OFFERING MEMORANDUM

U.S.$400,000,000

BANCO GNB SUDAMERIS

7.50% Subordinated Notes due 2031

We are offering U.S.$400,000,000 aggregate principal amount of our 7.50% Subordinated Notes due 2031 (the "notes"). The notes will mature on April 16, 2031. The notes will bear interest on their principal amount from, and including, the date of original issuance to, but excluding, April 16, 2026 (the "Reset Date") at an initial rate of 7.50% 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 Treasury Rate (as defined in "Description of the Notes—Certain Definitions") on the Reset Date and (ii) 666 basis points. Interest on the notes will be payable semi-annually in arrears on April 16 and October 16 of each year, commencing on October 16, 2021.

Upon the occurrence of a Write-Down Event (as defined in "Description of the Notes—Loss Absorption") the outstanding principal amount of the notes, interest and additional amounts, if any, may be permanently reduced to the extent required to restore our capital ratios. No interest will accrue on any principal amount of the notes that is so reduced. If a Write-Down Event occurs, you may lose all or part of your investment.

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 and any other instrument that may qualify as Tier One Capital (as defined in "Description of the Notes—Certain Definitions") for purposes of Colombian banking laws, if any, and which is expressly subordinated to the notes. The notes will not be guaranteed by our subsidiaries and will not be entitled to any sinking fund.

On or after the Reset Date, subject to the prior approval of the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*) (the "SFC") and any other then applicable Colombian governmental authority, if required, and subject to certain other requirements set forth herein, we may at our option redeem the notes, in whole or in part, at a redemption price equal to 100% of the outstanding principal amount of the notes being redeemed plus any accrued and unpaid interest thereon to, but excluding, the date of such redemption, plus additional amounts, if any. In addition, subject to the prior approval of the SFC or any other then-applicable Colombian governmental authority, if required, we may redeem the notes, in whole but not in part, in the event of certain changes in Colombian (i) laws as a result of which we will no longer be entitled to treat the then current principal amount of the notes as Tier Two Capital (as defined in "Description of the Notes—Certain Definitions") pursuant to applicable Colombian banking laws and (ii) tax laws. See "Description of the Notes—Optional Redemption upon Regulatory Event or Tax Event."

Investing in the notes involves risks that are described in the "Risk Factors" section beginning on page 21 of this offering memorandum.

Price per note: 100.000% plus accrued interest, if any, from April 16, 2021

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 not been and will not be registered in the Colombian National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) maintained by the SFC and may not be offered or sold publicly or otherwise be subject to brokerage activities in Colombia, except as permitted by Colombian Law. The information submitted to the SFC and the potential classification of the notes as Tier Two Capital will not constitute an opinion of the SFC with respect 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, except under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations or unless the notes are registered with the Colombian National Registry of Securities and Issuers.

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 offering memorandum constitutes a prospectus for the purpose of Luxembourg law dated July 16, 2019 on Prospectuses for Securities.

The notes will be delivered in book-entry form only through the facilities of The Depository Trust Company ("DTC") for the accounts of its direct and indirect 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 16, 2021.

Joint Lead Book-Running Managers

Credit Suisse **Goldman Sachs & Co. LLC**

The date of this offering memorandum is April 13, 2021.

In making your investment decision, you should rely only on the information contained in this offering memorandum. Neither we nor the initial purchasers 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 offering memorandum is accurate as of the date on the front cover of this offering memorandum only. Our business, properties, results of operations or financial condition may have changed since that date. Neither the delivery of this offering memorandum 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 offering memorandum.

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Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to "we," "us" and "our" mean Banco GNB Sudameris S.A. and its consolidated subsidiaries. Reference to the "Bank" and the "Issuer" means Banco GNB Sudameris S.A.

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the notes described in this offering memorandum and should be used solely for the purposes for which it has been produced. This offering memorandum 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. Distribution of this offering memorandum to any person other than a prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing and to make no photocopies of this offering memorandum or any documents referred to in this offering memorandum.

The initial purchasers make no representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future.

Neither we nor the initial purchasers 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 offering memorandum. You must also obtain any consents, permissions 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 purchasers 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 offering memorandum;

- you have not relied on the initial purchasers or their respective agents or any person affiliated with the initial purchasers or their respective 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 offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us, the initial purchasers or their respective 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 offering memorandum. 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 offering memorandum entitled "Plan of Distribution" and "Transfer Restrictions."

In making an investment decision, prospective investors must rely on their own examination of the Issuer and its subsidiaries 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 offering memorandum and prospective investors should not construe anything in this offering memorandum 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 offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense in the United States.

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, Bogota, Colombia.

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

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 offering memorandum 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 offering memorandum 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 our Colombian counsel, 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 (the "Indenture"), 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 offering memorandum includes statements that express the Issuer's 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 offering memorandum and include statements regarding the Issuer's intentions, beliefs or current expectations concerning, among other things, the Bank's consolidated results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which the Bank and its subsidiaries operate.

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

- changes in Colombian, Paraguayan, Peruvian, regional and international business and economic, political or other conditions;
- the global financial crises and the current market environment;
- developments affecting Colombian, Paraguayan, Peruvian, and international capital and financial markets;
- the negative impact on our operations and financial results resulting from widespread health emergencies, infectious diseases or pandemics, such as the novel coronavirus ("COVID-19");
- 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;
- the level of participation in our concurrent tender offer;
- 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;
- our success in integrating the operations of Banco Bilbao Vizcaya Argentaria Paraguay S.A. ("BBVA Paraguay"), now denominated Banco GNB S.A. - *en proceso de fusión por absorción*, into our business;
- changes in market values of Colombian, Paraguayan and Peruvian securities, particularly Colombian government securities;
- adverse legal or regulatory disputes or proceedings;
- internal security issues and natural disasters affecting countries where we operate;
- cyber security risks, including unauthorized access to privileged information, technological assaults to our infrastructure and interruption of our services;
- 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 offering memorandum, including those factors identified or discussed under the "Risk Factors" section of this offering memorandum.

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 offering memorandum. 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 offering memorandum, 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 made in this offering memorandum 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. This offering memorandum translates certain euro, peso, Guaraní and Sol amounts into U.S. dollars at specified rates solely for the convenience of the reader.

The conversion of amounts expressed in pesos, Guaraníes or Soles 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 such currency as of another specified date. Such conversion should not be construed as a representation that the specific currency amounts correspond to, or have been or could be converted into, U.S. dollars at that rate or any other rate. 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 SFC. The Bank is required to comply with capital adequacy regulations, and each of its financial subsidiaries is separately required to comply with capital adequacy regulations applicable to banks and other financial institutions.

This offering memorandum includes our audited consolidated financial statements as of and for the years ended December 31, 2020 and 2019 (the "2020-2019 Consolidated Financial Statements"), and our audited consolidated financial statements as of and for the years ended December 31, 2019 and 2018 (the "2019-2018 Consolidated Financial Statements," and, collectively with the 2020-2019 Consolidated Financial Statements, our "Consolidated Financial Statements"). Our historical results are not necessarily indicative of results to be expected for future periods.

Our Consolidated Financial Statements included herein have been prepared 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, Decree 2131/2016, Decree 2170/2017 and Decree 2483/2018. Our Consolidated Financial Statements have been audited by PwC Contadores y Auditores S.A.S. (formerly PwC Contadores y Auditores Ltda.) in accordance with generally accepted auditing standards as accepted in Colombia. Colombian Banking IFRS are based on International Financial Reporting Standards (IFRS) together with their corresponding interpretations as issued by the International Accounting Standards Board (IASB) and which were in effect and officially translated into Spanish as of December 31, 2017 (excluding IFRIC 23 – Uncertainty over Income Tax Treatments ("IFRS 23") and IFRS 17 – Insurance Contracts ("IFRS 17")), except for the specific requirement of the SFC to record directly in other comprehensive income the difference between the loan impairment losses determined as required by International Accounting Standard (IAS) 39 – Financial Instruments: Recognition and Measurement" ("IAS 39") and the impairment provision determined as required for the separate financial statements based on specific rules of the SFC.

Our Consolidated Financial Statements have not been reviewed or approved by the SFC; however, financial statements for the period ended December 31 of each year, prepared on the basis of Colombian Banking IFRS, are remitted to the SFC.

Colombian Banking IFRS is based on IFRS as of December 31, 2017, and certain Colombian regulations issued by the SFC. 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:

- provisions 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 – Financial Instruments under Colombian Banking IFRS; whereas under IFRS they are recorded in profit or loss of each period.

We have included information in this offering memorandum concerning return on average shareholders' equity, or "ROAE," and 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 consider ROAE or ROAA as an alternative to the financial disclosure presented in this offering memorandum in accordance with Colombian Banking IFRS.

Financial information of BBVA Paraguay

This offering memorandum includes the audited financial statements as of and for the year ended December 31, 2020 of BBVA Paraguay (the "BBVA Paraguay Financial Statements"). We closed the acquisition of BBVA Paraguay on January 22, 2021. See "Summary—Recent Developments—The BBVA Paraguay Acquisition." The BBVA Paraguay Financial Statements have been prepared in accordance with accounting standards and valuation criteria, risk classification criteria and presentation regulations established by the Central Bank of Paraguay, and on matters not covered therein, with general accounting standards accepted in Paraguay (collectively, "Paraguayan Banking GAAP"). The BBVA Paraguay Financial Statements were audited by Ernst & Young Paraguay Auditores y Asesores de Negocios, independent accountants.

We have also included in this offering memorandum pro forma financial information giving effect to the acquisition of BBVA Paraguay and related transactions. The preparation of this pro forma information is based upon available information and certain assumptions and estimates that we believe are reasonable. The pro forma financial information has been provided for supplemental informational purposes only, and investors should understand that the pro forma financial information has certain limitations in its use and should not be relied upon instead of our Consolidated Financial Statements and the BBVA Paraguay Financial Statements included in this offering memorandum. See "Unaudited Pro Forma Condensed Consolidated Financial Information." The pro forma financial information does not reflect the financial condition or results of operations that would have been achieved had the transactions actually been completed on the date indicated, nor does it purport to be indicative of our financial condition or results of operations at any future date or for any future period. See "Risk Factors—Risks relating to the business and industry—The pro forma financial information in this offering memorandum does not reflect our operating results and financial condition following the BBVA Paraguay acquisition."

Market share and other information

We obtained market and competitive position data, including market forecasts, used throughout this offering memorandum from market research, publicly available information, and industry publications. This data is presented on the basis of information from third-party sources that we believe are reliable, including, among others, the SFC, the Colombian National Bureau of Statistics (*Departamento Administrativo Nacional de Estadística*), or "DANE," the Colombian Central Bank (*Banco de la República*), the 2019 and 2018 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*), 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 offering memorandum 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. While we accept responsibility for accurately summarizing such information, we and the initial purchasers 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 offering memorandum 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 SFC.

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 offering memorandum 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 offering memorandum 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 are used in connection with the operation of our business. Other trademarks, service marks or trade names appearing in this offering memorandum 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*, *Corfin GNB Sudameris*, *Banco GNB* 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 their respective products. Solely for convenience, the trademarks, service marks, trade names and copyrights referred to in this offering memorandum 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 offering memorandum but does not contain all the information that may be important to you. You should read carefully this entire offering memorandum, 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 offering memorandum, before making an investment decision.

Certain information set forth in this offering memorandum regarding data reported to the SFC is meant to illustrate comparisons with other entities within the Colombian financial system. This data is not meant to be compared with our consolidated financial information set forth in the financial statements included in this offering memorandum.

Bank overview

Banco GNB Sudameris S.A., or the "Bank," 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 15, 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 the Bank, 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, the Bank consummated the acquisition from HSBC Latin America Holdings (UK) Ltd. ("HSBC") and three 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.

On January 22, 2021, we acquired BBVA Paraguay from Banco Bilbao Vizcaya Argentaria S.A. ("BBVA") for U.S.$251.3 million. Concurrently with this acquisition, the Bank sold a 32.0% equity interest in its subsidiary Banco GNB (Paraguay) S.A. ("Banco GNB (Paraguay)"), which holds BBVA Paraguay, to Grupo Vierci, a Paraguayan industrial, agricultural, real estate, commercial and telecommunications group, for U.S.$173 million. Through this acquisition and the subsequent merger of BBVA Paraguay into our subsidiary Banco GNB (Paraguay) S.A. ("Banco GNB (Paraguay)"), which is currently in process, Banco GNB (Paraguay) will become the largest bank in Paraguay in terms of deposits and the third largest in terms of assets.

Our income from interest and valuations and our net income from interest and valuations was Ps 1,858,087 million and Ps 713,460 million, respectively, for the year ended December 31, 2020. At December 31, 2020, we had total assets of Ps 40,698,935 million.

Colombian operations

Before accounting for eliminations for consolidation, our Colombian banking operations represented 63.3% and 74.2% of our income from interest and valuations and of our net income before income tax, respectively, for the year ended December 31, 2020; and represented 75.0% of our total assets at December 31, 2020. 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 792 cities and towns, with particular emphasis on the wealthiest and largest cities in Colombia (Bogota, Medellin, 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 having the second largest ATM network in Colombia.

The following table sets forth our ranking among Colombian banks with respect to the following ratios:

Banco GNB Sudameris Positioning[1]	At and for the year ended December 31, 2020
Non-performing loans ratio[2]	4
Coverage ratio[3]	10
Liquidity ratio[4]	2
Other expenses-to-assets ratio[5]	1

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

(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 657 employers, allowing us to reach 172,207 clients throughout Colombia at December 31, 2020. Over the last decade, we have been shifting our payroll loans business towards direct origination, which is more profitable than acquiring loans from third party originators. At December 31, 2020, 100% of our payroll loans were originated by us. In addition, we have focused on a smaller number of clients but with higher credit amounts. As of December 31, 2020, we had a market share of 9.1% of the Colombian payroll loan *(libranza)* market. Payroll loans *(libranzas)* accounted for 53.7% of our total loan portfolio in Colombia at December 31, 2020.

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:

	At and for the year ended December 31,		
	2020	2019	2018
	(in percentages)		
Position Compared to Colombian Financial System[1]			
Unconsolidated efficiency ratio[2]			
Banco GNB Sudameris	46.5%	45.8%	51.4%
Financial system	46.0%	47.5%	47.6%
Unconsolidated non-performing loans ratio[3]			
Banco GNB Sudameris	1.7%	1.9%	1.9%
Financial system	5.0%	4.3%	4.5%
Unconsolidated ROAE[4]			
Banco GNB Sudameris	7.4%	12.6%	12.0%
Financial system	4.6%	12.2%	12.5%

(1) Financial System based on data published by the SFC. As of December 31, 2020, the Colombian financial system consisted of 26 banks, including Banco GNB Sudameris.

(2) Financial System based on data published by the SFC. Calculated as other expenses excluding depreciation and amortization, divided by gross margin, as published by the SFC. Banco GNB Sudameris data based on its unconsolidated financial statements, which is consistent with the information published by the SFC.

(3) Financial System as published by the SFC. Calculated as non-performing loans as a percentage of total loans. Non-performing loans include all loans at least 31 days past due. Banco GNB Sudameris data based on its unconsolidated financial statements, which is consistent with the information published by the SFC.

(4) Financial System based on data published by the SFC. For the years ended December 31, "ROAE" is calculated as net income divided by the 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). Banco GNB Sudameris data based on its unconsolidated financial statements, which is consistent with the information published by the SFC.

Paraguayan operations

Banco GNB (Paraguay) is a full service bank that focuses its business on high quality commercial and corporate clients and premium retail payroll loans. Banco GNB (Paraguay) has been increasing its presence in the agribusiness and cattle ranching sectors. Before accounting for eliminations for consolidation, Banco GNB (Paraguay) represented 17.3% and 17.0% of our income from interest and valuations and of our net income before income tax, respectively, for the year ended December 31, 2020, and represented 11.8% of our total assets at December 31, 2020. The relative importance of our operations in Paraguay is expected to increase as a result of the acquisition of BBVA Paraguay. See "—Recent Developments—Acquisition of BBVA Paraguay."

The following table sets forth our ranking among Paraguayan banks with respect to the following ratios:

Banco GNB (Paraguay) Positioning(1)	**At and for the year ended December 31, 2020**
Non-performing loans ratio(2)	9
Coverage ratio(3)	4
Liquidity ratio(4)	10
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:

	At and for the year ended December 31,		
	2020	**2019**	**2018**
	(in percentages)		
Position Compared to Paraguayan Financial System[1]			
Unconsolidated efficiency ratio[2]			
Banco GNB (Paraguay)	45.1%	36.7%	38.2%
Financial system	50.9%	46.8%	49.5%
Unconsolidated non-performing loans ratio[3]			
Banco GNB (Paraguay)	2.2%	2.1%	1.8%
Financial system	2.3%	2.5%	2.4%
Unconsolidated ROAE[4]			
Banco GNB (Paraguay)	9.6%	17.0%	17.1%
Financial system	13.1%	18.6%	17.9%

(1) As of December 31, 2020, the Paraguayan financial sector consisted of 17 banks, 8 financial companies, 47 savings and loan cooperatives, 3 warehousing companies, 26 foreign exchange trading institutions and 36 insurance companies.

(2) Financial System based on data published by the Paraguayan Central Bank. Calculated as administrative expenses divided by the operational margin. Banco GNB (Paraguay) data based on its unconsolidated financial statements, which is consistent with the data published by the Paraguayan Central Bank.

(3) Financial System 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. Banco GNB (Paraguay) data based on its unconsolidated financial statements, which is consistent with the data published by the Paraguayan Central Bank.

(4) Financial System based on data published by the Paraguayan Central Bank. For the years ended December 31, "ROAE" is calculated as net income divided by the 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). Banco GNB (Paraguay) data based on its unconsolidated financial statements, which is consistent with the data published by the Paraguayan Central Bank.

On January 22, 2021, we acquired BBVA Paraguay from BBVA for U.S. $251.3 million. Concurrently with this acquisition, the Bank sold a 32.0% equity interest in its subsidiary Banco GNB (Paraguay) to Grupo Vierci, a Paraguayan industrial, agricultural, real estate, commercial and telecommunications group, for U.S. $173 million. Through this acquisition and the subsequent merger of BBVA Paraguay into our subsidiary Banco GNB (Paraguay) S.A. which is currently in process, Banco GNB (Paraguay) will become the largest bank in Paraguay in terms of deposits and the third largest in terms of assets.

Peruvian operations

Banco GNB Peru S.A. ("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 19.5% and 8.8% of our income from interest and valuations and of our net income before income tax, respectively, for the year ended December 31, 2020, and represented 13.3% of our total assets at December 31, 2020.

The following table sets forth our ranking among Peruvian banks with respect to the following ratios:

Banco GNB (Peru) Positioning[1]	**At and for the year ended December 31, 2020**
Non-performing loans ratio[2]	10
Coverage ratio[3]	10
Liquidity ratio[4]	7
Other expenses-to-assets ratio[5]	4

(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:

	At and for the year ended December 31,		
	2020	**2019**	**2018**
	(in percentages)		
Position Compared to Peruvian Financial System[1]			
Unconsolidated efficiency ratio[2]			
Banco GNB (Peru)	46.0%	46.2%	49.3%
Financial system	43.4%	41.1%	42.2%
Unconsolidated non-performing loans ratio[3]			
Banco GNB (Peru)	3.9%	4.3%	2.6%
Financial system	3.8%	3.0%	3.0%
Unconsolidated ROAE[4]			
Banco GNB (Peru)	0.6%	5.9%	7.3%
Financial system	4.0%	18.3%	18.4%

(1) At December 31, 2020, the Peruvian financial system consisted of 16 commercial banks, including Banco GNB (Peru), 10 financing companies, 12 municipal and seven rural savings and loans associations (*cajas*), nine small business development non-bank institutions (Edpymes), four state-owned institutions (not including the Peruvian Central Bank), two leasing companies and one investment bank. Other participants under the supervision of the SBS include trust companies, bonded warehouses, mortgage administrators, factoring and money transfer companies, as well as 18 insurance companies, and four private pension fund administrators.

(2) Financial System based on data published by the SBS. Calculated as administrative expenses divided by the operational margin. Banco GNB (Peru) data based on its unconsolidated financial statements, which is consistent with the data published by the SBS.

(3) Financial System 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. Banco GNB (Peru) data based on its unconsolidated financial statements, which is consistent with the data published by the SBS.

(4) Financial System based on data published by the SBS. For the years ending December 31, "ROAE" is calculated as net income divided by the 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). Banco GNB (Peru) data based on its unconsolidated financial statements, which is consistent with the data published by the SBS.

Recent Developments

Concurrent Tender Offer

Concurrently with this offering, we launched a cash tender offer (the "Tender Offer") directed to holders of the U.S.$250,000,000 aggregate principal amount of 7.5% Subordinated Notes due 2022 (the "2022 Notes"). The Tender Offer is subject to customary conditions, including a financing condition consisting of the completion of this offering of notes on terms and conditions and yielding net cash proceeds satisfactory to us. There is no minimum participation condition for the Tender Offer.

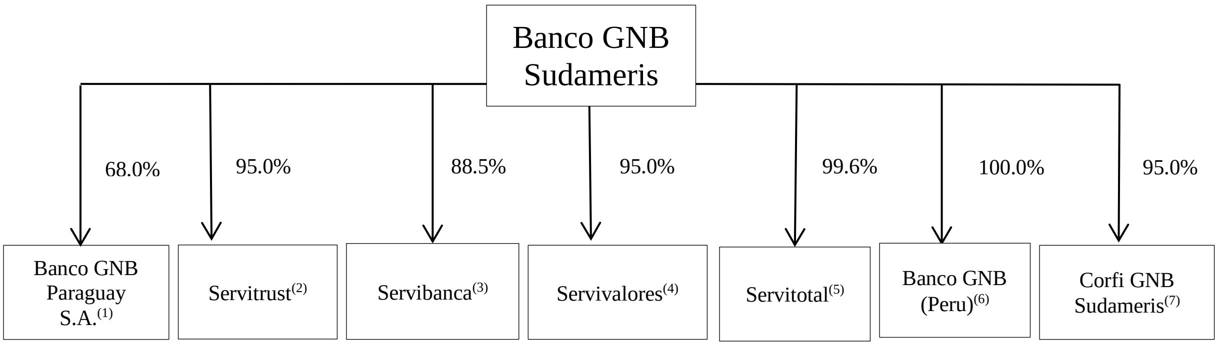
The purpose of the Tender Offer is, together with this offering, to extend the average maturity of our indebtedness. See "Use of Proceeds."

Acquisition of BBVA Paraguay

On January 22, 2021, we acquired BBVA Paraguay from BBVA for U.S.$251.3 million. Concurrently with this acquisition, the Bank sold a 32.0% equity interest in its subsidiary Banco GNB (Paraguay), which holds BBVA Paraguay, to Grupo Vierci, a Paraguayan industrial, agricultural, real estate, commercial and telecommunications group, for U.S.$173 million. Through this acquisition and the subsequent merger of BBVA Paraguay into our subsidiary Banco GNB (Paraguay) S.A. ("Banco GNB (Paraguay)"), which is currently in process, Banco GNB (Paraguay) will become the largest bank in Paraguay in terms of deposits and the third largest in terms of assets.

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 that focuses its business on high quality commercial and corporate clients and premium retail payroll loans, 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 17.3% and 17.0% of our income from interest and valuations and of our net income before income tax, respectively, for the year ended December 31, 2020; and represented 11.8% of our total assets at December 31, 2020. Banco GNB (Paraguay) holds a 100% interest in BBVA Paraguay, which entity is currently in the process of being merged into Banco GNB (Paraguay).

(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, Bogota, Colombia. See “Business—Other Services and Products—Fiduciary Services-Servitrust.” Servitrust represented 0.0% and 1.7% of our income from interest and valuations and of our net income before income tax, respectively, for the year ended December 31, 2020; and represented 0.1% of our total assets at December 31, 2020. A 1.5% equity interest in Servitrust is held by Gilex Holding S.A., 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, Bogota, Colombia. See “Business—Other Services and Products—ATM services— Servibanca.” Servibanca represented 0.0% and 12.7% of our income from interest and valuations and of our net income before income tax, respectively for the year ended December 31, 2020; and represented 0.5% of our total assets at December 31, 2020.

(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, Bogota, Colombia. See “Business—Other Services and Products Brokerage Services—Servivalores.” Servivalores represented 0.0% and 2.2% of our income from interest and valuations and of our net income from interest and valuations, respectively for the year ended December 31, 2020, and represented 0.1% of our total assets at December 31, 2020.

(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 that offers commercial and retail banking services, and has its principal place of business at Calle Las Begonias 415, piso 26, Lima 15046, Peru. Before accounting for eliminations for consolidation, Banco GNB (Peru) represented 19.5% and 8.8% of our income from interest and valuations and of our net income before income tax, respectively, for the year ended December 31, 2020, and represented 13.3% of our total assets at December 31, 2020.

(7) Corporación Financiera Banco GNB Sudameris S.A., or “Corfi GNB Sudameris” is a merchant banking subsidiary that focuses on equity investments primarily in strategic economic sectors including, in particular, hospitality, real estate, media, infrastructure, energy, agribusiness and industrial. The remaining 5% equity interest is owned by Colden Investments S.A., which is owned by our principal beneficial shareholder, Mr. Jaime Gilinski Bacal. Before accounting for eliminations for consolidation, Corfi GNB Sudameris represented 0.2% and (0.5)% of our income from interest and valuations and of our net income before income tax, respectively, for the year ended December 31, 2019, and represented 1.9% of our total assets at December 31, 2020.

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 and 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 in Colombia 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 financial institutions (mainly 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 Colombian banking operations—General."

Superior risk management culture with high asset quality and strong liquidity

We have the fourth lowest non-performing loan ratio among Colombian banks (1.7% at December 31, 2020 compared to 5.0% 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, 2020, our investment-to-assets ratio was 34.5% as compared to 21.7% for the Colombian banking system, while our deposits-to-loans ratio was 194.8% as compared to 95.3% for the Colombian banking system. Our capitalization ratio, which is calculated as our technical capital *(patrimonio técnico)* divided by our risk-weighted assets, was 19.4%, as compared to 16.3% 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, 2020 was 181.9%, which compares favorably with the average for the Colombian banking system of 153.5%.

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 109 branches and the second largest ATM network in Colombia with 2,685 ATMs at December 31, 2020. In addition, we have payroll loans (*libranzas*) centers onsite at the premises of 657 employers. Our network covers each of the 32 departments of Colombia and is in 792 cities and towns throughout Colombia, with a focus on the wealthiest and largest cities of Colombia (Bogota, Medellin, Cali and Barranquilla). Our distribution network covers nearly 90.0% 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, online banking and mobile banking services, 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 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. 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, the acquisitions in 2013 and 2014 of HSBC's banking operations in Colombia, Peru and Paraguay and the acquisition of BBVA Paraguay. During that time, our assets, shareholders' equity and client base has increased significantly. See "Business—History."

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 based on 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 Colombian 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. See "Business—Our Colombian banking operations—General."

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.

Continue to innovate and develop alternative distribution channels to reach clients efficiently in Colombia, Paraguay and Peru

We plan to continue building out and innovating our distribution channels. In particular, we plan to grow and enhance our online banking, in line with market trends. In 2018, we launched two new digital service alternatives for clients. The first one, which was implemented only in Colombia, allows our clients to provide their customers access to our web portal to make payments to our clients through automatic withdrawals from such customers' accounts held at other banks. The second service, which was implemented in Colombia, Paraguay and Peru, allows our clients to make banking transactions using an application downloaded into their mobile device.

In addition, through our ATM network in Colombia 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. 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. 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."

Achieve profitable growth in the region by expanding our proven business model in our current markets and in new markets

Our business model focuses on conservative risk management, high liquidity, 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 certain markets 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. 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 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. 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 U.S.$100 million (or its equivalent in Soles) of subordinated bonds. Within October 2016 and May 2019, we have established two bonds and one negotiable certificates of deposit programs for the issuance by Banco GNB (Peru) of up to U.S.$15 million, S/ 41 million and S/ 79 million, respectively, under such programs. In April 2017, the Bank issued U.S.$300 million of subordinated bonds. We have also received approval by the SFC for a program of up to Ps 500 billion in subordinated notes, of which we issued Ps 332.4 billion in November 2017. These additional sources of funding give us additional flexibility to address any capital needs and provide a natural hedge against exchange risk.

Optimize the use of cash by monetizing illiquid, less profitable or non-core assets

We also seek to optimize our use of cash by monetizing illiquid, less profitable or non-core assets from time to time. We may monetize such assets through an outright sale or by entering into sale and leaseback transactions.

Strengthen our presence and profitability in the Paraguayan market through the acquisition of BBVA Paraguay and our partnership with Grupo Vierci

We plan to exploit synergies with the acquisition of BBVA Paraguay. BBVA Paraguay and Banco GNB (Paraguay) are significant players with a deep knowledge of the Paraguayan market. BBVA Paraguay has a strong presence in commercial banking with a significant client base of large corporations and SMEs, and in consumer banking with a product offering that complements well with our offerings. Through this acquisition, Banco GNB (Paraguay) has become the largest bank in Paraguay in terms of deposits and the third largest in terms of assets.

The participation of Grupo Vierci in the ownership structure of Banco GNB (Paraguay) also results in synergies as this group is one of the largest Paraguayan conglomerates, with industrial, agricultural, real estate, commercial and telecommunications businesses, which will require banking services.

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 and for the meaning of certain defined terms used in this section, please refer to the section entitled "Description of the Notes" in this offering memorandum.

Issuer	Banco GNB Sudameris S.A.
Notes Offered	U.S.$400,000,000 aggregate principal amount 7.50% Subordinated Notes due 2031.
Maturity Date	The notes will mature on April 16, 2031.
Issue Price	100.000% plus accrued interest, if any, from April 16, 2021.
Ranking	We expect the notes to qualify as Tier Two Capital (*Patrimonio Adicional*) upon classification by the SFC. The notes will be our unsecured subordinated obligations. In the event of our liquidation under Colombian law, the notes will rank: • junior in right of payment to the prior payment in full of all our existing and future Senior Liabilities (as defined in "Description of the Notes—Certain Definitions);" • *pari passu* with all our other present or future Tier Two Capital subordinated Indebtedness (as defined in "Description of the Notes—Certain Definitions), other than subordinated Indebtedness, that, under its terms, is designated as junior to the notes; and • senior in right of payment only to subordinated instruments constituting Tier Two Capital subordinated Indebtedness that is designated as junior to the notes, subordinated instruments constituting Tier One Capital and our capital stock. See "Description of the Notes—Subordination of Notes." As a result of the operation of the provisions of the notes described under "Description of the Notes—Loss Absorption," Holders may recover less ratably than holders of *pari passu* subordinated debt of the Bank that does not include a similar loss absorption feature. As of December 31, 2020, we had Ps 3,103,329 million U.S.$ 904.1 million) aggregate principal amount of indebtedness, of which Ps 2,342,942 million U.S.$ 682.6 million) was Senior Liabilities, and Ps 1,272,362

	million (U.S.$ 370.7 million) was Tier Two Capital subordinated Indebtedness.
Reset Date	April 16, 2026.
Interest...	The notes will bear interest on their principal amount from, and including, the date of original issuance to, but excluding, the Reset Date at a rate of 7.50% 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 applicable Treasury Rate and (ii) 666 basis points. Interest on the notes will be payable semi-annually in arrears on April 16 and October 16 of each year, commencing on October 16, 2021.
Additional Amounts	All payments in respect of 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 (as defined in “Description of the Notes—Certain Definitions”) in any jurisdiction in which we are organized or we are otherwise resident for tax purposes or any jurisdiction from or through which payment is made, unless such withholding or deduction is required by law or by the interpretation or administration thereof. In that event, we will pay Additional Amounts (as defined in “Description of the Notes—Additional Amounts”) as will result in receipt by the holders of the notes of such additional 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 the Notes—Additional Amounts.”
Loss Absorption	The notes provide that, as determined by applicable Colombian laws and regulations then in effect, if: (i) our Basic Individual Solvency Ratio or our Basic Consolidated Solvency Ratio (each as defined in “Description of the Notes—Certain Definitions”) is below 4.5%; or (ii) if the SFC, in its discretion, otherwise so determines in writing, the outstanding principal, accrued and unpaid interest, and any other amounts due on the notes will be permanently reduced (*pro rata* with reductions in the outstanding principal, accrued and unpaid interest and any other amount due on other Tier Two Capital subordinated Indebtedness as to which a Write-Down Event has occurred, if any, to the extent permitted by the SFC at the time) by an amount needed to (x) restore the Basic Individual Solvency Ratio to 6.0%; (y) restore the Basic Consolidated Solvency Ratio to 6.0%; or (z) comply with the order of the SFC to restore the Basic Individual Solvency Ratio or Basic Consolidated

Solvency Ratio to 6.0%, as applicable; provided that the principal amount of the notes may not be written down below zero. Furthermore, any such reduction will not constitute an Event of Default (as defined in Description of the Notes—Events of Default") under the notes. See "Description of the Notes—Loss Absorption."

As of the date of their initial issuance, the notes will be the only debt securities we have that include the loss absorption feature described above. **If a Write-Down Event occurs, holders of the notes may suffer a permanent loss of some or all of their principal, interest or other amounts due on the notes. No interest will accrue on any amount of principal reduced as a result of a Write-Down Event, and the occurrence of a Write-Down Event will not constitute an Event of Default.**

Optional Redemption	On or after the Reset Date, subject to (i) the prior approval of the SFC and any other then applicable Colombian governmental authority, if required, and (ii) to the requirement that (x) after giving effect to any optional redemption, we will be in compliance with all minimum capital requirements and solvency ratios under applicable Colombian laws and regulations then in effect, prior to or concurrently with the redemption of the notes by us; or (y) if, after giving effect to any optional redemption, we would not be in compliance with all minimum capital requirements and solvency ratios under applicable Colombian laws and regulations then in effect, prior to or concurrently with our redemption of the notes, we shall issue new instruments which qualify as (a) Common Equity Tier One Capital (as defined in "Description of the Notes—Certain Definitions"), (b) Additional Tier One Capital (as defined in "Description of the Notes—Certain Definitions") or (c) Tier Two Capital, in an amount equal to no less than the redemption price of the Notes being redeemed under conditions which are sustainable with our income capacity, we may at our option redeem the notes, in whole or in part, at a redemption price equal to 100.0% of the outstanding principal amount of the notes being redeemed plus any accrued and unpaid interest thereon to, but excluding, the date of redemption, plus Additional Amounts, if any. See "Description of the Notes—Optional Redemption on or after the Reset Date."
Optional Redemption Upon Regulatory Event or Tax Event	At any time on or after the Issue Date, subject to (i) compliance with 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, we may redeem the notes, in whole but not in part, at a redemption price equal to 100.0% of the outstanding principal

	amount of the notes plus any accrued and unpaid interest to, but excluding, the date of redemption, plus Additional Amounts, if any, in the event of certain changes in Colombian (i) laws as a result of which the notes will no longer comply with the criteria to be classified as Tier Two Capital pursuant to applicable Colombian banking laws and (ii) tax laws. See "Description of the Notes—Optional Redemption upon Regulatory Event or Tax Event."
Covenants	The Indenture governing the notes contains covenants that will, among other things, require us to furnish certain periodic reports and maintain ratings from at least two international rating agencies with respect to the notes, 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."
Limitation on Acceleration of Notes	If we fail to make payment of principal, interest or Additional Amounts, if any, on the notes (and, in the case of payment of interest or Additional Amounts, such failure to pay continues for 30 days), subject to the provisions described in "Description of the Notes—Events of Default," each holder of the notes has the right to demand and collect under the Indenture, and we will pay to the holders of the notes the applicable amount of such due and payable principal, accrued and unpaid interest and any Additional Amounts on the notes; provided that, to the extent that the SFC has adopted an Intervention Measure under the Colombian bankruptcy laws, the holders of the notes would not be able to commence independent collection proceedings to recover amounts owed. There is no right of acceleration in the case of a default in any payment on the notes or the performance of any of our other obligations under the Indenture or the notes. Notwithstanding the immediately preceding sentence, the holders of the notes shall have the right to accelerate the payments due under the notes upon our liquidation. 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 in "Description of the Notes") to collect the payment of principal and interest on the notes or to enforce the performance of any provision under the Indenture.
Book-Entry System; Delivery and Form and Denomination of the Notes	The notes will be issued only in registered form, without interest coupons, in the form of beneficial interests in respect of one or more global securities in denominations of U.S.$150,000 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 direct and indirect 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 to purchase any and all of the outstanding 2022 Notes issued by us, upon the terms and conditions of the Tender Offer; and for general corporate purposes. See "Use of Proceeds."
Listing and Trading	Application has been 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 Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch
Governing Law	The notes and the Indenture will be governed by the laws of the State of New York. The authorization and execution of the offering documentation and the subordination of the notes will be governed by the laws of Colombia.
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 offering memorandum for a discussion of factors you should carefully consider before deciding to invest in the notes.
Tender Offer	Concurrently with this offering, we launched the Tender Offer for the 2022 Notes. The Tender Offer is subject to customary conditions, including a financing condition consisting of the completion of this offering of notes on terms and conditions and yielding net cash proceeds satisfactory to us. See "Recent Developments—Concurrent Tender Offer."

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 years ended December 31, 2020, 2019 and 2018 set forth below have been derived from our Consolidated Financial Statements included elsewhere in this offering memorandum. 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.

The Bank's historical results are not necessarily indicative of results to be expected for future periods.

This financial data should be read in conjunction with our 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 offering memorandum.

Statement of income data

	For the year ended December 31,			
	2020	**2020**	**2019**	**2018**
	(in U.S.$ millions)(1)		**(in Ps millions)**	
Income from interest and valuations	541.3	1,858,087	1,907,857	1,751,385
Interest expense:				
Interest expense on deposits	242.7	833,034	922,185	822,101
Financial debt and other interest	90.8	311,593	351,024	314,143
Total interest expense	333.5	1,144,627	1,273,209	1,136,244
Net income from interest and valuations	**207.9**	**713,460**	**634,648**	**615,141**
Impairment loss on financial assets at amortized cost	119.8	411,332	330,126	295,693
Net income from interest and valuations after impairment loss on financial assets	**88.0**	**302,128**	**304,522**	**319,448**
Net income from commissions and fees	41.6	142,674	150,565	142,492
Income from valuation of financial assets at fair value, net	54.6	187,468	333,790	238,054
Other income	83.5	286.550	268,365	253,262
Other expenses	197.6	678,339	726,103	658,038
Net income before income tax	**70.1**	**240,481**	**331,139**	**295,218**
Income tax	16.0	55,017	58,242	55,192
Net income	**54.0**	**185,464**	**272,897**	**240,026**

(1) Translated for convenience only using the representative market rates as computed and certified by the SFC of Ps 3,432.50 per U.S.$1.00 at December 31, 2020 . On April 12, 2021, the representative market rate was Ps 3,650.23 per U.S.$1.00.

Balance sheet data

	At December 31,			
	2020	**2020**	**2019**	**2018**
	(in U.S.$ millions)[1]		**(in Ps millions)**	
Assets:				
Cash and cash equivalents	3,753.3	12,883,345	12,109,368	9,256,890
Financial assets at fair value	2,458.0	8,436,964	6,302,487	6,283,806
Financial assets at amortized cost	351.6	1,206,918	835,858	771,851
Net loans	4,536.6	15,571,900	16,195,174	15,116,478
Other accounts receivable, net	223.9	768,390	492,278	398,051
Non-current assets held for sale	22.6	77,543	22,713	25,764
Tangible assets, net	317.1	1,088,425	1,056,363	816,156
Intangible assets, net	110.7	380,003	368,977	432,539
Other assets	83.2	285,447	148,666	116,988
Total assets	**11,856.9**	**40,698,935**	**37,531,884**	**33,218,523**
Liabilities:				
Financial liabilities at fair value	11.6	39,809	49,946	31,805
Customer deposits	7,862.6	26,988,324	23,634,084	20,730,540
Short-term financial debt	1,668.2	5,726,094	6,226,225	5,289,323
Borrowings from development entities and foreign banks	705.5	2,421,570	2,347,173	2,240,382
Long-term financial debt	682.6	2,342,942	2,251,795	2,231,354
Employee benefits	15.6	53,452	59,205	54,681
Provisions	20.4	69,864	64,551	52,093
Income tax	0.0	1	19,171	25,818
Other liabilities	170.1	584,008	554,749	490,915
Total liabilities	**11,136.5**	**38,226,063**	**35,206,899**	**31,146,911**
Equity:				
Subscribed and paid-in capital	21.8	74,966	71,270	66,020
Share premium	234.0	803,117	638,355	486,105
Retained earnings:				
Reserves	427.7	1,468,058	1,313,810	1,196,382
Net income for the year	53.0	181,972	267,457	235,110
Accumulated retained earnings	(28.0)	(96,068)	(122,998)	(54,789)
Total retained earnings	**452.7**	**1,553,962**	**1,458,269**	**1,376,703**
Other comprehensive income	(2.1)	(7,294)	109,989	93,817
Total equity of controlling interests	**706.4**	**2,424,751**	**2,277,883**	**2,022,645**
Non-controlling interests	14.0	48,121	47,102	48,967
Total equity	**720.4**	**2,472,872**	**2,324,985**	**2,071,612**
Total liabilities and equity	**11,856.9**	**40,698,935**	**37,531,884**	**33,218,523**

(1) Translated for convenience only using the representative market rates as computed and certified by the SFC of Ps 3,432.50 per U.S.$1.00 at December 31, 2020. On April 12, 2021, the representative market rate was Ps 3,650.23 per U.S.$1.00.

Other financial and operating data

	At and for year ended December 31,		
	2020	2019	2018
	(in percentage, unless otherwise indicated)		
Profitability and cost to income ratios:			
ROAA[1]	0.5%	0.8%	0.8%
ROAE[2]	7.7%	12.4%	12.2%
Net interest margin[3]	2.8%	3.2%	3.2%
Cost-to-income ratio[4]	33.3%	30.4%	34.7%
Other expenses to assets ratio[5]	1.7%	2.1%	2.1%
Unconsolidated efficiency ratio[6]	46.5%	45.8%	51.4%
Capitalization and balance sheet structure:			
Shareholders' equity as a percentage of total assets	6.1%	6.2%	6.2%
Tier One capital ratio[7]	8.3%	7.0%	7.1%
Capitalization ratio[8]	14.0%	13.6%	15.9%
Total deposits as a percentage of total loans	173.3%	145.9%	137.1%
Total deposits as a percentage of total assets	66.3%	63.0%	62.4%
Credit quality:			
Non-performing loan ratio[9]	2.2%	2.3%	1.9%
Provision for loan losses as a percentage of total net loans	3.9%	3.2%	3.3%
Provision for loan losses as a percentage of non-performing loans	167.4%	135.9%	169.8%
Operating data (in units):			
Number of customers[10]	309,283	311,122	312,115
Number of employees[11]	2,520	2,614	2,536
Number of branches	128	144	145
Number of ATMs[12]	2,685	2,722	2,672

(1) For the years ended December 31, "ROAA" is calculated as net income divided by the 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) For the years ended December 31, "ROAE" is calculated as net income divided by the 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) For the years ended December 31, net interest margin is calculated as (net income from interest and valuations, plus income from valuation of financial assets at fair value, net), divided by the 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 of financial assets at fair value, net, plus other income).

(5) For the years ended December 31, other expenses to assets ratio is calculated as other expenses divided by the 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) Financial system based on data published by the SFC. Calculated as other expenses excluding depreciation and amortization, divided by gross margin, as published by the SFC. Banco GNB Sudameris based on internal data, which is consistent with the information published by the SFC.

(7) Tier One 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.

(12) In Colombia, the total amount at December 31, 2020 includes 2,606 ATMs owned by us and 79 ATMs owned by third parties.

RISK FACTORS

You should carefully consider the following risk factors, as well as the other information presented in this offering memorandum, 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 it, or that we currently deem immaterial.

Risks relating to the notes

Qualification of the notes as Tier Two Capital will depend on the prior approval of the SFC. The requirements established by Colombian regulation for instruments to be considered as Tier Two Capital may change from time to time

Under Decree 2555 of 2010, the notes will qualify as Tier Two Capital only upon authorization by the SFC, which will be requested after the issuance of the notes. We cannot assure you that the SFC will approve the qualification of the notes as Tier Two Capital. Even if the notes qualify as Tier Two Capital upon issuance, the Colombian regulations that define the criteria for instruments to qualify as Tier Two Capital may change from time to time and, thus, in the future, the SFC may determine that the notes are no longer eligible as Tier Two Capital.

If a Write-Down Event occurs, you may not recover the principal amount, interests and other amounts due on your notes

The notes provide that, if our Basic Individual Solvency Ratio or our Basic Consolidated Solvency Ratio falls below 4.5%, or if the SFC otherwise determines, the outstanding principal amount, interest and any amount due on the notes may be permanently reduced, pro rata with the principal amount, interest and any amount due of any other Tier Two Capital subordinated indebtedness we may have outstanding that also includes similar loss absorption features, to the extent permitted by the SFC regulations then in effect and to the extent necessary to restore our capital ratios to 6.0%. Any such reduction may result in the principal amount, interest and any other amounts due on the notes being permanently reduced to zero, without any possibility of reinstatement. Furthermore, any such a reduction would not constitute an Event of Default under the notes.

Our other indebtedness, even our subordinated indebtedness that ranks *pari passu* with the notes but does not have a loss absorption feature, if any, may remain outstanding after a reduction in principal amount of the notes as a result of a Write-Down Event. Holders of notes will not have any rights against us or the Trustee with respect to repayment of the Permanent Reduction Amount (as defined in "Description of the Notes—Loss Absorption"), irrespective of whether such amounts have become due and payable prior to the date on which the Write-Down Event occurred.

The circumstances surrounding or triggering a Write-Down Event are unpredictable and may be caused by factors not fully within our control

The occurrence of a Write-Down Event is inherently unpredictable and may depend on a number of factors, any of which may be outside of our control. The determination as to whether a Write-Down Event has occurred will partially depend on the calculation of our capital ratios. Fluctuations in our capital ratios may be caused by changes to applicable regulatory requirements and applicable accounting rules, among other external factors. Additionally, under Colombian regulations, the SFC has the discretionary right to instruct a Write-Down (as defined in "Description of the Notes—Loss Absorption") on the notes, if deemed necessary. Few debt securities with the loss absorption feature included in the notes have been issued previously in Colombia, so the manner in which the SFC will exercise its discretion is unknown.

In addition, even if a Write-Down Event has not occurred, any disclosure that our capital ratios are moving towards the level which would cause the occurrence of a Write-Down Event may have an adverse effect on the market price and liquidity of the notes.

The interest rate on the notes will be reset on the Reset Date, which may affect the market value of the notes

From, and including, the date of original issuance to, but excluding, the Reset Date, interest will accrue on the outstanding principal amount of the notes at an initial rate equal to 7.50% per year. From, and including, the Reset Date, to, but excluding, the date of maturity or earlier redemption date of the notes, interest will accrue on the outstanding principal amount at a rate per year equal to the sum of the then-prevailing Treasury Rate on the Reset Date and 666 basis points. This reset rate could be less than the initial interest rate, which could affect the amount of any interest payments under the notes and, by extension, could affect the market value of the notes.

The obligations under the notes will be subordinated to statutory preferences and to our Senior Liabilities

Under Colombian law, the obligations under the notes are subordinated, among others, to specified statutory priorities, including, for example, wages, social security and taxes. In addition, the notes are subordinated to our Senior Liabilities. In the event of our liquidation, these obligations will have priority over any other claims, including claims by any holder in respect of the notes and, as a result, holders of notes may be unable to recover amounts due under the notes, in whole or in part.

By virtue of such subordination, payments to a holder of notes will, in the events described above, only be made after all our obligations resulting from higher ranking claims have been satisfied. A holder of notes may, therefore, recover significantly less than the holders of our unsubordinated indebtedness. An investor in subordinated securities such as the notes may lose all or some of its investment if we become subject to insolvency or liquidation proceedings.

There are no restrictive covenants in the Indenture governing the notes that limit 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.

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

There is no right of acceleration in the case of any non-payment of principal of, or interest on, the notes or in the case of a failure by us to perform any other covenant under the notes or the Indenture. Accordingly, we are not required to make any repayment in full of the outstanding principal amount of notes at any time prior to maturity, other than in connection with certain events involving liquidation of the bank. In connection with a liquidation, you may receive a sum of any resulting liquidation proceeds, depending on the outcome of the proceedings, but only following payment in full of all creditors that are senior to the holders of the notes.

We have the option to redeem the notes on or after the Reset Date or upon the occurrence of certain tax or regulatory events

Subject to certain regulatory conditions as described under "Description of the Notes—Redemption" being satisfied on the relevant redemption date, including obtaining prior approval of the SFC, on or after the Reset Date, we may opt to redeem the notes, in whole or in part, at a redemption price equal to 100.0% of the outstanding principal amount of the notes being redeemed plus any accrued and unpaid interest thereon to, but excluding, the date of redemption, plus Additional Amounts, if any. In addition, we may redeem the notes, in whole but not in part, in the event of certain changes in Colombian (i) laws as a result of which we will no longer be entitled to treat the then current principal amount of the notes as Tier Two Capital pursuant to applicable Colombian banking laws and (ii) tax laws.

Our optional redemption may limit the market value of the notes to the redemption price during the period shortly before the Reset Date. Moreover, if we redeem the notes in any of the circumstances mentioned above, you may not be able to reinvest the redemption proceeds in securities offering a comparable yield.

The notes are complex financial instruments and may not be a suitable investment for all investors

The notes are complex financial instruments that involve risks which are not present in other types of indebtedness, such as senior indebtedness or subordinated indebtedness that does not include loss absorption features. You should carefully consider whether the notes are suitable investment in light of your own circumstances.

In particular, you should (i) have sufficient knowledge and experience to make a meaningful evaluation of the notes and the merits and risks of investing in them; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate the effect of an investment in the notes in the context of your particular financial situation and investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the notes; (iv) understand the terms of the notes, including the subordination and loss absorption features, (including the uncertainty as to the circumstances under which the SFC may determine to order a Write-Down Event); and (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect your investment in the notes and ability to bear the applicable risks.

Our interests and those of the regulatory authorities may not be aligned with those of the holders of the notes

Our interests and the regulatory authorities' interests may not be aligned with those of the holders of the notes. Our Tier Two Capital will depend in part on decisions made by relating to our business and operations, as well as the management of our capital position. We will have no obligation to consider the interest of holders of the notes in connection with our strategic decisions, including in respect of capital management. We may decide not to raise capital at a time when it is feasible to do so, even if that would result in the occurrence of a write-off.

Moreover, in order to avoid the use of public resources, regulatory authorities may decide that we should allow a write-off to occur at a time when it is feasible to avoid this. Holders of the notes will not have any claim against us relating to decisions that affect our capital position, regardless of whether they result in the occurrence of a write-off. Such decisions could cause holders of the notes to lose the amount of their investment in the 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 laws. 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 set forth in the Decree 663 of 1993 (the "Financial Statute") and Decree 2555 of 2010, each as amended from time to time, which proceedings establish the events under which the SFC may initiate an intervention measure (*toma de posesión)* proceeding either to administer our bank or to liquidate it.

Under Colombian banking laws, financial institutions are subject to a special administrative takeover (*toma de posesión)* by the SFC in the event that the financial institution becomes insolvent. The SFC 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 SFC discovers their existence the SFC is obligated to intervene and takeover the administration of the financial institution if:

- the financial institution's technical capital falls below 40.0% of the legal minimum; or

- the term of any recovery plan expires or the goals set forth in such plans are not fulfilled.

Additionally, the SFC periodically visits financial institutions and, as a consequence of such visits, the SFC can impose additional capital or solvency obligations without taking control of the financial institution.

Subject to the approval of the Ministry of Finance, the SFC may, at its discretion, intervene and take over the administration of the applicable financial institution under the following circumstances:

- suspension of payments;
- failure to pay deposits;
- refusal to submit files, accounts and supporting documentation to the SFC for inspection;
- refusal to be questioned under oath, in relation to the financial institution's business;
- repeated failure to comply with the SFC's orders and instructions;
- repeated violations of applicable laws and regulations or of the bank's bylaws;
- unauthorized or fraudulent management of the bank's business;
- reduction of the bank's technical capital below 50.0% of its subscribed capital;
- failure to comply with the minimum capital requirements set forth in the Financial Statute;
- failure to comply with recovery plans that were adopted by the financial institution;
- failure to comply with the order of exclusion of certain assets and liabilities as instructed by the SFC to another institution designated by the SFC;
- failure to comply with the order of progressive unwinding (*desmonte progresivo*) of the operations of the bank applicable to financial institutions; and
- submission of information to the SFC which contains serious inconsistencies that prevent the SFC from adequately assessing the actual situation of the financial institution.

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. SFC takeovers 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 SFC; or (ii) to liquidate the financial institution. The SFC must decide if it will either manage or liquidate the financial institution within two months following a 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, we could be required to discharge our obligations in pesos at the representative market rate in effect on the date of payment. Any judgement obtained against us in Colombia may be expressed in U.S. dollars and discharged in pesos equivalent to the U.S. dollars at the representative market rate as of the date of payment. The payment in pesos when converted into foreign currency at 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.

Changes in law may adversely affect your rights under the notes or may adversely affect our business, financial performance and capital plans.

Changes in law after the date hereof may affect your rights as a holder of notes as well as the market value of the notes. Regulators may, from time to time, propose or consider amendments to laws or legislation and rule making which may affect our business, your rights as a holder of the notes and the market value of the notes. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of the notes, or changes that could have a significant impact on the future legal entity structure, management, and use of capital and requirements for loss-absorbing capacity, which may have an adverse effect on an investment in the notes. In the event of certain changes in tax or regulatory treatment of the notes, we may be able to redeem the notes at par.

Trading prices for the notes may be highly volatile

The prices at which the notes may trade will depend on many factors, including, among others, 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.

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 purchasers have informed us that they intend to make a market in the notes after this offering is completed. However, the initial purchasers have 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.

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 offering memorandum.

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.

DTC may decide to suspend all clearance and settlement of transfers of the notes after its receipt of a Write-Down Notice that causes the principal amount of the notes to be reduced to zero, and any transfer of such notes that is scheduled to settle after such suspension is expected to be rejected by DTC and will not be settled within DTC

DTC may decide to suspend all clearance and settlement of transfers of the notes after its receipt of a Write-Down Notice (as defined in "Description of the Notes—Loss Absorption") that causes the principal amount of the notes to be reduced to zero. We have agreed to provide a Write-Down Notice to holders and to the Trustee via the applicable clearing system within two Business Days after the occurrence of a Write-Down Event. However, the records of DTC will not be immediately updated to reflect the Write-Down Event, and a period of time, which may exceed several days, may be required before the clearance and settlement of transfers of notes through DTC are suspended. Due to such delay, it is possible that transfers that are initiated prior to such suspension and scheduled to settle on a date after DTC commences such suspension fail to settle through DTC even though such transfers were initiated prior to the Write-Down Event that caused the principal amount of such notes to be reduced to zero. In such circumstances, transferors of such notes would not receive any consideration through DTC in respect of such intended transfer because DTC will not settle such transfer after commencement of such suspension. Similarly, it is possible that transfers that are initiated prior to such suspension and scheduled to settle on a date before DTC commences such suspension will be settled through DTC even though such transfers were initiated after the Write-Down Event that caused the principal amount of such notes to be reduced to zero. In such circumstances, transferees of such notes may be required to pay consideration through DTC even though, upon the occurrence of such Write-Down Event, no amounts under the notes will thereafter become due, and such transferees will have no rights whatsoever under the Indenture and notes to take any action or enforce any rights or instruct the Trustee to take any action or enforce any rights whatsoever against us, regardless of whether they have received actual or constructive notice of such fact. The settlement of the notes of any series following a Write-Down Event will be subject to procedures of DTC that are in place at such time.

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. Three of our directors and officers and certain other persons named in this offering memorandum 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 offering memorandum 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 to such persons or to enforce against them or against us in the 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."

Risks relating to the business and industry

The ongoing COVID-19 pandemic has, and may continue to, adversely affect our business, results of operations and financial condition

Since December 2019, COVID-19 began to spread in China and promptly expanded to Europe, the United States and more than 200 countries, including Colombia, Peru and Paraguay. The ongoing COVID-19 pandemic has impacted, and may continue to impact, our ability to provide services in the ordinary manner due to health and safety measures adopted by governmental authorities to contain the spread of the virus. These measures, as well as others implemented by governmental authorities, have had, and may continue to have, a negative effect on our business operations and financial condition.

We implemented procedures to allow most of our staff to work remotely in the geographies where we operate. These procedures may result in incremental security, cybersecurity and operational risks, as well as increased periods of service unavailability. Although part of our physical branches remain open to the public, as required by law, the service hours, number of branches, and number of staff has been limited and, as a result, our customers have been migrating from physical service channels to telephone or digital channels, which may lead to network congestions and result in longer customer waiting times.

COVID-19 has significantly impacted macro-economic variables in the countries where we operate, which have adversely affected our results. Moreover, we are exposed to the performance of borrowers conducting business in many industries and commercial activities, some of which depend on the performance of the global economy, which are emerging, and will likely continue to emerge, in distress from these events. Furthermore, measures taken by the governments in the countries where we operate have negatively affected our operations, particularly measures that result in modifications of the conditions of a portion of the loans granted to our customers and transitory measures related to insolvency proceedings commenced by our customers as a result of the COVID-19 pandemic.

The current situation associated to the spread of COVID-19 has caused worldwide business and trade disruption. As a result, the banking sector in general might have lower liquidity levels. In addition, our business depends upon, among other things, on the willingness and ability of our customers in multiple sectors of the economy to conduct banking and other financial transactions. These customers may experience a significant economic impact from these events which may result in a lower demand for loans, a decrease in savings and investments, and an inability to perform on their obligations under current loans. If any such events materialize, it could have a material adverse effect on our business, financial condition, results of operations and prospects.

The effects resulting from COVID-19 have had and may continue to have an adverse effect on our operations and, given the uncertainty around the extent and timing of the future spread of COVID-19 and the imposition or relaxation of, protective measures, as of the date of this offering memorandum it is not possible to reasonably estimate the impact to our business, results of operations or financial condition. In addition, to the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this ‘‘Risk Factors’’ section. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Principal factors affecting our financial condition and results of operations—Ongoing COVID-19 pandemic” and Note 1 to the 2020-2019 Consolidated Financial Statements.

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 the COVID-19 pandemic, economic conditions, unemployment levels and political events affecting Colombia, Paraguay and Peru 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. 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 SFC, 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 or become less predictive as a result of significant and unexpected changes in the assumptions and scenarios used such as those caused by the outbreak of COVID-19 or other similar diseases, 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. See "—The ongoing COVID-19 pandemic has, and may continue to, adversely affect our business, results of operations and financial condition" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal factors affecting our financial condition and results of operations—Ongoing COVID-19 pandemic" and Note 1 to the 2020-2019 Consolidated Financial Statements.

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, 2020, 89.1% 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 the Bank have been involved, directly or indirectly, in credit transactions with the Bank. In accordance with Colombian banking regulations, related parties include directors, principal executive officers and holders that own, directly or indirectly, more than 10.0% 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 secured loans to shareholders holding 20.0% or more of a bank's shares, the maximum aggregate amount of the loans is limited to 20.0% of such bank's technical capital. For unsecured loans to shareholders, the maximum aggregate amount of the loans is limited to 10.0% of such bank's technical capital, which is the same limit Colombian banking regulations impose on unsecured loans to most third-parties. Secured loans to most third parties and shareholders holding less than 20.0% of a bank's shares are limited to 25.0% of a bank's technical capital. In Peru, loans, leasings, investments contingencies and other exposure to related parties, directly or indirectly, may not exceed 30.0% 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 10.0% of a bank's regulatory capital.

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. 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, 2020, total securities represented 23.7% of the Bank's consolidated total assets, and 18.6%, 2.5% and 0.8% 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, operational and structural 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 are less developed and may differ from those in more economically developed countries and the court systems in such jurisdictions have limited experience in dealing with issues related to derivative transactions. As a result, there are increased operating and structural risks associated with derivatives transactions in these jurisdictions. 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 70.6% of the Bank’s consolidated total liabilities at December 31, 2020. Because we rely primarily on short-term deposits for funding, a sudden or unexpected shortage of funds in the banking systems and money markets where we operate 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. This in turn 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, 2020, our top 20 depositors accounted for 29.5% of all our deposits. At the same date, based on type of deposit, this concentration is higher: 52.3% for checking account deposits, 42.7% for savings account deposits and 23.3% 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 14.7% of the Bank’s consolidated total loan portfolio at December 31, 2020. 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 and make our ability to attract deposits or renew maturing debt more difficult

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 funds from other banks or in the capital markets. Additionally, this could impair purchases by institutional investors of our debt securities if we suffer a decline in our credit ratings. 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 the perception of our financial stability and the ability to raise deposits, which could make us less successful when competing for deposits and loans in the marketplace.

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 877,803 for 2020, or U.S.$255.7, based on the exchange rate at December 31, 2020). The effect of this law has been a reduction of prepayment penalty revenues (which have historically accounted for less than 1.0% of our income from interest and valuations) and a possible increase in our risk of prepayment described above.

In Peru, SBS Resolution No. 3274-2017 prohibits banks from charging any fees, expenses or other penalties for prepayments of consumer loans. Paraguayan Law No. 1334 of 1998, as amended by Law No. 6366 of 2019, and Presidential Decree No. 390 of 2016 provide 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 the Bank's consolidated results

We are subject to extensive regulation by the Colombian Ministry of Finance, including the Unit of Financial Regulation (*Unidad Administrativa Especial, Unidad de Proyección Normativa y Estudios de Regulación Financiera*), and to extensive supervision and complementary regulation by the SFC 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 to their relevant banking regulatory authorities, 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. In November 2020, the Colombian Unit of Financial Regulation published a study on bank exposures and lending limits applicable to financial institutions and other entities surveilled by the SFC, and concluded that the current legal framework was outdated, considering the guidelines published by the Basel Committee over these topics. While the governments in the countries where we operate have been moving their regulatory framework towards the guidelines of the Basel Committee, they continue to lag in some areas including as described above. See "Banking Regulation."

The adoption of new laws or regulations, or changes in the interpretations or enforcement of existing laws or regulations, whether to comply with the guidelines of the Basel Committee or otherwise, 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 cyber security risks

We rely on information systems to operate 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, ransomwares, computer "hackers" or other causes. Cyber security risks for financial institutions have significantly increased because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, hacktivists, terrorists and other external parties. As we seek to further develop digital channels, the implementation of technological changes and upgrades to maintain existing systems and integrate new systems could increase our risk of cyber security attacks. Our business is highly dependent on our technology infrastructure and that of our service providers, and we are not immune to attacks against our or their network or systems.

There can be no assurance that we will not be the target of cyber-attacks in the future. 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. In addition, any failure to anticipate, identify or offset such threats of potential cyberattacks or breaches of our security in a timely manner could have a material adverse effect on our business, financial condition and results of operations.

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 SFC 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. Law 1555 of 2012 allows consumers of financial services to prepay obligations denominated in pesos owed to financial institutions, without incurring any penalty for loans in local currency that do not exceed an amount in pesos equivalent to 880 times the minimum monthly salary established by Colombian Law. The law also requires that financial institutions to disclose the possibility of such prepayment to borrowers prior to the extension of any loan. 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. The special measures adopted by the SFC in the context of the COVID-19 pandemic have included limitations on the interest rates that may be charged by financial institutions when amending the conditions of the loans of certain customers affected by the pandemic.

Paraguay has similar legal limitations on interest rates. 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.

On March 18, 2021, the Peruvian Congress enacted Law No. 31143, under which the Peruvian Central Bank will be able to set maximum and minimum interest rates every six months in order to regulate the loan market.

The maximum and minimum interest rates will apply to consumer loans, low-value consumer loans, and loans for small and micro-businesses. Moreover, this law forbids interest capitalization, as well as penalties, fees or expenses charged regarding defaulting loans.

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.

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, although no such mandatory deposit requirement is currently in effect. When the peso appreciated against foreign currencies in 2008, such mandatory deposit requirement was set at 40.0% of the amounts to be disbursed under any credit facility denominated in a foreign currency. Currently, the mandatory deposit requirement is set at 0.0%, meaning that resident in Colombia who with to obtain loans in foreign currency may do so without having to deposit a percentage of the principal of the loan, prior to its disbursement. This percentage may be changed by the Colombian Central Bank at any time. 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 SFC 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 SFC 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 SFC. 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 30.0% or more the average of the maximum active nominal, effective annual rates charged by banks for consumer loans.

On March 18, 2021, the Peruvian Congress enacted Law No. 31143, under which the Peruvian Central Bank will be able to set maximum and minimum interest rates every six months in order to regulate the loan market. The maximum and minimum interest rates will apply to consumer loans, low-value consumer loans, and loans for small and micro-businesses. Moreover, this law forbids interest capitalization, as well as penalties, fees or expenses charged regarding defaulting loans.

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 operations 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.

Colombian tax haven regulations could adversely affect our business, financial condition and results of operations

Colombian tax haven regulations, as modified pursuant to Law 1819 of 2016, designate 37 jurisdictions as tax havens for Colombian tax purposes although neither Panama nor other countries in which the Bank and its subsidiaries operate were included on this list. As a result of the tax haven regulations, our clients who are residents in such jurisdictions would be subject to:

- higher withholding tax rates including a higher withholding rate on interest and dividends derived from investments in the Colombian securities market;
- the transfer pricing regime and its reporting duties;
- enhanced ability on the part of Colombian authorities to qualify conduct as abusive under tax regulations;
- non-deductibility of payments made to such residents or entities located in tax havens, unless the required tax amount has been withheld; and
- additional information disclosure requirements.

These more stringent requirements on our clients could result in a material adverse effect on our business, financial condition and results of operations.

Colombia and Panama signed a memorandum of understanding which establishes that both countries will negotiate a treaty for the avoidance of double taxation and the exchange of information and have advanced negotiations. However, as of the date of this offering memorandum, the treaty had not been entered into. If the Colombian government designates Panama or any other jurisdictions in which we operate as a tax haven, such designation could have a negative impact on our customer base and on our business, financial condition and results of operations.

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 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, provide online banking and mobile banking services, 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. The Bank prepares its consolidated financial statements in accordance with Colombian Banking IFRS, which differs in significant respects from U.S. GAAP and from IFRS. 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 and from IFRS. 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, 2020, the Peruvian financial system was composed of 16 commercial banks, 10 financing companies, 12 municipal and seven rural savings and loan associations (*cajas*), nine small business development non-bank institutions, four state-owned institutions (not including the Peruvian Central Bank), two leasing companies, and one investment bank. Other participants under the supervision of the SBS include trust companies, bonded warehouses, mortgage administrators, factoring and money transfer companies, as well as 18 insurance companies, and four private pension fund administrators.

According to the Paraguayan Central Bank, as of December 31, 2020, 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), eight financial companies, 47 savings and loan cooperatives, three warehousing companies, 26 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, the Issuer, 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, 99.8% 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 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 the Bank's consolidated results of operations.

Acquisitions and strategic partnerships may not perform in accordance with expectations, may fail to receive required regulatory approvals or may disrupt our operations and adversely affect our credit rating and profitability

A component of our strategy is to identify and pursue growth-enhancing strategic opportunities. We regularly evaluate strategic acquisitions and alliances, inside and outside of Colombia. Strategic acquisitions and alliances could expose us to risks with which we have limited or no experience, as in the case of any significant acquisition outside of Colombia. In addition, potential acquisitions in Colombia and elsewhere may be subject to regulatory approval. We may be unsuccessful in obtaining any such approval or we may not obtain approvals on terms that are acceptable for us particularly in view of our subsidiaries' and our combined significant market share in the Colombian banking industry.

We must necessarily base any assessment of potential acquisitions and alliances on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect. Future acquisitions and alliances, as well as other investments, may not produce anticipated synergies or perform in accordance with our expectations and could adversely affect our operations and profitability. In addition, new demands on our existing organization and personnel resulting from the integration of new acquisitions could disrupt our operations and adversely affect our operations and profitability.

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

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. There can be no assurance that the government of Paraguay will continue to pursue business friendly and open market economic policies or policies that stimulate economic growth and social stability, and any changes in the economy or the governments' economic policies, in particular as they relate to the banking industry, may have a negative impact on our business, financial condition and results of operations. 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. 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. Presidential elections were held in Paraguay on April 22, 2018. President Mario Abdo Benítez began a five-year term on August 15, 2018. Uncertainty in relation to the implementation 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 of Mario Abdo Benítez 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.

Our exposure to economic and political developments in Paraguay has increased with the acquisition of BBVA Paraguay. See "Summary—Bank overview."

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 held only 15 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 were hindered by President Kuczynski's party's low levels of representation in the Peruvian Congress.

In effect, on December 15, 2017, the Peruvian Congress, which was controlled by the opposition party Popular Force, initiated impeachment proceedings against President Kuczynski, after he was accused of lying about receiving payments from Odebrecht S.A., a scandal-hit Brazilian construction firm in the mid-2000s. However, on December 21, 2017, the impeachment attempt failed due to the lack of a majority. Shortly after, President Kuczynski pardoned former President Alberto Fujimori and replaced nearly half of his cabinet.

On March 21, 2018, President Kuczynski formally submitted his resignation from the presidency to the Congress of the Republic of Peru, which the Congress approved on March 23, 2018. Upon the President's resignation, the constitutional succession process was initiated, pursuant to which First Vice President Martín Vizcarra assumed the office of the President for the remainder of the term until 2021 and Mercedes Aráoz became the First Vice President (whose resignation was approved by the Peruvian Congress in May 2020). President Martín Vizcarra appointed his new cabinet members on April 2, 2018.

On September 17, 2018, President Martín Vizcarra called for a vote of confidence by the Peruvian Congress over his call for a referendum on anti-corruption measures. On September 19, 2018, the Peruvian Congress granted the vote of confidence. President Vizcarra's proposals, which required an amendment to the Peruvian constitution, included a new system for selecting judges, a return to a bi-cameral Congress, stricter campaign finance rules and a ban on the re-election of lawmakers. On December 9, 2018, the Peruvian electorate approved via referendum the establishment of measures to reform the National Justice Board, to regulate the financing of political parties' campaigns, to prohibit legislators from immediate re-election and rejected the creation of a bicameral system for the Congress.

On September 30, 2019, President Martín Vizcarra called the Peruvian Congress for a second vote of confidence on the Presidency's proposal to modify the member election process of the Peruvian constitutional court's organic act. One of the purposes of the vote of confidence was to encourage the Peruvian Congress to suspend the ongoing election of new members of the Peruvian constitutional court and resume the election after the approval of the Presidency's proposal. However, the Peruvian Congress continued with the election of the new members of the Peruvian constitutional court and President Martin Vizcarra considered that the vote of confidence was denied. Consequently, on September 30, 2019, the President announced his decision to dissolve the Peruvian Congress invoking the mechanisms stated in the Peruvian constitution.

On January 26, 2020, as a result of the dissolution of the Peruvian Congress, extraordinary parliamentary elections were held to elect new Congress members who took office on March 16, 2020 and will hold office until

July 2021. This new Congress has the authority to review any urgent decree passed by the Executive branch during the time the Peruvian Congress remained dissolved. In addition, in April 2021, Peru will hold general elections to elect a new President and a new Congress for a term of five years. The new authorities will be entitled to enact, amend or derogate laws and regulations that may apply to us.

On September 11, 2020, the Peruvian Congress approved a motion to debate the vacancy of President Vizcarra, based on an alleged permanent moral incapacity. On November 9, 2020, President Vizcarra was finally removed from office by Congress, and the Chairman of the Peruvian Congress, Manuel Merino, took office as the new President of Peru. However, less than a week into this new administration, Manuel Merino resigned after nationwide protests.

On November 17, 2020, Congressman Francisco Sagasti, elected as the new Chairman of the Peruvian Congress, assumed the Presidency of Peru for a term that will end July 28, 2021.

On April 11, 2021, Peru held general elections to elect a new President and a new Congress for a term of five years. Although the official count of votes has not been finalized as of the date of this offering memorandum, the trend is that none of the candidates will be close to receiving more than 50% of the votes required to win outright. As a result, there will likely be a second round of elections involving the two leading candidates, to be held on June 6, 2021. As of the date of this offering memorandum, the two leading candidates are Jose Pedro Castillo Terrones of *Peru Libre,* and Keiko Sofía Fujimori Higuchi of *Fuerza Popular*. However, we cannot be certain that this may not change once all the votes are counted. The new authorities, which will take office on July 28, 2021, will be entitled to enact, amend or derogate laws and regulations that may apply to us.

The effect that the political and economic developments will have on Peru cannot be predicted at this time, and no assurances can be made regarding the potential impact, if any, of these developments on our Peru business, financial condition and results of operations.

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, 2020, 18.0% of Banco GNB (Peru)'s loans to customers were denominated in U.S. dollars, while 27.8% of its deposits were denominated in U.S. dollars. Similarly, as of December 31, 2020, 52.0% of Banco GNB (Paraguay)'s loans to customers were denominated in U.S. dollars, while 59.0% 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 merchant banking operations are subject to significant risks

On August 3, 2017, we obtained the approval of the SFC to incorporate a finance corporation (*corporación financiera*) as a subsidiary. This finance corporation focuses on equity investments in strategic sectors of the Colombian economy, including, in particular, financial services, hospitality, infrastructure, energy and agribusiness. 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.

Our acquisition of BBVA Paraguay may not perform in accordance with expectations or may disrupt our operations and adversely affect our credit rating and profitability, and we may be unable to achieve anticipated cost savings and other benefits

A component of our strategy is to identify and pursue growth-enhancing strategic opportunities. As part of that strategy, on January 22, 2021 we acquired BBVA Paraguay. The BBVA Paraguay acquisition could expose us to risks with which we have limited or no experience. In addition, the BBVA Paraguay acquisition could negatively affect credit ratings on our debt securities, including the notes.

We have based our assessment of the BBVA Paraguay acquisition on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect. In addition, the COVID-19 pandemic presents challenges that did not exist at the time of negotiation of this acquisition. The BBVA Paraguay acquisition may not produce anticipated synergies or perform in accordance with our expectations and could adversely affect our operations and profitability. In addition, new demands on our existing organization and personnel resulting from the integration of new acquisitions could disrupt our operations and adversely affect our operations and profitability.

The pro forma financial information in this offering memorandum does not reflect our operating results and financial condition following the BBVA Paraguay acquisition

We have also included in this offering memorandum pro forma financial information giving effect to the acquisition of BBVA Paraguay and related transactions. The pro forma financial information is derived from our Consolidated Financial Statements and the BBVA Paraguay Financial Statements included elsewhere in this offering memorandum. The preparation of this pro forma information is based upon available information and certain assumptions and estimates that we believe are reasonable. In addition, the BBVA Paraguay Financial Statements are based on Paraguayan Banking GAAP and we have not made adjustments to present the financial condition and results of operations of BBVA Paraguay in accordance with Colombian Banking GAAP. The pro forma financial information included in this offering memorandum has been provided for supplemental informational purposes only, and investors should understand that the pro forma financial information has certain limitations in its use and should not be relied upon instead of our Consolidated Financial Statements and the BBVA Paraguay Financial Statements included in this offering memorandum. The pro forma financial information does not reflect the financial condition or results of operations that would have been achieved had the transactions actually been completed on the date indicated, nor does it purport to be indicative of our financial condition or results of operations at any future date or for any future period. See "Unaudited Pro Forma Condensed Consolidated Financial."

Risks relating to Colombia

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, 2020, our Colombian operations accounted for 75.0% of the Bank's consolidated assets and 63.3% of our income from interest and valuations before accounting for eliminations for consolidation. 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 3.0% in 2020 (third-quarter), 2.5% in 2019 and 3.1% of GDP in 2018. As of December 31, 2020, the public debt was approximately U.S.$89.7 billion, representing 32% of GDP. According to the 2020 Fiscal Framework Medium Term (*Marco Fiscal de Mediano Plazo 2020*) published by the Colombian Ministry of Finance, the fiscal deficit target for 2020 is 8.2%.

The term of the President Iván Duque administration will conclude on August 7, 2022. The next presidential elections are scheduled for May 2020. Gustavo Petro, a leftist candidate, former rebel, and runner-up in the 2018 general elections, is currently ahead in early polling. However, it is too soon to predict which candidates will ultimately win the elections.

Under the Duque administration, a new tax reform law, Law 2010, was enacted on December 27, 2019 ("Law 2010"). One of the changes included in such tax reform is the increase in the surcharge for financial entities to 4.0% in 2020. The surcharge for years 2021 and 2022 remains at 3.0% as intended in the 2018 tax reform. Furthermore, due to the effects of the COVID-19 crisis, the Colombian Government, through the Ministry of Finance and Public Credit, is planning to submit to the Colombian Congress a new tax reform law. Changes in tax-related laws, regulations and interpretations 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. Such legislative changes may have an adverse impact on our business, financial condition and results of operations and may adversely affect the holders of the notes.

Under the Duque administration, several stimulus policies have been put in place to support struggling enterprises, regardless of their size and industry, through the government program "*Unidos por Colombia*", which provides, among other things, partial government guarantees through the *Fondo Nacional de Garantías* for bank loans.

We cannot predict what policies will be further adopted by the Duque administration, or what policies will be adopted by new administration, after the 2022 election, or whether those policies would have a negative impact on the Colombian economy, our business or the market value of 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.

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. 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.

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 and 2017 at an average exchange rate of Ps 3,050.71 and 2,951.22, respectively (calculated by using the average of the exchange rates on the last day of each month for each year) to U.S.$1.00, the exchange rate depreciated 8.9% in 2018 and 0.8% in 2019, as the year ended with an exchange rate of Ps 3,249.75 and 3,277.14 per U.S.$1.00, respectively. During 2020, due to the COVID-19 crisis, the peso experienced significant volatility which resulted in a depreciation of 12.6% when considering the period between February 29, 2020 and April 30, 2020, as the exchange rate at the end of that period was Ps 3,983.29 per U.S.$1.00, respectively. At April 12, 2021, the exchange rate was Ps 3,650.23 per U.S.$1.00. We cannot guarantee the stability of the exchange rate during the term of the notes.

Unforeseen events in international markets (such as the impact on the world economy resulting from the COVID-19 crisis) and the volatility of oil prices, 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.

Any downgrade in the credit rating of Colombia could impact the rating of the notes or adversely affect the market price of the notes

Colombia's long-term public external indebtedness is rated as investment grade by S&P, Moody's and Fitch. In December 2017, S&P downgraded the rating of its long-term foreign currency sovereign credit ratings on Colombia from "BBB" to "BBB-," on the grounds of Colombia's weakened fiscal and external profiles generating diminished policy flexibility.

In February 2018, Moody's Investors Services affirmed its Baa2 sovereign rating for Colombia but lowered its outlook from stable to negative. According to Moody´s, the uncertainty surrounding the country's upcoming elections, challenges adhering to the so-called fiscal rule, and the risk of economic growth remaining below potential were the key reasons for the negative outlook. Moody's cited the risk that the new government may have a "weak mandate" that prevents it from adopting additional fiscal measures to preserve Colombia's fiscal strength. Moody's has had a positive outlook since May 23, 2019.

In November 2019, Fitch affirmed Colombia's long-term foreign currency issuer default rating at BBB. The negative outlook reflects continued risk to fiscal consolidation and the trajectory of government debt, the weakening of fiscal policy credibility, and increasing external vulnerabilities derived from higher external imbalances and rising indebtedness.

On October 29, 2020, S&P reaffirmed a negative outlook on Colombia's long-term foreign currency issuer default rating. Furthermore, on November 6, 2020, Fitch Ratings maintained Colombia's long-term foreign currency issuer default rating at BBB- with a negative outlook.

We cannot assure you that Colombia's credit rating or rating outlook will not be downgraded in the future. If a negative change in the outlook or rating for Colombia occurs, it could have a material adverse effect on the market price of the notes, our business, financial condition and results of operations.

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 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 declined considerably in the following two years alongside global commodity prices. Although oil prices stabilized in 2016 and 2017, tax revenues continued to be lower than anticipated despite the adoption of a tax reform that went into effect in January 2017. 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. The recent fall in oil prices worldwide (resulting mainly from disputes among OPEC members and from the COVID-19 outbreak) has had and will likely continue to have an adverse impact on tax revenues for the Colombian central government and on potential economic growth. See "—Risks relating to the business and industry—The ongoing COVID-19 pandemic has, and may continue to, adversely affect our business, results of operations and financial condition."

Unemployment continues to be high in Colombia compared to other economies in Latin America and may worsen as a result of the COVID-19 pandemic. 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.

Recently, a wave of protests has taken place in several countries of Latin America, including Colombia, demanding social reforms to pension and retirement regimes, access to health care, access to education, environmental protection, and taking measures against inequality, among others. Such events could have an adverse effect in the economies of the countries where they are taking place or in other countries in which we operate. This could have a material adverse effect on our business, results of operations, financial condition and ability to make payments on the notes.

Colombian government policies could significantly affect the economy and, as a result, our financial condition.

We have no control over the extent and timing of government intervention and policies. The investment and security climate in the country will continue to be tied to how the results and performance of the incumbent administration and the application of its economic, security and social policies are perceived by foreign investors.

Following the economic distress caused by the COVID-19 pandemic in Colombia, in June 2020 the Consulting Committee of the Fiscal Rule (*Comité Consultivo de la Regla Fiscal*) approved suspending the application of the fiscal rule for the years 2020 and 2021 to allow further flexibility for the Colombian government in the administration of its budget and expenses.

In addition to the aforementioned and due to the COVID-19 pandemic, during the first semester of 2020, the Central Bank has intervened in several occasions on the discount rate. On March 27, 2020, the Central Bank decreased the discount rate by 50 basis points to 3.8%, on May 4, 2020, to 3.3%, on June 1, 2020, to 2.8%, on July1, 2020, to 2.5%, on August 3, 2020, to 2.3%, on September 1, 2020, to 2.0% and on September 28, 2020, to 1.75%.

Colombia has experienced and continues to experience internal security issues that have had and could continue to have a negative effect on the Colombian economy

Colombia has experienced, and continues to experience, internal security issues, primarily due to the activities of guerrilla groups such as non-demobilized groups within the Revolutionary Armed Forces of Colombia (*Fuerzas Armadas Revolucionarias de Colombia*), or "FARC," the National Liberation Army (*Ejército de Liberación Nacional*), or "ELN," paramilitary groups, drug cartels and criminal gangs (Bacrim). 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 and participating in drug trafficking activities.

In November 2012, the Colombian Government and FARC, the largest guerrilla group in Colombia, initiated peace talks in an attempt to end their armed conflict. In August 2016, the Colombian Government and FARC reached a final agreement, which was executed in September 2016. However, the peace agreement was rejected by a plebiscite that took place in October 2016, and President Juan Manuel Santos reopened negotiations with FARC and the plebiscite opposition in order to revise the peace agreement. On November 24, 2016, President Santos and the leader of FARC, Rodrigo Londoño Echeverri, signed a revised peace agreement, which was subsequently approved by Colombia's Congress on November 30, 2016. In December 2016, Colombia's constitutional court validated an abbreviated legislative process to implement legislation related to the peace agreement. During December 2016 and early 2017, relevant steps were taken toward the implementation of the peace agreement, including FARC disarmament and the approval of FARC amnesty law, among others. In June 2017, FARC formally completed its disarmament process under United Nations oversight.

The implementation of the peace agreement with the FARC will continue to require the enactment of new laws and regulations, which may impact our activity in ways we cannot anticipate. Recently, legislation was enacted in connection with the implementation of the Rural Reform (*Reforma Rural Integral*) as provided under the peace agreement. Such legislation included the creation of a Land Fund for the Rural Reform (*Fondo de Tierras para la Reforma Rural Integral*), which set forth the parameters of land grants to certain benefited populations and which properties are subject to distribution hereunder. The impact of such new legislation is still unknown, and further regulations may be required for such legislation to be implemented. New laws or regulations enacted in connection with the implementation of the peace agreement may impact our activity and may have a negative effect on our financial condition and results of operations, and our ability to repay the notes.

On March 31, 2016, the ELN, together with the Colombian Government of President Juan Manuel Santos, made official the commencement of a public phase of dialogue and negotiation between such parties and, since January 14, 2017, the delegations of the Colombian Government and ELN have convened in Ecuador to discuss the sequence of events for peace negotiations. The Colombian Government and ELN agreed to a temporary suspension of armed hostilities from October 1, 2017 up to January 12, 2018. In February 2018, ELN resumed armed hostilities and, consequently, the Colombian Government suspended the peace negotiations. During 2019, ELN perpetrated different terrorist attacks in Colombia, including a car bomb in a police academy in Bogota, which resulted in 21 people dead and many other injured. Any possible escalation in the violence associated with the terrorist attacks and/or these activities may have a negative impact on the Colombian economy and/or our financial condition and results of operation.

Even though the Colombian Government recently reached a peace agreement with FARC, and even though the Colombian Government's programs and policies have reduced guerrilla and criminal activity, particularly in the form of terrorist attacks, homicides, kidnappings and extortion, such criminal activity persists in Colombia. Possible escalation of such activity and the effects associated with it may have a negative effect on the Colombian economy and on us, our employees, financial condition and results of operations.

In addition, the peace agreement reached with FARC may be modified by future governments, including the current president. If there are deviations from the peace agreement, there can be no assurance that criminal actions will not escalate in Colombia. Although the Colombian Congress has approved certain regulations to implement to the final peace agreement such as, the law governing the Special Peace Justice System (*Jurisdicción Especial para la Paz*), laws enacted by Congress in this regard may differ from the provisions of the peace agreement. On March 10, 2019, President Duque introduced a bill proposing the amendment of six of the articles contained in the Special Peace Jurisdiction Law (*Ley Estatutaria de la Jurisdicción Especial para la Paz*). The Colombian Congress did not approve these proposed amendments. New laws or regulations enacted in connection with the implementation of the peace agreement may have an adverse effect on our financial condition and results of operations.

Allegations of corruption against the Colombian government, politicians and the private sector could create economic and political uncertainty and could expose us to additional credit risk

Allegations of corruption against the Colombian government, politicians and the private sector could create economic and political uncertainty in the event that the investigations triggered thereby reach conclusions, or result in further allegations or findings, of illicit conduct committed by the accused parties. Furthermore, proven or alleged wrongdoings could have adverse effects on the political stability in Colombia and the Colombian economy.

As a specific example of the above, on December 21, 2016 the United States Department of Justice announced that Odebrecht S.A., a global construction conglomerate based in Brazil, had pled guilty and agreed to pay a monetary penalty to resolve charges with authorities in the United States, Brazil and Switzerland arising out of their schemes to pay approximately U.S.$800 million in bribes to government officials in twelve countries around the world, including U.S.$11 million in Colombia, where Odebrecht confessed to offering bribes in order to obtain infrastructure contracts including a toll road concession "Ruta del Sol Sector 2" awarded to Concesionaria Ruta del Sol S.A.S.

As a result of Odebrecht's plea, Colombia's Attorney General's Office (*Fiscalía General de la Nación*) initiated an investigation that has found that, among other things, Odebrecht made campaign contributions to both of the contending political parties in the past presidential election, which is an illegal act under Colombian law, and that Odebrecht did in fact make payments in order to obtain the Ruta del Sol Sector 2 concession contract.

The Odebrecht scandal has also prompted additional investigations from other judicial and administrative authorities such as the Superintendency of Industry and Commerce, Superintendency of Corporations and the Superintendency of Transportation. Grupo Aval, a Colombian financial group, certain of its subsidiaries, and officers are defendants in some governmental investigations relating to these infrastructure projects.

The Colombian Attorney General's Office is proposing an amendment to Law 906 of 2004 to allow the Attorney General's Office to request that a judge order a governmental authority to suspend any payments under or funding of a contract if, in connection with investigations for criminal activities against the public administration or the Colombian government, the Attorney General's Office has a reasonable belief that such payment or funding would result in a detrimental loss of government funds. The proposed amendment would also allow a judge to suspend governmental contracts as a precautionary measure, if there is evidence that the award, execution, performance or termination of such contract is linked to crimes against the Colombian government. If this amendment or a similar measure is passed by the Colombian Congress, our ability to foreclose on certain loans or collect sums outstanding from unspecified borrowers may be limited by such investigations.

These adverse political and economic effects could result in a material adverse effect on our business, including by lowering business operations, volumes, reducing our ability to recover amounts we have loaned to persons or projects that are later discovered to be involved in illicit or allegedly illicit conduct and/or damaging our reputation.

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

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. The next presidential election is scheduled for May 2022. 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. 2010 of 2019, introducing substantial changes to the tax legal framework, which include taxation on dividends distributed to residents and non-residents, a modified corporate income tax regime, new corporate and individual income tax rates, and changes to the value added tax regime, among others. Furthermore, the Colombian Government, through the Ministry of Finance and Public Credit, is planning to submit to the Colombian Congress a new tax reform law. 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. Such legislative changes may have an adverse impact on our business, financial condition and results of operations and may adversely affect the holders of the notes. 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 50.0% 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.

On April 15, 2020, in the context of the COVID-19 crisis, the Colombian Government issued Decree 560 of 2020, which adopts special transitional measures in insolvency proceedings. The Decree modifies aspects of the current regime, adds mechanisms to protect companies and employment and, where appropriate, facilitates the reallocation of debtors' resources to other uses and postpones the due date for payments under reorganization agreements. These measures may further delay or 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 may affect the Colombian economy and, consequently, our results of operations and financial condition

Diplomatic relations with Venezuela, one 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 border with Venezuela. Any further deterioration in relations with Venezuela 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.

EXCHANGE RATES AND FOREIGN EXCHANGE CONTROLS

Exchange rates

The SFC 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 April 12, 2021, the representative market rate was Ps 3,650.23 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.$1.00 representative market rate	Average	Year-end	Low	High
Period:				
2016	3,050.71	3,000.71	2,833.78	3,434.89
2017	2,951.22	2,984.00	2,837.90	3,092.65
2018	2,956.43	3,249.75	2,705.34	3,289.69
2019	3,281.09	3,277.14	3,072.01	3,522.48
2020	3,674.28	3,432.50	3,253.89	4,153.91

Source: SFC.

