014, maintaining indicator quality for risk, efficiency and profitability achieved by the Bank prior to the merger.

The strategy defined for the merger of these entities consisted of maintaining the operational infrastructure of Banco GNB Sudameris, adjusting it where necessary for new products and the incorporation of new processes.

As a result of the foregoing, a period of post-merger stabilization started on October 10, 2014 to ensure that Banco GNB Sudameris was working normally, and this transition period was completed on December 31, 2014.

32. Post-closing events

On February 10, 2016, Banco GNB Sudameris sold its holding of 52,619 shares in CIFIN for $66,503.3 (pesos) each, for a total value of $32,966, thus making a profit of $31,741.

PRINCIPAL OFFICE

Banco GNB Sudameris S.A.
Cra.7a. No. 75-85/87
Bogotá, Colombia

INDEPENDENT AUDITORS

KPMG S.A.S. (predecesor auditor)
Calle 90 No. 19C-74
Bogotá, Colombia

PricewaterhouseCoopers Ltda. (current auditor)
Calle 100 No 11ª-35
Bogotá, Colombia

TRUSTEE, SECURITY REGISTRAR, TRANSFER AGENT AND PAYING AGENT

The Bank of New York Mellon
101 Barclay Street, Floor 4E
New York, New York
United States of America

LUXEMBOURG LISTING AND PAYING AGENT

The Bank of New York Mellon SA/NV, Luxembourg Branch
Vertigo Building—Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg

LEGAL ADVISORS TO THE ISSUER

As to U.S. Law
Proskauer Rose LLP
Eleven Times Square
New York, New York 10036

As to Colombian Law
Dentons Cardenas & Cardenas Ltda.
Cra. 7 No. 71-52 Tower B, Office 9
Bogotá, Colombia

As to Peruvian Law
Lazo, De Romaña & CMB Abogados S. Civil de R.L.
Av. Pardo y Aliaga 699
San Isidro 15073, Perú

As to Paraguayan Law
Palacios, Prono & Talavera Abogados Asociación Civil
Jose Berges Nr. 988
Asuncion, Paraguay

LEGAL ADVISORS TO THE INITIAL PURCHASER

As to U.S. Law
Milbank, Tweed, Hadley & McCloy LLP
28 Liberty Street
New York, New York 10005

As to Colombian Law
Philippi Prietocarrizosa Ferrero DU & Uría S.A.S.
Cra. 9 No. 74-88 Office 305
Bogotá, Colombia

U.S.$300,000,000

BANCO GNB SUDAMERIS

6.50% Subordinated Notes due 2027

LISTING PROSPECTUS

BofA Merrill Lynch