The following table presents the average peso/U.S. dollar representative market rate for each month below 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:

Peso/ U.S.$1.00 representative market rate	Average	Month-end	Low	High
Month:				
October 2020	3,833.79	3,858.56	3,776.73	3,881.80
November 2020	3,563.94	3,611.44	3,611.44	3858.56
December 2020	3,466.13	3,432.50	3,410.82	3,591.84
January 2021	3,379.12	3,559.46	3,420.78	3,591.48
February 2021	3,554.50	3,624.39	3,515.65	3,624.39
March 2021	3,608.63	3,705.85	3,534.62	3,705.85

Source: SFC.

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 were established by Law No. 9 of 1991, which together with Decree 1068 of 2015, Decree 119 of 2007, External Resolution 1 of 2018 issued by the board of directors of the Colombian Central Bank and External Circular DCIN – 83 issued by the Colombian Central Bank, all of these as amended from time to time, are considered the main legal framework governing Colombia's FX Regulations (the "Colombian FX Regulations").

Resolution 1 of 2018 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 7 of Resolution 1 of 2018, 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, local stock brokerage firms, exchange intermediation and special financial services companies and electronic payments and deposit companies. 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.

On the other hand, 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 and hedged with derivative with at least the same term of the loan. 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 (34.0% during 2017, or 33.0% during 2018 onwards), when such payments are made to an entity located in a preferential tax regime, non-cooperative jurisdiction or low-tax jurisdiction; (ii) 5.0%, 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; or (iii) 15.0% in other cases, unless otherwise provided in a tax treaty between Colombia and another state. There are certain exceptions to this rule, including (i) foreign indebtedness incurred by entities controlled by the Colombian government, and (ii) loans obtained by Colombian banks and financial corporations, in each case provided that the holder of the loan is not a Colombian tax resident.

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 contracts, at rates determined by the Colombian Central Bank through competitive auctions or front-desk requests.

In the context of the COVID-19 pandemic, the Colombian Central Bank has taken measures to ensure U.S. dollar liquidity in the Colombian market. Among other measures, the Colombian Central Bank has gained access to the temporary repo facility granted by the Federal Reserve that has the purpose of supporting the smooth functioning of financial markets. Additionally, the Colombian Central Bank has widened the mechanisms for exchange rate hedging through the use of non-delivery forwards.

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.$395.0 million. We intend to use the net proceeds from the offering to purchase any and all of the outstanding 2022 Notes issued by us, upon the terms and conditions of the Tender Offer; and for general corporate purposes.

CAPITALIZATION

The following table sets forth our actual capitalization at December 31, 2020, and as adjusted to give effect to the issuance and sale of the U.S.$400.0 million of notes offered hereby and the receipt of U.S.$395.0 million in estimated net proceeds from such issuance and sale, as if such issuance and sale had occurred on December 31, 2020:

	At December 31, 2020[(1)]			
	Actual		**As Adjusted[(2)]**	
	(in U.S.$ millions)	**(in Ps millions)**	**(in U.S.$ millions)**	**(in Ps millions)**
Cash and cash equivalents	1,607.4	5,517,315	2,002.4	6,873,153
Financial debt:				
Short-term financial debt	1,668.2	5,726,094	1,668.2	5,726,094
Long-term financial debt	682.6	2,342,942	1,082.6	3,715,942
Total financial debt	2,350.8	8,069,036	2,750.8	9,442,036
Shareholders' equity	720.4	2,472,872	720.4	2,472,872
Total capitalization	**3.071.2**	**10,541,908**	**3,471.2**	**11,914,908**

(1) Amounts stated in U.S. dollars have been converted, solely for the convenience of the reader, at the rate of Ps 3,432.50 per U.S.$1.00, which is the representative market rate calculated on December 31, 2020, as reported by the SFC. 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.$400.0 million of notes offered hereby and the receipt of U.S.$395.0 million in estimated net proceeds from such issuance and sale, as if such issuance and sale had occurred on December 31, 2020.

You should read this table in conjunction with the sections entitled "Selected Financial and Operating Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this offering memorandum.

The following table sets forth our actual technical capital at December 31, 2020, and as adjusted to give effect to the issuance and sale of U.S.$400.0 million of notes offered hereby, as if such issuance and sale had occurred on December 31, 2020:

	At December 31, 2020[(1)]			
	Actual		As Adjusted[(2)]	
	(in U.S.$ millions)	(in Ps millions)	(in U.S.$ millions)	(in Ps millions)
Debt:				
Short-term financial debt	1,668.2	5,726,094	1,668.2	5,726,094
Borrowings from development entities and foreign banks	705.5	2,421,570	705.5	2,421,570
Long-term financial debt	682.6	2,342,942	1,082.6	3,715,942
Total debt	**3,056.3**	**10,490,606**	**3,456.3**	**11,863,606**
Capital:[(3)]				
Subscribed and paid-in capital	21.8	74,966	21.8	74,966
Share premium	234.0	803,117	234.0	803,117
Reserves[(4)]	424.2	1,455,962	424.2	1,455,962
Non-controlling interest	13.0	44,629	13.0	44,629
Less:				
Long-term investments	(11.5)	(39,573)	(11.5)	(39,573)
Revaluations of intangible assets, net	(103.4)	(354,781)	(103.4)	(354,781)
Results of previous periods	(43.4)	(149,125)	(43.4)	(149,125)
Unrealized gains (losses)	(1.2)	(4,227)	(1.2)	(4,227)
Primary capital (Tier One)	**533.4**	**1,830,967**	**533.4**	**1,830,967**
Net income	29.2	100,085	29.2	100,085
Subordinated bonds	341.5	1,172,277	741.5	2,545,277
Computed secondary capital (Tier Two)	**370.7**	**1,272,362**	**770.7**[(5)]	**2,645,362**[(5)]
Technical capital	**904.1**	**3,103,329**	**1,304.1**	**4,476,329**
Risk-weighted assets including market risk[(6)]	**6,454.0**	**22,153,291**	**6,454.0**	**22,153,291**
Capitalization ratio[(7)]	**14.0%**	**14.0%**	**20.2%**	**20.2%**

(1) Amounts stated in U.S. dollars have been converted, solely for the convenience of the reader, at the rate of Ps 3,432.50 per U.S.$1.00, which is the representative market rate calculated on December 31, 2020, as reported by the SFC. 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.$400.0 million of notes offered hereby and the receipt of U.S.$395.0 million in estimated net proceeds from such issuance and sale, as if such issuance and sale had occurred on December 31, 2020.

(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.

(4) Based on Colombian guidelines, 10.0% of net income must be allocated to our legal reserve every year until such reserve reaches at least 50% of our subscribed and paid-in capital. During 2020, we allocated 55% of our net income to our legal reserve.

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

(6) Regulatory value at risk consists of value at risk multiplied by (100/9) as required by the SFC. See "Banking Regulation—Colombia—Capital adequacy requirements."

(7) 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."

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 years ended December 31, 2020, 2019 and 2018 set forth below have been derived from our Consolidated Financial Statements included elsewhere in this offering memorandum. 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.

The Bank's historical results are not necessarily indicative of results to be expected for future periods.

This financial data should be read in conjunction with our 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 offering memorandum.

Statement of income data

	For the year ended December 31,			
	2020	**2020**	**2019**	**2018**
	(in U.S.$ millions)[1]		**(in Ps millions)**	
Income from interest and valuations	541.3	1,858,087	1,907,857	1,751,385
Interest expense:				
Interest expense on deposits	242.7	833,034	922,185	822,101
Financial debt and other interest	90.8	311,593	351,024	314,143
Total interest expense	333.5	1,144,627	1,273,209	1,136,244
Net income from interest and valuations	**207.9**	**713,460**	**634,648**	**615,141**
Impairment loss on financial assets at amortized cost	119.8	411,332	330,126	295,693
Net income from interest and valuations after impairment loss on financial assets	88.0	302,128	304,522	319,448
Net income from commissions and fees	41.6	142,674	150,565	142,492
Income from valuation of financial assets at fair value, net	54.6	187,468	333,790	238,054
Other income	83.5	286,550	268,365	253,262
Other expenses	197.6	678,339	726,103	658,038
Net income before income tax	**70.1**	**240,481**	**331,139**	**295,218**
Income tax	16.0	55,017	58,242	55,192
Net income	**54.0**	**185,464**	**272,897**	**240,026**

(1) Translated for convenience only using the representative market rates as computed and certified by the SFC of Ps 3,432.50 per U.S.$1.00 at December 31, 2020. On April 12, 2021 the representative market rate was Ps 3,650.23 per U.S.$1.00.

Balance sheet data

	At December 31,			
	2020	**2020**	**2019**	**2018**
	(in U.S.$ millions)[1]		**(in Ps millions)**	
Assets:				
Cash and cash equivalents	3,753.3	12,883,345	12,109,368	9,256,890
Financial assets at fair value	2,458.0	8,436,964	6,302,487	6,283,806
Financial assets at amortized cost	351.6	1,206,918	835,858	771,851
Net loans	4,536.6	15,571,900	16,195,174	15,116,478

	At December 31,			
	2020	**2020**	**2019**	**2018**
	(in U.S.$ millions)[(1)]		**(in Ps millions)**	
Other accounts receivable, net	223.9	768,390	492,278	398,051
Non-current assets held for sale	22.6	77,543	22,713	25,764
Tangible assets, net	317.1	1,088,425	1,056,363	816,156
Intangible assets, net	110.7	380,003	368,977	432,539
Other assets	83.2	285,447	148,666	116,988
Total assets	**11,856.9**	**40,698,935**	**37,531,884**	**33,218,523**
Liabilities:				
Financial liabilities at fair value	11.6	39,809	49,946	31,805
Customer deposits	7,862.6	26,988,324	23,634,084	20,730,540
Short-term financial debt	1,668.2	5,726,094	6,226,225	5,289,323
Borrowings from development entities and foreign banks	705.5	2,421,570	2,347,173	2,240,382
Long-term financial debt	682.6	2,342,942	2,251,795	2,231,354
Employee benefits	15.6	53,452	59,205	54,681
Provisions	20.4	69,864	64,551	52,093
Income tax	0.0	1	19,171	25,818
Other liabilities	170.1	584,008	554,749	490,915
Total liabilities	**11,136.5**	**38,226,063**	**35,206,899**	**31,146,911**
Equity:				
Subscribed and paid-in capital	21.8	74,966	71,270	66,020
Share premium	234.0	803,117	638,355	486,105
Retained earnings:				
Reserves	427.7	1,468,058	1,313,810	1,196,382
Net income for the year	53.0	181,972	267,457	235,110
Accumulated retained earnings	(28.0)	(96,068)	(122,998)	(54,789)
Total retained earnings	**452.7**	**1,553,962**	**1,458,269**	**1,376,703**
Other comprehensive income	(2.1)	(7,294)	109,989	93,817
Total equity of controlling interests	706.4	2,424,751	2,277,883	2,022,645
Non-controlling interests	14.0	48,121	47,102	48,967
Total equity	**720.4**	**2,472,872**	**2,324,985**	**2,071,612**
Total liabilities and equity	**11,856.9**	**40,698,935**	**37,531,884**	**33,218,523**

(1) Translated for convenience only using the representative market rates as computed and certified by the SFC of Ps 3,432.50 per U.S.$1.00 at December 31,2020. On April 12, 2021, the representative market rate was Ps 3,650.23 per U.S.$1.00.

Other financial and operating data

	At and for year ended December 31,		
	2020	2019	2018
	(in percentage, unless otherwise indicated)		
Profitability and cost to income ratios:			
ROAA[(1)]	0.5%	0.8%	0.8%
ROAE[(2)]	7.7%	12.4%	12.2%
Net interest margin[(3)]	2.8%	3.2%	3.2%
Cost-to-income ratio[(4)]	33.3%	30.4%	34.7%
Other expenses to assets ratio[(5)]	1.7%	2.1%	2.1%
Unconsolidated efficiency ratio[(6)]	46.5%	45.8%	51.4%
Capitalization and balance sheet structure:			
Shareholders' equity as a percentage of total assets	6.1%	6.2%	6.2%
Tier One capital ratio[(7)]	8.3%	7.0%	7.1%
Capitalization ratio[(8)]	14.0%	13.6%	15.9%
Total deposits as a percentage of total loans	173.3%	145.9%	137.1%
Total deposits as a percentage of total assets	66.3%	63.0%	62.4%
Credit quality:			
Non-performing loan ratio[(9)]	2.2%	2.3%	1.9%
Provision for loan losses as a percentage of total net loans	3.9%	3.2%	3.3%
Provision for loan losses as a percentage of non-performing loans	167.4%	135.9%	169.8%
Operating data (in units):			
Number of customers[(10)]	309,283	311,122	312,115
Number of employees[(11)]	2,520	2,614	2,536
Number of branches	128	144	145
Number of ATMs[(12)]	2,685	2,722	2,672

(1) For the years ended December 31, "ROAA" is calculated as net income divided by the 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) For the years ended December 31, "ROAE" is calculated as net income divided by the 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) For the years ended December 31, net interest margin is calculated as (net income from interest and valuations, plus income from valuation at fair value, net), divided by the 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) For the years ended December 31, other expenses to assets ratio is calculated as other expenses divided by the 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) Financial system based on data published by the SFC. Calculated as other expenses excluding depreciation and amortization, divided by gross margin, as published by the SFC. Banco GNB Sudameris based on internal data, which is consistent with the information published by the SFC.

(7) Tier One 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.

(12) In Colombia, the total amount at December 31, 2020 includes 2,606 ATMs owned by us and 79 ATMs owned by third parties.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

On January 22, 2021, through our Paraguayan subsidiary, Banco GNB (Paraguay), we acquired BBVA's banking operations in Paraguay by purchasing 100.0% of the capital stock of BBVA Paraguay. The purchase price for the acquisition was U.S.$251.3 million. Concurrently with the acquisition, the Bank sold a 32.0% equity interest in its subsidiary Banco GNB (Paraguay) to Grupo Vierci, a Paraguayan industrial, agricultural, real estate, commercial and telecommunications group, for U.S.$173 million.

The unaudited pro forma condensed consolidated financial information presented below derives from the historical financial statements of the Bank, prepared in accordance with Colombian Banking GAAP, and from historical financial statements of BBVA Paraguay, prepared in accordance with Paraguayan Banking GAAP.

We have not made adjustments in the pro forma financial information to present the financial condition and results of operations of BBVA Paraguay in accordance with Colombian Banking GAAP. Paraguayan Banking GAAP differs in certain respects from Colombian Banking GAAP. Such principal differences under Paraguayan Banking GAAP are as follows:

- *Classification and valuation of the loan portfolio*

  The loan portfolio is classified and measured at its nominal value plus accrued interest at the end of the financial year, net of allowances, based on debtors' or group of debtors' credit risk, which is determined in accordance with the regulations and criteria of the Paraguayan Central Bank, These regulations and criteria include the following:

  - Debtors are classified based on the evaluation and qualification of each debtor's credit risk in six risk categories.
  - The accrual of interest on overdue loans classified in certain risk categories are recognized as income when collected. Likewise, an allowance is accounted for in full in respect of accrued interest up to the time when the loan becomes overdue.
  - Amortizable loans are considered past due from 61 days past due on any of their installments, and fixed-term or single-maturity loans, the day after they expire.
  - Specific provisions have been established to cover eventual losses that may arise from the non-recovery of the portfolio.
  - Unrecoverable debt is written off from assets when certain conditions established in the applicable Paraguayan Central Bank regulation are met.

- *Investments*

  - Equity instruments (listed and unlisted on stock exchanges or on the secondary market) are valued at their acquisition cost, which may not exceed their estimated fair value.
  - Treasury debt securities are valued at their acquisition cost plus accrued income receivable, which may not exceed their estimated realizable value.

- *Foreclosed Assets*

  - Foreclosed assets are valued at the lower of (i) market value, (ii) the foreclosure value and (iii) the balance of the debt immediately prior to foreclosure. When the market value of the assets received (appraised value) is lower than its book value, an allowance is recorded.
  - For assets that exceed the sale period of two years and nine months established by the Paraguayan Central Bank, allowances for impairment are recorded.

- *Recognition of gains and losses*

    - The principle of accrual for purposes of income and expense recognition is applied under Paraguayan GAAP, with some exceptions where income or expense is recognized when cash is collected or paid.

- *Deferred Income tax*

    - Deferred income tax is not accounted for because it is not required under Paraguayan GAAP.

- *Fixed assets*

    - Until December 31, 2019, fixed assets were measured at their revalued cost in accordance with the consumer price index, minus accumulated depreciation based on rates determined by Paraguayan law. The net revaluation effect is recorded under equity.

    - Beginning with fiscal year 2020, the revaluation of fixed assets will only be mandatory when the variation in the consumer price index is greater than 20%.

    - Depreciation is computed on a straight-line basis based on the estimated useful life determined by the Paraguayan tax authorities.

- *Other*

    - IFRS 16 - Leasing is not considered; the accounting of post-employment benefits differs from the guidelines of IAS 19.

The unaudited pro forma condensed consolidated financial information was prepared using the acquisition method of accounting, as provided by Colombian Banking GAAP, based on available information and assumptions that we believe to be reasonable. Under this method the difference between the net assets acquired and the consideration transferred is accounted for as “goodwill.” All pro forma adjustments are (i) directly attributable to the acquisition, (ii) factually supportable and (iii) with respect to the income statement, expected to have a continuing impact. These adjustments are described in the notes to the unaudited pro forma condensed consolidated financial information tables appearing below.

The unaudited pro forma condensed consolidated balance sheet at December 31, 2020 and income statements for the year ended December 31, 2020 give effect to our acquisition of BBVA Paraguay and the sale by the Bank of a 32.0% equity interest in Banco GNB (Paraguay) to Grupo Vierci as if they had occurred on January 1, 2020.

We believe that the assumptions used to derive the unaudited pro forma condensed consolidated financial information are reasonable given the information available; however, such assumptions are subject to change and the effect of any such change could be material. The unaudited pro forma condensed consolidated financial statements have been provided for informational purposes only and do not reflect the financial condition or results of operations that would have been achieved had the transaction actually been completed on the date indicated, nor do they purport to be indicative of our financial condition and results of operations at any future date or for any future period. See “Risk Factors—Our acquisition of BBVA Paraguay may not perform in accordance with expectations or may disrupt our operations and adversely affect our credit rating and profitability, and we may be unable to achieve anticipated cost savings and other benefits” and “Risk Factors—The pro forma financial information in this offering memorandum does not reflect our operating results and financial condition following the BBVA Paraguay acquisition.”

The unaudited pro forma condensed consolidated financial information does not include the anticipated realization of cost savings from any operating efficiencies, synergies or restructurings resulting from the integration of BBVA Paraguay and does not contemplate the expenses or liabilities that may be incurred in connection with the transaction and any related restructurings.

This pro forma financial information should be read in conjunction with our Consolidated Financial Statements and BBVA Paraguay Financial Statements included in this offering memorandum, as well as "Presentation of Financial and Other Information," "Selected Financial and Operating Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors—Risks Related to the Business and Industry," included in this offering memorandum.

Unaudited pro forma condensed consolidated balance sheet at December 31, 2020

Banco GNB Sudameris S.A.
Unaudited pro forma condensed consolidated balance sheet
At December 31, 2020 (A)

	Consolidated Banco GNB Sudameris	Investment in BBVA Paraguay Adjustment (B)	BBVA Paraguay (C)	Notes	Consolidation Entries (D)	Pro Forma Consolidated
		(In Ps millions)				
Assets:						
Cash and cash equivalents	12,883,345	(73,335)	1,821,698	(1)(3)	(197,141)	14,434,567
Financial assets at fair value	8,436,964		5,212			8,442,176
Financial assets at amortized cost	17,238,721		4,474,770			21,713,491
Investments in subsidiaries		699,508		(2)	(699,508)	
Goodwill		166,493		(2)		166,493
Non-current assets held for sale	77,543		47,752			125,295
Tangible assets, net	1,088,425		41,314			1,129,739
Intangible assets, net	738,912		13,319			752,231
Other assets	235,025		4,124			239,149
Total assets	**40,698,935**	**792,666**	**6,408,189**		**(896,649)**	**47,003,141**
Liabilities:						
Financial liabilities at fair value	39,809					39,809
Customer deposits	26,988,324		5,063,198			32,051,522
Financial obligations	10,490,606		388,617		(698)	10,878,525
Provisions	69,864		46,308			116,172
Income tax	1		4,475			4,476
Other liabilities	637,459		206,083			843,542
Total liabilities	**38,226,063**		**5,708,681**		**(698)**	**43,934,046**
Equity:						
Subscribed and paid-in capital	74,966	539,355	223,855	(1)(3)	(763,210)	74,966
Premium on share placement	803,117	317,424		(1)(3)	(101,626)	1,018,915
Reserves	1,468,058		280,911	(3)	(314,589)	1,434,380
Net income for the year	181,972		88,326	(1)(3)	(111,836)	158,462
Income from prior fiscal years	(96,068)	(64,113)	106,416	(1)(3)	(42,622)	(96,387)
Total retained earnings	**2,432,045**	**792,666**	**699,508**		**(1,333,883)**	**2,590,336**
Other comprehensive income	(7,294)			(3)	(15)	(7,309)
Total equity of controlling interests	**2,424,751**	**792,666**	**699,508**		**(1,333,898)**	**2,583,027**
Non-controlling interests	48,121			(3)	437,947	486,068
Total equity	**2,472,872**	**792,666**	**699,508**		**(895,951)**	**3,069,095**
Total liabilities and equity	**40,698,935**	**792,666**	**6,408,189**		**(896,649)**	**47,003,141**

(A) Assumes that the BBVA Paraguay acquisition and the sale of a 32.0% equity interest in Banco GNB (Paraguay) to Grupo Vierci occurred on January 1, 2020. BBVA Paraguay's financial statements were first translated into U.S. dollars using the following exchange rate per U.S. dollar: 6,900.11 Guaranies at December 31, 2020. The resulting U.S. dollar amounts were then translated into pesos using the representative market rate as computed and certified by the Superintendency of Finance of Ps 3,432.5 per U.S. dollar at December 31, 2020. These translations do not represent a translation of financial statements in accordance with Colombian Banking IFRS, Paraguayan Banking GAAP or IFRS and have not been audited.

(B) Includes the adjustments necessary to reflect the investment in BBVA Paraguay by Banco GNB (Paraguay) and its effects on our Consolidated Financial Statements before any pro forma adjustments.

(C) Amounts presented in accordance with Paraguayan Banking GAAP.

(D) These adjustments include the elimination of reciprocal transactions with BBVA Paraguay and the Bank and its subsidiaries as well as the investment in BBVA Paraguay.

Unaudited pro forma condensed consolidated income statement for the year ended December 31, 2020

Banco GNB Sudameris S.A.
Unaudited pro forma condensed consolidated statement of income
For the year ended December 31, 2020 (A)

	Consolidated Banco GNB Sudameris	Investment in BBVA Paraguay Adjustment	BBVA Paraguay (B)	Notes	Consolidation Entries (C)	Pro Forma Consolidated
		(in Ps millions)				
Income from interest and valuations	1,858,087		371,292			2,229,379
Interest expense:						
Interest expense from deposits ...	(833,034)		(23,147)			(856,181)
Financial debt and other interest.	(311,593)		(115,182)			(426,775)
Total interest expense	(1,144,627)		(138,329])			(1,282,955)
Net income from interest and valuations.................................	**713,460**		**232,963**			**946,423**
Impairment loss on financial assets .	(411,332)					(411,332)
Net income from interest and valuations after impairment loss on financial assets.............	**302,128**		**232,963**			**535,091**
Net income from commissions and fees	142,674		42,258			184,932
Income from valuation of financial assets at fair value, net....................	187,468					187,468
Other income..................................	286,550		115,839			402,389
Other expenses	(678,339)		(292,310)			(970,649)
Net income before income tax..	**240,481**		**98,750**			**339,231**
Income tax......................................	(55,017)		(10,424)			(65,441)
Profit attributable to the controller's owners..................	**185,464**		**88,326**			**273,790**
Non-controlling interest...........	**3,492**			(3)	**111,836**	**115,328**
Net income	**181,972**		**88,326**		**111,836**	**158,462**

(A) Assumes that the BBVA Paraguay acquisition and the sale of a 32.0% equity interest in Banco GNB (Paraguay) to Grupo Vierci occurred on January 1, 2020. BBVA Paraguay's financial statements were first translated into U.S. dollars using the following exchange rate per U.S. dollar: 6,900.11 Guaranies at December 31, 2020. The resulting U.S. dollar amounts were then translated into pesos using the representative market rate as computed and certified by the Superintendency of Finance of Ps 3,432.5 per U.S. dollar at December 31, 2020. These translations do not represent a translation of financial statements in accordance with Colombian Banking IFRS, Paraguayan Banking GAAP or IFRS and have not been audited.

(B) Amounts presented in accordance with Paraguayan Banking GAAP.

(C) These adjustments include the elimination of reciprocal transactions with BBVA Paraguay and the Bank and its subsidiaries, as well as the investment in BBVA Paraguay to reflect the new non-controlling interest.

Notes to the unaudited pro forma condensed consolidated financial information

(1) The amount of Ps 73,335 million included in cash and cash equivalents of the column "Investment in BBVA Paraguay Adjustment" reflects the net effect of (i) the funds used to acquire BBVA Paraguay for Ps 866,000 million, (ii) the funds inflow from the sale of 32.0% of Banco GNB (Paraguay) to Grupo Vierci for Ps 596,222 million and (iii) additional Ps. 196,443 million received from Banco GNB (Colombia); in the case of the transactions (ii) and (iii) through the issuance of additional subscribed and paid-in capital.

(2) The adjustment included in "Investment in subsidiaries" for Ps 699,508 million and "Goodwill" for Ps 166,493 million reflects the acquisition of BBVA Paraguay by Banco GNB (Paraguay) before any consolidation entries to reflect the acquisition of the net assets. The investment in subsidiaries for BBVA Paraguay was eliminated during the consolidation for presentation in the unaudited condensed consolidated pro forma information.

(3) Consolidation adjustments include:

- the adjustment of Ps 197,141 million in cash and cash equivalents, of which a part of it corresponds to the use of Ps 196,443 for the payment made from Banco GNB Sudameris (Colombia) to Banco GNB (Paraguay) for the issuance of additional subscribed and paid-in capital. Also, as of December 31, 2020, BBVA Paraguay held a deposit of Banco GNB (Paraguay) in the amount of Ps 698 million, and as such, it was eliminated from cash and cash equivalents and financial obligations;

- the elimination of total equity for BBVA Paraguay;

- the recognition of net income for the year from BBVA Paraguay;

- the elimination of the equity recognized for Banco GNB (Paraguay) during the capitalization process; and

- the non-controlling interest representing the 32.0% equity interest owned by Grupo Vierci for both Banco GNB (Paraguay) and BBVA Paraguay for both equity and net income.

On a pro forma basis, after giving effect to (i) the positive impact of the US$173.0 million injection of capital in GNB Paraguay by Grupo Vierci, (ii) the negative impact of U.S.$48.5 million relating to goodwill recorded as a result of the BBVA Paraguay acquisition, and (iii) the consolidation of US$1,340.9 million of risk-weighted assets of BBVA Paraguay, as of December 31, 2020:

- our Tier One Capital would have been 8.4%;

- our Tier Two Capital would have been 4.8%; and

- our capitalization ratio would have been 13.2%.

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 offering memorandum 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 as of and for the fiscal years ended December 31, 2020, 2019 and 2018, 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 SFC. 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 SFC. See "Banking Regulation."

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

Except as otherwise expressly set forth herein, average balances have been calculated as follows: the monthly average is calculated by adding the daily balances for each day of a month and then dividing the sum by the number of days in the month; then, the monthly averages for the months during a period are added and then divided by the number of months in the period. 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 interest rate subtotals in the table below 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,								
	2020			2019			2018		
	Average balance [5]	Interest income earned	Average yield	Average balance [5]	Interest income earned	Average yield	Average balance [5]	Interest income earned	Average yield
	(in Ps millions, except percentages)								
Assets									
Interest-earning assets									
Interbank and overnight funds									
Peso-denominated	2,935,805	88,229	3.0%	3,071,827	136,843	4.5%	3,477,744	158,022	4.5%
Foreign currency-denominated	459,230	34,711	7.6%	206,575	132	0.1%	91,029	97	0.1%
Total	**3,395,035**	**122,941**	**3.6%**	**3,278,402**	**136,974**	**4.2%**	**3,568,774**	**158,119**	**4.4%**
Investment securities[1]									
Peso-denominated	8,429,913	266,934	3.2%	6,753,770	325,136	4.8%	5,515,038	260,129	4.7%
Foreign currency-denominated	1,508,119	29,770	2.0%	1,353,062	60,931	4.5%	1,037,887	33,368	3.2%
Total	**9,938,032**	**296,704**	**3.0%**	**8,106,832**	**386,067**	**4.8%**	**6,552,925**	**293,497**	**4.5%**
Loans and financial leases									
Peso-denominated	8,187,762	971,369	11.9%	7,859,998	988,514	12.6%	7,208,856	921,741	12.8%
Foreign currency-denominated	8,337,614	750,863	9.0%	7,847,947	743,783	9.5%	6,881,945	627,219	9.1%
Total	**16,525,375**	**1,722,233**	**10.4%**	**15,707,945**	**1,732,297**	**11.0%**	**14,090,801**	**1,548,960**	**11.0%**
Total interest-earning assets									
Peso-denominated	21,061,598	1,356,303	6.4%	19,038,693	1,511,423	7.9%	17,239,525	1,373,266	8.0%
Foreign currency-denominated	8,796,844	785,575	8.9%	8,054,486	743,915	9.2%	6,972,974	627,316	9.0%
Total interest-earnings assets	**29,858,442**	**2,141,877**	**7.2%**	**27,093,179**	**2,255,338**	**8.3%**	**24,212,499**	**2,000,582**	**8.3%**
Non-interest-earning assets									
Cash and due from banks									
Peso-denominated	2,206,487	0	0.0%	1,825,733	0	0.0%	1,366,141	0	0.0%
Foreign currency-denominated	2,822,916	0	0.0%	1,528,899	0	0.0%	1,234,090	0	0.0%
Total	**5,029,403**	**0**	**0.0%**	**3,354,632**	**0**	**0.0%**	**2,600,231**	**0**	**0.0%**
Provision for loan and financial lease losses [6]									
Peso-denominated	(593,287)	0	0.0%	(504,885)	0	0.0%	(421,553)	0	0.0%
Foreign currency-denominated	0	0	0.0%	0	0	0.0%	0	0	0.0%
Total	**(593,287)**	**0**	**0.0%**	**(504,885)**	**0**	**0.0%**	**(421,553)**	**0**	**0.0%**
Loans rated "C," "D" and "E" [2]									
Peso-denominated	971,856	0	0.0%	865,009	0	0.0%	662,311	0	0.0%
Foreign currency-denominated	0	0	0.0%	0	0	0.0%	0	0	0.0%
Total	**971,856**	**0**	**0.0%**	**865,009**	**0**	**0.0%**	**662,311**	**0**	**0.0%**
Bankers' acceptance, spot transactions and derivatives									
Peso-denominated	0	0	0.0%	0	0	0.0%	0	0	0.0%
Foreign currency-denominated	0	0	0.0%	0	0	0.0%	0	0	0.0%
Total	**0**	**0**	**0.0%**	**0**	**0**	**0.0%**	**0**	**0**	**0.0%**
Accounts receivable, net									
Peso-denominated	759,660	0	0.0%	449,699	0	0.0%	417,963	0	0.0%
Foreign currency-denominated	0	0	0.0%	0	0	0.0%	0	0	0.0%
Total	**759,660**	**0**	**0.0%**	**449,699**	**0**	**0.0%**	**417,963**	**0**	**0.0%**
Foreclosed assets, net									
Peso-denominated	0	0	0.0%	26,688	0	0.0%	23,273	0	0.0%
Foreign currency-denominated	0	0	0.0%	0	0	0.0%	0	0	0.0%
Total	**0**	**0**	**0.0%**	**26,688**	**0**	**0.0%**	**23,273**	**0**	**0.0%**
Property, plant and equipment, net									
Peso-denominated	1,130,526	0	0.0%	1,134,957	0	0.0%	429,049	0	0.0%
Foreign currency-denominated	0	0	0.0%	0	0	0.0%	0	0	0.0%
Total	**1,130,526**	**0**	**0.0%**	**1,134,957**	**0**	**0.0%**	**429,049**	**0**	**0.0%**
Other assets, net									
Peso-denominated	606,401	0	0.0%	550,056	0	0.0%	363,183	0	0.0%
Foreign currency-denominated	0	0	0.0%	0	0	0.0%	0	0	0.0%
Total	**606,401**	**0**	**0.0%**	**550,056**	**0**	**0.0%**	**363,183**	**0**	**0.0%**
Total non-interest-earnings assets									
Peso-denominated	4,703,074	0	0.0%	3,987,133	0	0.0%	2,599,610	0	0.0%
Foreign currency-denominated	2,822,916	0	0.0%	1,528,900	0	0.0%	1,234,090	0	0.0%
Total non interest-earnings assets	**7,525,990**	**0**	**0.0%**	**5,516,032**	**0**	**0.0%**	**3,833,699**	**0**	**0.0%**
Total interest and non-interest-earnings assets									
Peso-denominated	25,764,672	1,356,303	5.3%	23,025,826	1,511,423	6.6%	19,839,135	1,373,266	6.9%
Foreign currency-denominated	11,619,760	785,575	6.8%	9,583,385	743,915	7.8%	8,207,064	627,316	7.6%
Total assets	**37,384,432**	**2,141,877**	**5.7%**	**32,609,211**	**2,255,338**	**6.9%**	**28,046,198**	**2,000,582**	**7.1%**

	Average balance sheet and expense from interest-bearing liabilities for years ended December 31,								
	2020			2019			2018		
	Average balance [5]	Interest expense paid	Average interest rate	Average balance [5]	Interest expense paid	Average interest rate	Average balance [5]	Interest expense paid	Average interest rate
	(in Ps millions, except percentages)								
Liabilities and shareholders' equity									
Interest-bearing liabilities									
Checking accounts									
Peso-denominated	1,420,253	27,775	2.0%	1,087,758	25,469	2.3%	915,693	17,382	1.9%
Foreign currency-denominated	996,855	0	0.0%	901,655	0	0.0%	863,800	0	0.0%
Total	**2,417,108**	**27,775**	**1.1%**	**1,989,413**	**25,469**	**1.3%**	**1,779,493**	**17,382**	**1.0%**
Savings deposits									
Peso-denominated	10,609,687	341,782	3.2%	9,884,480	427,110	4.3%	8,597,344	371,958	4.3%
Foreign currency-denominated	2,573,265	87,795	3.4%	1,726,172	55,165	3.2%	1,296,348	34,562	2.7%
Total	**13,182,952**	**429,577**	**3.3%**	**11,610,652**	**482,275**	**4.2%**	**9,893,692**	**406,520**	**4.1%**
Time deposits									
Peso-denominated	4,454,876	219,471	4.9%	4,576,638	247,318	5.4%	4,448,364	260,299	5.9%
Foreign currency-denominated	4,962,222	151,978	3.1%	4,335,036	163,502	3.8%	3,881,037	134,246	3.5%
Total	**13,182,952**	**429,577**	**3.9%**	**8,911,674**	**410,819**	**4.6%**	**8,329,401**	**394,545**	**4.7%**
Interbank borrowings and overnight funds[3]									
Peso-denominated	877,761	22,331	2.5%	1,023,991	35,938	3.5%	1,126,298	43,881	3.9%
Foreign currency-denominated	3,063	0	0.0%	8,652	0	0.0%	21,513	0	0.0%
Total	**880,824**	**22,331**	**2.5%**	**1,032,643**	**35,938**	**3.5%**	**1,147,811**	**43,881**	**3.8%**
Borrowings from banks and others[4]									
Peso-denominated	1,728,161	65,756	3.8%	1,850,852	86,438	4.7%	1,999,142	100,708	5.0%
Foreign currency-denominated	1,199,517	82,615	6.9%	1,114,375	65,771	5.9%	1,017,242	52,795	5.2%
Total	**2,928,678**	**148,370**	**5.1%**	**2,965,227**	**152,209**	**5.1%**	**3,016,384**	**153,503**	**5.1%**
Long-term financial debt (bonds)									
Peso-denominated	332,405	23,183	7.0%	0	0	0.0%	0	0	0.0%
Foreign currency-denominated	2,068,590	144,919	7.0%	1,827,564	129,208	7.1%	1,931,299	131,266	6.8%
Total	**2,400,995**	**168,101**	**7.0%**	**1,827,564**	**129,208**	**7.1%**	**1,931,299**	**131,266**	**6.8%**
Total interest-bearing liabilities									
Peso-denominated	19,424,144	700,297	3.6%	18,423,718	822,274	4.5%	17,086,843	794,228	4.6%
Foreign currency-denominated	11,803,511	467,306	4.0%	9,913,454	413,646	4.2%	9,011,239	352,869	3.9%
Total	**31,227,655**	**1,167,604**	**3.7%**	**28,337,172**	**1,235,919**	**4.4%**	**26,098,082**	**1,147,097**	**4.4%**
Total non-interest-bearing liabilities and shareholders' equity	**6,129,699**	**0**	**0.0%**	**4,272,038**	**0**	**0.0%**	**2,108,781**	**0**	**0.0%**
Total interest and non-interest-bearing liabilities	**33,711,444**	**1,167,604**	**3.5%**	**30,525,186**	**1,235,919**	**4.0%**	**26,411,209**	**1,147,097**	**4.3%**
Total liabilities and shareholders' equity	**37,357,354**	**1,167,604**	**3.1%**	**32,609,211**	**1,235,919**	**3.8%**	**28,206,863**	**1,147,097**	**4.1%**

(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 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.

(5) The average of month-end balances was used for Peru and Paraguay.

(6) The average of quarter-end balances was used.

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, 2020 compared to the year ended December 31, 2019; and the year ended December 31, 2019 compared to the year ended December 31, 2018. 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.

	2020 – 2019 Increase (decrease) due to changes in			*2019 – 2018 Increase (decrease) due to changes in*		
	Volume	*Rate*	*Net Change*	*Volume*	*Rate*	*Net change*
			(in Ps millions)			
Interest-earnings assets						
Interbank and overnight funds:						
Peso-denominated	*(4,088)*	*(44,525)*	*(48,613)*	*(18,083)*	*(3,097)*	*(21,179)*
Foreign currency-denominated	*19,100*	*15,480*	*(34,580)*	*74*	*(39)*	*35*
Total interbank and overnight funds	***15,012***	***(29,046)***	***(83,193)***	***(18,009)***	***(3,135)***	***(21,144)***
Investment securities:[(1)]						
Peso-denominated	*53,075*	*(111,277)*	*(58,201)*	*59,634*	*5,373*	*65,007*
Foreign currency-denominated	*3,061*	*(34,222)*	*(31,161)*	*14,193*	*13,370*	*27,563*
Total investment securities	***56,136***	***(145,499)***	***(89,362)***	***74,002***	***18,568***	***92,570***
Loans and financial leases:						
Peso-denominated	*38,885*	*(56,029)*	*(17,144)*	*81,891*	*(15,124)*	*66,767*
Foreign currency-denominated	*44,098*	*(37,018)*	*7,080*	*91,552*	*25,012*	*116,564*
Total loans and financial leases	***82,983***	***(93,047)***	***(10,064)***	***173,443***	***9,888***	***183,331***
Interest earning assets:						
Peso-denominated	*87,872*	*(211,831)*	*(123,959)*	*123,448*	*(12,848)*	*110,601*
Foreign currency-denominated	*66,257*	*(55,758)*	*10,499*	*105,818*	*38,343*	*144,161*
Other total interest-earning assets	***154,129***	***(267,589)***	***(113,460)***	***229,266***	***25,495***	***254,762***

(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.

	2020 - 2019 Increase (decrease) due to changes in			**2018 – 2019 Increase (decrease) due to changes in**		
	Volume	**Rate**	**Net change**	**Volume**	**Rate**	**Net change**
			(in Ps millions)			
Interest-bearing liabilities						
Current accounts						
Peso-denominated	6,502	(4,197)	2,306	4,029	4,059	8,088
Foreign currency-denominated	0	0	0	0	0	0
Total checking accounts	**6,502**	**(4,197)**	**2,306**	**4,029**	**4,059**	**8,088**
Savings deposits						
Peso-denominated	23,362	(108,690)	(85,328)	55,617	(465)	55,152
Foreign currency-denominated	28,901	3,729	32,631	13,736	6,867	20,603
Total savings deposits	**52,263**	**(104,961)**	**(52,698)**	**69,354**	**6,401**	**75,755**
Term deposits						
Peso-denominated	(5,999)	(21,849)	(27,847)	6,932	(19,913)	(12,981)
Foreign currency-denominated	19,209	(30,733)	(11,524)	17,123	12,132	29,256
Total time deposits	**13,210**	**(52,581)**	**(39,371)**	**24,055**	**(7,780)**	**16,275**
Interbank borrowings and overnight funds						
Peso-denominated	(3,720)	(9,888)	(13,608)	(3,591)	(4,352)	(7,943)
Foreign currency-denominated	0	0	0	0	0	0
Total interbank borrowings and overnight funds	**(3,720)**	**(9,888)**	**(13,608)**	**(3,591)**	**(4,352)**	**(7,943)**
Borrowings from banks and others						
Peso-denominated	(4,628)	(16,055)	(20,682)	(6,925)	(7,345)	(14,270)
Foreign currency-denominated	5,864	10,980	16,844	5,733	7,243	12,976
Total borrowings from banks and others	**1,236**	**(5,075)**	**(3,839)**	**(1,193)**	**(102)**	**(1,294)**
Long-term debt (bonds)						
Peso-denominated	23,183	0	23,183	0	0	0
Foreign currency-denominated	16,886	(1,175)	15,710	(7,334)	5,276	(2,058)
Total long-term financial debt (bonds)	**40,068**	**(1,175)**	**38,893**	**(7,334)**	**5,276**	**(2,058)**
Total interest-bearing liabilities						
Peso-denominated	38,701	(160,677)	(121,977)	56,062	(28,016)	28,046
Foreign currency-denominated	70,860	(17,199)	53,661	29,258	(31,518)	60,776
Total interest-bearing liabilities	**109,560**	**(177,876)**	**(68,316)**	**85,320**	**(3,502)**	**88,822**

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,		
	2020	2019	2018
	(in Ps millions, except percentages)		
Asset positions in money market and similar operations			
Peso-denominated	2,935,805	3,071,827	3,477,744
Foreign currency-denominated	459,230	206,575	91,029
Total	**3,395,035**	**3,278,402**	**3,568,774**
Investment securities			
Peso-denominated	8,429,913	6,753,770	5,515,038
Foreign currency-denominated	1,508,119	1,353,062	1,037,887
Total	**9,938,032**	**8,106,832**	**6,552,925**
Loans and financial leases			
Peso-denominated	8,187,762	7,859,998	7,208,856
Foreign currency-denominated	8,337,614	7,847,947	6,881,945
Total	**16,525,375**	**15,707,945**	**14,090,801**
Total average interest-earning assets			
Peso-denominated	21,061,598	19,038,693	17,239,525
Foreign currency-denominated	8,796,844	8,054,486	6,972,974
Total	**29,858,442**	**27,093,179**	**24,212,499**
Net interest earned (1)			
Peso-denominated	1,356,303	1,511,423	1,373,266
Foreign currency-denominated	785,575	743,915	627,316
Total	**2,141,877**	**2,255,338**	**2,000,582**
Average yield on interest-earning assets			
Peso-denominated	6.4%	7.9%	8.0%
Foreign currency-denominated	8.9%	9.2%	9.0%
Total	**7.2%**	**8.3%**	**8.3%**
Net interest margin (2)			
Peso-denominated	5.9%	7.0%	7.0%
Foreign currency-denominated	8.2%	7.6%	6.8%
Total	**6.6%**	**7.2%**	**6.9%**
Interest spread on loans and financial leases (3)			
Peso-denominated	8.3%	8.1%	8.1%
Foreign currency-denominated	5.0%	5.3%	5.2%
Total	**6.7%**	**6.7%**	**6.6%**
Interest spread on total interest-earning assets (4)			
Peso-denominated	2.8%	3.5%	3.3%
Foreign currency-denominated	5.0%	5.1%	5.1%
Total	**3.4%**	**4.0%**	**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 SFC 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 SFC, 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 SFC 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,		
	2020	2019	2018
		(in Ps millions)	
Debt securities			
Peso-denominated			
Securities issued or secured by the Colombian Central Government[1]	6,498,705	4,629,954	4,517,327
Securities issued or secured by other Colombian government entities	25,961	35,405	78,522
Securities issued or secured by other financial entities[2]	344,005	421,993	463,886
Total peso-denominated	**6,868.671**	**5,087,352**	**5,059,735**
Foreign currency-denominated			
Securities issued by foreign governments[1]	1,158,329	1,050,453	1,071,766
Other securities[2]	**63.024**	42,036	42,597
Total foreign currency-denominated	**1,221,353**	**1,092,489**	**1,114,363**
Total debt securities, net	**8,090,024**	**6,179,841**	**6,174,098**
Equity securities, net	**61,969**	**58,050**	**54,869**
Investment funds, net	**270,452**	**45,215**	**31,328**
Total investment securities, net	**8,422,445**	**6,283,106**	**6,260,295**

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

(2) 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,		
	2020	2019	2018
		(in Ps millions)	
Debt securities at amortized cost			
Peso-denominated			
Securities issued or secured by Colombian government[1]	321,981	0	0
Securities issued or secured by other Colombian government entities	728,301	671,051	569,651
Total peso-denominated	**1,050,282**	**671,051**	**569,651**
Foreign currency-denominated			
Securities issued or secured by foreign governments	156,695	164,840	202,264
Total foreign currency-denominated	**156,695**	**164,840**	**202,264**
Provision for investment portfolio	**(59)**	**(33)**	**(64)**
Total debt securities at amortized cost	**1,206,918**	**835,858**	**771,851**

(1) in 2020, as a result of the COVID-19 pandemic, the Colombian government issued a decree pursuant to which financial institutions were required to invest in Solidarity Bonds (*Títulos de Solidaridad* ("TDS")).

Investment securities portfolio maturity

The following tables summarize all financial assets by maturity date as of December 31, 2020 and December 31, 2019:

Description	At December 31, 2020					
	0 to 30 days	31 to 180 days	181 to 360 days	More than 360 days	Provision for investment portfolio	Outstanding balance
	(in Ps millions)					
Investments in debt securities at fair value	317,413	4,315,991	1,285,937	2,395,045	0	8,314,386
Equity securities at fair value through profit or losses	165,049	548,882	336,352	156,695	(59)	1,206,918
Derivative operations	14,519	0	0	0	0	14,519
Total investments	**496,981**	**4,864,873**	**1,622,289**	**2,551,740**	**(59)**	**9,535,823**

At December 31, 2020 and December 31, 2019, we had the following investments in securities of issuers that exceeded 10.0% of our shareholders' equity.

Description	At December 31, 2019					
	0 to 30 days	31 to 180 days	181 to 360 days	More than 360 days	Provision for investment portfolio	Outstanding balance
	(in Ps millions)					
Investments in debt securities at fair value	112,895	1,647,920	1,692,520	2,729,128	(2,622)	6,179,841
Equity securities at fair value through profit or losses	164,152	226,834	280,065	164,840	(34)	835,858
Derivative operations	19,381	0	0	0	0	19,381
Total investments	**296,428**	**1,874,754**	**1,972,584**	**2,893,968**	**(2,656)**	**7,035,080**

	December 31, 2020	
	Book Value	Market Value
	(in Ps millions)	
Securities issued or secured by the Colombian central government	7,574,949	7,574,949
Securities issued or secured by the Peruvian central government	999,210	999,210
Securities issued or secured by the Paraguayan central government	315,814	315,814

	December 31, 2019	
	Book Value	Market Value
	(in Ps millions)	
Securities issued or secured by the Colombian central government	5,336,410	5,326,434
Securities issued or secured by the Peruvian central government	908,993	908,993
Securities issued or secured by the Paraguayan central government	306,300	306,300

Loan portfolio

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

	At December 31,		
	2020	2019	2018
		(in Ps millions)	
Commercial			
General purpose loans[1]	6,003,621	6,292,219	6,029,615
Loans funded by development banks	957,363	1,020,745	1,011,488
Working capital loans	1,606,215	1,716,338	1,561,336
Credit cards	6,085	12,143	12,256
Overdrafts	25,892	51,960	46,374
Total commercial	**8,599,176**	**9,093,405**	**8,661,068**
Consumer			
Credit cards	80,872	109,568	136,959
Personal loans[2]	6,502,322	6,334,622	5,515,282
Automobile and vehicle loans	3,324	5,359	8,321
Overdrafts	1,240	1,884	1,457
General purpose loans[3]	115,364	152,628	180,252
Total consumer	**6,703,122**	**6,604,061**	**5,842,272**
Mortgages	**875,431**	**1,022,742**	**1,106,305**
Total portfolio	**16,177,729**	**16,720,208**	**15,609,645**
Provision for loan portfolio	605,829	525,034	493,167
Total portfolio, net	**15,571,900**	**16,195,174**	**15,166,478**

(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 principally 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 for our Colombian operations:

	At December 31,		
	2020	2019	2018
		(in Ps millions)	
Commercial			
General purpose loans[1]	2,282,524	2,401,189	2,298,517
Loans funded by development banks	957,363	1,020,745	1,011,488
Working capital loans	1,229,336	1,217,598	1,070,278
Credit cards	5,106	11,291	11,564
Overdrafts	2,725	15,383	14,896
Total commercial	**4,477,054**	**4,666,205**	**4,406,742**
Consumer			
Credit cards	43,908	56,448	63,820
Personal loans[2]	5,213,679	5,034,628	4,523,387
Automobile and vehicle loans	0	0	0
Overdrafts	245	483	698
General purpose loans[3]	26,755	30,213	41,277
Total consumer	**5,284,587**	**5,121,772**	**4,629,183**
Mortgages	**39,147**	**38,002**	**36,903**
Total portfolio	**9,800,788**	**9,825,979**	**9,072,828**
Provision for loan portfolio	257,155	248,246	276,353
Total portfolio, net	**9,543,633**	**9,577,733**	**8,796,475**

(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 principally 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 for our international operations:

	At December 31,		
	2020	**2019**	**2018**
		(in Ps millions)	
Commercial			
General purpose loans[1]	3,721,097	3,891,031	3,731,098
Loans funded by development banks	0	0	0
Working capital loans	376,879	498,740	491,057
Credit cards	979	852	692
Overdrafts	23,167	36,577	31,479
Total commercial	**4,122,122**	**4,427,200**	**4,254,326**
Consumer			
Credit cards	36,963	53,120	73,139
Personal loans[2]	1,288,644	1,299,995	991,895
Automobile and vehicle loans	3,324	5,359	8,321
Overdrafts	995	1,402	760
General purpose loans[3]	88,609	122,414	138,975
Total consumer	**1,418,535**	**1,482,289**	**1,213,089**
Mortgages	**836,283**	**984,740**	**1,069,402**
Total portfolio	**6,376,941**	**6,894,229**	**6,536,817**
Provision for loan portfolio	348,673	276,788	216,814
Total portfolio, net	**6,028,268**	**6,617,441**	**6,320,003**

(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 principally 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 and Paraguay. We do not currently engage in mortgage lending in Colombia.

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, 2020 and December 31, 2019

	At December 31, 2020			
	Due in one year or less	Due from one to five years	Due after five years	Total
	(in Ps millions)			
Commercial				
General purpose loans	2,639,189	2,546,042	818,391	6,003,621
Loans funded by development banks	10,401	279,500	667,462	957,363
Working capital loans	954,836	651,379	0	1,606,215
Credit cards	6,085	0	0	6,085
Overdrafts	25,891	0	0	25,891
Total commercial	**3,636,402**	**3,476,921**	**1,485,853**	**8,599,176**
Consumer				
Credit cards	69,389	10,852	630	80,872
Personal loans	33,446	1,202,605	5,266,272	6,502,322
Automobile and vehicle loans	670	2,655	0	3,324
Overdrafts	1,240	0	0	1,240
General purpose loans	26,512	65,670	23,182	115,364
Total consumer	**131,257**	**1,281,781**	**5,290,084**	**6,703,122**
Mortgages	1,871	48,640	824,919	875,431
Total loan portfolio	**3,769,530**	**4,807,343**	**7,600,856**	**16,177,729**

	At December 31, 2019			
	Due in one year or less	Due from one to five years	Due after five years	Total
	(in Ps millions)			
Commercial				
General purpose loans	3,462,102	2,031,936	798,182	6,292,219
Loans funded by development banks	10,896	321,927	687,923	1,020,745
Working capital loans	1,582,201	134,136	0	1,716,337
Credit cards	12,143	0	0	12,143
Overdrafts	51,960	0	0	51,960
Total commercial	**5,119,302**	**2,487,998**	**1,486,105**	**9,093,405**
Consumer				
Credit cards	85,577	23,990	0	109,568
Personal loans	41,451	1,089,874	5,203,298	6,334,623
Automobile and vehicle loans	700	4,659	0	5,359
Overdrafts	1,884	0	0	1,884
General purpose loans	43,334	80,825	28,468	152,628
Total consumer	**172,947**	**1,199,348**	**5,231,766**	**6,604,061**
Mortgages	**2,304**	**48,378**	**972,061**	**1,022,742**
Total loan portfolio	**5,294,552**	**3,735,724**	**7,689,932**	**16,720,208**

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, 2020 and December 31, 2019:

Loans with terms of one year or less	**At December 31, 2020**
	(in Ps millions)
Variable rate	
Peso-denominated	116,072
Foreign currency-denominated	92,745
Total	**208,817**
Fixed rate	
Peso-denominated	1,176,288
Foreign currency-denominated	1,070,287
Total	**2,246,575**
Total loans with terms of one year or less	**2,455,392**
Loans with terms of more than one year	
Variable rate	
Peso-denominated	2,924,864
Foreign currency-denominated	1,237,615
Total	**4,162,479**
Fixed rate	
Peso-denominated	8,487,541
Foreign currency-denominated	1,072,317
Total	**9,559,858**
Total loans with terms of more than one year	**13,722,337**
Total loan portfolio	**16,177,729**

Loans with terms of one year or less	**At December 31, 2019**
	(in Ps millions)
Variable rate	
Peso-denominated	743,029
Foreign currency-denominated	1,263,802
Total	**2,006,830**
Fixed rate	
Peso-denominated	1,888,192
Foreign currency-denominated	1,399,530
Total	**3,287,722**
Total loans with terms of one year or less	**5,294,552**
Loans with terms of more than one year	
Variable rate	
Peso-denominated	2,356,547
Foreign currency-denominated	154,295
Total	**2,510,842**
Fixed rate	
Peso-denominated	8,038,557
Foreign currency-denominated	876,257
Total	**8,914,814**
Total loans with terms of more than one year	**11,425,656**
Total loan portfolio	**16,720,208**

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.

	At December 31,					
	2020	**%**	**2019**	**%**	**2018**	**%**
	(in Ps millions, except percentages)					
Agricultural	1,534,756	9.5%	1,505,654	9.0%	1,433,740	9.2%
Mining products and oil	270,185	1.7%	353,058	2.1%	385,485	2.5%
Food, beverage and tobacco	374,971	2.3%	407,139	2.4%	522,711	3.3%
Chemical production	36,555	0.2%	39,571	0.2%	52,422	0.3%
Other industrial and manufacturing products	209,672	1.3%	277,908	1.7%	292,687	1.9%
Government	66,468	0.4%	72,912	0.4%	49,733	0.3%
Construction	1,815,846	11.2%	1,565,458	9.4%	1,549,511	9.9%
Trade and tourism	1,574,230	9.7%	1,878,438	11.2%	1,929,386	12.4%
Transportation and communications	429,176	2.7%	530,725	3.2%	488,241	3.1%
Consumer services[(1)]	1,135,469	7.0%	1,354,972	8.1%	1,483,439	9.5%
Commercial services	2,228,078	13.8%	2,399,752	14.4%	1,907,007	12.2%
Payroll loans *(libranzas)*	6,502,323	40.2%	6,334,623	37.9%	5,515,282	35.3%
Total loan portfolio	**16,177,729**	**100.0%**	**16,720,208**	**100.0%**	**15,609,645**	**100.0%**

(1) Consumer services include consumer loans other than payroll and housing loans.

Credit categories

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

	At December 31,		
	2020	**2019**	**2018**
		(in Ps millions)	
Commercial loans	8,599,176	9,093,405	8,661,068
Consumer loans	6,703,122	6,604,061	5,842,272
Mortgages	875,431	1,022,742	1,106,305
Total loan portfolio	**16,177,729**	**16,720,208**	**15,609,645**
Provision for loans and financial lease losses	605,829	525,034	493,167
Total loan portfolio, net	**15,571,900**	**16,195,174**	**15,116,478**

Categories

The SFC 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 SFC. These models incorporate both subjective and objective criteria. See notes 3 and 7 to our 2020-2019 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 SFC.

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,					
	2020	**%**	**2019**	**%**	**2018**	**%**
	(in Ps millions, except percentages)					
"A" Normal risk	14,849,804	91.8%	15,420,063	92.2%	14,513,799	93.0%
"B" Acceptable risk, above normal	395,793	2.4%	293,848	1.8%	289,530	1.9%
"C" Appreciable risk	397,173	2.5%	519,314	3.1%	403,210	2.6%
"D" Significant risk	441,146	2.7%	387,750	2.3%	328,384	2.1%
"E" Risk of non-recoverability	93,813	0.6%	99,233	0.6%	74,722	0.5%
Total loan portfolio	**16,177,729**	**100.0%**	**16,720,208**	**100.0%**	**15,609,645**	**100.0%**
Loan portfolio classified as "C," "D" or "E" as a percentage of total loan portfolio	932,132	5.8%	1,006,298	6.0%	806,317	5.2%

The following tables present 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					
	Loan portfolio by type of loan at December 31,					
	2020	**%**	**2019**	**%**	**2018**	**%**
	(in Ps millions, except percentages)					
"A" Normal risk	9,197,193	93.8%	9,183,641	93.5%	8,510,572	93.8%
"B" Acceptable risk, above normal	100,517	1.0%	90,548	0.9%	87,135	1.0%
"C" Appreciable risk	287,933	2.9%	395,761	4.0%	319,298	3.5%
"D" Significant risk	211,604	2.2%	123,621	1.3%	148,775	1.6%
"E" Risk of non-recoverability	3,541	0.0%	32,408	0.3%	7,048	0.1%
Total loan portfolio	**9,800,788**	**100%**	**9,825,979**	**100.0%**	**9,072,828**	**100.0%**
Loan portfolio classified as "C," "D" or "E" as a percentage of total loan portfolio	503,078	5.1%	551,790	5.6%	475,121	5.2%

	International Operations					
	Loan portfolio by type of loan at December 31,					
	2020	**%**	**2019**	**%**	**2018**	**%**
	(in Ps millions, except percentages)					
"A" Normal risk	5,652,611	88.6%	6,236,422	90.5%	6,003,227	91.8%
"B" Acceptable risk, above normal	295,276	4.6%	203,300	2.9%	202,394	3.1%
"C" Appreciable risk	109,240	1.7%	123,553	1.8%	83,913	1.3%
"D" Significant risk	229,543	3.6%	264,129	3.8%	179,609	2.7%
"E" Risk of non-recoverability	90,271	1.4%	66,826	1.0%	67,674	1.0%
Total loan portfolio	**6,376,941**	**100%**	**6,894,230**	**100.0%**	**6,536,817**	**100.0%**
Loan portfolio classified as "C," "D" or "E" as a percentage of total loan portfolio	429,054	6.7%	454,508	6.6%	331,196	5.1%

Suspension of accruals

The SFC 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, amortizable loans considered nonperforming on the 61st day following a default on any installment, and fixed term loans or single maturity loans are deemed nonperforming on the day after maturity. Therefore, in the case of consumer and mortgage loans, interest ceases to accrue 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 SFC. See "Banking Regulation—Peru" and "Banking Regulation—Paraguay."

The following table presents the breakdown of the Bank's consolidated past due loans by type of loan in accordance with the criteria of the SFC in effect at December 31 of each year:

	At December 31,					
	2020	**%**	**2019**	**%**	**2018**	**%**
	(in Ps millions, except percentages)					
Performing past due loans:[(1)]						
Commercial loans past due from 31 days to 90 days	60,073	43.2%	52,427	46.1%	33,155	37.6%
Consumer loans past due loans from 31 days to 60 days	42,715	30.7%	33,149	29.1%	27,408	31.1%
Microcredit loans past due up to 30 days	0	0.0%	0	0.0%	0	0.0%
Mortgage loans past due from 31 days to 60 days	36,210	26.1%	28,247	24.8%	27,652	31.3%
Financial leases past due from 31 days to 60/90 days	0	0.0%	0	0.0%	0	0.0%
Total performing past due loan portfolio	**138,998**	**27.7%**	**113,823**	**22.8%**	**88,215**	**23.3%**
Non-performing past due loans:						
Commercial loans past due more than 90 days	200,846.3	55.5%	232,459	60.2%	151,677	52.2%
Consumer loans past due more than 60 days	75,518.3	20.9%	101,102	26.2%	97,925	33.7%
Microcredit loans past due more than 30 days	0	0.0%	0	0.0%	0	0.0%
Mortgage loans past due more than 60 days	85,641.7	23.7%	52,663	13.6%	40,833	14.1%
Financial leases past due more than 60/90 days	0	0.0%	0	0.0%	0	0.0%
Total non-performing past due loan portfolio	**362,006**	**72.3%**	**386,224**	**77.2%**	**290,435**	**76.7%**
Total past due loan portfolio	**501,004**	**100.0%**	**500,047**	**100.0%**	**378,650**	**100.0%**
Total non-performing past due loan portfolio	362,006	81.5]%	386,224	89.1%	290,434	87.9%
Foreclosed assets	81,501	18.4%	46,464	10.7%	39,231	11.9%
Other accounts receivable more than 180 days past due	473	0.1%	566	0.1%	677	0.2%
Total non-performing assets	**443,980**	**100.0%**	**433,254**	**100.0%**	**330,342**	**100.0%**
Provision for loan and financial lease losses	605,829	99.3%	525,034	94.7%	493,167	96.3%
Provision for estimated losses on foreclosed assets	3,958	0.6%	28,873	5.2%	18,426	3.6%
Provision for accounts receivable and accrued interest losses	473	0.1%	566	0.1%	677	0.1%
Total provisions	**610,260**	**100.0%**	**554,473**	**100.0%**	**512,270**	**100.0%**
Loans at least 31 days past due as a percentage of total loans		3.1%		3.0%		2.4%
Provision for loan losses as a percentage of loans at least 31 days past due		120.9%		105.0%		130.2%
Provision for loan losses as a percentage of loans classified as "C," "D" or "E"		65.0%		52.2%		61.2%
Percentage of performing loans to total loans		96.9%		97.0%		97.6%

(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 SFC in effect at December 31 of each year for our Colombian operations:

	At December 31,					
	2020	**%**	**2019**	**%**	**2018**	**%**
	(in Ps millions, except percentages)					
Performing past due loans:[1]						
Commercial loans past due from 31 days to 90 days	759	2.5%	11,292	39.0%	20,233	57.0%
Consumer loans past due loans from 31 days to 60 days	29,396	95.7%	16,901	58.4%	14,606	41.1%
Microcredit loans past due up to 30 days	0	0.0%	0	0.0%	0	0.0%
Mortgage loans past due from 31 days to 60 days	568	1.8%	730	2.5%	679	1.9%
Financial leases past due from 31 days to 60/90 days	0	0.0%	0	0.0%	0	0.0%
Total performing past due loan portfolio	**30,723**	**17.5%**	**28,923**	**15.2%**	**35,518**	**20.4%**
Non-performing past due loans:						
Commercial loans past due more than 90 days	93,053	64.1%	85,485	53.1%	63,108	45.5%
Consumer loans past due more than 60 days	50,125	34.6%	74,010	45.9%	73,515	53.0%
Microcredit loans past due more than 30 days	0	0.0%	0	0.0%	0	0.0%
Mortgage loans past due more than 60 days	1,900	1.3%	1,643	1.0%	2,014	1.5%
Financial leases past due more than 60/90 days	0	0.0%	0	0.0%	0	0.0%
Total non-performing past due loan portfolio	**145,078**	**82.5%**	**161,138**	**84.8%**	**138,637**	**79.6%**
Total past due loan portfolio	**175.800**	**100.0%**	**190,061**	**100.0%**	**174,155**	**100.0%**
Total non-performing past due loan portfolio	145,078	98.9%	161,138	98.9%	138,637	98.7%
Foreclosed assets	1,149	0.8%	1,149	0.7%	1,149	0.8%
Other accounts receivable more than 180 days past due	473	0.3%	566	0.3%	677	0.5%
Total non-performing assets	**146,700**	**100.0%**	**162,853**	**100.0%**	**140,463**	**100.0%**
Provision for loan and financial lease losses	257,155	99.5%	248,246	99.4%	276,353	99.4%
Provision for estimated losses on foreclosed assets	919	0.4%	919	0.4%	919	0.3%
Provision for accounts receivable and accrued interest losses	473	0.2%	566	0.2%	677	0.2%
Total provisions	**258,547**	**100.0%**	**249,731**	**100.0%**	**277,949**	**100.0%**
Loans at least 31 days past due as a percentage of total loans		1.8%		1.9%		1.9%
Provision for loan losses as a percentage of loans at least 31 days past due		146.3%		130.6%		158.7%
Provision for loan losses as a percentage of loans classified as "C," "D" or "E"		51.1%		45.0%		58.2%
Percentage of performing loans to total loans		98.2%		98.1%		98.1%

(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 SFC in effect at December 31 of each year for our international operations:

	At December 31,					
	2020	%	2019	%	2018	%
	(in Ps millions, except percentages)					
Performing past due loans: [1]						
Commercial loans past due from 31 days to 90 days	59,313	54.8%	41,135	48.5%	12,921	24.5%
Consumer loans past due loans from 31 days to 60 days	13,320	12.3%	16,247	19.1%	12,803	24.3%
Microcredit loans past due up to 30 days	0	0.0%	0	0.0%	0	0.0%
Mortgage loans past due from 31 days to 60 days	35,643	32.9%	27,518	32.4%	26,974	51.2%
Financial leases past due from 31 days to 60/90 days	0	0.0%	0	0.0%	0	0.0%
Total performing past due loan portfolio	**108,276**	**33.3%**	**84,900**	**27.4%**	**52,698**	**25.8%**
Non-performing past due loans:						
Commercial loans past due more than 90 days	107,794	49.7%	146,974	65.3%	88,569	58.3%
Consumer loans past due more than 60 days	25,393	11.7%	27,092	12.0%	24,410	16.1%
Microcredit loans past due more than 30 days	0	0.0%	0	0.0%	0	0.0%
Mortgage loans past due more than 60 days	83,741	38.6%	51,020	22.7%	38,819	25.6%
Financial leases past due more than 60/90 days	0	0.0%	0	0.0%	0	0.0%
Total non-performing past due loan portfolio	**216,928**	**66.7%**	**225,086**	**72.6%**	**151,798**	**74.2%**
Total past due loan portfolio	**325,204**	**100.0%**	**309,986**	**100.0%**	**204,496**	**100.0%**
Total non-performing past due loan portfolio	216,928	73.0%	225,086	83.2%	151,797	79.9%
Foreclosed assets	80,353	27.0%	45,315	16.8%	38,081	20.1%
Other accounts receivable more than 180 days past due	0	0.0%	0	0.0%	0	0.0%
Total non-performing assets	**297,281**	**100.0%**	**270,401**	**100.0%**	**189,878**	**100.0%**
Provision for loan and financial lease losses	348,673	99.1%	276,788	90.8%	216,814	92.5%
Provision for estimated losses on foreclosed assets	3,039	0.9%	27,954	9.2%	17,507	7.5%
Provision for accounts receivable and accrued interest losses	0	0.0%	0	0.0%	0	0.0%
Total provisions	**351,712**	**100.0%**	**304,742**	**100.0%**	**234,321**	**100.0%**
Loans at least 31 days past due as a percentage of total loans		5.1%		4.5%		3.1%
Provision for loan losses as a percentage of loans at least 31 days past due		107.2%		89.3%		106.0%
Provision for loan losses as a percentage of loans classified as "C," "D" or "E"		81.3%		60.9%		65.5%
Percentage of performing loans to total loans		94.9%		95.5%		96.9%

(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 SFC for loans at the periods indicated:

	At December 31,		
	2020	**2019**	**2018**
Non-performing past due loans:		**(in Ps millions)**	
Commercial loans past due more than 90 days	200,846	232,459	151,677
Consumer loans past due more than 60 days	75,518	101,102	97,925
Mortgage loans past due more than 60 days	85,642	52,663	40,833
Total non-performing past due loan portfolio	**362,006**	**386,224**	**290,434**

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

	At December 31,					
	2020	%	2019	%	2018	%
			(in Ps millions)			
Commercial						
General purpose loans	166,320	82.8%	202,344	87.0%	135,950	89.6%
Loans funded by development banks	13,194	6.6%	8,264	3.6%	358	0.2%
Working capital loans	19,763	9.8%	10,988	4.7%	11,793	7.8%
Credit cards	234	0.1%	238	0.1%	373	0.2%
Overdrafts	1,335	0.7%	10,625	4.6%	3,202	2.1%
Total commercial	**200,846**	**55.5%**	**232,459**	**60.2%**	**151,677**	**52.2%**
Consumer						
Credit cards	3,381	4.5%	4,481	4.4%	4,927	5.0%
Personal loans	64,646	85.6%	87,925	87.0%	84,410	86.2%
Automobile and vehicle loans	1,197	1.6%	1,030	1.0%	1,050	1.1%
Overdrafts	206	0.3%	137	0.1%	82	0.1%
General purpose loans	6,088	8.1%	7,529	7.4%	7,455	7.6%
Total consumer	**75,518**	**20.9%**	**101,102**	**26.2%**	**97,925**	**33.7%**
Mortgages	**85,642**	**23.7%**	**52,663**	**13.6%**	**40,833**	**14.1%**
Total past due loan portfolio	**362,006**	**100%**	**386,224**	**100.0%**	**290,434**	**100.0%**

The following tables present 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,					
	2020	%	2019	%	2018	%
			(in Ps millions)			
Secured						
Past due 31 to 360 days						
Commercial	117,738	1.9%	121,331	2.1%	103,001	1.9%
Consumer	546	0.0%	538	0.0%	910.4	0.0%
Mortgages	107,591	1.8%	67,571	1.1%	58,774	1.1%
Total 31 to 360 days	**225.875**	**3.7%**	**189,440**	**3.2%**	**162,685**	**3.1%**
Total past due more than 360 days	96,732	1.7%	127,594	2.2%	40,433	0.8%
Total current	5,766,548	94.7%	5,576,416	94.6%	5,089,343	96.2%
Total secured loan portfolio	**6,089,155**	**37.6%**	**5,893,450**	**35.2%**	**5,292,461**	**33.9%**
Unsecured[(1)]						
Past due 31 to 360 days						
Commercial	67,266	0.7%	59,853	0.6%	37,775	0.4%
Consumer	116,529	1.2%	128,820	1.2%	110,351	1.1%
Mortgages	0	0.0%	0	0.0%	0	0.0%
Total 31 to 360 days	**183,795**	**1.8%**	**188,673**	**1.7%**	**148,126**	**1.4%**
Total past due more than 360 days	**100,602**	**1.0%**	**81,131**	**0.7%**	**89,117**	**0.9%**
Total current	9,804,177	97.2%	10,556,954	97.5%	10,079,939	97.7%
Total unsecured loan portfolio	**10,088,574**	**62.4%**	**10,826,758**	**64.8%**	**10,317,183**	**66.1%**
Total loan portfolio, gross	**16,177,729**	**100%**	**16,720,208**	**100.0%**	**15,609,644**	**100.0%**
Provisions	605,829	3.7%	525,034	3.1%	493,167	3.2%
Total loan portfolio, net	**15,571,900**	**96.3%**	**16,195,174**	**96.9%**	**15,116,478**	**96.8%**

(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, 2020			At and for the year ended December 31, 2019		
	Amount	**Gross interest income**	**Interest income included in net income for the period**	**Amount**	**Gross interest income**	**Interest income included in net income for the period**
	(in Ps millions)					
Loans	349,128	64,270	7,417	370,692	66,792	6,279

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, 2020			At and for the year ended December 31, 2019		
	Unconsolidated Amount	**Gross interest income**	**Interest income included in net income for the period**	**Unconsolidated Amount**	**Gross interest income**	**Interest income included in net income for the period**
	(in Ps millions)					
Loans	48,895	1,988	0	29,791	1,373	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, 2020			At and for the year ended December 31, 2019		
	Unconsolidated Amount	**Gross interest income**	**Interest income included in net income for the period**	**Unconsolidated Amount**	**Gross interest income**	**Interest income included in net income for the period**
	(in Ps millions)					
Loans	123,244	4,936	0	151,249	2,443	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 SFC in effect at the end of each period:

	(Unconsolidated) At December 31,		
	2020	2019	2018
	(in Ps millions)		
Loans	172,139	181,040	252,671

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 3 to our 2020-2019 Consolidated Financial Statements.

The following tables present the changes in the provision for loan and financial lease losses during the periods indicate in accordance with the criteria and guidelines of the SFC:

	Year ended December 31, 2020			
Provisions for customer impairment	**Commercial**	**Consumer**	**Residential Mortgage**	**Total gross portfolio**
	(in Ps millions)			
Opening balance for the period reported	317,408	164,009	43,617	525,034
Impairment loss for the period:				
Provision for the period with charge to profit or loss	344,309	350,264	98,398	792,971
Recoveries or charges against OCI on equity	(35,365)	(68,116)	(901)	(104,382)
Recoveries with credit to profit or loss	(177,023)	(61,578)	(47,751)	(286,352)
Effect of foreign currency movements	(92,101)	0	0	(92,101)
Accounts Receivable Provisions	0	0	0	0
Write-offs	(47,026)	(182,316)	0	(229,341)
Subtotal Impairment – customers	**310,202**	**202,263**	**93,363**	**605,829**

	Year ended December 31, 2019			
Provisions for customer impairment	**Commercial**	**Consumer**	**Residential Mortgage**	**Total gross portfolio**
	(in Ps millions)			
Opening balance for the period reported	241,118	200,583	51,465	493,167
Impairment loss for the period:				
Provision for the period with charge to profit or loss	323,944	224,368	19,949	568,261
Recoveries or charges against OCI on equity	(62,825)	(71,362)	(151)	(134,339)
Recoveries with credit to profit or loss	(73,174)	(12,520)	(27,645)	(113,339)
Effect of foreign currency movements	(10,923)	0	0	(10,923)
Accounts Receivable Provisions	0	0	0	0
Write-offs	(100,733)	(177,060)	0	(277,793)
Subtotal Impairment – customers	**317,408**	**164,009**	**43,617**	**525,034**

Provisions for customer impairment	Year ended December 31, 2018 Commercial	Consumer	Residential Mortgage	Total gross portfolio
	(in Ps millions)			
Opening balance for the period reported...	172,245	104,838	24,205	301,288
Impairment loss for the period:				
Provision for the period with charge to profit or loss	170,500	312,736	54,020	537,256
Recoveries or charges against OCI on equity..	(55,594)	(32,901)	(2,302)	(90,798)
Recoveries with credit to profit or loss......	(65,709)	(65,249)	(24,423)	(155,381)
Effect of foreign currency movements	54,364	0	0	54,364
Accounts Receivable Provisions	0	0	0	0
Write-offs	(34,688)	(118,840)	(34)	(153,562)
Subtotal Impairment – customers..........	**241,118**	**200,583**	**51,466**	**493,167**

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 tables present the allocation of our provision for loan losses by category of loan and financial lease losses

	At December 31, 2020	%	2019	%	2018	%
	(in Ps millions, except percentages)					
Commercial						
General purpose loans	257,706	83.1%	258,595	81.5%	183,420	76.1%
Loans funded by development banks .	12,202	3.9%	11,939	3.8%	10,677	4.4%
Working capital loans...........................	39,270	12.7%	42,823	13.5%	44,564	18.5%
Credit cards..	189	0.1%	212	0.1%	345	0.1%
Overdrafts..	835	0.3%	3,839	1.2%	2,112	0.9%
Total commercial	**310,202**	**51.2%**	**317,408**	**60.5%**	**241,118**	**48.9%**
Consumer						
Credit cards..	8,720	4.3%	3,116	1.9%	8,749	4.4%
Personal loans	183,165	90.6%	150,839	92.0%	177,703	88.6%
Automobile and vehicle loans	898	0.4%	963	0.6%	1,290	0.6%
Overdrafts..	207	0.1%	290	0.2%	67	0.0%
General purpose loans	9,273	4.6%	8,801	5.4%	12,774	6.4%
Total consumer..	**202,263**	**33.4%**	**164,009**	**31.2%**	**200,583**	**40.7%**
Mortgages...	**93,364**	**15.4%**	**43,617**	**8.3%**	**51,465**	**10.4%**
Total provision for loan losses	**605,829**	**100.0%**	**525,034**	**100.0%**	**493,167**	**100.0%**

Charge-offs

The following table presents the allocation of our charge-offs by type of loan for the years ended December 31, 2020, 2019 and 2018:

	Year ended December 31,		
	2020	2019	2018
		(in Ps millions)	
Commercial	**47,026**	**100,733**	**34,688**
Consumer:			
Payroll loans (*libranzas*)	166,655	156,231	83,948
Credit cards	9,293	10,762	17,048
Automobile and vehicle loans	49	0	0
Overdrafts	20	98	35
Consumer loans	6,298	9,968	17,808
Total consumer	**182,315**	**177,060**	**118,840**
Total commercial and consumer	**229,341**	**277,793**	**153,528**
Mortgages and other	0	0	**34**
Total charge-offs	**229,341**	**277,793**	**153,562**

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

	Year ended December 31,		
	2020	2019	2018
		(in percentages)	
Ratio of charge-offs to average outstanding loans	1.4%	1.7%	1.0%

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 the Bank's 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 SFC's credit classification and provisioning guidelines. See "Risk management—Credit classification and provisioning." At December 31, 2020, Ps 395,793 million, or 2.4%, 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,		
	2020	2019	2018
		(in Ps millions)	
Interest-bearing deposits:			
Current accounts	1,280,639	787,755	631,314
Term deposits	9,080,172	9,008,058	8,486,862
Savings deposits	15,238,879	12,633,314	10,301,935
Total	**25,599,690**	**22,429,127**	**19,420,111**
Non-interest-bearing deposits:			
Current accounts	1,388,634	1,204,957	1,310,429
Total	**1,388,634**	**1,204,957**	**1,310,429**
Total deposits	**26,988,324**	**23,634,084**	**20,730,540**

The following table presents term deposits, by amount and maturity, as of the dates indicated:

	(in Ps millions)
At December 31, 2020	
Up to 3 months	5,548,560
From 3 to 6 months	1,579,562
From 6 to 12 months	1,190,100
More than 12 months	761,950
Total	**9,080,172**
	(in Ps millions)
At December 31, 2019	
Up to 3 months	2,626,290
From 3 to 6 months	1,766,205
From 6 to 12 months	2,272,387
More than 12 months	2,342,879
Total	**9,008,058**

Return on equity and assets

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

	At and for the year ended December 31,		
	2020	2019	2018
		(in percentages)	
ROAA: Return on average total assets(1)	0.5%	0.8%	0.8%
ROAE: Return on average shareholders' equity(2)	7.7%	12.4%	12.2%
Average shareholders' equity as a percentage of average total assets	6.1%	6.2%	6.2%
Period-end shareholders' equity and non-controlling interest as a percentage of period-end total assets	6.1%	6.2%	6.2%
Dividend payout ratio(3)	45.0%	49.1%	71.1%

(1) For the years ended December 31, "ROAA" is calculated as net income divided by the 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) For the years ended December 31, "ROAE" is calculated as net income divided by the 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:

	Year ended December 31,					
	2020		2019		2018	
	Amount	Nominal rate	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	5,726,094	1.75%	6,226,225	4.3%	5,289,323	4.3%
Average during period [(1)]	1,032,643	3.57%	1,032,643	3.5%	1,147,811	3.8%
Maximum amount of borrowing at any month-end[(2)]	5,726,094	4.25%	6,226,225	4.5%	5,289,323	4.5%
Interest paid during the period	22,476		36,896		45,191	

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(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 the Bank's financial condition and results of operations should be read in conjunction with our Consolidated Financial Statements and the related notes thereto, as well as the information under "Presentation of Financial and Other Information" and "Selected Financial and Operating Data" included in this offering memorandum. Our Consolidated Financial Statements and the related notes thereto have been prepared in accordance with Colombian Banking IFRS.

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 offering memorandum. References in this section to "we," "our" and "us" mean the Bank and/or its subsidiaries, as the context requires.

Overview

The Bank is a universal bank in Colombia with special focus on SMEs, mid-corporates and personal banking. The Bank was created on August 15, 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 the Bank, 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, the Bank consummated the acquisition from HSBC and three 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.

On January 22, 2021, we acquired BBVA Paraguay from BBVA for U.S.$251.3 million. Concurrently with this acquisition, the Bank sold a 32.0% equity interest in its subsidiary Banco GNB (Paraguay) to Grupo Vierci, a Paraguayan industrial, agricultural, real estate, commercial and telecommunications group, for U.S.$173 million. Through this acquisition and the subsequent merger of BBVA Paraguay into our subsidiary Banco GNB (Paraguay) which is currently in process, Banco GNB (Paraguay) will become the largest bank in Paraguay in terms of deposits and the third largest in terms of assets.

Before accounting for eliminations for consolidation, our Colombian banking operations represented 63.3% and 74.2% of our income from interest and valuations and of our net income before income tax, respectively, for the year ended December 31, 2020; and represented 75.0% of our total assets at December 31, 2020. 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 (Paraguay), our Paraguayan banking subsidiary, is a full service bank that focuses its business on high quality commercial and corporate clients and premium retail payroll loans. Banco GNB (Paraguay) has been increasing its presence in the agribusiness and cattle ranching sectors. Before accounting for eliminations for consolidation, Banco GNB (Paraguay) represented 17.3% and 17.0% of our income from interest and valuations and of our net income before income tax, respectively, for the year ended December 31, 2020, and represented 11.8% of our total assets at December 31, 2020.

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 19.5% and 8.8% of our income from interest and valuations and of our net income before income tax, respectively, for the year ended December 31, 2020, and represented 13.3% of our total assets at December 31, 2020.

Principal factors affecting our financial condition and results of operations

Ongoing COVID-19 pandemic

Since the second half of March 2020, the outbreak of COVID-19 has impacted, and may continue to impact, our operations, customers, suppliers and employees in the countries where we operate. It remains unclear at this time how the developments in relation to COVID-19 will continue to evolve through 2021 and beyond, and the extent to which COVID-19 might further impact our business, results of operations and financial condition. We will continue to monitor the situation closely.

As a response to the COVID-19 pandemic, on March 17, 2020 the Colombian government declared a social, economic and ecological emergency. Pursuant to such declaration, the government issued Decree 457 of 2020, which included a mandatory shelter-in-place order within Colombia, as well as the suspension of international and domestic flights. These restrictions have adversely affected our ability to conduct business as usual in those jurisdictions.

In 2020, the SFC issued several External Circulars that set forth measures intended to address the economic and market disruptions arising from the COVID-19 pandemic. As a result, we started to offer temporary relief measures to assist both consumer and commercial customers in Colombia during the period of disruption. These measures are supported by the Colombian Central Bank and the SFC and are being offered throughout the country by the banking sector. Some of the main reliefs are the following:

- Deferral of principal and interest payments due on consumer and commercial loans for up to 90 days. The classification of such loans does not need to be changed to reflect such deferrals and therefore no new provisions would be required.

- Limitations on the interest rates that may be charged by financial institutions when amending the conditions of the loans of certain customers affected by the pandemic.

- Increase in banking sector liquidity through the loosening of reserve requirements and the purchase by the Colombian Central Bank of debt instruments issued by Colombian banking institutions.

- Support to businesses in need of capital through special credit lines supported by Banco de Comercio Exterior de Colombia S.A.—Bancoldex as funding source, and Fondo Nacional de Garantías— FGN, as guarantor of a percentage of the loan amounts.

- Redefinition of the conditions of credits of those debtors whose income or capacity to pay was affected as a result of the situation caused by the Covid-19 pandemic. The loans subject to such redefinition under the Debtor Relief Program (*Programa de Acompañamiento a Deudores*) are not considered as modified or restructured.

The Peruvian and Paraguayan authorities have imposed similar measures to contain the spread of the COVID-19, as well as to protect borrowers and support the banking sector and the economy of their respective countries. See "Banking Regulation—Colombia—Regulatory framework for Colombian financial institutions—Decrees and regulations related to COVID-19," "Banking Regulation—Peru—Decrees and regulations related to COVID-19" and "Banking Regulation—Paraguay—Decrees and regulations related to COVID-19."

As a result of these regulatory actions, at December 31, 2020, we have granted relief in respect of 22,674 transactions for approximately Ps 2.5 billion. Our exposure to such relief as a percentage of our total loan portfolio at such date was 13%, broken down as follows: 6% in Colombia, 18% in Paraguay and 30% in Peru. See note 1 to our 2020-2019 Consolidated Financial Statements.

According to recent estimates from the International Monetary Fund ("IMF") released on April 14, 2020, as a result of the COVID-19 pandemic, the global economy is expected to contract sharply by 3.0% in 2020. In addition, the IMF changed its outlook for Latin America's growth to an expected contraction of the region's economy by 5.2% in 2020, with a forecast for Colombia's economy to contract by 2.4%, for Peru's economy to contract by 4.5% and for Paraguay's economy to contract by 1.0%. The effects resulting from COVID-19 may have an adverse effect on our operations and, given the uncertainty around the extent and timing of the future spread of COVID-19 and the imposition or relaxation of protective measures, as of the date of this offering memorandum it is not possible to reasonably estimate the impact to our business, results of operations or financial condition.

We have established policies and practices, consistent with the requirements of the local authorities in the countries where we operate, aimed at protecting the well-being of our employees and customers and to facilitate access to our services. Among some of these policies and practices, we implemented a work from home policy for most of our employees with appropriate technological support, cancelled non-essential travel, suspended face-to face meetings, facilitated virtual meetings and modified work hours for those employees present at our branches or offices. We reinforced the protocols for cleaning and disinfecting our branches, offices and ATMs. We also adopted communication strategies to keep our employees informed about COVID-19 and the importance of increasing cleaning and disinfection practices.

We have also been promoting the use of our online services in light of the temporary closing of some of our branches and the reduced hours of business in others. For pensioners, we have issued debit cards so that they can have access to their pensions without having to travel to our branches. To further support our customers, we have also lowered the interest rates chargeable on our credit cards.

Our results of operations and financial condition as of and for the year ended December 31, 2020 described below in "—Results of operations for the year ended December 31, 2020 compared to the year ended December 31, 2019" and "—Liquidity and Capital Resources" reflect the impact of the COVID-19 pandemic during that period. For more information on the impact on our financial condition and results of operations, see note 1 to our 2020-2019 Consolidated Financial Statements. The COVID-19 pandemic is continuing and may continue for several more months. We cannot assure you that the COVID-19 and its consequences will not have a material adverse effect on our business, results of operations or financial condition.

We believe that our business model is relatively well-suited for attenuating the negative impact of the COVID-19 crisis. Unlike most banks, the volume of our deposits exceeds that of our loan portfolio, which provides us with a relatively higher level of liquidity. In addition, a significant portion of our loans are payroll loans for pensioners and government employees, whose cash flow is substantially less likely to be interrupted than would be the case for private sector employees. In terms of commercial loans, we are mostly exposed to industries such as agribusiness, services and construction, which have not been among the hardest hit industries by the crisis. With respect to investments, our policy has been to invest in debt instruments issued by the countries where we operate and to hold them until maturity, although for presentation purposes they are classified as fair value since an opportunity to sell may arise, as a result of market behavior.

However, if the COVID-19 outbreak continues to cause disruption to economic activity in the markets where we operate through 2021 and possibly beyond, we could experience significant impairments of long-lived assets and loan losses, as well as impacts on our ability to generate revenues due to lower lending and transaction volumes, which may impact our profitability and capital position. Furthermore, we cannot assure you that the governments of the countries where we operate will not extend or impose new emergency measures that could have a material adverse effect on our business, results of operations or financial condition. A slowdown in originations may be reasonably expected as demand softens amidst nationwide quarantines and its effects on economic performance, especially on financial conditions of households and SMEs. Likewise, changes in customer patterns could impact our clients' liquidity and therefore deposit growth dynamics.

We will continue to monitor changes in economic conditions as new information becomes available so as to adjust our macroeconomic scenarios when assessing impairment of assets. See "Risk Factors—Risks relating to the business and industry— The ongoing COVID-19 pandemic has, and may continue to, adversely affect our business, results of operations and financial condition" and Note 1 to our 2020-2019 Consolidated Financial Statements.

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 these countries' economic performance.

Colombia

Between April and August 2014, the Colombian Central Bank increased interest rates 125 basis points in response to a growing economy and inflation moving toward its target of near or slightly above 3.0%. The protracted fall in the price of oil through much of 2015 and the fall in the peso's value generated new inflationary pressures leading the Colombian Central Bank to hike interest rates 325 basis points between September 2015 and July 2016. A consistent decline in consumer inflation and indications of weakening economic activity led to a resumption of monetary easing with a 350 basis point decrease in interest rates between the end of 2016 and April 2018 to 4.3%. As a result of the COVID-19 crisis, the Colombian Central Bank steadily decreased the interest rate from 3.8% on March 30, 2020 to 1.75% on September 28, 2020.

In addition to the above, in June 2020 and following the economic distress caused by the COVID-19 in Colombia, the Consulting Committee of the Fiscal Rule (*Comité Consultivo de la Regla Fiscal*) approved suspending the application of the fiscal rule for the years 2020 and 2021 to allow further flexibility for the Colombian government in the administration of its budget and expenses.

Real GDP grew by 2.6% in 2018, 3.4% in 2019 and contracted by 6.8% in 2020. However, the ongoing COVID-19 pandemic is having, and is expected to continue to have for some time, an adverse impact on the Colombian economy and GDP. See "—Ongoing COVID-19 pandemic."

Peru

After a long period of strong economic growth, Peruvian GDP growth declined to 2.4% in 2014 following a decline in global commodity prices. GDP growth recovered in 2015 and 2016, increasing to 3.3% in 2015 and 4.0% in 2016, as a result of increased inventories (mainly copper) and increased exports. A reversal of shocks that affected the economy in the first half of 2017, including the negative impact of *El Niño Costero* and a contraction of public and private investment from a suspension in infrastructure projects, resulted in GDP growth of 2.5% in 2017. GDP growth recovered in 2018, increasing to 4.0%, mostly driven by higher internal demand. In 2019, GDP growth declined to 2.2%, mainly explained by lower exports (primarily in the mining and fishing sectors), by transitory supply shocks, as well as by the decline in public investment and slowdown in private consumption. In 2020, GDP registered a contraction of 11.1% due to the devastating effect of the pandemic, along with mobility and business restrictions imposed by the Peruvian government. Some of these measures included shutting down (or severely restricting) many formal sectors of the economy, including the critical mining sector. The ongoing COVID-19 pandemic is having, and is expected to continue to have for some time, an adverse impact on the Peruvian economy and GDP. See "—Ongoing COVID-19 pandemic."

Paraguay

In 2015, real GDP grew by 3.1%, 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. Data published for 2016 by the Paraguayan Central Bank indicate real GDP growth increased in the year to 4.3%, 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. In 2017, increased domestic demand and investment contributed to growth of 4.8%. While agribusiness remains a major growth driver, industrial and services sectors contributed over two-thirds of the economy’s overall growth for the year. In 2018, GDP growth decreased to 3.24% mainly due to a slowdown in the construction and the agribusiness sectors. The economy’s growth decreased in 2019 to 0.4%, due to volatile weather conditions during the year, with a drought affecting the soy harvest, followed by heavy rain which delayed the execution of public work. In 2020, GDP registered a contraction of 1.0% due to lockdown measures imposed to mitigate the coronavirus pandemic resulting in a severe decline in both the services and commerce industries. Additionally, continued depreciation pressures on the Argentine peso and an extended recession period in Argentina also led to a decline in border trade and remittances, the second most important source of cash flows for Paraguay. The ongoing COVID-19 pandemic is having, and is expected to continue to have for some time, an adverse impact on the Paraguayan economy and GDP. See “—Ongoing COVID-19 pandemic.”

Labor markets

Colombia

The Colombian unemployment rate was 13.4% at December 31, 2020 as compared to 9.5% at December 31, 2019 and 9.7% at December 31, 2018. The participation rate (*i.e.*, economically active population divided by working age population) was 61.1% in 2020 as compared to 63.1% in 2019 and 64.6% in 2018. The employment rate (*i.e.*, employed population divided by economically active population) was 53.4% in 2020 as compared to 57.5% in 2019 and 58.7% in 2018. The ongoing COVID-19 pandemic is having, and is expected to continue to have for some time, an adverse impact on the employment rate in Colombia. See “—Ongoing COVID-19 pandemic.”

Peru

The Peruvian unemployment rate was an estimated 13.8% at December 2020 as compared to 6.1% at December 31, 2019 and 6.1% at December 31, 2018. The participation rate (*i.e.*, economically active population divided by working age population) was an estimated 70.5% in 2020 as compared to 73.1% in 2019 and 72.4% in 2018 and the employment rate (*i.e.*, employed population divided by economically active population) was an estimated 86.2% in 2020, as compared to 93.9% in 2019 and 93.9% in 2018. The ongoing COVID-19 pandemic is having, and is expected to continue to have for some time, an adverse impact on the employment rate in Peru. See “—Ongoing COVID-19 pandemic.”

Paraguay

The Paraguayan unemployment rate was 7.2% at December 31, 2020, 5.7% at December 31, 2019 and 5.6% at December 31, 2018. The Paraguayan participation rate (*i.e.*, economically active population divided by working age population) was 72.4% in 2020, 72.9% in 2019 and 72.0% in 2018. The employment rate (*i.e.*, employed population divided by economically active population) was 92.8% in 2020, 94.3% in 2019 and 94.4% in 2018. The ongoing COVID-19 pandemic is having, and is expected to continue to have for some time, an adverse impact on the employment rate in Paraguay. See “—Ongoing COVID-19 pandemic.”

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 and fisheries, 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.

Colombia

The Colombian Central Bank's overnight lending rate reached 7.8% in 2016 and fell to 4.3% as of July 2018, along with inflation, which has continued to decrease (4.1%, 3.2%, 3.8% and 1.6% at December 31, 2017, 2018, 2019 and 2020, respectively). Due to the impact of the COVID-19 pandemic, the policy rate was reduced to 3.8% on March 30, 2020, to 3.3% on May 4, 2020, to 2.8% on June 1, 2020, to 2.5% on July 1, 2020, to 2.25% on August 3, 2020, to 2.0% on September 1, 2020 and to 1.75% on September 28, 2020.

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 3.4% during 2020, 4.5% during 2019 and 4.7% during 2018. The average rate through February 2021 stood at 1.9%.

Peru

In response to growing inflation and inflation expectations for 2016-2017, the Peruvian Central Bank increased its reference rate several times, from 3.3% in September 2015 to 4.3% in February 2016. The reference rate remained unchanged until May 2017, when it was reduced to 4.0%. The Peruvian Central Bank continued to decrease the reference rate, falling to 2.8% in March 2018, 2.5% in August 2019, and 2.3% in November 2019 in line with its accommodative monetary policy stance because of below potential economic activity growth, a continuation of monetary easing by the U.S. Federal Reserve and other central banks and low inflation in Peru. In order to mitigate the economic impact of the COVID-19 pandemic, the Peruvian Central Bank reduced the reference rate to 1.3% in March 2020 and 0.3% in April 2020 maintaining that rate through March, 2021.

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 March 2017, the Paraguayan Central Bank lowered the annual inflation rate (CPI) target to 4.0%, within a range of 2.0% to 6.0%. Inflation was 2.2% in 2020, 2.8% in 2019 and 3.2% in 2018. 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 5.5% and in August 2017 was further reduced to 5.3%, where it remained until January 2019. The Paraguayan Central Bank continued to reduce the monetary interest rates in 2019 to 5.0%, 4.8%, 4.5%, 4.3% and 4.0% in February, March, July, August and September, respectively. In order to mitigate the impact of the COVID-19 pandemic, the monetary policy interest rate was further reduced to 2.3% on March 30, 2020, to 1.3% on April 22, 2020, and to 0.8% on June 22, 2020 maintaining the rate through to March 2021. Such decreases reflect a monetary policy aimed at stimulating the economy.

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, 19.5% and 8.8% of our income from interest and valuations and of our net income before income tax, respectively, in 2020, and in Paraguay, which represented 17.3% and 17.0% of our income from interest and valuations and of our net income before income tax, before accounting for eliminations for consolidation, respectively, in 2020. 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 2018, the Colombian peso depreciated 8.9% as compared to the U.S. dollar. Exchange rates were volatile in 2019, with the U.S. dollar hitting a record high of Ps 3,522.48 per U.S.$1.00 on November 30, followed by an appreciation during the last month of the year which resulted in a yearly depreciation of 0.8% for 2019 as the year ended with an exchange rate of Ps 3,277.14 per U.S.$1.00. This volatility had been related primarily to oil prices, economic growth in the United States, Federal Reserve interest rate changes, aversion to financial risk in emerging economies and trade tensions between the United States and other economies such as China and the European Union.

As a result of the COVID-19 crisis, the peso experienced significant volatility and depreciation as compared to the U.S. dollar in March 2020 and April 2020. Beginning in May 2020, the peso stabilized and appreciated as compared to the U.S. dollar. For the full year 2020, the Colombian peso depreciated 4.7% as compared to the U.S. dollar. At April 12, 2021, the exchange rate stood at Ps 3,650.23 per U.S.$1.00.

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.

In 2018, the Sol depreciated by 4.1% as compared to the U.S. dollar as a result of the high volatility in the international financial markets mainly associated with two factors: (i) the process of raising interest rates of the U.S. Federal Reserve; and (ii) trade tensions between the United States and China. However, reduced trade tensions in 2019 caused the Sol to appreciate by 1.8% relative to the U.S. dollar. As a result of the COVID-19 crisis, the Sol experienced significant volatility in 2020. In 2020, the Sol depreciated 9.3% as compared to the U.S. dollar. At April 12, 2021, the exchange rate stood at S/3.65 per U.S.$1.00.

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 32.2% in 2018, 30.4% in 2019 and 26.0% in 2020. In addition, the percentage of deposits in the banking system denominated in U.S. dollars was 58.2% in 2008 compared to 39.7% in 2018, 39.3% in 2019 and 38.0% in 2020.

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 2018 and 2019, the Guaraní depreciated relative to the U.S. dollar by 6.6% and 8.3%, respectively. This was mainly due to high volatility in foreign markets and the U.S. Federal Reserve interest rate changes. As a result of the COVID-19 crisis, the Guaraní experienced volatility since March 2020. In 2020, the Guaraní depreciated 6.9% as compared to the U.S. dollar. At April 12, 2021, the exchange rate stood at ₲.6,241.44 per U.S.$1.00.

Inflation

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

Colombia

Inflation was 1.6% in 2020, 3.8% in 2019 and 3.2% in 2018. The inflation rate went down in 2018 as a result of a moderate food inflation and limited pressures in the foreign exchange rate market. The Colombian Central Bank's preemptive approach with respect to monetary policy has resulted in a decrease in inflation expectations in the past few years. The target annual inflation rate range for 2021 is currently set between 2.0% and 4.0%.

Peru

For 2020, 2019 and 2018, the Peruvian economy experienced annual inflation of 2.0%, 1.9% and 2.2%, respectively, 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 range for 2021 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

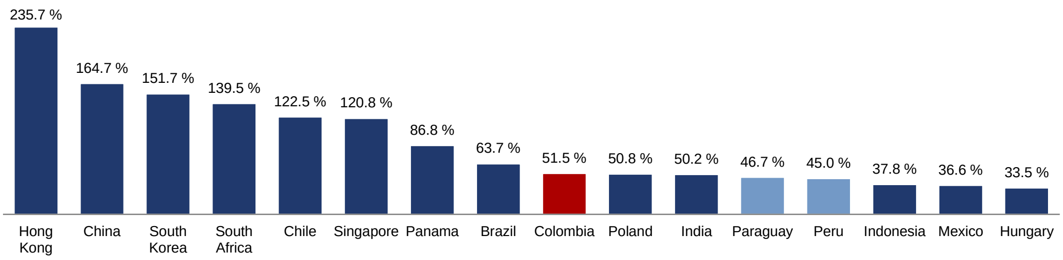
The Paraguayan Central Bank has adopted an inflation targeting scheme to manage monetary policy. The Paraguayan Central Bank focuses its efforts on maintaining a low, stable and predictable level of inflation. The main instrument to develop the inflation targeting system in Paraguay is the benchmark short-term interest rate, which allows the Paraguayan Central Bank to influence aggregate demand and inflation. 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 2.2%, 2.8% and 3.2% in 2020, 2019 and 2018, respectively. The reduction of the inflation is mainly explained by the lower rate of variation of the prices of services, foods items, and energy, year-over-year. The target annual inflation rate range for 2021 is currently set between 2.0% - 6.0%.

Credit volume

Colombia

Credit volume in Colombia has grown steadily since 2000. Nevertheless, credit penetration is still relatively low when compared to 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, 2019:

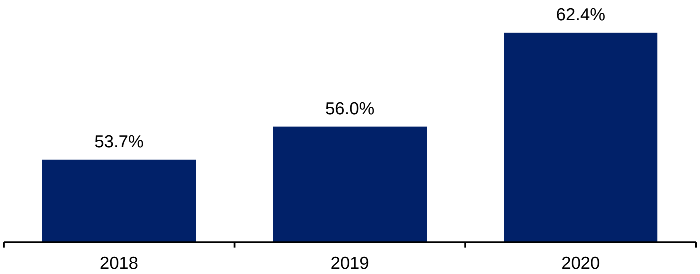


Source: 2019 World Bank Development Indicators.

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 264 countries from 1960 to 2019.

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 SFC, 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 62.4% ratio for the year ended December 31, 2020.

The Colombian bank credit market consists of four main business lines: commercial, consumer, microcredit and mortgage. According to the SFC, at December 31, 2020, a total of Ps 51.8 trillion of gross loans granted by Colombian banks were outstanding, of which 51.7% were commercial loans, 31.3% were consumer loans, 14.4% were mortgages, and 2.6% were microcredit loans. The following chart shows bank credit as a percentage of GDP between 2018 and 2020:



Source: DANE and SFC. 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 46.2% of nominal GDP in 2020, as compared to 37.8% in 2019 and 37.1% in 2018.

As of December 31, 2020, the SBS reported an outstanding gross loan balance of S/ 376.9 billion, of which 66.82% were commercial loans, 18.95% were consumer loans, and 14.23% were mortgages. In terms of asset quality metrics, non-performing loans, as defined by the SBS, amounted to 3.8% of the total portfolio.

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 49.4% of GDP in 2020, as compared to 45.2% of GDP in 2019 and 40.4% in 2018.

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 and due to the effects of the COVID-19 crisis, the levels of cash reserves applicable to credit establishments such as the Bank have been recently lowered from 11.0% to 8.0% for checking, savings and similar accounts, from 4.5% to 3.5% for term deposits and similar products with a maturity of less than 18 months, and are maintained at 0.0% 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 further modify these requirements.

Peru

Under the Peruvian Banking Law, all financial institutions regulated by the SBS (except for small-business development non-bank institutions and electronic currency issuers) 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 4.0% and 9.0%, respectively. Foreign currency deposits collected from the general public are subject to a marginal rate of 35% 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 9.0% 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 0.75% 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, 2020, 2019 and 2018 was ₲.55,445 million, ₲.53,930 million and ₲.52,257 million, respectively. The minimum capital required is ₲.56,647 million for 2021. Our paid-in capital (both common and preferred) as of December 31, 2020, 2019 and 2018 was ₲.667,180 million, ₲.667,180 million and ₲.306,303 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 Colombian Congress has enacted several laws to strengthen the fiscal regulatory regime, including Law 1819 of 2016 applicable to government spending, Law 1943 of 2018 ("Law 1943") and Law 2010, along with reforms on taxes and oil and mining royalties. The change in the fiscal regulatory regime requires government expenses to grow in line with revenues and savings from excess oil revenues, with the goal of reducing Colombian government public debt to below 30.0% of GDP by 2026.

On December 29, 2018, the Colombian Congress enacted Law 1943 introducing substantial changes to the tax legal framework. These changes include taxation on dividends distributed to both residents and non-residents from profits generated from fiscal year 2017 onwards, a modified corporate income tax regime, new corporate and individual income tax rates, and changes to the value added tax regime, among others. Although Colombia's constitutional court ruled that the 2018 tax reform is unconstitutional, it allowed the law to stay in effect until January 1, 2020. Subsequently, the Colombian Congress approved a new tax reform (Law 2010 of 2019) on December 27, 2019, which reintroduced the entire text of the 2018 tax reform, with some changes as explained below:

- **Corporate Income Tax**. As a general rule, the corporate income tax rate will be gradually reduced to 30.0%, as follows: 32.0% in 2020; 31.0% in 2021 and 30.0% in 2022 and thereafter. However, there are special rules applicable to certain taxpayers. Financial institutions, for instance, are subject to a surcharge in the following terms: (i) 4.0% in 2020 (for a total income tax rate of 36.0%), (ii) 3.0% in 2021 (for a total income tax rate of 34.0%) and (iii) 3.0% in 2022 (for a total income tax rate of 33.0%); this surcharge will only be applicable on the amounts of taxable income exceeding approximately U.S.$1,300,000.

- **Taxes on dividends**. Dividends distributed by Colombian legal entities to residents and non-residents from profits generated as of fiscal year 2017 are subject to dividends tax. Payments to non-residents, both individuals and corporations, will be taxed at a rate of 10.0%, provided that the profits related to which the dividends are being distributed have already been taxed at a corporate level; if the dividend distribution is made from profits that were not taxed at the entity level (i.e., because of the application of some tax benefit), the dividends will be subject to a withholding tax at the general corporate income tax rate and the 10.0% dividend tax will apply to the distributed amount, net of the aforementioned withholding. Payment of dividends to resident individuals will be levied at a rate of up to 10.0%, provided that the profits related to which the dividends are being distributed have already been taxed at a corporate level. Resident entities will be levied with a 7.5% withholding tax on dividend distributions, provided that the profits related to which the dividends are being distributed have already been taxed at a corporate level. This withholding tax can be transferred to the final owner of the dividend.

- Law 2010 also introduced other modifications to various aspects of tax regulation in Colombia, including changes to the value added tax on services rendered abroad, a simplified tax regime for small businesses, a new wealth tax applicable to resident individuals and non-residents (both individuals and legal entities) and stronger measures to fight tax evasion, among others.

These changes in tax treatment and higher levels of taxation could have a material adverse effect on our financial condition and results of operations, and may adversely affect holders of the notes. In addition, the Colombian Government, through the Ministry of Finance and Public Credit, is planning to submit to the Colombian Congress a new tax reform law. Theses changes 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.

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 Superintendency 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%. Starting in 2017, the income tax rate changed to 29.5% and the dividend tax rate changed to 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%. 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. In addition, Law No. 6380 regarding the Modernization and Simplification of the Tax National System, effective in January 2020, created new taxes on dividends and for non-residents. 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, shareholders and owners are subject to a withholding tax at a rate of either 5.0% (Paraguayan companies or residents in Paraguay) or 15.0% (foreign companies and non-residents), in each case on the net amount distributed. 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 2020-2019 Consolidated Financial Statements. Those policies, under Colombian Banking IFRS, that require the most significant management judgments and estimates include the following items: Business model for financial assets, Impairment loss provision of loans, Deferred income tax, Goodwill, Provision for contingencies, Pension plans, Recognition of Income, Loyalty programs, Lease activities and how they are accounted for, Variable lease payments, Extension and termination options, Lease Terms (See note 4 to our 2020-2019 Consolidated Financial Statements). 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 SFC 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 the Consolidated Financial Statements.

Our management prepares our Consolidated Financial Statements based on a going concern. For the purposes of this judgment, our management considers the financial position, its current intentions, the operations result and access to the financial resources in the market and analyzes the impact of such factors on its future operations.

Recent IASB IFRS pronouncements

Recent changes to accounting policies

We applied IFRS 16, effective as of January 1, 2019. In compliance with the transition provisions of IFRS 16, the new standard was adopted retrospectively with the cumulative effect of the initial application of the new standard recognized as of January 1, 2019. The comparative figures for 2018 and 2017 have not been restated.

For 2018 and 2017, for leases of properties and equipment where the Bank and/or its subsidiaries were the lessees and were not substantially assuming the risks and benefits derived from the property, such leases were classified as operating leases. For leases where the Bank and/or its subsidiaries were the lessees and were substantially assuming property-related risk, such leases were classified as financial leases.

In adopting IFRS 16, we recognized liabilities on leases related to leases previously classified as "operating leases" under the principles of IAS 17 - Leases. These liabilities were measured at the present value of the remaining lease payments, discounted through the incremental indebtedness rate of each entity as from January 1, 2019. The weighted average of the incremental indebtedness rate of the lessee applied to the lease liabilities on January 1, 2019 was 5.94%.

The assets related to the rights of use were measured at an amount equal to the lease liability, adjusted by the amount of any lease amount paid in advance, recognized in the balance sheet at December 31, 2018. Properties and equipment increased by Ps 145,011 million on January 1, 2019; no net impact was generated in the retained profit at January 1, 2019.

In applying IFRS 16 for the first time, we used the following practical options allowed by the standard:

- the use of a single discount rate on a lease portfolio with reasonably similar characteristics.

- the accounting of operating leases with a remaining lease term of at least 12 months as of January 1, 2019, as short-term leases.

- the exclusion of the initial direct costs to measure the assets of right of use at the date of initial application; and

- the retrospective use in the determination of the lease term where the contract has the option to extend or terminate the lease. See note 3.r) to our 2020-2019 Consolidated Financial Statements.

Accounting standards issued but not yet in force

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 the Consolidated Financial Statements. Note 5 to our 2020-2019 Consolidated Financial Statements describes new pronouncements issued by the IASB that relate to our business and accounting that are not yet effective. We have preliminarily assessed the impact of adopting the standards detailed below, and concluded that we do not expect that these changes will have a significant impact on our Consolidated Financial Statements:

- IFRS 17 – Insurance Contracts ("IFRS 17"): In May 2017, IASB issued IFRS 17, a new comprehensive accounting standard for insurance contracts that covers their measurement and recognition, presentation and disclosure. Once it becomes effective, IFRS 17 will replace IFRS 4 – Insurance Contracts ("IFRS 4"), issued in 2005. IFRS 17 applies to all kinds of insurance contracts, irrespective of the type of entities that issue them, as well as certain guarantees and financial instruments with characteristics of discretional participation. The general objective of the standard consists of the provision of an accounting model for insurance contracts that is more useful and consistent for the insurers. Contrary to the requirements of IFRS 4 that mainly intends to protect previous local accounting policies, IFRS 17 offers a comprehensive model for these contracts. The essence of this standard is a general model, supplemented by (i) a specific adjustment to contracts with direct participation characteristics (variable tariff approach), and (ii) a simplified approach (the assignment premium approach) mainly for short-term contracts. This accounting standard becomes effective for periods starting on or after January 1, 2021.

- Modifications to IAS 19 – Employee Benefits (“IAS 19”): Modification, Reduction or Liquidation of a Plan-The modifications to IAS 19 specify that in the case of a modification, reduction or liquidation of a plan during the reporting period, the reporting entity must: (i) determine the current cost of the service for the remaining period following the modification, reduction or liquidation of the plan, using the updated actuarial hypothesis to recalculate the liability (asset) net of defined provisions that reflect the benefits offered under the plan and the plan assets after such event; (ii) determine net interest for the remaining period following the modification, reduction or liquidation of the plan, using liability (asset) net of defined provisions that reflect the benefits offered under the plan and the plan assets after the event; and the discount rate used to recalculate the liability (asset) net of defined provisions. The changes will be applied to the modifications, reduction or liquidations of plans that occur during periods starting on or after January 1, 2020.

- IFRIC 23 – Uncertainty regarding the Income Tax Treatment: This interpretation approaches the accounting of income tax when the tax treatments imply an uncertainty that affects the application of IAS 12 – Income Taxes. In particular, the interpretation addresses (i) when an entity must consider the tax uncertainties separately, (ii) the hypothesis an entity must make whether the tax treatment will be audited by the tax authorities, (iii) how an entity must determine the final result, the tax bases, the losses still to offset, the tax deduction and the tax types, and (iv) how an entity must consider the changes to the facts and circumstances. The interpretation is effective for periods starting on or after January 1, 2019. However, Colombian regulators have adopted this interpretation for periods starting on or after January 1, 2020.

- Annual improvement 2018 (issued in October 2018)-The improvements introduced to the Colombian accounting framework through Decree 2270 of 2019, and effective for periods starting on or after January 1, 2020, include:

    - <u>Amendments to IFRS 3 – Business Combination (“IFRS 3”): Definition of a business</u>. The amendments to the definition of a business in IFRS 3 - Business Combination, help the entity determine if a set of activities and assets acquired is a business, or not.

    - <u>Amendments to IAS 1 – Presentation of the Financial Statements and IAS 8 – Accounting Policies, Changes to Accounting Estimates and Errors: Definition of Material or with Relative Importance</u>. The amendments align the definition of “Material” with IAS 1 and IAS 8, and explain certain definition aspects.

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 SMEs, mid-corporates and personal banking. 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. See note 8 to our 2020-2019 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 19.5% and 8.8% of our income from interest and valuations and of our net income before income tax, respectively, for the year ended December 31, 2020, and represented 13.3% of our total assets at December 31, 2020.

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 17.3% and 17.0% of our income from interest and valuations and of our net income before income tax, respectively, for the year ended December 31, 2019, and represented 11.8% of our total assets at December 31, 2020. We expect the relative importance of our Paraguayan operations to increase with the acquisition of BBVA Paraguay

The following tables present statement of income data for the years 2020, 2019 and 2018, on a segment basis:

	For the year ended December 31, 2020				
	Colombia	**Peru**	**Paraguay**	**Elimination/ Others**	**Consolidated**
			(in Ps millions)		
Income from interest and valuations	1,176,745	362,178	320,994	(1,830)	1,858,087
Interest expense:					
Interest expense on deposits	589,028	126,333	119,503	(1,830)	833,034
Financial debt and other interest[(1)]	272,127	30,304	9,162	(0)	311,593
Total interest expense	861,155	156,637	128,665	(1,830)	1,144,627
Net income from interest and valuations	**315,590**	**205,541**	**192,329**	**0**	**713,460**
Impairment loss on financial assets at amortized cost	188,826	167,646	54,314	546	411,332
Net income from interest and valuations after impairment loss on financial assets	**126,764**	**37,895**	**138,015**	**(546)**	**302,128**
Net income from commissions and fees	103,257	16,897	22,380	140	142,674
Income from valuation of financial assets at fair value, net	308,981	2,788	(19,390)	(104,911)	187,468
Other income	323,060	98,763	35,420	(170,694)	286,550
Other expenses	508,792	114,656	95,299	(40,408)	678,339
Net income before income tax	**353,270**	**41,687**	**81,126**	**(235,603)**	**240,481**
Income tax	46,070	1,345	7,602	0	55,017
Net income	**307,200**	**40,342**	**73,524**	**(235,603)**	**185,464**

(1) The financial debt and other expense related to the U.S.$300.0 million 6.50% subordinated notes due 2027 has been fully attributed to our Colombian Operations, even though the proceeds thereof were applied also to our international operations (Peru and Paraguay). As a result, the figures for Colombia for financial debt and other interest and for net income from interest and valuations are disproportionately adversely impacted as compared to those for Peru and Paraguay.

	For the year ended December 31, 2019				
	Colombia	Peru	Paraguay	Elimination/ Others	Consolidated
			(in Ps millions)		
Income from interest and valuations	1,258,568	363,016	290,615	(4,342)	1,907,857
Interest expense:					
Interest expense on deposits	699,898	132,473	93,872	(4,058)	922,185
Financial debt and other interest[(1)]	284,187	61,352	5,769	(284)	351,024
Total interest expense	984,085	193,825	99,641	(4,342)	1,273,209
Net income from interest and valuations	**274,483**	**169,191**	**190,974**	**0**	**634,648**
Impairment loss on financial assets at amortized cost	201,550	84,360	44,216	0	330,126
Net income from interest and valuations after impairment loss on financial assets	**72,933**	**84,831**	**146,758**	**0**	**304,522**
Net income from commissions and fees	99,765	26,048	24,507	245	150,565
Income from valuation of financial assets at fair value, net	394,186	70,252	(20,139)	(110,509)	333,790
Other income	438,980	15,416	84,945	(270,976)	268,365
Other expenses	501,869	116,719	140,916	(33,401)	726,103
Net income before income tax	**503,995**	**79,828**	**95,155**	**(347,839)**	**331,139**
Income tax	38,746	9,766	9,730	0	58,242
Net income	**465,249**	**70,062**	**85,425**	**(347,839)**	**272,897**

(1) The financial debt and other expense related to the U.S.$300.0 million 6.50% subordinated notes due 2027 has been fully attributed to our Colombian operations, even though the proceeds thereof were applied also to our international operations (Peru and Paraguay). As a result, the figures for Colombia for financial debt and other interest and for net income from interest and valuations are disproportionately adversely impacted as compared to those for Peru and Paraguay.

	For the year ended December 31, 2018				
	Colombia	Peru	Paraguay	Elimination/ Others	Consolidated
			(in Ps millions)		
Income from interest	1,207,778	312,182	236,803	(5,378)	1,751,385
Interest expense:					
Interest expense on deposits	649,762	111,780	65,007	(4,448)	822,101
Financial debt and other interest[(1)]	273,572	34,677	6,824	(930)	314,143
Total interest expense	923,334	146,457	71,831	(5,378)	1,136,244
Net income from interest and valuations	**284,444**	**165,725**	**164,972**	**0**	**615,141**
Impairment loss on financial assets at amortized cost	153,215	106,683	35,795	0	295,693
Net income from interest and valuations after impairment loss on financial assets	**131,229**	**59,042**	**129,177**	**0**	**319,448**
Net income from commissions and fees	91,128	30,076	21,042	246	142,492
Valuation income at fair value, net	236,504	33,529	(12,816)	(19,163)	238,054
Other income	397,363	58,361	17,708	(220,170)	253,262
Other expenses	483,783	120,042	73,299	(19,086)	658,038
Net income before income tax	**372,441**	**60,966**	**81,812**	**(220,001)**	**295,218**
Income tax	37,043	9,410	8,739	0	55,192
Net income	**335,398**	**51,556**	**73,073**	**(220,001)**	**240,026**

(1) The financial debt and other expense related to the U.S.$300.0 million 6.50% subordinated notes due 2027 has been fully attributed to our Colombian operations, even though the proceeds thereof were applied also to our international operations (Peru and Paraguay). As a result, the figures for Colombia for financial debt and other interest and for net income from interest and valuations are disproportionately adversely impacted as compared to those for Peru and Paraguay.

The following tables present balance sheet data for the years 2020, 2019 and 2018 on a segment basis:

	At December 31, 2020				
	Colombia	Peru	Paraguay	Elimination/ Others	Consolidated
			(in Ps millions)		
Cash and cash equivalents	9,883,254	1,642,679	1,426,186	(68,774)	12,883,345
Investment securities, net[1]	11,109,979	1,000,107	385,691	(2,851,895)	9,643,882
Net loans	9,555,385	2,997,299	3,030,969	(11,753)	15,571,900
Total assets	32,576,215	5,776,866	5,108,920	(2,763,066)	40,698,935
Customer deposits	18,799,645	4,222,814	4,034,640	(68,775)	26,988,324
Total shareholders' equity	**3,739,889**	**788,361**	**575,954**	**(2,631,332)**	**2,472,872**

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

	At December 31, 2019				
	Colombia	Peru	Paraguay	Elimination/ Others	Consolidated
			(in Ps millions)		
Cash and cash equivalents	10,208,812	963,911	1,019,037	(82,393)	12,109,368
Investment securities, net[1]	8,629,094	915,570	357,400	(2,763,719)	7,138,345
Net loans	9,609,783	3,655,873	2,961,568	(32,050)	16,195,174
Total assets	30,135,572	5,665,189	4,409,739	(2,678,616)	37,531,884
Customer deposits	16,178,528	4,106,651	3,431,298	(82,393)	23,634,084
Total shareholders' equity	**3,526,815**	**827,010**	**520,813**	**(2,549,653)**	**2,324,985**

(2) Includes financial assets at fair value and financial assets at amortized cost.

	At December 31, 2018				
	Colombia	Peru	Paraguay	Elimination/ Others	Consolidated
			(in Ps millions)		
Cash and cash equivalents	8,445,145	630,383	436,995	(255,633)	9,256,890
Investment securities, net[1]	8,162,062	1,122,718	224,857	(2,453,980)	7,055,657
Net loans	8,796,475	3,553,260	2,766,743	0	15,116,478
Total assets	26,873,597	5,453,373	3,463,785	(2,572,232)	33,218,523
Customer deposits	14,718,405	3,828,777	2,438,991	(255,633)	20,730,540
Total shareholders' equity	**3,110,914**	**688,837**	**496,606**	**(2,224,745)**	**2,071,612**

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

Results of operations for the year ended December 31, 2020 compared to the year ended December 31, 2019

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

	For the year ended December 31,		
	2020	**2019**	**Change**
	(in Ps millions, except percentages)		
Income from interest and valuations	1,858,087	1,907,857	(2.6)%
Interest expense:			
Interest expense on deposits	833,034	922,185	(9.7)%
Financial debt and other interest	311,593	351,024	(11.2)%
Total interest expense	1,144,627	1,273,209	(10.1)%
Net income from interest and valuations	**713,460**	**634,648**	**12.4%**
Impairment loss on financial assets at amortized cost	411,332	330,126	24.6%
Net income from interest and valuations after impairment loss on financial assets	**302,128**	**304,522**	**(0.8)%**
Net income from commissions and fees	142,674	150,565	(5.2)%
Valuation income at fair value, net	187,468	333,790	(43.8)%
Other income	286,550	268,365	6.8%
Other expenses	678,339	726,103	(6.6)%
Net income before income tax	**240,481**	**331,139**	**(27.4)%**
Income tax	55,017	58,242	(5.5)%
Net income	**185,464**	**272,897**	**(32.0)%**

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, stock brokerage, exchange services and investments by our merchant banking subsidiary.

Our net income from interest and valuations increased by 12.4%, from Ps 634,648 million in 2019 to Ps 713,460 million in 2020, for the reasons described below.

Income from interest and valuations

Income from interest and valuations decreased by 2.6%, from Ps 1,907,857 million in 2019 to Ps 1,858,087 million in 2020. The following table sets forth the variations in the principal items that constitute income from interest and valuations:

	Period Ended December 31,		
	2020	**2019**	**Change**
	(in Ps millions, except percentages)		
Loan portfolio interest	1,715,108	1,717,904	(0.2)%
Interest on debt securities at amortized cost	12,346	9,233	33.7%
Other interest	130,633	180,720	(27.7)%
Total income from interest and valuations	**1,858,087**	**1,907,857**	**2.6%**

The decrease in our income from interest and valuations is primarily due to the impact of a decrease in 2020 in the DTF rate set by the Colombian Central Bank on our DTF-linked assets. See "Banking Regulation—Colombia—Key interest rates."

Interest expense on deposits

Interest expense on deposits decreased by 9.7%, from Ps 922,185 million in 2019 to Ps 833,034 million in 2020. The following table sets forth the variations in the principal items that constitute interest expenses from deposits:

	Period Ended December 31,		
	2020	**2019**	**Change**
	(in Ps millions, except percentages)		
Current accounts	33,838	33,148	2.1%
Term deposits	371,449	410,820	(9.6)%
Savings accounts	427,747	478,217	(10.6)%
Total interest expense on deposits	**833,034**	**922,185**	**(9.7)%**

The decrease in our interest expense on deposits is primarily due to the decrease beginning in March 2020 of the DTF and interbank rates by the Colombian Central Bank. See "Banking Regulation—Colombia—Key interest rates."

Financial debt and other interest

Financial debt and other interest decreased by 11.2%, from Ps 351,024 million in 2019 to Ps 311,593 million in 2020. The following table sets for the variations in the principal items that constitute financial debt and other interest:

	Period Ended December 31,		
	2020	**2019**	**Change**
	(in Ps millions, except percentages)		
Short-term financial debt	1,235	1,203	2.7%
Bank borrowings and others	81,544	103,735	(21.4)%
Long-term financial debt	173,655	179,511	(3.3)%
Borrowings from development entities	47,302	56,886	(16.8)%
Interest on liabilities due to leases	7,857	9,689	(18.9)%
Total financial debt and other interests	**311,593**	**351,024**	**(11.2)%**

Bank borrowings and others decreased by Ps 22,191 million in 2020 as compared to 2019 mainly as a result of (i) the impact of a low inflation rate in Colombia in 2020 on our inflation-linked Colombian bonds, (ii) the repayment of certain bonds by our Peruvian subsidiary, and (iii) the effect of lower interest rates in 2020 on certain obligations of our Peruvian subsidiary that were based on the LIBOR variable rate. Borrowings from development entities decreased by Ps 9,584 million in 2020 as compared to 2019 primarily due to a reduction in development loan opportunities as a result of lower economic activity in 2020 stemming from the COVID-19 pandemic. Long-term financial debt decreased by Ps 5,856 million in 2020 as compared to 2019, mainly because of the impact of lower interest rates on our variable rate indebtedness. See "—Principal factors affecting our financial condition and results of operations—Exchange rates—Colombia."

Impairment loss on financial assets at amortized cost

Impairment loss on financial assets at amortized cost increased by 24.6%, from Ps 330,126 million in 2019 to Ps 411,332 million in 2020. The following table sets forth the variations in the principal items that constitute impairment loss on financial assets at amortized cost:

	Period Ended December 31,		
	2020	**2019**	**Change**
	(in Ps millions, except percentages)		
Loans and receivables	793,095	568,403	39.5%
Foreclosed assets	8,914	7,025	26.9%
Loss due to investment portfolio	59	2,656	(97.8)%
Recovery provision on impairment loss on loans and receivables	390,736	247,958	57.6%
Total impairment loss on financial assets at amortized cost	**411,332**	**330,126**	**24.6%**

The increase in impairment loss on financial assets at amortized cost was mainly due to a Ps 224,692 million increase in impairments of loans and receivables mainly because of the adverse impact of the COVID-19 pandemic on certain industries which resulted in companies seeking bankruptcy protection. The COVID-19 pandemic also affected some of our consumer loans. This increase in impairments for loans and receivables was offset in part by a Ps 142,778 million increase in recoveries as a portion of our loan portfolio which had been reserved against pursuant to accounting requirements was paid at maturity.

Net income from commissions and fees

Net income from commissions and fees decreased by 5.2%, from Ps 150,565 million in 2019 to Ps 142,674 million in 2020. This decrease was mainly due to the COVID-19-related lockdown in Peru, which adversely affected the issuance of letters of credit and guarantees for the real estate sector.

Income from valuation of financial assets at fair value, net

Income from valuation at fair value, net decreased by 43.8%, from Ps 333,790 million in 2019 to Ps 187,468 million in 2020. To mitigate the economic impact of COVID-19, the governments in the countries where we operate have reduced interest rates. The decrease in interest rates in 2020 had an adverse impact in the banking systems in Peru and Paraguay, as the interest yield on deposits outpaced the interest earned by banks on their investments.

Other income

Other income increased by 6.8%, from Ps 286,550 million in 2020 to Ps 268,365 million in 2019. The following table sets forth the variations in the principal items that constitute other income:

	Period Ended December 31,		
	2020	**2019**	**Change**
	(in Ps millions, except percentages)		
Proceeds from sale of investments	7,089	90,135	(92.1)%
Gains from loan portfolio sales	0	0	0.0%
Dividends	1,646	1,630	1.0%
Exchange differences, net	74,309	13,380	455.4%
Industrial and services income - Hotels	8,794	38,603	(77.2)%
Other	194,712	124,617	56.2%
Total other income	**286,550**	**268,365**	**6.8%**

The increase in other income is mainly the result of a Ps 60,929 million increase in income from exchange differences, net resulting from foreign exchange hedging operations whose objective was to control the exchange risk presented in 2020 in Colombia, Peru and Paraguay. The decrease in proceeds from sale of investments is an accounting effect, as this decrease is largely offset by a largely similar loss on sale of investments under "other expenses."

Other expenses

Other expenses decreased by 6.6%, from Ps 678,339 million in 2020 to Ps 726,103 million in 2019. The following table sets forth the variation in the principal items that constitute other expenses:

	Period Ended December 31,		
	2020	**2019**	**Change**
	(in Ps millions, except percentages)		
Personnel expenses	247,122	245,029	0.9%
Loss on sale of investments	12,645	75,477	(83.2)%
Administrative expenses	195,827	176,522	10.9%
Depreciation	17,006	18,913	(10.1)%
Amortizations	6,726	9,795	(31.3)%
Depreciation due to use of rights	26,389	27,279	(3.3)%
Service costs - Hotels	8,593	15,192	(43.4)%
Others	164,031	157,896	(4.2)%
Total other expenses	**678,339**	**726,103**	**(6.6)%**

The decrease in other expenses was mainly due to a (i) Ps 62,832 million decrease in loss on sale of investments, which as an accounting matter is largely offset by a somewhat similar decrease in proceeds from sale of investments, and (ii) a Ps 6,599 million decrease in service costs-hotels because of low demand for hotel services due to the COVID-19 pandemic. These decreases were offset in part by a Ps 19,305 million increase in administrative expenses primarily due to costs and expenses incurred by our Paraguayan subsidiary associated with the acquisition of BBVA Paraguay, which costs and expenses are recorded as administrative expenses.

Income tax

Income tax expense was Ps 55,017 million in 2020, as compared to Ps 58,242 million in 2019. Our effective rate was 23.2% and 17.9% for 2020 and 2019, respectively. The decrease in taxes in 2020 as compared to 2019 was mainly due to (i) a decrease in the corporate tax rate in Colombia from 37.0% in 2019 to 36.0% in 2020, (ii) a lower deferred tax because of the decrease in valuation of investments available for sale in Colombia in 2020, and (iii) a lower taxable income.

Results of operations for the year ended December 31, 2019 compared to the year ended December 31, 2018

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

	For the year ended December 31,		
	2019	2018	Change
	(in Ps millions, except percentages)		
Income from interest and valuations	1,907,857	1,751,385	8.9%
Interest expense:			
Interest expense on deposits	922,185	822,101	12.2%
Financial debt and other interest	351,024	314,143	11.7%
Total interest expense	1,273,209	1,136,244	12.1%
Net income from interest and valuations	**634,648**	**615,141**	**3.2%**
Impairment loss on financial assets at amortized cost	330,126	295,693	11.6%
Net income from interest and valuations after impairment loss on financial assets	**304,522**	**319,448**	**(4.7)%**
Net income from commissions and fees	150,565	142,492	5.7%
Valuation income at fair value, net	333,790	238,054	40.2%
Other income	268,365	253,262	6.0%
Other expenses	726,103	658,038	10.3%
Net income before income tax	**331,139**	**295,218**	**12.2%**
Income tax	58,242	55,192	5.5%
Net income	**272,897**	**240,026**	**13.7%**

Our net income from interest and valuations increased by 3.2%, from Ps 615,141 million in 2018 to Ps 634,648 million in 2019, for the reasons described below.

Income from interest and valuations

Income from interest and valuations increased by 8.9%, from Ps 1,751,385 million in 2018 to Ps 1,907,857 million in 2019. The following table sets forth the variations in the principal items that constitute income from interest and valuations:

	Year Ended December 31,		
	2019	2018	Change
	(in Ps millions, except percentages)		
Loan portfolio interest	1,717,904	1,559,723	10.1%
Interest on debt securities at amortized cost	9,233	10,014	(7.8)%
Other interest	180,720	181,648	(0.5)%
Total income from interest and valuations	**1,907,857**	**1,751,385**	**8.9%**

The increase in our income from interest and valuations in 2019 as compared to 2018 is primarily due to an increase in the volume of loans made as a result of continued economic growth in each of our three markets, and particularly in the Colombian consumer banking and payroll banking sectors. Interest rates remained relatively stable in 2018 and 2019 in our three markets.

Interest expense on deposits

Interest expense on deposits increased by 12.2%, from Ps 822,101 million in 2018 to Ps 922,185 million in 2019. The following table sets forth the variations in the principal items that constitute interest expenses from deposits:

	Year Ended December 31,		
	2019	**2018**	**Change**
	(in Ps millions, except percentages)		
Current accounts	33,148	25,361	30.7%
Term deposits	410,820	394,668	4.1%
Savings accounts	478,217	402,072	18.9%
Total interest expense on deposits	**922,185**	**822,101**	**12.2%**

The increase in our interest expense on deposits is primarily reflective of the continued economic growth in each of our three markets.

Financial debt and other interest

Financial debt and other interest increased by 11.7%, from Ps 314,143 million in 2018 to Ps 351,024 million in 2019. The following table sets for the variations in the principal items that constitute financial debt and other interest:

	Year Ended December 31,		
	2019	**2018**	**Change**
	(in Ps millions, except percentages)		
Short-term financial debt	1,203	1,384	(13.1)%
Bank borrowings and others	103,735	92,176	12.5%
Long-term financial debt	179,511	160,246	12.0%
Borrowings from development entities	56,886	60,337	(5.7)%
Interest on liabilities due to leases	9,689	0	0
Total financial debt and other interests	**351,024**	**314,143**	**11.7%**

The increase in financial debt and other interest was mainly due to (i) a Ps 19,265 million increase in long-term financial debt due to the impact of the depreciation in 2019 of the peso, the Sol and the Guaraní as compared to the U.S. dollar on the recording of our U.S. dollar-denominated indebtedness, (ii) a Ps 11,559 million increase in bank borrowings and other as a result of an increase in our local currency-denominated borrowings for working capital needs, and (iii) the adoption, effective January 1, 2019, of IFRS 16, which requires the recording as financial debt and other interest of a portion of the cost of our leases. See note 3.r) to our 2020-2019 Consolidated Financial Statements.

Impairment loss on financial assets at amortized cost

Impairment loss on financial assets at amortized cost increased by 11.6%, from Ps 295,693 million in 2018 to Ps 330,126 million in 2019. The following table sets forth the variations in the principal items that constitute impairment loss on financial assets at amortized cost:

	Year Ended December 31,		
	2019	**2018**	**Change**
	(in Ps millions, except percentages)		
Loans and receivables	568,403	537,341	5.8%
Foreclosed assets	7,025	3,076	128.4%
Loss due to investment portfolio	2,656	1,631	62.8%
Recovery provision on impairment loss on loans and receivables	247,958	246,355	0.7%
Total impairment loss on financial assets at amortized cost	**330,126**	**295,693**	**11.6%**

The increase in impairment loss on financial assets at amortized cost was mainly due to a Ps 31,062 million increase in impairment of losses and receivables resulting mainly from the increase in loan volume described above. As our loan volume increases, we are required to impair a portion of such increase independently of the creditworthiness of such incremental loan volume.

Net income from commissions and fees

Net income from commissions and fees increased by 5.7%, from Ps 142,492 million in 2018 to Ps 150,565 million in 2019. This increase was principally due to an increase in ATM fees in Colombia as we have partnered with Banco Agrario to expand our ATM network to provide access to certain sectors of society so they can withdraw a government subsidy for low income families. This increase was offset in part by a reduction in bond (*fianza*) fees in Peru as we have decided to reduce our exposure to the real estate and construction industries, which are industries that require performance bonds.

Income from valuation of financial assets at fair value, net

Income from valuation of financial assets at fair value, net increased by 40.2%, from Ps 238,054 million in 2018 to Ps 333,790 million in 2019. This increase was primarily due to an upwards adjustment in 2019 of the fair market value of our fixed and variable interest securities portfolio, as well as an increase in our investments in Colombian sovereign securities, which are inflation-indexed, during 2018. We had anticipated in 2018 that inflation would increase in 2019, which it did, from 3.2% in 2018 to 3.9% in 2019.

Other income

Other income increased by 6.0%, from Ps 253,262 million in 2018 to Ps 268,365 million in 2019. The following table sets forth the variations in the principal items that constitute other income:

	Year Ended December 31,		
	2019	**2018**	**Change**
	(in Ps millions, except percentages)		
Proceeds from sale of investments	90,135	28,994	210.9%
Gains from loan portfolio sales	0	10,218	(100.0)%
Dividends	1,630	2,587	(37.0)%
Exchange differences, net	13,380	27,954	(52.1)%
Industrial and services income - Hotels	38,603	0	0
Other	124,617	183,509	(32.1)%
Total other income	**268,365**	**253,262**	**6.0%**

The increase in other income is mainly the result of (i) increased sales of investments in 2019 as compared to 2018, including the sale of a hotel, and (ii) services income recorded in 2019 from the operation of hotels by a real estate fund of our merchant banking subsidiary, Corfi GNB Sudameris, which did not consolidate in 2018. These increases were offset in part by a Ps 58,892 million decrease in other resulting from lower recoveries within the same year from provisions on our loan portfolio in 2019 as compared to 2018, principally in Peru.

Other expenses

Other expenses increased by 10.3%, from Ps 658,038 million in 2018 to Ps 726,103 million in 2019. The following table sets forth the variation in the principal items that constitute other expenses:

	Year Ended December 31,		
	2019	**2018**	**Change**
	(in Ps millions, except percentages)		
Personnel expenses	245,029	238,750	2.6%
Loss on sale of investments	75,477	22,146	240.8%
Administrative expenses	176,522	194,926	(9.4)%
Depreciation	18,913	17,623	7.3%
Amortizations	9,795	7,512	30.4%
Depreciation due to use of rights	27,279	0	0
Service costs - Hotels	15,192	0	0
Others	157,896	177,081	(10.8)%
Total other expenses	**726,103**	**658,038**	**10.3%**

The increase in other expenses was mainly due to

- a Ps 53,331 million increase in losses on sale of investments related to a higher volume of sales of investments in 2019 as compared to 2018, given that the cost of acquisition of such investments is recorded upon their sale,
- Ps 27,279 million increase in depreciation of fixed assets in 2019 related to the real estate fund of our merchant banking subsidiary, Corfi GNB Sudameris, which began consolidating in our financial statements in 2019, and
- Ps 15,192 million of service costs in 2019 relating to the hotel operations of the real estate fund.

These increases were offset in part by (i) a Ps 18,404 million decrease in administrative expenses, mainly related to lease costs, which were recorded in 2018 under this line item but are now recorded as “service costs – Hotels,” and (ii) a Ps 19,185 million decrease in others relating principally to Ps 16,035 million of expenses related to service costs of the hotel operations of the real estate fund, which in 2018 were recorded under this item.

Income tax

Income tax expense was Ps 58,242 million in 2019, as compared to Ps 55,192 million in 2018. Corporate income is taxed at a rate of 33.0%. As a result, our overall nominal rate was 33.0% for 2019 and 2018. However, our effective rate was 17.8% and 19.1% for 2019 and 2018, respectively. Our higher taxes in 2019 were mainly due to a 12.2% increase in net income before income tax as compared to 2018.

Liquidity and capital resources

The following tables present our consolidated capitalization ratios for the Bank, and the average ratios for the Colombian system and the ratios required by regulation at December 31, 2020:

	At December 31, 2020		
	Consolidated Banco GNB Sudameris	Colombian banking system[(1)]	Requirement
Tangible equity ratio[(2)]	6.7%	11.9%	0
Tier One capital ratio[(3)]	11.1%	11.8%	4.5
Capitalization ratio[(4)]	19.4%	16.3%	9

(1) Based on public information available from the SFC.

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

(3) Tier One 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 SFC 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, 2020, 2019 and 2018. The reported figures are calculated using the methodology prescribed by the SFC.

	At December 31, 2020		At December 31, 2019		At December 31, 2018	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(in Ps millions, except percentages)					
Primary capital (Tier One)	1,830,967	8.3%	1,522,849	7.0%	1,423,476	7.1%
Secondary capital (Tier Two)	1,272,362	5.7%	1,433,522	6.6%	1,759,672	8.8%
Primary and secondary capital (Tier One and Tier Two)	3,103,329	14.0%	2,956,372	13.6%	3,183,149	15.9%
Risk-weighted assets including regulatory value at risk[(1)]	22,153,291		21,792,397		20,016,020	

(1) Regulatory value at risk is calculated in accordance with the SFC 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,		
	2020	2019	2018
	(in Ps millions)		
Deposits	26,988,324	23,634,084	20,730,540
Short-term financial debt	5,726,094	6,226,225	5,289,323
Borrowings from development entities and foreign banks	2,421,570	2,347,173	2,240,382
Long-term financial debt	2,342,942	2,251,795	2,231,354
Total funding	**37,478,930**	**34,459,277**	**30,491,599**

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. Value & Risk Rating has assigned us a short-term rating of VrR1+ and a long-term rating of AAA. 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,		
	2020	2019	2018
		(in Ps millions)	
Interest-bearing deposits:			
Current accounts	**1,280,639**	787,755	631,314
Term deposits	9,080,172	9,008,058	8,486,862
Savings accounts	15,238,879	12,633,314	10,301,935
Total	**25,599,690**	**22,429,127**	**19,420,111**
Non-interest-bearing deposits:			
Current accounts	1,388,634	1,204,957	1,310,429
Total	1,388,634	1,204,957	1,310,429
Total deposits	**29,988,324**	**23,634,084**	**20,730,540**

Current accounts

Our balance of current accounts was Ps 2,669,273 million at December 31, 2020, Ps 1,992,712 million at December 31, 2019 and Ps 1,941,743 million at December 31, 2018, representing 7.1%, 5.8% and 6.4% of total funding, respectively.

Term deposits

Our balance of term deposits was Ps 9,080,172 million at December 31, 2020, Ps 9,008,058 million at December 31, 2019 and Ps 8,486,862 million at December 31, 2018, representing 24,2%, 26.1% and 27.8% of total funding, respectively.

The following tables present term deposits held at December 31, 2020, by amount and maturity for deposits:

	At December 31, 2020
	(in Ps millions)
Up to 3 months	5,548,560
From 3 to 6 months	1,579,562
From 6 to 12 months	1,190,100
More than 12 months	761,950
Total	**9,080,172**

Savings accounts

Our balance of savings accounts was Ps 15,238,879 million at December 31, 2020, Ps 12,633,314 million at December 31, 2019 and Ps 10,301,935 million at December 31, 2018, representing 40.7%, 36.7% and 33.8% of total funding, respectively.

Short-term financial debt

Our short-term financial debt was Ps 5,726,094 million at December 31, 2020, Ps 6,226,225 million at December 31, 2019 and Ps 5,289,323 million at December 31, 2018, representing 15.3%, 18.1% and 17.3% 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 and for the year ended December 31,					
	2020		2019		2018	
	Amount	Nominal rate	Amount	Nominal rate	Amount	Nominal rate
	(in Ps millions, except percentages)					
End of period	5,726,094	1.75%	6,226,225	4.3%	5,289,323	4.3%
Average during period	880,824	3.57%	1,032,643	3.8%	1,147,811	3.8%
Maximum amount of borrowing at any month-end	5,726,094	4.25%	6,226,225	4.5%	5,289,323	4.5%
Interest paid during the period	22,476		36,896		45,191	

(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. and Standard Chartered Bank, which totalled in aggregate Ps 872,551 million at December 31, 2020. 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 645,997 million and the Bank for Foreign Trade (*Banco de Comercio Exterior*—Bancoldex), to which we owe Ps 253,192 million, each at December 31, 2020.

Borrowings from development entities totalled Ps 2,421,570 million at December 31, 2020, Ps 2,347,173 million at December 31, 2019 and Ps 2,240,382 million at December 31, 2018, representing 6.5%, 6.8% and 7.3% of total funding, respectively.

Long-term financial debt

We participate in the local and international capital markets to raise funds with long maturities. In particular, in July 2012 we issued the 2022 Notes, in April 2013 we issued U.S.$300.0 million of 3.875% senior notes due 2018 (which we repaid in May 2018), and in April 2017 we issued U.S.$300.0 million of 6.50% subordinated notes due 2027, each in the international markets. In addition, in October 2016, Banco GNB (Peru) issued locally U.S.$15.0 million of 5.4375% subordinated notes due 2026. In November 2017, we issued in the Colombian market subordinated bonds in an aggregate amount of Ps 332.4 billion in two tranches: (i) one for Ps

119.2 billion with an interest rate based on the Colombian consumer price index plus 3.85% and (ii) a seven-year maturity and the second for Ps 213.2 billion with an interest rate based on the Colombian consumer price index plus 4.05% and a nine-year maturity.

The 2022 Notes are being repurchased by us pursuant to the Tender Offer. See “Summary—Recent Developments—Concurrent Tender Offer.”

Long-term financial debt totaled Ps 2,342,942 million at December 31, 2020, Ps 2,251,795 million at December 31, 2019 and Ps 2,231,354 million at December 31, 2018, representing 6.3%, 6.5% and 7.3% of total funding, respectively.

Dividends

Under the Colombian Commerce Code, after providing for income taxes, legal, statutory and special reserves and losses from prior fiscal years, the Bank must distribute to its shareholders at least 50.0% of its annual net income or 70.0% of its annual net income if the total amount of reserves exceeds its outstanding capital. The legal reserve is comprised of the sum of 10.0% of the annual liquid profit for the previous fiscal years until the legal reserve is equivalent to at least 50.0% of its outstanding capital. As of December 31, 2020, the Bank has met the regulated reserve levels. Nonetheless, the Bank continues to fund the legal reserve with 10% of the annual liquid profit each fiscal year, as this is the practice in the Colombian banking market. Any withdrawal from the legal reserve requires the approval of the SFC.

Dividend distributions 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. See “—Principal factors affecting our financial condition and results of operations—Tax policies—Colombia” for a description of the tax treatment of our dividend distributions.

Dividend payments to shareholders made in 2020, 2019 and 2018 were Ps 70,447 million, Ps 122,805 million and Ps 189,396 million, respectively.

The extraordinary shareholders’ meeting of June 10, 2020 approved an irrevocable commitment to increase the legal reserve by 50.0% of the profit obtained in 2020 (after deducting the 10.0% legal reserve).

Capital expenditures

We incurred Ps 11,435 million, Ps 4,434 million and Ps 12,315 million of capital expenditures in property, plant and equipment in the years 2020, 2019 and 2018, respectively. These expenditures relate primarily to investments in property, plant and equipment, namely information technology equipment and software.

Our planned capital expenditures for 2021, 2022 and 2023 total Ps 67,400 million, which consist primarily of investments in technology.

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,		
	2020	2019	2018
		(in Ps millions)	
Issued and confirmed letters of credit	0	26,170	20,297
Bank guarantees	82,369	75,141	163,021
Approved credits not disbursed	918	15,735	10,841
Total	**83,286**	**127,913**	**194,159**

Contractual obligations

The following table presents our principal contractual obligations at December 31, 2020:

	Payments due by Period						
	2020	2021	2022	2023	2024	2025 and thereafter	Total
				(in Ps millions)			
Term deposits	7,963,614	630,793					8,594,407
Short-term financial debt	5,461,479						5,461,479
Borrowings from development entities and foreign banks	799,040	49,646	1,688	25,524	432,643	990,711	2,299,252
Long-term financial debt			815,570		113,013	1,297,396	2,225,979
Interest[(1)]	677,754	134,816	42,680	1,881	19,772	112,758	989,661
Total	**14,901,887**	**815,255**	**859,938**	**27,405**	**565,428**	**2,400,865**	**19,570,778**

(1) Composed of fixed and variable interest on short-term financial debt, borrowing, from development entities and long-term financial debt.

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

The Bank is 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 of a significant amount 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 SFC, 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,		
	2020	**2019**	**2018**
Payroll loans *(libranzas)*	0.1%	37.9%	35.3%
Credit card	0.4%	0.7%	0.9%
Personal loans	6.1%	7.0%	8.3%
Total consumer loans	**46.8%**	**45.6%**	**44.5%**
SMEs and mid-corporate loans:			
Commercial lending	52.7%	53.8%	54.6%
Total SMEs and mid-corporate loans	**52.7%**	**53.8%**	**54.6%**
Institutional loans:			
Commercial lending	0.4%	0.6%	0.9%
Total institutional loans	0.4%	0.6%	0.9%
Total loans	**100%**	**100%**	**100%**

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 or Vice President of Institutional Banking 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	Not applicable	From Ps 25 million up to Ps 150 million, jointly
Credit Manager with National Business Manager	Not applicable	Up to Ps 25 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, 2020, Ps 6,502,322 million, representing 40.2% of our total loan portfolio, as compared to 37.9% at December 31, 2019 and 36.5% at December 31, 2018, 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, 110.0%. 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 SFC 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 SFC, 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 SFC.

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 SFC.
"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 SFC.
"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 SFC.

Category	Approval	Commercial loan portfolio	Consumer loan portfolio
"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 SFC.
"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 SFC.
"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 SFC, 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 SFC 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 100.0%[(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, 100.0% 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 SFC 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 SFC 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 SFC; 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 SFC, which incorporates the payment performance of the borrower;

- Determining the probability of default from tables provided by the SFC 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 SFC; 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 and terrorism financing

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 SFC, 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 SFC. 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 SFC'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 SFC 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 100.0%. If the IRL Ratio falls below 100.0%, the Bank will be required to immediately inform the SFC 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 SFC 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 70.0% 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 each December 31, 2020, 2019 and 2018, as reported to the SFC based on consolidated figures:

	At December 31,		
	2020 (1)	**2019**	**2018**
		(in Ps millions)	
IRL-7 days..	10,691,592	7,701,178	7,050,111
IRL-15 days..	6,321,844	4,451,632	4,413,771
IRL-30 days..	8,483,999	5,906,153	5,229,683

(1) In 2020, there were significant increaes in the IRL as compared to 2019 as a result of an increase in the levels of deposits in savings accounts, current accounts and certificates of deposit.

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 SFC (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 a risk management committee composed of the Chief Risk Manager and selected officers, which meets on a quarterly 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:

- 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 SFC, 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 SFC 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 SFC. The SFC methodology is based on the Basel

- II model. The SFC 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 SFC's model are of a magnitude similar to those observed in very high volatility or stress periods. These parameters are seldom changed by the SFC. 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 SFC's capitalization ratio calculations.

The SFC 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 SFC'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 SFC, 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 SFC 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 SFC 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 SFC as shown in the following table:

U.S. dollar	12.5%
Euro......................................	11.0%
Other currencies	13.0%

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 SFC includes both the trading and non-trading book.

At December 31, 2020, our net foreign currency position was U.S.$243.5 million and we had U.S.$3,965.5 million of 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, 2020, we had U.S.$905.6 million in cash and U.S.$61.0 million in account receivables. We also have some bank borrowings and other financial obligations denominated in foreign currencies. At

December 31, 2020, we had U.S.$451.5 million in bank borrowings and U.S.$5.2 million in other financial obligations. 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 SFC 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 SFC that do not consolidate are deducted from primary capital. Investments in entities that consolidate but are not supervised by the SFC (non-financial investment) are included in VaR calculations.

In December 2010, the SFC 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 SFC 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 SFC as 14.7%.

The standard risk measurement methodology VaR at December 31, 2020, 2019 and 2018 produces the following results:

VaR Maximum, Minimum and Average	**December 31, 2020**			
	Minimum	**Average**	**Maximum**	**Period end**
	(in Ps millions)			
Interest rate	108,030	116,335	124,278	109,491
Exchange rate	21,383	42,989	66,352	42,513
Equities	311	368	394	394
Unit funds	26,171	28,983	30,380	26,171
VaR Total	**168,986**	**188,674**	**21,156**	**178,569**

VaR Maximum, Minimum and Average	**December 31, 2019**			
	Minimum	**Average**	**Maximum**	**Period end**
	(in Ps millions)			
Interest rate	97,553	131,167	167,901	108,030
Exchange rate	1,587	33,869	66,352	66,352
Equities	384	396	413	387
Unit funds	28,365	30,317	31,500	30,380
VaR Total	**148,694**	**195,747**	**234,836**	**205,148**

VaR Maximum, Minimum and Average	December 31, 2018			
	Minimum	Average	Maximum	Period end
		(in Ps millions)		
Interest rate	114,761	133,696	143,670	143,670
Exchange rate	1,587	4,020	9,277	1,587
Equities	378	394	422	397
Unit funds	163	23,213	52,300	31,183
VaR Total	**117,190**	**161,322**	**190,488**	**176,836**

Our foreign exchange risk VaR decreased 35.9% between December 31, 2019 and December 31, 2020 mainly because of a decrease in our foreign currency exposure in our Colombian operations. Our foreign exchange risk VaR increased 4,082.1% between December 31, 2018 and December 31, 2019. This increase was mainly due to an increase in our net U.S. dollar currency position from U.S.$0.5 million at December 31, 2018 to U.S.$105.2 million at December 31, 2019, and in Corfi GNB Sudameris, which varies from zero at December 31, 2018 to negative U.S.$50.8 million at December 31, 2019.

Our equity price risk VaR increased 2.0% between December 31, 2019 and December 31, 2020 because of an increase in valuation of the Bank's investment in the Colombian Stock Exchange (Bolsa de Valores de Colombia, or "BVC"). Our equity price risk VaR decreased 2.6% between December 31, 2018 and December 31, 2019 mainly because of a 3.2% decrease in valuation of the Bank's investment in the BVC.

Our investment fund risk VaR decreased 13.9% between December 31, 2019 and December 31, 2020 because of a general decrease in the value of investment funds. Our investment fund risk VaR decreased 2.6% between December 31, 2018 and December 31, 2019 mainly because of a 10.7% decrease in the valuation of the Bank's participation in investment funds.

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 95.0% 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 at each of December 31, 2020, 2019 and 2018 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)
2020	
At December 31	6,893
Average	35,149
Maximum (1)	109,287
Minimum	6,893
2019	
At December 31	13,049
Average	13,210
Maximum	16,166
Minimum	10,306
2018	
At December 31	10,813
Average	9,641
Maximum	13,336
Minimum	7,328

(1) The significant increase in interest VaR was due to the high volatility experienced in the financial markets, particularly between March and July 2020, as a result of the commencement of the COVID-19 pandemic.

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.

SFC 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 tables present 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, 2020			December 31, 2019			December 31, 2018		
	Fair value	**+50 basis points**	**+100 basis points**	**Fair value**	**+50 basis points**	**+100 basis points**	**Fair value**	**+50 basis points**	**+100 basis points**
Assets									
Investment securities	9,643,882	53,302	106,639	7,138,345	43,679	87,416	7,055,657	32,502	64,999
Loans	15,571,900	185,938	373,246	16,195,174	270,664	544,611	15,116,478	164,571	330,184
Short-term funds	7,366,030	543	1,083	7,991,770	515	1,028	6,709,053	297	592
Customer's acceptances	0	0	0	0	0	0	0	0	0
Total interest rate sensitive assets	**32,581.812**	**239.783**	**480,968**	**31,325,289**	**314,858**	**633,055**	**28,881,189**	**197,370**	**395,776**
Liabilities									
Checking accounts, saving deposits and other	17,908,152	86,980	173,960	14,626,026	70,479	140,957	12,244,507	59,088	118,176
Time deposits	9,080,172	48,853	97,733	9,008,058	45,247	90,505	8,486,862	25,594	51,143
Bank acceptances outstanding	0	0	0	0	0	0	0	0	0
Short-term funds	5,726,094	279	556	6,226,225	300	599	5,289,051	254	507
Borrowings from banks	2,421,570	3,761	7,509	2,347,173	4,393	8,774	2,243,488	2,816	5,623
Long-term financial debt	2,342,942	175,307	350,995	2,251,795	34,036	68,425	2,231,354	33,814	67,979
Total interest rate sensitive liabilities	**37,478,930**	**175,307**	**350,995**	**34,459,277**	**154,455**	**309,260**	**30,495,262**	**121,566**	**243,428**
Total net change	**(4,897,118)**	**64,477**	**129,973**	**(3,133,988)**	**160,404**	**323,795**	**(1,614,073)**	**75,804**	**152,347**

BUSINESS

Overview

The Bank is a universal bank in Colombia with special focus on SMEs, mid-corporates and personal banking. The Bank was created on August 15, 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 the Bank, 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, the Bank consummated the acquisition from HSBC and three 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.

On January 22, 2021, we acquired BBVA Paraguay from Banco Bilbao Vizcaya Argentaria S.A. ("BBVA") for U.S.$251.3 million. Concurrently with this acquisition, the Bank sold a 32.0% equity interest in its subsidiary Banco GNB (Paraguay) to Grupo Vierci, a Paraguayan industrial, agricultural, real estate, commercial and telecommunications group, for U.S.$173 million. Through this acquisition and the subsequent merger of BBVA Paraguay into our subsidiary Banco GNB (Paraguay) S.A. ("Banco GNB (Paraguay)") which is currently in process, Banco GNB (Paraguay) will become the largest bank in Paraguay in terms of deposits and the third largest in terms of assets.

Our income from interest and valuations and our net income from interest and valuations was Ps 1,858,087 million and Ps 713,460 million, respectively, for the year ended December 31, 2020. At December 31, 2020, we had total assets of Ps 40,698,935 million.

Before accounting for eliminations for consolidation, our Colombian banking operations represented 63.3% and 74.2% of our income from interest and valuations and of our net income before income tax, respectively, for the year ended December 31, 2020; and represented 75.0% of our total assets at December 31, 2020. 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 (Paraguay) is a full service bank that focuses its business on high quality commercial and corporate clients and premium retail payroll loans. Banco GNB (Paraguay) has been increasing its presence in the agribusiness and cattle ranching sectors. Before accounting for eliminations for consolidation, Banco GNB (Paraguay) represented 17.3% and 17.0% of our income from interest and valuations and of our net income before income tax, respectively, for the year ended December 31, 2020, and represented 11.8% of our total assets at December 31, 2020. The relative importance of our operations in Paraguay is expected to increase as a result of the acquisition of BBVA Paraguay. See "—Recent Developments—Acquisition of BBVA Paraguay."

Banco GNB Peru S.A. 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 19.5% and 8.8% of our income from interest and valuations and of our net income before income tax, respectively, for the year ended December 31, 2020, and represented 13.3% of our total assets at December 31, 2020.

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 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,		
	2020	2019	2018
	(in Ps millions, except operating data or where otherwise indicated)		
Financial data:			
Total assets	40,698,935	37,531,884	33,218,523
Investment securities, net	9,643,882	7,138,345	7,055,657
Loans and financial leases, net	15,571,900	16,195,174	15,116,478
Deposits	26,988,324	23,634,084	20,730,540
Total shareholders' equity	2,472,872	2,324,985	2,071,612
Net income from interest and valuations	713,460	634,648	615,141
Net income	**185,464**	**272,897**	**240,026**
Key ratios:			
ROAA[(1)]	0.5%	0.8%	0.8%
ROAE[(2)]	7.7%	12.4%	12.2%
Net interest margin[(3)]	2.8%	3.2%	3.2%
Cost-to-income ratio[(4)]	33.3%	30.4%	34.7%
Other expenses to assets ratio[(5)]	1.7%	2.1%	2.1%
Non-performing loan ratio[(6)]	2.2%	2.3%	1.9%
Operational data (in units):			
Number of customers[(7)]	309,283	311,122	312,115
Number of employees	2,520	2,614	2,536
Number of branches	128	144	145
Number of ATMs[(8)]	2,685	2,722	2,672

(1) For the years ended December 31, "ROAA" (return on average total assets) is calculated as net income divided by the 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) For the years ended December 31, "ROAE" is calculated as net income divided by the 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) For the years ended December 31, 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 the 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 the 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.

(8) In Colombia, the total amount at December 31, 2020 includes 2,606 ATMs owned by us and 79 ATMs owned by third parties.

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.

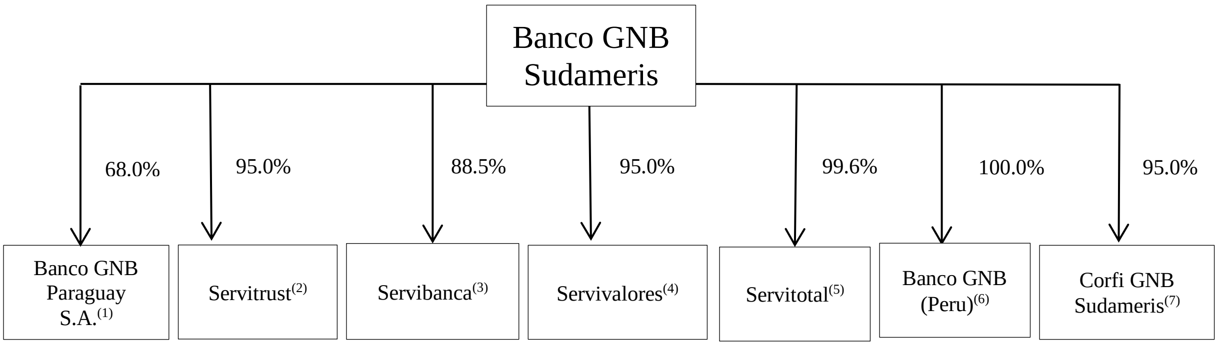
In February 2008, the Bank acquired 94.9% of a brokerage firm which later became Servivalores GNB Sudameris. In June 2010, the Bank strengthened its brokerage services position by acquiring broker Comisionista de Bolsa Nacional de Valores, which was later merged into Servivalores.

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.

On January 22, 2021, we acquired BBVA Paraguay from BBVA for U.S.$251.3 million. Concurrently with this acquisition, the Bank sold a 32.0% equity interest in its subsidiary Banco GNB (Paraguay) to Grupo Vierci, a Paraguayan industrial, agricultural, real estate, commercial and telecommunications group, for U.S.$173 million. Through this acquisition and the subsequent merger of BBVA Paraguay into our subsidiary Banco GNB (Paraguay) which is currently in process, Banco GNB (Paraguay) will become the largest bank in Paraguay in terms of deposits and the third largest in terms of assets.

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:



(1) Banco GNB (Paraguay) is a full service bank that focuses its business on high quality commercial and corporate clients and premium retail payroll loans, 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 17.3% and 17.0% of our income from interest and valuations and of our net income before income tax, respectively, for the year ended December 31, 2020; and represented 11.8% of our total assets at December 31, 2020. Banco GNB (Paraguay) holds a 100% interest in BBVA Paraguay, which entity is currently in the process of being merged into Banco GNB (Paraguay).

(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, Bogota, Colombia. See "—Other Services and Products—Fiduciary Services-Servitrust." Servitrust represented 0.0% and 1.7% of our income from interest and valuations and of our net income before income tax, respectively, for the year ended December 31, 2020; and represented 0.1% of our total assets at December 31, 2020. A 1.5% equity interest in Servitrust is held by Gilex Holding S.A., 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, Bogota, Colombia. See "—Other Services and Products—ATM services— Servibanca." Servibanca represented 0.0% and 12.7% of our income from interest and valuations and of our net income before income tax, respectively for the year ended December 31, 2020; and represented 0.5% of our total assets at December 31, 2020.

(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, Bogota, Colombia. See "—Other Services and Products Brokerage Services—Servivalores." Servivalores represented 0.0% and 2.2% of our income from interest and valuations and of our net income from interest and valuations, respectively for the year ended December 31, 2020, and represented 0.1% of our total assets at December 31, 2020.

(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 that offers commercial and retail banking services, and has its principal place of business at Calle Las Begonias 415, piso 26, Lima 15046, Peru. Before accounting for eliminations for consolidation, Banco GNB (Peru) represented 19.5% and 8.8% of our income from interest and valuations and of our net income before income tax, respectively, for the year ended December 31, 2020, and represented 13.3% of our total assets at December 31, 2020.

(7) Corfi GNB Sudameris is a merchant banking subsidiary that focuses on equity investments primarily in strategic economic sectors including, in particular, hospitality, real estate, media, infrastructure, energy, agribusiness and industrial. The remaining 5% equity interest is owned by Colden Investments S.A., which is owned by our principal beneficial shareholder, Mr. Jaime Gilinski Bacal. Before accounting for eliminations for consolidation, Corfi GNB Sudameris represented 0.2% and (0.5)% of our income from interest and valuations and of our net income before income tax, respectively, for the year ended December 31, 2019, and represented 1.9% of our total assets at December 31, 2020.

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 and 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 in Colombia 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 financial institutions (mainly 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 Colombian banking operations—General."

Superior risk management culture with high asset quality and strong liquidity

We have the fourth lowest non-performing loan ratio among Colombian banks (1.7% at December 31, 2020 compared to 5.0% 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, 2020, our investment-to-assets ratio was 34.5% as compared to 21.7% for the Colombian banking system, while our deposits-to-loans ratio was 194.8% as compared to 95.3% for the Colombian banking system. Our capitalization ratio, which is calculated as our technical capital *(patrimonio técnico)* divided by our risk-weighted assets, was 19.4%, as compared to 16.3% 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, 2020 was 181.9%, which compares favorably with the average for the Colombian banking system of 153.5%.

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 109 branches and the second largest ATM network in Colombia with 2,685 ATMs at December 31, 2020. In addition, we have payroll loans (*libranzas*) centers onsite at the premises of 657 employers. Our network covers each of the 32 departments of Colombia and is in 792 cities and towns throughout Colombia, with a focus on the wealthiest and largest cities of Colombia (Bogota, Medellin, Cali and Barranquilla). Our distribution network covers nearly 90.0% 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, online banking and mobile banking services, 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 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. 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, the acquisitions in 2013 and 2014 of HSBC's banking operations in Colombia, Peru and Paraguay and the acquisition of BBVA Paraguay. During that time, our assets, shareholders' equity and client base has increased significantly. See "—History."

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 based on 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 Colombian 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. See "—Our Colombian banking operations—General."

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.

Continue to innovate and develop alternative distribution channels to reach clients efficiently in Colombia, Paraguay and Peru

We plan to continue building out and innovating our distribution channels. In particular, we plan to grow and enhance our online banking, in line with market trends. In 2018, we launched two new digital service alternatives for clients. The first one, which was implemented only in Colombia, allows our clients to provide their customers access to our web portal to make payments to our clients through automatic withdrawals from such customers' accounts held at other banks. The second service, which was implemented in Colombia, Paraguay and Peru, allows our clients to make banking transactions using an application downloaded into their mobile device.

In addition, through our ATM network in Colombia 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. 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. 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."

Achieve profitable growth in the region by expanding our proven business model in our current markets and in new markets

Our business model focuses on conservative risk management, high liquidity, 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 certain markets 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. 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 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. 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 U.S.$100 million (or its equivalent in Soles) of subordinated bonds. Within October 2016 and May 2019, we have established two bonds and one negotiable certificates of deposit programs for the issuance by Banco GNB (Peru) of up to U.S.$15 million, S/ 41 million and S/ 79 million, respectively, under such programs. In April 2017, the Bank issued U.S.$300 million of subordinated bonds. We have also received approval by the SFC for a program of up to Ps 500 billion in subordinated notes, of which we issued Ps 332.4 billion in November 2017. These additional sources of funding give us additional flexibility to address any capital needs and provide a natural hedge against exchange risk.

Optimize the use of cash by monetizing illiquid, less profitable or non-core assets

We also seek to optimize our use of cash by monetizing illiquid, less profitable or non-core assets from time to time. We may monetize such assets through an outright sale or by entering into sale and leaseback transactions.

Strengthen our presence and profitability in the Paraguayan market through the acquisition of BBVA Paraguay and our partnership with Grupo Vierci

We plan to exploit synergies with the acquisition of BBVA Paraguay. BBVA Paraguay and Banco GNB (Paraguay) are significant players with a deep knowledge of the Paraguayan market. BBVA Paraguay has a strong presence in commercial banking with a significant client base of large corporations and SMEs, and in consumer banking with a product offering that complements well with our offerings. Through this acquisition, Banco GNB (Paraguay) has become the largest bank in Paraguay in terms of deposits and the third largest in terms of assets.

The participation of Grupo Vierci in the ownership structure of Banco GNB (Paraguay) also results in synergies as this group is one of the largest Paraguayan conglomerates, with industrial, agricultural, real estate, commercial and telecommunications businesses, which will require banking services.

Our Colombian banking operations

General

Before accounting for eliminations for consolidation, our Colombian banking operations represented 63.3% and 74.2% of our income from interest and valuations and of our net income before income tax, respectively, for the year ended December 31, 2020; and represented 75.0% of our total assets at December 31, 2020. 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. At December 31, 2020, we have agreements with 657 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.$11,000. The average term of the payroll loans is between seven and nine 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, 2020 was Ps 5,276,729 million, with 172,207 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, 2020 was Ps 937,070 million, with 446 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 maintained since 2007.

The following table presents our loan portfolio at the dates indicated, before provisions:

	At December 31,		
	2020	2019	2018
		(in Ps millions)	
Commercial	4,447,054	4,666,205	4,406,742
Consumer[1]	5,323,734	5,159,774	4,666,086
Total	**9,800,788**	**9,825,979**	**9,072,828**

(1) Consumer includes mortgage lending which was Ps 39,147 million, Ps 38,002 million and Ps 36,903 million in the years 2020, 2019 and 2018, respectively.

The following table presents income from interest and valuations at the dates indicated:

	Year ended December 31,		
	2020	2019	2018
		(in Ps millions)	
Commercial	322,605	371,572	378,933
Consumer(1)	745,960	733,789	654,381
Total	**1,068,565**	**1,105,361**	**1,033,315**

(1) Consumer includes mortgage lending which was Ps 1,610 million, Ps 1,683 million and Ps 1,825 million in the years 2020, 2019 and 2018, respectively

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,		
	2020	2019	2018
		(in Ps millions)	
Savings accounts	12,576,002	10,532,618	9,090,220
Time deposits	4,478,413	4,401,708	4,564,895
Current accounts	1,745,230	1,244,202	1,063,290
Total	**18,799,645**	**16,178,528**	**14,718,405**

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, 2020, we had a total of 299,899 clients in this segment. Our consumer banking operations accounted for Ps 741,617 million of our income from interest and valuations in the year ended December 31, 2019.

Payroll loans *(libranzas)* account for the vast majority of our consumer lending (98.2% at December 31, 2020). We also grant mortgage, credit card, personal, car and education loans. The average term of our consumer loans is 106 months. Our consumer loans represented 54.4% of our total loan portfolio at December 31, 2020.

We offer current account, savings account and term deposits to our clients. Our consumer banking deposits represented 13.9% of our total deposits at December 31, 2020.

The distribution network for our consumer banking services includes our 109 branch network, 24 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 2,685-ATM network.

Commercial banking

Our commercial banking operations serve small and medium enterprises, mid-corporates and banking institutions and accounted for Ps 396,381 million of our income from interest and valuations in the year ended December 31, 2020. We offer current account, savings account and term deposits to our clients. Our commercial banking deposits represented 17.4% of our total deposits at December 31, 2020. At December 31, 2020, we had a total of 7,396 clients in this segment. Our commercial loans represented 43.9% of our total loan portfolio at December 31, 2020.

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, 2020, we had 646 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 14.4% of our total loan portfolio at December 31, 2020.

We offer current account, savings and term deposits and fixed income investments. Our deposits from SMEs and mid-corporate clients represented 7.7% of our total deposits at December 31, 2020.

The distribution network for our SMEs and mid-corporate banking services includes our 109 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, 2020, we have 743 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 1.3% of our total loan portfolio at December 31, 2020.

We offer current account, savings and term deposits. Our deposits from institutional banking clients represented 81.9% of our total deposits at December 31, 2020, making institutional banking clients an important source of our funding. Of those deposits from institutional banking clients, 19.7% 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 128 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 19.5% and 8.8% of our income from interest and valuations and of our net income before income tax, respectively, for the year ended December 31, 2020, and represented 13.3% of our total assets at December 31, 2020.

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 Peruvian banks with respect to the following ratios:

Banco GNB (Peru) Positioning(1)	**At and for the year ended December 31, 2020**
Non-performing loans ratio(2)	10
Coverage ratio(3)	10
Liquidity ratio(4)	7
Other expenses-to-assets ratio(5)	4

(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:

	At and for the year ended December 31,		
	2020	2019	2018
	(in percentages)		
Position Compared to Peruvian Financial System[(1)]			
Unconsolidated efficiency ratio[(2)]			
Banco GNB (Peru)	46.0%	46.2%	49.3%
Financial system	43.4%	41.1%	42.2%
Unconsolidated non-performing loans ratio[(3)]			
Banco GNB (Peru)	3.9%	4.3%	2.6%
Financial system	3.8%	3.0%	3.0%
Unconsolidated ROAE[(4)]			
Banco GNB (Peru)	0.6%	5.9%	7.3%
Financial system	4.0%	18.3%	18.4%

(1) At December 31, 2020, the Peruvian financial system consisted of 16 commercial banks, including Banco GNB (Peru), 10 financing companies, 12 municipal and seven rural savings and loans associations (*cajas*), nine small business development non-bank institutions (Edpymes), four state-owned institutions (not including the Peruvian Central Bank), two leasing companies and one investment bank. Other participants under the supervision of the SBS include trust companies, bonded warehouses, mortgage administrators, factoring and money transfer companies, as well as 18 insurance companies, and four private pension fund administrators.

(2) Financial System based on data published by the SBS. Calculated as administrative expenses divided by the operational margin. Banco GNB (Peru) data based on its unconsolidated financial statements, which is consistent with the data published by the SBS.

(3) Financial System 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. Banco GNB (Peru) data based on its unconsolidated financial statements, which is consistent with the data published by the SBS.

(4) Financial System based on data published by the SBS. For the years ending December 31, "ROAE" is calculated as net income divided by the 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). Banco GNB (Peru) data based on its unconsolidated financial statements, which is consistent with the data published by the SBS.

Paraguay

Banco GNB (Paraguay) is a full service bank that focuses its business on high quality commercial and corporate clients and premium retail payroll loans. Banco GNB (Paraguay) has been increasing its presence in the agribusiness and cattle ranching sectors. Before accounting for eliminations for consolidation, Banco GNB (Paraguay) represented 17.3% and 17.0% of our income from interest and valuations and of our net income before income tax, respectively, for the year ended December 31, 2020, and represented 11.8% of our total assets at December 31, 2020. The relative importance of our operations in Paraguay is expected to increase as a result of the acquisition of BBVA Paraguay. See "—Recent Developments—Acquisition of BBVA Paraguay."

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 Paraguayan banks with respect to the following ratios:

Banco GNB (Paraguay) Positioning[1]	At and for the year ended December 31, 2020
Non-performing loans ratio[2]	9
Coverage ratio[3]	4
Liquidity ratio[4]	10
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:

	At and for the year ended December 31,		
	2020	**2019**	**2018**
	(in percentages)		
Position Compared to Paraguayan Financial System[1]			
Unconsolidated efficiency ratio[2]			
Banco GNB (Paraguay)	45.1%	36.7%	38.2%
Financial system	50.9%	46.8%	49.5%
Unconsolidated non-performing loans ratio[3]			
Banco GNB (Paraguay)	2.2%	2.1%	1.8%
Financial system	2.3%	2.5%	2.4%
Unconsolidated ROAE[4]			
Banco GNB (Paraguay)	9.6%	17.0%	17.1%
Financial system	13.1%	18.6%	17.9%

(1) At December 31, 2020, the Paraguayan financial sector consisted of 17 banks, 8 financial companies, 47 savings and loan cooperatives, 3 warehousing companies, 26 foreign exchange trading institutions and 36 insurance companies.

(2) Financial System based on data published by the Paraguayan Central Bank. Calculated as administrative expenses divided by the operational margin. Banco GNB (Paraguay) data based on its unconsolidated financial statements, which is consistent with the data published by the Paraguayan Central Bank.

(3) Financial System 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. Banco GNB (Paraguay) data based on its unconsolidated financial statements, which is consistent with the data published by the Paraguayan Central Bank.

(4) Financial System based on data published by the Paraguayan Central Bank. For the years ended December 31, "ROAE" is calculated as net income divided by the 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). Banco GNB (Paraguay) data based on its unconsolidated financial statements, which is consistent with the data published by the Paraguayan Central Bank.

On January 22, 2021, we acquired BBVA Paraguay from BBVA for U.S.$251.3 million. Concurrently with this acquisition, the Bank sold a 32.0% equity interest in its subsidiary Banco GNB (Paraguay) to Grupo Vierci, a Paraguayan industrial, agricultural, real estate, commercial and telecommunications group, for U.S.$173 million. Through this acquisition and the subsequent merger of BBVA Paraguay into our subsidiary Banco GNB (Paraguay) which is currently in process, Banco GNB (Paraguay) will become the largest bank in Paraguay in terms of deposits and the third largest in terms of assets.

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 twentieth-largest as measured by assets under management at December 31, 2020. 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.

ATM services-Servibanca

Our subsidiary Servibanca owns and operates the second-largest automated teller machine (ATM) network in the Colombian banking system in terms of numbers, with 2,685 ATMs at December 31, 2020.

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 eight-largest exchange firm in Colombia in terms of net income at December 31, 2020. Servivalores has an AA+ rating from Value and Risk Rating S.A., the Colombian rating agency. See "—Treasury operations."

Servivalores' assets under management were Ps 44,111 million at December 31, 2020, with a client base of 1,253. Of all of the assets under management at December 31, 2020, 48.9% were under commission contract and 3.6% were mutual funds. We also have a real estate fund that at December 31, 2020 manages 491,486 million in assets under commission contracts.

Merchant banking services- Corfi GNB Sudameris

In October 2018, our merchant banking subsidiary, Corfi GNB Sudameris, commenced operations. Corfi GNB Sudameris focuses on equity investments primarily in strategic economic sectors including, in particular, hospitality, real estate, media, infrastructure, energy, agribusiness and industrial.

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			% of total transctions		
	Year Ended December 31,			Year Ended December 31,		
	2020	2019	2018	2020	2019	2018
	(in thousands)					
Branches	9,680	20,384	22,597	33.6%	49.9%	54.3%
ATMs[(1)]	6,191	6,649	6,313	21.5%	16.3%	15.2%
Other	12,952	13,813	12,698	44.9%	33.8%	30.5%
Total	**28,823**	**40,846**	**41,608**	**100.0%**	**100.0%**	**100.0%**

(1) Includes transactions from our clients in ATMs owned by us and by third parties.

For 2020, we had a market share in Colombia of approximately 2.1% of all branches and 17.0% of all ATMs measured on the basis of number of transactions.

The transaction volume by number of transactions made by users of our ATMs (regardless of whether the user is a client) was approximately 6.2 million in 2020.

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,		
	2020	2019	2018
	Year Ended December 31,		
Online banking	1,972	1,508	714

Peru

At December 31, 2020, Banco GNB (Peru) operates through a head office in Lima, as well as 12 branches (eight 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

At December 31, 2020, 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, San Lorenzo 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 SFC by commercial banks based on Colombian Banking IFRS.

Deposits

We have the eight-largest market share of total deposits in Colombia, with an aggregate of 4.0% of all deposits in Colombia at December 31, 2020. Our market ranking for checking, savings and term deposits was tenth, seventh and ninth, respectively, at December 31, 2020.

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, 2020. Our market ranking for consumer and commercial loans was ninth and tenth, respectively, at December 31, 2020.

Loan portfolio quality

We have the fourth-lowest non-performing loan ratio of the Colombian banking system. Our non-performing loan ratio was 1.7%, while the average ratio for the Colombian banking system was 5.0%, at December 31, 2020.

At December 31, 2020, the non-performing loan ratio for our commercial loan portfolio was 2.0%, while the average for the Colombian banking system was 4.5%. 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 SFC. 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, 2020:

	December 31, 2020
	(in percentages)
Primary capital (Tier One)(1)	11.1%
Secondary capital (Tier Two)(2)	8.3%
Total capitalization	19.4%

(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 16.3% at December 31, 2020.

Liquidity

At December 31, 2020, we had a liquidity ratio of 60.5%, as compared to an average ratio for the Colombian banking system of 12.8%. Our ratio, which was the 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, at December 31, 2020, the national financial system was comprised of 16 commercial banks, 10 financing companies, 12 municipal and seven rural savings and loan associations (*cajas*), nine small business development non-bank institutions (*Edpymes*), four state-owned institutions not including the Peruvian Central Bank (Banco de la Nación, Corporación Financiera de Desarrollo S.A-COFIDE, Fondo MIVIVIENDA S.A. and Banco Agropecuario), two leasing companies and one investment bank. Other participants under the supervision of the SBS include trust companies, bonded warehouses, mortgage administrators, factoring and money transfer companies, as well as 18 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 (now known as Itau Corpbanca), Banco de Brasil, Caixabank, Banco Latinoamericano de Comercio Exterior ("Bladex"), Morgan Stanley Bank and Sumitomo Mitsui Banking opened representative offices in Peru. Moreover, in April 2020, the SBS authorized the Bank of China (Peru) S.A. to start operating as a multipurpose banking entity 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, 2020:

	At December 31, 2020		
	Assets	**Direct Loans**	**Deposits**
		(in percentages)	
Commercial banks	80.7%	84.4%	81.7%
Municipal savings and loans associations.	5.5%	6.9%	6.3%
Financial companies	2.4%	3.5%	2.1%
Rural savings and loans associations	0.5%	0.6%	0.4%
Small business non-bank institutions	0.4%	0.7%	0.0%
Leasing companies	0.1%	0.1%	0.0%
State-owned banks[1]	10.5%	3.9%	9.5%
Total	**100.0%**	**100.0%**	**100.0%**

(1) Banco de la Nación and Banco Agropecuario (Agrobanco).

Paraguay

According to the Paraguayan Central Bank, at December 31, 2020, the national financial system was comprised of 17 banks (nine private domestic banks, four foreign-owned banks, three branches of foreign banks, and the state-owned Banco Nacional de Fomento), eight deposit-taking financial companies, 47 savings and loan cooperatives, three bonded warehouses and 26 foreign exchange trading institutions. The Paraguayan Central Bank also supervises the country's insurance sector, which comprises 36 insurance companies.

At December 31, 2020, direct foreign subsidiaries and banks with majority foreign participation held 38.9% of bank assets and 39.9% of deposits, while banks with majority domestic participation had 61.1% of assets and 60.1% of deposits. The four largest banks, Banco Continental S.A.E.C.A., Banco Itau Paraguay S.A., Banco Regional S.A.E.C.A. and BBVA Paraguay, controlled an aggregate of 52% 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, 2020:

	At December 31, 2020		
	Assets	Direct Loans	Deposits
		(in percentages)	
Commercial banks	73.6%	75.8%	76.4%
Savings and loans associations	14.8%	13.9%	10.3%
Financial companies	3.0%	3.7%	3.2%
State-owned banks(1)	8.6%	6.6%	10.1%
Total	**100.0%**	**100.0%**	**100.0%**

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(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, 2020, we maintained an investment portfolio of Ps 7,840,116 million. The vast majority of our investments is in Colombian sovereign debt (82.0% at December 31, 2020) and has an average maturity of approximately 0.6 years (at December 31, 2020). This reflects our policy of maintaining an investment profile of short maturity and high liquidity.

We are one of fourteen 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 16,540 million, Ps 19,254 million and Ps 22,280 million of capital expenditures relating to information technology in each of the years 2020, 2019 and 2018, respectively.

Employees

The following table presents our employee count as of the dates specified:

	December 31,		
	2020	**2019**	**2018**
GNB Sudameris Colombia	1,645	1,735	1,673
GNB (Peru)	526	513	505
GNB (Paraguay)	200	205	195
Servitrust	66	70	75
Servibanca	70	76	73
Servivalores	9	11	11
Servitotal	0	0	0
Corfi GNB Sudameris	4	4	4
Total	**2,520**	**2,614**	**2,536**

As of December 31, 2020, approximately 38.9% of our employees are unionized and 57.0% 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, 2020, the value of our properties was Ps 491,328 million. At December 31, 2020, we owned 98 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 notes 22 and 29 to our 2020-2019 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 the Financial Statute, 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 Bogota 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 Bogota, and Helm Leasing). In 2011, Scotiabank agreed to acquire a 51.0% 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. In 2014, Brazil's Itau Unibanco agreed to merge its subsidiary Banco Itau Chile with Chile's Corpbanca, both of which have operations in Colombia. In 2015, Mundo Mujer Foundation and Compartir Commercial Finance Company, two organizations that both specialize in microcredit, obtained banking licenses. During that year, BTG Pactual also formed BTG Pactual Fiduciaria (Trust) and began the process of constituting a merchant bank. In 2016, Bancolombia merged with its leasing company Leasing Bancolombia and Davivienda merged with its affiliate Leasing Bolívar, Itau completed its merger with Corpbanca, making Itaú Unibanco the majority shareholder of CorpBanca Colombia. In 2017, CorbBanca Colombia began to operate under the Itaú brand.

This consolidation cycle continued with Colombian financial entities acquiring other banks and financial services companies abroad. In 2010, Banco de Bogota acquired BAC International Bank Inc., one of the largest financial conglomerates in Central America, with operations in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. 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. In 2015, Suramericana acquired British insurance group RSA's Latin American operations.

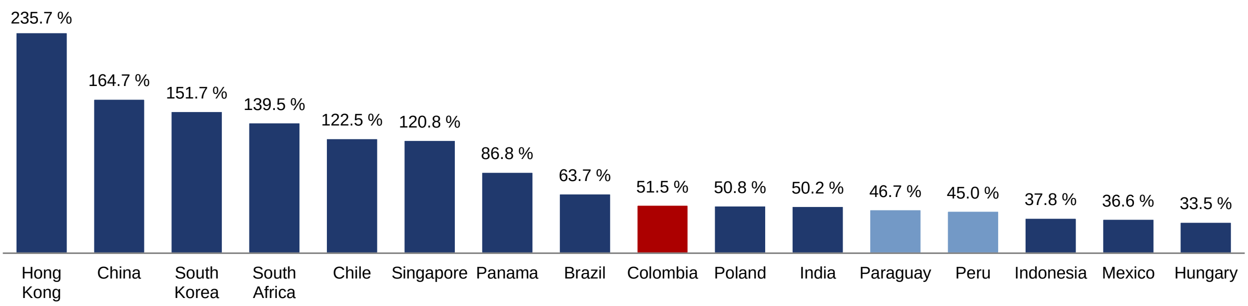
While the Colombian government has been promoting consolidation and expansion of the scope of activities of Colombian financial institutions, it has simultaneously been strengthening corporate governance, risk management and supervision. See "Colombian Banking Regulation."

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 contracted at a compound annual growth rate of 6.8% in 2020, grew at a compound annual growth of 3.3% in 2019 and 2.6% in 2018, while nominal GDP contracted at a compound annual rate of 5.5% in 2020 and grew at a compound annual growth rate of 7.4% in 2019 and 6.8% in 2018. Deposits in the banking system grew at a compound annual growth rate of 14.9% in 2020, 7.9% in 2019 and 5.1% in 2018.

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, 2019:



Source: 2019 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 264 countries from 1960 to 2020.

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 SFC, 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 62.4% ratio for the twelve-month period ended December 31, 2020.

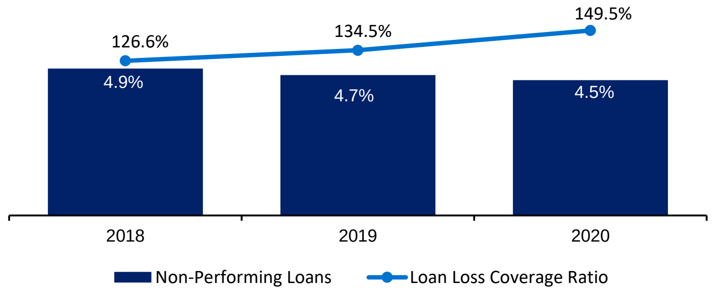
The Colombian bank credit market consists of four main business lines: commercial, consumer, microcredit and mortgage. According to the SFC, at December 31, 2020, a total of Ps 512.8 trillion of gross loans granted by Colombian banks were outstanding, of which 51.7% were commercial loans, 31.3% were consumer loans, 14.4% were mortgages, and 2.6% were microcredit loans.

Gross bank loans in the Colombian banking sector as a percentage of GDP increased from 26.3% in 2008 to 62.4% in 2020. Total credit as a percentage of GDP also increased in the last three years, from 53.7% in 2018 to 56.0% in 2019 and to 62.4% in 2020.

Total deposits as a percentage of GDP evolution

Total deposits in the Colombian banking sector as a percentage of GDP also increased during the period 2008-2020, from 27.5% to 57.9%. Total deposits as a percentage of GDP also increased in the last three years, from 45.0% in 2018 to 46.9% in 2019 and 57.9% in 2020.

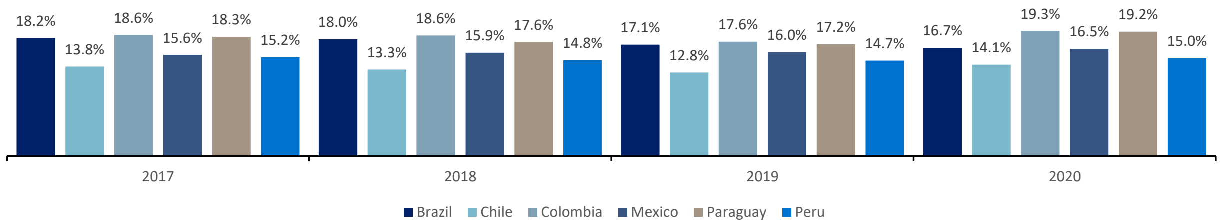
Asset quality metrics show an increase in the percentage of non-performing loans in 2018 as compared to 2017, with an improvement in 2019. Loss provisions increased in 2019 as compared to 2018 and 2017. The following chart presents the non-performing loan ratio and the loan loss coverage ratio in the period 2018-2020:



Source: SFC. "Non-performing loans" refers to loans overdue more than 30 days, as defined by the SFC. Loan loss coverage ratio refers to loan loss provisions divided by non-performing loans.

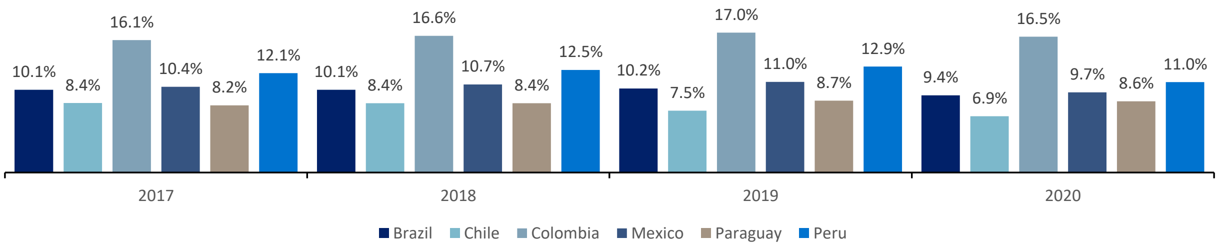
Colombia's banking system is well-capitalized, with an average risk-based capital ratio of 16.3% at December 31, 2020, significantly above the minimum regulatory requirement of 9.0%, as reported by the SFC. This ratio exceeds that of comparable countries in Latin America. The following charts present capital as a percentage of risk-weighted assets, and capital as a percentage of total assets for the banking sector in Brazil, Colombia, Chile, Peru, Paraguay and Mexico for the period 2017-2020.

Regulatory Capital/Risk-Weighted Assets



Note: 2020 refers to the latest period available; Brazil: Set-20; Chile: Set-20; Colombia: Set-20; Mexico: Jun-20, Paraguay: Set-20; Peru: June-20

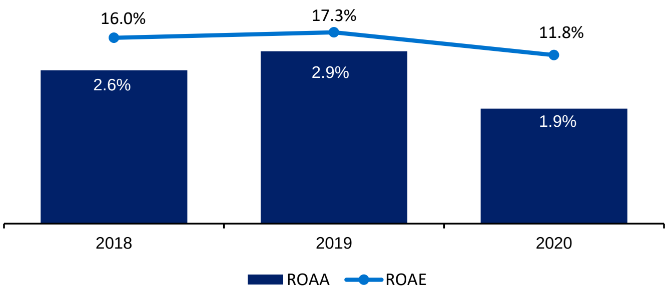
Shareholders Equity / Total Assets



Note: 2020 refers to the latest period available; Brazil: Set-20; Chile: Set-20; Colombia: Set-20; Mexico: Jun-20, Paraguay: Set-20; Peru: June-20

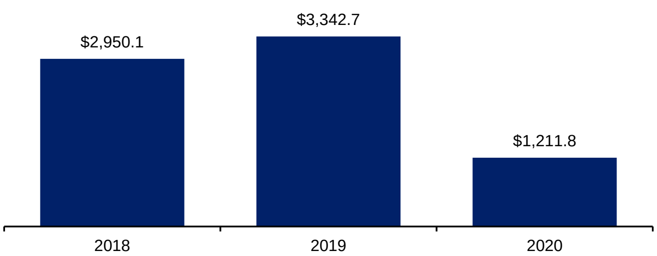
Source: IMF Financial Soundness Report.

After a period of decreasing returns following the global economic and financial crises, the Colombian banking sector's levels of profitability have been relatively stable 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 for the period 2018-2020.



Source: SFC. 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.

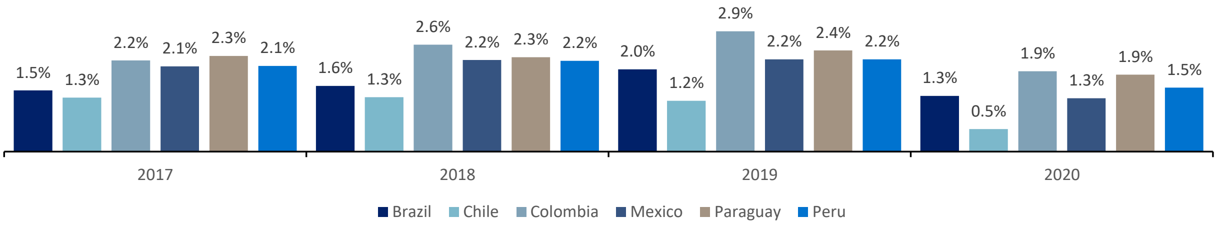
After a period of decreasing returns following the global economic and financial crises, the Colombian banking sector's levels of profitability have improved in the past few years, with the exception of 2020 which was affected by the COVID-19 pandemic. The following chart presents net income in the Colombian banking sector for the period 2018-2020.



Source: SFC. Translated for convenience only using the representative market rates as computed and certified by the SFC of Ps 3,432.5 per U.S.$1.00 at December 31, 2020.

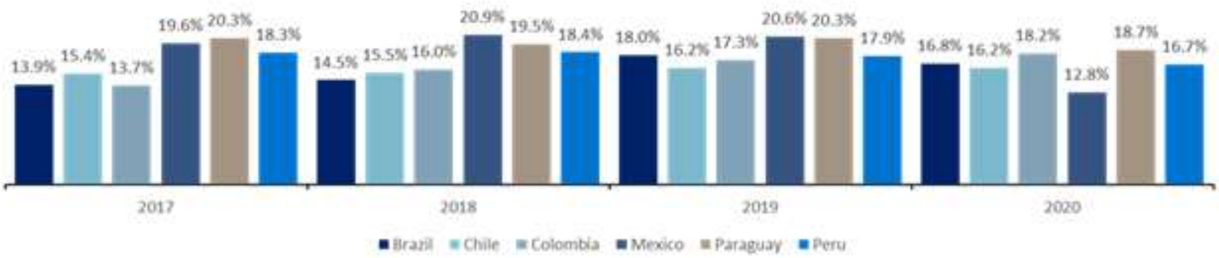
The profitability of Colombia's banking system also compares well to that of its regional competitors. The following charts present ROAA and ROAE for the banking sectors in Brazil, Chile, Colombia, Mexico, Paraguay and Peru for the period specified below:

ROAA (%)



Note: 2020 refers to the latest period available; Brazil: Sept-20; Chile: Sept-20; Colombia: Sept-20; Mexico: Jun-20, Paraguay: Sept-20; Peru: Jun-20.

ROAE (%)



Note: 2020 refers to the latest period available; Brazil: Sept-20; Chile: Sept-20; Colombia: Sept-20; Mexico: SeptJun-20, Paraguay: Sept-20; Peru: Jun-20

Source: Central Bank of Brazil, SFC, Superintendency of Bank and Financial Institutions of Chile, SBS, and National Commission, Bank and Securities of Mexico, and IMF Financial Soundness Report. 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 SFC, at December 31, 2020, the main participants in the Colombian financial system were the Colombian Central Bank, 25 commercial banks, six finance corporations, 10 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 and 12.0% in 2017, 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. In 2018, the COLCAP fell 12.4% and recovered in 2019 rising 25.4%.

On March 9 and 16, 2020, the Colombian Stock Exchange suspended trading after the COLCAP fell significantly due to the impact of the COVID-19 crisis. No further market disruptions have occurred since then.

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 Legislative 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.

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 Credito del Peru, reached an agreement with Grupo ACP Corp to acquire its 60.7% stake in Mibanco. In December 2014, Scotiabank Peru acquired Citibank del Peru's retail banking unit.

While acquisitions and new players have become less frequent since the global economic and financial crisis, the Peruvian market continues to be observed attentively. Foreign institutions in the past have opened representative offices in the country include Itau Unibanco (now known as Itau Corpbanca), Bladex, Morgan Stanley Bank 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.

In 2019, Scotiabank announced that its Peruvian subsidiary, Scotiabank Peru, had reached an agreement with Cencosud Peru to acquire a 51.0% controlling interest in Banco Cencosud. Moreover, in April 2020, the SBS authorized the Bank of China (Peru) S.A. to start operating as a multipurpose banking entity in Peru.

Recent growth of financial sector

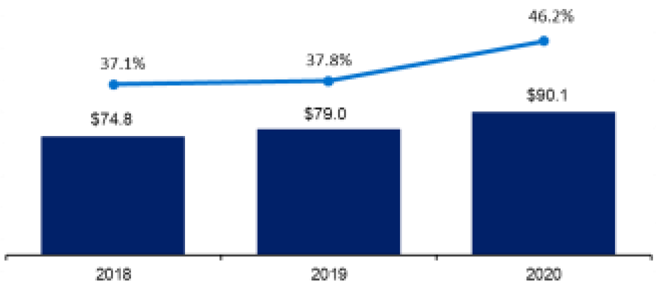
As a result of Peru's strong economic growth over the last decade, which has outpaced nearby countries' in recent years, several companies expanded operations, established partnerships and developed new businesses in the financial sector. The relatively fast growth of the country's economy and low penetration 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.

According to the BCRP and the National Institute of Statistics and Information, INEI, Peruvian real GDP grew at a compound annual growth rate of 11.1% in 2020, 2.2% in 2019 and 4.0% in 2018, while nominal GDP grew at a compound annual growth rate of 7.5% in 2020, 4.3% in 2019, 6.0% in 2018. Deposits in the banking system grew at a compound annual growth rate of 24.6% in 2020, 7.9% in 2019 and 6.4% in 2018.

The Peruvian financial sector is relatively concentrated: as of December 31, 2020, the five largest players represent 88.4% of the system's gross loans, 86.4% of total deposits, and 86.7% of total equity.

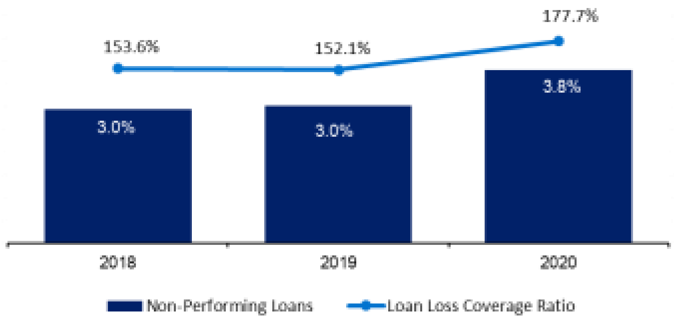
Credit volume

As in other Latin American markets, the lending activity in Peru has increased considerably in the last ten to 15 years. However, credit penetration remains low compared to other emerging and developed markets (see "—Colombia"). Gross loans provided by Peruvian banking entities amounted to 46.2% of nominal GDP in 2020. This compares to a ratio of 25.8% in 2008. The following chart plots bank credit expressed in billions of U.S. dollars and as a percentage of GDP for the period 2018-2020:



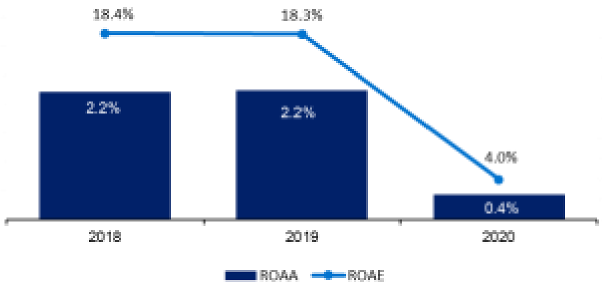
Source: BCRP. Gross loans provided by Peruvian banking entities and then divided by GDP at current prices in Soles. Translated for convenience only using the average of banking, interbanking and informal rates as reported by the Peruvian Central Bank of S/ 3.62 per U.S.$1.00 at December 31, 2020.

The SBS reported an outstanding gross loan balance of S/ 326.0 billion as of December 31, 2020, of which 68.2% were commercial loans, 16.1% were consumer loans, and 15.8% were mortgages. In terms of asset quality metrics, non-performing loans, as defined by the SBS, amounted to 3.8% of the total portfolio. The following chart presents non-performing loans and loan loss coverage ratios for the period 2018-2020:



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 for the period 2018-2020:



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, 2020, the national financial system comprised 16 commercial banks, 10 financing companies, 12 municipal and seven rural savings and loan associations (*cajas*), nine small business development non-bank institutions (*Edpymes*), four state-owned institutions not including the Peruvian Central Bank (Banco de la Nación, Corporación Financiera de Desarrollo S.A-COFIDE, Fondo MIVIVIENDA S.A. and Banco Agropecuario), two leasing companies and one investment bank. Other participants under the supervision of the SBS include trust companies, bonded warehouses, mortgage administrators, factoring and money transfer companies, as well as 18 insurance companies, and four private pension fund administrators.

Recent developments in the Peruvian stock market

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 2016, making it the top performing Latin American equity market in that year. The Peruvian stock market also performed well in 2017, with the S&P/BVL index increasing 28.3% in 2017. In 2018, the S&P/BVL fell 3.1%, in line with the rest of the major stock indexes in the region. The Peruvian stock market recovered in 2019 with the S&P/BVL increasing by 6.1% during the year. The S&P/BVL closed 2020 at a price of S/ 20,822 registering a 1.4% growth as it recovered from a major downturn due to COVID 19 crisis.

The Lima Stock Exchange closed 2019 with a combined market capitalization of S/537 billion and average daily trading volume of S/72.4 million. On March 12, 2020, during the first days of the COVID 19 crisis, and in correlation with the fall and suspension of trading in a number of international stock exchanges, the Lima Stock Exchange suspended trading and later ended the trading day early. No further market disruptions have occurred after such events. The Lima Stock Exchange closed 2020 with a combined market capitalization of S/599 billion.

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.

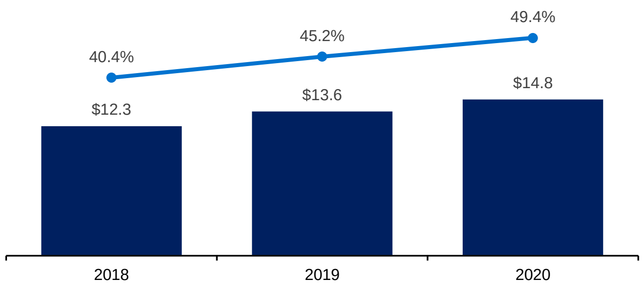
In 2003, Law No. 2334 established additional protections for depositors and a new liquidation procedure for insolvent entities. Regulatory reform gathered pace in the 2000s and 2010s. In 2008, a new regulation was introduced to provide for improved risk assessment and the establishment of an assets/reserves 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, the Law to Modernize the State's Financial Administration, laws addressing capital regulations, Law 5895 enacted in 2017 enhancing transparency for companies and Law 6446 enacted in 2019 that created the Administrative Registry of Persons and Corporate Structures and the Administrative Registry of Final Beneficial Owners also improved 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. According to the Paraguayan Central Bank, real GDP contracted at a compound annual growth rate of 1.0% in 2020 and 0.4% in 2019, after real GDP had experienced a compound annual growth rate of 3.2% in 2018 and 4.8% in 2017, while nominal GDP grew at a compound annual growth rate of 1.0% in 2020, 2.6% in 2019, 5.2% in 2018 and 7.1% in 2017. Deposits in the banking system grew at a compound annual growth rate of 19.0% in 2020, 11.7% in 2019, 6.2% in 2018 and 7.1% in 2017.

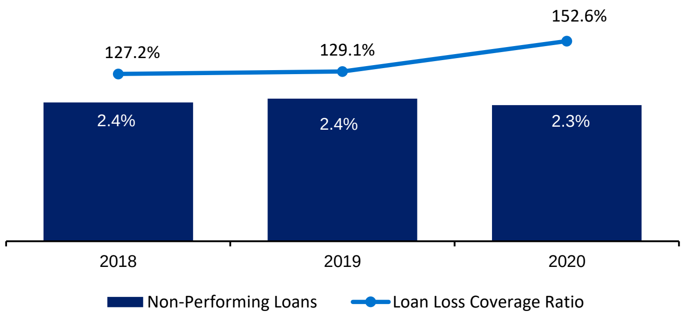
Credit volume

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 49.4% of GDP for the twelve-month period ended December 31, 2020. This compares to a ratio of 23.3% in 2009 and a peak of 49% in 2015. The following chart presents bank credit expressed in billions of U.S. dollars and as a percentage of GDP for the period 2018-2020:



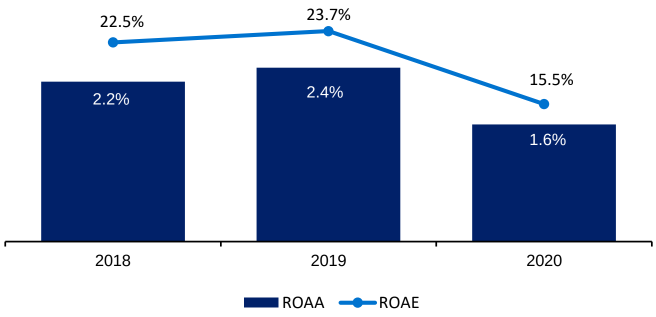
Source: Paraguayan Central Bank. Gross loans provided by Paraguayan banking entities and then divided by GDP at current prices in Guaraníes. Translated for convenience only using the market rate as reported by the Paraguayan Central Bank of ₲ 6,900.11 per U.S.$1.00 at December 31, 2020.

As of December 31, 2020, the Paraguayan Central Bank reported an outstanding gross loan balance of ₲ 102 trillion. In terms of asset quality, non-performing loans, as defined by the Paraguayan Central Bank, amounted to 2.3% of the total portfolio, whereas the loan loss coverage ratio stood at 152.6%, each as of December 31, 2020. The following chart presents non-performing loans and loan loss coverage ratios for the period 2018-2020:



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.

The Paraguayan financial sector compares favorably against Latin America's largest economies in terms of profitability, with a ROAA and ROAE of 1.6% and 15.5%, respectively, in the year ended December 31, 2020. The following chart presents the ROAA and ROAE for the banking system for the period 2018-2020:



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, 2020, 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), eight deposit-taking financial companies, three bonded warehouses, 26 foreign exchange trading institutions, 47 savings and loan cooperatives 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 SFC, the Superintendency of Industry, FOGAFIN 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 (*Unidad Administrativa Especial, Unidad de Proyección normativa y Estudios de Regulación Financiera)*, 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 SFC 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 SFC.

The SFC 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 SFC 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. The SFC is also responsible for monitoring and regulating the market for publicly traded securities in Colombia and for monitoring and supervising securities market participants, including the Colombian Stock Exchange brokers, dealers, mutual funds and issuers.

Financial institutions must obtain the authorization of the SFC before commencing operations. In addition, all local public offerings of securities require the prior approval of the SFC.

Violations of the financial system rules and regulations are subject to administrative, and in some cases, criminal sanctions. The SFC 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 SFC 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 SFC has executed several memoranda 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 SFC'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 SFC 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 SFC, which must take into account the possibility of exercising comprehensive and consolidated supervision. Indirect capital investment (*i.e.*, through a subsidiary) in foreign financial, brokerage or insurance companies, branches or agencies, require prior authorization by the SFC if: (i) the initial investment equals or exceeds 10.0% of the investor's paid-in capital in a twelve month-period, (ii) additional investments equal or exceed 5.0% of the investor's paid in capital in a twelve month-period, 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 SFC. Other indirect investments require only prior notice to the SFC.

The Bank and its Colombian subsidiaries are subject to the regulatory supervision of the SFC. Additionally, as an issuer of securities traded on the Colombian Stock Exchange, the Bank is subject to the oversight of the SFC.

Currently, no foreign subsidiaries are subject to the regulations or direct supervision of the SFC. However, the SFC 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 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 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.

All capital market intermediaries, including the Bank and Servitrust, must become members of the SRO and are subject to its regulations.

Superintendency of Industry and Commerce

According to Law 1340 of 2009, as amended, 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 SFC is the authority responsible for approving mergers, acquisitions and integrations between financial institutions. For those approvals, the SFC 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, Decree 1068 of 2015, Resolution 1 of 2018, (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 SFC. Subject to prior approval of the SFC, foreign banks may operate in Colombia through their subsidiaries established and incorporated in Colombia. Under Law 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 SFC. In addition, Law 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 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 SFC 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 SFC, troubled financial institutions must submit a restructuring program to the SFC.

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. The law provides a bill of rights for consumers of financial services and products, including the right to receive clear, complete and reliable information about the services and products offered by financial institutions. These rights were further enhanced by Law 1748 of 2014, which requires financial institutions to disclose the interest rates and total costs of services and products offered to consumers. Law 1328 of 2009 also broadened the scope of permitted business activities by regulated entities. Following its adoption, credit institutions were allowed to operate leasing businesses and banks were allowed 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.

Pursuant to articles 62 and 63 of Law 1430 of 2010, as amended, the SFC must observe how financial institutions behave with regards to the pricing of their services and must report its findings to the Colombian government every six months. Based on such report, the Colombian government may assess whether there is "insufficient competition in the relevant market of financial services" and reach a decision regarding whether to use the following special remedial powers granted by Law 1430:

- fixing prices of financial services;

- determining minimum and maximum price caps for financial services; or

- establishing an obligation for the financial institution to inform the SFC or the Colombian Superintendency of Industry and Commerce, as the case may be, the methodologies used by such institution to determine tariffs or prices.

Law 1735 of 2014 created a new type of financial entity, the Specialized Electronic Deposit and Payment Institution (*Sociedades Especializadas en Depósitos y Pagos Electrónicos*), in order to promote financial inclusion and increase penetration of the banking sector. As a new deposit-taking entity, these Specialized Electronic Deposit and Payment Institutions are regulated financial services providers subject to regulation and supervision and can be incorporated by a natural person, mobile network operator and/or another non-bank company. These entities are only authorized to engage in remote cash deposit or withdrawal operations through electronic deposit accounts and transactional services such as remittances, transfers, and payments. Electronic deposits held by these Specialized Electronic Deposit and Payment Institutions are covered by deposit insurance.

In order to implement and enforce the provisions related to Colombia's financial system, the SFC 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 the Financial Statute 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

Although the Colombian government is actively working on implementing the Basel III accords, the country is not yet in full compliance with Basel III. To prepare for its implementation, the Ministry of Finance, through the Unit of Financial Regulation, in consultation with the SFC, amended and supplemented Decree 2555 of 2010 through Decree 1771 of 2012, Decree 904 of 2013, Decree 1648 of 2014, Decrees 73 and 2392 of 2015, Decree 1477 of 2018 and Decree 1421 of 2019 (the "Basel III Decrees"). Pursuant to these new decrees, new capital components were included within the assets to be recognized as Common Equity Tier One Capital, Additional Tier One Capital and Tier Two Capital. Under Decree 2392 of 2015, as amended by Decree 1477 of 2018 and Decree 1421 of 2019, 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 Common Equity Tier One Capital, Additional Tier One Capital or Tier Two Capital, in accordance with said instrument. These regulatory requirements include, among others, the inclusion of provisions of perpetuity, loss absorption mechanism for Tier One Capital and loss absorption mechanisms for Tier Two Capital. In the case of Tier Two Capital, the outstanding principal amount 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 Two 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 Two Capital Instruments"). Such transitional rule was replaced by new transitional rules included in Decree 1477 of 2018 and Decree 1421 of 2019, specifically issued to address the amortization of debt instruments that classified as components of Tier II and that were issued as from December 31, 2015 to December 31, 2017.

Subsequently, the outstanding principal amount of the Transitional Tier Two Capital Instruments will be phased out, with the base for calculation set at an amount equivalent to the outstanding principal amount of all such Transitional Tier Two Capital Instruments as of December 31, 2017 (the "Transitional Tier Two Capital Base"). In the years following 2018, and on every anniversary thereafter, the percentage of the Transitional Tier Two Capital

Base eligible to be included as Tier Two Capital will decrease by 10% per year. From January 1, 2026, the Transitional Tier Two Capital Instruments will no longer be eligible to be included as a component of Tier Two Capital. Notwithstanding the foregoing, beginning on the fifth year prior to the final maturity of the Transitional Tier Two Capital Instrument, the outstanding principal amount of such instrument that will be eligible to be included as Tier Two 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.

In August 2018, the Ministry of Finance issued Decree 1477 of 2018 and Decree 1421 of 2019 establishing the last implementation of Basel III regarding capital adequacy requirements for Colombian financial institutions, including the adoption of:

- equity cushions for Common Equity Tier 1 (CET1): conservation cushion (an additional 1.5% of the asset risk weighting) and local systemic relevance cushion (an additional 1.0% of the asset risk weighting);

- the solvency ratio at 3%, and the additional solvency ratio at 6%;

- the aggregate leverage ratio at 3%; and

- stringent methodologies in the determination of the credit risk.

Decree 1477 of 2018 became effective on August 6, 2018. The new standards, as amended by Decree 1421 of 2019, however, will be implemented gradually during a period of four years until they are fully applicable on January 2024. External Circular 020 of 2019 issued by the SFC allows financial institutions to voluntarily anticipate the application of these regulations.

Modifications to the regulatory framework for Colombian financial institutions in connection with financial conglomerates

On September 21, 2017, the Colombian Congress enacted Law 1870 of 2017 to enhance the regulation and supervision of financial conglomerates.

Law 1870 defines a financial holding as any legal person or special purpose vehicle that exercises the first level of control or significant influence over the entities that comprise the financial conglomerate. Law 1870 also establishes that foreign financial holding that certifies being subject to a prudential regulation regime and to a comprehensive and consolidated supervision is exempted from the dispositions of Law 1870. On the contrary, when a foreign financial holding is not subject to a prudential regulation regime and to a comprehensive and consolidated supervision equivalent to the one exercised by the SFC, the SFC may request any information that it deems necessary to exercise a comprehensive and consolidated supervision over the financial institutions constituted in Colombia in the understanding that failure to disclose information may result in the revocation of the license of the financial institutions constituted in Colombia.

Regulations under Law 1870 were implemented by Decree 246 of 2018, Decree 774 of 2018 and Decree 1486 of 2018.

Decree 246 of 2018 establishes the comprehensive and consolidated supervision exclusion criteria. The SFC may, based on a justifiable decision, exclude from comprehensive and consolidated supervision any legal entity or investment vehicle that belongs to a financial conglomerate if, pursuant to the nature and amount of their activities, such entity does not represent a significant interest for the comprehensive and consolidated supervision objectives set by Law 1870, and the size of such entity is not significant *vis-à-vis* the total size of the financial conglomerate, or the interconnection and exposure level of such entity does not have a significant impact on the financial conglomerate.

Decree 774 of 2018, which establishes the capital requirements for financial conglomerates, provides that the technical capital cannot be less than the adequate capital (*patrimonio adecuado*). The financial conglomerate, however, is responsible for the capital of the financial conglomerate. This decree became effective on May 8, 2018: however, financial holdings have an 18-month grace period, which expires on November 8, 2019, to abide to the adequate capital requirements.

Decree 1486 of 2018 exempts certain entities within a financial group from complying with the financial conglomerates regime. In addition, the decree establishes the obligation of the financial holding to identify and manage conflicts of interest of the financial conglomerate and its affiliates, and to identify, measure, control and manage the risks inherent to financial conglomerates. This decree became effective on August 6, 2018, but grants financial conglomerates an 18-month grace period, expiring on February 6, 2020, to conform to its regulations.

It is expected that the SFC will issue certain regulations to further implement the new financial conglomerates regime in the near future.

Modifications to the regulatory framework for Colombian financial institutions in connection with the Pacific Alliance

The Colombian government is actively working on implementing regulation aimed to foster financing innovation and technology, such as the regulation on electronic payments.

Decrees and regulations related to COVID-19

To address the COVID-19 crisis and prevent its spread, the Colombian Government has issued Decree 417 of 2020 and Decree 637 of 2020 by means of which the President of Colombia declared, in each case, a State of Emergency for 30 calendar days. With the declaration of the State of Emergency, the President was invested with the necessary powers to issue decrees with the force of law, in order to deal with the pandemic and its social and economic consequences. In this context, the government has issued decrees suspending procedural terms, adopting transitional measures in insolvency processes and facilitating access to public credit, among others.

As government authorities continue to react to the spread of COVID-19, the SFC has issued several External Circulars to address the implications caused to the financial sector and its clients, to provide temporary relief to clients, request certain financial institutions to establish grace periods for clients, as well as provide for the possibility to modify the conditions of current loans. For instance, Circular Externa No. 022 of 2020 issued by the SFC provided instructions for the definition of the Debtor Relief Program (*Programa de Acompañamiento a Deudores*), pursuant to which credit institutions were required to adopt a program that would enable them to establish structural payment solutions by redefining the conditions of credits of those debtors whose income or capacity to pay was affected as a result of the situation caused by the Covid-19 pandemic. Additionally, in order to facilitate the implementation of the Debtor Relief Program, the loans subject to redefinition or implementation of measures under the program will not be considered as modified or restructured. Furthermore, this Circular Externa modified Chapter II of the Accounting and Financial Circular in order to regulate the treatment of credits when the debtor enters into bankruptcy proceedings regulated by Law 1116 of 2006 and Legislative Decree 560 of 2020 and Decree 772 of 2020, allowing financial institutions to determine a risk rating of the debtor instead of an automatic treatment of debtor in default. Additionally, by means of Circular Externa No. 039 of 2020, the SFC extended the term of the Debtor Relief Program (*Programa de Acompañamiento a Deudores*), initially created through Circular Externa No. 022 of 2020. The Debtor Relief Program will remain in force until June 30, 2021.

In addition, such institutions must, among other measures: (i) establish short and mid-term action plans, foreseeing that the current situation may continue indefinitely, (ii) form a committee in charge of handling emergencies, and (iii) adopt the necessary measures to guarantee the availability of essential officers, collaborators or third parties that perform critical functions.

Furthermore, the Colombian Central Bank has issued regulations seeking to address any potential liquidity issues in the financial sector. Among the measures taken is the reduction of certain reserve requirements applicable to financial institutions effective as of April 22, 2020, as further described below. In addition, the Board of

Directors of the Colombian Central Bank has authorized the Colombian Central Bank to increase liquidity through open market operations by purchasing not only public debt but also private instruments issued by credit institutions with remaining maturities of less than or equal to three years.

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 April 12, 2021 to April 18, 2021, the DTF is 1.74%.

The Colombian Central Bank also calculates the interbank rate (*Interés Bancario de Referencia*), or "IBR," which acts as a reference of overnight, one-month, three-month and six-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 IBR each business day. The one-month and three-month IBRs are also calculated using the median of the quotations submitted each business day, based on the prices of interest rate swaps for each of these periods

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 SFC. As of April 1, 2021, the banking interest rate for small business loans was 38.42% and for all other loans was 32.42%.

Capital adequacy requirements

Capital adequacy requirements for Colombian financial institutions (as set forth in Decree 2555 of 2010, as amended and supplemented by the Basel III Decrees) 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.

Pursuant to Decree 2555 of 2010, as amended and supplemented by the Basel III Decrees, technical capital for Colombian credit institutions, consists of the sum of (i) Common Equity Tier One Capital, (ii) Additional Tier One Capital which together with Common Equity Tier One Capital comprise Tier One Capital and (iii) Tier Two Capital. Tier One Capital and Tier Two Capital as defined herein may differ to the manner in which those terms are used in other jurisdictions.

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 Common Equity Tier One Capital, which requires higher quality capital set at a minimum of 4.5% of risk-weighted assets. However, each credit institution must also comply with (i) a minimum additional basic solvency ratio of 4.875% beginning on January 1, 2021, increasing gradually up to 6% by January 1, 2024; (ii) a capital conservation buffer of 0.375% beginning on January 1, 2021, increasing gradually up to 1.5% by January 1, 2024; (iii) a systemically important financial institutions buffer of 0.25% beginning on January 1, 2021, increasing gradually up to 1% by January 1, 2024; and (iv) a combined buffer equivalent to the sum of the aforementioned buffers as of January 1, 2024. These ratios apply to credit institutions individually and on a consolidated basis.

In addition, credit institutions must comply with a minimum leverage ratio of 3%, which is defined as the sum of the Common Equity Tier One Capital after deductions and the Additional Tier One Capital, divided by the leverage value. The leverage value is the sum of all net assets, the net exposures in all repo (*reporto*), simultaneous transactions (*operaciones simultáneas*) and temporary transfer of securities (*trasnferencia temporal de valores*), the credit exposures in all derivative instruments, and the exposure value of contingencies.

Pursuant to Decree 2555 of 2010, as amended, the SFC must grant prior approval of the eligibility of a debt, equity or hybrid instrument in order to be classified as Common Equity Tier One Capital, Additional Tier One Capital or Tier Two Capital.

Common Equity Tier One 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 of 2010;

- 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 of 2010;

- the 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 Common Equity Tier One 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 oversight of the SFC, 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 SFC 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 oversight of the SFC 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 Tier One Capital includes, among others:

- outstanding and paid-in share capital that the SFC 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 of 2010;
- 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 SFC classifies as Additional Tier One Capital in accordance with articles 2.1.1.1.6 and 2.1.1.1.8 of Decree 2555 of 2010.

Tier Two Capital consists of other reserves and retained earnings, which are added to the Common Equity Tier One Capital net of deductions and the Additional Tier One Capital to calculate technical capital. Tier Two 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 Tier Two Capital when the SFC approves the minimum stay commitments 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;
- 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 of 2010, 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 SFC, 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 SFC classifies as Tier Two Capital in accordance with articles 2.1.1.1.6 and 2.1.1.1.9 of Decree 2555 of 2010. 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 SFC; (ii) the debt instruments are exchanged for debt instruments that qualify for the Tier One Capital or Tier Two 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 Two 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, subject to certain exceptions.

The following table sets forth the Bank's reported and as-adjusted consolidated capital adequacy information at December 31, 2020, 2019 and 2018. The reported figures are calculated using the methodology prescribed by the SFC, which requires that we subtract investments in non-consolidated entities from our regulatory capital.

	At December 31,		
	2020	**2019**	**2018**
	(in Ps millions, except ratios)		
Subscribed and paid-in capital	74,966	71,270	66,020
Share premium	803,117	638,355	486,105
Reserves	1,455,962	1,301,714	1,129,449
Non-controlling interest	44,629	47,102	48,967
Less:			
Long-term investments	(39,573)	(38,637)	(38,788)
Revaluations of intangible assets	(354,781)	(344,526)	(411,820)
Results of previous periods	(149,125)	(151,693)	(18,209)
Unrealized gains (losses)	(4,227)	(736)	(736)
Capital increase advance	0	0	162,488
Primary capital (Tier One)	**1,830,967**	**1,522,849**	**1,423,476**
Net income	100,085	0	0
Others	0	0	0
Subordinated bonds	1,172,277	1,433,522	1,759,672
Computed secondary capital (Tier Two)	**1,272,362**	**1,433,522**	**1,759,672**

Technical capital	3,103,329	2,956,372	3,183,149
Risk-weighted assets	20,169,193	19,512,972	18,051,171
Value at risk	178,569	205,148	176,836
Regulatory value at risk[(1)]	1,984,098	2,279,425	1,964,849
Risk-weighted assets including regulatory value at risk	22,153,291	21,792,397	20,016,020
Primary capital (Tier One) to risk-weighted assets including regulatory value at risk	8.3%	7.0%	7.1%
Secondary capital (Tier Two) to risk-weighted assets including regulatory value at risk	5.7%	6.6%	8.8%
Capitalization ratio[(2)]	14.0%	13.6%	15.9%

(1) Regulatory value at risk consists of value at risk multiplied by (100/9) as required by the SFC. See "—Capital adequacy requirements."

(2) Capitalization ratio is calculated as technical capital to risk-weighted assets including regulatory value at risk.

At December 31, 2020, our technical capital ratio was 14.0%, exceeding the requirement of the Colombian government and the SFC by 500 basis points.

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 SFC. 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 70.3% weighted as risk-weighted assets at December 31, 2020. 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 SFC has established minimum provision levels for each rating.

Investment Appraisal Rules

Entities subject to the supervision of the SFC appraise their investments in accordance with Decree 2555 of 2010 and the rules issued by the SFC for this purpose, contained in the Basic Accounting Circular. In accordance with appraisals regulations, appraisals must be performed by an independent appraisal price provider (*proveedor de precios para valoración*) authorized by the SFC which are authorized to create and issue appraisal methodologies and provide professional services for the calculation, determination and provision of information for investment appraisal. Entities subject to the supervision of the SFC have to rely on these independent providers, instead of performing the appraisals themselves.

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 interest rate (DTF-4) and Class B with an interest rate of 2 percentage points below the DTF interest rate (DTF-2). If the DTF interest rate falls to 4.0% or less, the profitability of the Class A TDAs will be 0.0%, and if the DTF interest rate falls to 2.0% or less, the profitability of the Class B TDAs will be 0.0%. Banks are required to invest 50.0% of the total mandatory investment in Class A TDAs and 50.0% in Class B TDAs.

Until 2006, banking institutions were also 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.

In order to raise funds to alleviate the economic and social impact of the COVID-19 pandemic, the Colombian Government issued Legislative Decree 562 of 2020, which established the obligation for credit institutions to invest in Internal Public Debt Securities called Solidarity Securities (TDS). The investment in TDS will be made directly by credit institutions, through the Central Bank as administrator of those securities and will be paid under market conditions, specifically, at the current rate of short term internal public debt securities. The proceeds received from the investment in TDS will be incorporated as a source of funds for the FOME. TDS are denominated in Colombian Pesos and will pay a fixed interest rate set at the lowest of: (i) the rate of the most recent short-term treasury bond auction, or (ii) the simple average of the last four short-term treasury bond auctions.

Under government discretion, authorities may extend the scope of current regulations or require additional disbursements on current or new types of mandatory investments.

Inactive and abandoned deposits that have been transferred to government entities pursuant to applicable law are excluded from the mandatory investment requirements.

Minimum capital requirements

Article 80 of the Financial Statute, 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 SFC, 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 SFC.

The minimum incorporation capital requirement for banks on an unconsolidated basis for 2020 was Ps 100,492 million, and for 2021 is Ps 102,110 million. In the past, we have consistently satisfied this incorporation capital requirement. At December 31, 2020, our incorporation capital was Ps 1,947,077 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 100.0% 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 1 of 2018 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 1 of 2018 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). In calculating the foreign currency position, External Circular DODM 398 of 2019 enacted by the Colombian Central Bank excludes (i) credit default swaps entered in accordance with Resolution 1 of 2018 of the Colombian Central Bank; (ii) liabilities derived from transfers and creditor contingencies for transfers that are denominated in pesos or indexed to pesos; and (iii) rights and liabilities derived from operations denominated in foreign currency that are agreed at the exchange rate of the maturity date of such operation. At December 31, 2020, we had a consolidated foreign currency position of U.S.$25.7 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. The foreign currency position in cash for exchange intermediaries such as the Bank does not have any minimum or maximum requirements, as per the External Circular DODM 398 of 2019 enacted by the Colombian Central Bank. There are no limits on the average of a bank's foreign currency position in cash for three business days. In calculating the foreign currency position in cash, External Circular DODM 398 of 2019 enacted by the Colombian Central Bank excludes (i) liabilities derived from transfers and creditor contingencies for transfers that are denominated in pesos or indexed to pesos; and, (ii) rights and liabilities derived from operations denominated in foreign currency that are agreed at the exchange rate of the maturity date of such operation. Currency exchange intermediaries 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, 2020, we had a foreign currency position in cash of U.S.$81.4 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. The gross leverage position for exchange intermediaries such as the Bank does not have any minimum or maximum requirements, as per the External Circular DODM 398 of 2019 enacted by the Colombian Central Bank. There are no limits on the average of a bank's gross position of leverage for three business days. In calculating the gross position of leverage, Resolution 1 of 2018 and External Circular DODM 398 of 2019 enacted by 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; (ii) financing operations obtained by intermediaries of the FX Market to perform liquidity supply operations in foreign currency; (iii) credit default swaps entered in accordance with Resolution 1 of 2018 of the Colombian Central Bank; and (iv) rights and liabilities derived from operations denominated in foreign currency that are agreed at the exchange rate of the maturity date of such operation. At December 31, 2020, we had a consolidated gross position of leverage of U.S.$5.0 million, in compliance with these regulatory guidelines.

Also, External Resolution 1 of 2018 of the Board of Directors of the Central Bank provides mandatory foreign exchange exposure limits for foreign currency positions of financial institutions, on a consolidated basis, including the following:

- the average of a bank's foreign currency positive position for three business days cannot exceed the equivalent in foreign currency of 40.0% of the bank's technical capital (on a consolidated basis); and

- the average of a bank's foreign currency negative position for three business days cannot exceed the equivalent in foreign currency of 40.0% of the bank's technical capital (on a consolidated basis).

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.

Since 2008, the reserves of credit institutions ranged between zero and 11.0%. For example, credit institutions had to 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.

As part of the Colombian Central Bank measures to address any potential liquidity shortage in the Colombian financial system, on April 14, 2020 the Colombian Central Bank issued External Resolution 09 of 2020, effective as of April 22, 2020, by virtue of which certain reserve requirements were lowered. For example, credit institutions must now maintain reserves of 8.0% for current accounts deposits and saving accounts deposits, reserves of 3.5% 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.

Credit institutions may maintain these reserves in their accounts at the Colombian Central Bank in readily available funds.

Foreign currency loans

Colombian residents may only obtain foreign currency loans from non-residents or from Colombian financial institutions that are foreign exchange intermediaries. 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.

In addition, according to Article 47 of Regulation 1 of 2018, in certain cases such deposits would not be required, including for foreign currency loans to finance Colombian investments abroad or for short-term export loans. Moreover, according to Article 8-1(n) of Regulation 1 of 2018, foreign currency loans obtained from Colombian currency exchange intermediaries (*i.e.*, Colombian banks) would not be required to post such deposits as long as the foreign financing is used for the purposes included in Article 8-1(n) of Resolution 1 of 2018, which include financing their authorized lending activities in a foreign currency or in local currency (provided the FX exposure is hedged with a derivative) with a tenor equal to, or shorter than, the tenor of the foreign financing. Article 8-1(n) of Regulation 1 of 2018 also provides that, among other things, Colombian banks are authorized to issue debt securities abroad, including for the purpose of financing their authorized lending activities in a foreign currency (provided the FX exposure is hedged with a derivative) with a tenor equal to, or shorter than, the tenor of the foreign financing.

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 also 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 for unconsolidated financial statements

Under Colombian Banking IFRS, calculation of provisions for loan losses in the unconsolidated financial statements of Colombian credit institutions differs from the way in which such provisions are calculated in their consolidated financial statements. Unconsolidated financial statements of credit institutions must follow the SFC 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 SFC. 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 SFC'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 1.0% 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 SFC:

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 SFC, 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 SFC. However, if an entity does not propose such internal models or if they are objected to by the SFC, the reference models contained in the Basic Accounting Circular must be applied to their lending activities.

Provision for loan losses for consolidated financial statements

With respect to consolidated financial statements of Colombian credit institutions, the calculation of provisions for impairment under Colombian Banking IFRS is similar to the way in which such provisions are treated under Colombian Banking IFRS.

With respect to the entire loan portfolio, in accordance with IAS 39, financial institutions must evaluate at the end of each accounting period if there exists objective evidence of the impairment of a loan measured in accordance with the amortized cost methodology. Impairment indicators include significant economic difficulties faced by the borrower, payment default and the probability that the borrower will seek protection from creditors. If impairment is determined, a provision for impairment is charged to income and calculated as follows:

- For loans deemed individually significant and impaired, an individual analysis is effected in accordance with IAS 39, which takes into consideration the amortization schedule, collateral and information from credit bureaus. A loan is considered impaired when, based on historic and current information and events, it is concluded that a probability exists that the lender will be unable to collect in full the amounts owed as per the loan agreement including interest and commissions. When a loan has been identified as impaired, the value of the loss is measured as the difference between the book value of the loan and the present value of expected future flows (taking into consideration the condition of the borrower), discounted using the interest rate initially established on the loan or the present value of the collateral that guarantees the loan (after deducting the estimated selling costs of the collateral) when it is concluded that the fundamental source of repayment is the sale of the collateral. For the calculation of provisions for loans considered individually significant, based on their guarantee, estimates of the fair value of such guarantee are established using independent expert appraisers.

- For those loans which are not individually significant and for loans individually significant but not impaired, a collective assessment is effected, with loans grouped together on the basis of segments having similar characteristics, and using statistical assessment techniques based on the analysis of historical losses to determine an estimate of percentage of losses which have been incurred in such assets as of the date of the financial statements, but which have not been identified on an individual basis.

To calculate incurred losses for loan portfolios analyzed collectively, statistical models are utilized which take into consideration four fundamental factors: exposure, probability of default, loss identification period and loss given default.

The calculation process includes analyses of specific, historical and subjective components. The methodologies utilized include the following elements:

- a detailed periodical analysis of the loan portfolio,
- a credit classification system by risk levels,
- a periodical review of the summary of provisions for impairment,
- identification of loans to be evaluated individually due to impairment,
- consideration of internal factors such as our size, organizational structure, loan portfolio structure, loan administration process, analysis of overdue portfolio and experiences of historical losses,
- consideration of risks inherent to different types of loans, and
- consideration of external factors, including local, regional, national and economic factors.

Lending limits

Decree 2555 of 2010 provides that a financial institution may not lend to a single borrower an amount in excess of 10.0% of such institution's technical capital if the only collateral for such obligations is the borrower's assets. However, financial institutions may lend to a single borrower an amount up to 25.0% of such institution's technical capital as long as such obligations are secured by eligible collateral sufficient to secure a risk exceeding 5.0% of such equity, in accordance with Decree 2555 of 2010 and the financial institution's guidelines.

Furthermore, a financial institution may lend to a single borrower an amount up to 25.0% 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 10.0% of its share capital for one year after such shareholder reaches the 10.0% threshold. In no event may a loan to a shareholder holding, directly or indirectly, 20.0% or more of a bank's share capital exceed 20.0% of a bank's technical capital. In addition, no loan to a single financial institution may exceed 30.0% 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 40.0% 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 30.0% of a bank's technical capital.

If a financial institution exceeds these limits, the SFC 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, 2020, our lending limit per borrower was Ps 285,467 million for unsecured loans and Ps 428,200 million for secured loans.

Decree 2555 of 2010 sets a maximum limit for risk concentrated in one single party, equivalent to 30.0% 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.

On November 3, 2020, the Unit of Financial Regulation published a study on bank exposures and lending limits applicable to financial institutions and other entities surveilled by the SFC. In such study, the current legal framework is assessed as out of date, considering the guidelines published by the Basel Committee over this topic. The study also highlights all regulatory amendments historically implemented in accordance with the requirements and instructions published by the Basel Committee. This study is considered as the first step in the preparation of amendments that will update the bank exposure and lending limits applicable to financial institutions and other entities surveilled by the SFC under the Colombian legal framework.

Ownership and Management Restrictions

The Bank is organized as a stock company (*sociedad anónima*). The Bank's corporate existence is subject to the rules applicable to commercial companies, principally the Colombian Code of Commerce, which requires stock companies (such as the Bank) to have at least five shareholders at all times, and provides that no single shareholder may own 95.0% or more of our subscribed capital stock. Article 262 of the Colombian Code of Commerce prohibits our subsidiaries from acquiring our stock.

Pursuant to the Financial Statute (as amended by Law 795 of 2003), any transaction resulting in an individual or corporation holding 10.0% or more of any class of capital stock of any Colombian financial institution is subject to the prior authorization of the SFC. For that purpose, the SFC must evaluate the proposed transaction based on the criteria and guidelines specified in Law 510 of 1999, as amended by Law 795 of 2003. Transactions entered into without the prior approval of the SFC are null and void and cannot be recorded in the institution's stock ledger. These restrictions apply equally to Colombian residents as well as foreign investors.

Colombian financial institutions that are issuers of securities to the public must comply with special rules regarding the composition of their board of directors. In particular, at least 25.0% of the board members of the board of directors must be independent. To be considered independent, the board members must not be

- employees or directors of the Bank;
- shareholders of the Bank that directly or indirectly address or control the majority of the voting rights or that may determine the majority composition of the management boards;
- shareholders or employees of entities that render certain services to the Bank in cases in which the service provider receives 20.0% or more of its income from the Bank;
- employees or directors of a non-profit organization that receives donations from the Bank in excess of certain amounts;
- directors of other entities in whose board of directors one of the legal representatives of the Bank participates; and

- any other person that receives from the Bank any kind of economic consideration (except as for the considerations received by the board members, the auditing committee or any other committee of the board of directors).

Intervention powers of the SFC—Bankruptcy considerations

Pursuant to the Colombian Banking Law, the SFC 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 SFC 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 SFC, 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 SFC 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 SFC takes possession of a bank, FOGAFIN must appoint a special agent (who must be accepted by the SFC) 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 SFC'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 SFC 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 50 million, regardless of the number of accounts held.

New regulations, such as Law 1870 and Decree 521 of 2018, provide an alternative mechanism for the payment of deposit insurance when a financial institution has been subject to a forced liquidation order by the SFC. Under these regulations, financial institutions may purchase assets and assume liabilities of the financial institution under liquidation (including all the liabilities derived from deposits insured by the deposit insurance), or such assets and liabilities may be transferred to special purpose entities denominated as bridge banks, in order to assure the continuity of critical functions of the financial entity in liquidation and the availability of cash to customers from their deposits with such entity. Bridge banks that receive assets and liabilities from a financial institution under liquidation are required to manage the process of disposing of assets and liabilities within a specified period of time, seeking to maintain their value. Decree 521 became effective on March 15, 2018, and granted six months to the SFC to provide instructions to implement the new regulations, and to FOGAFIN to set the conditions, requirements and procedures to access this alternative.

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 SFC, as well as Law 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 SFC 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 029 of 2014, issued by the SFC 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

Financial entities can only invest on non-financial institutions or any type of local or foreign companies, provided that (i) such companies provide administrative and technical services to support financial institutions operations or (ii) such companies’ exclusive corporate purpose is to develop and/or apply innovations and technologies of their investors which are financial entities (i.e. *sociedades de innovación y tecnología financiera* under Decree 2443 of 2018). 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 Colombian 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, as amended, 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 recently by Law 1902 of 2018, 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, as amended, provides that the employer is jointly and severally liable for the employee's payment obligation and that payroll loans operators must have in place a SARLAFT system.

Prepayment of credit operations without penalty

On July 9, 2012, the Colombian Congress enacted Law 1555, allowing consumers of financial services to prepay obligations denominated in pesos owed to financial institutions without incurring in any penalty. Law 1555 also requires that financial institutions disclose the possibility of such prepayment to borrowers prior to the extension of any loan.

Law 1555 does not apply to (i) mortgage loans, for which prepayment is always allowed according to Law 546 of 1999, (ii) loans having a balance that exceeds 880 times the legal monthly minimum wages or (iii) to financial obligations acquired prior this law's effective date (July 9, 2012).

Data Protection Law

On October 17, 2012, Law 1581 introduced a new data protection regime that applies to any person that administers databases in Colombia. Law 1581, as implemented by Decree 1377 of 2013 and Decree 886 of 2014, provides a set of principles (legality, freedom, truth or quality, transparency, access, confidentiality, etc.) that apply to financial institutions in the administration of their databases. In addition, Law 1266 of 2008 established certain parameters related to management of financial, credit and commercial databases and archives applicable to us.

Regarding the management of financial, credit, and commercial databases and archives, we, as a financial institution and source of information, must comply with Law 1266 of 2008 as well. Additionally, there is a general prohibition on transferring personal data to other countries that do not provide adequate levels of data protection according to the standards set by the Colombian Superintendency of Industry and Commerce. This prohibition does not apply to transfers of data that are inherent to banking and securities activities under applicable law.

On December of 2020, the Unit of Financial Regulation published a study on open banking. The main purpose of such study was to promote a voluntary regulation for open banking in Colombia. In such study, the current legal framework applicable to data protection was assessed as sufficient for implementing open banking in Colombia, which allows the safe transmission of customers personal data, while granting the customer's right to order the transmission of such information to third parties. Currently the SFC is using its regulatory sandbox for testing open banking systems.

Regulation on derivatives transactions

Law 964 of 2005, Decree 2555 of 2010 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.

The Board of Directors of the Colombian Central Bank has also significantly simplified cross-border derivatives transactions reporting obligations applicable to Colombian financial institutions.

Risk management systems

Commercial banks, including the Bank, must have risk administration systems to meet the SFC minimum standards for compliance and to avoid and mitigate the following risks: (i) credit; (ii) liquidity; (iii) market; (iv) operational; and (v) money laundering and terrorism. For further description of risk management systems please see "Bank Risk Management."

Generally, commercial banks are required to assign risk-weightings to their assets based on 0.0%, 25.0%, 50.0% and 100.0% ratios depending on their risks. Standards to evaluate risk have been established and different ratings are awarded (A, B, C, D and E) to each credit asset depending on the level of risk.

Depending on the rating assigned, a different amount of provisions is required, as established by the SFC in Chapter II of the Basic Accounting Circular.

With respect to liquidity and market risks, commercial banks must follow the provisions of the Basic Accounting Circular, which defines criteria and procedures for measuring a bank's exposure to interest rate risk, foreign exchange risk and market risk. Under such regulations, banks must send to the SFC information on the net present value, duration and interest rate of its assets, liabilities and derivative positions. Since January 2002, Colombian banks have been required to calculate, for each position on the statement of financial position, a volatility rate and a parametric VaR, which is calculated based on net present value, modified duration and a risk factor computed in terms of a basis points change. Each risk factor is calculated and provided by the SFC.

With respect to operational risk, commercial banks must assign a rating, according to principles provided by the Basic Accounting Circular, to each of their operative lines (such as, among others, corporate finance, issue and negotiation of securities, commercial banking and asset management) in order to record the risk events that may occur and cause fraud, technology problems, legal and reputational problems and problems associated with labor relations at the bank.

Changes to accounting standards

There are new accounting standards that will go into effect relating to the classification, measurement and recognition of financial assets and liabilities. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Recent IASB IFRS Pronouncements.”

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 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	95.0%	90.0%	80.0%
Advanced Models of Credit Risk and/or Operational Risk	90.0%	90.0%[1]	-

(1) 80% for operational risk.

The Basel III reforms seek to strengthen regulation and supervision from both a microprudential and macroprudential perspective. In relation to Pillar 1, the reforms contemplate an increase in the quality and quantity of capital and also propose an improvement in the capital coverage.

The SBS developed a program of adaptation to Basel III in three phases. The first phase of the Basel III implementation program ended in 2011 with the establishment of additional cash capital requirements. In the second phase of implementation, the liquidity coverage index (LCR) was introduced as a prudential liquidity standard and is required since 2014. Finally, the definition of capital was improved in 2016 through an approximation to capital deductions for intangible assets and deferred tax assets, which is in line with Basel III proposals regarding adjustments to credit risk weights for certain items.

Capital adequacy

Under the provisions of article 199 of the Peruvian Banking Law, and on an unconsolidated basis, the regulatory capital may not be lower than 10.0% 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 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.*, 50.0% 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.*, 50.0% 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 December 2017 (SBS Resolution No. 4906-2017) 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. In 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 5.0%, 25.0%, 60.0% and 100.0% 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%, 30.0% and 60.0%, respectively. The amount of the reserve for any such loans or credits, or portions thereof, secured with "self-liquidity" collateral may be reduced by 50.0%. Loans or credits, or the portions thereof, secured with "preferred readily realizable collateral," require at least a 1.0% 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 1.0% reserve on loans classified as Normal with respect to which no credit issues have been identified, and a 5.0%, 25.0%, 60.0% and 100.0% 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 5.0%, 25.0%, 60.0%, and 100.0%. 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.

Interest Rates limits

On March 18, 2021, the Peruvian Congress enacted Law No. 31143, under which the Peruvian Central Bank will be able to set maximum and minimum interest rates every six months in order to regulate the loan market. The maximum and minimum interest rates will apply to consumer loans, low-value consumer loans, and loans for small and micro-businesses. Moreover, this law forbids interest capitalization, as well as penalties, fees or expenses charged regarding defaulting loans.

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 10.0% 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 10.0% limit indicated above may be raised to 15.0%, 20.0% and 30.0%, 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 (30.0% of regulatory capital), to local banks (30.0%), and to foreign banks (from 5.0% for non-regulated banks to 30.0% for first category international banks (as defined by the Peruvian Central Bank from time to time), which may also be raised to 50.0% 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 272-2017 entered into effect on January 1, 2018 replacing Resolution No 37-2008.This Resolution contains guidelines for integral risk management of financial institutions as well as corporate governance requirements. 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.

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 of the Peruvian Central Bank

Under the Peruvian Banking Law, all financial institutions regulated by the SBS (except for small-business development non-bank institutions and electronic currency issuers) 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. 010-2020-BCRP and Circular No. 011-2020 BCRP, the minimum legal reserve requirement for local and foreign currency deposits is 4.0% and 9.0%, respectively. Foreign currency deposits collected from the general public are subject to a marginal rate of 35.0% 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 9.0% 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 0.75% 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 March 1, 2021 and May 31, 2021, the maximum coverage amount is S/104,377.00 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.

In addition, Legislative Decree No 1352, which was enacted on April 21, 2016 and went into effect in January 2018, modified the scope of criminal liability, including for companies, and established a requirement for Peruvian companies to implement a criminal compliance program. On January 9, 2019, the Regulation of Law N° 30424, was enacted, the purpose of which was to establish, specify and develop the components, principles, standards and minimum requirements that companies must contemplate in their prevention model.

Intervention by the SBS and liquidation

Pursuant to 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

50.0%, 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.

Decrees and regulations related to COVID-19

On March 15, 2020, the Peruvian Government issued Supreme Decree No. 044-2020-PCM that declared a State of National Emergency (*Estado de Emergencia Nacional*) due to the expansion of the COVID-19 virus in the country, and implemented a series of measures such as mandatory lockdowns and restrictions on the operation of certain industries, among others. The State of National Emergency has been continuously extended by the Peruvian Government during the last months; the latest extension was implemented by means of Supreme Decree No. 036-2021-PCM, published on February 27, 2021. In addition, the Peruvian Government has declared a health national emergency which, in accordance with Supreme Decree No. 009-2021-SA, will last until September, 2021.

In order to mitigate the economic impact of the virus, the Government issued a number of Decrees and regulations during March and April of 2020. In particular, Emergency Decree No. 029-2020 (published on March 20, 2020) approved the creation of a S/300 million business support fund to facilitate financing for micro and small businesses by guaranteeing 70.0% of the amounts of working capital loans granted to micro and small businesses.

Legislative Decree No. 1455 (published on April 6, 2020), created the *Reactiva Perú* Program in order to preserve the continuity of the payments chain during the COVID-19 crisis. The Decree approves a governmental guarantee in an aggregate amount of S/30 billion for working capital loans granted by financial institutions. This guarantee program covers up to 98.0% of each borrower’s debt.

The SBS approved Resolution No. 1314-2020 (published on April 27, 2020) and Resolution No. 1315-2020 (published on April 28, 2020), which have exceptionally established a 0.0% rate for credit risk reserves (*provisión por riesgo de crédito*) —applicable under certain conditions—with respect to Government-secured tranches of loans granted under the *Reactiva Perú* Program and the business support fund for micro and small businesses.

Moreover, the Peruvian Central Bank issued Circular No. 017-2020-BCRP (published on April 14, 2020) in order to regulate repurchase agreements (repos) over financial instruments representing loans granted with a governmental guarantee.

Law No. 31050, published on October 6, 2020, created the "Programa de Garantías Covid-19", which grants a governmental guarantee (up to an aggregate amount of S/ 5 billion) for rescheduling loans granted to individuals and small and medium-size businesses. The program will be in place for four years.

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 1996, 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 1996, 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 1996, 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 20.0% 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 1996, as amended by Law No. 5787 of 2016, the Paraguayan Superintendency of Banks requires financial institutions to maintain a minimum primary capital ratio (Tier I) of 8.0%, and a minimum secondary capital (Tier II) of 12.0%.

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 as the principal indicator, although other factors are also taken into account such as the capacity of payment of the debtor and the debtor's behavior during the life of the loan. 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 by Law No. 2334 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. During 2019, several new anti-money laundering laws were enacted to strengthen the detection and mitigation of money laundering, as part of the recommendation of the FATF.

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 entity submits or sends fraudulent or false information to the Paraguayan Superintendency of Banks;

- when the entity offers and/or formalizes operations with capture rates markedly higher than those of the market or to institutions of the same nature, when such collection jeopardizes the financial stability of the entity;

- when external auditors have refrained from issuing an opinion or their opinion is negative or the financial intermediation entity has omitted the publication of the external audit opinion;

- 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.

Decrees and regulations related to COVID-19

On March 26, 2020, the Paraguayan Congress enacted Law No. 6524 that declared a State of Emergency (*Estado de Emergencia*) in the country as a result of the expansion of COVID-19. In response to the COVID-19 crisis, the Paraguayan Central Bank has adopted measures aimed at ensuring liquidity in the market and access to credit for individuals and companies. It has also sought to facilitate the refinancing and restructuring of loans granted to individuals and companies.

In particular, the obligation to pay principal and interest due on loans granted on or prior to March 29, 2020, is deferred for the months of March, April, May and June 2020, without any past due interest. During the same months the payment of minimum amounts on credit cards is also waived. In addition, through October 31, 2020, banks may not close checking accounts of customers who have issued checks with insufficient funds provided such clients notify the bank of their inability to honor the check issued. The Central Bank also adopted a measure that facilitates the granting of loans to micro and small businesses to cover working capital needs, including salaries, overhead and payments to suppliers. Also, because of the current status of the health emergency and for the uncertainty of the local and international economic consequences, the Central Bank of Paraguay resolved that the

Special Credit Facility (FCE) and the Repo Operations of Credit portfolio (ORC) implemented in March and April 2020 as additional liquidity instruments, remain available.

In early March, the Paraguayan Central Bank adopted measures aimed at preserving liquidity in the market, including the lowering of the minimum reserve requirements for domestic and foreign currency deposits applicable to financial institutions through December 31, 2020.

MANAGEMENT

Board of directors

Our board of directors is composed of five 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, Bogota, Colombia.

The current members of the board of directors were appointed at a shareholders' meeting held on December 23, 2020. The following table presents the names of the current members of the board of directors:

Board Member	Position
Mr. Jaime Gilinski Bacal	Chairman
Mr. Gabriel Gilinski Kardonski	Member
Mr. Ricardo Díaz Romero	Member
Mr. Robert L. Brookes	Member
Mr. Luis Eduardo Nieto Jaramillo	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 Holdco. 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. Ricardo Diaz

Mr. Diaz holds an accounting degree from the Universidad Jorge Tadeo Lozano–Bogota. 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. Gabriel Gilinski

Mr. Gilinski holds a bachelor's degree from the University of Pennsylvania. Mr. Gilinski is a member of the board of directors of the Bank and has held this position since June 2018. He is currently a member of the board of directors of JGB Financial Holdco.

Mr. Robert Brookes

Mr. Brookes holds a bachelor's degree in economics from Northwestern University. Mr. Brookes is a member of the board of directors of the Bank and has held this position since June 2018. Mr. Brookes is the also the President of Key to Banking LLC, a business and bank consulting firm. From 2013 to 2018, Mr. Brookes was Director and Consultant and then President and Chief Executive Officer of Home Federal Bank of Hollywood, Florida. Prior to that, Mr. Brookes was President and Chief Executive Officer of Security Bank, N.A. from 2011 to 2013 and President and Chief Executive Officer of JGB Bank, N.A. from 1999 to 2011. Between 1981 and 1999, Mr. Brookes held senior management positions at Suntrust Bank, Key Biscayne Bank & Trust Company and Bank of Boston. In addition, between 1975 and 1981, Mr. Brookes was an examiner at the Comptroller of the Currency of the U.S. Department of Treasury for the New England region.

Mr. Luis Eduardo Nieto

Mr. Nieto holds a law degree from the University of Los Andes, Colombia and a master's degree in law from the University of Pennsylvania. Mr. Nieto is a member of the board of directors of the Bank and has held this position since June 2018. Mr. Nieto is also a member of the board of directors of AFIN, Comisionista de Bolsa, a Colombian brokerage firm and of Fundación de la Madre y el Niño, a charitable foundation. Mr. Nieto is a Partner at the Nieto & Chalela Abogados law firm in Colombia.

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. Lesbia Benavides Leon......................................	Vice-President, Operation and Administration
Mr. Henry Usme Gómez	Vice-President, Corporate and Institutional Banking
Mr. Luis Hernando Aguilera	Vice-President, Payroll Lending
Ms. Eliana Castro Assaf	Vice-President, Consumer Banking
Mr. Luis Eduardo Díaz	Vice-President Technology
Ms. Angélica María Muñoz Mantilla	Vice-President, Treasury
Mr. Efraín Castro Alvarez	Vice-President, Credit
Ms. Nora Ximena Hernández Perdomo.....................	Marketing and Product Development National Manager
Ms. Sandra Liliana Valencia	Compliance Officer
Mr. Fredy Herrera..	General Auditor
Mr. Luis Alberto Rengifo Peláez................................	Risk Management National 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 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. 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. Benavides, 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. Henry Usme Gómez

Mr. Gómez holds a degree in economics from Universidad Santo Tomás, Colombia. Mr. Usme has been Vice-President of Corporate and Institutional Banking since July 2018. Mr. Gómez joined the Bank in 1997 and previously served as Business National Manager, Corporate Banking Manager and Credit Manager. Prior to joining the Bank, Mr. Gómez served as Director of Commercial Analysis and Director of Credit Analysis of Banco del Estado.

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. Eliana Castro Assaf

Ms. Castro holds a degree in business administration from the Pontificia Universidad Javeriana with a specialization in Corporate Finance from the Colegio de Estudios Superiores de Administracion. She joined the Bank in May 1996 and currently serves as Vice President of Consumer Banking. Ms. Castro has previously served as national manager of bank deposits and treasurer of the trust department of the Bank, director of the corporate desk and senior trader of Banco Tequendama as well as senior credit analyst of the Corporacion Financiera de los Andes.

Mr. Luis Eduardo Díaz

Mr. Díaz holds a degree in computer engineering from Universidad Politécnico Grancolombiano, Colombia, has a postgraduate degree in senior management from Universidad de Los Andes and a certification in technology management from Universidad de la Sabana. Mr. Díaz has been at the Bank since September 1996, working as manager of technology and electronic banking, director of information technology management and manager of technology for Servibanca. He currently serves as Vice President of Technology.

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.

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.

Sandra Liliana Valencia

Ms. Valencia holds a degree in public accounting from the Universidad Autonoma de Colombia, with specialization in prevention of money laundering at Universidad of Salamanca. She currently serves as the substitute compliance officer of the Bank. Ms. Valencia also has a specialization in financial risk management from Sergio Arboleda University. She has been at the Bank since July 2003, working as an analyst of the security and compliance department, risk director of SARLAFT and director of the compliance unit. Within her previous experience, she has also worked at the compliance division of Banco Popular.

Mr. Fredy Herrera

Mr. Herrera holds a degree in business administration and a specialization in finance from Universidad Politecnico Grancolombiano, Colombia. Mr. Herrera is a CRMA (Certified in Risk Management Assurance) by the Institute of Internal Auditors of the United States. Mr. Herrera has been at the Bank since February 1983, and has worked on operative and centralized audits, and was the Director of Centralized Audit and General Auditor of Banco GNB (Peru). He currently serves as General Auditor of the Bank.

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

The Bank's 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 the Bank's board of directors in fulfilling its responsibilities with respect to 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 SFC, 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. Pursuant to regulations of the SFC, 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 a meeting held on June 24, 2020. The audit committee, whose members are appointed by the board of directors, consists of three members of the board of directors, two of whom must be independent, and the President of the Bank. The Bank's Auditor General will be a permanent invitee and the Secretary General of the Bank may also attend. The Tax Reviewer (*Revisor Fiscal*) and any other employee of the Bank may be invited for purposes of presenting information on pertinent matters.

SHARE OWNERSHIP AND PRINCIPAL SHAREHOLDER

Our only class of outstanding share capital consists of our common shares. We have 187,414,441 common shares issued and outstanding each with a nominal value of Ps 400.00.

Our issued and outstanding share capital at the date of this offering memorandum is held by (i) Gilex Holding S.A., registered holder of 90.05%, (ii) Glenoaks Investments S.A., registered holder of 4.75% and (iii) Gilinski Holding S. de R. L., registered holder of 4.99%. Gilex Holding S.A., Glenoaks Investments S.A. and Gilinski Holding S. de R. L. are 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 to the related party 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 10.0% 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 SFC regulates and closely monitors related-party transactions and establishes limits on related party transactions. For example, for secured loans to shareholders holding 20.0% or more of the bank's shares, the maximum aggregate amount of the loans is limited to 20.0% of the bank's technical capitaL. For unsecured loans to shareholders, the maximum aggregate amount of the loans is limited to 10.0% 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, 4.0% 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 30.0% 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 10.0% of the bank's technical capital (*patrimonio efectivo*), in aggregate. For secured loans, these limits can increase up to 1.0% individually and 20.0% in aggregate.

Our related-party exposure (as measured in accordance with Colombian banking regulations) equaled 9.9% of our technical capital at December 31, 2020.

At December 31, 2000, 2019 and 2018, the Bank had a checking account with a balance of U.S.$130.5 million, U.S.$0.4 million and U.S.$70.4 million, respectively, in GNB Bank, Panamá, a banking institution controlled by the Gilinski family.

At December 31, 2020, 2019 and 2018, the Bank had loans outstanding with companies owned by Mr. Jaime Gilinski Bacal, the Chairman of the Bank's board of directors and a member of the Gilinski family, which indirectly owns our principal shareholder, in an aggregate amount of U.S.$90 million, U.S.$95 million and U.S.$100 million, respectively. Such loans are on an arm's-length basis in the ordinary course of business, on terms no more favorable than those offered to third parties.

At December 31, 2020 and 2019, the Bank had a receivable owing by Starmites Corporation S.ar.l., a company controlled by the Gilinski family, related to technology services provided by the Bank relating to digital banking, of Ps 114,686 million and Ps 46,259 million, respectively. This receivable will be payable upon completion of the services.

Some of the members of our board of directors and management have deposit accounts with, and obtain credit from, the Bank and/or its banking institution subsidiaries, in compliance with applicable banking regulations. See note 24 to our 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, and its successors, but not any of its subsidiaries. The Bank will issue the Notes (as defined herein) described in this offering memorandum under an indenture to be dated as of April 16, 2021 (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 offering memorandum 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 listing 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 7.50% Subordinated Notes due 2031 (the "Notes") are being issued by the Bank as "subordinated debt instruments" (*bonos subordinados*) under the laws of Colombia (with the effects set forth in Article 2.1.1.1.9 of Decree 2555). We expect the Notes to qualify as Tier Two Capital upon classification by the Colombian Superintendence of Finance ("SFC"). For a description of the current requirements for debt instruments to qualify as Tier Two Capital under Colombian banking laws, see "Banking Regulations—Colombia—Capital adequacy requirements."

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.

An aggregate principal amount of Notes equal to U.S.$400,000,000 is being issued in this offering. The Bank may, at any time prior to or on April 16, 2026, 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 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. For purposes of this "Description of the Notes," references to the Notes include Additional Notes, if any.

The Notes will be issued in registered form, without interest coupons, and in minimum denominations of U.S.$150,000 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 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."

Principal, Maturity and Interest

The Notes will mature on April 16, 2031. The Notes will bear interest on their principal amount from, and including, the Issue Date to, but excluding, April 16, 2026 (the "Reset Date") at the rate of 7.50% 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 Treasury Rate on the Reset Date and (ii) 666 basis points. Interest will not be reset based in whole or in part on the Bank's credit standing as of the Reset Date.

Interest on the Notes will be payable semi-annually, in arrears, on April 16 and October 16 of each year (each, an "Interest Payment Date"), commencing on October 16, 2021. Interest on the Notes will be paid on the dates specified above to the Holders of record at the close of business on April 1 or October 1, as the case may be, immediately preceding the relevant Interest Payment Date (whether or not a Business Day). 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 period from and after the relevant Interest Payment Date or the final maturity date, as the case may be, to the next succeeding Business Day.

The Bank will pay the principal of and interest on the Notes and any Additional Amounts (as defined below) in U.S. dollars.

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 or the paying agent is required to withhold or deduct Taxes by law or by the interpretation or administration thereof. If the Bank or the paying agent 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 that no Additional Amounts will be payable with respect to any Taxes:

(1) to the extent such Taxes are imposed by reason of any present or former connection between the Holder (or the beneficial owner of, or Person ultimately entitled to obtain an interest in, such Notes) 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 Taxes are imposed due to the failure to satisfy any certification, identification or other reporting requirements whether imposed by statute, treaty, regulation or administrative practice, provided 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;

(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 Taxes by requesting that a payment on the Notes be made by, or presenting the relevant Notes for payment to, another paying agent in the European Union.

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 to the extent a beneficiary or settlor with respect to a fiduciary, a member of a partnership or the beneficial owner of such payment would not have been entitled to the payment of Additional Amounts by reason of clauses (1) to (4) 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 under 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, Additional Amounts are, were or would be payable in respect thereof.

Notwithstanding the foregoing, all payments shall be made net of any deduction or withholding imposed or collected pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (or any law implementing such an intergovernmental agreement) (any such withholding is defined as a "FATCA Withholding Tax"), and no Additional Amounts will be payable as a result of any such FATCA Withholding Tax.

Within 30 days after any request, the Bank will provide the Trustee with documentation satisfactory to the Trustee evidencing the payment of Additional Amounts.

If any Taxes imposed by a Relevant Taxing Jurisdiction are deducted or withheld from payments under or with respect to the Notes, the Bank will provide the Trustee with the official acknowledgment of the Relevant Taxing Jurisdiction evidencing the payment of such Taxes (or, if such acknowledgment is not available, other reasonable documentation evidencing such payment). Copies of such documentation will be made available to the Holders of the Notes upon request therefor.

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 premium, if any, and interest and any Additional Amounts on the Notes represented by global notes 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. None of the Bank, the Trustee, any paying agent, any transfer agent or the security registrar 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 Official List of 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). If publication in a leading newspaper in Luxembourg is not practical, the Bank will publish such notices in one other leading English language daily newspaper with general circulation in Europe. Any such notice will be deemed to have been delivered on the date of first publication.

Subordination of Notes

The Notes will constitute unsecured and subordinated obligations of the Bank and will rank *pari passu* with all other unsecured Tier Two Capital subordinated Indebtedness of the Bank, if any, other than '30-subordinated Indebtedness that, under its terms, is designated as junior to the Notes. Pursuant to Colombian banking laws in effect on the Issue Date, the Notes will constitute Tier Two Capital "subordinated notes" (*bonos subordinados*) upon classification by the SFC.

Accordingly, Holders may recover less ratably than creditors of the Bank who are creditors of Senior Liabilities. Also, as a result of the operation of the provisions of the Notes described under "—Loss Absorption" below, Holders may recover less ratably than holders of *pari passu* subordinated debt of the Bank that does not include a similar loss absorption feature.

In addition, the Notes will be structurally subordinated to all indebtedness and other liabilities (including trade payables) of the Bank's subsidiaries.

The payment of all obligations on or relating to the Notes will, in the event of liquidation, 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, and will be senior in right of payment only to subordinated instruments constituting Tier Two Capital subordinated Indebtedness that is designated as junior to the Notes, subordinated instruments constituting Tier One Capital and the Bank's capital stock. 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 with respect to any obligations on or relating to the Notes:

- in the event of any distribution to creditors of the Bank in a total or partial liquidation, dissolution or winding up of the Bank; or

- in the event that the SFC institutes an Intervention Measure with respect to the Bank and determines to liquidate the Bank.

As of December 31, 2020, the Bank had Ps 4,422,428 million (U.S.$1,288.4 million) aggregate principal amount of outstanding Indebtedness, including Ps 3,127,685 million (U.S.$911.2 million) aggregate principal amount of outstanding Tier Two Capital subordinated Indebtedness, on a consolidated basis.

Redemption

The Bank will not be permitted to redeem the Notes before their stated maturity, except as set forth below.

Optional Redemption on or after the Reset Date

On or after the Reset Date, subject to (i) the prior approval of the SFC and any other then applicable Colombian governmental authority, if required, and (ii) to the requirement that (x) after giving effect to any optional redemption, the Bank will be in compliance with all minimum capital requirements and solvency ratios under applicable Colombian laws and regulations then in effect, prior to or concurrently with the Bank's redemption of the Notes; or (y) if, after giving effect to any optional redemption, the Bank would not be in compliance with all minimum capital requirements and solvency ratios under applicable Colombian laws and regulations then in effect, prior to or concurrently with the Bank's redemption of the Notes, the Bank shall issue new instruments which qualify as (a) Common Equity Tier One Capital of the Bank, (b) Additional Tier One Capital of the Bank or (c) Tier Two Capital of the Bank, in an amount equal to no less than the redemption price of the Notes being redeemed under conditions which are sustainable for the income capacity of the Bank, the Bank may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100.0% of the outstanding principal amount of the Notes being redeemed, plus any accrued and unpaid interest thereon and Additional Amounts, if any, to, but excluding, the date of redemption.

In the case of an optional redemption of the Notes pursuant to the preceding paragraph, prior to delivery of the notice of redemption to the Holders, the Bank must provide the Trustee an Officers' Certificate certifying that each of the requirements set forth in clauses (i) and (ii)(x) or (ii)(y), as applicable, of the preceding paragraph will have been met as of the redemption date.

Optional Redemption upon Regulatory Event or Tax Event

At any time on or after the Issue Date, subject to (i) compliance with 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 but not in part, at a price equal to 100.0% of the outstanding principal amount, plus any accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the date of redemption, following the occurrence of a Regulatory Event or Tax Event.

In the case of a redemption following the occurrence of a Regulatory Event or Tax Event, prior to delivery of the notice of redemption to the Holders, the Bank shall provide the Trustee an Officers' Certificate and an opinion of an independent legal counsel of nationally recognized standing in such matters, stating that the conditions set forth in the Indenture for such exercise have been met.

Redemption Procedures

The Bank shall only exercise its right to redeem the Notes in compliance with, and as permitted by, applicable Colombian laws and regulations then in effect.

Notice of redemption must be given to Holders not less than 15 nor more than 60 days prior to the redemption date. On and after the redemption date, interest will cease to accrue on the Notes (unless the Bank defaults in the payment of the redemption price and accrued and unpaid interest). On the Business Day immediately preceding the redemption date, the Bank will deposit with the Trustee money sufficient to pay the redemption price on the Notes to be redeemed on such date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date).

A redemption notice will be automatically rescinded and will have no force and effect, and no redemption amount will be due and payable, if (x) a Write-Down Event occurs prior to the applicable redemption date (in which case, a Write-Down will occur as described under "–Loss Absorption") or (y) if prior to the applicable redemption date, there is a change in law or regulation that would cause the Bank not to be in compliance with the requirements applicable to such redemption described above. The Bank shall give notice of such rescission to the Holders of the Notes in accordance with the procedures set forth in this Indenture and to the Trustee in writing.

In the case of a redemption following the occurrence of a Tax Event, no notice of redemption may be given earlier than 60 days, prior to the earliest date on which (i) the Bank would be obligated to pay Additional Amounts if a payment in respect of the Notes were then due or (ii) interest would no longer be deductible by the Bank in whole or in part for Colombian income tax purposes, as applicable.

Loss Absorption

As determined by applicable Colombian laws and regulations then in effect, if: (i) the Bank's Basic Individual Solvency Ratio or the Bank's Basic Consolidated Solvency Ratio is below 4.5%; or (ii) the SFC, in its discretion, otherwise so determines in writing (each of the foregoing, a "Write-Down Event"), the outstanding principal, accrued and unpaid interest, and any other amounts due on the Notes will be permanently reduced, *pro* *rata* with reductions in the outstanding principal, accrued and unpaid interest, and any other amounts due on other Tier Two Capital subordinated Indebtedness as to which a Write-Down Event has occurred, if any, to the extent permitted by the SFC at the time, by an amount needed to (x) restore the Basic Individual Solvency Ratio to 6.0%; (y) restore the Basic Consolidated Solvency Ratio to 6.0%; or (z) comply with the order of the SFC to restore the Basic Individual Solvency Ratio or Basic Consolidated Solvency Ratio to 6.0%, as applicable (a "Write-Down"); provided that the principal amount of the Notes may not be written down below zero. The amount by which the outstanding principal amount, accrued and unpaid interest, and any other amounts due on the Notes is reduced upon the occurrence of a Write-Down Event is referred to as the "Permanent Reduction Amount." See "Banking Regulations—Colombia—Capital adequacy requirements."

In the event that the Write-Down is insufficient to restore the Basic Individual Solvency Ratio or the Basic Consolidated Solvency Ratio to the required levels, the principal amount of the Notes will be reduced to zero. In any case, under Colombian banking laws the Write-Down Event will be triggered prior to the issuance of an order of capitalization or equity enhancement of the Bank with public funds.

The Bank will provide notice to Holders via the applicable clearing system and the Trustee (a "Write-Down Notice") that a Write-Down Event and subsequent Write-Down has occurred within two Business Days following such Write-Down Event. Any Write-Down Notice will be accompanied by an Officers' Certificate of the Bank stating that a Write-Down Event has occurred, specifying the reduction date, which shall be the Business Day following the occurrence of the Write-Down Event (the "Reduction Date"), setting out the method of calculation of the Permanent Reduction Amount and indicating the amounts of principal, interest and any other amounts due comprising the Permanent Reduction Amount.

On the Reduction Date, the outstanding principal amount on the Notes will be decreased as specified in the Write-Down Notice and the amounts of accrued and unpaid interest and any other amounts due on the Notes as of the Reduction Date will be canceled, in each case to the extent specified in the Write-Down Notice. Following the Reduction Date, interest will accrue on the principal amount of the Notes that remains after giving effect to the Write-Down.

A Write-Down Event and the subsequent reduction of the outstanding principal, accrued and unpaid interest, and any other amounts on the Notes will not constitute an Event of Default. Any Holder of Notes will automatically be deemed to have irrevocably waived its right to claim or receive, and will not have any rights against the Bank or the Trustee with respect to, repayment of, the Permanent Reduction Amount, irrespective of whether such amounts have become due and payable prior to the date on which the Write-Down Event shall have occurred.

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 assets to any Person, unless:

(1) the Bank obtains any and all regulatory approvals in connection therewith;

(2) 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;

(3) the Bank, or the surviving entity, as the case may be, is not immediately after such transaction in Default under the Notes and the Indenture; and

(4) 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, lease conveyance or transfer 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 Bank or the surviving entity, as applicable, 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 (other than the type contemplated under "—Governing Law; Submission to Jurisdiction") 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, 2020, 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 listing 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 actual or 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, subject to the provisions described under "—Loss Absorption";

(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, subject to the provisions described under "—Loss Absorption";

(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;

(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; or

(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 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 that, to the extent that the SFC has instituted an Intervention Measure in connection with the Bank under the Colombian 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 upon the Bank's liquidation. 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 and the rights, protections, immunities and indemnities of the Trustee and the obligations of the Bank in connection therewith) 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 security 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, subject to the applicable laws and regulations then in effect. 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, subject to the provisions described under "—Loss Absorption":

(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 the subordination provisions of the Notes or the Indenture (including the definitions 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 the Bank merges into or sells, leases, conveys or transfers 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, transfer agent 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. 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 upon its written request, 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

Following the issuance of the Notes, the Bank will use its commercially reasonable efforts to obtain listing of the Notes on the Official List of the LSE for trading on the Euro MTF Market. The Bank may delist the Notes and, at the option of the Bank, seek an alternative admission to listing, trading and/or quotation for the Notes by another listing authority, stock exchange and/or quotation system outside the European Union. In such event, the Bank will give notice of the identity of such other listing authority, stock exchange and/or quotation system to the Holders of the Notes as described under "—Notices."

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.

Notwithstanding the foregoing, the authorization and execution of such documentation by the Bank and any subordination provisions of the Notes will be governed by the laws of Colombia. The qualification of the Notes as Tier Two Capital will be determined pursuant to applicable Colombian banking laws and regulations.

The Bank and the Trustee will waive any right to trial by jury in any action, proceeding or counterclaim arising out of or relating to the Indenture or the Notes or any transaction related thereto to the fullest extent permitted by applicable law.

The Bank will consent 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 will waive, 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 will agree 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.

"*Additional Tier One Capital*" means additional tier one capital ("*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 adicional*" in effect from time to time.

"*Bankruptcy Law*" means the provisions of the Colombian Financial Statute concerning intervention (*toma de posesion*), 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.

"*Basic Consolidated Solvency Ratio*" means in respect to the consolidated capital of the Bank, the consolidated amount of Common Equity Tier One Capital net from all deductions, divided by the consolidated amount of credit, market and operational risk weighted assets, all of the foregoing determined in accordance with Decree 2555 and Colombian Banking IFRS.

"*Basic Individual Solvency Ratio*" means in respect to the capital of the Bank, the result of dividing the Common Equity Tier One Capital net from all deductions, by the credit, market and operational risk weighted assets of the Bank, all of the foregoing determined in accordance with Decree 2555 and Colombian Banking IFRS.

"*Business Day*" means any 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, Decree 2131/2016, Decree 2170 of 2017 and Decree 2483 of 2018, and the regulations of the SFC, as in effect from time to time.

"*Colombian Financial Statute*" means Decree 663 of 1993, as amended and supplemented from time to time, of Colombia.

"*Common Equity Tier One Capital*" means, as of any date of determination, the "*patrimonio básico ordinario*" 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 of Decree 2555 or any other Colombian law or regulation regulating the "*patrimonio básico ordinario*" in effect from time to time.

"*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.

"*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, any obligation for the payment or repayment of money borrowed or otherwise evidenced by debentures, notes, bonds, or similar instruments or any other obligation (including all trade payables and other accounts payable and including payments relating to bank deposits) that would appear or be treated as indebtedness upon a balance sheet if such Person prepared it in accordance with Colombian Banking IFRS.

"*Intervention Measure*" means any of the measures described in article 114 of the Colombian 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 16, 2021, the date on which the Notes are originally issued.

"*LSE*" means the Luxembourg Stock Exchange.

"*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 Colombian 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.

"*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 the 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.

"*Regulatory Event*" means any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) or treaties of Colombia which change or amendment becomes effective on or after the Issue Date, as a result of which the Notes will no longer comply with the criteria to be classified as Tier Two Capital pursuant to applicable Colombian capital regulations, other than pursuant to of article 2.1.1.1.13 letter (c) of the Decree 2555, as amended, which provides that starting on the date that is five years before the scheduled maturity of the Notes, the principal amount of the Notes that may be accounted as Tier Two Capital shall be reduced by annual amortization using the straight-line method.

"*Reset Date*" means April 16, 2026.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*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 expressly provides that such external debt shall not be senior in right of payment to the Notes. 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 Colombian Superintendence of Finance (*Superintendencia Financiera de Colombia*) or any other successor governmental entity in charge of the surveillance of financial institutions in Colombia.

"*S&P*" means Standard & Poor's Ratings Services, a division of McGraw-Hill Companies, Inc., and any successor to its rating agency business.

"*Taxes*" means any taxes, duties, levies, imposts, assessments or other governmental charges (including penalties, interest and any other liabilities related thereto).

A "*Tax Event*" shall occur if, as a result of any change in or amendment to the laws (or any rules or regulations thereunder) of a Relevant Taxing Jurisdiction (as defined above under "—Additional Amounts"), or any treaties or related agreements to which the Relevant Taxing Jurisdiction is a party (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date of the Notes or, if later, the date on which the applicable Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction, there is a change in the tax treatment of interest payable by the Bank, and as a consequence (i) the Bank has or will become obligated to pay Additional Amounts as described above under "—Additional Amounts" or (ii) there is more than an insubstantial risk that interest payable by the Bank on the Notes is not or will not be deductible by the Bank in whole or in part for Colombian income tax purposes, and in either case (i) or (ii) such obligation cannot be avoided by the Bank taking reasonable measures available to it.

"*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 the "*patrimonio técnico*" of banks comprised of Common Equity Tier One Capital, Additional Tier One Capital and Tier Two Capital pursuant to Decree 2555, or any other Colombian law or regulation regulating the "*patrimonio técnico*" in effect from time to time.

"*Tier One Capital*" means Common Equity Tier One Capital and Additional Tier One Capital.

"*Tier Two Capital*" means, as of any date of determination, the "*patrimonio adicional*" as the same is defined in Article 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.

"*Treasury Rate*" means, with respect to the Reset Date, (i) the yield calculated by the Bank after 4:15 p.m., New York time, on the second Business Day preceding the Reset Date, as follows: for the latest Business Day that appears in the statistical release published by the Board of Governors of the Federal Reserve System designated as "Selected Interest Rates (Daily) - H.15" (or any successor designation or publication) ("H.15") under the caption "Treasury Constant Maturities – Nominal," the Bank shall select the yield for the five-year constant maturity; or (ii) if H.15 is no longer published or regularly available, the rate per annum equal to the semi-annual equivalent yield to maturity of the United States Treasury security, selected by the Bank with a maturity closest to the Reset Date and, if two or more have the same maturity, that is trading closest to par, and that is otherwise consistent with customary financial practice, assuming a price for such Reset Date equal to the average of the bid and asked prices for such United States Treasury (expressed in each case as a percentage of its principal amount) quoted in writing to the Bank utilizing a source customarily used in the financial markets at 3:30 p.m., New York time, on the second Business Day preceding the Reset Date.

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 with respect to interest payments) 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 Event of 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 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 (the "Code"), Treasury regulations promulgated thereunder, administrative rulings and judicial decisions, all as of the date hereof. These authorities are subject to change, possibly on a retroactive basis. There is currently no comprehensive income tax treaty between the United States and Colombia. We have not sought any ruling from the U.S. Internal Revenue Service (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,
- an S corporation, partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes or an investor therein,
- 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 equity by vote or value,
- a person required to accelerate the recognition of any item of gross income with respect to the notes as a result of such income being recognized on an applicable financial statement,
- 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 or former citizen or long-term U.S. resident.

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 an individual, corporation, estate or trust for U.S. federal income tax purposes, and is not a U.S. Holder.

In addition, if a partnership (including any entity or arrangement 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.

You are urged to consult your own tax advisors to determine the U.S. federal, state and local income and other tax and legal consequences that may be relevant to you.

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.

Tax classification of notes as debt or equity

For U.S. federal income tax purposes, whether an instrument that is denominated as a debt instrument, for example a subordinated debt instrument (*bonos subordinados*) under the laws of Colombia, is properly treated as debt or equity is based on all the facts and circumstances. There is no direct legal authority as to the proper U.S. federal income tax treatment of instruments such as the notes that are denominated as debt instruments and have certain significant debt features, but that provide for a possible write-down under which investors could lose all or part of their investment. It is therefore unclear whether the notes should be treated as debt or equity for U.S. federal income tax purposes. To the extent we are required to take a position, we intend to treat the notes as debt for U.S. federal income tax purposes. The remainder of this discussion assumes that the notes will be treated as debt for U.S. federal income tax purposes.

If, contrary to our expectation, the notes were instead treated as equity for U.S. federal income tax purposes, the tax consequences to you would be different (and potentially more adverse) than the consequences described below, and you could suffer additional adverse tax consequences if we were treated as a "passive foreign investment company" for U.S. federal income tax purposes.

You should consult your tax advisor about the possibility and consequences of the notes being recharacterized as equity for U.S. federal income tax purposes.

Payments of interest on the notes

It is expected and this discussion assumes that 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 foreign taxes paid. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. 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 you should consult your own tax advisors regarding the availability of foreign tax credits and the possibility of electing to treat foreign taxes paid as deductions in your 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 or loss 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, retirement or other taxable disposition 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, retirement or other taxable disposition 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. Holders that 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). The notes generally will not be considered specified foreign financial assets, and thus they generally will be exempt from this reporting requirement, if they are held in an account maintained by certain financial institutions. You should consult your own tax advisor concerning any obligation you may have to furnish information to the IRS as a result of holding the notes.

Taxation of 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 unless (a) such interest or gain is "effectively connected" with your conduct of a trade or business within the United States, and 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 or other disposition and certain other conditions exist. In the case of any "effectively connected" interest or gain, 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 or gain may, under certain circumstances, be subject to an additional "branch profits tax" at a 30.0% 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 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. You generally will be entitled to credit any amounts withheld under the backup withholding rules against you 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. You should consult your own tax advisor concerning the application on of information reporting and the backup withholding rules.

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 offering memorandum, 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.

Under current Colombian law, payments of principal and interest on debt securities issued by Colombian issuers and traded outside the Colombian territory are not subject to Colombian income or withholding tax, provided that the holder of the debt secutiries is not a tax resident in Colombia. In addition, gains realized on the sale or other disposition of such debt securities will not be subject to Colombian income or withholding tax, provided that the holder of the debt securities is not a tax resident in Colombia. There are no Colombian transfer, inheritance, gift or succession taxes applicable to the debt securities provided that the recipient of such debt securities is not a tax resident in Colombia.

Article 25-a(3) and Article 266(3) of the Colombian tax code (*Estatuto Tributario*) provides that interest income derived from indebtedness granted from outside of Colombia to local banks is not considered Colombian source income for Colombian tax purposes. Section 266(3) of the Colombian tax code provides for a rule under which the accounts receivable derived from foreign indebtedness to local banks are not deemed to be owned in Colombia. Furthermore, Article 266(6) of the Colombian tax code generally provides that debt securities issued by a Colombian issuer and traded outside of Colombia (on a foreign exchange system) are not deemed to be owned in Colombia.

Based on the above, under current Colombian law, and according to the line of interpretation set by the Colombian Tax Office in Ruling 032227 of 2016, payments of interest on the notes to holders of the notes who are neither resident nor domiciled in Colombia are not subject to Colombian income tax, and no income tax will be withheld from payments by us to the non-resident holders of the notes, given that non-resident holders are subject to income tax only for revenues deemed national source income. Payments of interest on the notes to holders of the notes who are residents or domiciled in Colombia are subject to Colombian income tax. The principal repayment is not subject to income tax or income tax withholdings in Colombia.

In addition, and considering that the notes will be deemed to be an asset owned outside of Colombia, for Colombian tax purposes, gains derived from transfer (including sale) of the notes will not be subject to Colombian income tax or withholdings, provided that the holder of the notes that transfers them is neither resident nor domiciled in Colombia for tax purposes.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement between us and Credit Suisse Securities (USA) LLC and Goldman Sachs & Co. LLC, as the initial purchasers, we have agreed to sell to the initial purchasers, and the initial purchasers have agreed to purchase from us, the principal amount of the notes that appears opposite their respective name in the table below.

Initial Purchasers	Principal Amount of Notes
Credit Suisse Securities (USA) LLC	U.S.$200,000,000
Goldman Sachs & Co. LLC	U.S.$200,000,000
Total	U.S.$400,000,000

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have 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 purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are 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 purchasers of officer's certificates and legal opinions. The initial purchasers reserve 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 purchasers propose initially to offer the notes at the offering price set forth on the cover page of this offering memorandum. 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 purchasers propose 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 purchasers 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 have applied to have the notes listed on the Official List of the LSE for trading on the Euro MTF Market, we cannot assure you that an active market for the notes will develop, or if a trading market does develop, that it will be maintained. We have been advised by the initial purchasers that they presently intend to make a market in the notes after completion of the offering. However, they are 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 offering memorandum, without first obtaining the prior written consent of Credit Suisse Securities (USA) LLC and Goldman Sachs & Co. LLC, 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 purchasers pursuant to the purchase agreement.

Short Positions

In connection with the offering, the initial purchasers 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 purchasers of a greater principal amount of notes than it is required to purchase in the offering. The initial purchasers 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 purchasers are 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 purchasers' purchase 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 purchasers 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 purchasers make any representation that the initial purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Notice to Prospective Investors in Colombia

The notes will not be registered with the Colombian National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) maintained by the SFC or the Colombian Stock Exchange (*Bolsa de Valores de Colombia*). Therefore, the notes may not be offered, sold or negotiated in Colombia except under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations.

Notice to Prospective Investors in the European Economic Area and the United Kingdom

The notes are not intended to be offered, sold, or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the notes, or otherwise making them available to retail investors in the EEA, has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law in the UK by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law in the UK by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law in the UK by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Notice to Prospective Investors in the United Kingdom

This offering memorandum is only being distributed to and is only directed at (i) persons who are outside the UK, (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"), (iii) high net worth entities falling within Article 49(2)(a) to (d) of the Order, or (iv) other persons to whom it may lawfully be communicated (all such persons together being referred to as "relevant persons"). The notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such notes will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this offering memorandum or any of its contents.

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 offering memorandum (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 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.

Notice to Prospective Investors in Hong Kong

The contents of this offering memorandum have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to this offering. If you are in any doubt about any of the contents of this offering memorandum, you should obtain independent professional advice. No person or entity may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong, including in circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong) other than with respect to the notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

Notice to Prospective Investors in Japan

The notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the "FIEL") and each initial purchaser has agreed that it has not offered or sold and will not offer or sell any notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

Notice to Prospective Investors in Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offering may not be circulated or distributed, nor may the notes be offered, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of SFA) or any person pursuant to Section 275(1A) of the SFA and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed for under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, then securities or securities-based derivatives contracts (each term as defined in Section 2 (1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the notes under Section 275 of the SFA except: (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; (ii) where no consideration is or will be given for the transfer; (iii) where the transfer is by operation of law; (iv) as specified in Section 276(7) of the SFA; or (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any references to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA (Chapter 289 of Singapore), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Notice to Prospective Investors in Switzerland

This offering memorandum 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 offering memorandum 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 purchasers from time to time.

Notice to Prospective Investors in Taiwan

The notes have not been, and will not be, registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan, the Republic of China ("Taiwan") and/or other regulatory authority of Taiwan pursuant to applicable securities laws and regulations and may not be sold, issued or offered within the Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Taiwan Securities and Exchange Act or relevant laws and regulations that requires a registration, filing or approval of the Financial Supervisory Commission of Taiwan and/or other regulatory authority of the Taiwan. No person or entity in Taiwan is authorized to offer, sell or distribute or otherwise intermediate the offering of the notes or the provision of information relating to this offering memorandum.

The notes may be made available to Taiwan resident investors outside Taiwan for purchase by such investors outside Taiwan for purchase outside Taiwan by investors residing in Taiwan, but may not be issued, offered sold or resold in Taiwan, unless otherwise permitted by Taiwan laws and regulations. No subscription or other offer to purchase the notes shall be binding on us until received and accepted by us or any agent outside of Taiwan (the "Place of Acceptance"), and the purchase/sale contract arising therefrom shall be deemed a contract entered into in the Place of Acceptance.

Notice to Prospective Investors in the Dubai International Financial Centre

This offering memorandum relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This offering memorandum 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 offering memorandum nor taken steps to verify the information set forth herein and has no responsibility for the offering memorandum. The notes to which this offering memorandum 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 offering memorandum you should consult an authorized financial advisor.

Other Relationships

The initial purchasers and their 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.

On April 12, 2021, we entered into a Dealer Manager Agreement with Credit Suisse Securities (USA) LLC and Goldman Sachs & Co. LLC, as dealer managers, in connection with the Tender Offer. See "Summary—Recent Developments—Concurrent Tender Offer."

In addition, in the ordinary course of their business activities, the initial purchasers and their 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 purchasers or their 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 purchasers and their 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 purchasers 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 purchasers 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 purchasers; 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 Issuer 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 Issuer expects to be *Luxemburger Wort*).

The Issuer accepts responsibility for the information contained in this offering memorandum. To the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Luxembourg Stock Exchange takes no responsibility for the contents of this offering memorandum, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering memorandum.

The Issuer has appointed The Bank of New York Mellon SA/NV, Luxembourg Branch as the Luxembourg 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 Issuer reserves the right to vary such appointment. So long as the notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Bank will maintain a paying agent in Luxembourg.

Electronic copies of the Indenture and the Issuer'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 ISIN and CUSIP numbers for the notes are as follows:

144A note ISIN	144A note CUSIP Number	144A note Common Code
US059593AE37	059593 AE3	233367796
Regulation S note ISIN	**Regulation S note CUSIP Number**	**Regulation S note Common Code**
USP1265VAH52	P1265V AH5	233367869

Authorization

The Bank's board of directors authorized the issuance of the notes at their meeting on January 29, 2020. 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 offering memorandum, 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 offering memorandum.

Registered Office

The registered office and principal address of the Issuer is Cra 7a, No. 75-85/87, Bogota, Colombia. The Issuer's Legal Entity Identifier is 549300SO7QUETMQD9D84.

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. Except for the consummation of the acquisition of BBVA Paraguay on January 22, 2021 described elsewhere in this offering memorandum, there has been no material adverse change in the Bank's business, financial condition, results of operations or prospects since December 31, 2020, 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 listing agent and the Bank's principal office, at the addresses listed on the inside back cover page of this offering memorandum.

Listing Information

Other than as expressly provided in this offering memorandum, the financial information included in the offering memorandum 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 purchasers by Simpson Thacher & Bartlett 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 purchasers by Brigard & Urrutia Abogados S.A.S., Colombian counsel for the initial purchasers. Matters of Peruvian law are being passed upon for us by Lazo, De Romaña 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 financial statements as of and for the years ended December 31, 2020, 2019 and 2018, included in this offering memorandum, have been audited by PwC Contadores y Auditores S.A.S. (formerly PwC Contadores y Auditores Ltda.), independent accountants, as stated in their report appearing herein.

The financial statements of BBVA Paraguay as of and for the year ended December 31, 2020, included in this offering memorandum, has been audited by Ernst & Young Paraguay Auditores y Asesores de Negocios, independent accountants, as stated in their report appearing herein.

INDEX TO FINANCIAL STATEMENTS

Independent auditor's report

To the Shareholders of
Banco GNB Sudameris S. A. and its subsidiaries

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Banco GNB Sudameris S. A. (the Bank) and its subsidiaries (together "the Group") as at December 31, 2020, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with the accounting and financial reporting standards accepted in Colombia.

What we have audited

The Group's consolidated financial statements comprise:

- The consolidated statement of financial position as at December 31, 2020;
- The consolidated statement of income for the year then ended;
- The consolidated statement of other comprehensive income for the year then ended;
- The consolidated statement of changes in equity for the year then ended;
- The consolidated statement of cash flow for the year then ended;
- The notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with financial reporting auditing standards accepted in Colombia. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code).

PwC Contadores y Auditores S.A.S., Carrera 7 No. 156-80, Piso 17, Bogotá, Colombia
Tel: (57-1) 668 4999, Fax: (57-1) 218 8544, www.pwc.com/co

pwc

To The Shareholders of
Banco GNB Sudameris S. A. and its subsidiaries

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter (amounts in COP millions)	How the key matter has been addressed
Impairment of loan portfolio As described in Notes 3-c-ii) and 11 to the consolidated financial statements, the Bank's impairment of loans portfolio represents the management's estimate of losses inherent due to the impairment of the portfolio of loans, which consists mostly of commercial, consumer and mortgage loans. As of December 31, 2020, the total amount of the loan portfolio was COP $16,177,729, and the provision for loan losses was COP $605,829. The impairment of loans portfolio under IFRS 9 is determined for each loan portfolio, by means of an estimation based on statistical models for expected credit losses for loans assessed collectively, and using the difference between the carrying value of the asset and the present value of the cash flows discounted at the original effective interest rate of the financial assets for loans that are individually assessed. The statistical estimates of expected credit losses are calculated using loan loss statistical factors, specifically the probability of default and the loss given default. In this regard, the Bank uses its judgment to assess the estimated loss statistics, taking into consideration different scenarios, external factors and economic events that have taken place but that are not yet reflected in the loss factors. IFRS 9 (2014 version) requires recognizing a provision for impairment of financial assets at fair value through OCI in an amount equal to an expected impairment loss over a twelve-month period following the cut-off date of the financial statements or over the remaining life of the loan.	Our procedures included tests on the effectiveness of the controls in relation to the Bank's provisions estimation process. They also included, among others: evaluation of the relevance of the models and methodologies used to generate the statistical estimates of loan losses from the loan portfolios. We also tested the key entries and evaluate the assumptions and judgments applied for the statistical estimation of the loan loss, in addition to evaluating any adjustment to the estimates of loan loss and the estimation of future cash flows of the loans individually assessed. The foregoing included evidence, as appropriate, of the probabilities of default at 12 months, probability of default throughout the lifetime of the loan, loss given default, and exposure at default with the inclusion of the forward-looking basis, , the amount and time of cash flows and the fair value of the guarantees. For the evaluation of the scenarios that the management applied to estimate the loan loss, we assess the reasonability of the impact of external factors and economic events that have already occurred, but which are not yet reflected in the estimate of loan loss. We also use personnel with specialized skills to assist us in assessing the relevance of the models, and the other hand, the financial audit team validated certain entries of the statistical estimates of loan loss.

To The Shareholders of
Banco GNB Sudameris S. A. and its subsidiaries

Key Audit Matter (amounts in COP millions)	How the key matter has been addressed
The expected loss over the remaining life of the loan is the expected loss resulting from all possible impairment events over the expected life of the financial instrument, while the expected loss over the twelve-month period is the portion of the expected loss that will result from impairment events that are possible within twelve months following the reporting date of the financial statements. The main considerations we took into account regarding procedures related to the provision for loan losses to be considered as a key audit matter are (i) the need for an important level of judgment by the management to determine the modeling techniques used in its statistical estimates of the probability of default at 12 months, probability of default throughout the lifetime of the loan, loss given default, and exposure at default with the inclusion of the forward-looking basis taking into account different scenarios, which in turn entails a high level of subjectivity for the auditor, (ii) subjectivity in the evaluation of audit evidence in relation to the relevance of the different scenarios evaluated, (iii) the judgment to determine the expectations of future cash flows and the fair value of the guarantees, and (iv) the use of professionals with specialized skill and knowledge to assist in performing procedures and evaluating the audit evidence obtained.	

To The Shareholders of
Banco GNB Sudameris S. A. and its subsidiaries

Key Audit Matter (amounts in COP millions)	How the key matter has been addressed
Assets impairment - goodwill As indicated in Notes 3-j-i) and 16 to the consolidated financial statements, the consolidated balance for goodwill of the Bank was COP $ 354,781 as of December 31, 2020. The Group performs impairment testing at each yearend or with greater frequency if events or circumstances indicate that the carrying value of goodwill may be impaired. Impairment is determined by comparing the recoverable amount of the Cash Generating Unit to its carrying value, including goodwill. Management estimates the recoverable amount using a discounted cash flow model. Management's forecasts for the Cash Generating Unit involves substantial judgments and assumptions regarding the perpetuity rate, forecast inflation, the discount rate, the growth rate and loan solvency. The main consideration we took into account for our determination that the procedures related to the evaluation of the impairment of goodwill in the Cash Generating Unit are a key audit matter, is the significant judgment applied by the management when developing the measurement of the amount recoverable from such units, the management applied some estimations about future economic events like inflation, annual growth, loans portfolio solvency and others. These are key factors that affect significantly the outcome of the valuations models which determine the recoverable amount of the audit units.	Our procedures included, among others, tests of the management process to develop the estimate of the recoverable amount, the evaluation of the relevance of the discounted cash flow model, tests on the completeness, accuracy and relevance of the underlying data used in the model and the assessment of the significant assumptions used by the management, including the perpetuity rate, the inflation projection, the discount rate, theannual growth and solvency index.

To The Shareholders of
Banco GNB Sudameris S. A. and its subsidiaries

Key Audit Matter (amounts in COP millions)	How the key matter has been addressed
This in turn led to a higher level of judgment and subjectivity from the auditor, and a greater effort in the execution of procedures to evaluate projections for cash flows and their significant assumptions, including the perpetuity rate, the inflation projection, discount rate, annual growth and solvency index of loans. Additionally, the audit effort involved the use of professionals with specialized skills and knowledge to support the execution of these procedures and the evaluation of the audit evidence obtained.	The evaluation of the management's assumptions regarding the perpetuity rate, the inflation projection, the discount rate, the annual growth and solvency index, involved an evaluation of whether these assumptions were reasonable taking into account (i) the current and past performance of the cash generating unit, (ii) the consistency with the external market and industry data, (iii) if these assumptions were consistent with the evidence obtained in other areas of the audit (iv) sensibility test of key factors like the discount rate, dividend payout among others, (v) mathematical accuracy, and others. We rely on professionals with specialized skills and knowledge to evaluate the discounted cash flow model and certain important assumptions, including the discount rate.
Properties at revalued cost As indicated in Notes 3-g) and 14 to the consolidated financial statements, the Bank owns properties for COP $773,444 at December 31, 2020. The Group measure land and buildings at fair value less subsequent depreciation and impairment according to the revaluation model. The revalued cost is reviewed annually, and if necessary, appraisals are performed on the properties to update fair value. These appraisals are carried out by expert independent property appraisers engaged by the Group.	The procedures performed and the evaluation of audit evidence in relation to these assets included, among others: - Verification of the technical and professional suitability of the appraiser to perform this type of exercises. - Validation of the appraisal method selected for each asset, taking into account its physical and legal nature. - Verification of the content of the appraisal report. - Validation of the reasonableness of the final valuation amount and the assumptions used. We relied on professionals with specialized skills and knowledge to evaluate the appraisals of real estate that is registered as property and equipment in the Bank's consolidated financial statements.

To The Shareholders of
Banco GNB Sudameris S. A. and its subsidiaries

Key Audit Matter (amounts in COP millions)	How the key matter has been addressed
The main consideration that we took into account for our determination that the procedures related to the evaluation of the revalued cost of the Bank's properties are a key audit matter, is the involvement of experts since in order to define the fair values of real estate requires specialized knowledge. This in turn led to experts in the audit team validating the reports issued by the appraisers, verifying from the suitability of the management expert to the reasonability of the assumptions used for the properties.	

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and financial reporting standards generally accepted in Colombia for financial institutions, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with financial reporting auditing standards accepted in Colombia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

To The Shareholders of
Banco GNB Sudameris S. A. and its subsidiaries

As part of an audit in accordance with financial reporting auditing standards accepted in Colombia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

To The Shareholders of
Banco GNB Sudameris S. A. and its subsidiaries

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Edgar Pedraza.

S/
PwC Contadores y Auditores S. A. S.
(Formerly PwC Contadores y Auditores Ltda.)
April 9, 2021
Bogotá, Colombia

BANCO GNB SUDAMERIS S.A. AND SUBSIDIARIES

Consolidated Statements of Financial Position

At December 31, 2020 and 2019

(Stated in millions of COP)

ASSETS	Note	December 31, 2020	December 31, 2019
CASH AND CASH EQUIVALENTS	(Note 9)	12,883,345	12,109,368
FINANCIAL ASSETS AT FAIR VALUE			
Debt securities	(Note 10)	8,314,386	8,179,841
Equity instruments	(Note 10)	108,059	103,265
Total securities		8,422,445	8,283,106
Derivatives	(Note 10)	14,519	19,381
Total financial assets at fair value		8,436,964	8,302,487
AT AMORTIZED COST			
Debt securities at amortized cost, net	(Note 10)	1,208,918	835,859
		1,208,918	835,859
Loan portfolio			
Commercial	(Note 11)	8,599,176	8,093,405
Consumer	(Note 11)	7,703,122	7,604,061
Mortgage	(Note 11)	875,431	1,022,742
Impairment allowance	(Note 11)	(605,929)	(525,034)
Total loan portfolio, net		16,571,800	16,195,174
Other accounts receivable, net	(Note 12)	459,003	230,813
Total financial assets at amortized cost		17,238,721	17,261,846
NON-CURRENT ASSETS HELD FOR SALE, NET	(Note 13)	77,543	22,713
INCOME TAX ASSET			
Current	(Note 17)	309,487	261,885
Deferred (Peru and Paraguay)	(Note 23)	50,422	38,867
TANGIBLE ASSETS, NET			
Investment properties	(Note 15)	155,823	134,350
Own property and equipment	(Note 14)	838,256	798,304
Right-of-use property and equipment, net of depreciation	(Note 14)	86,346	125,649
Total tangible assets		1,080,425	1,058,303
INTANGIBLE ASSETS, NET			
Goodwill	(Note 16)	354,781	344,526
Other intangible assets		25,222	24,451
Total intangible assets		380,003	368,977
OTHER ASSETS	(Note 18)	235,025	103,798
TOTAL ASSETS		40,698,935	37,831,884

LIABILITIES AND EQUITY	
LIABILITIES	
FINANCIAL LIABILITIES AT FAIR VALUE	
Derivatives	(N
FINANCIAL LIABILITIES AT AMORTIZED COST	
Customer deposits	
Checking accounts	(N
Savings accounts	(N
Term deposits	(N
Financial obligations	
Short-term financial obligations	(N
Borrowings from development entities and foreing banks	(N
Total debt	
Long-term financial obligations	(N
Total financial liabilities	
LEASE LIABILITIES	(N
EMPLOYEE BENEFITS	(N
PROVISIONS	
For legal contingencies	(N
Other provisions	(N
INCOME TAX LIABILITY	
Current (Paraguay)	(N
Deferred	(N
OTHER LIABILITIES	(N
TOTAL LIABILITIES	
EQUITY	
Controlling interests	
Subscribed and paid-in capital	(N
Share premium	
Retained earnings	
Reserves	(N
Net income for the year	
Accumulated retained earnings	
Other comprehensive income	
Total equity of controlling interests	
Non-controlling interests	
TOTAL EQUITY	
TOTAL LIABILITIES AND EQUITY	

See the notes, which are an integral part of the consolidated financial statements.

Camilo Verástegui Carvajal
Registered Agent

David Cardoso Canizales
Prof. License 47876-T
Public Accountant

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BANCO GNB SUDAMERIS S.A. AND SUBSIDIARIES

Consolidated Statements of Income

For the years ended December 31, 2020 and 2019

(Stated in millions of COP, except for net profit per share)

	Note	December 31, 2020	December 31, 2019
Interest income from financial assets at amortized cost			
Loan portfolio interest		1,715,108	1,717,904
Interest on debt securities at amortized cost		12,346	9,233
Other interest		130,633	180,720
Total interest income		**1,858,087**	**1,907,857**
Interest expense on deposits financing financial assets at amortized cost			
Deposits			
Current accounts		33,838	33,148
Certificates of deposit		371,449	410,820
Savings deposits		427,747	478,217
Total interest expense on deposits		**833,034**	**922,185**
Expense for financial obligations and other interest			
Short-term financial obligations		1,236	1,203
Long-term financial obligations		81,544	103,735
Bonds and investment securities		173,654	179,511
Obligations with rediscount entities		47,302	56,886
Interest on lease liabilities		7,857	9,689
Total interest expenses		**1,144,627**	**1,273,209**
Net interest income from financial assets at amortized cost		**713,460**	**634,648**
Impairment loss on financial assets at amortized cost			
Loan portfolio and interest receivable		793,095	568,403
Properties restituted and received as payment		8,914	7,025
Impairment loss on investments		59	2,656
Recovered loans and receivables		390,736	247,958
Net interest after impairment losses on financial assets		**302,128**	**304,522**
Commissions and fees			
Commission and fee income	(Note 26)	240,722	254,555
Commission and fee expenses	(Note 26)	98,048	103,990
Net fee and commission income		**142,674**	**150,565**
Valuation of financial assets at fair value			
Income from valuation of debt securities at fair value		262,808	334,761
Income from valuation of equity instruments at fair value		(7,891)	5,820
Expense from valuation of derivatives		(67,449)	(6,791)
Income from valuation of financial assets at fair value		**187,468**	**333,790**
Net interest and valuation income		**632,270**	**788,877**
Other income			
Sale of investments	(Note 27)	7,089	90,135
Dividends	(Note 27)	1,646	1,630
Exchange difference, net	(Note 27)	74,309	13,380
Industrial and service income - Hotels	(Note 27)	8,794	38,603
Others	(Note 27)	194,712	124,617
Total other income	(Note 27)	**286,550**	**268,365**
Other expenses			
Personnel expenses	(Note 28)	247,122	245,029
Loss on sale of investments	(Note 28)	12,645	75,477
General administrative expenses	(Note 28)	195,627	176,522
Depreciation of property and equipment	(Note 28)	17,006	18,913
Depreciation of right-of-use	(Note 28)	26,369	27,279
Amortization of intangible assets	(Note 28)	6,728	9,795
Service costs - Hotels	(Note 28)	8,593	15,192
Others	(Note 28)	164,031	157,896
Total other expenses	(Note 28)	**678,339**	**726,103**
Profit before income taxes		**240,481**	**331,139**
Income tax	(Note 17)	55,017	58,242
NET INCOME FOR THE YEAR		**185,464**	**272,897**
Profit from continuing operations attributable to:			
Controlling interests		181,972	267,457
Non-controlling interests		3,492	5,440
		185,464	**272,897**
Net profit per share of controlling stockholders (in COP)		971	1,501

See the notes, which are an integral part of the consolidated financial statements.

Camilo Verástegui Carvajal **Registered Agent**	**David Cardoso Canizales** **Prof. License 47878-T** **Public Accountant**	**Edgar Pedraza** **Prof. License 19666-T** **Statutory Auditor** **Appointed by PwC Contadores y Auditores Ltda.** **(See my report attached hereto)**

BANCO GNB SUDAMERIS S.A. AND SUBSIDIARIES

Consolidated Statement of Other Comprehensive Income

For the years ended December 31, 2020 and 2019

(Stated in millions of COP)

	Note	December 31, 2020	December 31, 2019
NET INCOME FOR THE PERIOD		185,464	272,897
Components of other comprehensive income net of taxes			
Items that may be subsequently reclassified to income			
Translation adjustments on foreign subsidiaries financial statements		(77,790)	(13,536)
Exchange difference in the hedge of long-term financial liabilities	**(Note 10)**	(36,430)	(10,365)
Differences between the provision and impairment recorded in the calculation of		(75,539)	6,520
Deferred income tax	**(Note 23)**	45,530	(15,790)
		(144,229)	(33,171)
Items that will not be reclassified to income			
Revaluation of assets	**(Note 14)**	46,385	48,932
Gain (Loss) on employee benefit plans	**(Note 21)**	(2,533)	(2,555)
Deferred tax on items that will not be reclassified to income	**(Note 23)**	(16,906)	2,966
Total other comprehensive income for the period, net of taxes		(117,283)	16,172
Total other comprehensive income for the period		68,181	289,069

See the notes, which are an integral part of the consolidated financial statements.

Camilo Verástegui Carvajal
Registered Agent

David Cardoso Canizales
Prof. License 47878-T
Public Accountant

Edgar Pedraza
Prof. License 19555-T
Statutory Auditor
d by PwC Contadores y Auditores Ltda.
See my report attached hereto)

BANCO GNB SUDAMERIS S.A. AND SUBSIDIARIES

Consolidated Statement of Changes in Equity

For the years ended December 31, 2020 and 2019

(Stated in millions of COP)

	Note	Share capital	Share remium	Retained earnings: Reserves	Retained earnings: Net income for the year	Retained earnings: Accumulated Deficit	Retained earnings	Other comprehensive income
Balance at December 31, 2018		66,020	496,105	1,196,392	235,110	(64,769)	1,376,703	93,817
Transfer to accumulated earnings		-	-	-	(235,110)	235,110	-	-
Appropriation of profit to increase reserve	(Note 25)	-	-	113,923	-	(113,923)	-	-
Net movement in other comprehensive income		-	-	-	-	-	-	16,172
Dividends decreed		-	-	-	-	(189,396)	(189,396)	-
Exchange difference foreign subsidiaries		-	-	3,505	-	-	3,505	-
Capital increase	(Note 25)	5,250	152,250	-	-	-	-	-
Non-controlling interests		-	-	-	-	-	-	-
Net income for the year (controlling interests)		-	-	-	267,457	-	267,457	-
Balance at December 31, 2019		71,270	638,355	1,313,810	267,457	(122,986)	1,458,269	109,989
Transfer to accumulated earnings		-	-	-	(267,457)	267,457	-	-
Appropriation of profit to increase reserve	(Note 25)	-	-	154,248	-	(154,248)	-	-
Net movement in other comprehensive income		-	-	-	-	42,890	42,890	(117,283)
Dividends decreed		-	-	-	-	(122,805)	(122,805)	-
Derecognition in OSFP of ordinary bonds		-	-	-	-	(6,364)	(6,364)	-
Capital increase	(Note 25)	3,696	164,762	-	-	-	-	-
Non-controlling interests		-	-	-	-	-	-	-
Net income for the year (controlling interests)		-	-	-	181,972	-	181,972	-
Balance at December 31, 2020		74,966	803,117	1,468,058	181,972	(96,056)	1,553,962	(7,294)

See the notes, which are an integral part of the consolidated financial statements.

Camilo Verástegui Carvajal
Registered Agent

David Cardoso Canizales
Prof. License 47878-T
Public Accountant

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BANCO GNB SUDAMERIS S.A. AND SUBSIDIARIES

Consolidated Statement of Cash Flow

For the years ended December 31, 2020 and 2019

(Stated in millions of COP)

	Note	December 31, 2020	December 31, 2019
Cash flows from operating activities:			
Net income for the year		**185,464**	**272,897**
		-	-
Reconciliation between income for the year and net cash provided by operating activities:			
		-	-
Income tax expense	(Note 17)	55,017	58,242
Depreciation expense	(Note 28)	43,395	46,192
Amortization expense	(Note 28)	6,726	9,795
Impairment loss on financial assets	(Note 11)	793,095	568,403
Recovery of losses on financial assets	(Note 11)	(390,736)	(247,958)
Loss on valuation of trading derivatives		67,449	21,593
Interest on debt securities at amortized cost		(12,346)	(9,233)
Income from valuation at fair value		(204,917)	(317,962)
Loss on sale of investments	(Notes 27 -28)	5,556	(14,658)
Impairment of investments	(Note 10)	59	-
Gain on sale of property and equipmen	(Note 27)	(1,837)	(142)
Interest income from loan portfolio		(1,715,108)	(826,092)
Net interest expense		1,144,626	1,266,666
Foreign exchange losses		45,707	8,981
Impairment of properties received as payment		8,914	6,972
Loss on early termination of lease agreements	(Note 14)	4,883	7,192
Changes in operating assets and liabilities:			
Decrease (increase) in loan portfolio		507,790	(1,824,479)
Increase in other receivables from operating activities		(258,626)	(54,812)
Increase in customer deposits		2,134,791	1,981,360
Increase in other assets		(113,887)	(28,926)
Increase in other liabilities		44,004	96,404
Decrease in provisions		(61,417)	(48,178)
Increase in employee benefit plans		(5,416)	1,969
Increase in short-term obligations		1,709,283	1,905,458
Principal payments of short-term obligations		(2,234,383)	(969,207)
Increase in obligations with development entities		242,036	346,903
Principal payments on loans with development entitie		(241,470)	(239,806)
Variation in non-current assets held for sale		(33,830)	(3,921)
Variation in deferred and current taxes		(4,547)	(35,999)
Variation in derivative transactions		(73,786)	(3,604)
Interest received		1,698,396	1,257,943
Interest paid		(141,007)	(154,935)
Income tax paid		(35,762)	(23,680)
Variation in investments - Debt securities at fair value		(1,800,829)	343,676
Variation in investments - Equity securities		(97,591)	(11,247)
Net cash provided by operating activities		**1,219,776**	**3,385,807**
Cash flows from investment activities:			
Variation in investments - Debt securities at amortized cost		(352,174)	(54,774)
Movement of property and equipment	(Note 14)	(11,435)	(142,654)
Derecognitions in property and equipmen		2,902	125,040
(Increase) decrease in intangible assets	(Note 16)	(7,497)	55,550
Decrease (increase) in investment properties		10,109	(66,783)
Net cash used in investment activities		**(358,095)**	**(83,621)**
Cash flows from financing activities:			
Interest paid for long-term financial debt		(174,319)	(174,135)
Dividends paid	(Note 25)	(122,805)	(189,396)
Capital increase	(Note 25)	168,458	(4,988)
Lease payments		(28,894)	(39,449)
Non-controlling interests		(2,472)	(7,305)
Net cash used in financing activities		**(160,032)**	**(415,273)**
Exchange gain (loss) on cash and cash equivalents		**72,328**	**(34,435)**
Net increase in cash and cash equivalents		773,977	2,852,478
Cash and cash equivalents at beginning of period		12,109,368	9,256,890
Cash and cash equivalents at end of period		12,883,345	12,109,368

See the notes, which are an integral part of the consolidated financial statements

Camilo Verástegui Carvajal
Registered Agent

David Cardoso Canizales
Prof. License 47878-T
Public Accountant

Edgar Pedraza
Prof. License 19555-T
Statutory Auditor
Appointed by PwC Contadores y Auditores Ltda.
(See my report attached hereto)

Banco GNB Sudameris S. A.

Consolidated Financial Statements

December 31, 2020 and 2019

NOTE 1. - REPORTING ENTITY

Banco GNB Sudameris ("the Bank"), the controlling parent company of domestic subsidiaries: Servitrust GNB Sudameris S. A., Servivalores GNB Sudameris S. A. Comisionista de Bolsa, Servibanca S. A., Corporación Financiera GNB Sudameris S. A., Servitotal GNB Sudameris S. A., and Fondo de Capital Privado Inmobiliario Serivalores GNB Sudameris (controlled structured entity), in addition to the international subsidiaries Banco GNB Perú S. A. and Banco GNB Paraguay S. A.(hereinafter the “the Group” together with “the Bank”), reports the Consolidated Financial Statements detailed below:

Banco GNB Sudameris S. A. is a private corporation, incorporated by Public Instrument 8067/December 10, 1976 issued by the Fifth Notary of Bogotá, D.C., with a duration established in the Bylaws up to January 1, 2076, which may be dissolved or extended before that date. The corporate purpose of the Bank is to enter into and execute all transactions, acts and contracts typical of banking establishments, subject to the legal provisions in force in Colombia.

By Resolution 3140/September 24, 1993, the Financial Superintendence of Colombia ("the Superintendence") renewed its operating license definitively.

The latest statutory reform was notarized by means of Public Instrument 0708 issued by the 13th Notary of Bogotá D.C. on March 15, 2019, in which Article 4 referring to the corporate purpose was amended, and the Corporate Bylaws were compiled.

The Bank's parent company is Gilex Holding S. A., whose registered office was previously in Luxembourg and is currently in Panama as of 2020.

At December 31, 2020, the Bank had 1,645 direct employees (1,685 at December 31, 2019).

The Consolidated Financial Statements and accompanying notes were authorized for issue by the Board of Directors and the Bank's Legal Representative on February 26, 2021, to be submitted to the General Meeting of Shareholders, for their approval or amendment.

Servivalores GNB Sudameris S. A. Comisionista de Bolsa, is a commercial company incorporated according to Public Instrument 0767/March 14, 2003, issued by the 11th Notary of Bogotá. Its main corporate purpose is the development of the commission contract for the purchase and sale of securities registered in the Colombian Securities Exchange, according to authorization granted by Resolution 0133/March 11, 2003, of the Financial Superintendence of Colombia. It may also carry out transactions on its own account, manage securities of its commissioning agencies, intermediate in the placement of securities, and finance the acquisition of securities, among others.

Servitrust GNB Sudameris S. A. is a private financial services company, incorporated by Public Instrument 3873/July 10, 1992 issued by the 18th Notary of Bogotá, D.C. Its corporate purpose is the performance and execution of all acts, contracts, services and transactions typical of the financial services of trust companies, subject to the powers, requirements, restrictions and limitations imposed by Colombian law.

Sociedad al Servicio de la Tecnología y Sistematización Bancaria Tecnibanca S. A. – Servibanca S. A. is a Colombian private corporation incorporated by Public Instrument 1945/August 22, 1997 issued by the 16th Notary of Bogotá. Its purpose is the automation and modernization of banking and financial services as well as operations of supply, dispensing, payment and clearing of cash.

(Continued)

Servitotal GNB Sudameris S. A. is a commercial company incorporated by Public Instrument 7177/December 26, 2011 issued by the 13th Notary of Bogotá D.C. Its corporate purpose is the performance of technical and administrative services companies such as data processing, including definition, analysis, design, construction, configuration, certification, testing, implementation, support and maintenance of software and hardware for communications and information technologies.

Corporación Financiera GNB Sudameris S. A. is a commercial company incorporated by Public Instrument 6428/September 26, 2017 issued by the 13th Notary of Bogotá D.C. Its corporate purpose is the performance and execution of all operations, acts and contracts typical of financial corporations, subject to the legal provisions governing said matters in Colombia. At December 31, 2020, the Corporation has five (5) subsidiaries, which are:

- Charleston Hotels Group S. A. S. is a commercial company, registered on February 27, 2019 under number 02429168 of Book IX. The entity's corporate purpose is the operation of and investment in hotels and in in tourism projects, in the country or abroad, in which it can acquire real estate and personal property to carry out its activity. According to the listing in the Chamber of Commerce on May 17, 2019 under number 02466930 of Book IX, the company absorbed through a merger the foreign company CHARLESTON HOTELS GROUP INC. which was dissolved without liquidation, leaving the new company as owner of the Charleston Bogotá and Casa Medina Hotels operated by the Four Seasons chain; the investment of the Corporation in Panama was canceled and the investment in Colombia remains. This entity has a wholly owned subsidiary called Hoteles Charleston Bogotá S. A. S., which is a company based in Colombia that operates the two hotels in Bogotá.

- Namen Finance Limited, identified by number 1995253, registered in the British Virgin Islands, may carry out any lawful business or activity, including trading in goods or commodities, perform any act or engage in any transaction. There are no limitations on the business the company can conduct. This entity has the subsidiary LGDB LLC, of which it owns 99.9%, a company registered in the United States that develops real estate businesses.

- Manforce Overseas Limited, identified by number 1995256, registered in the British Virgin Islands, may carry out any lawful business or activity, including trading in goods or commodities, perform any act or engage in any transaction. There are no limitations on the business the company can conduct. This entity has the following subsidiary: JGK HOLDING LLC, of which it owns 99.9%, is a company registered in the United States that develops real estate businesses.

- Inversiones GNB Comunicaciones S. A. S. is a commercial company, registered on March 26, 2019 under number 02439415 of Book IX. Its main corporate purpose is the investment in any means of communication or broadcasting, public or private, known or to be known, including but not limited to radio broadcasting, TV, press, magazines, journals, written supplements, outdoor advertising, billboards and Internet.

- GNB Holding S. A. S. is a commercial company, registered on October 21, 2019 under number 02517132 of Book IX. Its main corporate purpose is the creation and capitalization of commercial companies of any kind, the purchase and sale, investment, management and trading of shares, bonds, securities, the execution of any act or contract involving real estate or personal property, as well as the acquisition, disposal, management and investment in real estate, personal property, real estate projects or in companies that develop real estate projects.

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

Fondo de Capital Privado Inmobiliario Servivalores GNB Sudameris, managed by Servivalores GNB Sudameris S. A. Comisionista de Bolsa, began operating on May 9, 2018. The purpose of the fund is to invest its resources in Real Estate Assets, seeking the formation of a diversified portfolio that provides investors with access to the real estate market in Colombia, allowing them to achieve better profitability compared to similar operations. The backing of the Contributions is recorded in the Real Estate Assets that are part of the portfolio, where the profitability sought is originated by the management and/or administration activities and the variations in the prices of those Real Estate Assets.

The following is the total number of employees per subsidiary at December 31, 2020:

Type of Contract	Servitrust	Servibanca	Servivalores	Corporation	Total
Permanent - fixed	65	70	9	4	**148**
Total	**65**	**70**	**9**	**4**	**148**

Subsidiaries abroad

The Financial Superintendence of Colombia, through communication filed under number 2013002611-080 dated July 8, 2013, authorized Banco GNB Sudameris S. A., the Parent Company, to acquire the shares of HSBC Bank Perú S. A. and HSBC Bank Paraguay S. A. Also, the Superintendence of Banking, Insurance and Private Pension Administrators (hereinafter the SBS) of the Republic of Peru through SBS Resolution 5378-2013/September 6, 2013 and the Central Bank of Paraguay by Resolution 19 of Minute 74/October 24, 2013 and clarified by SB.SG. Note No. 01484/2013/November 7, 2013, authorized the acquisition of the shares of HSBC Bank Perú S. A. and HSBC Bank Paraguay S. A., respectively.

Therefore, on October 4 and November 29, 2013, Banco GNB Sudameris S. A. proceeded to acquire from HSBC Bank Perú S. A. (now Banco GNB Perú S. A.) and from HSBC Bank Paraguay S. A. (now Banco GNB Paraguay S. A.) a total of 670,551,999 and 3,016 shares and one (1) provisional share certificate, equivalent to 99.99% and 99.96% of the total outstanding shares, respectively.

Banco GNB Perú S. A.

Banco GNB Perú S. A. is a financial institution, incorporated under the laws of the Republic of Peru, by means of Public Instrument under Kardex 53960/May 2, 2006, authorized by Notary Public Eduardo Laos de Lama, registered under Entry No. 11877589 of the Registry of Legal Entities of the Public Registries of Lima. The Bank was authorized to operate as a multiple bank by SBS Resolution No. 1256-2006, issued on September 28, 2006 and published on October 4, 2006.

The Bank's registered office is at Calle Begonias No. 415, 25-26th floor, Urbanización Jardín, District of San Isidro, province and department of Lima. To carry out its activities, at December 31, 2020, the Bank operates through a Main Office and 12 agencies located in Lima and the provinces. In addition, at December 31, 2020, the Bank has 560 direct employees.

In 2019, capitalizations were made in Banco GNB Perú for the amount of USD 15 million.

Banco GNB Paraguay S. A.

Banco GNB Paraguay S. A. is a Paraguayan private corporation, which began operating in 1920, as the first International Bank, a branch of the Bank of London and Rio de la Plata. In 1985, the bank changed its name to Lloyds Bank Paraguay Branch and later in 2000 to Lloyds TSB Bank Paraguay Branch. In May 2007, the bank was acquired by the HSBC group, changing its name to HSBC Bank Paraguay S. A.

(Stated in millions of COP,
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By Resolution 19, Minutes 74/October 24, 2013, the Central Bank of Paraguay authorized the change of the business name of HSBC Bank Paraguay S. A. to Banco GNB Paraguay S. A. Said change was agreed in Minutes 12 of the Extraordinary Meeting of Shareholders held on November 29, 2013.

At December 31, 2020, the bank operates through one (1) main office and 6 agencies located in Asuncion and Departments, with 197 direct employees. In 2019, capitalizations were made in Banco GNB Paraguay for the amount of USD 51 million. Regarding foreign entities, there are no restrictions on the transfer of dividends to Colombia.

At December 31, 2020 and 2019, the assets, liabilities, equity and income of the Bank and the Subsidiaries and the Bank's interest therein were as follows:

December 2020	Share	Assets	Liabilities	Equity
Banco GNB Sudameris		30,951,351	28,622,747	2,328,604
Servitrust S. A.	94.99%	55,800	3,236	52,564
Servibanca S. A.	93.03%	198,397	71,892	126,505
Servivalores S. A.	94.99%	44,111	3,886	40,225
Servitotal	94.80%	547	-	547
Corporación Financiera	94.99%	809,112	121,151	687,961
Fondo Inmobiliario	99.86%	516,897	13,414	503,483
Banco GNB Paraguay	99.96%	5,108,920	4,532,966	575,954
Banco GNB Perú	99.99%	5,776,866	4,988,505	788,361
Intercompany transactions eliminated		(2,763,066)	(131,734)	(2,631,332)
Consolidated		**40,698,935**	**38,226,063**	**2,472,872**

December 2019	Share	Assets	Liabilities	Equity
Banco GNB Sudameris		28,604,030	26,406,064	2,197,966
Servitrust S. A.	94.99%	56,803	3,416	53,387
Servibanca S. A.	93.03%	180,281	55,183	125,098
Servivalores S. A.	94.99%	50,416	10,661	39,755
Servitotal	94.80%	544	-	544
Corporación Financiera	94.99%	769,598	99,819	669,779
Fondo Inmobiliario	99.86%	473,901	33,615	440,286
Banco GNB Paraguay	99.96%	4,409,738	3,888,925	520,813
Banco GNB Perú	99.99%	5,665,190	4,838,180	827,010
Intercompany transactions eliminated		(2,678,617)	(128,964)	(2,549,653)
Consolidated		**37,531,884**	**35,206,899**	**2,324,985**

COVID-19

Since the first few months of 2020, the Coronavirus (COVID-19) spread throughout the world, causing the closure of production and supply chains and disrupting international trade, which caused a global economic slowdown and negatively affected various industries. Global authorities, including those of the countries where the Bank operates, adopted, among other measures, the temporary closure of establishments and the mandatory preventive confinement of people in various areas, preventing employees, suppliers and customers from carrying out their activities normally.

During 2020, the situation continued to be monitored on a continuous basis by the Bank's Management to evaluate the potential adverse effects on the results, financial position and liquidity of the Bank's entities, and to take appropriate measures to minimize any potential negative impacts that may arise from this situation during.

At December 31, 2020, the matters mentioned below have been assessed, which in some cases have had impacts on the consolidated financial statements and operations of the Group and on which, during the period subsequent to these consolidated financial statements and up to the date of issue thereof, continue to be monitored by Management to address their effects on the operations of the Group.

Impairment of financial instruments - Loan portfolio, other accounts receivable and others

The financial instruments that are within the scope of the expected credit loss (ECL) model of IFRS 9 (loans, other accounts receivable, debt instruments not measured at fair value through profit or loss, lease receivables, financial collaterals and loan commitments), have been assessed considering the impacts of COVID-19 on the ECL due to the measures adopted by the governments in each of the countries and regions where the Group is operating.

The impacts on the entities of the Group in relation to the impairment of financial instruments are based on the following aspects:

- Measurement of the Expected Loss, due to changes in the allocation of credit risk of financial instruments, incorporating COVID-19 impact analysis on the allowance, going from measurement for 12 months (stage 1) to measurement for the remaining life of the instruments (stages 2 and 3) for those cases in which it is determined that there was an increase in credit risk since its initial measurement.

- Credit risk, which behavior has varied for entities in accordance to the economic segments of their loan portfolios, has increased in the case of customers whose businesses or industries have been negatively affected by COVID-19.

- Macroeconomic aspects considered in the development of scenarios and models to calculate the provision, where some of the variables have been weakened in view of the effects of COVID-19 on the economy of each of the countries.

Fair value

Price volatility in the markets as a result of the spread of COVID-19 affected the fair value of assets and liabilities measured at fair value at the reporting date.

The Group does not have level 3 fair value investments at December 2020. The effects on level 1 and 2 investments were recognized in their valuation against income for the period.

Leases

Some lessors and lessees were in the process of renegotiating the terms of their lease agreements, as a result of which some the lessors granted concessions of some kind with respect to lease payments.

Some Group entities that have leased assets are going to renegotiate the terms of their lease agreements as a result of the COVID-19 crisis. In its role as lessee, the Group is considering the appropriate accounting of these concessions, analyzing whether or not they are amendments of the contract; this analysis will result in the recognition of gains and/or losses in the consolidated statement of income or the adjustment of lease liabilities, depending on each renegotiation.

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

Impairment of assets - Goodwill, property and equipment and intangibles

At December 31, 2020, the halt of operations of certain Group businesses gave rise to potential impairment indicators, thus requiring the update of impairment tests carried out at the end of 2019.

In updating the impairment tests for Goodwill, Property and Equipment and Intangibles, budgets, forecasts and other assumptions have been adjusted to incorporate the economic conditions observed, addressing where necessary the increased risk and uncertainty resulting from the impacts of COVID-19 on the economies of the countries in which the Group is operating.

Impairment testing was performed on the material goodwill as of December 31, 2020, and no impairment was found. The table below summarizes the amounts observed in the analyses performed at December 31, 2020:

December 31, 2020 CGU	Goodwill on balance sheet	CGU Carrying value	CGU Recoverable value	Surplus
Banco GNB Perú	218,997	919,219	1,007,171	87,952
Banco GNB Paraguay	4,615	557,858	991,943	434,085
HSBC Colombia	15,756	2,103,626	2,938,839	835,213
Charleston Hotels Group	106,163	223,957	337,027	113,070
	345,531	**3,804,660**	**5,274,980**	**1,470,320**

December 31, 2019 CGU	Goodwill on balance sheet	CGU Carrying value	CGU Recoverabl e value	Surplus
Banco GNB Perú	209,085	961,363	1,025,466	64,103
Banco GNB Paraguay	4,406	508,178	577,921	69,744
HSBC Colombia	15,756	1,978,118	2,556,870	578,752
Charleston Hotels Group	106,163	234,699	270,032	35,333
	335,410	**3,682,358**	**4,430,289**	**747,932**

The following are the assumptions used to assess the impairment of goodwill at December 31, 2020:

Macroeconomic and business assumptions

The factors used to determine the discount rates were revised to reflect the impact of the measures taken by the governments to control the virus (risk-free rate, country risk and asset risk). Changes in the business assumptions were also made to reflect the impact of COVID-19.

- **December 2020**

Banco GNB Perú

Macroeconomic Variables	2020	2021	2022	2023	2024	2025
Annual GDP growth (Real)	-11.50%	11.50%	4.00%	4.00%	4.00%	4.00%
Annual inflation	2.00%	1.50%	1.70%	2.00%	2.00%	2.00%
Exchange rate (USD/PEN)	3.62	3.54	3.50	3.50	3.50	3.50
Central Bank interest rate	0.30%	0.30%	0.80%	1.50%	2.30%	2.50%

Average cost of capital USD 6.50%

Average cost of capital PEN	6.41%

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

Business assumptions	2020	2021	2022	2023	2024	2025
Portfolio growth	-13.60%	6.30%	12.80%	11.40%	11.30%	13.60%
Net credit provision	4.54%	2.43%	1.56%	1.51%	1.50%	1.49%
Deposit growth	15.06%	-13.22%	10.26%	8.82%	8.65%	10.82%
Financial margin	6.36%	6.72%	6.83%	6.93%	7.02%	7.01%

Banco GNB Paraguay

Macroeconomic Variables	2020	2021	2022	2023	2024	2025
Annual GDP growth (estimated)	-1.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Annual inflation rate	2.20%	3.40%	4.00%	4.00%	4.00%	4.00%
Market reference interest rate	0.80%	0.80%	1.20%	2.00%	3.50%	3.50%

Average cost of capital USD	10.1%
Average cost of capital ₲	12.7%

Business Assumptions	2020	2021(1)	2022	2023	2024	2025
Net portfolio growth	4.68%	132.60%	4.60%	5.70%	8.10%	9.00%
Deposit growth	20.24%	114.90%	2.00%	2.00%	4.80%	5.30%
Increase in provision on loan portfolio	20.14%	56.40%	54.30%	3.50%	0.40%	3.50%
Financial margin	-5.82%	70.60%	63.90%	7.90%	7.90%	9.10%

(1) The growth in the loan portfolio in 2021 is due to the acquisition of BBVA Paraguay.

Banco GNB Colombia

Macroeconomic Variables	2020	2021	2022	2023	2024	2025
Annual GDP growth (real)	-6.80%	3.00%	3.50%	4.00%	4.00%	4.00%
Annual inflation rate	1.61%	2.50%	3.00%	3.00%	3.00%	3.00%
LIBOR rate - year-end	0.26%	0.30%	0.30%	0.30%	0.30%	0.30%
TRM (year-end)	3,432.50	3,734.00	3,790.00	3,850.00	3,920.00	3,920.00
Central Bank of Colombia interest rate	1.75%	1.75%	2%	2,5%	3%	3%

Average cost of capital USD	9.80%
Average cost of capital COP	10.90%

Business assumptions	2020	2021	2022	2023	2024	2025
Net loan portfolio growth	-0.20%	5.59%	5.30%	6.10%	6.57%	9.03%
Deposit growth	16.19%	11.44%	9.96%	8.05%	6.45%	4.83%
Increase in provision on loan portfolio	-25,53%	44,12%	9.00%	6.65%	6.84%	6.38%
Trading margin	-1.68%	-2.25%	5.29%	16.05%	14.07%	14.38%

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

Charleston Hotels Group

Macroeconomic	2020	2021	2022	2023	2024	2025
Annual GDP growth (real)	-7.50%	3.00%	3.50%	4.00%	4.00%	4.00%
Annual inflation rate	1.61%	2.50%	3.00%	3.00%	3.00%	3.00%
TRM (year-end)	3,432.50	3,734.00	3,790.00	3,850.00	3,920.00	3,920.00

Average cost of capital USD	9.91%
Average cost of capital COP	9.52%

Business assumptions	2020	2021	2022	2023	2024	2025
Occupancy rate	13.16%	28.10%	56.19%	63.10%	70.00%	70.00%
Revenue growth	75.41%	120.57%	122.72%	23.59%	21.75%	2.67%
Operating margin	123.71%	177.94%	435.20%	65.32%	51.20%	2.59%

- **December 2019**

Banco GNB Perú

Macroeconomic	2019	2020	2021	2022	2023	2024
Annual GDP growth (Real)	2.3%	3.8%	3.8%	3.8%	3.8%	3.8%
Annual inflation	1.9%	2.0%	2.0%	2.0%	2.0%	2.0%
Exchange rate (USD/PEN)	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%
Devaluation	0.4%	0.1%	0.0%	0.0%	0.0%	0.0%
Central Bank interest rate	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
Private consumption	3.0%	3.5%	3.7%	3.6%	3.6%	3.6%
Private investment	4.2%	3.8%	4.0%	3.8%	4.0%	3.9%

Cost of equity (Ke) nominal USD	6.5 %
Cost of equity (Ke) nominal PEN	6.9 %

Business assumptions	2019	2020	2021	2022	2023	2024
Gross portfolio growth	0.70 %	13,90%	10,00%	8,70%	9,20%	9,90%
Net credit provision	1.31 %	1,78%	1,74%	1,70%	1,66%	1,62%
Deposit growth	-2.09 %	12,70%	10,03%	8,66%	9,23%	9,90%
Average trading margin	5.97 %	6,14%	6,14%	6,14%	6,14%	6,14%

Banco GNB Colombia

Macroeconomic	2019	2020	2021	2022	2023
Annual GDP growth (real)	3.40%	3.60%	3.90%	4.00%	4.20%
Annual inflation rate	3.97%	4.10%	3.85%	3.50%	3.30%
DTF rate - Year-end (E.A.)	4.46%	4.77%	4.73%	4.70%	4.70%

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

TRM (year-end)	3,320.00	3,403.00	3,371.00	3,377.00	3,427.00
Central Bank of Colombia interest rate	4.25%	5.00%	5.25%	5.50%	5.00%

Average cost of capital USD	9.37%
Average cost of capital COP	9.75%

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

Business assumptions	2019	2020	2021	2022	2023
Net portfolio growth	11.60%	10.90%	9.90%	9.80%	10.40%
Deposit growth	13.50%	10.80%	10.30%	10.50%	10.70%
Trading margin	13.90%	25.10%	12.90%	13.60%	13.40%

Charleston Hotels Group

Macroeconomic	2019	2020	2021	2022	2023
Annual GDP growth (real)	3.40%	3.60%	3.90%	4.00%	4.20%
Annual inflation rate	3.97%	4.10%	3.85%	3.50%	3.30%
TRM (year-end)	3,013	3,090	3,185	3,263	3,342

Average cost of capital COP	8.7%

Business assumptions	2019	2020	2021	2022	2023
Occupancy rate	69.8%	74.2%	75%	75%	75%
Revenue growth	14.1%	14.1%	8.3%	7.2%	4.5%
Operating margin	61.4%	69.5%	67.3%	70%	71.3%

a. Forecasting period and perpetuity

The cash flows were forecast for a 5-year period, from 2021 to 2025. From this period on, the present value of cash flows in 2025 are forecast to perpetuity using the expected growth rates of Gross Domestic Product of the markets in which the Perú CGU and Charleston Hotels Group operate, as described earlier, and the long-term inflation rate.

The decision to forecast 5 years is consistent with the time required to deploy the Corporate Integration Plan, the purpose of which is to better capture opportunities to create value at the Bank. The strategy being implemented implies, in addition to changes in the Bank's management arrangement and operating models, a shift towards a new mix of products, customer segments and medium and long-term objectives.

For Colombia and Paraguay, the output multiple method was used for the long-term forecast.

b. Payment of dividends

Dividend payments were made by maximizing the cash flows for shareholders, subject to the restriction of the solvency indicator (ratio of technical equity to risk-weighted assets) not being greater than required by the regulatory agencies, plus an additional 20%. Based on the above, a 70% dividend was proposed for Peru and Paraguay, and a 50% dividend for Colombia. In the case of Charleston, only dividends from operating cash flows were considered.

Conclusions on the key assumptions used, forecast period, perpetuity and dividend payments

As a result of the impairment assessment described earlier, management concluded that the recoverable amount of the CGU is greater than it carrying value (CV), as follows:

	Colombia	Peru	Paraguay	Charleston Hotel
Recoverable amount/carrying value (%)	140.0	110.0	178.0	150.0

Consequently, Management has not identified any impairment charges that should be recognized in these consolidated financial statements.

Uncertainty and sensitivity of the calculations to changes in the key assumptions

The estimates and judgments involved in the calculation of the recoverable amounts are based on historic experience and other factors, including Management's expectations on future events that are considered reasonable under the current circumstances. However, the assumptions used are subject to a substantial amount of uncertainty and actual future results may differ from the forecasts. For example:

- The model for estimation of the recoverable value of the CGUs Colombia, Peru, Charleston Hotels Group and Paraguay assume that they are profitable since 2021.

- The above, in combination with other measures, has repercussions on the growth of the different loan portfolios on the system's average. Management believes that a reasonably possible change in the discount rates or perpetuity growth rates used to determine the recoverable amount of the CGU would cause the carrying value of that CGU to be greater than the recoverable value.

The Bank has carried out sensitivity analysis on the discount rate and output multiple ranges for Colombia, Peru, Paraguay and Charleston Hotels Group, in a combined and interrelated manner, to establish the estimated changes in recoverable amounts. The following are the results of these calculations:

Peru CGU (amounts in millions of COP):

Variable	Sensitivity analysis	Recoverable value	Carrying Value
Discount rate	+1.5%	919,219	919,219
Dividend payout	-24%		

Paraguay CGU (amounts in millions of COP):

Variable	Sensitivity analysis	Recoverable value	Carrying Value
Discount rate	+1%	927,770	557,857
Dividend payout	-40%		

Colombia CGU (amounts in millions of COP):

Variable	Sensitivity analysis	Recoverable value	Carrying Value
Discount rate	+1%	2,816	2,103
Dividend payout	-40%		

Charleston Hotels Group CGU (amounts in millions of COP):

Variable	Sensitivity analysis (*)	Recoverable value	Carrying Value
Discount rate	+1.7%	225,707	223,957
Occupation rate	-5%		

(*) Includes different sensitivity analyses for the perpetuity index, cash flows, etc.

Other matters

At December 31, 2020, no impairment was identified in other non-financial assets such as investments measured by the equity method, nor were any situations identified that would have implied the need to account for new provisions arising from the effects of COVID-19 with a high probability of an outflow of resources at that date.

Relief for customers

In response to the COVID-19 pandemic, on March 17, 2020, the Colombian Government declared a social, economic and ecological emergency. In accordance with that declaration, the government issued Decree 457/2020, which includes a mandatory shelter-in-place order throughout Colombian territory, as well as the suspension of domestic and international flights. These restrictions adversely affect our ability to conduct business as usual in those jurisdictions.

In March and April 2020, the Financial Superintendence of Colombia (SCF, for the Spanish original) issued several public notices setting out measures to address the economic and market disruptions resulting from the COVID-19 pandemic. As a result, we began to offer temporary relief measures to assist both consumer and commercial customers in Colombia during the period of suspension. These measures are supported by the Central Bank of Colombia and the Financial Superintendence of Colombia and are being offered throughout the country by the banking sector.

Some of the main relief measures are related to the deferral of principal and interest payments due on consumer and commercial loans for up to 90 days. The classification of these loans cannot be modified and, therefore, no further provisions would be required.

Management of Banco GNB Sudameris and national subsidiaries

The following is the summary of the main changes:

Banco GNB Sudameris

In March 2020, the Financial Superintendence of Colombia issued Public Notices 007 and 014 in order to mitigate the effects resulting from the COVID-19 health emergency declared by the National Government and the situation of the financial markets. The spirit of the notices fell within the framework of granting relief through grace periods to debtors of loan portfolios that at February 29, 2020 reported arrears less than or equal to 60 days including those in modified or restructured status by Public Notice 026/2017 maintained the same risk rating during the term of the grace period. In addition, the loan extensions did not consider an increase in the interest rate, capitalization of interest or deferred interest charges for other items (handling fees, commissions, insurance). This regulation was extended until July 31, 2020.

With regard to these notices, the Bank took the necessary steps to comply with them, meeting the liquidity needs of customers by granting relief through grace periods of up to 90 days, without considering them a higher risk factor.

Also, during the grace period, the Bank continued to accrue interest and other items derived from the portfolio. As of December 31, 2020, most of these relief measures have been terminated. Measures enacted by the governments of the countries where the Group is operating have prompted granting loan reliefs to customers (companies or individuals) between the months of March and December 2020 in relation to outstanding loans or loan agreements, which have involved the renegotiation of their terms including granting payment holidays, the deferral of some installments and the extension of payment terms. The table below summarizes the cumulative volume at December 31, 2020 of the reliefs granted by type:

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

	Transactions with Relief	Exposure with Relief *	Exposure with Relief / Total Portfolio
Commercial	1,465	1,261,313	15%
Consumer	19,742	664,460	10%
Mortgage	1,467	225,633	26%
Total	**22,674**	**2,151,406**	**13%**

To date, the governments of the countries where the Group is operating have not decreed direct support for banks. At December 31, 2020, the Bank and its subsidiaries have granted relief to 22,674 transactions for approximately COP 2.1 billion, distributed as follows:

Exposure in COP million

Banco GNB Sudameris

	Transactions with Relief	Exposure with Relief	Exposure with Relief / Total Portfolio
Commercial	160	284,541	6%
Consumer	8,190	314,340	6%
Total	**8,350**	**598,881**	**6%**

Banco GNB Perú

	Transactions with Relief	Exposure with relief and/or rescheduling *	Exposure with Relief / Total Portfolio
Commercial	453	423,881	40%
Consumer	10,680	330,523	25%
Mortgage	1,467	225,633	27%
Total	**12,600**	**980,037**	**30%**

Banco GNB Paraguay

	Transactions with Relief	Exposure with relief and/or rescheduling *	Exposure with Relief / Total Portfolio
Commercial	852	552,891	18%
Consumer	872	19,597	24%
Total	**1,724**	**572,488**	**18%**

(*) At December 31, 2020, many of the loans with reliefs had also been rescheduled, and for this reason there were no past-due installments pending payment. The loans were rescheduled based on the same principal amounts and at the same rates in effect at the date of rescheduling. Due to the above, the changes in these operations did not affect the year's income.

However, due to the continuance of the COVID-19 health emergency, on June 30, 2020, the Financial Superintendence of Colombia issued Public Notice 022 where instructions were given regarding the Debtor Support Program (PAD, for the Spanish original), which consists of credit institutions establishing structural payment solutions through the redefinition of credit conditions for customers whose income or payment capacity is affected by the COVID-19 situation. To this end, the Bank designed policies, procedures and disclosure guidelines for the PAD program to meet the liquidity needs of its loan portfolio customers in a timely manner.

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

From the effective date of the PAD program, August 1, 2020 through December 31, 2020, the Bank has benefited a total of 7,687 customers who account for COP 598,881 million in capital, representing 6.21% of the total portfolio, distributed as follows:

Modality	Segment	Cumulative December 31, 2020		
		No. Customers	No. Transactions	Capital
Commercial	Local currency	89	160	284,541
Total commercial		**89**	**160**	**284,541**
Consumer	Payroll Loans	7,074	7,389	304,686
	Others	524	801	9,654
Total consumer		**7,598**	**8,190**	**314,340**
Overall total		**7,687**	**8,350**	**598,881**

Finally, on December 15, 2020, the Financial Superintendence of Colombia issued Public Notice 039, with the purpose of extending the effect of the Debtor Support Program (PAD) and the complementary measures related to credit risk management until June 30, 2021, including but not limited to carrying out the portfolio rating and evaluation process corresponding to November 2020 and the constitution of the general provision of unpaid accrued interest (ICNR, for the Spanish original), in consideration of the effects on the payment behavior of the loan debtors as a result of the continuance of the COVID-19 pandemic.

a. Liquidity and investment portfolios

The Central Bank of Colombia ended its cycle of market intervention with the reductions of the referential interest rate after seven consecutive reductions in order to boost the economy and mitigate the impacts of the pandemic. Thus, the rate stands at 1.75%, the decision was justified by the level of inflation which have been below expectations, although this caused that two of the seven votes of the Board of Directors opted for an additional 25 bps decrease in the referential interest rate . However, outgoing Manager Juan José Echavarría stressed that he expects inflation to approach the Bank's target level in 2021 and 2022, when inflation is expected to be 2.7% and 3.0%, respectively.

On the other hand, Moody's risk rating agency maintained the country's rating at Baa2, but changed the outlook from stable to negative. This change reflects the risks of lasting negative effects from the pandemic on the fiscal consolidation and the credit profile. Likewise, the agency expects the fiscal adjustment to begin in 2022 with the results of the tax reform to be discussed in 2021.

In addition, the Ministry of Finance held its last fixed-rate TES auction in 2020 for an amount of COP 975 billion, with maturities in 2027, 2034 and 2050. With this auction, the Ministry of Finance culminated its program of financing through auctions established for the 2020 fiscal year. These placements resumed on Wednesday, January 6, 2021.

In turn, the Fed and the European Central Bank ended the year with no changes in their intervention rates and maintaining their unconventional asset purchase measures, at least until pre-pandemic employment levels are recovered, and a reaction in inflation indicators around target values is observed.

b. Operational Risk – Measures implemented against COVID-19

The Entity has carried out its operations satisfactorily, ensuring due attention to financial consumers and complying with the guidelines of the National Government and the Financial Superintendence of Colombia. Also, in accordance with the provisions of Public Notice 008/2020, issued by the Financial Superintendence of Colombia, the Group's Emergency Committee was created, which carries out permanent monitoring through short and medium-term action plans, in accordance with the risk levels established by the corresponding authorities and the applicable regulations, implementing measures to meet the proposed objectives, protecting the integrity and lives of employees and periodically reporting results to the Risk Committee and the Board of Directors.
Among the measures implemented are the following:

a. Implementation of biosafety protocols to access the Entity's facilities.

b. Implementation of biosafety protocols and special schedules for attending users inside the offices.

c. Strengthening of financial consumer service channels.

d. Strengthening and ongoing monitoring of digital channels to serve financial consumers, in view of the increase in transactions resulting from the health emergency.

e. Permanent communication of statements to all the Bank's employees and financial consumers, related to prevention measures against COVID-19 infection.

f. Implementation of two work models : on-site and from-home , to ensure the correct operation of the entities during the health emergency period.

g. Publication of the biosafety protocols implemented within the Bank and its Subsidiaries, in accordance with Resolutions 666 and 892/2020 of the Ministry of Health and Social Protection.

h. Compliance with the requirements of the Financial Superintendence of Colombia, related to the implementation of Public Notice 008/2020.

i. Implementation of processes and procedures to comply with all National Government support programs during the health emergency.

Banco GNB Perú

The main measures implemented in Peru by the National Government, Congress, the BCRP (Central Bank for the Spanish original) and the Superintendence of Banking and Insurance to counteract the adverse effects of COVID-19 on the economy were as follows:

Monetary policy - Measures of the Central Reserve Bank of Peru (BCRP)

- Reduction of the monetary policy interest rate: the reference interest rate was reduced in March and April from 2.25% to 0.25%.
- Reduction of the minimum legal reserve requirement in sols from 5% to 4%; releasing S/ 2,000 million; reduction of the minimum checking account requirement in sols from 1.0% to 0.75% of the Total Obligations Subject To Reserve (TOSE, for the Spanish original); reduction of the reserve requirement for foreign currency obligations with average terms of up to 2 years with foreign financial entities from 50% to 9%; suspension for the remainder of 2020 of the additional reserve requirement associated with foreign currency credit.

- Reduction of the minimum checking account requirement in sols of banks in the BCRP from 1% to 0.75%.
- Suspension of the additional reserve requirement associated with credit in US dollars.
- Extension of deadlines for Repo transactions in securities and currencies.
- Injection of liquidity to the Financial System through the Reactiva Program: Granting Credit Reporting operations guaranteed by the National Government, Reporting Operations conditioned to refinancing the loan portfolio.

Rescheduling of Loans - Superintendence of Banking, Insurance and Private Pension Administrators (AFP, for the Spanish original) and Provision and Solvency Levels.

- Provisions are issued in order to reschedule loans of debtors who were up to 15 days in arrears at February 29 or who were up to date in their payments at the date of the declaration of the national emergency, increasing the terms by up to twelve months from the original term. **OM 11150-2020, OM 11170-2020 and OM 13805-2020.**
- Suspension of counting the days past due for loans that were more than 15 days past due at February 29, 2020.
- Reactivation of **OM 5345-2010**, which allowed the modification of the contractual terms of loans other than refinancing.
- **SBS Resolution 1870-2020** established that financial entities must provide their customers with debt rescheduling alternatives that meet their needs and are in line with their financial situation.
- **Law 31050**: Law that establishes extraordinary provisions for rescheduling and freezing debts in order to relieve the economy of individuals and SMEs as a result of COVID-19. The COVID-19 guarantee program was created for rescheduling consumer, mortgage, personal, vehicle and SME loans.
- **SBS Resolution 3155-2020**: This Resolution modified the regulations for the assessment and classification of the debtor and the Accounting Handbook for companies in the financial system, mainly indicating the following provisions: a) The rescheduled loans of debtors classified as Normal are considered debtors with credit risk higher than Normal, corresponding to the credit risk level With Potential Problems (CPP, for the Spanish original). Specific provisions corresponding to the CPP category are applied to these loans. b) A provision requirement corresponding to the substandard risk category will be applied to accrued interest on rescheduled loans, in current accounting status, corresponding to the consumer, micro and small enterprise loan portfolio, for which the customer has not paid at least one full installment including principal in the last 6 months at the closing of accounting information.
- **OM 41970 -2020**: The Superintendence of Banking, Insurance and AFP has considered that given the magnitude of the National State of Emergency due to the outbreak of COVID-19, banks that exceptionally have difficulty ensuring the sufficiency of effective equity according to their risk profile, by application of this requirement, may request authorization to extend the adaptation term for the constitution of provisions for the principal of rescheduled loans and accrued interest, referred to in items 2 and 3 of Article 4 of SBS Resolution No. 3155-2020.
- **OM 42138-2020:** Financial Entities may reduce their share capital, legal reserve and/or other equity accounts in order to create new specific and/or general provisions (including voluntary provisions) for their loan portfolio. Finally, it is important to note that the application must be submitted no later than March 31, 2021.

In turn, measures were taken to provide greater liquidity to households, such as:

- Granting monetary subsidies to the most vulnerable households for an initial transfer of S/ 380, extended for the second time. DU 027-2020 and DU 044-2020.
- Withdrawal from CTS (Compensation for Time of Service) account: to allow all workers to withdraw S/ 2400. Additional withdrawal of up to one month's gross monthly remuneration for each month of perfect suspension of workers affected by this measure. If there is no balance in the CTS account, an advance may be requested for the May CTS and June bonus: DU 033-2020

The Loan Portfolio is under permanent monitoring focused on the social and economic situation due to the effects of the COVID-19 outbreak that has kept the country in a State of National Emergency since March 15, 2020. Management is focused on the assessment and prompt response to rescheduling requests from the Retail and Non-Retail fronts and on maintaining efficient payroll collection operations in the agreement-based credit business. The accounting results at the end of December are detailed in the table below:

Segment	**Total Direct Portfolio**		**Rescheduled Portfolio**		
(Stated in thousands of S/)	**No.**	**Balance**	**No.**	**Balance**	**%**
Corporate	59	381,931.6	23	167,081.6	43.7%
Large enterprise	262	286,246.4	91	161,818.9	56.5%
Medium enterprise	514	342,431.9	179	106,852.0	31.2%
Small enterprise	252	16,380.8	160	11,406.6	69.6%
Micro-enterprise	3	3,632.9	0	0.0	0.0%
Revolving consumer	2,089	12,265.5	747	730.9	6.0%
Non-revolving consumer	43,901	1,391,922.6	9,933	347,943.2	25.0%
Mortgage	6,710	868,758.5	1,467	238,024.1	27.4%
Total Portfolio	**53,790**	**3,303,570.0**	**12,600**	**1,033,857.0**	**31.3%**

In turn, liquidity indicators remain within regulatory limits. The Bank presents an increase in the LCR in LC - FC between September and December from (177.75% LC and 178.14% FC) to (204.17% LC and 203.60% FC) respectively, maintaining adequate liquidity levels. Finally, the Liquidity Contingency Plan has been reviewed and monitored.

In 2020, Banco GNB Perú faced the COVID-19 pandemic through business continuity management, which adapted to the different challenges that arose to face the crisis and the regulatory requirements of the oversight bodies and the Peruvian State. The main activities carried out were as follows:

- Activate remote work by granting access to VPN and Owa e-mail in order to minimize the number of employees working on-site, without affecting the Bank's critical processes. As the need to run more processes grew, the number of accesses increased.
- Banco GNB Perú changed the distribution of equipment at its facilities (headquarters) in order to ensure social distancing, in addition to signage in the Agencies and Headquarters to encourage the best distancing practices.
- Acquisition of Personal Protective Equipment (PPE) and complementary gear to comply with the defined biosafety protocols.
- Definition of protocols to resume operations, both for Headquarters and Agencies. These include biosafety measures for employees upon entry, during the performance of their activities, and when eating, among other aspects.
- Biweekly monitoring of the transactions executed in each channel, as well as a record of interruptions, in order to ensure the continuity of customer service.

Business Continuity Management evolved steadily in 2020 in order to cope with the COVID-19 pandemic. As a result of these activities, Business Continuity Management at Banco GNB has been strengthened, becoming more dynamic in line with the evolution of Banco GNB's processes.

Finally, Banco GNB Perú has complied with governmental measures, defining contingency plans to ensure the continuity of operations and safeguarding the lives of its employees, customers, suppliers and users. It also performs the corresponding monitoring in order to identify the implications and keep the Parent Company informed.

Banco GNB Paraguay

The main measures adopted to face the COVID-19 pandemic in Paraguay are as follows:

a. Through monetary policy

- Reduction of the monetary policy rate from 4% to 2.25%, which is intended to reduce the interest rate for household and corporate loans.
- Increase in lines of liquidity, total potential resources available of USD 1,719 million, corresponding to 4% of the GDP.
- Release of the Legal Reserve Requirement, funds equivalent to USD 959 million for new loans, renewal, refinancing or restructuring.
- Automatic return of the reserve requirement in the event of a 10% reduction of deposits in an entity. Creation of the Special Credit Facility with funds equivalent to USD 760 million. Entities may deliver monetary regulation instruments and treasury bonds for discounting and thus, have funds available for new loans.

b. Through Banco Nacional de Fomento:

- Contribution of funds from the BNF to the Development Finance Agency (DFA) of P&L COP 200,000 million to grant refinancing to MSMEs through banks, finance companies and cooperatives.
- Contribution of funds to the DFA of P&L COP 80,000 million to provide loans to MSMEs through financial brokers.
- "Debt Restructuring" product.
- Preferential rate of 7% in local currency and 5% in foreign currency, for a one-year term, renewable for another year or even for a longer term.
- Negotiations with Multilateral Organizations to obtain long-term funding.
- Launch of the Payroll Payment product, with a simplified process of 48 hours for disbursement, targeting MSME segments, for up to P&L COP 328 million or 10 times the payroll.
- Suspend collection of installment loans corresponding to the March-August period for the consumer, MSMEs and larger enterprise segments.
- Minimum payment of zero for the months of April, May and June on credit cards.

c. Through the Development Finance Agency (DFA)

- Refinancing of mortgage loans.
- Liquidity provision for credit transactions.
- Administration of the Trust with an endowment of COP 650,000 million, for new lines of credit, portfolio purchase transactions directed to banks, finance companies, cooperatives, non-bank financial entities and credit institutions.
- Guarantee fund for micro, small and medium-size enterprises (fogapy for the Spanish original) with a capitalization of USD 100 million, which will enable the issuance of guarantees for an amount equivalent to USD 500 million to cover new transactions.

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

d. By making the operation of the Financial System more flexible

- Renegotiation of loans without affecting the customer's category. Benefit for debtors less than 30 days past due at February 29 del 2020.
- Automatic refinancing without requiring additional documentation or further analysis.
- Analysis for refinancing transactions greater than P&L COP 1,000 million can be carried out on a sectoral basis or by similar profiles.
- For new loans, a risk weighting of only 50% of the required capital will be applied.
- Reduced documentation requirements for new loans.

Banco GNB Paraguay is constantly working to monitor customers and to implement the measures adopted by the Government. At December 31, 2020, the transactions that have benefited totaled P&L COP 1,150,832 million. The classification by segment is as follows:

Segment	Exposure	Transactions
Major trade receivables	1,094,841	306
Small and medium enterprises	16,596	147
Consumer	39,395	979
Total	**1,150,832**	**1,432**

The Bank permanently monitors its liquidity indicators, controlling mainly the outflow of deposits, which at December have not changed significantly.

Finally, Banco GNB Paraguay has complied with governmental measures, defining contingency plans to ensure the continuity of operations and safeguarding the lives of its employees, customers, suppliers and users. It also performs the corresponding monitoring in order to identify the implications and keep the Parent Company informed.

NOTE 2. BASIS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying Consolidated Financial Statements of the Bank and its Subsidiaries have been prepared in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (NCIF, for the Spanish original), which are based on the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), which were officially translated into Spanish and became effective as at December 31, 2018 (not including IFRIC 23 and IFRS 17), except for the application of IFRS 9, where the Financial Superintendence has set the requirement of recording directly in Other Comprehensive Income (OCI) the difference between the impairment losses on loans calculated by the application of IFRS 9 and the impairment allowance required for Separate Financial Statements based on the specific rules of the Superintendence.

In accordance with Colombian law, the Bank and its subsidiaries are required to prepare separate and consolidated financial statements. The Separate Financial Statements serve as a basis for shareholders to decide on the distribution of dividends and other appropriations, while the Consolidated Financial Statements are provided for information purposes only.

a. Presentation of the consolidated financial statements

The following comments apply to the presentation of the attached Consolidated Financial Statements:

- The consolidated statement of financial position presents assets and liabilities on the basis of their liquidity, as it provides relevant and reliable information, in accordance with the International Accounting Standard (IAS 1) "Presentation of Financial Statements".

- The consolidated statement of income and consolidated statement of other comprehensive income are presented separately in two statements as permitted by IAS 1“Presentation of Financial Statements”. Also, the consolidated statement of income is presented according to its nature as it provides reliable and relevant information.
- The consolidated statement of cash flows is presented using the indirect method, in which net cash flows from operating activities are determined by adjusting net income before taxes, changes due to the effects of items that do not generate cash flows, net changes in assets and liabilities derived from operating activities and for any other items whose effects are derived from operating activities and for any other items whose effects are from investing or financing activities. Interest income and expenses received and paid are part of the operating activities.

b. Consolidation of controlled entities

In accordance with International Financial Reporting Standard (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 the following conditions:

- Power over the controlled entity that provides the Bank with the present ability to direct its relevant activities that affect its returns.

- Exposure or entitlement to variable returns from Its interest as a controlled entity.

- Ability to use its power over the controlled entity to influence the amounts of the investor's returns.

In the consolidation process, the Bank and its subsidiaries combine the assets, liabilities and income of the entities over which they have control, after standardizing their accounting policies and translating the figures of the controlled entities abroad into Colombian pesos. In this process, reciprocal transactions and profits made between them are eliminated. The share of non-controlling interests in the equity of subsidiaries is presented in consolidated equity separately from the equity of controlling interests.

With regard to the financial statements of the subsidiaries abroad, for the consolidation process, their financial statements are translated from their assets and liabilities in foreign currency to Colombian pesos at the closing exchange rate, the consolidated statement of income at the average exchange rate for the year and the equity accounts at the historical exchange rate. The net adjustment resulting from the translation process is included in equity as "Translation adjustments on foreign subsidiaries financial statements" in the "other comprehensive income" (OCI) account.

c. Functional and presentation currency

The functional currency of the Bank and its Subsidiaries has been determined by taking into account the definition of functional currency for reporting purposes, considering that its transactions are mainly related to lending activities. The main activities of the Bank and its Subsidiaries consist of granting loans to customers in Colombia, investment in securities issued by the Republic of Colombia or by national entities, whether or not registered in the National Registry of Securities and Issuers (RNVE, for the Spanish original) in Colombian pesos; and to a lesser extent, granting loans to Colombian residents in foreign currency and investment in securities issued by foreign banking entities, securities issued by foreign companies in the real sector whose shares are registered in one or more internationally recognized stock exchanges, and bonds issued by multilateral credit entities, foreign governments or public entities. These loans and investments are financed mainly by customer deposits and financial obligations in Colombia, also in Colombian pesos. The performance of banks and their subsidiaries in Colombia is measured and reported to their shareholders and the general public in Colombian pesos. As a result, Management of the Bank and its Subsidiaries defined the Colombian Peso as the currency that most closely represents the economic effects of underlying transactions, events and conditions of the Bank and its Subsidiaries. Therefore, the functional and presentation currency defined for the presentation of the Consolidated Financial Statements is also the Colombian peso. Foreign subsidiaries have different functional currencies.

d. Foreign currency transactions

Transactions in foreign currency are translated into the functional currency, using the exchange rate prevalent at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate prevalent at the reporting date of the consolidated statement of financial position. Non-monetary assets and liabilities denominated in foreign currencies in terms of historical cost are measured using the exchange rate at the transaction date. Financial instruments measured at fair value are translated using the exchange rate at the date on which the fair value was determined. Profits or losses resulting from the transfer process are included in the consolidated statement of income.

Unless the financial liabilities serve as a hedging instrument for an investment in foreign operations, in which case they are recorded in equity in the Other Comprehensive Income account.

As of December 31, 2020 and 2019, the representative market rates calculated and certified by the Financial Superintendence were: COP 3,432.50 per USD 1.00 and COP 3,277.14 per USD 1.00, respectively.

NOTE 3. - ACCOUNTING POLICIES

a. Cash and cash equivalents

Cash and cash equivalents include cash, deposits in banks and other short-term investments in active markets with maturities of less than three months. For a financial investment to qualify as a cash equivalent, it must be held to meet a short-term payment commitment and not for investment purposes, be readily convertible to a defined amount of cash and be subject to an insignificant risk of changes in value.

b. Income

i. Contract assets

A contract asset is the Banks's right to receive payment in exchange for goods or services that the Bank has transferred to a customer where that right is contingent on something other than the passage of time (e.g., billing or delivery of other elements under the contract). The Bank perceives contract assets as current assets, as they are expected to be realized within the normal operating cycle.

Contract costs eligible for capitalization as incremental costs of obtaining a contract are recognized as a contract asset. Contract underwriting costs are capitalized as incurred if the Bank expects to recover such costs. Contract underwriting costs are non-current assets to the extent that the economic benefits of such assets are expected to be received over a period of more than twelve months. Contracts are amortized systematically and consistently upon transfer to the customer of the services once the related revenues have been recognized. Capitalized contract underwriting costs are impaired if the customer withdraws or if the carrying value of the asset exceeds the projected discounted cash flows related to the contract.

ii. **Contract liabilities**

Contract liabilities represent the Bank's obligation to transfer goods or services to a customer, for which the Bank has received payment from the end customer or if the amount is overdue. They also include deferred income related to goods or services to be delivered or rendered in the future, which are billed to the customer in advance, but are not yet due.

iii. **Revenue from contracts with customers**

The Group recognizes revenue from contracts with customers based on a five-step model established in IFRS 15:

Step 1. Identification of contracts with customers: A contract is defined as an agreement between two or more parties, which creates enforceable rights and obligations and establishes criteria to be met for each contract. Contracts may be written, verbal or implied through a company's customary business practices.

Step 2. Identification of performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the latter.

Step 3. Determination of the transaction price: The transaction price is the amount of payment to which the Group expects to be entitled in exchange for the transfer of goods or services promised to a customer, regardless of amounts received on behalf of third parties.

Step 4. Allocate the transaction price among the performance obligations of the contract: In a contract that has more than one performance obligation, the Group allocates the transaction price among the performance obligations in amounts that represent the consideration to which the Group expects to be entitled in exchange for fulfilling each performance obligation.

Step 5. Revenue recognition when (or as) the Group fulfills a performance obligation.

The Group fulfills a performance obligation and recognizes revenue over time if any of the following criteria are met:

- The Group's performance does not create an asset with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date.

- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

- The customer both receives and consumes the benefits provided by the Group's performance as it works.

For performance obligations where none of the above conditions are met, revenue is recognized at the time the performance obligation is fulfilled.

When the Group fulfills a performance obligation by delivering the goods or services promised, it creates a contract asset in the amount of the consideration earned for the performance. When the amount of consideration received from a customer exceeds the amount of revenue recognized, it generates a contract liability.

Revenue is measured based on the consideration specified in the contract with the customer, and excludes amounts received on behalf of third parties. The Group recognizes revenue when it transfers control over a good or service to a customer. Revenue is presented net of value added tax (VAT), rebates and discounts, and after eliminating sales within Group.

The Group assesses its revenue plans based on specific criteria to determine whether it is acting as principal or agent.

Revenue is recognized to the extent that economic benefits are likely to flow to the Group and if revenue and costs, if any, can be measured reliably.

The following is a description of the principal activities through which the Group generates revenues from contracts with customers:

(i) Banking (Financial services):

The Bank usually signs contracts covering several different services. Such contracts may contain components that are either within or outside the scope of IFRS 15. For this reason, banks only apply the indications of IFRS 15 when they have all or part of their contracts outside the scope of IFRS 9.

The sources of revenue obtained by the Bank through contracts with customers are as follows:

- **Credit cards: Exchange fees, general fees (annual, quarterly and monthly) and loyalty programs**

There are contracts that create enforceable rights and obligations between the Bank and cardholders or merchants, under which the Bank provides services generally in exchange for annual or other fees. The following are some of the services that may exist in the contract with the cardholder:

- Issuance of loyalty points (options to purchase free or discounted goods/services in the future), which are usually based on the monetary volume of card transactions,
- p ayment processing service,
- insurance, where the Bank is not the insurer,
- fraud protection, and
- processing of certain transactions, such as foreign currency purchases and cash withdrawals.

The transaction price is assigned to each performance obligation based on the relative selling prices of the goods or services provided to the customer. The allocation of the transaction price to each individual performance obligation is not entirely necessary when there is more than one performance obligation, but they are all fulfilled at the same time or equally during the period.

- **Commissions:**

The Bank receives insurance commission when they refer new customers to third-party insurance vendors, when the Bank is not itself the insurer of the policy. Such commission is usually paid periodically (monthly, for example) to the Bank based on the volume of new policies (and/or renewal of existing policies) generated with customers introduced by the Bank. The transaction price may include an element of consideration that is variable or subject to the outcome of future events, such as policy cancellations, and such element is estimated and included in the transaction price based on the most likely amount, so as to include it in the transaction price only when it is more likely than not that the resolution of such uncertainty will not lead to a material reversal in income.

Commitment fees are within the scope of IFRS 15 when it is unlikely that a specific loan agreement will be generated and that such commitment is not measured at fair value through profit or loss.

The Group receives commissions on trust and stand-alone share contracts, which correspond to performance obligations, agreed with the customer from the beginning of the contract and are included in the value of the commission generated each month during the term of the contract.

In addition, the Group receives commissions for technical and administrative services carried out with a low-value payment system which is an increase in interbank financial transactions and from charging commissions for transactions carried out through the Group's ATM network. Clearing is performed on a daily basis and therefore, commission income is recognized to the extent of the performance obligation performed by the system.

- **Savings and checking accounts: Transactional and account collections**

Savings and checking account agreements generally allow customers to access a range of services, including processing wire transfers, using ATMs to withdraw cash, issuing debit cards, and generating bank statements. They sometimes include other benefits. Collections are made periodically and provide the customer with access to banking services and additional benefits.

(ii) Customer loyalty programs

The Bank manages loyalty programs in which customers accumulate points for purchases, which entitles them to redeem such points under the policies and rewards plan in effect at the redemption date. Reward points are recognized as an identifiable component separate from revenue for services rendered, at fair value. Loyalty program revenues are deferred and are recognized in the statement of income when the entity has fulfilled its obligations to provide the products under the terms of the program or when it is not likely that the points will be redeemed under the rules of the program. A contract liability is recognized until the points are redeemed or expire.

The Bank acts as a principal in a customer loyalty program if it obtains control of goods or services from another party in advance, or if it transfers control of such goods or services to a customer. The Bank acts as agent if its performance obligation is to arrange for another party to provide the goods or services.

c. Financial instruments

IFRS 9 establishes requirements for recognizing and measuring financial assets, financial liabilities and certain contracts to buy or sell non-financial items.

Details of significant new accounting policies and the nature and effect of changes in previous accounting policies are set out below.

i. Classification and measurement of financial assets and liabilities

IFRS 9 (2014 version) contains a new approach for classification and measurement of financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 (2014 version) includes three main classification categories for financial assets: measured at amortized cost (AC), at fair value through other comprehensive income (FVTOCI), and at fair value through profit or loss (FVTPL).

The new standard complements the two existing categories in the previous IFRS 9 of AC and FVTPL that are currently in force in Colombia for Consolidated Financial Statements, by adding the category of FVTOCI.

A financial asset is measured at amortized cost rather than at fair value through profit or loss if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to obtain contractual cash flows; and
- The contractual terms of the financial asset establish specific dates for cash flows derived solely from principal and interest payments on the current balance.

A debt instrument is measured at FVTOCI only if it meets both of the following conditions and has not been designated as FVTPL:

- The asset is held within a business model whose objective is achieved by collecting contractual cash flows and selling those financial assets; and
- The contractual terms of the financial asset establish specific dates for cash flows derived solely from principal and interest payments on the current balance.

During the initial recognition of investments in equity instruments not held for trading, the Group may irrevocably choose to record subsequent changes in fair value as part of other comprehensive income in equity. This choice should be made on an instrument-by-instrument basis.

All financial assets not classified as measured at amortized cost or at fair value through profit or loss as described above are measured at fair value through profit or loss.

In addition, at initial recognition, the Group may irrevocably designate a financial asset that meets the measurement requirements at AC or FVTOCI to be measured at FVTPL if doing so would eliminate or significantly reduce an accounting mismatch that would otherwise occur. The Group will not make use of this option for now.

A financial asset is classified in one of the aforementioned categories upon initial recognition.

Assessment of the business model

The Group will perform an assessment of the objectives of the business models in which the different financial instruments are held at portfolio level to best reflect how each subsidiary manages the business and how information is provided to Management. The information that was considered included:

- The objectives and policies indicated per portfolio of financial instruments and the operation of the policies. They include whether the management strategy focuses on charging income on the contractual interest, maintaining a yield profile with a specific interest or coordinating the term financial assets with the term of liabilities to finance them or the expected cash outflows or realizing the cash flows through the sale of the assets.

- Based on the way in which they are assessed and reported to the parent companies and key management personnel of each Group subsidiary on the portfolios' yield.

- The risks that affect the performance of the business models (and the financial assets held in the business model) and how such risks are managed;

- How business sponsors are compensated (e.g., whether compensation is based on the fair value of assets under management or on contractual cash flows obtained); and

- The frequency schedule, value and sales in previous periods. Sales ratios and expectations about future sales activities. However, information on sales activity is not considered in isolation, but as part of an assessment of how the objectives set by the Group to manage financial assets are met and how cash flows are realized.

Financial assets that are held or managed for trading and whose performance is assessed on a fair value basis are measured at fair value through profit or loss because they are not held within business models to collect contractual cash flows or to obtain contractual cash flows and sell these financial assets.

Assessment if the contractual cash flows are Solely Payments of Principal and Interest (SPPI)

For the purpose of this evaluation, "principal" is defined as the fair value of the financial asset at the time of initial recognition. "Interest" is defined as the consideration for the time value of money and for the credit risk associated with the principal amount outstanding at a particular period of time and for other basic risks of a credit agreement and other associated costs (e.g., liquidity risk and administrative costs), as well as the profitability margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considered the contractual terms of the instrument. This included assessing whether the financial asset contains a contractual term that could change the period or amount of the contractual cash flows so that it does not meet this condition. In making this assessment, the Group considered:

- Contingent events that will change the amount and timing of cash flows;
- Hedging conditions;
- Prepayment and extension terms;
- Terms that limit the Group in achieving cash flows for specific assets (e.g. unfunded asset agreements); and
- Terms that change the considerations on the value of money over time, for example periodic revision of interest rates.

Interest rates on certain consumer and commercial loans are based on variable interest rates established at the discretion of the Group. Variable interest rates are generally established in Colombia based on the DTF[1] (Fixed-term Deposit Rate published by the Central Bank of Colombia) and the IBR[2] (Interbank Reference Rate published by the Central Bank of Colombia), and in other countries according to local practices, plus certain additional discretionary points. In these cases, the Group will assess whether the discretionary feature is consistent with the principal and interest only criteria by considering a number of factors including whether:

- Debtors are able to prepay loans without significant penalties. In Colombia, it is prohibited by law to collect prepayments of loans.

[1] The DTF is the interest rate that on average was committed by those with savings accounts in banks, savings and loan corporations, financial corporations and commercial finance companies for certificates of deposit (CDs) with a term of 90 days opened over the last week.

[2] The IBR is a short-term reference interest rate denominated in Colombian pesos, which reflects the price at which banks are willing to offer or to raise funds in the money market. The IBR is calculated based on market participants' quotes.

- Competitive market factors ensure that interest rates are consistent between banks;
- Any regulatory protection standard in favor of customers in the country requiring banks to treat customers fairly.

A prepayment feature is consistent with the principal and interest only criteria if the amounts prepaid substantially represent unpaid amounts of principal and interest on the amount of outstanding principal, which may include fair compensation for early termination of the contract.

In addition, a prepayment feature is treated as consistent with these criteria if a financial asset is acquired or originates from a premium or discount to its nominal contractual amount, and the amount prepaid substantially represents the contractual par amount plus contractually accrued but unpaid interest (which may include fair compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at fair value through profit or loss (FVTPL)	These assets are subsequently measured at fair value. Net gains and losses, including interest or dividend income, are recognized in income. See (d) below for derivatives designated as hedging instruments.
Financial assets at amortized cost (AC)	These assets are subsequently measured at amortized cost using the effective interest method. Amortized cost is reduced by impairment losses (see (ii) below). Interest income, exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments with changes in other comprehensive income (FVTOCI)	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, exchange gains and impairment losses are recognized in income. Other net gains and valuation losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to gains or losses on realization of OCI.
Equity investments with changes in other comprehensive income (FVTOCI)	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

ii. Impairment of financial assets

The model IFRS 9 (2014 version) requires considerable judgment to be applied with respect to how changes in economic factors affect ECL, which will be determined on a weighted average basis.

This impairment model is applicable to the following financial assets that are not measured at FVTPL and FVTOCI:

- Debt instruments;
- Lease receivables;
- Other accounts receivable;
- Loans portfolio;
- Financial guarantee contracts; and
- Loan commitments

Under IFRS 9 (2014 version), there is no requirement to recognize impairment losses on investments in equity instruments.

The allowance on accounts receivable under IFRS 9 is determined for each loan portfolio, by means of an estimation based on statistical models for expected credit losses for loans assessed collectively, and using the difference between the carrying value of the asset and the present value of the cash flows discounted at the original effective interest rate of the financial assets for loans that are individually assessed. The statistical estimates of expected credit losses are calculated using credit loss statistical factors, specifically the probability of default and the loss given default. In this regard, the Bank uses its judgment to assess the estimated loss statistics, taking into consideration different scenarios, external factors and economic events that have taken place but that are not yet reflected in the loss factors.

IFRS 9 (2014 version) requires recognizing a provision for impairment of financial assets at fair value through OCI in an amount equal to an expected impairment loss over a twelve-month period following the cut-off date of the financial statements or over the remaining life of the loan. The expected loss over the remaining life of the loan is the expected loss resulting from all possible impairment events over the expected life of the financial instrument, while the expected loss over the twelve-month period is the portion of the expected loss that will result from impairment events that are possible within twelve months following the reporting date of the financial statements.

Under IFRS 9 (2014 version), loss reserves shall be recognized in an amount equal to the ECL over the life of the asset, except in the following cases in which the amount recognized equals the ECL for 12 months following the measurement date:

- Investments in debt instruments determined to represent low credit risk at the reporting date; and
- Other financial instruments (other than short-term accounts receivable) on which the credit risk has not increased significantly since initial recognition.

The impairment requirements of IFRS 9 are complex and require estimated judgments and assumptions by Management, particularly in the following areas:

- Assess whether the credit risk has increased significantly since initial recognition; and
- Incorporate prospective information in the measurement of expected impairment losses.

Measuring ECL

ECL is the expected value of credit loss according to an exposure under credit risk characteristics and is measured as follows:

- Financial assets with no credit impairment at the reporting date: the present value of all contractual cash payment arrears (i.e. the difference between the Group cash flows in accordance with the contract and the cash flows the Group expects to receive);
- Impaired financial assets at the reporting date: the difference between the carrying value and the present value of estimated future cash flows;
- Outstanding loan commitments: The present value of the difference between the contractual cash flows that are due to the Group in the event that the commitment is executed and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: The payments expected to reimburse the holder less any amount the Group expects to recover.

Definition of default

Under IFRS 9, the Group will consider a financial asset to be in default when:

- The debtor is unlikely to fully pay its credit obligations to the Group, without recourse to take actions such as enforcing the collateral (if any); or

- The debtor is more than 90 days past due on any material credit obligation. Overdrafts are considered delinquent once the customer has exceeded the recommended limit or has been recommended a limit lower than the current balance.
- Customers in bankruptcy proceedings, such as Law 1116 in the case of the Republic of Colombia.
- The following items, among others, are included for fixed-income financial instruments:
  - External rating of the issuer or instrument as D.
  - Contractual payments are not made when due or within the stipulated term or grace period.
  - There is a virtual certainty of suspension of payments.
  - It is likely that the debtor will enter bankruptcy or file a bankruptcy petition or similar action.

When assessing whether a debtor is in default, the Group will consider indicators that are:

- Qualitative -e.g. failure to comply with contractual clauses
- Quantitative -e.g. delinquency status and default on another obligation of the same issuer to the Group; and
- Based on data developed internally and obtained from external sources

The inputs used to assess whether financial instruments are in default and their significance may vary over time to reflect changes in circumstances.

Significant increase in credit risk

Under IFRS 9, when determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group shall consider reasonable and supportable information that is relevant and available without disproportionate cost or effort, including both quantitative and qualitative information and analysis, based on historical experience, as well as assessment by the Group's credit experts, including prospective information.

The Group expects to identify whether a significant increase in credit risk has occurred by comparing between:

- The probability of default (PD) during the remaining life at the reporting date; with
- The PD during the remaining life at this point in time, which was estimated at the time of initial recognition of the exposure.
- Qualitative aspects and the rebuttable presumption of the standard (30 days) are also considered.

The assessment of whether the credit risk has increased significantly since the initial recognition of a financial asset requires identifying the initial recognition date of the instrument.

Rating by credit risk categories

The Group will assign each exposure to a credit risk rating based on a variety of data that is determined to be predictive of the PD and by applying expert credit judgment, the Group expects to use these ratings for purposes of identifying significant increases in credit risk under IFRS 9 (2014 version). Credit risk ratings are defined using qualitative and quantitative factors that are indicative of risk of loss. These factors may vary depending on the nature of the exposure and the type of borrower.

Each exposure will be allocated to a credit risk rating at the time of initial recognition based on available information regarding the debtor. Exposures will be subject to ongoing monitoring, which may result in moving an exposure to a different credit risk rating.

Generating the PD term structure

Credit risk ratings are expected to be the primary input for determining the PD term structure for the different exposures. The Group intends to obtain performance and loss information on credit risk exposures analyzed by jurisdiction or region, product type and debtor as well as by credit risk rating. For certain portfolios, information compared with external credit reference agencies may also be used.

The Group will use statistical models to analyze the data collected and generate estimates of the probability of impairment over the remaining life of the exposures and how those probabilities of impairment will change as a result of the passage of time.

This analysis will include the identification and calibration of relationships between changes in impairment rates and key macroeconomic factors, as well as an in-depth analysis of certain factors in impairment risk (e.g. portfolio write-offs). For most credits, the key economic factors are likely to include gross domestic product growth, changes in market interest and unemployment rates.
For exposures in specific industries and/or regions, the analysis can be extended to relevant products and/or real estate prices.

The Group's approach to preparing prospective economic information as part of its assessment is outlined below.

The Group has established a general framework that incorporates quantitative and qualitative information to determine whether the credit risk of a financial asset has increased significantly since its initial recognition.

The initial framework is aligned with the Group's internal credit risk management process.

The criteria for determining whether credit risk has significantly increased will vary by portfolio and will include limits based on defaults.

The Group will assess whether the credit risk of a particular exposure has increased significantly since initial recognition if, based on quantitative modeling, the probability of impairment expected over the remaining life will increase significantly. In determining the increase in credit risk, the expected impairment loss over the remaining life is adjusted for changes in maturities.

In certain circumstances, using expert credit judgment and based on relevant historical information, the Group may determine that an exposure has experienced a significant increase in credit risk if particular qualitative factors may indicate that and those factors may not be fully captured by its quantitative analyses performed periodically. As a limit, and as required by IFRS 9, the Group will presume that a significant increase in credit risk occurs at the latest when the asset is past due for more than 30 days.

The Group will monitor the effectiveness of the criteria used to identify significant increases in credit risk based on regular reviews to confirm that:

- The criteria can identify significant increases in credit risk before an exposure becomes impaired.
- The criterion is inconsistent with the point in time when an asset is more than 30 days past due.
- The average time to identify a significant increase in credit risk and default appears to be reasonable.
- Exposures are generally not transferred directly from the Group of probability of impairment expected in the twelve months following the impairment of a group of loans.
- There is no unjustified volatility in the provision for impairment of transfers between the groups with probability of loss expected in the next twelve months and the probability of loss expected over the remaining life of the loans.

Modified financial assets

The contractual terms of loans may be modified for a number of reasons, including changes in market conditions, customer retention and other factors unrelated to an actual or potential impairment of the customer's loan.

When the terms of a financial asset are modified under IFRS 9 and the modification does not result in the removal of the asset from the balance sheet, the determination of whether the credit risk has significantly increased reflects comparisons of:

- The PD over the remaining life at the balance sheet date based on the terms modified, and
- The PD over the estimated remaining life based on the date of initial recognition and the original contractual terms.

The Group renegotiates loans to customers in financial difficulty to maximize collection opportunities and minimize the risk of default. Under the Group's renegotiation policies, customers in financial difficulties are granted concessions that generally involve reductions in interest rates, extension of payment terms, reductions in balances due or a combination thereof.
For financial assets modified as part of the Group's renegotiation policies, the estimation of the PD will reflect whether the modifications have improved or restored the Group's ability to collect principal and interest and the Group's previous experiences in similar actions. As part of this process, the Group will assess the debtor's payment performance against the modified terms of the debt and will consider several performance indicators of the modified debtor group.

Generally, restructuring indicators are a relevant factor of increased credit risk. Accordingly, a restructured debtor must demonstrate consistent payment behavior over a period of time before no longer being considered an impaired loan or that the PD has decreased such that the provision can be reversed and the loan measured for impairment over a period of twelve months following the reporting date.

Inputs in measuring ECL

Key inputs in measuring ECL are usually the structures of the terms of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

The above parameters will be derived from internal statistical models. These models will be adjusted to reflect prospective information as described below:

PDs are estimated at a certain date, which will be calculated based on statistical rating models and evaluated using rating tools adjusted to the different counterpart categories and exposures. These statistical models will be based on internally compiled data comprising both qualitative and quantitative factors. If a counterpart or exposure migrates between the different ratings, then this will result in a change in the estimated PI. PDs will be estimated considering contractual terms on expiration of exposures and estimated prepayment rates.

LGD is the magnitude of probable losses in the event of default. The Group will estimate LGD parameters based on the history of loss recovery rates against defaulting parties. LGD models will consider the structure, collateral and priority of the lost debt, the counterpart industry and the recovery costs of any collateral integrated in the financial asset. For loans secured by property, such loans will be calculated on a discounted cash flow basis using the effective interest rate of the loan.

EAD represents the expected exposure in the event of default. The Group will derive the EAD from the counterpart's current exposure and potential changes in the current amount permitted under the terms of the contract, including amortization and prepayments. The EAD of a financial asset is the gross value at the time of default. For loan commitments and financial guarantees, the EAD will consider the amount drawn as well as potential future amounts that could be drawn or collected under the contract, which will be estimated based on historical observations and projected prospective information. For some financial assets, the Group will determine the EAD by modeling a range of possible outcomes of exposures at various points in time using scenarios and statistical techniques. As described above and subject to using a maximum PD of twelve months for which credit risk has significantly increased, the Group will measure the EADs considering the risk of default over the maximum contractual period, (including options to extend the customer's debt) on which there is an exposure to credit risk, even if, for risk management purposes, the Group considers a longer period of time. The maximum contractual period is extended to the date on which the Group has the right to require payment of a loan or terminate a loan commitment or guarantee granted.

For consumer overdrafts, credit card balances and certain corporate revolving credit facilities that include both a loan and a loan commitment component not drawn by the customer, the Group will measure the EADs over a period greater than the maximum contractual period, if the Group's contractual ability to demand payment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual period of the contract. These facilities do not have a fixed term or collection structure and are managed on a collective basis. The Group may cancel them effective immediately, but this contractual right is not enforced in the normal day-to-day management of the Group, but only when the Group becomes aware of an increase in credit risk for each loan. This longer period of time will be estimated taking into account the credit risk management actions the Group expects to take to mitigate the EAD. These measures include a reduction in limits and termination of loan agreements.

Where parameter modeling is performed on a collective basis financial instruments will be grouped on the basis of similar risk characteristics, which include:

- Type of instrument
- Credit risk rating
- Collateral
- Date of Initial recognition
- Remaining term to maturity
- Industry
- Geographic location of the debtor

The above grouping will be subject to regular review to ensure that the exposures of a particular Group remain appropriately uniform.

For portfolios for which the Group has limited historical information, comparative information will be used to supplement the internal information available.

Forecast of future economic conditions

Under IFRS 9 (2014 version), the Group will incorporate prospective information both in its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and in its measurement of ECL. Based on recommendations of economic experts and consideration of a variety of current and projected external information, the Group will formulate a "base case" projection of relevant economic variables as well as a representative range of other possible projected scenarios. This process involves the development of two or more additional economic scenarios and considers the relative probabilities of each outcome.

External information may include economic data and publication of projections by governmental committees and monetary authorities in the countries in which the Group is operating, supranational organizations such as the Organization for Economic Cooperation and Development (OECD) and the International Monetary Fund, among others, and academic and private sector projections.

The base case is expected to represent the most likely outcome and is consistent with information used by the Group for other purposes, such as strategic planning and budgeting. The other scenarios would represent a more optimistic and pessimistic outcome. The Group also plans to conduct periodic stress tests to calibrate the determination of these other representative scenarios.

The Group is in the process of identifying and documenting key credit risk and credit loss guidelines for each financial instrument portfolio and, using an analysis of historical data, to estimate the relationships between macroeconomic variables, credit risk and credit losses.

iii. Impairment in the separate financial statements**:**

For comparative purposes, in accordance with the Financial Superintendence and rules relating to the preparation of Separate Financial Statements, the Bank and its subsidiaries use an allocation model established by the Superintendence. Such models require the classification of loans by credit risk levels according to the following categories:

- Category A and AA - "normal risk": Loans and finance leases in this category are cleaned up appropriately. The debtor's financial statements or cash flows, as well as other credit information available to us, reflect the debtor's ability to pay.
- Category B and BB - "acceptable risk, above normal": Loans and finance leases in this category are acceptably serviced and collateral protected, but there are weaknesses that could potentially affect, temporarily or permanently, the debtor's ability to pay or its projected cash flows, to the extent that, if not corrected in a timely manner, would affect the normal collection of credit or contracts.
- Category C and CC * "considerable risk": Loans and finance leases in this category have debtors with insufficient payment capacity or refer to projects with insufficient cash flow, which may compromise the normal collection of obligations.
- Category "D*-“significant risk”: Loans and finance leases in this category have the same deficiencies as loans in category C, but to a greater extent; consequently, the probability of collection is very doubtful.
- Category E * - "risk of uncollectibility": Loans and finance leases in this category are considered uncollectible.
- (*) Categories D and E are considered "default" loans for the calculation of commercial and consumer credit allocation.

For mortgage loans and micro-credit, the above classification by risk level is carried out on a monthly basis taking into account the number of days past due.

The differences between the impairment calculated in accordance with the rules of the Financial Superintendence with regard to the calculation made under IFRS 9 on a consolidated basis recorded in OCI decreased by COP 75,539 (2019 by COP 6,520).

d. Derivative financial instruments and hedge accounting

A derivative is a financial instrument whose value changes as a result of one or more underlying variables (specific interest rate, the price of a financial instrument or a listed commodity, foreign currency exchange rate, etc.), which has a lower initial net investment than would be required for other instruments that have a similar response to the variable traded at a future date.

The Bank and its Subsidiaries trade in the following financial markets: forward contracts, futures contracts and swaps that meet the definition of a derivative.

Derivative transactions are initially recognized at fair value. Subsequent changes in fair value are recognized in the statement of income, unless the derivative 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 hedges of assets or liabilities and firm commitments, changes in fair value are recognized in the consolidated statement of income, as well as any other change in the fair value of the asset, liability or firm commitment attributable to the hedged risk.

- Cash flow hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, the effective portion of changes in the derivative's fair value is recognized in other comprehensive income (OCI) in equity. The gain or loss related to the portion that is not effective for the hedge or is not related to the hedged risk is recognized immediately in the statement of income.
  Amounts accumulated in other comprehensive income (OCI) are transferred to profit or loss in the same period in which the hedged item is taken to profit or loss.

- Net investment hedges of a foreign operation are recognized in a manner similar to cash flow hedges: the effective portion of the change in the fair value of the hedging instrument is recognized in other comprehensive income and the ineffective portion of changes in the fair value of derivatives is recognized in the statement of income. Gains or losses on the hedging instrument accumulated in equity will be recognized in the statement of income when the net investment in foreign operations is sold in full or proportionally when it is sold in part.

The Bank and its Subsidiaries document the relationship between the hedging instrument and the hedged item at the inception of the transaction, as well as the hedging objective and the strategy for undertaking the hedging relationship. It also documents its assessment, both at the inception of the transaction and on a recurring basis, of whether the hedging relationship is highly effective in offsetting changes in the fair value or cash flows of the hedged items.

e. Financial obligations

A financial obligation is any contractual obligation of the Bank and its Subsidiaries to deliver cash or another financial asset to another entity or individual, or to exchange financial assets or financial liabilities under conditions that are potentially unfavorable to the Bank and its Subsidiaries, or a contract that will be terminated or that 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. Such financial liabilities are subsequently measured at amortized cost in accordance with the effective interest rate method determined at initial recognition and recognized in the statement of income as financial expenses.

i. Non-current assets held for sale

Realizable assets and non-current assets held for sale, which the Bank and its Subsidiaries will sell in a period of no less than one year, and whose sale is considered highly probable, are recognized as "non-current assets held for sale". These assets are measured at the lower 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 to the categories from which they came (Property and Equipment, Other Assets).

The Bank and its Subsidiaries will recognize impairment losses due to initial or subsequent write-downs of assets for disposal in the statements of income at fair value less costs to sell.

ii. Property and equipment

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

Property and equipment include assets, owned or leased, held by the Bank and its Subsidiaries for current or future use and expected to be used for more than one period.

Banco GNB Sudameris S. A. and its subsidiaries measure land and buildings at fair value less subsequent depreciation and impairment according to the revaluation model. The revalued cost is reviewed annually, and if necessary, appraisals are performed on the properties to update fair value. These appraisals are carried out by expert independent property appraisers engaged by the Bank.

Other property and equipment, other than real estate, are recorded at acquisition cost, less accumulated depreciation and, if applicable, estimated losses resulting from comparing the net carrying value of each item with its corresponding recoverable value.

Depreciation is calculated using the straight-line method over the estimated useful life of the asset. The annual depreciation rates for each asset item are as follows:

Item	Useful Life
Buildings	60 - 80 years
Hardware - IT infrastructure	9 - 25 years
PCs, laptops	3 - 7 years
Servers	3 - 5 years
Communications	6 - 8 years
Specific extension equipment	5 - 7 years
ATMs	5 - 10 years
Medium/high-capacity equipment: power plant > 40 KW/UPS > 30 KVA/ - Air conditioning of the facilities	10 - 12 years
Generators /UPS/ Air conditioning in offices	5 - 10 years
Furniture and fixtures	3 - 10 years
Vehicles	5 - 10 years

Costs related to the repair and maintenance of property and equipment are recognized as an expense in the period in which they are incurred and are recorded as "Overhead".

Property and equipment is initially measured at cost, which includes:

a. Purchase price, including import costs and non-deductible taxes, after deducting discounts;
b. Any directly attributable costs to bring the goods to their place and conditions necessary for their use;
c. Dismantling cost. This is an initial estimate of restoration costs.
d. Cost of debt.

Derecognition of tangible assets

The carrying value, including the residual value of an item of property and equipment is derecognized when no further associated future economic benefit is expected. Gains or losses on derecognition are recognized in the consolidated statement of income.

iii. Investment properties

Land and buildings, held in whole or in part to earn rental income or for capital appreciation and not for own use or sale in the ordinary course of business, are classified as Investment Properties. Investment Properties are initially recognized at cost, including all costs associated with the operation, and subsequently measured at fair value with changes in fair value recognized in the consolidated statement of income.

iv. Leases

A lease is an agreement whereby a lessor assigns to a lessee, in exchange for a payment or series of payments, the right to use an asset for a specified period of time.

The Group is lessor and lessee of various properties, equipment and vehicles. Lease agreements are generally for fixed periods of 1 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The extension and termination options included in the Group's leases are used to maximize operational flexibility in terms of contract management. Most of the extension and termination options held are exercisable simultaneously by the Group and the respective counterpart.

Lessee's accounting

Leases are recognized as a right-of-use asset and a corresponding liability on the date on which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and the financial cost. The financial cost is charged to income over the lease term to produce a constant periodic interest rate on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the straight-line lease term.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including substantial fixed payments), less any lease incentive receivable
- Variable lease payment based on an index or rate
- Amounts expected to be paid by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the condition of the lease reflects that the lessee exercised that option.

Lease payments are discounted using the interest rate implicit in the lease, if such rate can be determined, or the incremental borrowing rate.

Right-of-use assets are measured at cost and comprise the following:

- The amount of the initial measurement of the lease liability
- All lease payments made on or prior to the commencement date
- Any direct upfront costs, and
- Dismantling and restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized using the straight-line method as an expense in the statement of income. Short-term leases have a term of 12 months or less. Low-value assets include computers and small items of office furniture.

Lessor's accounting

When assets are leased under finance leases, the present value of future lease payments is recognized as a receivable. The difference between the gross amount receivable and the present value of the account receivable is recognized as financial income.

The account receivable is amortized by allocating each of the royalties between financial income and amortization of principal in each accounting period, so that the recognition of financial income reflects in each period a constant rate of return on the net financial investment that the lessor has made in the finance lease.

When assets are leased under operating leases, the asset is included in the consolidated statement of financial position according to the nature of the asset. Revenues from operating leases are recognized over the term of the lease on a straight-line basis.

j. Intangible assets

i. **Business combination / Goodwill**

Business combinations are recorded using the "acquisition method" when control is transferred. The cost transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. The resulting goodwill is tested annually for impairment. If non-controlling interests exist during the acquisition of control of the entity, the assets are recognized at fair value or at the proportional interest for the recognized amount of the identifiable net assets of the acquiree. This choice is allowed on a transaction-by-transaction basis.

Goodwill represents the excess of the price paid over the fair value of the assets and liabilities acquired in a business combination (with some exceptions, where the carrying value is used).

Goodwill acquired in a business combination is allocated to each of the groups of cash-generating units from which a benefit is expected as a result of the acquisition. Goodwill is not subsequently amortized, but will be subject to an annual impairment assessment of the Cash Generating Unit (CGU) to which the goodwill has been allocated, from which benefits are expected to be derived from the synergies of the business combinations.

An impairment loss recognized in goodwill cannot be reversed in subsequent periods. In addition, the income statement of the acquired business of the Bank and its Subsidiaries is included as of the acquisition date as part of the Consolidated Financial Statements.

The Group performs impairment testing at each yearend or with greater frequency if events or circumstances indicate that the carrying value of goodwill may be impaired. Impairment is determined by comparing the recoverable amount of the Cash Generating Unit to its carrying value, including goodwill. Management estimates the recoverable amount using a discounted cash flow model. Management's forecasts for the Cash Generating Unit involves substantial judgments and assumptions regarding the perpetuity rate, forecast inflation, the discount rate, the growth rate and credit solvency.

ii. **Other intangibles**

Other Intangibles comprise computer programs (software) that are initially measured at the cost incurred during acquisition or during their internal development phase. Costs incurred during the research phase are recognized directly in the statement of income.

Development expenses directly attributable to the design and testing of identifiable software are recognized as intangible assets when the following conditions are met:

- The technical feasibility of completing the intangible asset can be demonstrated so that it is available for use;
- Management intends to complete the corresponding intangible asset for use;
- The Bank has the ability to use the intangible asset;
- The future economic benefits attributable to the asset are likely to flow to the entity;
- Adequate technical, financial or other resources are available to complete the development and to use the intangible asset; and
- The costs attributable to intangible assets during their development phase can be reliably estimated and reliably measured.

Costs that are directly attributable to and capitalized as part of software include personnel expenses of the individuals developing such software and an appropriate percentage of overhead.

Expenses that do not meet these criteria are recognized as expenses on an accrual basis. Disbursements on intangible assets are initially recognized as an expense for the period and will not be subsequently recognized as intangible assets.

Subsequent to their recognition, these assets are measured at cost less amortization, which is provided over their estimated useful life as follows: Computer software and licenses: 10 years. Amortization is recognized using the straight-line method according to the estimated useful life.

k. Inventories

Inventories are valued at the lower of cost and net realizable value. The cost will include purchase costs, transformation costs, and other costs incurred to bring it to its present condition and location. Net realizable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

If an inventory is impaired, the carrying value is reduced to its selling price less costs to complete and sell; the impairment loss is recognized immediately in the statement of income.

l. Employee benefits

The Bank and its Subsidiaries provide the following benefits in exchange for services rendered by their employees:

- Short-term employee benefits

In accordance with Colombian labor regulations, as well as with the provisions of the Collective Labor Agreement between the Bank and the labor unions, as well as the extra-legal benefits applicable to employees excluded from the aforementioned collective agreement, such benefits are: Basic salaries, all-inclusive salaries, severance payments under Law 50/1990, interest on severance payments, paid vacation, legal bonuses, extra-legal bonuses, allowances, paid leave, as well as contributions to the social security system for pension, healthcare and payroll taxes. , which are paid within 12 months following the end of the period. Such benefits are recognized on an accrual basis and recognized in the statement of income.

The employees at the subsidiaries in Peru and Paraguay only receive short-term benefits.

- Post-employment benefits (defined benefit plans)

These are the benefits paid by the Bank and its Subsidiaries to their employees when they retire or when they complete their term of employment, other than severance payments. In accordance with Colombian labor regulations, these benefits comprise retirement pensions and retirement benefits that are assumed directly by the Bank and its Subsidiaries or with pension shared with Colpensiones, outstanding severance payments to employees belonging to the labor regime prior to Law 50/1990, and certain extra-legal benefits or those agreed upon in collective labor agreements.

Post-employment benefit liabilities are determined based on the present value of estimated future payments, calculated based on actuarial reviews using the projected credit unit method, actuarial assumptions about mortality rates, salary increases, employee turnover and interest rates determined by reference to market yields on bond issues at the reporting date for National Government bonds or high quality business liabilities. Under the projected credit unit method, future benefits to be paid to employees are allocated to each accounting period in which the employee renders the service. Therefore, the expense corresponding to these benefits recognized in the statement of income of the Bank and its Subsidiaries includes the current service cost assigned in the actuarial calculation, plus the financial cost of the calculated obligations. Changes in liabilities due to changes in actuarial assumptions are recognized in other comprehensive income (OCI).

Changes in actuarial liabilities due to changes in employee benefits granted to employees with a retroactive effect are recognized as an expense on the earlier of the following dates:

- When there is a change in the employment benefits granted, or
- When provisions for restructuring costs are recognized by a subsidiary or a business of the Bank and its Subsidiaries.

The Group does not make benefit payments to employees in the form of shares.

The Group does not have an asset and/or insurance policy, intended to cover the payment of post-employment benefits. Therefore, it has fully recorded this liability in its consolidated financial statements.

Actuarial calculations

The measurement of obligations for retirement pensions, retirement benefits, seniority bonuses and severance payments with retroactive effect depends on a variety of premises and long-term assumptions, which are determined on an actuarial basis, including estimates of the present value of future benefit payments, considering the likelihood of future events such as salary increases, as well as variations in the staffing, etc. Possible variations in the premises and long-term assumptions may have a significant effect on the amount of the actuarial calculations and therefore, on future payments, with a consequent variation in the interest and service cost of such actuarial calculations.

Actuarial studies are performed using the projected credit unit method, using actuarial assumptions such as percentage of cost of living, mortality rates, average working life, salary increases, employee turnover and discount rates.

The discount rate used in the actuarial calculations to establish the present value of future cash flows is the rate for long-term investments. This rate represents the market rate for fixed income investments or for government bonds denominated in the currency in which the benefit will be paid and considers the timing and amount of the payments of future benefits.

- Other long-term benefits

Other long-term benefits include all employee benefits other than short-term employee benefits, post-employment benefits and severance payments. In accordance with the collective labor agreements and regulations of each company of the Bank and its Subsidiaries, these benefits are mainly seniority bonuses and severance payments to employees under the regime prior to Law 50/1990. Long-term employee benefit liabilities are determined in the same manner as post-employment benefits described in (b) above; the only difference is that changes in the actuarial liability due to changes in actuarial assumptions are recognized in the statement of income.

The Group does not have an asset and/or insurance policy, intended to cover the payment of other long-term employment benefits. Therefore, it has fully recorded this liability in its consolidated financial statements.

- Severance benefits

These benefits are payments made by the Bank and its Subsidiaries as a result of a unilateral decision to terminate a contract of employment or the employee's decision to accept the benefits offered by a company in exchange for terminating the contract of employment. In accordance with Colombian law, such payments comprise compensation and other benefits that entities unilaterally decide to grant to their employees in these cases.

The Bank has no retirement plans or programs for its employees. However, in the event of a decision to unilaterally terminate the contract of employment without cause, the Bank, in accordance with Colombian labor legislation, as well as the provisions of the Collective Labor Agreement in effect, shall pay the corresponding indemnity.

Termination benefits are recognized as a liability and in the statement of income on the earlier of the following dates:

- When the Bank and its Subsidiaries formally inform the employee of their decision to dismiss him/her; or

- When provisions for restructuring costs are recognized by a subsidiary or a business of the Bank and its Subsidiaries.

m. Taxes

The income tax expense includes current and deferred taxes. Tax expenses are recognized in the statement of income, except for items recognized in other comprehensive income (OCI) in equity.

i. Current income tax

Current income tax is calculated based on the tax legislation in force (passed or substantively passed) in Colombia at the reporting date of the financial statements, or of the country where the subsidiaries of each subordinate are located. Management periodically assesses, for each subordinate, income tax return positions with regard to situations where applicable tax regulations are subject to interpretation and establishes provisions, where applicable, based on amounts expected to be paid to the tax authorities.

ii. Deferred taxes

Deferred taxes are recognized on temporary differences arising between the tax bases of assets and liabilities and the amounts recognized in the Consolidated Financial Statements. However, deferred taxes are not recognized if they arise from the initial recognition of goodwill; temporary differences on the initial recognition of an asset and a liability in a transaction other than a business combination that do not affect accounting or taxable profit or loss with regard to investments in subsidiaries to the extent that they are not likely to be reversed in the foreseeable future. Deferred tax is determined using tax rates in effect at the balance sheet date.

Deferred tax assets are recognized only to the extent that it is likely that future taxable income will be available to offset temporary differences.

Deferred tax assets arise from taxable temporary differences, except for tax liabilities on investments in subsidiaries, when the timing of the reversal of the temporary differences is controlled by the Bank and its Subsidiaries, and is not reversed in the foreseeable future. The Bank and its Subsidiaries generally have the ability to control the reversal of temporary differences on investments in associates.

Current and deferred taxes are offset only when the Bank has an enforceable legal right to offset and will settle on a net basis or realize the asset and settle the liability at the same time. Deferred taxes are offset when there is a legal right to offset deferred taxes against current tax liabilities, and when the deferred tax assets and liabilities refer to income taxes levied by the same tax authority on the same taxable entity or on different entities. However, these different entities intend to settle current tax liabilities and assets on a net basis, or their assets and liabilities will be realized simultaneously for each period in which these differences are reversed.

n. Provisions and contingencies

Provisions for restructuring costs and legal claims, etc. are recognized when the Bank and its Subsidiaries face a 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 comprise lease termination penalties and employee termination payments.

The amount of the provision is determined by the best estimate and when settlement is expected in the long term, it is discounted at its present value.

Provisions are updated periodically at least at the closing date of each period and are adjusted to reflect the best estimate possible at any given time. The provision is reversed if it is no longer probable that the funds will have to be distributed to cover the respective obligation. In the event of changes in estimates, they are accounted for prospectively as changes in accounting estimates, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

o. Net profit per share

Net profit per share is calculated by dividing net income for the period attributable to the controlling interest by the weighted average number of ordinary shares issued and delivered during the period. The Bank has no financial instruments with potential voting rights. Therefore, only basic earnings per share are shown in these consolidated financial statements.

p. Operating segments

An operating segment is a component of an entity that:

a)	Engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses from operations with other components in the same entity);

b)	Its operating profit or loss is periodically reviewed by the decision-maker, who decides on the allocation of resources to the segment and assesses its performance; and

c)	Has differentiated financial information available.

The Bank and its Subsidiaries disclose separate information for each identified operating segment that exceeds the minimum quantitative thresholds of a segment:

a)	Reported revenues from ordinary activities, including revenues from external customers, as well as revenues or transfers between segments, equal to or greater than 10% of the combined revenues from ordinary activities, internal and external, of all operating segments.

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

b)	The amount of net profit reported is, in absolute terms, equal to or greater than 10% of the greater of: (i) the combined reported net profit of all operating segments that have not incurred losses; or (ii) the combined reported loss of all operating segments that have incurred losses.

c)	Its assets are equal to or greater than 10% of the combined assets of all operating segments.

q. Unconsolidated structured entities

The Bank carries out transactions in the normal course of business whereby it transfers financial assets to third parties. Depending on the circumstances, these transfers may result in these financial assets being written off or continuing to be recognized. The term "unconsolidated structured entities" refers to all the structured entities controlled by the Bank. The Bank engages in transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions and for specific investment opportunities.

r. Changes in accounting policies

The Group applied IFRS 16 Leases as of 2019. In accordance with the transition provisions of IFRS 16, the new standard was adopted retrospectively with the cumulative effect of the initial application of the new standard recognized on January 1, 2019.

Until 2018, leases of property and equipment where the Group, as lessee, did not have substantially all the risks and rewards incidental to ownership were classified as operating leases, and those where it did were classified as finance leases.

Upon adoption of IFRS 16, the Group recognized lease liabilities related to leases that were previously classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using each entity's incremental borrowing rate as of January 1, 2019, which are calculated using discount rates of 6.94%, 7.67% and 9.53% EA for the Bank and domestic subsidiaries, and 6.2%, 3.2% and 6.3% EA for foreign subsidiaries for short, medium and long-term, respectively.

Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid lease payments recognized in the consolidated statement of financial position at December 31, 2019. Property and equipment increased by COP 145,011 on January 1, 2019. There was no net impact on retained earnings on January 1, 2019.

When applying IFRS 16 for the first time, the Group used the following practical expedients permitted by the standard:

- The use of a single discount rate to a lease portfolio with reasonably similar characteristics.
- Accounting for operating leases with a remaining lease term of less than 12 months at January 1, 2019 as short-term leases.
- The exclusion of the initial direct costs for the measurement of the right-of-use assets at the date of initial application, and
- The use of retrospect in determining the lease term where the contract contains options to extend or terminate the lease.

s) Reclassifications

Some of the consolidated cash flow presentations at December 31, 2019 were reclassified in order to make them comparable with those of 2020.

NOTE 4. - JUDGMENTS AND ESTIMATES IN THE APPLICATION OF ACCOUNTING POLICIES.

Management of the Bank and its Subsidiaries makes estimates and assumptions that affect the amounts recognized in the Consolidated Financial Statements and the carrying values of assets and liabilities during the year. Judgments and estimates are continually evaluated and are based on Management's experience and other factors, including the occurrence of future events that are believed to be reasonable under current circumstances. Management also makes certain judgments in addition to those involving the estimates adopted in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognized in the Consolidated Financial Statements and estimates that could cause material adjustments to the carrying value of assets and liabilities in the following year include the following:

1) Going concern

Management of the Bank and its Subsidiaries prepares the financial statements on a going concern basis. For the purposes of this judgment, Management takes into account the financial situation, its current intentions, the results of operations and its access to financial resources in the market; and analyzes the impact of these factors on its operations in the future.

At the reporting date, Management is not aware of any situation that would cause the Bank and its Subsidiaries to believe that they did not have the ability to continue as a going concern in the coming year.

2) Business model for financial assets

The Bank and its Subsidiaries apply significant levels of judgment in determining their business model for the management of financial assets and in assessing whether such assets meet the conditions defined in the business model to be classified as measured at fair value or at amortized cost. As a result the Bank and its Subsidiaries have classified their investments in debt securities as measured at fair value, however a small portion of these investments are measured at amortized cost which correspond to investments in Colombian Government debt securities and investments which are mandatory under Colombian regulations.

The Bank and its Subsidiaries classify their loan portfolios at amortized cost. Under the terms of the business model, financial assets at amortized cost can only be sold in restricted circumstances, and are not material in relation to the total portfolio. This may occur when an asset no longer complies with the accounting policy for the investments of the Bank and its Subsidiaries or due to adjustments to the maturity structure of assets and liabilities, the need to fund major disbursements or to meet seasonal liquidity needs. During the years ended December 31, 2020 and 201 9, the Bank and its Subsidiaries did not make any significant changes in the business model, and there have been no significant sales of financial assets classified at amortized cost.

3) Provision for portfolio impairment losses

In the process of calculating allowances against individual loans considered significant, using the discounted cash flow method, Management of the Bank and its Subsidiaries makes assumptions regarding the recoverable amount of each loan and the time within which such recovery would be effected. Any variation in the value of this estimate may cause significant variations in the value of the corresponding allowance. Management makes an estimate to calculate the allowance against individual loans that are considered significant based on the collateral in order to establish their fair value, with the assistance of independent experts. Any variation in the price obtained in the recovery eventually effected through the collateral may in turn cause significant variations in the value of the allowances.

In the process of calculating collective impairment allowances for loans that are not assessed individually or those that are individually significant and not impaired and which impairment is tested collectively, historical loss rates are periodically updated to include the most recent data reflecting current economic conditions, industry performance trends, geographic and borrower concentrations in each portfolio segment, and any other relevant information that may affect the calculation of the provision for portfolio impairment. Many factors influence the Bank's and Subsidiaries' estimates of allowances for loan losses, including volatility in the likelihood of impairment, migration and estimates of loss severity.

In order to quantify potential losses in collectively assessed portfolios, the Bank and its Subsidiaries have calculation methods that take into account four main factors: exposure, probability of default, loss identification period and loss severity. For this purpose, loans are considered to be in default when they are more than 90 days past due, or restructured due to financial problems of the borrower, customers in bankruptcy and customers included in risk categories D or E, under the terms of the internal credit risk assessment model.

- Exposure at Default (EAD) is the amount of risk if the debtor defaults.

- Probability of Default (PD) is the probability that a debtor will default on its principal or interest obligations. The PD is associated with the rating or score or time of default of each debtor or transaction. In the specific case of non-performing loans, the PD assigned is 100%. A loan is classified as "doubtful" when it is 90 days or more past due, or where there is no default in payments but there are doubts about the debtor's solvency ("subjective doubt").

- The Loss Given Default (LGD) is the estimated loss in the event of default, and depends mainly on the characteristics of the debtor and the valuation of the collateral associated with the transaction.

- The Loss Identification Period (LIP) is the time elapsed between the occurrence of an event causing a particular loss and the time at which the loss becomes evident at the individual level. The analysis of LIPs is performed on the basis of homogeneous risk portfolios.

4) Deferred income tax

The Bank and its Subsidiaries assess the realization of deferred tax assets over time. These assets consist of income tax recoverable through future deductions from taxable income and are recorded in the Consolidated Statement of Financial Position. They are recoverable in view of the probability that there will be corresponding tax benefits. Future taxable income and the amount of probable future tax benefits are based on Management's plans for the medium term. The business plan is based on Management expectations that are considered reasonable in the current circumstances.

As of December 31, 2020 and 2019, Management of the Bank and its Subsidiaries estimate that deferred income tax assets would be recovered based on estimated future taxable profit together with the financial statement translation adjustment. No deferred tax liability has been recorded on the profits of subsidiaries that the Bank does not expect to repatriate in the near future because the Bank controls the dividend policy of subsidiaries and does not intend to distribute dividends or sell the corresponding investments in the near future.

5) Goodwill

Annually, Management of the Bank and its Subsidiaries assess the possible impairment of goodwill recognized in their financial statements. This assessment is based on a valuation of lines of business related to goodwill, using the discounted cash flow method and considering factors such as the country's economic situation, the industry in which it operates, historical financial information and projections of growth in revenue and costs over the next five years and into the indefinite future, taking into account the capitalization rate of profits, discounted at risk-free rates with the risk premiums required by the circumstances. The key assumptions used in these valuations are shown in Note 16.

Provisions for contingencies

The Bank and its Subsidiaries calculate and account for estimates for contingencies to cover possible losses from labor, civil and commercial litigation, requirements of tax authorities and other matters, depending on the circumstances, which, in the opinion of internal or external legal advisors, are considered to be probable sources of loss and can be reasonably quantified.

For many of these claims or cases, given their nature, it is not reasonably feasible to make an accurate projection or quantify the loss. Therefore, the actual amount of the disbursement actually made for the claims or litigation is consistently different from the amounts initially estimated and provisioned. These differences are recognized in the year in which they are identified.

6) Pension plans

The measurement of pension obligations, costs and liabilities depends on a wide variety of long-term assumptions determined on an actuarial basis, including the present value of projected future pension payments for plan members, taking into account the probability of potential future events such as increases in urban minimum wages and demographic experiences. These considerations may affect the amount and future contributions in the event of any changes in these assumptions.

The discount rate used represents future cash flows at their present value at the measurement date. The Bank and its Subsidiaries set a long-term rate that represents the market rate for high-quality fixed-yield investments or government bonds denominated in Colombian pesos (i.e., the currency in which the yields will be paid) and considers the timing and amounts of future yield payments. Colombian Government bonds were selected for this purpose.

The Bank and its Subsidiaries use other key assumptions to value the actuarial liability calculated on the basis of specific experiences in combination with published statistics and market indicators. The most relevant assumptions used in the actuarial calculations and the related sensitivity analysis are shown in Note 21.

7) Revenue recognition

The application of IFRS 15 requires the Bank and its Subsidiaries to make judgments that affect the determination of the amount and timing of revenue from contracts with customers. They include:

- determination of the time to fulfill performance obligations,
- determination of the transaction price assigned to such obligations,
- determination of individual selling prices.

8) Loyalty programs

With regard to customer loyalty programs, the fair value attributed to reward points is deferred as a liability and recognized as income upon redemption of the points and provision of the service to the participants to whom the points are delivered. The fair value of reward credits is estimated by reference to the fair value of awards that can be claimed and is reduced to take into account the proportion of reward credits that customers are not expected to redeem. The Bank uses its judgment in determining the assumptions to be made to respect the number of points not expected to be redeemed, through the use of statistical modeling and historical trending, to determine the mix and fair value of the reward credits.

The points provide a material right to customers, to which they would not have access if they did not sign a contract. Therefore, the promise to provide points to customers is considered an individual performance obligation. The transaction price is assigned to the product and points based on the individual selling price. The individual selling price of the product sold is estimated based on the market price.

Leasing activities of the Bank and how they are accounted for

The Group leases various properties, equipment and vehicles. Lease agreements are normally entered into for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The leases do not impose any covenants, but the leased assets cannot be used as collateral for lending purposes.

Leases are recognized as right-of-use assets and the corresponding liabilities at the date on which the leased asset is available for use by the Entity. Each lease payment is allocated between the liability and the financial cost. The finance cost is charged to profit or loss over the lease term to produce a constant periodic interest rate on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the useful life of the asset and the lease term on a straight-line basis.

9) Extension and termination options

Extension and termination options are included in several of the Group's property and equipment leases. These conditions are used to maximize operational flexibility in terms of contract management. Most of the extension and termination options held are exercisable by the Group and the Lessor.

10) Lease terms

When determining the lease term, Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs that affects this assessment.

NOTE 5. - ACCOUNTING PRONOUNCEMENTS ISSUED BY THE IASB AT THE INTERNATIONAL LEVEL

New standards incorporated in the accounting framework accepted in Colombia whose application must be assessed on a mandatory basis in periods subsequent to January 1, 2021.

Decree 1432/2020 updated the technical frameworks of the Accounting and Financial Reporting Standards accepted in Colombia, incorporating the amendment to IFRS 16, Leases: COVID-19 Related Rent Concessions that can be applied immediately in 2020. No other regulations, interpretations or amendments were added to the regulations that had already been compiled by Decree 2270/2019 considering the regulations incorporated by Decrees 2420 and 2496/2015, 2131/2016, 2170/2017 and 2483/2018.

New standards issued by the International Accounting Standards Board (IASB) that have not yet been incorporated in the accounting framework accepted in Colombia.

Amendment to IAS 1 Presentation of Financial Statements - Classification of liabilities as current or non-current

The amendments issued in January 2020 clarify the criteria for classifying liabilities as current or non-current, based on the rights existing at the end of the reporting period. The classification is not affected by the Bank's expectations or events subsequent to the reporting date. The changes also clarify what is meant by the "settlement" of a liability in terms of the standard.

The Bank does not expect significant impacts from this amendment. However, it is assessing the impact that these changes could have on the consolidated financial statements.

Amendment to IAS 16 Property, Plant and Equipment - Amounts Obtained Prior to Intended Use

The amendment published in May 2020 prohibits the deduction from the cost of an item of property, plant and equipment from any amount from the sale of items produced while bringing that asset to the location and condition necessary for it to operate as intended. Instead, the amounts of those sales would be recognized in income for the period. No significant impacts are expected as a result of this amendment. However, the impact that these changes could have on the consolidated financial statements is being assessed.

Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework

The amendment published in May 2020 addressed 3 amendments to the standard in order to: update references to the Conceptual Framework; add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRIC 21 Levies; and confirm that contingent assets must not be recognized at the acquisition date. The Bank does not expect significant impacts from this amendment. However, it is assessing the impact that these changes could have on the consolidated financial statements.

Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Cost of Fulfillment of a Contract

The purpose of this amendment, which was also published in May 2020, is to specify the costs that an Entity includes in determining the "cost of fulfilling" a contract for the purpose of assessing whether a contract is onerous; it clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling a contract and an allocation of other costs related directly to the fulfillment of the contract. Before recognizing a separate provision for an onerous contract, an entity must recognize impairment losses on the assets used to fulfill the contract. The Bank does not expect significant impacts from this amendment. However, it is assessing the impact that these changes could have on the consolidated financial statements.

Reference interest rate reform

After the financial crisis, the reform and replacement of reference interest rates such as GBP LIBOR and other interbank offered rates (IBOR) has become a priority for global regulators. There is currently uncertainty about the precise timing and nature of these changes. In order to transition existing contracts and agreements that reference LIBOR, adjustments for term differences and credit differences may need to be applied to allow the two reference rates to be economically equivalent at transition.

The amendments made to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures provide certain alternatives in relation to the reform of the reference interest rate. The alternatives are related to hedge accounting and have the effect that reforms generally should not cause hedge accounting to end. However, any hedge ineffectiveness must continue to be recorded in the statement of income. Given the widespread nature of hedges involving interbank rate-based contracts (IBORs), the alternatives will affect companies in all industries.

Accounting policies related to hedge accounting must be updated to reflect the alternatives. Fair value disclosures may also be affected due to transfers between fair value hierarchy levels as markets become more or less liquid.

The Bank does not expect significant impacts from this amendment. However, it is assessing the impact that these changes could have on the consolidated financial statements.

Annual Improvements to IFRS Standards 2018 – 2020 Cycle

The following improvements were completed in May 2020:

- IFRS 9 Financial Instruments: clarifies which fees must be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases: amends illustrative example 13 of the standard to remove the illustration of lessor payments related to leasehold improvements, to eliminate any confusion regarding the treatment of lease incentives.

- IFRS 1 First-time Adoption of International Financial Reporting Standards: allows entities that have measured their assets and liabilities at the carrying values recorded in their parent company's accounting records to also measure cumulative translation differences using the amounts reported by the parent company. This amendment will also apply to associates and joint ventures with certain conditions.
- IAS 41 Agriculture: eliminates the requirement for entities to exclude tax cash flows when measuring fair value under IAS 41.

No significant impacts are expected as a result of this amendment. However, the impact that these changes could have on the consolidated financial statements is being assessed.

Conceptual Framework

The IASB has issued a revised Conceptual Framework to be used in standard-setting decisions with immediate effect. Key changes include:

- Increasing the importance of management in the objective of financial reporting;
- Restoring caution as a component of neutrality;
- Defining a reporting entity, which may be a legal entity or a part of an entity.;
- Reviewing the definitions of an asset and a liability;
- Removing probability threshold for recognition and adding guidelines on the derecognition of accounts;
- Adding guidelines on different measurement bases, and
- Indicating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income must be recycled when this improves the relevance or faithful representation of the consolidated financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework to determine their accounting policies for transactions, events or conditions that are not otherwise addressed in the accounting standards will be required to apply the revised Framework as of January 1, 2020. These entities must consider whether their accounting policies are still appropriate under the revised Framework.

NOTE 6. - FAIR VALUE ESTIMATE

The fair value of financial assets and liabilities traded in active markets (such as financial assets in debt securities, equity security certificates and derivatives listed and actively traded on stock exchanges or in interbank markets) is based on dirty prices provided by a price vendor.

An active market is a market where transactions in assets or liabilities take place with sufficient frequency and volume to be able to provide price information on a continuous basis. A dirty price is the price that includes accrued and unpaid interest on the corresponding bond from the date of issuance or the last interest payment until the actual date of the purchase and sale transaction. The fair value of financial assets and liabilities not traded in an active market is determined through valuation techniques selected by the price vendor or Management of the Bank and its Subsidiaries.

Valuation techniques used for non-standardized financial instruments, such as currency swaps and derivatives in the Over The Counter (OTC) market include the use of interest rates or currency valuation curves constructed by market data providers and extrapolated for the specific conditions of the instrument to be valued. Discounted cash flow analysis and other valuation techniques commonly used by market participants who make the most use of market data are also applied.

The Bank and its Subsidiaries may use internally developed models to value instruments that do not belong to an active market. Such models are generally based on valuation techniques and methods widely standardized in the financial sector. The valuation models are mainly used for the valuation of financial instruments of unlisted equity security certificates, debt certificates and other debt instruments for which the markets have been inactive during the period. Some of the inputs to 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 employed may not fully reflect all factors relevant to the Bank's position. Therefore, valuations are adjusted, if necessary, to allow for additional factors, including model risks, liquidity risks and counterparty risks.

The fair value hierarchy has the following levels:

- Level 1 inputs are listed prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than listed prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are non-observable inputs for the asset or liability.

The level of fair value within which a fair value can be justified as a whole is determined on the basis of the lowest level of input that is significant to measuring fair value as a whole. The significance of an input is then assessed in relation to the fair value measurement as a whole. If the fair value measurement uses observable inputs that require significant adjustments based on non-observable inputs, it is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement requires judgment that takes into account factors specific to the asset or liability.

A significant level of judgment on the part of the Bank and its Subsidiaries is required for determining "observable" significance. The Bank and its Subsidiaries consider data to be "observable" if they are market data that are available, regularly distributed or updated, reliable, verifiable, non-proprietary and provided by independent sources that play an active role in the reference market.

a) Fair value measurement on a recurring basis

These are the measurements required or permitted by IFRS accounting standards in the consolidated statement of financial position at the end of each period.

The most common methods applied to derivatives are as follows:

Valuation of currency forwards: The vendor publishes the curves assigned currency of origin of the underlying asset. These curves are made up of end-of-period nominal rates associated with forward exchange rate contracts.

Valuation of bond forwards: To determine the valuation of the forward at a given date, the theoretical future value of the Bond is calculated based on its price on the valuation day and the risk-free rate of the reference country of the underlying asset. After that, the present value of the difference between the theoretical future value and the price of the bond agreed in the forward contract is obtained, using for the discount, the risk-free rate of the country of reference of the underlying asset at the number of days to maturity of the contract.

(Stated in millions of COP,
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Valuation of swap transactions: The vendor publishes the curves assigned according to the underlying asset, basis swap curves (exchange of payments associated with floating interest rates), domestic and foreign curves, and implicit curves associated with forward exchange rate contracts.

Valuation of OTC options: The vendor publishes the curves assigned according to the currency of origin of the underlying asset, forward exchange rate curve of the domestic currency of the transaction, implied curves associated with forward exchange rate contracts, swap curves assigned according to the underlying asset, and matrix and implied volatility curves.

The valuation of real estate recognized as property and equipment and as investment property at fair value is measured using a Level 3 market approach, with data available in relation to prices available in the different regions of Colombia.

The table below analyzes, within the fair value hierarchy, the assets and liabilities (by category) held by the Bank and its Subsidiaries at December 31, 2020 and 2019, on a recurring basis.

December 31, 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Debt securities	8,314,386	-	-	8,314,386
Equity security certificates - issuers in Colombia	-	108,059	-	108,059
Derivatives	-	14,519	-	14,519
Investment properties	-	-	155,823	155,823
Property and equipment (real estate)	**-**	-	773,444	773,444
Total assets at fair value, recurring basis	**8,314,386**	**122,578**	**929,267**	**9,366,231**
Liabilities				
Derivatives	-	39,809	-	39,809
Total liabilities at fair value, recurring basis	**-**	**39,809**	**-**	**39,809**
December 31, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Debt securities	6,179,841	-	-	6,179,841
Equity security certificates - issuers in Colombia	-	103,265	-	103,265
Derivatives	-	19,381	-	19,381
Investment properties	-	-	134,350	134,350
Property and equipment (real estate)			724,748	724,748
Total assets at fair value, recurring basis	**6,179,841**	**122,646**	**859,098**	**7,161,585**
Liabilities				
Derivatives	-	49,946	-	49,946
Total liabilities at fair value, recurring basis	**-**	**49,946**	**-**	**49,946**

(Stated in millions of COP,
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No transfers were made between Level 1 and Level 2 for December 2020 and 2019.

To determine the fair value hierarchy level, an instrument-by-instrument assessment is performed, according to the calculation type information reported by PRECIA S. A. (price vendor), and the expert criteria of the Front and Middle Office, who issue their opinion taking into account aspects such as: Continuity in the publication of prices on a historical basis, amount outstanding, record of transactions made, number of price contributors as a measure of depth, market knowledge, constant quotes by one or more counterparties of the specific security, and bid offer spreads, among others.

Since December 2017, buildings and land have been measured at fair value, with the intention of more effectively presenting the financial position of these non-current assets in the consolidated financial statements. New appraisals were conducted in 2020 and 2019.

At December 31, 2020 and 2019, the detail for building and land measured at fair value is as follows:

DECEMBER 2020	BANCO	SERVITRUST	SERVIBANCA	CORPORACION	FCP	PARAGUAY	PERU	TOTAL
Land cost	640	24	-	184,888	93,414	2,370	-	281,336
Buildings cost	9,072	235	802	140,299	260,642	5,424	21,915	438,389
Accumulated depreciation	(853)	(25)	(69)	(16,063)	(11,833)	(4,962)	(18,657)	(52,462)
Total Cost	8,859	234	733	309,124	342,223	2,832	3,258	667,263
Land revaluation	1,150	4	-	6,525	24,260	-	-	31,939
Buildings revaluation	6,405	305	1,015	-	67,214	-	-	74,939
Accumulated depreciation	-	(18)	(60)	(619)	-	-	-	(697)
Total Revaluation	7,555	291	955	5,906	91,474	-	-	106,181
Total property - Real estate	**16,414**	**525**	**1,688**	**315,030**	**433,697**	**2,832**	**3,258**	**773,444**

DECEMBER 2019	BANCO	SERVITRUST	SERVIBANCA	CORPORACION	FCP	PARAGUAY	PERU	TOTAL
Land cost	640	24	-	178,191	94,198	2,420	-	275,473
Buildings cost	9,019	235	804	137,222	262,448	5,153	22,823	437,704
Accumulated depreciation	(9,665)	(22)	(59)	(15,347)	-	(4,517)	(18,133)	(47,743)
Total Cost	**(6)**	**237**	**745**	**300,066**	**356,646**	**3,056**	**4,690**	**665,434**
Land revaluation	1,150	4	-	-	12,534	-	-	13,688
Buildings revaluation	6,458	305	1,015	3,446	34,924	-	-	46,148
Accumulated depreciation	(53)	(18)	(60)	(391)	-	-	-	(522)
Total Revaluation	**7,555**	**291**	**955**	**3,055**	**47,458**	**-**	**-**	**59,314**
Total property - Real estate	**7,549**	**528**	**1,700**	**303,121**	**404,104**	**3,056**	**4,690**	**724,748**

b) Items measured at fair value, non-recurring basis

The Bank and its Subsidiaries have no assets or liabilities measured at fair value on a non-recurring basis at December 31, 2020 and 2019.

Fair value determination

The Bank and its Subsidiaries determined that the financial instruments traded in an active market are Level 1. Their fair value was established based on prices (unadjusted), which determine the price as the weighted average of the transactions carried out during the course of the day.

The Bank and Subsidiaries have defined financial instruments traded in non-active markets as Level 2. The table below provides information on valuation techniques and critical inputs when measuring assets and liabilities.

The Bank and its Subsidiaries determined that financial instruments that are not traded in an active market are Level 3. The detail below provides information on the various inputs and valuation techniques:

	Valuation Technique		Significant Inputs
Assets			
Debt securities	Market prices		Market price or price calculated based on benchmarks established in the pricing vendor's methodology
Equity security certificates - issuers in Colombia	Market prices		Market price or price calculated based on benchmarks established in the pricing vendor's methodology
Derivatives	Market prices		- Price of the underlying asset. - Currency, by underlying asset. - Forward exchange rate. - Matrices and curves.
Investment properties	Technical appraisal		Valuation performed at the end of each period by an independent expert for comparable transactions in the market.
Property and equipment (real estate)	Technical appraisal		Valuation performed at the end of each period by an independent expert for comparable transactions in the market.

Investment properties:

Investment properties are measured at fair value, based on a valuation carried out at the end of each year by an independent expert. In Colombia, the frequency of market transactions is low, but Management considers that the volume of activities is sufficient to assess the fair value of the investment properties of the Bank and its Subsidiaries based on comparable market transactions. Management has reviewed the key assumptions used by the independent appraisers (such as inflation, interest rates, etc.) and believes that they are consistent with market conditions at the end of each year. However, Management believes that the estimation of the fair value of investment properties depends on a significant level of judgment on the part of independent appraisers and therefore, there is a significant possibility that the actual selling price of a property will be different from such fair value.

A reconciliation of the opening and closing balances to the fair value measurements classified at Level 3 is provided in Note 15.

Fair value of financial assets and liabilities recognized at amortized cost

The table below shows a summary of financial assets and liabilities recognized at amortized cost solely for the purposes of this disclosure at December 31, 2020 and 2019:

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

	December 31, 2020		December 31, 2019	
	Carrying Value	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
Assets				
Cash and cash equivalents	12,883,345	12,883,345	12,109,368	12,109,368
Debt securities at amortized cost	1,206,918	1,217,117	835,858	825,702
Loan portfolio and accounts receivable (1)	16,177,729	16,402,523	16,720,208	16,926,374
Total Financial Assets	**30,267,992**	**30,502,985**	**29,665,434**	**29,861,444**
Liabilities				
Term deposits (2)	9,080,172	9,138,620	9,008,058	9,004,254
Financial obligations (3)	4,764,512	4,850,354	4,598,968	5,105,746
Obligations with rediscount entities and foreign banks	2,421,570	2,312,900	2,347,173	2,510,455
Long-term financial obligations	2,342,942	2,537,454	2,251,795	2,595,291
Total Financial Liabilities	**13,844,684**	**13,988,974**	**13,607,026**	**14,110,000**

(1) The fair value of the loan portfolio at amortized cost is determined by applying discounted cash flow models at the interest rates offered by banks for new loans, taking into account credit risk and maturity. This valuation process is considered to have been carried out at Level 3.

(2) The fair value of demand deposits is equal to their carrying value. For fixed-term deposits with maturities of less than 180 days, the fair value was considered to be equal to the carrying value. For fixed-term deposits of more than 180 days, the cash flow model was used, discounted at the rates offered by the banks according to their maturities. This valuation process is considered to have been carried out at Level 2.

(3) For short-term liabilities, the carrying value was considered to be the fair value. For short-term liabilities, the carrying value was considered to be the fair value. For long-term financial liabilities, fair value was considered, using discounted cash flow models at risk-free interest rates adjusted by risk premiums for each entity. The fair value of outstanding bonds is determined based on listed prices or prices determined by the price vendor. This valuation is considered to have been carried out at Level 2.

NOTE 7. - RISK MANAGEMENT

Risk management for the Bank and its subsidiaries is a fundamental element for achieving efficiency and effectiveness of operations, reliability of reports and compliance with laws, rules and regulations, hence its importance in achieving the Bank's strategic objectives.

The analysis of the strategic context in which it carries out its activities allows Banco GNB Sudameris and its subsidiaries to determine methods to prevent the occurrence of events that affect the normal development of processes and compliance with the objectives set by the Bank, or if this is not reasonably possible, to implement risk treatment and mitigation measures to reduce their impact.

Risk management organizational structure

The Board of Directors, as the highest authority responsible for the risk management of the Group's entities, determines the profile and defines risk management policies and procedures aligned with the internal control system, framed in the development of the entity's strategic plan, goals and objectives. For this reason, it monitors each of the Risk Management Systems in terms of their objectives, plans and compliance and control indicators, in accordance with current legislation.

In order to preserve the efficacy, efficiency and effectiveness of its management and operating capacity, as well as to safeguard the resources it manages, the Bank and its subsidiaries have a Comprehensive Risk Management System and an organizational structure that allows minimizing costs and damages caused by these risks, based on the following structure:

Board of Directors

The Board of Directors is responsible for adopting, among others, the following decisions regarding the adequate organization of the risk management system of each entity:

- Define and approve the entity's policies regarding Risk Management.
- Approve the regulations, procedures and functions handbooks of the areas belonging to the overseen entity, as well as their respective updates.
- Approve the code of ethics, the internal control system and the organizational and technological structure of the Risk Management Systems.
- Approve the limits for operations and counterparties, according to the defined attributions.
- Approve exposures and limits for different types of risks.
- Approve the actions in cases of exceeding or surpassing the exposure limits or any exception to the rule, as well as the contingency plans to be adopted for each extreme scenario.
- Appoint the risk committee, define its functions and approve its rules of procedure in accordance with the applicable laws.
- Approve methodologies and models for the administration of the Risk Management Systems.
- Carry out permanent monitoring of compliance with the guidelines and policies of the Risk Management Systems.

For the adequate management of the different risk management systems, the Board of Directors relies mainly on the following committees:

Risk Management Committee

The Risk Management Committee must fulfill the roles and responsibilities described below:

- Advise the Board of Directors in the definition of exposure limits by type of risk, term, amount, currency and instruments and ensure their compliance.
- Advise the Board of Directors and the President of the Bank in the definition of information security and cybersecurity risk prevention policies and procedures.
- Perform analyses and forecasts on the behavior of the main economic and monetary variables, showing the situation of the economy, the behavior of the different financial instruments and their impact on the risks to which the entity is exposed.
- Verify comprehensive risk management by estimating and controlling the degree of exposure to the different risks to which the entity is exposed, in order to protect itself from possible changes that may cause losses in the consolidated financial statements.
- Review on a monthly basis the limits of exposure to market, liquidity, credit and operating risks, any conditions that exceed such limits, and proposals for adjustments thereto.
- Review on a monthly basis the results related to information security and cybersecurity risk management.
- Submit proposals to the President regarding the contingency plans to be adopted for each extreme scenario and risk identified.
- Review on a monthly basis the exposure to operational risk, the assessment of type "A" events and the actions taken during the period.
- Review on a quarterly basis the results of the interaction of the National Risk Management Department with the General Internal Auditor of Banco GNB Sudameris.

- Analyze and review methodologies for measuring market, liquidity and credit risks on a semi-annual basis.
- Ensure timely, efficient and full compliance with the instructions issued by the Financial Superintendence of Colombia (SFC, for the Spanish original) regarding the identification, measurement, control and monitoring of the different risk management, information security and cybersecurity systems.
- Analyze stress test results for market, liquidity and credit risk backtesting.
- Analyze the entity's counterparty limits and request their presentation for approval by the Board of Directors.
- Other matters related to the purpose of the Committee and the regulations on risk management that are not assigned to other bodies and those issued by the competent body and which are mandatory.

Loan Committee

- Analyze results of the permanent and semi-annual rating.
- Perform sectoral analysis by customers and outlooks by customers' economic activity.
- Perform monthly analysis and variation of delinquent customers.
- Perform monthly variation analysis of portfolio quality by risk category.
- Follow up on past-due loans under administrative collection and legal collection.
- Analyze the figures, trends and evolution of the past-due portfolio in the regional offices and channel efforts to avoid operational losses.
- Evaluate, design and recommend policies aimed at recovering past-due loans.
- Present the figures and recommendations of strategies to be followed for the collection of delinquent obligations of the main customers.
- Perform analysis and assessment of provision projections by portfolio.

Credit Committee

- Analyze, assess, monitor, review and approve credit proposals within its authority. Also, recommend the presentation of proposals that, due to their amount, must be approved by the Board of Directors.
- Verify and approve, by signing the specific credit transactions of the respective bank collectively, ensuring that the assignment of limits within its authority is listed in the Board Form and FC-4, with the corresponding signature.
- Present to the Board of Directors the proposed limits in accordance with the attributions of each category.
- Ensure compliance with the selection and maintenance policies for Corporate Banking, Institutional Banking, Consumer Banking and Payroll Loan Banking Customers, in accordance with the policies defined by the Board of Directors.

Audit Committee

- Propose for the approval of the Board of Directors the structure, procedures and methodologies necessary for the operation of the Internal Control System (ICS).
- Assess the internal control structure of the Bank and its subsidiaries, so as to establish whether the procedures designed reasonably protect the Entity's assets, as well as those of third parties it manages or has custody of, and whether there are controls in place to verify that transactions are being properly authorized and recorded.
- Ensure that the preparation, presentation and disclosure of financial information is in accordance with the applicable regulations, verifying that the necessary controls are in place.
- Review the consolidated financial statements and prepare the corresponding report to be submitted for consideration by the Board of Directors, based on the assessment not only of the corresponding drafts and notes, but also of any opinions issued, observations of the Oversight Entities, results of the assessments made by the competent committees and other related documents.
- Propose to the Board of Directors programs and controls to prevent, detect and properly respond to risks of fraud and misconduct.

- Oversee the functions and activities of the Auditing area, in order to determine its independence and objectivity in relation to the activities it audits, determine the existence of limitations that prevent its adequate performance and verify whether the scope of its work satisfies the Bank's internal control needs.
- Monitor the levels of risk exposure, the implications for the Bank and its subsidiaries and the measures adopted to control or mitigate them, at least every six (6) months, or more frequently if appropriate, and submit to the Board of Directors a report on the most important aspects of the measures taken.
- Assess the internal control reports issued by the Audit, verifying that Management has followed up on its suggestions and recommendations.
- Follow up on compliance with the instructions given by the Board of Directors or equivalent body.
- Submit to the highest corporate body, through the Board of Directors, the candidates for the position of Statutory Auditor.
- Analyze the operation of information systems, their reliability and integrity for decision making.
- Any others established by the Board of Directors in its Rules of Procedure.

Risk management framework

The Board of Directors is responsible for establishing and overseeing the Bank's risk management structure. The Board of Directors has created Risk Committees, responsible for the development and monitoring of the Bank's risk management policies in their specific areas. All committees are duly established and regulated and report regularly to the Bank's General Management on their activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and compliance with limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions, products and services offered. The Parent Company, through its management policies and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee of the Bank and its Subsidiaries oversees how Management monitors compliance with the Group's risk management policies and procedures and reviews the appropriateness of the risk management framework with regard to the risks faced by the Bank and its subsidiaries. This committee is assisted by Internal Audit in its supervisory role. Internal Audit performs regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the *Audit Committee of the Bank and its Subsidiaries.*

Individual risk analysis

In the ordinary course of business, the Bank and its subsidiaries are exposed to various financial, operational, reputational and legal risks. Financial risks include: i) market risk, ii) credit risk (which includes trading risk and price risk as indicated below), and iii) structural risks due to the composition of assets and liabilities on the balance sheet, which include variations in exchange rates, liquidity and interest rates. The following is an analysis of each of the above risks in order of importance:

- Credit risk;
- Liquidity risk;
- Market risk;
- Exchange rate risk; and
- Interest rate risk.

a) Credit risk

The Bank and its Subsidiaries are exposed to credit risk because they are at risk of financial loss as a result of a debtor's failure to pay its obligations on time and in full. Exposure to credit risk also arises in the course of lending activities and transactions with counterparties.

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For risk management reporting purposes, all elements of credit risk exposure (e.g., risk of individual debtor default, country risk, sector risk) are considered and consolidated.

For risk management purposes, credit risk arising from trading assets is managed separately, and information about them is disclosed in the table below. The maximum exposure of the Bank and its Subsidiaries to credit risk, in terms of IFRS 7, and at the consolidated level, is reflected in the carrying value of financial assets in the Consolidated Statement of Financial Position at December 31, 2020 and 2019 below:

	December 31, 2020	December 31, 2019
Deposits in banks other than the Central Bank of Colombia	637,050	418,176
Financial assets measured at fair value		
Government	7,682,995	5,713,794
Financial entities	614,456	467,054
Other sectors	124,994	102,258
Derivatives	14,519	19,381
Loan portfolio and accounts receivable		
Commercial	8,599,176	9,093,405
Consumer	6,703,122	6,604,061
Mortgage	875,431	1,022,742
Other accounts receivable	459,903	230,613
Total financial assets with credit risk	**25,711,646**	**23,671,484**
Off Balance sheet financial instruments with credit risk at their nominal value		
Financial guarantees and letters of credit	8,141,827	8,987,781
Credit commitments	260,420	268,169
Total credit risk exposure outside the Consolidated Statement of Financial Position	**8,402,247**	**9,255,950**
Total maximum credit risk exposure	**34,113,893**	**32,927,434**

The Board of Directors has delegated responsibility for credit risk oversight to the Bank's Portfolio Committee. The Credit Risk Area reports to the Loan Committee and is responsible for credit risk management, including:

- **Definition of credit policy** in consultation with the business units, including collateral requirements, ratings, credit reporting, and compliance with regulatory and statutory requirements.

- **Monitoring of the authorization structure for approval and renewal of lines of credit**: Authorization limits are assigned collectively, i.e., at least two officers with authority to approve new lines of credit are involved, depending on the amount of the transaction. Approval of at least two officers or the Credit Committee or the Board is required depending on the amount of the line of credit.

- **Monitoring of Credit Risk:** The Credit area evaluates all credit exposures that exceed the assigned limits before the corresponding business unit can inform the customer of the commitment. Loan extensions and revisions are subject to the same review process.

- **Exposure concentration limits:** Limits apply to counterparties, geographic locations and industries (for loans and advances) and to issuers, credit rating band, market liquidity and country (for investment instruments).

- **Development and maintenance of risk classification in the Group:** The purpose is to classify exposures according to the degree of risk of financial loss faced and to focus management on the risks that arise. The risk rating system is used to determine when impairment provisions may be necessary against specific credit exposures. The current risk rating framework consists of six classifications reflecting the various risks of uncollectibility and available collateral or other credit risk mitigating factors. The Credit Risk area is responsible for establishing the degrees of risk and informs the Parent Company's Loan Committee for final approval, as appropriate. Degrees of risk are subject to regular review by the Credit Risk area.

(Stated in millions of COP,
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- **Verification of compliance for business units with agreed exposure limits** including those for selected industries, country risk and product types. Reports on the credit quality of local portfolios are submitted to the Parent Company's Loan Committee and appropriate corrective actions are taken.

- **Advice, guidance and specialized skills** for the business units, in order to promote best practices in credit risk management throughout the Bank.

The Parent Company and the subsidiaries define the Group's credit policies, as well as the procedures for establishing approval limits for the letters of credit for each business unit. Each Business Unit has a Credit Director who reports to local management and the Risk Committee for all credit related matters. Each business entity is responsible for the quality and performance of its credit portfolio, for monitoring and controlling all credit risk in its portfolio, and for the representation of its reports to the Bank.

Internal Auditing performs periodic audits of the Business Units and processes in the Credit Area in the Risk Management Department of the Bank and its subsidiaries.

Details of loans by type of collateral in the GNP Group, consolidated at December 31, 2020 and 2019 are as follows:

December 31, 2020	Commercial	Consumer	Mortgage	Total
Unsecured loans	4,130,338	6,695,683	-	10,826,021
Collateralized loans:				
Housing	-	-	873,744	873,744
Other real estate	3,114,189	1,096	-	3,115,285
Admissible financial collateral 0%	289,550	2,034	1,687	293,271
Admissible financial collateral 12%	176,626	34	-	176,660
Other collateral	888,473	4,275	-	892,748
Total gross loan portfolio	**8,599,176**	**6,703,122**	**875,431**	**16,177,729**

December 31, 2019	Commercial	Consumer	Mortgage	Total
Unsecured loans	4,918,509	6,594,948	-	11,513,457
Collateralized loans:				
Housing	-	-	1,021,521	1,021,521
Other real estate	2,717,521	1,359	-	2,718,880
Admissible financial collateral 0%	338,150	1,496	1,221	340,867
Admissible financial collateral 12%	160,001	43	-	160,044
Other collateral	959,224	6,215	-	965,439
Total gross loan portfolio	**9,093,405**	**6,604,061**	**1,022,742**	**16,720,208**

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

At December 31, 2020 and 2019, the portfolio summary by risk level classification is as follows:

	Loans to customers		Interbank loans		Total	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Commercial						
A	7,565,490	8,018,572	39,347	75,412	7,604,837	8,093,984
B	268,925	205,016	-	-	268,925	205,016
C	308,076	445,588	-	-	308,076	445,588
D	349,918	303,420	-	-	349,918	303,420
E	67,420	45,397	-	-	67,420	45,397
Subtotal Commercial	**8,559,829**	**9,017,993**	**39,347**	**75,412**	**8,599,176**	**9,093,405**
Consumer						
A	6,479,362	6,375,353	-	-	6,479,362	6,375,353
B	69,982	46,668	-	-	69,982	46,668
C	62,573	66,376	-	-	62,573	66,376
D	80,180	74,160	-	-	80,180	74,160
E	11,025	41,504	-	-	11,025	41,504
Subtotal Consumer	**6,703,122**	**6,604,061**	**-**	**-**	**6,703,122**	**6,604,061**
Mortgage						
A	765,605	950,725	-	-	765,605	950,725
B	56,886	42,165	-	-	56,886	42,165
C	26,523	7,351	-	-	26,523	7,351
D	11,049	10,170	-	-	11,049	10,170
E	15,367	12,331	-	-	15,367	12,331
Subtotal Mortgage	**875,430**	**1,022,742**	**-**	**-**	**875,431**	**1,022,742**
Total gross portfolio	**16,138,381**	**16,644,796**	**39,347**	**75,412**	**16,177,729**	**16,720,208**
Provisions	(605,183)	(524,521)	(646)	(513)	(605,829)	(525,034)
Total net portfolio	**15,533,198**	**16,120,275**	**38,701**	**74,899**	**15,571,900**	**16,195,174**

Impaired loans and investments in debt instruments

Impaired loans and debt instruments are loans, advances and investments in debt instruments (other than instruments recorded at fair value through profit or loss) for which the Bank and its Subsidiaries decide that recovery of the principal amount and interest due in accordance with the terms of the loan or investment instrument, loans, advances and investments in debt instruments at fair value through profit or loss are not assessed for impairment but are subject to the same internal classification system (see Note 11 - Loan Portfolio).

Loans and investments in debt instruments past due but not impaired

Loans and investment debt instruments that are past due but not impaired, other than those recognized at fair value through profit or loss, are those where the contractual interest or principal payments are past due but the Parent Company believes that impairment is not appropriate based on the level of security/collateral available and/or the stage of collection of amounts due to the Group.

Loans with renegotiated terms

Loans with renegotiable terms are those that have been restructured due to the impairment of the lender's final situation and where the Parent Company has made concessions that it would not otherwise consider.

Once the loan is restructured, it remains in this category regardless of satisfactory performance after restructuring.

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

Write-off policy

The Parent Company and its subsidiaries write off a loan balance or investment debt instrument, and any related provision for impairment losses, when the Parent Company's Recoveries and Collections department determines that the loan or instrument is not collectible.

This determination is made after considering information such as the occurrence of significant changes in the lender's/issuer's financial condition such as that they may not be able to continue to pay the obligation, or that collections from collateral will not be sufficient to pay the exposure in full.

In the case of smaller standardized loans, write-off decisions are generally based on the specific delinquency status of a product.

Below is an analysis of the gross and net amounts of write-offs of impaired assets individually by degree of risk.

	Colombia	Peru	Paraguay	Total
	Written off	**Written off**	**Written off**	**Written off**
December 31, 2020				
Commercial	44,694	994	1,339	47,027
Consumer	129,731	51,419	1,164	182,314
Total	**174,425**	**52,413**	**2,503**	**229,341**
December 31, 2019				
Commercial	66,522	14,222	19,989	100,733
Consumer	129,840	46,245	975	177,060
Total	**196,362**	**60,467**	**20,964**	**277,793**

The Bank and its subsidiaries take collateral against loans and advances to customers in the form of mortgages interest on properties and other instruments recorded as assets and collateral. Fair value estimates are based on the value of the collateral assessed at the time of the loan, and are generally updated in accordance with current regulations, except when a loan is individually assessed as impaired. Collateral is generally not taken on loans and advances from Banks, except when the instruments are held as part of the resale and lending activity.

The following is an estimate of the fair value of collateral and other instrument improvements taken against loans and advances to customers and banks:

	Loans to customers		
	December 31, 2020		**December 31, 2019**
Against individual impairments			
Properties	173,851		348,477
Debt instruments	13,543		11,619
Equity instruments	102,046		172,752
Others	400,938		452,212
Against collective Impairment			
Properties	88,479		67,475
Against accounts that are not past due or impaired			
Properties	4,120,395		3,443,274
Debt instruments	209,395		254,191
Equity instruments	806,462		762,447
Others	1,368,069		1,241,203
	7,283,178		**6,753,650**

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

When the Bank and its subsidiaries acquire financial and non-financial assets during the year for the execution of the collateral backing loans and advances, this results in other credit improvements. It is the policy of the Bank and its subsidiaries to collect on collateral in an orderly and timely manner. As a general rule, the Bank and its Subsidiaries do not use non-cash collateral to back their own transactions.

Concentration of credit risk

The Bank and its subsidiaries monitor the concentration of credit risk by sector and by geographic location. The following is an analysis of the concentration of credit risk in loans and advances and investment instruments at the closing dates:

	Loans to customers December 31, 2020	Interbank loans December 31, 2020	Total December 31, 2020	Loans to customers December 31, 2019	Interbank loans December 31, 2019	Total December 31, 2019
Concentration by Sector						
Business	1,569,082	-	1,569,082	1,871,352	-	1,871,352
Agriculture	1,533,051	-	1,533,051	1,504,119	-	1,504,119
Manufacturing	840,597	-	840,597	1,027,922	-	1,027,922
Real Estate	1,815,201	-	1,815,201	1,564,925	-	1,564,925
Financial Brokerage	647,207	-	647,207	641,096	-	641,096
Transportation	364,845	-	364,845	467,562	-	467,562
Healthcare	312,838	-	312,838	432,770	-	432,770
Education	362,230	-	362,230	370,695	-	370,695
Energy and Gas	21,322	-	21,322	26,779	-	26,779
Communications	62,431	-	62,431	61,059	-	61,059
Mining	28,356	-	28,356	21,503	-	21,503
Others	936,336	-	936,336	955,445	-	955,445
Government	66,333	-	66,333	72,766	-	72,766
Banks	-	39,347	39,347	-	75,412	75,412
Without collateral	6,703,122	-	6,703,122	6,604,061	-	6,604,061
Housing	875,431	-	875,431	1,022,742	-	1,022,742
Provisions	(605,183)	(646)	(605,829)	(524,521)	(513)	(525,034)
Total	**15,533,199**	**38,701**	**15,571,900**	**16,120,275**	**74,899**	**16,195,174**

The concentration of loans and advances by geographic area is measured based on the location of the Group entity holding the assets with a high correlation with the location of the borrower. Concentration by location for investment securities is measured based on the issuance location of the instrument.

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

Geographic concentration	**Loans to customers**	**Interbank loans**	
	December 31, 2020		**Total**
Colombia	8,255,987	-	8,255,987
Perú	3,190,689	39,347	3,230,036
Paraguay	3,146,905	-	3,146,905
Panamá	904,912	-	904,912
Virgin Islands	639,889	-	639,889
Total provisions	(605,183)	(646)	(605,829)
Total	**15,533,199**	**38,701**	**15,571,900**

Geographic concentration	**Loans to customers**	**Interbank loans**	
	December 31, 2019		**Total**
Colombia	8,605,355	18,124	8,623,479
Perú	3,802,862	57,274	3,860,136
Paraguay	3,034,079	14	3,034,093
Panamá	880,064	-	880,064
Virgin Islands	322,436	-	322,436
Total provisions	(524,521)	(513)	(525,034)
Total	**16,120,275**	**74,899**	**16,195,174**

b. **Market risk:**

Market risk is defined as the potential loss in the value of financial assets due to adverse movements in factors that determine their price, also known as risk factors such as interest rates, exchange rates, share prices and other factors that affect the value of financial products traded in the entity that Is part of the Group.

The purpose of the Market Risk Management System (SARM, for the Spanish original) implemented by the Parent Company and its subsidiaries is to identify, measure, control and monitor the market risk to which it is exposed in the development of treasury transactions, considering the entity's structure and size.

The Group participates in the money foreign exchange and capital markets aiming to satisfy its needs and those of its customers in accordance with established policies and risk levels. In this sense, it manages different portfolios of financial assets within the allowable risk limits and levels.

The risks assumed on in both the banking book and treasury book transactions are consistent with the overall business strategy and risk appetite of the Parent Company and its subsidiaries, based on the depth of the markets for each instrument, their impact on the risk weighting of assets and level of solvency, the profit budget established for each business unit and the balance sheet structure.

Business strategies are established in accordance with approved limits aimed at achieving a balance in the profitability/risk ratio. There is also a structure of limits consistent with the Parent Bank's general philosophy, based on its capital levels, earnings and risk tolerance.

The Group is exposed to the following risk factors:

- **Interest rate risk:** is defined as the possibility that changes in interest rates may adversely affect the value of financial instruments held by the entity. The Group's investments are exposed to this risk due to the effects of interest rate fluctuations that can affect its financial position and future cash flows. Interest margins can be increased as a result of interest rate changes but can also be reduced and generate losses in the event of unexpected interest rate movements.

(Stated in millions of COP,
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- **Exchange rate risk:** is defined as the sensitivity of the value of the proprietary position in currencies other than the Colombian peso to a potential change in the exchange rates to which the Parent Company and its subsidiaries are exposed. This risk is mainly implicit in the purchase and sale of foreign currencies and forwards. Exchange rate risk arises when there is a mismatch in the net foreign currency position and it is affected by fluctuations in exchange rates.

- **Hedging:** As part of its regional strengthening strategy, and in accordance with the acquisition of subsidiaries Banco GNB Perú and Banco GNB Paraguay, Banco GNB Sudameris has developed hedging mechanisms through the issuance of subordinated bonds. In this way, the Entity aims to mitigate the foreign exchange risk through the use of hedge accounting tools.

- This hedge accounting treatment is subject to compliance with the methodological requirements to ensure its effectiveness. The Group performs quarterly tests to ensure compliance with the required assumptions.

  The Group is constantly working to review models to manage market risk based on the identification and analysis of variations in risk factors (interest rate, exchange rate and price index) on the value of the different financial instruments that make up the portfolios.

  Taking into account the standard risk measurement methodology (VaR) at December 31, 2020 and December 31, 2019, the following results are presented:

GROUP VAR

Maximum, Minimum and Average VaR		**December 31, 2020**		
	Minimum	**Average**	**Maximum**	**Year-end**
Interest rate	108,030	116,335	124,278	109,491
Exchange rate	21,383	42,989	66,352	42,513
Equity securities	311	368	394	394
Collective funds	26,171	28,983	30,380	26,171
Total VaR		**188,675**		**178,569**

Maximum, Minimum and Average VaR		**December 31, 2019**		
	Minimum	**Average**	**Maximum**	**Year-end**
Interest rate	97,553	131,167	167,901	108,030
Exchange rate	1,587	33,869	66,352	66,352
Equity securities	384	396	413	387
Collective funds	28,365	30,314	31,500	30,380
Total VaR		**195,746**		**205,148**

The Group's VaR at December 31, 2020 compared to the end of December 31, 2019, dropped by COP 26,579 million, mainly explained by the VaR of Banco GNB Sudameris which dropped by COP 26,736 million. This variation is mainly explained by the exchange rate factor with significant variations due to market volatility, and the interest rate factor resulting from the simultaneous transactions carried out at the end of the month.

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

The VaR indicators presented individually by the Bank and its subsidiaries at December 31, 2020 and December 31, 2019 were:

	December 31, 2020		December 31, 2019	
Entity	**Amount**	**Level I basis points**	**Amount**	**Level I basis points**
Banco GNB Sudameris	109,522	88.6	136,258	112
Servitrust	376	0.3	336	0.3
Servivalores	1,688	1.4	2,033	1.8
Servibanca	1,757	1.5	1,099	1.0
Paraguay	11,032	9.4	11,364	10.0
Perú	26,501	22.4	30,228	26.3
Corporación Financiera	27,694	23.4	23,830	20.8
Total VaR, Consolidated subsidiaries	**178,570**	**147.1**	**205,148**	**172.2**

c. **Risk of changes in foreign currency exchange rates**

The Group is exposed to exchange rate risk due to the positions taken in currencies other than the Colombian peso, mainly US dollars and Euros, both in its proprietary position and in investments in foreign subsidiaries.

In the Global Proprietary Position, derivatives are excluded and the nominal values recorded in memorandum accounts are reported, which include both purchases and sales, with a limit of 20% of the Entity's technical equity for the two preceding months restated with the average market exchange rate.

The following is the detail in currency at December 31, 2020 and 2019:

December 31, 2020	**US dollars (millions)**	**Euros (millions)**	**Other currencies translated to US dollars (millions)**	**Total in Colombian pesos (millions)**
Cash and cash equivalents	647	5	253	3,108,620
Debt investments	77	-	400	1,637,901
Equity investments	-	-	2	5,402
Derivatives	9	-	-	32,698
Loans	989	-	1,143	7,321,285
Others	356	-	77	1,484,397
Assets	**2,078**	**5**	**1,875**	**13,590,303**
Checking accounts	122	-	169	999,048
Savings accounts	466	-	318	2,689,664
Term deposits	443	-	898	4,601,759
Others	1,054	5	248	4,484,917
Liabilities	**2,085**	**5**	**1,633**	**12,775,388**
Net position	**(7)**	**-**	**242**	**814,915**

December 31, 2019	**US dollars (millions)**	**Euros (millions)**	**Other currencies translated to US dollars (millions)**	**Total in Colombian pesos (millions)**
Cash and Cash Equivalents	552	7	436	3,263,475
Debt investments	-	-	261	856,219
Equity investments	-	-	2	9,504
Derivatives	-	-	2	6,685
Loans	1,003	-	884	6,187,733
Others	632	-	8	2,098,943
Assets	**2,187**	**7**	**1,593**	**12,422,559**
Checking accounts	412	-	68	1,573,027
Savings accounts	713	-	45	2,484,792
Term deposits	923	-	-	3,026,110
Others	826	7	550	4,540,508
Liabilities	**2,874**	**7**	**663**	**11,624,437**
Net position	**(687)**	**-**	**930**	**798,122**

Exchange rate sensitivity

Rate and exchange rate in COP	**Asset positions** (1)	**Liability positions** (1)	**Proprietary position**	**Sensitivity COP 10 / USD 1**	**Amount in pesos**
3,432.50	3,959.30	3,721.89	237.41		
3,442.50	3,947.80	3,711.08	236.72	0.69	689,647.62
3,422.50	3,970.87	3,732.77	238.10	(0.69)	(693,677.70)

(1) Figures in millions of USD or indicated figures

d. **Interest rate risk on structure**

The Bank's consolidated assets and liabilities 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, positions are taken from investments and loan portfolio placements at fixed and variable rates, which in turn are funded with liabilities, such as: collecting deposits and financial obligations at fixed and variable rates. This leads to margins of interest increasing or decreasing as a consequence of movements in these rates, which can increase margins and generate greater profit or decrease them as a consequence of unexpected events in the market.

The following is a sensitivity analysis of the main productive assets and liabilities with cost to exposure to changes in interest rates. The table shows average volumes and cumulative amounts as of December 31, 2020 and December 2019, as well as the impact in light of a variation of 50 basis points.

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

December 31, 2020				**Variation of 50 bps in interest rates**	
Account details	**Average for the period**	**Interest income/expense**	**Average Interest Rate**	**Favorable**	**Unfavorable**
Portfolio in Colombian pesos	8,187,762	971,369	11.86%	94,688	(94,688)
Portfolio in foreign currency	8,337,614	750,863	9.01%	102,309	(102,309)
Asset money market transactions in Colombian pesos	2,935,805	88,229	3.01%	220	(220)
Asset money market transactions in foreign currency	460,127	34,711	7.54%	30	(30)
Investments in marketable and available-for-sale debt securities in Colombian pesos	8,819,706	323,637	3.67%	53,506	(53,506)
Interest-bearing financial assets	**28,741,014**	**2,168,809**	**7.55%**	**250,753**	**(250,753)**

December 31, 2020				**Variation of 50 bps in interest rates**	
Account details	**Average for the period**	**Interest income/expense**	**Average Interest Rate**	**Favorable**	**Unfavorable**
Customer deposits in checking accounts, savings accounts and CDs in Colombian pesos	10,609,687	341,782	3.22%	51,390	(51,390)
Customer deposits in savings accounts and CDs in foreign currency	2,573,265	87,795	3.41%	12,442	(12,442)
Customer deposits in fixed term CDs in Colombian pesos	4,454,876	219,471	4.93%	10,389	(10,389)
Customer deposits in fixed term certificates of deposit in foreign currency	4,962,222	151,978	3.06%	40,563	(40,563)
Bonds in Colombian pesos	332,405	23,183	6.97%	6,353	(6,353)
Bonds in foreign currency	2,068,590	144,019	6.96%	36,116	(36,116)
Financial obligations in Colombian pesos	1,729,161	65,756	3.80%	-	-
Financial obligations in foreign currency	1,199,517	82,178	6.85%	4,385	(4,385)
Total financial liabilities with financial costs	**17,126,130**	**650,191**	**4.28%**	**68,133**	**(68,133)**
Total financial liabilities with financial costs in Colombian pesos	**10,803,593**	**465,971**	**4.31%**	**93,505**	**(93,505)**
Total financial liabilities with financial costs in foreign currency	**27,929,723**	**1,116,162**	**4.00%**	**161,638**	**(161,638)**
Total net financial assets subject to interest rate risk in Colombian pesos	**2,817,142**	**733,045**	**26.02%**	**80,280**	**(80,280)**
Total net financial liabilities subject to interest rate risk in foreign currency	**(2,005,853)**	**319,605**	**-15.93%**	**8,833**	**(8,833)**
Total net financial assets subject to interest rate risk	**811,289**	**1,052,650**	**29.75%**	**89,113**	**(89,113)**

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

December 31, 2019

Account details	Average for the period	Interest income/expense	Average Interest Rate	Variation of 50 bps in interest rates	
				Favorable	Unfavorable
Portfolio in Colombian pesos	7,859,998	988,514	12.58%	83,945	(83,945)
Portfolio in Foreign Currency	7,847,947	743,783	9.48%	180,961	(180,961)
Asset money market transactions in Colombian pesos	3,071,827	136,843	4.45%	204	(204)
Asset money market transactions in foreign currency	206,538	132	0.06%	7	(7)
Investments in marketable and available-for-sale debt securities in Colombian pesos	8,106,869	386,067	4.76%	51,918	(51,918)
Interest-bearing financial assets	**27,093,179**	**2,255,339**	**8.32%**	**317,035**	**(317,035)**

December 31, 2019

Account details	Average for the period	Interest income/expense	Average Interest Rate	Variation of 50 bps in interest rates	
				Favorable	Unfavorable
Customer deposits in checking accounts, savings accounts and CDs in Colombian pesos	9,884,480	427,110	4.32%	47,373	(47,373)
Customer deposits in savings accounts and CDs in foreign currency	1,726,172	55,165	3.20%	8,364	(8,364)
Customer deposits in fixed term CDs in Colombian pesos	4,576,638	247,318	5.40%	10,191	(10,191)
Customer deposits in fixed term certificates of deposit in foreign currency	4,335,036	163,502	3.77%	34,821	(34,821)
Bonds in Colombian pesos	332,405	24,607	7.40%	7,052	(7,052)
Bonds in foreign currency	1,827,564	129,208	7.07%	41,471	(41,471)
Financial obligations in Colombian pesos	1,850,852	86,438	4.67%	93	(93)
Financial obligations in foreign currency	1,114,375	65,771	5.90%	5,609	(5,609)
Total financial liabilities with financial costs	**25,647,522**	**1,199,119**	**4.68%**	**154,974**	**(154,974)**
Total financial liabilities with financial costs in Colombian pesos	**16,644,375**	**785,473**	**4.72%**	**64,709**	**(64,709)**
Total financial liabilities with financial costs in foreign currency	**9,003,147**	**413,646**	**4.59%**	**90,265**	**(90,265)**
Total net financial assets subject to interest rate risk in Colombian pesos	**2,394,319**	**725,951**	**30.32%**	**71,359**	**(71,359)**
Total net financial liabilities subject to interest rate risk in foreign currency	**(948,661)**	**330,269**	**(34.81%)**	**90,702**	**(90,702)**
Total net financial assets subject to interest rate risk	**1,445,658**	**1,056,220**	**73.06%**	**162,061**	**(162,061)**

1) If there had been a change of 50 basis points in interest rates at December 31, 2020, interest-bearing financial assets would have had an income variation of +/- COP 250,753 million.

2) If there had been a variation of 50 basis points in interest rates at December 31, 2020, interest-bearing financial liabilities with financial cost would have had a variation of +/- of COP 161,639 million.

3) If there had been a change of 50 basis points in interest rates at December 31, 2020, total net financial assets subject to interest rate risk would have had a variation of +/- COP 89,113 million.

Liquidity risk

1. Management and models

The consolidated Liquidity Risk Management System (SARL, for the Spanish original) assesses the liquidity risk exposure of the Group, enabling the adoption of timely decisions for proper risk mitigation and, when applicable, determining the proper amount of capital corresponding to the risk levels of the Group and managing its liquidity policy.

The Group manages liquidity risk in accordance with the standard model established in Chapter VI of the Basic Accounting and Financial Notice of the Financial Superintendence of Colombia and in accordance with the rules related to liquidity risk management through the basic principles of the Liquidity Risk Management System, which establishes the minimum prudential parameters that must be monitored by the entities in their operations to efficiently manage the liquidity risk to which they are exposed, through the Elements and Stages of the SARL (Identification, Measurement, Control and Monitoring) in accordance with the structure, complexity and size of the Consolidated Entity.

Each international subsidiary is responsible for measuring the Liquidity Risk indicator and other measurements. However, the overall management of liquidity is the responsibility of the National Risk Management Department of the Parent Company, through the Group Risk and Model Management Department, which analyzes the implications in terms of funding and liquidity of the liquidity structures and their compatibility in accordance with the policies and guidelines of the Parent Company and its limits and warning system, approved by the Board of Directors, which enables the joint management of liquidity risk.

The development and updating of Liquidity Risk policies has contributed to the proper structuring of the risk management system, not only in terms of limits and warnings, but also in terms of procedures, developing complementary management tools and performing periodic stress exercises for its models, which will serve as a basis for taking preventive or risk mitigation actions and thus limiting exposure, designing a liquidity buffer, adjusting the risk profile and structuring the contingency plan.

As part of the Liquidity Risk analysis, the Group measures, among others, the volatility of deposits without contractual maturity through statistical analysis, the evolution of financial assets and liabilities, the structure of interest rates, the normal Liquidity Coverage Indicator (LCI) and the Stressed Liquidity Coverage Indicator (Stressed LCI), the concentration of funding sources, the proprietary position, the Liquidity gap by currency and funding positions between related parties.

Through the Group's Risk Committee, Senior Management reviews the liquidity situation of the consolidated group and recommends the necessary actions, while taking into account the high quality liquid assets to be maintained, liquidity management tolerance or minimum liquidity, the raising of funds, policies on liquidity surplus placement, changes in the characteristics of existing products and new products, the diversification of sources of funds to avoid a concentration of funds from few investors or savers, hedging strategies and changes in the balance sheet structure.

The Parent Company and its subsidiaries each have a Liquidity Contingency Plan, which clearly specifies the roles and responsibilities for activating the contingency, as well as the constitution of the liquidity crisis group whose function and responsibility is to take the necessary actions to mitigate the effects of an exposure to liquidity risk of any of the entities that make up the group, using a series of strategies aimed at correcting the liquidity structure based on support either from the Central Bank of Colombia, the entity's assets, main customers, shareholders or FOGAFIN as a last resort, in addition to defining the management of communicating internal information to the media, control entities and the general public through the Communications Plan.

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

High-quality liquid assets consist of cash and marketable investments in debt securities, investments in open-end collective portfolios, available-for-sale investments in debt securities and held-to-maturity investments, as long as they are money market transactions.

The Group complies with legal reserve requirements according to the local regulations of each country in the case of foreign subsidiaries, maintaining the Cash, Banks and their respective deposits in the Central Banks by applying the percentages established on deposits and liabilities as required by each regulation.

Quantitative Information

During the fourth quarter of 2020, the Group kept sufficient liquidity levels to cover all its requirements, as explained in the table below at the end of December 2020 and the maximum, minimum and average levels throughout the year:

December 31, 2020

Entity	Amount	Percentage
Banco GNB Sudameris	7,603,898	71.12%
Banco GNB Perú	2,144,585	20.06%
Banco GNB Paraguay	718,636	6.72%
Servibanca	134,497	1.26%
Servitrust GNB Sudameris	37,198	0.35%
Corporación Financiera GNB	42,306	0.40%
Servivalores GNB Sudameris	6,189	0.06%
Fondo Inmobiliario	4,283	0.04%
Total	**10,691,592**	**100.00%**
Maximum	COP 10,870,499	
Minimum	COP 9,654,579	
Average	COP 10,405,557	

At the end of December 31, 2019, the following summary of the Group's liquidity analysis was presented in accordance with the provisions established for such purpose by the Financial Superintendence of Colombia.

December 31, 2019

Entity	Amount	Percentage
Banco GNB Sudameris	5,330,825	69.22%
Banco GNB Perú	1,613,818	20.96%
Banco GNB Paraguay	562,375	7.30%
Servibanca	113,638	1.48%
Servitrust GNB Sudameris	42,826	0.56%
Corporación Financiera GNB	24,947	0.32%
Servivalores GNB Sudameris	9,766	0.13%
Fondo Inmobiliario	2,984	0.039%
Total	7,701,179	100.00%
Maximum	COP 7,939,744	
Minimum	COP 7,701,179	
Average	COP 7,830,101	

At the end of December 31, 2020 and 2019, the Parent Company performed the analysis of maturities for financial liabilities showing the following consolidated contractual maturities:

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

Analysis of maturities of consolidated financial liabilities at December 31, 2020

Financial liabilities	< 1 month	1-3 months	3-12 months	More than 12 months
Customer deposits	4,174,949	4,767,229	3,770,767	15,284,494
Short-term financial obligations	2,533,384	2,864,762	85,953	338,313
Outstanding investment securities	580	-	44,732	2,310,545
Bank loans	163,363	640,779	403,684	1,282,705
Total financial liabilities	**6,872,276**	**8,272,770**	**4,305,136**	**19,216,057**

Analysis of maturities of consolidated financial liabilities at December 31, 2019

Financial liabilities	< 1 month	1-3 months	3-12 months	More than 12 months
Customer deposits	2,957,336	2,440,313	3,810,530	14,425,905
Short-term financial obligations	6,226,225	2,347,173	-	-
Outstanding investment securities	-	49,946	-	-
Bank loans	54,710	305,497	881,176	1,010,412
Total financial liabilities	**9,238,271**	**5,142,929**	**4,691,706**	**15,436,317**

e. **Operational risk**

For the Group, operational risk plays a fundamental role in management by maintaining permanent monitoring of the different events that may or may not imply losses resulting from failures in internal processes, human resources infrastructure and technology or derived from external circumstances.

1. Evolution of the Operational Risk Management System (ORMS)

During the fourth quarter of 2020, the Operational Risk Department, which is part of the Parent Company's National Risk Management Department, in compliance with the current regulations, continued managing Operational Risk by performing the following activities, among others:

1.1. Banco GNB Sudameris and National Subsidiaries:

1.1.1. Banco GNB Sudameris

During the last quarter of 2020, the Operational Risk Department, which is part of the National Risk Management Department, continues to carry out the activities of the work plan to comply with Public Notice 025/2020, issued by the Financial Superintendence of Colombia, in relation to the Rules regarding Operational Risk and Solvency Margin Management and Other Equity Requirements.

The Board of Directors of Banco GNB Sudameris approved the update to the Operational Risk Management Procedure Standard with respect to the procedures for generating the Base of Operational Risk Events and the update to the “Operational Risk Assessment Methodology.”

The various requirements of the Statutory Auditor and Internal Auditor regarding follow-up on the Entity’s Management and Administration of the Operational Risk Management System (ORMS) were served and the respective reports were received with satisfactory results.

Furthermore, the entity created the risk matrix related to the “Minimum security and quality requirements for performing operations, access to information and use of biometric factors,” in order to attend to the definitions of Public Notice 029 issued by the Financial Superintendence of Colombia.

On the other hand, operational risk indicators (descriptive and prospective) were strengthened, which allowed monitoring the behavior of operational risk events. This validated the timely, effective and efficient functioning of controls.

Regarding the review and update of operational risk assessment matrices, the work schedule for 2020 was completed, thus identifying and determining the risks to which the entity is exposed and the controls to mitigate them, maintaining exposure levels within tolerable limits.

The Operational Risk Department provided support identifying the risks for new projects, products and services developed in 2020.

As an important part of strengthening the risk culture within the Entity, telephone training sessions were performed periodically for employees in the Entity’s departments. These sessions helped reinforce knowledge on operational risk, as well as the GNB ORMS tool’s functionality and usage, highlighting the importance of creating operational risk event reports.

The work plan began with strengthening the technological tool for operational risk “GNB ORMS,” identifying needs to optimize and address the requirements of Public Notice 025 associated with the Rules related to Operational Risk Management.

1.1.2. Servitrust

During the last quarter of 2020, the Operational Risk Department, which is part of the National Risk Management Department, continues to carry out the activities of the work plan to comply with Public Notice 025/2020, issued by the Financial Superintendence of Colombia, in relation to the Rules regarding Operational Risk Management.

The Board of Directors of Servitrust GNB Sudameris approved the update of the Operational Risk Management Procedure Standard regarding the procedures for generating the Base of Operational Risk Events and the update to the “Operational Risk Assessment Methodology.”

In turn, the work plan established to comply with the recommendations issued by the Financial Superintendence was finalized, in relation to updating the risk matrices by Business Type of the Guarantee Trust line.

Together with the respective areas, the review and update of the risk assessment matrices of the Entity's processes and areas and the types of Trust Businesses were completed, in accordance with the defined schedule. In this way, the risks to which the Entity is exposed and the controls that allow mitigating them were determined and identified, maintaining exposure levels within tolerable limits.

As an important part of strengthening the risk culture within the Entity, telephone training sessions were performed periodically for employees in the Entity’s departments. These sessions helped reinforce knowledge on operational risk, as well as the GNB ORMS tool’s functionality and usage, highlighting the importance of reporting operational risk events.

Periodic virtual training sessions were performed to reinforce ORMS concepts, easily identify operational risk events and motivate the active participation of Servitrust GNB Sudameris’ employees in reporting events in the departments to which they belong.
The activities of the work plan were launched in order to comply with Public Notice 025/2020 issued by the Financial Superintendence of Colombia with respect to the Rules Related to Operational Risk Management.

The various requirements of the Statutory Auditor and Internal Auditor regarding follow-up on the Entity's Management and Administration of the Operational Risk Management System (ORMS) were served and the respective reports were received with satisfactory results.

The work plan began with strengthening the technological tool for operational risk "GNB ORMS," identifying needs to optimize and attend to the requirements of Public Notice 025 associated with the Rules related to Operational Risk Management.

1.1.3. Servibanca

During the last quarter of the year 2020, the Operational Risk Department, which is part of the National Risk Management Department, continues to carry out the activities of the work plan to comply with Public Notice 025/2020, issued by the Financial Superintendence of Colombia, in relation to Rules regarding Operational Risk Management.

Regarding the review and update of operational risk assessment matrices, the work schedule for 2020 was completed, thus identifying and determining the risks to which the entity is exposed and the controls to mitigate them, maintaining exposure levels within tolerable limits.

In turn, the Internal Audit and Statutory Audit's requirements regarding the follow-up of the Entity's Management and Administration of the Operational Risk Management System (ORMS) were fulfilled, and the respective report was received with satisfactory results.

Periodic virtual training sessions were performed to reinforce ORMS concepts, easily identify operational risk events and motivate the active participation of Servibanca' employees in reporting events in the departments to which they belong.

Given the pandemic, the Operational Risk Department continues to support and advise users of the Entity's different areas by phone and online, in order to report and approve the operational risk events, as well as the required updates in the risk assessment matrices, made through the GNB SARO tool.

1.1.4. Servivalores

During the last quarter of 2020, the Operational Risk Department, under the synergy agreement with the Parent Company, which is part of the National Risk Management Department, continues to carry out the activities of the work plan to comply with Public Notice 025/2020, issued by the Financial Superintendence of Colombia, in relation to the Rules regarding Operational Risk and Solvency Margin Management and Other Equity Requirements.

On the other hand, operational risk indicators (descriptive and prospective) were strengthened, which allowed monitoring the behavior of operational risk events. This validated the timely, effective and efficient functioning of controls.

Periodic virtual training sessions were performed to reinforce ORMS concepts, easily identify operational risk events and motivate the active participation of Servivalores' employees in reporting events in the departments to which they belong.

The Board of Directors Servivalores GNB Sudameris approved the update of the Operational Risk Management Procedure Standard regarding the procedures for generating the Base of Operational Risk Events and the update to the "Operational Risk Assessment Methodology."

Together with the respective areas, the review and update of the risk assessment matrices of the processes of Sociedad Comisionista Servivalores GNB Sudameris were completed, and the risks to which the Entity is exposed and the controls to mitigate them were determined and identified, thus maintaining the exposure levels within tolerable limits.

The activities of the work plan were launched in order to comply with Public Notice 025/2020 issued by the Financial Superintendence of Colombia regarding the Rules for Operational Risk Management, Solvency Margin and Other Equity Requirements.

The various requirements of the Statutory Audit and General Audit, Risk Rating Agency and the Self-regulatory Authority of the Stock Market (AMV, for the Spanish original) were met regarding follow-up of the Entity's Management and Administration of the Operational Risk Management System (ORMS) and the respective reports were received with satisfactory results.

The work plan related to strengthening the "GNB ORMS" operational risk technology tool was launched, identifying needs to optimize and address the requirements of Public Notice 025 regarding the Rules for Operational Risk Management.

On-line and telephone support and advice continues to be provided to users in the Entity's different areas on the reporting and approval of operational risk events through the GNB SARO tool.

1.1.5. Corporación Financiera GNB Sudameris

During the last quarter of 2020, the Operational Risk Department, which is part of the National Risk Management Department, continues to carry out the activities of the work plan to comply with Public Notice 025/2020, issued by the Financial Superintendence of Colombia, in relation to the Rules regarding Operational Risk and Solvency Margin Management and Other Equity Requirements.

The Board of Corporación Financiera GNB Sudameris approved the update of the Operational Risk Management Procedure Standard regarding the procedures for generating the Base of Operational Risk Events and the update to the "Operational Risk Assessment Methodology."

Along with the respective areas, the review and update to the risk assessment matrices of the Entity's processes and areas were concluded, in accordance with the defined schedule. In this way, the risks to which the Entity is exposed and the controls that allow mitigating them were determined and identified, maintaining exposure levels within tolerable limits.

As an important part of strengthening the risk culture within the Entity, telephone training sessions were performed periodically for employees in the Entity's departments. These sessions helped reinforce knowledge on operational risk, as well as the GNB ORMS tool's functionality and usage, highlighting the importance of creating operational risk event reports.

Periodic virtual training sessions were performed to reinforce ORMS concepts, easily identify operational risk events and motivate the active participation of Corporación Financiera GNB Sudameris' employees in reporting events in the departments to which they belong.

On the other hand, operational risk indicators (descriptive and prospective) were strengthened, which allowed monitoring the behavior of operational risk events. This validated the timely, effective and efficient functioning of controls.

The activities of the work plan were begun to comply with Public Notice 025/2020 issued by the Financial Superintendence of Colombia with respect to the Rules Related to Operational Risk Management, Solvency Margin and Other Equity Requirements.

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

The various requirements of the Statutory Audit, General Audit and the Risk Rating Agency were met regarding follow-up of the Entity's Management and Administration of the Operational Risk Management System (ORMS) and the respective reports were received with satisfactory results.

The work plan began with strengthening the technological tool for operational risk "GNB ORMS," identifying needs to optimize and attend to the requirements of Public Notice 025 associated with the Rules related to Operational Risk Management.

On-line support and advice continued to be provided to users in the Entity's different areas on the reporting and approval of operational risk events through the GNB SARO tool.

1.2 International Subsidiaries:

We continued to monitor and follow up on the methodology, standards, policies and procedures of the Parent Company guidelines for international subsidiaries, and to monitor operational risk events in the GNB SARO tool.

1.2.1 Banco GNB Perú

The Operational Risk Management System is considered a fundamental effort at Banco GNB Perú, based on the risk culture and Internal Control of Banco GNB Perú, through the Risk Coordinators, the Management Department/Vice Presidencies and each one of the employees with the guidance provided by the Operational Risk area, maintaining the identification, measurement, control and monitoring of operational risks in compliance with the local regulatory framework and corporate policies.

The Risk Committee analyzed the main operational risk events, operational risk appetite control and the actions taken to deal with the COVID-19 pandemic, channel availability monitoring (Agencies, Mobile Banking, Internet Banking, etc.) and the status of the continuity strategies adopted, among others.

1.2.2 Banco GNB Paraguay:

For Banco GNB Paraguay, Operational Risk plays a significant role in the development of its activity, because thanks to the constant monitoring of operational events, focal points of possible financial losses can be detected, as well as internal weaknesses in the control systems.

During the reporting period, risk events continued to be monitored and recorded in the GNB SARO tool.

2. VaR of Operational Risk

2.1 Servitrust GNB Sudameris

According to the measurement of the Value of the Operational Risk Exposure established by the Financial Superintendence of Colombia through Chapter XXIII of the Basic Accounting Notice and Decree 415/ 2018, the average OpVaR of Sociedad Fiduciaria Servitrust GNB Sudameris S. A. in the period from December 31, 2019 to December 31, 2020 was COP 1,899 million, with a maximum value in March 2020 of COP 1,916 million and a minimum value of COP 1,879 million in December 2020:

Figures in COP million

OpVaR Sociedad Fiduciaria Servitrust GNB Sudameris	
Date	**OpVaR**

Dec-19	1,905
Dec-20	1,879

Figures in COP million	
OpVaR Sociedad Fiduciaria Servitrust GNB Sudameris	
Average	1,899
Maximum	1,916
Minimum	1,879

2.2 Servivalores GNB Sudameris

According to the measurement of the Value of the Operational Risk Exposure established by the Financial Superintendence of Colombia through Chapter XXIII of the Basic Accounting Notice and Decree 415/ 2018, the average OpVaR of Comisionista Servivalores GNB Sudameris S. A. in the period from December 31, 2019 to December 31, 2020 was COP 919 with a maximum value December 2020 of COP 1,042 million and a minimum value of COP 788 million in December 2020:

Figures in COP million	
OpVaR Comisionista Servivalores GNB Sudameris	
Date	**OpVaR**
Dec-19	760
Dec-20	1,042

Figures in COP million	
OpVaR Comisionista Servivalores GNB Sudameris	
Average	919
Maximum	1,042
Minimum	788

3. Operational Risk Events

In 2020, there were operating risk events that had an impact on the Consolidated Financial Statements in the amount of COP 1,144.31 million, without exceeding the limits established for each of the entities in their Risk Appetite Framework (RAF) document.

There were also Type B and C events, mainly associated with "Technological Failures", "Operational Failures" and "Process Execution and Management", which were corrected in a timely manner by each of the entities.

4. Risk profile

The Group has defined a conservative risk appetite in the development of its operations. During the fourth quarter of 2020, considering the risks identified in each of the Entities, the residual risk level for the Group is LOW and is below the risk limit defined for each of the companies in the Group.

5. Business Continuity Plan Management

5.1 Banco GNB Sudameris and Subsidiaries in Colombia

In accordance with the continuity plan defined and approved by the corresponding authorities, during the fourth quarter of 2020, the Operational Risk Management Department carried out the following activities, among others:

- The "Business Continuity Planning" Procedure Standard was updated, which included updates related to policies for generating indicators of the Business Continuity System, policies on the Business Continuity Plan Activation Protocol and methodologies (BIA, Business Continuity Risk Assessment, Critical Position Measurement and Identifications and Critical Third Party Supplier Identification and Assessment).

- In turn, with the support of the areas of the Group Entities, the critical processes/activities were identified by updating the BIA (Business Impact Analysis), ensuring they were aligned with the Business Continuity Plan.

- Annual training and assessment of the Business Continuity Management System was carried out virtually for all employees.

- Training on the Business Continuity Plan was provided to members of the Business Continuity Committee.

- The on-site training process for members of the second and third line of the Bank and National Affiliates was begun. On-site activities are expected to be resumed when permitted by the evolution of the pandemic.

- The Operational Contingency Plan was updated, determining the primary activities to be performed by critical departments in the event of failures or inconsistencies in the normal course of operations.

- The Entity continued strengthening the Business Continuity Plan by means of functional operational tests developed at the facilities of the Alternate Computing Center (CCA, for the Spanish original) and Contingency Operation Center (COC). During the Health Emergency, tests were performed with minimal interactions between people on-site, following the necessary distancing and biosafety measures.

- The requirements of the Financial Superintendence of Colombia, risk rating agencies and Internal Auditor in terms of the Business Continuity Management System were attended to in a timely fashion, with satisfactory results.

5.2 COVID-19 Event Follow-up

Measures to protect against COVID-19 taken by the Colombian Government continue as follows:

- Decree 1550 / November 28, 2020: Extended selective isolation with responsible individual distancing until January 16, 2021.

- Resolution 2230 / November 27, 2020: Extended the health emergency until February 28, 2021.

- Resolution 2532 / December 31, 2020: Imposed again the negative PCR test for travelers arriving by air and isolation for 14 days.

- Decree 1787 / December 29, 2020: Made all the processes and procedures for the approval of drugs more flexible, specifically for COVID-19, and granted the Emergency Use Authorization (ASUE, for the Spanish original) by the Colombian Food and Drug Surveillance Institute (INVIMA, for the Spanish original).

- The mayors of municipalities and districts may request authorization from the Ministry of the Interior for the implementation of pilot plans related to prohibited activities.

- Prevention mechanisms such as the use of face masks, social distancing, biosafety protocols and avoiding crowds are still in force.

The proposed short and medium-term objectives established by the Group's Emergency Committee have been fulfilled, in order to protect the integrity and life of its employees, as well as to successfully provide continued operation, ensuring due service to financial consumers and complying with the guidelines reported by the Financial Superintendence of Colombia.

We will continue to monitor this situation in order to observe the evolution of the pandemic and its implications for the Bank and its Subsidiaries.

5.3 International Subsidiaries

5.3.1 COVID-19 Event Follow-up

In response to the COVID-19 pandemic, International Subsidiaries have complied with the government measures of each country, defining contingency plans to ensure the continuity of operations and safeguarding the lives of their employees, customers, suppliers and users.

The two work schemes (teleworking and office-based work) have continued, with no events interrupting the operation of the entities.

Each Subsidiary performs the corresponding monitoring in order to identify the implications for each Entity, keeping the Parent Company informed.

5.3.2 Banco GNB Perú

Business Continuity Management is a process, carried out by the Board of Directors, Management and staff, that implements effective responses so that the Bank's operations continue in a reasonable manner, in order to safeguard the interests of its main stakeholders, in the occurrence of events that may cause an interruption or instability in the Bank's operations.

In order to provide continued customer service, channels are monitored, including transactions and the recording of possible interruptions in the channels, from which a minor reduction in transactions was identified.

As a plan to resume its activities, Banco GNB Perú has complied with the biosafety protocols at its branches and agencies, taking the respective measures and acquiring the necessary protective and complementary equipment.

Specialized training was completed, according to the area's work plan, including training for Risk Coordinators and topics related to operational risk management, business continuity and information security.

5.3.3 Banco GNB Paraguay

In terms of contingency measures in response to COVID-19, measures have continued related to enabling remote access for remote connection of the different areas, as needed, the rotation of work teams in the areas, working remotely or in person, reducing exposure and prioritizing those areas / key functions for the operation of the entity, increasing the measures and frequency of cleaning of the bank's facilities and promoting the use of digital and self-service channels for customers.

NOTE 8. - OPERATING SEGMENTS

The consolidated operations of Banco GNB Sudameris are segmented by geographic location in the countries in which it operates. The segments are components of the parent company responsible for performing commercial activities that generate income and expenses, and their results are periodically reviewed by the Board of Directors.

The parent company is organized into three business segments: Colombia, Peru and Paraguay. All the companies that make up these segments provide services related to the financial sector, and each complies with the laws of its country of residence and with the guidelines from the parent company.

Colombia

The Colombia segment is comprised by Banco GNB Sudameris and its domestic affiliates: Servitrust GNB Sudameris, Servibanca S. A. and Servivalores GNB Sudameris. Banco GNB Sudameris, with over 95 years of experience in the country, offers a portfolio of products and services to its customers in different economic sectors, including consumer, commercial and institutional services, complemented by those offered by its domestic affiliates. The trust company Servitrust GNB Sudameris has broad experience in managing Collective Investment Funds and Management and Guarantee Trusts. The affiliate Servibanca S. A. is a strategic partner for the Bank in implementing technology-based products and has a network of over 2,700 ATMs nationwide in close to 700 cities and municipalities. Servivalores GNB Sudameris is the parent company's stock broker, with over 20 years of experience, exclusively devoted to stock trading in Colombia. Corporación GNB Sudameris began operations in late 2018 investing in the hotel and mass media industries (equity securities).

Perú

This segment is comprised by Banco GNB Perú, which was acquired in 2013 from Banco HSBC. It began operations in 2007 and is increasingly consolidating its position as a key player in the Peruvian banking system. GNB Perú operates in the consumer, commercial and corporate segments.

Paraguay

This segment is comprised by Banco GNB Paraguay, a bank with a long track record in Paraguay, in operation since 1920, and acquired by Banco GNB Sudameris from Banco HSBC in 2013. The Bank's activities focus on two business segments: retail banking and commercial and corporate banking.

The segmentation by country is based on the parent company's strategic organization in terms of its product and service offerings, aimed at meeting the needs of its customers in various economic sectors in the countries where it operates.

The Board of Directors receives both consolidated and separate financial reports from each company included in the segments, and monitors their performance based on the results obtained under the various items of the balance sheet and income statements, as well as various performance indicators that complement the information.

The following is a summary of the financial information by segment at December 31, 2020 and 2019:

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

Consolidated Statement of Financial Position at December 31, 2020

Assets	**Colombia**	**Peru**	**Paraguay**	**Eliminations**	**Consolidated**
Cash and cash equivalents	9,883,254	1,642,679	1,426,186	(68,774)	12,883,345
Financial assets measured at fair value	10,059,749	843,419	385,691	(2,851,895)	8,436,964
Financial assets at amortized cost	1,050,230	156,688	-	-	1,206,918
Portfolio	9,555,385	2,997,299	3,030,969	(11,753)	15,571,900
Other accounts receivable	485,864	8,703	8,588	(43,252)	459,903
Non-current assets held for sale	230	6,183	71,130	-	77,543
Tangible assets	1,038,448	34,006	28,658	(12,687)	1,088,425
Intangible assets	137,946	5,248	11,514	225,295	380,003
Income tax assets	278,587	79,026	1,296	-	358,909
Other assets	86,522	3,615	144,888	-	235,025
Total assets	**32,576,215**	**5,776,866**	**5,108,920**	**(2,763,066)**	**40,698,935**
Liabilities					
Financial liabilities at fair value	10,909	1,944	37,591	(10,635)	39,809
Customer deposits	18,799,645	4,222,814	4,034,640	(68,775)	26,988,324
Short-term liabilities	5,305,931	78,056	342,107	-	5,726,094
Loans from development entities	2,046,939	297,324	89,059	(11,752)	2,421,570
Long-term loans	2,251,743	91,199	-	-	2,342,942
Finance lease liabilities	81,788	18,678	2,970	-	103,436
Employee benefits	49,344	4,108	-	-	53,452
Provisions	20,135	33,891	15,838	-	69,864
Income tax	1	-	-	-	1
Other liabilities	269,891	240,491	10,761	(40,572)	480,571
Total liabilities	**28,836,326**	**4,988,505**	**4,532,966**	**(131,734)**	**38,226,063**

Statement of Income

	Colombia	**Peru**	**Paraguay**	**Eliminations**	**Consolidated**
Interest and valuation income	1,176,745	362,178	320,994	(1,830)	1,858,087
Interest expenses:					
Interest expense on deposits	589,028	126,333	119,503	(1,830)	833,034
Financial debt and other interest	272,127	30,304	9,162	-	311,593
Total interest expenses	861,155	156,637	128,665	(1,830)	1,144,627
Net interest and valuation income	315,590	205,541	192,329	-	713,460
Impairment loss on financial assets	188,826	167,646	54,314	546	411,332
Net interest and valuation income	**126,764**	**37,895**	**138,015**	**(546)**	**302,128**
Net fee and commission income	103,257	16,897	22,380	140	142,674
Net income from valuation at fair value	308,981	2,788	(19,390)	(104,911)	187,468
Other income	323,060	98,763	35,420	(170,694)	286,550
Other expenses	508,792	114,656	95,299	(40,408)	678,339
Net pre-tax profit	353,270	41,687	81,126	(235,603)	240,481
Income tax	46,070	1,345	7,602	-	55,017
Net income	**307,200**	**40,342**	**73,524**	**(235,603)**	**185,464**

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

Consolidated Statement of Financial Position at December 31, 2019

Assets	Colombia	Peru	Paraguay	Eliminations	Consolidated
Cash and cash equivalents	10,208,812	963,912	1,019,037	(82,393)	12,109,368
Financial assets measured at fair value	7,958,070	750,736	357,400	(2,763,719)	6,302,487
Financial assets at amortized cost	671,024	164,834	-	-	835,858
Portfolio	9,609,783	3,655,873	2,961,568	(32,050)	16,195,174
Other accounts receivable	191,618	31,524	13,249	(5,778)	230,613
Non-current assets held for sale	230	16,825	5,658	-	22,713
Tangible assets	1,028,331	25,712	12,170	(9,850)	1,056,363
Intangible assets	135,299	4,280	14,224	215,174	368,977
Income tax assets	261,665	38,867			300,532
Other assets	70,740	12,626	26,433	-	109,799
Total assets	**30,135,572**	**5,665,189**	**4,409,739**	**(2,678,616)**	**37,531,884**

Liabilities					
Financial liabilities at fair value	15,586	-	45,784	(11,424)	49,946
Customer deposits	16,178,528	4,106,651	3,431,298	(82,393)	23,634,084
Short-term liabilities	5,847,942	91,925	286,358	-	6,226,225
Loans from development entities	1,943,206	341,915	94,102	(32,050)	2,347,173
Long-term loans	2,161,262	90,533	-	-	2,251,795
Employee benefits	92,243	32,220	5,898		130,361
Provisions	54,773	4,432	-	-	59,205
Income tax	20,158	28,326	16,067	-	64,551
Advance payment to increase capital	19,171	-	725	-	19,896
Other liabilities	237,045	174,399	15,316	(3,097)	423,663
Total liabilities	**26,569,914**	**4,870,401**	**3,895,548**	**(128,964)**	**35,206,899**

Statement of Income

	Colombia	Peru	Paraguay	Eliminations	Consolidated
Interest and valuation income	1,258,568	363,016	290,615	(4,342)	1,907,857
Interest expenses:					
Interest expense on deposits	699,898	132,473	93,872	(4,058)	922,185
Financial debt and other interest	284,187	61,352	5,769	(284)	351,024
Total interest expenses	984,085	193,825	99,641	(4,342)	1,273,209
Net interest and valuation income	**274,483**	**169,191**	**190,974**	**-**	**634,648**
Impairment loss on financial assets	201,550	84,360	44,216	-	330,126
Net interest and valuation income	**72,933**	**84,831**	**146,758**	**-**	**304,522**
Net fee and commission income	99,765	26,048	24,507	245	150,565
Net income from valuation at fair value	394,186	70,252	(20,139)	(110,509)	333,790
Other income	438,980	15,416	84,945	(270,976)	268,365
Other expenses	507,309	116,719	140,916	(38,841)	726,103
Net pre-tax profit	**498,555**	**79,828**	**95,155**	**(342,399)**	**331,139**
Income tax	38,746	9,766	9,730	-	58,242
Net income	**459,809**	**70,062**	**85,425**	**(342,399)**	**272,897**

The following are the main eliminations of total income, expenses, assets and liabilities arising from the consolidation of the segments of the Bank and its Subsidiaries:

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

- Investments in term deposits and bonds outstanding in other segments.
- Investments in subsidiary eliminations and records of non-controlling interests.
- Fee income and expenses.

Analysis of income by products and services

The income of the Bank and its Subsidiaries is broken down by products and services in the statement of income.

Income by country

The table below displays the income of the Bank and its Subsidiaries in each country with significant income, for the years ended on December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Colombia	1,075,629	1,163,176
Perú	362,178	363,016
Panamá	63,644	67,158
Paraguay	320,994	290,615
British Virgin Islands	35,642	23,892
Total consolidated profit	**1,858,087**	**1,907,857**

The above analysis is based on the customer's domicile, where the offshore income of Colombian customers is reported as Colombian income. The profit includes income from interest, commissions, fees and other operating income.

Assets per country

The table below displays the non-current assets of the Bank and its Subsidiaries in each country with significant non-current assets, for the years ended on December 31, 2020 and 2019:

December 31, 2020	Tangible assets	Intangible assets
Colombia	1,038,448	137,956
Perú	34,006	5,248
Paraguay	28,658	11,514
Eliminations	(12,687)	225,285
Total	**1,088,425**	**380,003**

December 31, 2019	Tangible assets	Intangible assets
Colombia	1,028,331	135,299
Peru	25,712	4,280
Paraguay	12,170	14,224
Eliminations	(9,850)	215,174
Total	**1,056,363**	**368,977**

During the years ended on December 31, 2020 and 2019, the Bank and its Subsidiaries did not report any concentration of income in customers accounting for more than 10% of income from ordinary activities.

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

NOTE 9. – CASH AND CASH EQUIVALENTS

The following is the breakdown of cash and cash equivalents:

	December 31, 2020	December 31, 2019
Local currency		
Cash	343,293	326,681
Central Bank of Colombia	2,064,157	1,812,395
Banks and other financial entities	1,235	3,344
Remittances in transit	10	-
Interbank funds	80,038	-
Simultaneous operations (with repurchase agreements)	6,749,508	7,494,097
Subtotal	**9,238,241**	**9,636,517**
Foreign currency		
Cash	100,033	106,176
Central Bank of Colombia	1,865,831	1,363,862
Banks and other financial entities	1,119,759	502,016
Checks on hold	22,997	2,561
Remittances in transit		564
Interbank funds	536,484	497,672
Subtotal	**3,645,104**	**2,472,851**
Total	**12,883,345**	**12,109,368**

There are no restrictions to cash and cash equivalents. The cash and cash equivalents are held in central banks and financial institution counterparties that are rated at least AA- to AA+, based on Standard & Poor's ratings.

NOTE 10. – FINANCIAL ASSETS AT FAIR VALUE

a) Measured at fair value through profit or loss

The balance of financial assets in debt instruments and shares is as follows at December 31, 2020 and 2019:

Debt securities	December 31, 2020	December 31, 2019
Denominated in local currency		
Securities issued or guaranteed by the National Government	6,498,705	4,629,954
Securities issued or guaranteed by national public entities	25,961	35,405
Securities issued or guaranteed by the financial entities	344,005	421,993
Total denominated in local currency	**6,868,671**	**5,087,352**
Denominated in foreign currency		
Securities issued or guaranteed by Foreign Government	1,158,329	1,050,453
Other securities	63,024	42,036
Total denominated in foreign currency	**1,221,353**	**1,092,489**
Total debt securities, net	**8,090,024**	**6,179,841**
Equity securities, net	61,969	58,050
Investment funds, net	270,452	45,215
Total investment securities, net	**8,422,445**	**6,283,106**

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

In debt securities at amortized cost

The following breakdown presents the carrying value of investments in debt securities, net of provisions for investment losses, as of the indicated dates:

Debt securities	December 31, 2020		December 31, 2019
Denominated in pesos			
Securities issued or guaranteed by the National Government	321,981		-
Issued or guaranteed by national public entities	728,301		671,051
Total denominated in local currency	**1,050,282**		**671,051**
Denominated in foreign currency			
Issued or guaranteed by Foreign Government	156,695		164,840
Total denominated in foreign currency	**156,695**		**164,840**
Total debt securities	**1,206,977**		**835,891**
Impairment of investments as per IFRS 9	(59)		(33)
Total investments, net	**1,206,918**		**835,858**

At December 31, 2020 and 2019, the financial investments in debt securities are guaranteeing repos and simultaneous operations for a total amount of COP 7,366,029 and COP 7,991,770, respectively.

b) At fair value by rating

The following are details of credit quality, as defined by independent risk rating agencies, for the issuers of debt securities of interest for the Bank:

Fair value	December 31, 2020		December 31, 2019
Issued or guaranteed by governments	7,682,995		5,715,813
Investment grade	344,005		421,993
Speculative transactions	63,024		44,658
Not classified / not available	332,421		100,642
Total investments, net	**8,422,445**		**6,283,106**

c) Maturities of financial assets

The following is the summary of financial assets by maturity dates:

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

December 31, 2020

Description	0 to 30 days	31 to 180 days	181 to 360 days	361 to 720 days	>720 days	Impairment	Balance
Investments in debt securities at fair value	317,413	4,315,991	1,285,937	1,454,463	940,582	-	8,314,386
Investments in debt securities at amortized cost	165,049	548,882	336,351	-	156,695	(59)	1,206,918
Cash transactions and derivative instruments	14,519	-	-	-	-	-	14,519
Total Investments	**496,981**	**4,864,873**	**1,622,288**	**1,454,463**	**1,097,277**	**(59)**	**9,535,823**

December 31, 2019

Description	0 to 30 days	31 to 180 days	181 to 360 days	361 to 720 days	>720 days	Impairment	Balance
Investments in debt securities at fair value	112,896	1,647,920	1,692,520	2,356,694	369,811	-	6,179,841
Investments In debt securities at amortized cost	164,152	226,834	280,065	-	164,841	(34)	835,858
Cash transactions and derivative instruments	19,381	-	-	-	-	-	19,381
Total Investments	**296,429**	**1,874,754**	**1,972,585**	**2,356,694**	**534,652**	**(34)**	**7,035,080**

d) Derivatives

Traded derivatives

The following table shows the fair value at the end of the period of interest rate forward, future and swap contracts, securities and foreign currencies in which the Bank and its subsidiaries hold commitments.

The derivative financial instruments taken by the Bank and its Subsidiaries are traded on off-shore and national financial markets. The fair value of derivatives has positive or negative variations as a result of fluctuations in the exchange rates of foreign currencies, interest rates or other risk factors, depending on the type of instrument and underlying variables.

	December 31, 2020			December 31, 2019		
	Amount in USD	**Amount in local currency**	**Fair value**	**Amount in USD**	**Amount in local currency**	**Fair value**
ASSETS		**Ex. Rate 3,432.50**			**Ex. Rate 3,277.14**	
Spot foreign currency	23,515	80	80	-	-	-
Foreign currency forwards	4,182,607	14,357	14,357	5,100,001	16,713	16,713
Interest rate swaps	23,793	82	82	9,485	31	31
Hedging forwards	-	-	-	804,450	2,637	2,637
TOTAL ASSETS	**4,229,915**	**14,519**	**14,519**	**5,913,936**	**19,381**	**19,381**
LIABILITIES						

Currency forwards	11,491,777	39,445	39,445	15,219,532	49,877	49,877
Interest rate swaps	29,399	101	101	9,975	33	33
Spot foreign currency	23,566	81		-	-	-
Foreign currency futures	52,880	182	182	11,185	36	36
TOTAL LIABILITIES	**11,597,622**	**39,809**	**39,809**	**15,240,692**	**49,946**	**49,946**
NET POSITION	**(7,367,707)**	**(25,290)**	**(25,290)**	**(9,326,756)**	**(30,565)**	**(30,565)**

e) Offsetting of financial assets and financial liabilities

The following is a breakdown of the financial instruments subject to contractual offsetting at December 31, 2020 and 2019:

December 31, 2020

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the consolidated statement of financial position	Net amount of financial assets presented in the consolidated statement of financial position
Assets			
Derivatives	379,378	(364,940)	14,438
Repos and simultaneous operations (with repurchase agreements)	81	-	81
Total	**379,459**	**(364,940)**	**14,519**

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the consolidated statement of financial position	Net amount of financial liabilities presented in the consolidated statement of financial position
Liabilities			
Derivatives	7,669	(47,397)	(39,728)
Repos and simultaneous operations (with repurchase agreements)		(81)	(81)
Total	**7,669**	**(47,478)**	**(39,809)**

December 31, 2019

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the consolidated statement of financial position	Net amount of financial assets presented in the consolidated statement of financial position
Assets			
Derivatives	369,752	(350,371)	19,381
Total	**369,752**	**(350,371)**	**19,381**

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the consolidated statement of financial position	Net amount of financial liabilities presented in the consolidated statement of financial position
Liabilities			
Derivatives	148,656	(198,602)	(49,946)
Total	**148,656**	**(198,602)**	**(49,946)**

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

Financial hedging instruments

The Bank and its Subsidiaries opted for managing hedge accounting at the following affiliates abroad: Banco GNB Perú and Banco GNB Paraguay with non-derivative instruments (obligations in foreign currency).

These operations seek to protect the Parent Company from the exchange rate risk generated by the structural positions of its foreign affiliates.

The primary position to be hedged was net initial investments abroad (cost of the investment).

In 2017, the hedge was extended to include the goodwill originated by acquiring the foreign affiliates.

Banco GNB Sudameris hedges its initial investments and the goodwill on these investments abroad by means of subordinated bonds with maturity in 2022 at 100% and subordinated bonds with maturity in 2027 at 63.57%.

The following information is the breakdown of the total investments with hedging and type of hedge used outside of Colombia.

December 31, 2020	Foreign currency (millions)		Colombian pesos (millions)		
Investment details	Hedged amount	Amount of hedge in USD obligations - net	Accumulated adjustment on translation of obligations in foreign currency	Hedging Obligations - net	OCI account
Investment in Banco GNB Perú (Soles)	638	220	137,305	137,305	15,432
Investment in Banco GNB Paraguay (Guaranís)	811,046	155	96,787	96,787	10,877
Goodwill		65	36,848	36,848	10,121
Total		**440**	**270,940**	**270,940**	**36,430**

December 31, 2019	Foreign currency (millions)		Colombian pesos (millions)		
Investment details	Hedged amount	Amount of hedge in USD obligations - net	Accumulated adjustment on translation of obligations in foreign currency	Hedging Obligations - net	OCI account
Investment in Banco GNB Perú (Soles)	638	220	121,863	121,863	2,521
Investment in Banco GNB Paraguay (Guaranís)	811,046	155	85,919	85,919	1,778
Goodwill		65	26,727	26,727	1,784
Total		**440**	**234,509**	**234,509**	**6,083**

Hedge effectiveness tests

The IFRS 9 Standard, in terms of the effectiveness of a hedge, is derived from the requirements of the IAS 39 Standard. In this sense, it considers that a hedge is highly effective if it exists at the beginning of the period, and during subsequent periods it offsets the changes in the fair value or cash flows attributable to the hedged risk.

(Stated in millions of COP,
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The Group, according to regulations, performs prospective tests quarterly to establish the stability of economic conditions and ensure the efficacy of hedges. Moreover, it performs a correlation analysis for the exchange rate flows that verifies historical behavior. In this way, it complements the prospective analyses with actual behaviors.

During the year ending December 31, 2020, the gain or loss of the hedging instrument determined to be an effective hedge was recognized in other comprehensive income, and the ineffective part was recognized in the income of the period.

The Bank has documented the effectiveness of the hedge of its net investments in foreign currency. The net value of investment fluctuates during the year and, consequently, the Bank evaluates the hedge and the results of the effectiveness test every quarter.

Hedge of Corporación Financiera GNB

The Corporation opted for managing its hedge accounting with derivative instruments (forwards). These operations seek to protect the Corporation from the exchange rate risk generated by the structural positions of some of its investments abroad.

Initially, the primary position to be hedged was the investment in Charleston Hotels Group Inc. Considering that the business activities of Charleston Hotels Group Inc., the hedged investment, are performed in Colombia, it was decided to unwind the hedge and arrangements were initiated to transfer the investment to Colombia. The unwinding of the forwards that had been taken out generated income of COP 2,031,105 in 2019.

Afterwards, new derivative instruments were taken out whose primary positions subject to hedging were the investments in Namen Finance Ltd. and the Trust in guarantee in GNB Sudameris Bank de Panamá.

At December 31, 2020, the Corporation held no hedging forwards.

The following information is the breakdown of the total investments with hedging and type of hedge used at December 2019:

December 31, 2019					**Colombian pesos (millions)**	
Investment details	**Hedge details**	**Date on which hedge was created**	**Investment amount in USD at year end**	**Accumulated exchange difference on the investment**	**Hedging obligations - net**	**Net result of hedge valuation**
Namen Finance Ltd.	Investment abroad	August 01, 2019	28,719,076	421	421	421
GNB Sudameris Bank Trust as guarantee	Financial instrument	September 09, 2019	5,000,000	414	414	414
	Total		**33,719,076**	**835**	**835**	**835**

The Corporation has documented the effectiveness of the hedge of its net investments in foreign currency. The net value of investment fluctuates during the year and, consequently, the Corporation evaluates the hedge and the results of the effectiveness test every quarter.

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

At December 2019 the Corporation has the following trading forwards established:

Amount	Effective date		Counterparty	Value of right	Value of obligation	Net valuation
USD 20,000,000	August 05, 2019	February 03, 2020	Banco de Bogotá	69,553	65,404	4,149
USD 15,000,000	December 11, 2019	June 10, 2020	Banco de Bogotá	50,332	48,842	1,490
USD 5,000,000	December 12, 2019	June 12, 2020	Corficolombiana	16,774	16,280	494
USD 6,000,000	November 13, 2019	May 11, 2020	Corficolombiana	20,463	19,554	909
USD 5,000,000	November 13, 2019	May 11, 2020	Corficolombiana	17,058	16,295	763
USD 5,000,000	November 13, 2019	May 11, 2020	Corficolombiana	17,082	16,296	786
USD 5,000,000	November 13, 2019	May 11, 2020	Corficolombiana	17,089	16,296	793
USD 5,000,000	November 13, 2019	May 11, 2020	Corficolombiana	17,102	16,296	806
USD 66,000,000				225,453	215,263	10,190

NOTE 11 – LOAN PORTFOLIO

The following is an analysis of financial assets at amortized cost.

Loan portfolio by modality

The following is a breakdown of the loan portfolio of the Bank and its Subsidiaries at amortized cost:

Description	December 31, 2020	December 31, 2019
Payroll loans	6,502,322	6,334,623
Ordinary loans **(1)**	7,244,415	7,586,418
Loans with resources of development entities	957,363	1,020,745
Overdrafts	22,085	46,337
Credit cards	84,907	119,665
Loans to SMEs	487,881	584,318
Mortgage Loans **(2)**	875,431	1,022,742
Vehicle loans	3,325	5,360
Total gross financial assets in credits portfolio	**16,177,729**	**16,720,208**
Impairment	(605,829)	(525,034)
Total net financial assets in credits portfolio	**15,571,900**	**16,195,174**
(1) Includes employees consumer portfolio for	9,215	10,695
(2) Includes employees mortgage portfolio for	28,880	26,344

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

The following were the movements in the financial assets impairment allowances on the loan portfolio during the years ended on December 31, 2020 and 2019:

	December 31, 2020			
Impairment allowance	**Commercial**	**Consumer**	**Mortgage**	**Total**
Balance at December 31, 2019	**317,407**	**164,010**	**43,617**	**525,034**
Charge for the period	346,433	350,264	98,398	795,095
Recoveries	(212,385)	(129,694)	(48,653)	(390,732)
Effect of foreign currency fluctuations	(94,227)	-	-	(94,227)
Write-offs	(47,026)	(182,315)	-	(229,341)
Subtotal impairment allowance s	**310,202**	**202,265**	**93,362**	**605,829**
	December 31, 2019			
Impairment allowance	**Commercial**	**Consumer**	**Mortgage**	**Total**
Balance at December 31, 2018	288,714	152,987	51,466	493,167
Charge for the period	276,490	271,965	19,948	568,403
Recoveries	(136,279)	(83,882)	(27,797)	(247,958)
Effect of foreign currency fluctuations	(10,785)	-	-	(10,785)
Write-offs	(100,733)	(177,060)	-	(277,793)
allowance	**317,407**	**164,010**	**43,617**	**525,034**

The following is a breakdown of the loan portfolio of the Bank and its Subsidiaries by maturities:

December 31, 2020

	Up to 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
Commercial	3,630,317	2,297,733	1,180,168	1,490,958	8,599,176
Consumer	61,868	346,777	961,116	5,333,361	6,703,122
Mortgage	1,871	15,040	33,600	824,920	875,431
Total gross portfolio	**3,694,056**	**2,659,550**	**2,174,884**	**7,649,239**	**16,177,729**

December 31, 2019

	Up to 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
Commercial	5,107,159	1,369,490	1,119,361	1,497,395	9,093,405
Consumer	87,369	379,424	849,054	5,288,214	6,604,061
Mortgage	2,304	12,941	35,437	972,060	1,022,742
Total gross portfolio	**5,196,832**	**1,761,855**	**2,003,852**	**7,757,669**	**16,720,208**

Loan portfolio by maturity:

The following is a summary of loans at December 31, 2020 and 2019, by number of days :

December 31, 2020	0 to 30 days	31 to 60 days	31 to 90 days	91 or more days	Total
Commercial	8,338,257	53,968	6,104	200,846	8,599,175
Consumer	6,584,889	42,715	24,590	50,929	6,703,123
Mortgage	753,579	36,209	24,072	61,569	875,429
Total loan portfolio	**15,676,725**	**132,892**	**54,766**	**313,344**	**16,177,729**

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

	Overdue but not impaired				
December 31, 2019	**0 to 30 days**	**31 to 60 days**	**31 to 90 days**	**91 or more days**	**Total**
Commercial	8,808,519	39,243	13,184	232,459	9,093,405
Consumer	6,469,810	33,149	23,906	77,197	6,604,061
Mortgage	941,832	28,247	16,749	35,914	1,022,742
Total loan portfolio	**16,220,161**	**100,639**	**53,839**	**345,570**	**16,720,208**

NOTE 12. – OTHER ACCOUNTS RECEIVABLE

The following is a breakdown of other accounts receivable at December 31, 2020 and 2019:

	December 31, 2020	**December 31, 2019**
Commissions and fees	963	1,075
Leases	76	76
Sales of goods and services	688	444
Deposits	12,932	12,907
Taxes	173	784
Advance payments to suppliers	1,364	1,731
Advance payments to employees	2,914	3,063
Payments on behalf of customers	87,766	10,284
Purchase/sale agreements	72,085	36,049
Insurance claims	31,753	32,842
Abandoned accounts of ICETEX	7,115	6,573
National Treasury Direction	2,273	2,207
Servibanca clearing	20,108	13,208
Others (1)	245,477	117,083
Subtotal	**485,687**	**238,326**
Impairment	(25,784)	(7,713)
TOTAL	**459,903**	**230,613**

(1) Others include items in legal proceedings for COP 82,934 and other accounts receivable at less than 90 days for COP 140,706.

The following is a breakdown of the impairment movements of other accounts receivable at December 31, 2020 and 2019:

	December 31, 2020	**December 31, 2019**
Balance at the beginning of period	7,713	8,079
Current period charges	48,249	4,226
Recoveries	(8,715)	(1,527)
Write-offs	(21,463)	(3,065)
Final balance	**25,784**	**7,713**

The accounts receivable model uses the simplified impairment approach that assumes that the assets are classified under stage 2, to then perform an analysis of the remaining useful life of the account receivable.

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

However, since they are normally for less than 1 year, the analysis is not different from the assets classified under stage 1.

NOTE 13. – NON-CURRENT ASSETS HELD FOR SALE

The following is a breakdown of non-current assets held for sale at December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Realizable assets		
Personal property	1,812	1,858
Real estate	79,689	44,606
Machinery and equipment	-	5,123
Subtotal	**81,501**	**51,587**
Impairment	(3,958)	(28,874)
TOTAL	**77,543**	**22,713**

The following is the movement of non-current assets held for sale for the years ended on December 31, 2020 and 2019:

	December 2020	December 2019
Initial balance	(28,874)	(18,426)
Acquisitions and disposals of properties	33,830	(3,476)
Impairment movements	(8,914)	(6,972)
Final balance	**(3,958)**	**28,874**

NOTE 14. – PROPERTY AND EQUIPMENT

The following is a breakdown of property and equipment at December 31, 2020 and 2019:

December 31, 2020	Cost	Accumulated depreciation	Net
Land	313,276	-	313,276
Buildings	513,328	(53,160)	460,168
Vehicles	2,759	(1,837)	922
Furniture and fixtures	48,609	(30,485)	18,124
Computers	108,789	(65,023)	43,766
Total	**986,761**	**(150,505)**	**836,256**

December 31, 2019	Cost	Accumulated depreciation	Revaluation	Net
Land	289,162	-	-	289,162
Buildings	483,852	(37,362)	(10,904)	435,586
Vehicles	2,607	(1,662)	-	945
Furniture and fixtures	48,945	(26,610)	-	22,335
Computers	105,720	(57,384)	-	48,336
Total	**930,286**	**(123,018)**	**(10,904)**	**796,364**

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

The Bank and its Subsidiaries reviewed the assets classified as property and equipment for evidence of impairment and found no grounds to perform impairment testing on such assets in the current period. Consequently, no impairment was recognized.

The following are the movements in carrying values of property and equipment during the years ended on December 31, 2020 and 2019:

	December 31, 2019	**Additions**	**Derecognition**	**Revaluation**	**December 31, 2020**
Land	289,162	8,214	-	15,900	313,276
Buildings (1)	483,852		(1,009)	30,485	513,328
Vehicles	2,607	152	-	-	2,759
Furniture and fixtures	48,945	-	(336)	-	48,609
Computers	105,720	3,069			108,789
Total	**930,286**	**11,435**	**(1,345)**	**46,385**	**986,761**

	December 31, 2018	**Additions**	**Derecognition**	**Revaluation**	**December 31, 2019**
Land	187,482	88,558	(566)	13,688	289,162
Buildings (1)	533,447	38,045	(133,788)	46,148	483,852
Vehicles	4,620	88	(2,101)	-	2,607
Furniture and fixtures	48,957	3,648	(3,660)	-	48,945
Computers	93,555	12,315	(150)	-	105,720
Total	**868,061**	**142,654**	**(140,265)**	**59,836**	**930,286**

(1) The derecognition of buildings is mainly related to the sale of the affiliate Hoteles Charleston Santa Teresa S. A. S. by Corporación Financiera GNB Sudameris.

The following are the movement of accumulated depreciation on property and equipment during the years ended on December 31, 2020 and 2019:

	Buildings	**Furniture and fixtures**	**Computers**	**Vehicles**	**Total**
December 31, 2018	**(46,962)**	**(22,845)**	**(47,694)**	**(1,971)**	**(119,472)**
Current period depreciation charges	(4,446)	(3,321)	(10,815)	(331)	(18,913)
Revaluation	(10,904)	-	-	-	(10,904)
Derecognition and additions of PPE	14,046	(444)	1,125	640	15,367
December 31, 2019	**(48,266)**	**(26,610)**	**(57,384)**	**(1,662)**	**(133,922)**
Current period depreciation charges	(4,569)	(2,724)	(9,493)	(220)	(17,006)
Derecognition and additions of PPE	(324)	(1,151)	1,853	45	423
December 31, 2020	**(53,159)**	**(30,485)**	**(65,024)**	**(1,837)**	**(150,505)**

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

Right-of-use property and equipment, net of depreciation

The following is a breakdown of right-of-use property and equipment at December 31, 2020 and 2019:

	December 31, 2020		
Asset:	**Cost**	**Depreciation**	**Net**
Buildings	118,467	(36,921)	81,546
Transportation equipment	18,115	(6,038)	12,077
Technological equipment	3,829	(1,106)	2,723
Total	**140,411**	**(44,065)**	**96,346**

	December 31, 2019		
Asset:	**Cost**	**Depreciation**	**Net**
Buildings	124,747	(18,636)	106,111
Transportation equipment	18,115	(1,006)	17,109
Technological equipment	3,637	(1,208)	2,429
Total	146,499	**(20,850)**	**125,649**

Asset:

The following is the movement of right-of-use assets at December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Initial balance	125,649	145,011
Additions and derecognition of contracts	(2,914)	7,917
Depreciation expenses	(26,389)	(27,279)
Final balance	**96,346**	**125,649**

Lease liabilities:

The following is the breakdown of other lease liabilities at December 31, 2020 and 2019, which are calculated with effective annual discount rates of 6.94%, 7.67% and 9.53% for the Bank and domestic affiliates, and 6.2%, 3.2% and 6.3% EAR for foreign affiliates, for the short, medium and long-term, respectively.

Liabilities:

	December 31, 2020	December 31, 2019
Initial balance	130,361	145,011
Additions and derecognition of contracts	1,969	15,110
Interest expenses	7,857	9,689
Payments made	(36,751)	(39,449)
Final balance	**103,436**	**130,361**

The breakdown of the short and long-term balance lease liabilities is shown below:

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

	Balance from amortization less than 12 months	Balance from amortization greater than 12 months
Lease liabilities	COP 9,311	COP 94,125

NOTE 15. – INVESTMENT PROPERTIES

The following is a summary of the investment properties at December 31, 2020 and 2019:

	December 31, 2020	**December 31, 2019**
Cost	144,653	128,172
Fair value	11,170	6,178
Total	**155,823**	**134,350**

During the years ended on December 31, 2020 and 2019, rental income from investment properties amounted to COP 758 and COP 69, respectively.

No commitment to acquire the investment properties was made in 2019. There are no restrictions for the sale of the investment properties.

The table below provides a reconciliation between the opening and final balances with the fair value measurements classified under Level 3:

Investment properties

December 31, 2018	**67,567**
Additions	69,683
Derecognition	(2,900)
December 31, 2019	**134,350**
Transfers	29,367
Derecognition	(7,894)
December 31, 2020	**155,823**

NOTE 16. - INTANGIBLE ASSETS

a) Goodwill

The following are the movements of the goodwill account for the periods ended on December 31, 2020 and 2019:

	December 31, 2020	**December 31, 2019**
Balance at the beginning of year	**344,526**	b**411,820**
Adjustment for exchange difference	10,255	1,784
Sale investment Corporación GNB (1)	-	(76,511)
Acquisition of investments through business combination (2)	-	7,433
Balance at year end	**354,781**	**344,526**

(1) The investment in Hoteles Charleston Santa Teresa S. A. S. was sold on September 5, 2019, as a result of which an accounting profit of COP 23,167 was recognized.

(2) Business combination

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

The Corporation, in pursuing its corporate purpose and following guidelines to fulfill its strategic objectives, made investments in different economic sectors.

As a result of these transactions, the required assessments and analysis were performed to determine the acquisition prices in accordance with IFRS 3 "Business Combinations". The following is a list of the final and provisional fair values of the identifiable assets and liabilities of the business as of the date on which control was acquired; such amounts are subject to changes and adjustments once the process of assigning the acquisition price has been completed, which must be done within one year from the acquisition date:

	Namen Finance Ltd	**Manforce Overseas Ltd**	**Servibanca**	**Total**
Acquisition date	March 01, 2019	March 01, 2019	February 08, 2019	
Cash and cash equivalents	32	48	-	80
Property plant and equipment	89,281	39,135	-	128,416
Goodwill	2,428	463	-	2,891
Other assets	0	111	3,958	4,069
Identifiable assets	**91,741**	**39,757**	**3,958**	**135,456**
Exchange difference	(186)	(28)	-	(214)
Equity	**91,555**	**39,729**	**3,958**	**135,242**
Consideration provided	81,957	34,922	8,500	125,379
Gains from a bargain purchase	**(9,598)**	**(4,807)**	**-**	**(14,405)**
Goodwill recognized	**-**	**-**	**4,542**	**4,542**

- Namen Finance Limited was acquired on March 1, 2019; subsequently an adjustment was made based on the identification of prior year income, determining the recognition of a gain from a bargain purchase in the amount of COP 9,598. Said amount was recognized in the 2019 income statement. The acquisition of this investment includes goodwill of JGDB LLC in the amount of COP 2,428.

- Manforce Overseas Limited was acquired on March 1, 2019; subsequently an adjustment was made based on the identification of prior year income, determining the recognition of a gain from a bargain purchase in the amount of COP 4,807. Said amount was recognized in the 2019 income statement. The acquisition of this investment includes goodwill of JGK HOLDING LLC in the amount of COP 462.

- This investment is associated with that held by the Corporation in Servibanca S. A. for the acquisition of a 4.54% equity stake, which also gave rise to goodwill that at the time of the acquisition was determined at COP 4,542. Since that date, no changes have been made to this item as of the year ended on December 31, 2020.

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

The provisional goodwill is attributed to the Company's expansion strategy and the expected synergies from its integration into the current operations. Except for the cases mentioned above, no other changes in goodwill have been made as of the year ended on December 31, 2020. According to the provisions of Article 74, Item 2, Paragraph c and of Article 143, Paragraph 3 of the Tax Statute, the goodwill determined in this business combination is not subject to amortization for tax effects.

b) Computer programs and applications

The following is a breakdown of the balances of computer software and other applications at December 31, 2020 and 2019:

	December 31, 2019	Additions and removals	Amortization	December 31, 2020
Licenses	5,962	3,866	-	9,828
Acquired programs	35,262	4,544	-	39,806
Programs in transit	233	125	-	358
Finished programs	27,054	(1,038)	-	26,016
Amortization of licenses	(1,576)	-	(529)	(2,105)
Accumulated amortization of acquired programs	(18,718)	-	(5,258)	(23,976)
Accumulated amortization of finished programs	(23,766)	-	(939)	(24,705)
Total intangible assets	**24,451**	**7,497**	**(6,726)**	**25,222**

	December 31, 2018	Additions and removals	Amortization	December 31, 201 9
Licenses	5,962	-	-	5,962
Acquired programs	22,898	12,364	-	35,262
Programs in transit	-	233	-	233
Finished programs	26,124	930	-	27,054
Amortization of licenses	(342)	-	(1,234)	(1,576)
Accumulated amortization of acquired programs	(16,803)	-	(1,915)	(18,718)
Accumulated amortization of finished programs	(17,120)	-	(6,646)	(23,766)
Total intangible assets	**20,719**	**13,527**	**(9,795)**	**24,451**

NOTE 17. - CURRENT INCOME TAX

i. **Details of the surplus in the calculation of consolidated income tax:**

December 31, 2020

Entity	Advance payment	Provision	Assets (liabilities)
Banco GNB Sudameris	276,165	-	276,165
Servitrust	695	(882)	(187)
Servibanca	-	(6,214)	(6,214)
Servivalores	576	(1,932)	(1,356)
Servitotal	3	(2)	1
Corporación Financiera	3,239	(242)	2,997

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

Banco GNB Perú	45,136	(9,507)	35,629
Banco GNB Paraguay	8,511	(7,059)	1,452
Total income tax assets	**334,325**	**(25,838)**	**308,487**

Fondo Inmobiliario	-	(1)	(1)
Total income tax liabilities	**-**	**(1)**	**(1)**

December 31, 2019

Entity	Advance payment	Provision	Assets (liabilities)
Banco GNB Sudameris	247,098	-	247,098
Servitrust	-	(1,074)	(1,074)
Servibanca	-	(3,806)	(3,806)
Servivalores	341	(1,614)	(1,273)
Servitotal	4	(2)	2
Corporación Financiera	-	(4,145)	(4,145)
Banco GNB Perú	31,609	(6,746)	24,863
Total income tax assets	**279,052**	**(17,387)**	**261,665**

Banco GNB Paraguay	8,317	(9,042)	(725)
Total income tax liabilities	**8,317**	**(9,042)**	**(725)**

ii. Components of the income tax expense:

The following is a breakdown of the components of the income tax expense for the periods ended on December 31, 2020 and 2019:

Item	December 31, 2020	December 31, 2019
Current period income tax	63,657	60,192
Deferred tax (See Note 23)	(8,640)	(1,950)
TOTAL	**55,017**	**58,242**

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

Reconciliation of the nominal and effective tax rates

The following are the basic income tax parameters currently in effect:

Colombia

The tax rules in relation to the income tax applicable during the years 2020, 2019 and 2018, among other things, establish the following:

- The income tax rate to be 32% plus an income tax surcharge of 4% the year 2020 applicable to financial institutions, 33% in 2019 and 37% in 2018. The income tax surcharge stipulated for 2019 was declared unconstitutional by the Constitutional Court of Colombia through Judgment C-510 of October 2019.
- Gains on the sale or disposal of non-current assets held for more than two years is taxed at 10%.
- Gains of the entities that belong to the special free zone regime in Colombia is taxed at 20%.
- The tax rate on presumptive income is calculated to 0.5% in the years 2020, 1.5% in the year 2019 and 3.5% in the years 2018.
- In 2020 and 2019 there is the possibility of taking 50% of the industry and commerce tax paid in the taxable period as an income tax discount, which will be 100% as of the year 2022. For the year 2018 this tax has the deduction treatment in the income tax.
- Tax loss-carry forwards incurred prior to 2017 may be offset on the same terms applicable for 2016, but they may not be fiscally readjusted. Tax loss carry-forwards incurred since 2017 may be offset against company taxable income over the following twelve years.

- The “presumptive income” incurred prior to 2017 may be offset on the same terms applicable for 2016, but they may not be fiscally readjusted. The “presumptive income” incurred since 2017 may be offset by taxable income over the following five years.
- As of 2017 the companies’ taxable income will be determined based in the new accounting regulation in force in Colombia since January 1, 2015. However, the new tax regulation also includes special income tax rules for several transactions.

The last tax reform that is in force at the time of preparation of these Consolidated Financial Statements is the 2010 Law of 2019 called the Economic Growth Law. This Law replaces Law 1943 of 2018 (Financing Law) that was declared unconstitutional as of January 1, 2020 by the Constitutional Court of Colombia through Judgment C-481 of October 2019. The Economic Growth Law, among other things, establishes the following:

- The income tax rate to be 32% in the year 2020, 31% in the year 2021 and 30% in the year 2022 and following plus an income tax surcharge of 4% applicable to financial entities in 2018. In addition, for financial institutions in Colombia that obtain in the period a taxable income equal to or greater than 120,000 Units of Tax Value (UVT), which by 2020 equals 35,607 pesos, there is 4% income tax surcharge in 2020, and 3% for the years 2021 and 2022.

- The percentage of presumptive income is reduced at a rate of 0.5% in the year 2020 and 0% from the year 2021.
- It holds the possibility of taking 50% of the industry and commerce tax paid in the taxable period as an income tax discount, which will be 100% as of the year 2022.

- The audit benefit is extended for taxpayers who increase their net income tax of the taxable year in relation to the net income tax of the immediately preceding year by at least 30% or 20%, the expiration of a tax authority's right to examine the income tax will be 6 or 12 months from the date of its presentation, respectively.

- The expiration of a tax authority's right to examine the income tax will be five years after the filing date for taxpayers who determine or compensate tax losses or are subject to the transfer pricing regime.

(1) <u>Other countries</u>

The tax rates for 2020 and 2019 that affect the affiliates in Peru and Paraguay are 30% and 10%, respectively.

The following is a detailed reconciliation between the tax expense for tax purposes and the expense reported in the consolidated financial statements for the periods ended on December 31, 2020 and 2019:

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

Item	December 31, 2020	December 31, 2019
Pre-tax profit (loss)	240,481	331,139
Theoretical income tax expenses at the current rate (2020: 36% and 2019: 33%)	86,501	109,276
Plus, or less taxes that increase or decrease the income tax expense		
Non-deductible expenses	2,237	7,910
Interest and other non-taxable income	(7,159)	(14,237)
Exempt income	(14,139)	(11,974)
Other items	11,081	(8,452)
Profits (losses) in Subsidiaries with different tax rate	(23,504)	(24,281)
Total current period tax expense	**55,017**	**58,242**
Effective tax rate	**22.90%**	**17.59%**

NOTE 18. – OTHER ASSETS

The following is the breakdown of the balances of other assets at December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Other parts of interest – Repossessed assets (1)	65,355	67,488
Constructions in progress (2)	17,026	10,399
Prepaid expenses	10,697	5,344
Hotel inventories	415	452
Other (3)	142,344	26,029
Art and cultural assets	1,787	1,787
Impairment of other assets	(2,599)	(1,700)
Total	**235,025**	**109,799**

(1) Other parts of interest are rights in stand-alone trusts received by the Bank as dation in payment, on which it holds a percentage.

(2) This is the real estate development undertaken by Namen and Manforce through their affiliates in the United States.

(3) At December 31, 2020 and 2019 includes the guaranties deposits for the acquisition transaction of BBVA Paraguay.

The following is the breakdown of impairment movements for other assets at December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Initial balance	**(1,700)**	**(2,290)**
Allowance charged to income	(899)	-
Impairment reversals credited to income	-	590
Final balance	**(2,599)**	**(1,700)**

NOTE 19. – CUSTOMER DEPOSITS

Customer deposits

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

The following is a breakdown of the customer deposits received by the Bank and its Subsidiaries in the ordinary course of business:

Checking accounts	**December 31, 2020**	**December 31, 2019**
Private - active	2,313,033	1,556,647
Private- inactive (1)	14,874	8,232
Government - active	334,783	422,076
Government – inactive (1)	3,119	2,940
Private – abandoned (1)	3,193	2,548
Government – abandoned (1)	271	269
Total checking accounts	**2,669,273**	**1,992,712**

Savings accounts	**December 31, 2020**	**December 31, 2019**
Ordinary - active	14,802,649	12,517,064
Ordinary – inactive (1)	431,465	112,863
With term deposit	1,245	-
Abandoned (1)	3,520	3,387
Total savings accounts	**15,238,879**	**12,633,314**

(1) Inactive accounts are those without movements for more than a year and abandoned accounts are those without movements form more than 3 years.

Term deposits	**December 31, 2020**	**December 31, 2019**
Maturities up to 6 months from initial date	5,548,560	5,304,317
6-12 months	1,579,562	1,675,479
12-18 months	1,190,100	1,380,593
18 or more months	761,950	647,669
Total term deposits	**9,080,172**	**9,008,058**

A summary of effective interest rates earned on customer deposits in Colombia is included below:

December 31, 2020

	Local currency		**Foreign currency**	
	Minimum	**Maximum**	**Minimum**	**Maximum**
	%	**%**	**%**	**%**
Checking accounts	1.54	2.54	1.54	2.56
Savings accounts	2.16	4.41	-	-
Term deposits	4.09	5.42	-	-

December 31, 2019

	Local currency		**Foreign currency**	
	Minimum	**Maximum**	**Minimum**	**Maximum**
	%	**%**	**%**	**%**
Checking accounts	1.94	2.83	1.94	2.23
Savings accounts	4.26	4.39	4.26	4.39
Term deposits	5.36	5.53	-	-

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

Banco GNB Perú can freely set the interest rates on its deposits based on supply and demand and the type of deposit. The rates in effect at December 31, 2020 for the main products were within the following ranges (effective annual rate):

	2020		2019	
Product	**Local Currency**	**Foreing Currency**	**Local Currency**	**Foreing Currency**
Term deposits	0.5-4.50	0.10-0.90	1.50-5.25	0.25-1.00
Savings accounts	0.25-4.00	0.10-1.00	0.25-4.50	0.20-1.50
Checking account	3.75-5.50	1.30-2.00	4.25-5.50	1.80-2.50

A summary of effective interest rates earned in customer deposits in Paraguay is included below:

	2020		2019	
	Local Currency	**Foreing Currency**	**Local Currency**	**Foreing Currency**
	%		%	
On-demand deposits	0.70	0.40	1.04	0.22
Term deposits				
180 days	1.35	0.79	3.74	1.78
Up to 365 days	3.85	1.26	5.3	2.31
More than 365 days	5.98	3.63	8.37	4.83

Deposits by economic sector.

The exposure of customer deposits by economic sector according to the classification of the Central Bank of Colombia is presented below, separately indicating the deposits of individuals corresponding to employees and rentiers.

Checking accounts at December 31, 2020

Sector	Colombia	Perú	Paraguay	Total
Agriculture and livestock farming	3,387	474	1,289	5,150
Trading	297,902	51,710	113,416	463,028
Construction	69	85,864	26	85,959
Services	981,540	73,964	373,689	1,429,193
Transportation	4,442	24,988	1,691	31,121
Financial	248,783	61,655	94,716	405,154
Manufacturing	111,922	3,939	42,611	158,472
Mines and energy	722	5,707	275	6,704
Solidarity	3,677	-	1,400	5,077
Others - employees and rentiers	50,798	9,277	19,340	79,415
Total	**1,703,242**	**317,578**	**648,453**	**2,669,273**

Savings accounts at December 31, 2020

Sector	Colombia	Perú	Paraguay	Total

Agriculture and livestock farming	5,208	836	716	6,761
Trading	594,911	22,942	81,854	699,707
Construction	402	4,175	55	4,632
Services	3,856,800	14,520	530,659	4,401,979
Transportation	11,312	1,681	1,556	14,549
Financial	7,366,220	1,233	1,013,521	8,380,974
Manufacturing	112,927	7,989	15,538	136,454
Mines and energy	13,948	580	1,919	16,447
Solidarity	46,550	-	6,405	52,955
Others - employees and rentiers	540,935	909,059	74,427	1,524,421
Total	**12,549,213**	**963,015**	**1,726,651**	**15,238,879**

Term deposits at December 31, 2020

Sector	Colombia	Perú	Paraguay	Total
Agriculture and ranching	12,872	13,826	4,769	31,468
Trading	272,505	410,196	100,980	783,681
Construction	1,116	51,240	414	52,770
Services	1,440,682	506,174	533,864	2,480,720
Transportation	5,719	39,882	2,119	47,720
Financial	1,443,064	804,509	534,747	2,782,320
Manufacturing	229,625	7,678	85,091	322,394
Mines and energy	8,453	14,861	3,132	26,446
Solidarity	7,398	-	2,741	10,139
Others - employees and rentiers	1,056,979	1,093,857	391,678	2,542,514
Total	**4,478,413**	**2,942,223**	**1,659,536**	**9,080,172**

Checking accounts at December 31, 2019

Sector	Colombia	Perú	Paraguay	Total
Agriculture and livestock farming	2,599	4,621	54,714	61,934
Trading	226,016	51,407	119,368	396,791
Construction	166	55,374	27,249	82,789
Services	491,507	24,397	24,525	540,429
Transportation	4,678	31,073	20,005	55,756
Financial	317,448	60,700	13,674	391,823
Manufacturing	111,591	4,669	46,468	162,728
Mines and energy	209	7,678	10,427	18,314
Solidarity	3,802	-	108,741	112,543
Others - employees and rentiers	41,381	11,268	116,957	169,605
Total	**1,199,397**	**251,187**	**542,128**	**1,992,712**

Savings accounts at December 31, 2019

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

Sector	Colombia	Perú	Paraguay	Total
Agriculture and livestock farming	3,890	407	50,929	55,226
Trading	501,050	28,400	273,276	802,726
Construction	315	2,550	21,948	24,813
Services	3,055,990	13,353	34,117	3,103,460
Transportation	10,625	435	82,303	93,363
Financial	6,399,822	548	168,168	6,568,539
Manufacturing	107,426	9,307	233,406	350,139
Mines and energy	10,085	282	6,390	16,756
Solidarity	43,405	-	161,549	204,954
Others - employees and rentiers	362,422	741,632	309,284	1,413,338
Total	**10,495,030**	**796,914**	**1,341,370**	**12,633,314**

Term deposits at December 31, 2019

Sector	Colombia	Perú	Paraguay	Total
Agriculture and ranching	14,071	7,349	98,160	119,580
Trading	273,989	479,869	138,588	892,446
Construction	650	21,631	21,886	44,168
Services	1,386,355	498,957	62,289	1,947,601
Transportation	15,744	34,497	38,785	89,025
Financial	1,660,993	1,033,863	459,822	3,154,677
Manufacturing	33,858	7,252	140,539	181,650
Mines and energy	8,234	15,872	10,060	34,166
Solidarity	27,407	-	284,163	311,570
Others - employees and rentiers	980,408	959,261	293,506	2,233,175
Total	**4,401,709**	**3,058,551**	**1,547,798**	**9,008,058**

NOTE 20. – FINANCIAL OBLIGATIONS

Deposits by financial institutions

The following is a breakdown of deposits by financial institutions:

Short-term obligations

	December 31, 2020	December 31, 2019
Banks	337,166	281,037
Special deposits	83,179	92,304
Services	111,674	100,934

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

Interbank funds	183,279	232,711
Repo operations	1,250,119	2,800,646
Simultaneous operations (repurchase agreements)	3,760,677	2,718,593
Total	**5,726,094**	**6,226,225**

Financial obligations with development entities and banks abroad

The following is a summary of the financial obligations of the Bank and its Subsidiaries at December 31, 2020 and 2019:

Entity	Interest rate	December 31, 2020	December 31, 2019
Central Bank of Colombia	Between 1.04% and 4.25%	17,946	10,816
Banco de Comercio Exterior (Bancoldex)	4.4800%	253,192	252,246
Fondo para el Financiamiento del Sector Agropecu ario “FINAGRO S. A.	Between 0.0% and 9.06%	12,875	13,688
Financiera de Desarrollo Territorial S. A. (FINDETER)	Between 9.06% and 14.58%	645,997	795,862
Foreign banks		872,551	759,928
Other financial obligations		619,009	514,633
Total		**2,421,570**	**2,347,173**

Effective interest rates for short-term financial obligations

A summary of the annual effective interest rates on short-term financial obligation is shown below:

	December 31, 2020				**December 31, 2019**			
	Rate in Colombian pesos		**Rate in Foreign Currency**		**Rate in Colombian pesos**		**Rate in Foreign Currency**	
	Min %	**Max %**	**Min %**	**Max %**	**Min %**	**Max %**	**Min %**	**Max %**
Interbank funds **(I)**	1.71	1.71	0.3	0.35	4.11	4.11	1.80	1.80
Repo operations **(R)**	1.75	1.76			4.21	4.21	-	-
Simultaneous operations **(S)**	1.65	1.75			2.96	4.18	-	-

Long-term financial obligations

Type	**December 31, 2020**	**December 31, 2019**
Subordinated bonds outstanding – COP	333,407	333,986
Subordinated bonds outstanding - Foreign currency	1,970,352	1,876,935
Ordinary bonds outstanding - Foreign currency	39,183	40,874
Total	**2,342,942**	**2,251,795**

The following is a breakdown of the features of the Bank’s bonds:

December 31, 2020

Period of issue	Type of issuance	Amount of issuance	Balance	Interest rate	Interest expense	Issue date	Maturity date	Payment method
2012 Issuance	Subordinated bonds	USD 250,000.000	857,283	7.50%	71,859	Jul 30, 12	Jul 30, 22	Interest semester in arrears

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

2016 Issuance	Subordinated bonds Peru	USD 15,006.000	52,015	5.437%	3,017	Oct-27-16	Oct-27-26	Interest semester in arrears
2017 Issuance	Subordinated bonds	USD 300,000.000	1,061,054	6.50%	73,060	Apr 03, 17	Apr 03, 27	Interest semester in arrears
2018 Issuance	Ordinary bonds Peru	SOLES 41,050.000	39,183	5.840%	2,537	Nov-19-18	Nov-19-21	Interest semester in arrears
		Total foreign-currency bonds	**2,009,535**					
2017 Issuance	Subordinated bonds	COP 119,205	119,563	3,85%	7,882	23-nov-17	23-nov-24	Interest quarter in arrears
2017 Issuance	Subordinated bonds	COP 213,200	213,844	4,05%	15,301	23-nov-17	23-nov-26	Interest quarter in arrears
		Total bonds Local Currency	**333,407**					
		Total bonds issued	**2,342,942**					

December 31, 2019

Period of issue	**Type of issuance**	**Amount of issuance**	**Balance**	**Interest rate**	**Interest expense**	**Issue date**	**Maturity date**	**Payment method**
2012 Issuance	Subordinated bonds	USD 250,000,000	838,037	7.50%	63,971	Jul 30, 12	Jul 30, 22	Interest semester in arrears
2016 Issuance	Subordinated bonds Peru	USD 15,006,000	49,659	5.437 %	2,675	Oct-27-16	Oct-27-26	Interest semester in arrears
2017 Issuance	Subordinated bonds	USD 300,000,000	989,239	6.50%	64,937	Apr 03, 17	Apr 03, 27	Interest semester in arrears
2018 Issuance	Ordinary bonds Peru	SOLES 41,050,000	40,874	5.840 %	2,358	Nov-19-18	Nov-19-21	Interest semester in arrears
		Total foreign-currency bonds	**1,917,809**					
2017 Issuance	Subordinated bonds	COP 119,205	119,756	3.85%	8,612	Nov 23, 17	Nov 23, 24	Interest quarter in arrears
2017 Issuance	Subordinated bonds	COP 213,200	214,230	4.05%	15,995	Nov 23, 17	Nov 23, 26	Interest quarter in arrears
		Total bonds local currency	**333,986**					
		Total bonds issued	**2,251,795**					

NOTE 21. – EMPLOYEE BENEFITS

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

The employee benefit plans expose the Bank and its Subsidiaries to several risks (interest rate and operational risks), which they seek to minimize through the application of the risk management policies and procedures defined in Note 7 above.

The following is the breakdown of provisions for employee benefits at December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Short term	14,756	16,460
Post-employment	22,058	25,274
Long term	16,420	16,747
Estimated liabilities	218	724
Total	**53,452**	**59,205**

Pension benefits

In Colombia, the retirement pensions received by employees after reaching a certain age and time of service are taken on by public or private pension funds, which are based on defined contributions in which both the companies and the employees contribute monthly amounts defined by law in order for the employee to be entitled to the retirement pension. However, in the case of certain employees who were hired before1968 and who fulfill the age and years of service requirements, the pensions are taken on directly by the parent company.

The following were the movements of retirement benefits and long-term benefits for the periods ended on December 31, 2020 and 2019:

	Post-employment		Other long-term	
	2020	**2019**	**2020**	**2019**
Initial balance	25,274	23,301	16,747	14,573
Current period accrued costs	278	236	1,109	1,075
Interest	1,478	1,636	967	956
Paid to employees	(2,439)	(2,454)	(2,060)	(1,358)
Adjustments (OCI)	(2,533)	2,555	-	-
Effect of changes in assumptions Financial and based on experience	-	-	(246)	1,314
Corporación Hoteles	-	-	(29)	98
Other long-term Peru	-	-	(68)	89
Final balance	**22,058**	**25,274**	**16,420**	**16,747**

Actuarial assumptions

The variables used for the calculation of the projected obligations of the different employee retirement and other long-term benefits are shown below:

Actuarial Assumptions	December 31, 2020		December 31, 2019
Discount rate	5.75%		6.25%
Inflation rate	3.50%		3.50%

Employee turnover rate: The SOA 2003 Turnover Table was used for the different actuarial calculations.

The expected life of employees was calculated based on the Colombian mortality table published by the Superintendence, which is based on the mortality experience of several insurers with operations in Colombia.

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

Other long-term benefits:

The parent company grants its employees long-term extra-legal seniority bonuses over their work life, depending on the number of years of service, every 5, 10, 15 and 20 years, etc., in which each payment is calculated in terms of days of salary (between 15 and 180 days).

The parent company has a group of employees who were entitled to severance payments prior to the issuance of Law 50/1990. Such benefits are cumulative and calculated based on the employee's latest salary multiplied by the number of years of service minus any severance advance payments that have been made on the new benefit.

The remuneration of key management personnel in each category of benefits offered are disclosed in Note 30, Related Parties.

Sensitivity analysis

The sensitivity of the employee retirement benefits liability to the different financial and actuarial variables is all follows, maintaining all other variables constant:

Post-employment benefits	Change to the variable	Increase in the variable	Decrease in the variable
		+50 points	-50 points
Discount rate	6.25%	(563.33)	983.01
Salary growth rate	4.50%	420.87	(36.87)
Pension growth rate	3.50%	626.93	(591.17)

Long-term benefits	Change to the variable	Increase in the variable	Decrease in the variable
		+50 points	-50 points
Discount rate	5.75%	(767.12)	216.21
Salary growth rate	4.50%	306.09	(856.02)

Pensions

The retirement pension actuarial study was carried out by MERCER with the purpose of determining the present value of the future obligations arising from the retirement pensions on the Bank's account.

The mathematical reserves on retirement pensions were calculated using the technical bases established in Decree 2783/December 20/2001, and its respective amendments by means of Decree 2984/2009.

The requirements set forth in Public Notice 027/August 2010, which amended the proformas F.0000-147 and F.0000-148, were also taken into consideration.

The actuarial calculation of retirement pensions at December 31, 2020, was COP 16,735. The Bank has established a provision for 100% of said amount, pursuant to the provisions of the International Accounting Standard 19 (IAS 19), regarding a Legal Retirement Pension Plan on the account of the Entity.

NOTE 22 - PROVISIONS FOR LEGAL CONTINGENCIES AND OTHER PROVISIONS

The following is the breakdown of provisions at December 31, 2020 and 2019:

Legal proceedings, fines, penalties and indemnities	**December 31, 2020**		**December 31, 2019**
Penalties and sanctions other administrative authorities	122		122
Labor lawsuits	2,108		1,210
Other litigation in legal, administrative or arbitration proceedings	7,178		6,759
Subtotal legal proceedings, fines, penalties and indemnities	**9,408**		**8,091**

Other provisions	**December 31, 2020**	**December 31, 2019**
Provisions	**60,456**	**56,460**

Said provisions are estimated based on the evolution of each proceeding, as well as the opinions of the respective attorneys regarding the probability of a decision in favor in each case.

Labor proceedings

At December 31, 2020 and 2019, this provision includes labor lawsuits for COP 2,108 and COP 1,210 under litigation against the parent company, related to work contracts of former employees who seek additional termination benefits. The timing of the decisions is uncertain, because each case is subject to review and analysis by experts and the corresponding legal rulings. Historically, the rulings of most labor cases have been in favor of the parent company.

Other proceedings

At December 31, 2020 and 2019, this provision includes legal proceedings for COP 7,178 and COP 6,759 which in the opinion of the attorneys, will generate outlays for the Bank.

Other provisions

At December 31, 2020 and 2019, the other provisions include contingent liabilities related to guaranties operations in Perú which could generate outlays for the Bank.

NOTE 23. – DEFERRED INCOME TAX

- **Deferred tax on temporary differences**

The difference between the carrying values of assets and liabilities and their values for tax purposes give rise to the following temporary differences. In turn, these differences give rise to deferred taxes, which were calculated and recognized in the years ended on December 31, 2020 and 2019, based on the currently enacted rates for the years in which said differences will revert.

Year ending on December 31, 2020

Stated in millions of COP	**December 31, 2019**	**Reclassification**	**Accredited (charged) to income**	**Accredited (charged) to OCI**	**December 31, 2020**
Presumptive income	29,926		(21,300)	-	8,626

Employee benefits	10,310		9,412	(11,229)	8,493
Exchange difference assets	2,429		(2,465)	-	(36)
Cash flow hedges	26,166		(33,638)	24,697	17,225
Generic provision on loan portfolio	13,620		8,305	-	21,925
Depreciation of property, plant and equipment	3,229		(415)	-	2,814
Others	7,467	(1,560)	2,915	-	8,822
Financial instruments at fair value	12,201		9,925	928	23,054
Cash and cash equivalents (exchange rate difference)	259		10,144	-	10,403
Derivative instruments (exchange differences)	2,339		(2,331)	-	8
Deferred tax assets	**107,946**	**(1,560)**	**(19,448)**	**14,396**	**101,334**
Property plant and equipment	(19,580)	(6,539)	(2,912)	(5,677)	(34,708)
Loan portfolio impairment provision Full IFRS	(30,647)		-	19,031	(11,616)
Financial instruments at fair value	(4,254)		(1,208)	874	(4,588)
Loan Portfolio (exchange rate difference)	(30,580)		30,580	-	-
Other accounts receivable (exchange rate difference)	(1,628)		1,628	-	-
Others	(1,560)	1,560	-	-	-
Deferred tax liabilities	**(88,249)**	(4,979)	28,088	14,228	(50,912)
TOTAL	**19,697**	**(6,539)**	**8,640**	**28,624**	**50,422**

Year ending on December 31, 2019

Stated in millions of COP	**CONSOLIDATED**					
	December 31, 2018	**Sale of affiliate**	**Reclassification**	**Accredited (charged) to income**	**Accredited (charged) to OCI**	**December 31, 2019**
Presumptive income	40,770	-	-	(10,844)	-	29,926
Employee benefits	7,340	-	-	4,233	(1,263)	10,310
Exchange difference assets	16,855	-	-	(14,426)	-	2,429
Cash flow hedges	63,042	-	-	(30,375)	(6,501)	26,166
Generic provision on loan portfolio	9,503	-	-	4,117	-	13,620
Depreciation of property, plant and equipment	3,016	-	-	213	-	3,229
Others	4,929	-	4,482	(1,944)	-	7,467
Financial instruments at fair value	-	-	(10,131)	24,451	(2,119)	12,201
Cash and cash equivalents (exchange rate difference)	-	-	-	259	-	259
Derivative instruments (exchange differences)	-	-	-	2,339	-	2,339
Deferred tax assets	**145,455**	**-**	**(5,649)**	**(21,977)**	**(9,883)**	**107,946**

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

Forward contract operations	(634)	-	-	634	-	-
Property plant and equipment	(44,049)	15,783	-	4,456	4,230	(19,580)
Investment in debt securities	(10,131)	-	10,131	-	-	-
Loan portfolio impairment provision Full IFRS	(23,809)	-	-	-	(6,838)	(30,647)
Financial instruments at fair value	(4,324)	-	-	403	(333)	(4,254)
Loan Portfolio (exchange rate difference)	(31,741)	-	-	1,161	-	(30,580)
Cash and cash equivalents (exchange rate difference)	(17,905)	-	-	17,905	-	-
Other accounts receivable (exchange rate difference)	(1,411)	-	-	(217)	-	(1,628)
Others	(1,145)	-	-	(415)	-	(1,560)
Deferred tax liabilities	**(135,149)**	**15,783**	**10,131**	**23,927**	**(2,941)**	**(88,249)**
TOTAL	**10,306**	**15,783**	**4,482**	**1,950**	**(12,824)**	**19,697**

The Group offsets deferred assets and liabilities for the same entity and tax authority in accordance with applicable tax laws in Colombia and other countries in which the subsidiaries operate, based on the legal right to offset the tax assets and liabilities and other requirements of IAS 12, with the following details:

December 31, 2020	**Gross Amounts of Deferred Tax**	**Off-set**	**Balances Off-set**
Deferred income tax assets	101,334	(50,912)	50,422
Deferred income tax liabilities	(50,912)	50,912	-
Net	**50,422**	**-**	**50,422**

December 31, 2019	**Gross Amounts of Deferred Tax**	**Off-set**	**Balances Off-set**
Deferred income tax assets	107,946	(69,079)	38,867
Deferred income tax liabilities	(88,250)	69,079	(19,171)
Net	**19,696**	**-**	**19,696**

Deferred Taxes from Investments in Subsidiaries:

The Group did not recorder income tax liabilities related to temporary differences on investment subsidiaries as of December 31, 2020 and 2019, respectively. This liability was not recognized because Banco GNB Sudameris controls the dividend policy of its subsidiaries and is able to control the timing of reversal of the related taxable temporary differences and the Group will not reverse them in the foreseeable future.

Effect of current and deferred taxes on each component of Other Comprehensive Income in Equity.

The effect of the deferred tax on each component of Other Comprehensive Income is described below:

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

	December 31,2020 Expense (income) deferred tax	December 31,2019 Expense (income) deferred tax
Items that may be subsequently reclassified to income		
Differences between the provision and impairment recorded in the calculation of the separate and consolidated financial statements	19,031	(6,838)
Exchange difference in the hedge of long-term financial liabilities	24,697	(6,501)
Financial instruments at fair value	1,802	(2,451)
Subtotal	**45,530**	**(15,790)**
Items that will not be reclassified to income		
Revaluation Assets	(5,677)	4,229
Gain (Loss) on employee benefit plans	(11,229)	(1,263)
Subtotal	**(16,906)**	**2.966**
Total other comprehensive income during the period	**28,624**	**(12,824)**

NOTE 24. – OTHER LIABILITIES

The following is the breakdown of Other Liabilities at December 31, 2020 and 2019:

Item	December 31, 2020	December 31, 2019
Fogafín	27,159	18,947
Ascredibanco	220	160
Canceled accounts	5,152	5,089
Commissions and fees	7,255	9,423
Taxes	14,373	3,497
Dividends and surplus	4,830	2,184
Leases	120	52
Tax on financial transactions	2,289	1,059
Suppliers and services payable	29,531	23,091
Contributions, affiliations and transfers	799	768
Income tax and payroll tax withholdings	12,888	16,849
Income received in advance	6,333	5,994
Deferred partial payments	3,666	5,798
Other contributions	88	354
Other (1)	365,868	330,398
Total	**480,571**	**423,663**

(1) At Banco GNB Perú it includes sales of bonds with a repurchase option for COP 27,914 and for repurchase of currencies for COP 99,534.

NOTE 25. - EQUITY

Share Capital

The shares of the parent company have a nominal value of COP 400 (pesos) each at December 31, 2020 and 2019, with the following breakdown:

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

	December 31, 2020	December 31, 2019
Number of authorized shares	250,000,000	250,000,000
Number of shares to be subscribed (1)	62,585,559	71,825,559
Total subscribed and paid-in shares	**187,414,441**	**178,174,441**
Authorized capital	100,000	100,000
Capital to be subscribed (1)	(25,034)	(28,730)
Total subscribed and paid-in shares	**74,966**	**71,270**

(1) By means of Resolution 1673 of December 12, 2019, the Financial Superintendence of Colombia authorized the Rules of subscription of 9,240,000 ordinary shares of Banco GNB Sudameris, for a total issue amount of COP 168,482,160,000. Said rule had been approved by the Board of Directors of the Bank in October 2019. As a result of the shares being subscribed by the shareholders of Banco GNB Sudameris S. A., on January 28, 2020, the Bank recorded an increase in subscribed and paid-in capital of COP 3,696,000,000, going from COP 71,269,776,400 to COP 74,965,776,400, and an increase in number of shares of 9,240,000.

Legal reserve (Mandatory)

Banks are required to establish a “Legal Reserve” by appropriating at least 10% of their net profits each year until the reserve reaches at least 50% of subscribed capital. The reserve may be decreased below this level in order to cover losses that are greater than non-distributed profits. This reserve cannot be used to pay dividends nor to cover expenses or losses if the Bank has non-distributed profits.

Appropriation of retained earnings

The following is a breakdown of the appropriation of retained earnings at December 31, 2020 and 2019:

Reserves	December 31, 2020	December 31, 2019
Legal	1,455,962	1,301,714
Occasional	12,096	12,096
Total reserves	**1,468,058**	**1,313,810**

Declared dividends

Dividends are declared and paid to shareholders based on the net profit recognized in the separate financial statements of the previous year. The following is the calculation of earnings per share for the periods ended on December 31, 2020 and 2019:

Basic earnings per share	December 31, 2020	December 31, 2019
Net profit for the fiscal year	185,464	272,897
Less: Non-controlling interests	3,492	5,440
Current period’s income attributable to controlled interests	**181,972**	**267,457**
Weighted average of ordinary shares used for the calculation of basic net earnings per share	187,414,441	178,174,441
Net basic earnings per share of controlled interests (pesos)	**971**	**1,501**

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

At the General Meeting of Shareholders No. 98 of February 28, 2020, the parent company declared cash dividends in the amount of COP 122,805 (equivalent to COP 689.24 per share). At the General Meeting of Shareholders No. 94 of March 29, 2019, the parent company declared cash dividends in the amount of COP 189,396 (equivalent to COP 1,147.51 per share).

Out-of-period adjustment

As of June 30, 2020, the bank determined that there was an inadequate presentation of the suspended interests in the consolidated statement of changes in equity, specifically between the ORI account and the retained earnings at the time of adopting IFRS 9 in Colombia. This was caused when a part of the suspended interest corresponding to the loans in default was recorded in the ORI instead of retained earnings, this was due to the fact that initially it was interpreted that all the effects related to the adoption of IFRS 9 should be registered in ORI as stipulated in Circular Externa 036 of 2014 of the Financial Superintendency of Colombia, however, after subsequent analysis we concluded that the Circular only contemplates the presentation in ORI of the difference between the provision models. The recognition of interest income from loan portfolio, is not contemplated within the scope of Circular 036, therefore, the Bank proceeded to reduce the ORI by COP 42,890 and increase the retained earnings in the same amount, this adjustment does not impact the total equity as of December 31, 2020. According to the analyzes carried out, the Bank has determined that the correction of retained earnings and the ORI are not considered material for the financial statements. given the quantitative analysis and all the qualitative considerations. For this reason, the adjustment has been made in 2020 as an out-of-period adjustment.

NOTE 26. – COMMISSION AND FEE INCOME AND EXPENSES

The following is the breakdown of commission and fee income and expenses for the years ended on December 31, 2020 and 2019:

Item		December 31, 2020		December 31, 2019
Banker's acceptances		53		69
Letters of credit		121		540
Bank guarantees		922		1,040
Banking services		56,120		68,147
Debit and credit card affiliated establishments		5,294		7,689
Credit card handling fees		1,045		1,198
Other (1)		177,167		175,872
SUBTOTAL		**240,722**		**254,555**
Banking services		19,193		19,438
Bank guarantees		5,210		5,032
Trust businesses		125		62
Collective investment funds management		7,245		6,207
Commissions on sales and services		-		73
Board of Directors		234		259
Statutory Auditor and external auditing		3,743		3,608
Appraisals		40		89
Legal counsel		2,226		3,705
Other (2)		60,032		65,517
SUBTOTAL		**98,048**		**103,990**
TOTAL		**142,674**		**150,565**

(1) Fees paid by Banco GNB Sudameris for use of the low-amount payments system.
(2) It includes COP 27,973 in commission payments to the sales force of the agreements portfolio in December 2020.

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

NOTE 27. – OTHER INCOME

The following is the breakdown of Other Income for the years ended on December 31, 2020 and 2019:

Item	December 31, 2020	December 31, 2019
Sales of Investments	7,089	90,135
Dividends	1,646	1,630
Sale of property and equipment	1,977	195
Industrial and service income - Hotels	8,794	38,603
Exchange difference	74,309	13,380
Others (1)	192,735	124,422
Total	**286,550**	**268,365**

(1) It includes income on written-off loans for COP 9,724, reimbursement of other provisions for COP 9,723, for return of management insurance banking for COP 35,580 and for hotel services for COP 8,794 (affiliates of the Corporation) at December 31, 2020.

NOTE 28. – OTHER EXPENSES

The following is the breakdown of Other Expenses for the years ended on December 31, 2020 and 2019:

Item	December 31, 2020	December 31, 2019
Personnel expenses	**247,122**	**245,029**
Loss on sale of investments	**12,645**	**75,477**
Legal expenses	397	1,218
Leases	49,510	48,459
Contributions, affiliations and transfers	38,142	32,516
Insurance	63,305	47,632
Repairs and maintenance	43,571	45,061
Upgrades and installations	902	1,636
General administrative expenses	**195,827**	**176,522**
Depreciation of property and equipment	**17,006**	**18,913**
Depreciation of right-of-use	**26,389**	**27,279**
Amortization of intangible assets	**6,726**	**9,795**
Service costs - Hotels	8,593	15,192
Management and brokerage services	249	235
Loss on operational risks	268	329
Taxes and fees	32,907	38,350
Penalties, fines, litigation, indemnities, operational risks	30	108
Other (1)	130,577	118,874
Other expenses	**164,031**	**157,896**
Total other expenses	**678,339**	**726,103**

(1) The “other” item mainly includes cleaning and security services for COP 4,727, temporary help services for COP 461, advertising for COP 387, public utilities for COP 13,526, transportation for COP 2,347 and COP 8,593 in hotel expenses (affiliates of the Corporation) at December 31, 2019.

NOTE 29. – COMMITMENTS AND CONTINGENCIES

Credit commitments

As part of its normal course of operations, the parent company grants guarantees and letters of credit to customers in which the Group irrevocably commits to make payments to third parties in the event that the customers fail to fulfill their obligations with said third parties, with the same credit risk as the financial assets of the loan portfolio. Granting the guarantees and letters of credit is subject to the same policies for the approval of loan disbursements in terms of the customers' credit quality and the customers are required to establish the guarantees deemed appropriate in the circumstances.

The commitments for extending credits represent unused portions of authorizations to extend credits in the form of loans, use of credit cards, overdraft limits and letters of credit. With regard to the credit risk of commitments to extend lines of credit, the parent company is potentially exposed to losses in an amount equal to the total of the unused commitments, if the unused amount were withdrawn in full. However, the amount of the loss is less than the total unused commitments because most of the commitments to extend credits are contingent upon the customer maintaining specific standards of credit risks. The parent company monitors the terms of maturity of the commitments compared to the credit limits, because long-term commitments have a greater credit risk than short-term commitments.

The outstanding balances of the unused lines of credit and guarantees do not necessarily represent future cash requirements because these limits can expire if they are not used in full or in part.

Contingencies

Legal contingencies

At December 31, 2020 and 2019, the parent company was addressing administrative and judicial proceedings against it. The claims of the proceedings were assessed based on analysis and opinions from the responsible attorneys, and the following contingencies were established:

Labor proceedings

At December 31, 2020 and 2019, claims related to labor proceedings totaled COP 634 and COP 918 million, respectively. Historically, most decisions in these proceedings have been in favor of the parent company and its subsidiaries.

Civil proceedings

At December 31, 2020 and 2019, the assessment of legal claims in civil proceedings, excluding those with remote probability, totaled COP 6,931 and COP 6,342, respectively.

Administrative and other proceedings

Claims from administrative and judicial tax proceedings, initiated by national and regional tax authorities, establish in some cases penalties in which the parent company could incur derived from performing its activities as National and Territorial tax collector. In other cases, the penalties imposed by tax authorities relate to higher taxes payable determined in its condition as taxpayer. At December 31, 2020 and 2019, the amount of the various claims totaled COP 618, respectively.

NOTE 30. – RELATED PARTIES

The following are considered related parties:

1) Shareholders that individually own over 10% of the parent company's share capital and those whose individual share is less than 10%, but with respect to whom there are operations that exceed 5% of the technical capital.

   The only shareholders with over a 10% of share capital is GILEX HOLDING S.ar.l

   As for shareholders with less than a 10% share, but with transactions that exceed 5% of the technical reserve, at December 31, 2020 and 2019, the parent company had no operations exceeding 5% of its technical reserve with shareholders with a share of less than 10%.

2) Key management personnel: people who have the authority and responsibility to directly or indirectly plan, direct and control the entity's activities, including any director or manager (whether or not they are executives) of the parent company. This includes members of the Board of Directors, the president and vice-presidents.

3) Subsidiaries controlled by the parent company.

- Banco GNB Perú
- Banco GNB Paraguay
- Servitrust GNB Sudameris
- Servivalores GNB Sudameris
- Servibanca S. A.
- Servitotal
- Corporación Financiera GNB Sudameris
- Charleston Hotels Group S. A. S.
- Namen Finance Limited
- Manforce Overseas Limited
- Inversiones GNB Comunicaciones S. A. S.
- GNB Holding S. A. S.
- Fondo de Capital Privado Inmobiliario

4) Other non-subsidiary related parties

Transactions with related parties:

The parent company may enter into transactions, agreements or contracts with related parties, with the understanding that any of such operations will be performed at fair value, based on the market's conditions and fees.

There were none of the following between the parent company and its related parties during the periods ending December 31, 2020 and 2019:

- Loans that imply an obligation for the borrower that does not correspond to the essence or nature of the loan agreement.

- Loans with interest rates different to those regularly paid or charged to third parties in similar term, risk and other conditions.

During the periods ending on December 31, 2020 and 2019 , fees were paid to directors worth COP 259 and COP 156, respectively, for attending Board of Directors and Committee meetings.

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

In 2019, the Bank purchased receivables on assets from affiliate Banco GNB Perú, which, at December 31, 2019, had a carrying value of COP 34,396 million. They are guaranteed with real estate. The transaction was performed at market prices taking into account the valuations of receivables by an external third party.

As of December 2019, the Bank had an account receivable on behalf of Starmites Corporation, a related party. This account was from developing the Digital Banking project worth COP 46,259 million.
Most transactions were performed at market prices. The average rate of loan placement the parent company grants to its related parties is equal to DTF+3.45. Credit card transactions and overdrafts were performed at the full rates for said products.

The Bank, in developing its commercial operations, performs transactions with its related parties, such as with shares in said entities, loan portfolios and financial liabilities, which are presented below:

December 31, 2020

	Shareholders	Members of the Board	Key Executives
Assets			
Loan portfolio	-	-	773
Liabilities			
Deposits	-	87	446

	Shareholders	Members of the Board	Key Executives
Interest income	-	-	74
Financial expenses	-	-	8
Fee expenses	-	234	-
Commission and fee income	-	-	5
Other expenses	-	3	5

December 31, 2019

	Shareholders	Members of the Board	Key Executives
Assets			
Loan portfolio	-	2	838
Liabilities			
Deposits	-	107	283

	Shareholders	Members of the Board	Key Executives
Interest income	-	-	108
Financial expenses	-	-	5
Fee expenses	-	259	-
Commission and fee income	-	-	6
Other income	-	3	9
Other expenses	-	-	108

Key personnel employee benefits

(Stated in millions of COP,
except for the exchange rate and nominal value per share)

There is no exclusive benefit plan at Banco GNB Sudameris that applies to the Bank's key Senior Management personnel that is different than the benefits for all employees excluded from the current Collective Labor Agreement.

Some key executives of the parent company are at the same time key executives in certain subsidiaries.

The compensation key management personnel receive is composed of the following:

Items	**December 31, 2020**	**December 31, 2019**
Salaries	4,241	5,294

The compensation of key management personnel includes salaries, benefits other than cash and contributions to a defined post-employment benefit plan.

NOTE 31. – NON-CONSOLIDATED STRUCTURED ENTITIES

The term "Non-consolidated structured entities" refers to all the structured entities not controlled by the Bank. The Bank engages in transactions with structured entities within the regular course of business to facilitate customer transactions and for specific investment opportunities.

The following table shows the total assets of structured entities in which the Bank has an interest as of the date of the report and its maximum exposure to loss with respect to those shares.

December 31, 2020

	Funds managed by the Bank in CIF
Interest - Bank assets	
Investments at fair value through profit or loss	8,284
Total assets related to Bank interests in unconsolidated structured entities	**8,284**
Maximum exposure by the Bank	**8,284**

December 31, 2019

	Funds managed by the Bank in CIF
Interest - Bank´s assets	
Investments at fair value through profit or loss	8,526
Other accounts receivable	28
Total assets related to Bank interests in unconsolidated structured entities	**8,554**
Bank´s maximum exposure	**8,554**

Within the normal course of operations, the Bank has a trust company and stockbroker that receive fees for managing collective investment funds and the assets of third parties.

The obligations of these entities managing these assets are obligations of means, not of results. The maximum exposure to the risk of loss is in relation to possible failures in managing funds, up to the amount of the yields and returns on the assets managed for customers.

NOTE 32. – SUBSEQUENT EVENTS

In July 2019, the Board of Directors of Banco GNB Sudameris approved that its affiliate Banco GNB Paraguay purchased 100% of the capital stock of Banco Bilbao Vizcaya Argentaria S. A. (BBVA Paraguay S. A.), registered in the Republic of Paraguay, for a total approximate price of USD 270 million. The operation was authorized by the competent regulatory entities in Colombia and abroad. Moreover, in order to facilitate the acquisition of shares of BBVA Paraguay S. A., the affiliate has signed an agreement with Grupo Vierci, with which a significant capital contribution would be achieved in the affiliate before increasing its share capital. This operation was made official in January 2021.

Other than what was mentioned above, we are not aware of any other subsequent events that occurred between the date of the Consolidated Financial Statements and their date of issuance that requires a modification of the figures presented as at December 31, 2020.

Independent auditor's report

To the Shareholders of
Banco GNB Sudameris S. A. and its subsidiaries

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Banco GNB Sudameris S. A. (the Bank) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of income, consolidated statement of changes in equity, consolidated statements of other comprehensive income 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter Paragraph

As disclosed in Note 33 to the consolidated financial statements, the governments are taking the necessary measures to mitigate the impacts of the Coronavirus (COVID-19) in the health of the population. Some of these measures are related to the closure of establishments and the quarantine of most of the population in the main cities of the countries in which the Company operates, which could impact the operations and the financials statements of the Company. These effects are being evaluated in a daily basis by management to take all appropriate measures in order to minimize the negative impacts that may arise during the year 2020. Our opinion is not modified with respect to this matter.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter (amounts in COP millions)	How the key matter has been addressed
<u>Loan impairment loss under IFRS 9</u> As described in Notes 3-c, 4.2 and 11 to the consolidated financial statements, the Bank's provision for credit losses represents the management's estimate of losses inherent in the portfolio of loans, which consists mostly of commercial, consumer and mortgage loans. As of December 31, 2019, the total amount of the loan portfolio was COP $16,720,208, and the provision for loan losses was COP $525,034. This provision is determined for each of the loan portfolios, using an estimate with statistical models for loan losses for collectively assessed loans. Collective models include parameters of probability of default at 12 months, probability of default throughout the lifetime of the obligation, loss given default, and exposure at default with the inclusion of the forward-looking basis that include assumptions of future macroeconomic conditions the taking into account different scenarios, external factors and economic events that have occurred, but are not yet reflected in the loss factors.	Our procedures included tests on the effectiveness of the controls in relation to the Bank's provisions estimation process. They also included, among others: evaluation of the relevance of the models and methodologies used to generate the statistical estimates of loan losses from the loan portfolios. We also test the key entries and evaluate the assumptions and judgments applied for the statistical estimation of the loan loss, in addition to evaluating any adjustment to the estimates of loan loss and the estimation of future cash flows of the loans individually assessed. The foregoing included evidence, as appropriate, of the probabilities of default at 12 months, probability of default throughout the lifetime of the obligation, loss given default, and exposure at default with the inclusion of the forward-looking basis, , the amount and time of cash flows and the fair value of the guarantees. For the evaluation of the scenarios that the management applied to estimate the loan loss, we assess the reasonability of the impact of external factors and economic events that have already occurred, but which are not yet reflected in the estimate of loan loss.

Key Audit Matter (amounts in millions)	How the key matter has been addressed
In addition, for loans individually assessed in stage 3, the Bank evaluate defaulted significant loans, analyzing the estimation of the cash flows of the loan obtained through guarantees or cash payments applying Management judgment, mainly in relation to the amount and time of the cash flows. The main considerations we took into account regarding procedures related to the provision for loan losses to be considered as a key audit matter are (i) the need for an important level of judgment by the management to determine the modeling techniques used in its statistical estimates of the probability of default at 12 months, probability of default throughout the lifetime of the obligation, loss given default, and exposure at default with the inclusion of the forward-looking basis taking into account different scenarios, which in turn entails a high level of subjectivity for the statutory auditor, (ii) subjectivity in the evaluation of audit evidence in relation to the relevance of the different scenarios evaluated, (iii) the judgment to determine the expectations of future cash flows and the fair value of the guarantees, and (iv) the use of professionals with specialized skill and knowledge to assist in performing procedures and evaluating the audit evidence obtained.	We also use personnel with specialized skills to assist us in assessing the relevance of the models, on the other hand, the financial audit team validated certain entries of the statistical estimates of loan loss.

Key Audit Matter (amounts in millions)	How the key matter has been addressed
<u>Assets impairment - goodwill</u> As indicated in Note 3 i), 4 4) and 16 to the consolidated financial statements, the consolidated balance for goodwill of the Bank was COP $ 344,526 as of December 31, 2019. The impairment is determined by comparing the recoverable amount of a Cash Generating Unit with its carrying amount, including goodwill. The management estimates the recoverable amount using a discounted cash flow model which included important judgments and assumptions regarding the perpetuity rate, the projection of inflation, the discount rate, and the growth and solvency index of loans. The main consideration we took into account for our determination that the procedures related to the evaluation of the impairment of goodwill in the Cash Generating Unit are a key audit matter, is the significant judgment applied by the management when developing the measurement of the amount recoverable from said units. This in turn led to a higher level of judgment and subjectivity from the statutory auditor, and a greater effort in the execution of procedures to evaluate projections for cash flows and their significant assumptions, including the perpetuity rate, the Inflation projection, discount rate, and growth and solvency index of loans. Additionally, the audit effort involved the use of professionals with specialized skills and knowledge to support the execution of these procedures and the evaluation of the audit evidence obtained.	Our procedures included, among others, tests of the management process to develop the estimate of the recoverable amount, the evaluation of the relevance of the discounted cash flow model, tests on the completeness, accuracy and relevance of the underlying data used in the model and the assessment of the significant assumptions used by the management, including the perpetuity rate, the inflation projection, the discount rate, and the credit growth and solvency index. This in turn led to a higher level of judgment and subjectivity from the statutory auditor, and a greater effort in the execution of procedures to evaluate projections for cash flows and their significant assumptions, including the perpetuity rate, the Inflation projection, discount rate, and growth and solvency index of loans. Additionally, the audit effort involved the use of professionals with specialized skills and knowledge to support the execution of these procedures and the evaluation of the audit evidence obtained.

<table>
<tr><th>Key Audit Matter (amounts in millions)</th><th>How the key matter has been addressed</th></tr>
<tr><td><u>Properties and equipment at revalued cost</u>

As indicated in Note 14 to the consolidated financial statements, the Bank owns properties for COP $796,364 at December 31, 2019. These assets are at revalued cost and every year the Bank performs an appraisal of said properties to adjust fair value. These appraisals are carried out by independent appraisal experts hired by the management.

The main consideration that we took into account for our determination that the procedures related to the evaluation of the revalued cost of the Bank's properties are a key audit matter, is the involvement of experts since in order to define the fair values of real estate requires specialized knowledge. This in turn led to experts in the audit team validating the reports issued by the appraisers, verifying from the suitability of the management expert to the reasonability of the assumptions used for the properties.</td><td>The procedures performed and the evaluation of audit evidence in relation to these assets included, among others:

- Verification of the technical and professional suitability of the appraiser to perform this type of exercises.
- Validation of the appraisal method selected for each asset, taking into account its physical and legal nature.
- Verification of the content of the appraisal report.
- Validation of the reasonableness of the final valuation amount and the assumptions used.

We relied on professionals with specialized skills and knowledge to evaluate the revalued cost of real estate that is registered as property and equipment in the Bank's consolidated financial statements.</td></tr>
</table>

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

/s/ PwC Contadores y Auditores Ltda.
Edgar Pedraza, Engagement Partner
Bogota, Colombia
May 1, 2020

BANCO GNB SUDAMERIS S.A. AND SUBSIDIARIES

Consolidated Statement of Financial Position
As of December 31, 2019 and 2018
(Expressed in COP millions)

ASSETS		December 31, 2019	December 31, 2018
CASH AND CASH EQUIVALENTS	**(Note 9)**	12,109,368	9,256,890
FINANCIAL ASSETS AT FAIR VALUE			
Debt securities	**(Note 10)**	6,179,841	6,174,098
Equity instruments	**(Note 10)**	103,265	86,197
Total securities		**6,283,106**	**6,260,295**
Derivative instruments	**(Note 10)**	19,381	23,511
Total Financial Assets at Fair Value		**6,302,487**	**6,283,806**
AT AMORTIZED COST			
Debt securities at amortized cost, net	**(Note 10)**	835,858	771,851
		835,858	**771,851**
Loans			
Commercial	**(Note 11)**	9,093,405	8,661,068
Consumer	**(Note 11)**	6,604,061	5,842,272
Home Mortgage	**(Note 11)**	1,022,742	1,106,305
Provisions	**(Note 11)**	(525,034)	(493,167)
Total Loans, net		**16,195,174**	**15,116,478**
Other accounts receivable, net	**(Note 12)**	230,613	175,801
Total Financial Assets at Amortized Cost		**17,261,645**	**16,064,130**
NON-CURRENT ASSETS HELD FOR SALE, NET	**(Note 13)**	22,713	25,764
INCOME TAX ASSETS			
Current	**(Note 17)**	261,665	222,250
Deferred (Peru and Paraguay)	**(Note 23)**	38,867	36,123

LIABILITIES AND EQUITY		December 31, 2019	December 31, 2018
LIABILITIES			
FINANCIAL LIABILITIES AT FAIR VALUE			
Derivative instruments	**(Note 10)**	49,946	31,805
FINANCIAL LIABILITIES AT AMORTIZED COST			
Customer deposits			
Checking accounts	**(Note 19)**	1,992,712	1,941,743
Savings accounts	**(Note 19)**	12,633,314	10,301,935
Term deposits	**(Note 19)**	9,008,058	8,486,862
		23,634,084	**20,730,540**
Financial Debt			
Short-term financial debt	**(Note 20)**	6,226,225	5,289,323
Borrowings from development entities	**(Note 20)**	2,347,173	2,240,382
Total debt		**8,573,398**	**7,529,705**
Long-term financial debt	**(Note 20)**	2,251,795	2,231,354
Total financial obligations		**10,825,193**	**9,761,059**
LIABILITIES DUE TO FINANCIAL LEASES	**(Note 14)**	130,361	-
EMPLOYEE BENEFITS	**(Note 21)**	59,205	54,681
PROVISIONS			
Legal contingencies	**(Note 22)**	8,091	7,800
Other provisions	**(Note 22)**	56,460	44,293
INCOME TAX			
Current (Paraguay)	**(Note 17)**	725	1,168
Deferred	**(Note 23)**	19,171	25,818
CAPITAL INCREASE ADVANCES	**(Note 25)**	-	162,488
OTHER LIABILITIES	**(Note 24)**	423,663	327,259
TOTAL LIABILITIES		**35,206,899**	**31,146,911**

ASSETS		December 31, 2019	December 31, 2018
TANGIBLE ASSETS, NET			
Investment properties	**(Note 15)**	134,350	67,567
Property and equipment in own use	**(Note 14)**	796,364	748,589
Property and equipment right of use assets, net of depreciation	**(Note 14)**	125,649	-
Total Tangible Assets		**1,056,363**	**816,156**
INTANGIBLE ASSETS, NET			
Goodwill	**(Note 16)**	344,526	411,820
Other intangible assets		24,451	20,719
Total Intangible Assets		**368,977**	**432,539**
OTHER ASSETS	**(Note 18)**	109,799	80,865
TOTAL ASSETS		**37,531,884**	**33,218,523**

LIABILITIES AND EQUITY		December 31, 2019	December 31, 2018
EQUITY			
Controlling Interests			
Subscribed and paid capital	**(Note 26)**	71,270	66,020
Share premium		638,355	486,105
Retained Earnings		1,458,269	1,376,703
Reserves	**(Note 26)**	1,313,810	1,196,382
Net income of the period		267,457	235,110
Accumulated retained earnings		(122,998)	(54,789)
Other comprehensive income		109,989	93,817
Total equity of controlling interests		**2,277,883**	**2,022,645**
Non-controlling Interest		**47,102**	**48,967**
TOTAL EQUITY		**2,324,985**	**2,071,612**
TOTAL LIABILITIES AND EQUITY		**37,531,884**	**33,218,523**

See the notes forming part of the Consolidated Financial Statements.

BANCO GNB SUDAMERIS S.A. AND SUBSIDIARIES

Consolidated Statement of Income
For the years ended on december 31, 2019 and 2018
(Expressed in COP millions, except for the Net Profit per Share)

		December 31, 2019	December 31, 2018
Interest Income and Similars			
Loan portfolio interests		1,717,904	1,559,723
Valuation of financial assets in debt securities at amortized cost		9,233	10,014
Other interests		180,720	181,648
Total income from interest and valuations		**1,907,857**	**1,751,385**
Interest Expenses			
Deposits			
Current accounts		33,148	25,361
Term Deposits		410,820	394,668
Savings accounts		478,217	402,072
Total interest expense on deposits		**922,185**	**822,101**
Financial debt and other interests			
Short-term financial debt		1,203	1,384
Long-term financial debt		103,735	92,176
Bank borrowings and others		179,511	160,246
Borrowings from development entities		56,886	60,337
Interests on liabilities due to leases		9,689	-
Total Interest expenses		**1,273,209**	**1,136,244**
Net interests and similar		**634,648**	**615,141**
Impairment loss on financial assets			
Loans and receivables		568,403	537,341
Foreclosed assets		7,025	3,076
Loss due to investment portfolio		2,656	1,631
Recovery provision of impairment loss on loans and receivables		247,958	246,355
Net interests after the impairment loss on financial assets		**304,522**	**319,448**
Commissions and fees			
Income from Commissions and Fees	**(Note 27)**	254,555	231,593
Expenses from Commissions and Fees	**(Note 27)**	103,990	89,101
Net income from commissions and fees		**150,565**	**142,492**
Valuation of financial assets at fair value			
Debt securities		334,761	260,917
Equity securities		5,820	4,200
Derivative instruments		(6,791)	(27,063)
Income from valuation at fair value		**333,790**	**238,054**
Net interests and valuation income		**788,877**	**699,994**
Other income			
Proceeds from sales of investment	**(Note 28)**	90,135	28,994
Proceeds from sale of loan	**(Note 28)**	-	10,218
Dividends	**(Note 28)**	1,630	2,587
Exchange difference, net	**(Note 28)**	13,380	27,954
Industrial and service income - Hotels	**(Note 28)**	38,603	-

		December 31, 2019	December 31, 2018
Other	**(Note 28)**	124,617	183,509
Total other income		**268,365**	**253,262**
Other expenses			
Personnel expenses	**(Note 29)**	245,029	238,750
Loss on sale of investments	**(Note 29)**	75,477	22,146
Administrative expenses	**(Note 29)**	176,522	194,926
Depreciation	**(Note 29)**	18,913	17,623
Depreciation due to rights of use	**(Note 29)**	27,279	-
Amortization	**(Note 29)**	9,795	7,512
Service costs - Hotels	**(Note 29)**	15,192	-
Other	**(Note 29)**	157,896	177,081
Total other expenses		**726,103**	**658,038**
Net income before income tax		**331,139**	**295,218**
Income tax	**(Note 17)**	58,242	55,192
Net income for the year		**272,897**	**240,026**
Net income for the year attributable to:			
Owners of the parent		267,457	235,110
Non-controlling interest		5,440	4,916
		272,897	**240,026**
Net income per share of controlling interests (in COP)		1,532	1,454

See the notes forming part of the Consolidated Financial Statements.

BANCO GNB SUDAMERIS S.A. AND SUBSIDIARIES

Consolidated Statements of Other Comprehensive Income
For the years ended on December 31, 2019 and 2018
(Expressed in COP millions)

		December 31, 2019			December 31, 2018
NET PROFIT OF THE PERIOD	**$**	272,897	#	#	240,026
Components of other comprehensive results, net of taxes					
Items that may be or are reclassified to profit or loss					
Translation adjustments on foreign subsidiaries financial statements		(13,536)	#	#	45,272
Exchange difference on hedging of long-term financial debt		(10,365)	#	#	(91,112)
Differences between loans provision and impairment recorded in the calculation of the separate and consolidated financial statements		6,520	#	#	(56,533)
Deferred income tax		(15,790)	#	#	66,260
Financial Instruments at fair value		-	#	#	4,510
		(33,171)			**(31,603)**
Items that will not be reclassified to profit or loss					
Asset Revaluation		48,932			10,861
(Loss) Profit on employee benefit plans		(2,555)			(7,860)
Deferred tax in items that will not be reclassified to income		2,966			13,921
Total other comprehensive income during the period, net of taxes	**$**	**16,172**			**(14,681)**
Total other comprehensive results of the period	**$**	**289,069**			**225,345**

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 years ended on December 31, 2019 and 2018
(Expressed in COP millions)

		Retained Earnings									
		Capital	**Share premium**	**Reserves**	**Net income for the year**	**Accumulated Retained Earnings**	**Retained earnings**	**Other comprehensive income**	**Total Controlling Interests**	**Non-controlling interests**	**Equity**
Balance at December 31, 2017		**66,020**	**486,105**	**1,056,767**	**222,642**	**(99,853)**	**1,179,556**	**108,499**	**1,840,180**	**16,996**	**1,857,176**
Change in the accounting policy - IFRS - Financial instruments impairment (See note 3c)		-	-	-	-	(23,327)	(23,327)	-	(23,327)	-	(23,327)
Balance at January 1, 2018		**66,020**	**486,105**	**1,056,767**	**222,642**	**(123,180)**	**1,156,229**	**108,499**	**1,816,853**	**16,996**	**1,833,849**
Transfer to accumulated profit		-	-	-	(222,642)	222,642	-	-	-	-	-
Profits appropiated to Mandatory Reserve		-	-	150,571	-	(150,571)	-	-	-	-	-
Net movement of other comprehensive income		-	-	-	-	-	-	(14,682)	(14,682)	-	(14,682)
Full IFRS adjustments - OCI revaluation		-	-	-	-	63,264	63,264	-	63,264	-	63,264
OCI reclassification due to employee benefits		-	-	-	-	(3,609)	(3,609)	-	(3,609)	-	(3,609)
Payment of dividends		-	-	-	-	(56,369)	(56,369)	-	(56,369)	-	(56,369)
Current Income Tax		-	-	-	-	(6,966)	(6,966)	-	(6,966)	-	(6,966)
Exchange difference Subsidiaries abroad		-	-	(10,956)	-	-	(10,956)	-	(10,956)	-	(10,956)
Non-controlling interest		-	-	-	-	-	-	-	-	27,055	27,055
Net Income for the period		-	-	-	235,110	-	235,110	-	235,110	4,916	240,026
Balance at December 31, 2018	**$**	**66,020**	**486,105**	**1,196,382**	**235,110**	**(54,789)**	**1,376,703**	**93,817**	**2,022,645**	**48,967**	**2,071,612**
Transfer to accumulated profit		-	-	-	(235,110)	235,110	-	-	-	-	-
Profits appropiated to Mandatory Reserve		-	-	113,923	-	(113,923)	-	-	-	-	-
Net movement of other comprehensive income		-	-	-	-		-	16,172	16,172	-	16,172
Payment of dividends		-	-	-	-	(189,396)	(189,396)	-	(189,396)	-	(189,396)
Exchange difference Subsidiaries abroad		-	-	3,505	-	-	3,505	-	3,505	-	3,505
Capital increase (See note 26)		5,250	152,250	-	-	-	-	-	157,500	-	157,500
Non-controlling interest		-	-	-	-	-	-	-	-	(7,305)	(7,305)
Net Income for the period		-	-	-	267,457	-	267,457	-	267,457	5,440	272,897
Balance at December 31, 2019	**$**	**71,270**	**638,355**	**1,313,810**	**267,457**	**(122,998)**	**1,458,269**	**109,989**	**2,277,883**	**47,102**	**2,324,985**

See the notes forming part of the Consolidated Financial Statements.

BANCO GNB SUDAMERIS S.A. AND SUBSIDIARIES
Consolidated Statement of Cash Flows
For the years ended on December 31, 2019 and 2018
(Expressed in COP millions)

	December 31, 2019	December 31, 2018
Cash flows from operatring acitivities		
Net income of the year	**272,897**	**240,026**
Deferred tax expense	58,242	55,192
Depreciation	46,192	17,623
Amortization	9,795	7,512
Impairmentlosses and other accounts receivable	572,629	545,867
Recoveries of loss on financial assets	(249,477)	(294,014)
Impairment of investments	1,024	1,631
Equity method	(7,541)	-
Income valuation on equity investments	(5,820)	(4,199)
Income valuation on derivatives instruments	21,593	27,063
Valuations and interest from debt securities at amortized cost	(9,233)	(10,014)
Income valuation from investment securities measured at fair value	(334,761)	(260,917)
Income on sale of investments	(14,658)	(6,836)
Gains on sale of property plant and equipment for own-use	(142)	(198)
Gains on sale of investments on subsidiaries	(23,168)	-
Gains on purchase of investments on subsidiaries	(14,402)	-
Net interest	440,574	(23,796)
Foreign exchange (gains) losses	(5,972)	72,961
Changes in operating assets and liabilities		
Variation in investments debt securities at fair value	354,055	(754,992)
Decrease (Increase) in loans	(1,742,497)	(1,224,232)
Increase in other receivables	(62,894)	(8,343)
(Decrease) Increase in other assets	(15,977)	12,991
(Decrease) Increase in customer deposits	1,906,089	661,934
Short-term obligations receipts	1,905,458	899,759
Short-term obligations payments	(969,207)	(221,718)
Borrowings with development entities	346,903	795,608
Payments of borrowings with development entities	(239,806)	(101,108)
Variation in operations with derivatives	(3,604)	(12,497)
Increase in other liabilities	100,946	(3,886)
Increase in provisions	(48,286)	9,475
Decrease (Increase) in employee benefit plans	1,969	(8,683)

Interest received	1,257,943	1,139,546
Interest paid	(338,760)	(269,625)
Variation in Income tax	(45,079)	(115,120)
Net cash (used in) provided by operating activities	**3,165,025**	**1,167,010**
Cash flows from investment activities		
Variation in investments equity securities	(24,784)	112,213
Variation in investments debt securities at amortized cost	(54,743)	(270,697)
Acquisition of investments on subsidiaries	(128,675)	(396,960)
Acquisition of plant and equipment	(23,747)	(63,832)
Adquisition of investment properties	(69,683)	(15,689)
Variation in intangible assets, net	(13,528)	(6,750)
Proceeds from sales of investment on subsidiaries	210,318	-
Proceeds from sales of investment on associated	7,541	-
Proceeds from the sale of properties and equipment	11,793	27,533
Proceeds from sales of investment properties	2,899	-
Net cash provided by investment activities	**(82,608)**	**(614,181)**
Cash flows from financing activities		
Long-term financial debt	-	(895,200)
Dividends paid	(189,396)	(56,369)
Leases payments	(29,760)	-
Capital increase	-	162,488
Non-controlling interests	(7,305)	27,055
Net cash (used in) provided by financing activities	**(226,462)**	**(762,027)**
Effect of foreign currency changes on cash and cash equivalents	**(3,557)**	**(63,342)**
Net increase in cash and cash equivalents	2,852,398	(272,539)
Cash and cash equivalents from business combination	80	1,704
Cash and cash equivalents at beginning of year	9,256,890	9,527,725
Cash and cash equivalents at end of year	**12,109,368**	**9,256,890**

NOTE 1 - REPORTING ENTITY

Banco GNB Sudameris (the 'Bank' or the 'Group'), as the parent or controlling entity of a financial conglomerate conformed by the local affiliates: Servitrust, GNB Sudameris, Servivalores GNB Sudameris, Servibanca S. A., Servitotal GNB Sudameris, Corporación Financiera GNB Sudameris S. A., and Fondo de Capital Privado Inmobiliario Servivalores GNB Sudameris (a structured controlled entity), in addition to the international affiliates Banco GNB Peru and Banco GNB Paraguay, reports the consolidated financial statements as detailed below:

Banco GNB Sudameris S. A. is a private stock corporation incorporated by Public Deed 8067 of December 10, 1976 of Notary Fifth of Bogota D.C., with a term set out by the Articles of Incorporation until January 1, 2076, which may be dissolved or extended prior to such term. The Bank's corporate purpose is to enter into contracts and carry out all the operations, acts and contracts related to banking entities, subject to the legal provisions in force on such matter in Colombia.

Resolution No. 3140 od September 24, 1993 of the Superintendency of Finance of Colombia (the 'Superintendency') granted the ultimate renewal of the operation permit.

The last Articles reform was legalized by means of Public Deed No. 0708 of Notary 13 of Bogota, D.C. of March 15, 2019, modifying article 4 in respect to the corporate purpose and the Articles of Incorporation were compiled.

The Bank´s parent is the partnership Gilex Holding S.àr.l which has registered their domicile in Luxembourg.

As of December 31, 2019, the Bank has 1,685 direct employees, 49 temporary employees and 1 intern.

The Consolidated Financial Statements and the accompanying notes were authorized to be issued by the Board of Directors and the Legal Representative on January 29, 2020, to be submitted to the General Shareholders' Meeting for their approval, which may approve or modify them.

Servivalores GNB Sudameris S. A. Comisionista de Bolsa is a commercial partnership incorporated as per Public Deed No. 0767 of March 14, 2003 of Notary 11 of Bogota, which corporate purpose is the execution of the brokerage contract for the purchase and sale of securities listed in the Colombia Stock Exchange (BVC as per its acronym in Spanish), according to Resolution 133 of March 11, 2013 of the Superintendency of Finance of Colombia. In addition, it may do proprietary trading, manage contracting parties' securities, act as a broker in the placement of securities, fund the acquisition of securities, among others.

Servitrust GNB Sudameris S. A. is a private financial services partnership incorporated by means of Public Deed 3873 of July 10, 1992 of Notary 18 of the Circle of Bogota; its corporate purpose is the celebration and performance of all acts, contracts, services and operations related to financial services companies of the trust companies type allowed to such financial entities, subject to the faculties, requirements, restrictions and limitations set out by the laws of the Republic of Colombia.

Sociedad al Servicio de la Tecnología y Sistematización Bancaria Tecnibanca S. A. – Servibanca S. A. – is a Colombian stock corporation which corporate purpose is the automation and modernization of the banking and financial services and of operations of supply, provision, payment and offsetting of cash.

Servitotal GNB Sudameris S. A. is a commercial partnership incorporated by means of Public Deed 7177 of December 26, 2011 of Notary 13 of Bogotá, which corporate purpose is the performance of activities related to technical and administrative services, like informatics services, such as the definition, analysis, design, construction, configuration, certification, testing, implantation, support and maintenance of software and hardware for information and communications technologies.

Corporación Financiera GNB Sudameris S. A. is commercial partnership incorporated by means of Public Deed 6428 of September 26, 2017 of Notary 13 of Bogota D.C. which corporate purpose if the celebration and performance of all operations, acts and contracts related to financial entities, subject to the legal provisions that regulate such matters in Colombia. As of December 31, 2019, the Corporation has five (5) subsidiaries, as follows:

- **Charleston Hotels Group S. A.S.**, a commercial company incorporated on February 27, 2019 under number 02429168 of book IX. The entity's corporate purpose is the operation and investment in hotels and in general tourism projects, in and out of the Colombia, and it may acquire furniture and real estate properties to carry out its activity. In accordance with the standing certificate of the Chamber of Commerce of May 17, 2019, under number 02466930 of book IX; this company absorbed through a merger the foreign company CHARLESTON HOTELS GROUP INC., which dissolved but did not liquidate. The new company will appear as the owner of Hoteles Charleston Bogota and Casa Medina that are operated by the Four Seasons chain; the corporation's investment in Panama is cancelled and the investment in Colombia remains. This entity has the following subsidiary: Hoteles Charleston Bogotá S.A.S., out of which it owns 100%; a company domiciled in Colombia that operates two hotels in Bogota.

- **Namen Finance Limited,** identified with number 1995253, domiciled in the British Virgin Islands, may carry out any legal activity or business, including the trade of goods or commodities, perform any act or be part of any transaction. There are no limitations in the business the company may do. This entity has the following subsidiary: LGDB LLC., of which it owns 99.9%, a company domiciled in the United States of America that operates real estate businesses.

- **Manforce Overseas Limited**, identified with number 1995256, domiciled in the British Virgin Islands, may carry out any legal activity or business, including the trade of goods or commodities, perform any act or be part of any transaction. There are no limitations in the business the company may do. This entity has the following subsidiary: JGK HOLDING LLC, of which it owns 99.9%, a company domiciled in the United States of America that operates real estate businesses.

- **Inversiones GNB Comunicaciones S.A.S.,** is a commercial company incorporated on March 26, 2019 under number 02439415 of book IX and its main corporate purpose will be the investment in any communication or broadcasting media, whether public or private, known or to be known, including but not limited to, the sound broadcasting, television, press, magazines, written supplements, exterior advertising, billboards and the internet.

- **GNB Holding S.A.S.,** is a commercial company registered on October 21, 2019 under number 02517132 of book IX and its main corporate purpose shall be the incorporation and capitalization of commercial companies of any nature, purchase-sale, investment, management and trading of shares, bonds, stock values, subscribing any act or contract on goods or furniture or real estate rights, as well as the acquisition, disposal, management and investment of furniture, real estate properties, real estate projects, or companies that carry out real estate projects.

- **Fondo de Capital Privado Inmobiliario Servivalores GNB Sudameris,** managed by Servivalores GNB Sudameris S.A. Comisionista, that started operating on May 9, 2018. This type of entity requires no authorization by the Superintendency of Finance to be incorporated. The fund's purpose is to invest its resources in Real Estate Assets, intending the creation of a diversified portfolio that gives access to investors to the real estate market in Colombia, allowing them to have a better profitability in respect to similar operations. The Contributions support is represented by the Real Estate Assets that are part of the portfolio, and the profitability intended originates in the management and/or administration activities and in the price variations of such Real Estate Assets.

The total headcount per subsidiary is shown below as of December 31, 2019:

Contract’s Type	Servitrust	Servibanca	Servivalores	Corporación	Total
Fixed long-term contracts	68	71	10	4	**153**
Other contracts	2	5	1	-	**8**
Total	**70**	**76**	**11**	**4**	**161**

Subsidiaries out of Colombia

Through communication with filing number 2013002611-080 dated July 8, 2013, the Superintendency of Finance of Colombia granted the authorization for Banco GNB Sudameris S. A., the Parent, to acquire the shares of HSBC Bank Peru S. A. and HSBC Bank Paraguay S. A. Similarly, the Superintendency of Banking, Insurance and Private Administrators of Pensions (hereinafter SBS) of the Republic of Peru by means of Resolution S.B.S. No. 5378-2013 of September 6, 2013, and the Central Bank of Paraguay, by means of Resolution No. 19 of minutes No. 74 dated October 24, 2013 and explained through Note SB.SG. No. 01484/2013 of November 7, 2013, authorized the acquisition of the shares of HSBC Bank Peru S. A. and HSBC Bank Paraguay S. A., respectively.

Therefore, on October 4 and November 29, 2013, Banco Sudameris S. A. acquired from HSBC Bank Peru S. A. (nowadays Banco GNB Peru S. A.) and HSBC Bank Paraguay S. A. (nowadays Banco GNB Paraguay S. A.) a total of 670,551,999 and 3,016 shares and a (1) provisional certificate, equivalent to 99.99% and 99.96% of the total number of outstanding shares, respectively.

Banco GNB Perú S. A.

It is a financial institution incorporated by means of Public Deed 22 on November 30, 2006 authorized by Public Notary Zumilda A. Narvaja, registered with No. 11877589 of the Legal Pensions account in Lima’s Public Register. The bank was authorized to operate as a multiple service bank through Resolution SBS No. 537-2006, issued on April 28, 2006.

The bank’s legal domicile is Calle Begonias No. 415, floor 22, Urbanización Jardín, Distrito San Isidro, province and department of Lima. In order to perform its activities, as of December 31, 2019, the Bank operates through a Main Office and 12 agencies located in Lima and its provinces. Similarly, at December 31, 2019, the bank has 513 direct employees hired and 3 temporary employees.

Capitalizations were made in Banco GNB Peru in 2019 amounting to USD$15 million.

Banco GNB Paraguay S. A.

Banco GNB Paraguay S. A. is a Paraguayan corporation that started operating in 1920 as the first international bank branch of the Bank of London and Rio de la Plata. In 1985, the bank changed its name to Lloyds TSB Bank Sucursal Paraguay, and later, in year 2000, to Lloyds Bank Sucursal Paraguay. In May 2007, the bank was acquired by HSBC group, and changed its name to HSBC Bank Paraguay S. A.

By means of Resolution No. 19, dated October 24, 2013, Paraguay’s Central Bank authorized the change of name from HSBC Bank Paraguay S. A. to Banco GNB Paraguay S. A. Such change was agreed in Minutes No. 12 of the Extraordinary Shareholders’ Meeting, dated November 29, 2013.

To perform its activities, as of December 31, 2019, the Bank operates through a (1) Main Office and 6 agencies located in Asuncion and its provinces and has 205 direct employees and 79 outsourced employees.

Capitalizations were made in Banco GNB Paraguay in 2019 amounting to USD$51 million.

In regard to the entities abroad, there are no restrictions for dividends remittance to Colombia.

As of December 31, 2019 and 2018, the assets, liabilities, and equity of the Bank, its Subsidiaries, and the Bank's interests in them, were as follows:

December 2019	Share	Assets	Liabilities	Equity
Banco GNB Sudameris		28,604,030	26,406,064	2,197,966
Servitrust S. A.	94.99%	56,803	3,416	53,387
Servibanca S. A.	93.03%	180,281	55,183	125,098
Servivalores S. A.	94.99%	50,416	10,661	39,755
Servitotal	94.80%	544	-	544
Corporación Financiera	94.99%	769,598	99,819	669,779
Fondo Inmobiliario	99.86%	473,901	33,615	440,286
Banco GNB Paraguay	99.96%	4,409,738	3,888,925	520,813
Banco GNB Peru	99.99%	5,665,190	4,838,180	827,010
Write-offs		(2,678,617)	(128,964)	(2,549,653)
Consolidated		**37,531,884**	**35,206,899**	**2,324,985**

December 2018	Share	Assets	Liabilities	Equity
Banco GNB Sudameris		25,579,623	23,661,446	1,918,177
Servitrust S. A.	94.99%	56,445	3,482	52,963
Servibanca S. A.	88.49%	146,385	27,333	119,052
Servivalores S. A.	94.99%	50,862	13,045	37,817
Servitotal	94.80%	537	-	537
Corporación Financiera	94.99%	701,726	92,058	609,668
Fondo Inmobiliario	99.86%	374,144	1,444	372,700
Banco GNB Paraguay	99.96%	3,463,783	2,967,177	496,606
Banco GNB Peru	99.99%	5,417,250	4,728,413	688,837
Write-offs		(2,572,232)	(347,487)	(2,224,745)
Consolidated		**33,218,523**	**31,146,911**	**2,071,612**

NOTE 2 - PREPARATION BASIS OF THE FINANCIAL STATEMENTS

a. Statement of Compliance

The accompanying Consolidated Financial Statements of the Bank and its Subsidiaries have been prepared in accordance with the Accounting and Financial Information Standards accepted in Colombia ("NCIF" as per its acronym in Spanish), which are based on the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), that became effective and were officially translated into Spanish on December 31, 2017, (excluding IFRIC 23 and IFRS 17), except for the application of IFRS 9 where the requirement by the Superintendency of Finance is to record directly in Other Comprehensive Income (OCI) the difference between the loan impairment loss calculated through the application of IFRS 9, and the impairment provision required for the separate financial statements, based on the Superintendency's specific rules.

Colombian law requires 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 consolidated financial statements are presented for informational purposes only.

b. Presentation of Financial Statements

The following observations apply to the presentation of the attached consolidated financial statements:

- The Statement of Financial Position presents the assets and liabilities, based on their liquidity, since it provides reliable and relevant information, as required by the International Accounting Standard (IAS 1 "Presentation of Financial Statements").

- The Income Statement and Other Comprehensive Income are presented separately in two different statements as permitted by IAS 1 "Presentation of Financial Statements". Furthermore, the Income Statement is presented according to its nature, as it provides reliable and relevant information.

- The Statement of Cash Flows is prepared based on the indirect method, where the net flows from operating activities are determined by adjusting the net profit before tax, changes due to the effects of items that do not generate cash flows, net changes in assets and liabilities derived from operating activities and any other item which effects are derived from operating activities and any other item which effects are from investment or financing activities. Income and expenses due to interests received and paid are part of the operating activities.

c. Consolidation of Controlled Entities

GNB Sudameris prepares its consolidated financial statements incorporating its controlled entities. Grupo GNB controls an investee if and only if it complies with the following elements:

- Power over the investee entitling Grupo GNB to direct any relevant activities that significantly affect the investee's performance.
- Exposure, or rights to variable returns from its involvement with the investee.
- Ability to affect those returns through its power over the investee.

In order to comply with this requirement, Grupo GNB carries out an annual reassessment of all its contractual relationships. No new entities are required to be consolidated as a result of this process, including no structured entities.

The financial statements of Grupo GNB´s subsidiaries are included in the consolidated financial statements since the date on which Grupo GNB acquires control until the date on which control is lost.

During the consolidation process, Grupo GNB combines the assets, liabilities and profits or losses of those entities under control, previously aligning the accounting policies in all the subsidiaries. Such process includes eliminating intra-group balances and transactions and any unrealized and realized income and expense (except for foreign currency translation gains or losses and those taxes which are not subject to elimination) arising from intra-group transactions. Unrealized and realized losses are eliminated in the same way as unrealized and realized gains but only to the extent that there is no evidence of impairment. Non-controlling interests are presented in the equity of the consolidated statement of financial position of Grupo GNB separately from the equity attributable to owners of the parent company.

For consolidation purposes, the statements of financial position and income of Grupo GNB´s foreign subsidiaries are translated to Colombian pesos, as follows:

- Assets and liabilities are translated at the closing exchange rate at the reporting date;
- Income, expense and cash flows of foreign operations are translated at monthly average exchange rates since those averages approximate the exchange rates of each specific transaction;
- All resulting exchange differences are recognized in other comprehensive income and accumulated in the foreign currency translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

d. Functional Currency and Presentation Currency

The functional currency of the Bank and its Subsidiaries has been determined by reference to the definition of the functional currency used to present reports, considering that their operations are basically related to lending activities. The main activities of the Bank and its Colombian Subsidiaries are to grant loans to customers in Colombia, investments in securities issued by the Republic of Colombia or national entities, whether or not registered in the National Registry of Securities and Issuers (RNVE as per its acronym in Spanish), in Colombian pesos; and to a lesser extent, granting of loans to Colombian residents in a foreign currency and the investment in securities issued foreign banking entities, securities issued by foreign companies in the real sector which shares are listed in one or several world renowned stock markets and bonds issued by multilateral lenders or state entities. Such loans and investments are mainly funded with customer deposits and debt in Colombia, also in Colombian pesos. The performance of the Bank and its subsidiaries in Colombia is measured and reported to the shareholders and the general public in Colombian pesos. Consequently, the Bank's Management and its Subsidiaries determined the Colombian peso as the currency that most faithfully represents the economic effects of operations, events and underlying conditions of the Bank and its Subsidiaries. Therefore, the functional and presentation currency defined to prepare the consolidated financial statements is also the Colombian peso. Subsidiaries abroad have different functional currencies.

e. Transactions in a Foreign Currency

The transactions in a foreign currency are translated to the functional currency at the exchange rate on the date of the transactions. Monetary assets and liabilities in a foreign currency are translated to the functional currency using the prevailing exchange rate at the date of the Statement of Financial Position. Non-monetary assets and liabilities in a foreign currency in terms of the historical cost are measured using the exchange rate at the date of the transaction. Financial instruments measured at fair value are translated using the exchange rate of the date when the fair value is determined. Any profit or loss as a result of the translation is taken to the income statement.

Unless the financial liabilities are used as a hedge instrument for an investment in operations abroad, they are taken to equity in the account of Other Comprehensive Income.

As of December 31, 2019 and 2018, the market representative exchange rates calculated and certified by the Superintendency of Finance were COP$3,277.14 per USD$1,00, and COP$3,249.75 per USD$1,00, respectively.

NOTE 3 ACCOUNTING POLICIES

a) Cash and cash equivalents

Cash and cash equivalents include the cash at hand, deposits in banks and other short-term investments in active markets with maturity of three months or less. For a financial investment to be classified as "cash equivalent" it must be held in order to comply with the short-term payment commitment, and not for investment purposes; it must be readily convertible into a specific cash amount, it must be subject to an insignificant risk of change in value.

b) Revenues

1. Net interest income

(i) Effective interest rate

Interest income and expense are recognized in the Consolidated Statement of Income using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, Grupo GNB estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

(ii) Amortized cost and gross carrying amount

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance until December 31, 2017).

The 'gross carrying amount' of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

(iii) Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

(iv) Presentation

Interest income and expense presented in the Consolidated Statement of Income include:

- Interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis.
- Interest on debt instruments measured at FVTPL calculated on an effective interest basis.

1. Contract Assets

A contract asset is the Group's right to receive a payment in exchange for goods or services the Group has transferred to a client, when such right is subject to anything else than the passage of time (e.g. the billing or delivery of other items that are part of the contract). The Group earns assets from contracts as current assets, as they are expected to be realized within the regular operative cycle.

The contract costs eligible for capitalization as incremental costs when a contract is obtained, are recognized as a contract's asset. The costs for the subscription of contracts are capitalized when incurred, if the Group expect to recover such costs. The costs for the subscription of contracts represent non-current assets to the extent financial benefit are expected to be received form such assets in a period longer than twelve months. Contracts are amortized in a systematic and consistent manner by transferring the services to the client once the respective income has been recognized. The costs capitalized from the subscription of contracts are impaired if the client withdraws or of the asset's carrying value exceeds the projection of the discounted cash flows that are related to the contract.

ii. Contract Liabilities

Contract liabilities represent the Groups obligation to transfer goods or services to a client from which the Group has earned a payment from the final client, or if the amount is past due. They also include the deferred income related to goods or services to be delivered or rendered in the future, which are billed in advance to the client, but are not past due yet.

ii. Revenue from Contracts with Customers

The group recognizes the revenues from contracts with customers, based on a five-step model set out by IFRS 15:

Step 1. Identification of contracts with customers: A contract is defined as an agreement between one or more parties, which creates enforceable rights and obligations and sets criteria that must be complied with each contract. Contracts may be written, oral, or implicit, through the corporate practices used by a company.

Step 2. Identification of the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer an asset or a service to the latter.

Step 3. Determination of the transaction price: The transaction price is the consideration the group expects to have a right in exchange for the transfer of assets and services promised to a client, regardless of the amounts received in representation of third parties.

Step 4. Assignment of the transaction price to the performance obligations in the contract: In a contract with more than one performance obligation, the Group distributes the transaction price among the performance obligations in amounts that represent the consideration the Group expects to have a right to in exchange for complying with each performance obligation.

Step 5. Recognition of revenue when (or to the extent that) the Group complies with a performance obligation.

The Group complies with a performance obligation and recognizes the revenue in time, if any of the following criteria are met:

- The Group's performance does not create an asset with an alternative use for the Group, and the Group has an enforceable right on the payment for the performance completed as of that date.

- The Group's performance creates or improves an asset controlled by the client while it is created or improved.

- In the meantime, the client receives and consumes the benefits resulting from the Group's performance to the extent it works.

In the case of the performance obligations where none of the conditions listed is met, the revenue is recognized when the performance obligations are met.

When the Group complies with a performance obligation by delivering the goods or services promised, it creates a contractual asset for the consideration amount obtained from the performance. When the consideration amount received from a client is higher than the revenue recognized, this generates a contractual liability.

The revenue is measured based on the consideration specified in the contract with the client and excludes the amounts received in representation of third parties. The Group recognizes revenue when the control over an asset or service is transferred to a client. Revenue is recorded net of the value added tax (VAT), reimbursements and discounts, and after eliminating the sales in the Group.

The Group assesses its revenue plans on the basis of specific criteria to determine whether it acts as a principal or agent.

Revenue is recognized to the extent it is probable that economic benefits flow to the group and if it is possible to reliably measure the income and costs, if any.

A description of the main activities through which the Group generates revenues from contracts with customers is described below:

(ii) **Banking (Financial Services):**

In general, the Group signs contracts that cover several different services. Such contracts may include components that are in or out of the scope of IFRS 15. Thus, the banks apply IFRS 15 indications only when all or part of its contracts are out of IFRS 9 scope.

Income sources obtained by the bank through contracts with customers, are as follows:

- **Credit cards: Exchange fees, general fees (annual, quarterly, monthly), loyalty programs schemes**

There are contracts with enforceable rights and obligations between the bank and card holders or businesspeople, under which the bank generally provides services in exchange for annual fees or other types. Below appear some of the services there may be in the contract with the card holder:

- Issue of loyalty programs points (options to acquire goods/services free of charge or at a discount in the future), which are usually based on the monetary volume of card transactions.

- Service for payment processing.

- Insurance, where the bank is not the insurer.

- Fraud protection, and

- Processing in certain transactions, such as purchases in foreign currencies and cash withdrawals.

The transaction price is assigned to each performance obligation based on the sale prices related to the goods or services provided to the client. The assignment of the transaction price to each individual performance obligation is not entirely necessary when there is more than one performance obligation, but all are met at the same time or equally during the period.

- **Commissions:**

The Group receives insurance commissions when new clients are referred to third parties that sell insurance, when the bank is not the policy insurer. Such commissions are usually paid in a periodical manner(e.g. monthly) to the bank, based on the volume of new policies (and/or the renewal of current policies), generated with clients presented by the bank. The transaction price may include a consideration that is variable or is subject to the result of future events, such as the cancellation of the policy, and such item is estimated and included in the transaction price based on the most likely outcome only when it is very probable that the solution of such uncertainty will not include the revenue's significant reversal.

Covenant fees are within the scope of IFRS 15 when it is hardly probable that a specific loan agreement is generated and that such covenant is not measured at fair value through income.

The Group earns commissions on trust contracts and stand-alone shares that correspond to some performance obligations agreed with the client from the beginning of the contract and are included in the commission's amount generated on a monthly basis during the contract's term.

In addition, the Group earns commissions for the technical and administrative services provided with a low value payment system, which is an increase of the inter-banking financial transactions and form charging for the commissions on transactions made through the group's ATM network. The offset is made on a daily basis and therefore, the commissions income is recognized as the performance obligation is met by the system.

• Savings accounts and checkingaccounts: Transactional and account charges

Generally, contracts of savings and current accounts allow clients to access a series of services that include processing electronic transfers, use of ATM's to withdraw cash, issue of debit cards, and the generation of account statements. Other benefits are sometimes included. Charges are periodically made and give the client access to the bank services and additional services.

c) Financial Instruments

IFRS 9 details out the requirements to recognize and measure financial assets, financial liabilities, and some contracts to purchase or sell non-financial items. This standard replaces IAS 39 Financial Instruments – Recognition and Measurement.

The following table summarizes the impact, net of taxes, for the transition to the IFRS 9 in the opening balance and retained earnings as of January 1, 2018 (for a description of the transition method, see (iv), below).

	Reference		IFRS 9 adoption impact as of January 1, 2018
Recognition of the losses expected under IFRS 9	ii.		(37,025)
Deferred tax			13,698
Impact as of January 1, 2018		**$**	**(23,327)**

Details of the new significant accounting policies and the nature and purpose of the changes to the preceding accounting policies are set as follows:

i. Classification and measurement of financial assets and liabilities

IFRS 9 (version 2014) includes a new classification and measurement approach for the financial assets that reflects the business model where they are managed and their cash flows characteristics.

IFRS 9 (version 2014) includes three main classification categories for the financial assets measured at amortized cost (AC), at fair value with changes in Other Comprehensive Income (FVOCI) and at fair value with changes in income (FVCI).

The new standard complements both of the existing categories in the preceding IFRS 9, AC and FVCI, currently in force in Colombia for the consolidated financial statements, adding the category of FVOCI.

A financial asset is measured at amortized cost and not at fair value with changes in income, if it meets both of the following conditions:

- the asset is kept in a business model which purpose is to keep the asset to obtain the contractual cash flows; and
- The contractual terms of the financial asset set the specific dates for the cash flows derived only from payments of capital and interests on the pending balance.

A debt instrument is measured at FVOCI, only if it meets both of the following conditions and has not been designated as FVCI:

- The asset is held in a business model which purpose if achieved by charging the contractual cash flows and selling such financial assets; and,
- The contractual terms of the financial asset set the specific dates for the cash flows derived only from payments of capital and interests on the pending balance.

During the initial recognition of the investments in equity instruments not held to be traded the Group may decide to irrevocably record the subsequent changes in the fair value as part of Other Comprehensive Income in equity. This decision must be made on a per instrument basis.

All fair value not classified as measured at amortized cost or at fair value with changes in OCI, as described above, are measured at fair value with changes in income.

Additionally, at initial recognition, the Group may irrevocably designate a financial asset that meets the measurement requirements at AC or FVCOCI to be measured at FVCI, if by doing so the accounting asymmetry is not reduced. For now, the Group will not use this option.

A financial asset is classified in one of the categories mentioned at the time of the initial recognition.

Assessment of the business model

The Group shall assess the objectives of the business models where it keeps the various financial instruments at portfolio level to reflect, as best as possible, the way each subsidiary manages the business and how information is provided to management. Information considered includes:

- The objectives and policies indicated per financial instruments portfolio and the operation of policies. They include whether management's strategy is focused on charging revenues on contractual interests, keeping a performance profile with a specific interest or coordinating the financial assets term with the term of the liabilities, funding them, or the expected cash outflows, or realizing the cash flows through the sale of the assets, on the basis of how they are evaluated and reported to the parent and key personnel of the direction of each Group's subsidiary on the portfolios performance.

- The process of evaluation by the parent company and key management personnel for each subsidiary regarding the loan portfolio performance.

- The risks affecting the business models profitability (and the financial assets held in the business model) and how such risks are managed;

- How the business drivers are offset (e.g. if the compensation is based on the fair value of the assets managed or on the contractual cash flows obtained); and

- The frequency of sales from preceding periods. The sale reasons and the expectations on the future sales activities. However, the information on the sales activity is not considered separately, but as part of the assessment on the compliance with the objectives set by the Group to manage the financial assets and how the cash flows are realized.

The financial assets held or managed for trading and which performance is assessed on the fair value basis, are measured at fair value with changes in income because they are not held in the business models to charge for contractual cash flows, nor to obtain contractual cash flows and sell these financial assets.

Assessment of whether contractual cash flows are only payments to capital and interests

For the purpose of this assessment, capital is defined as the fair value of the financial asset at its initial recognition. Interest is defined as the consideration of the value of money in time and as the credit risk associated to the capital amount in force in a particular period and as other basic risks in a credit agreement and other related costs (e.g. liquidity risk and administrative costs), as well as the profitability margin.

By assessing whether the contractual cash flows are only payments to capital and interests, the Group considered the instrument's contractual terms. This included the assessment to determine whether the financial asset has a contractual term that may change the period of amount of the contractual cash flows, so that such condition is not met. With this assessment the Group considered:

- Contingent events that will change the amount and periodicity of the cash flows;
- Leveraging conditions;
- Advanced and extension payment terms;
- Terms that limit the Group to obtain cash flows from specific assets (e.g. assets agreements with no resources); and
- Characteristics that modify the considerations for the value or money in time; e.g. the periodic review of interest rates.

Interest rates on certain consumer and commercial credits are based on variable interest rates that are set at the Group's discretion. Variable interest rates are generally set in Colombia based on the DTF[3] (as published by the Central Bank) and the IBR[4] (Reference banking Indicator published by the Central Bank), and in other countries, according to local practices, plus certain additional discretional points. In these cases, the Group shall assess whether the discretional characteristic is consistent with the 'only capital and interests payment' criterion, considering a number of factors that include if:

- Debtors are in conditions to pay in advance the loans with no significant penalties. Colombian law prohibits to making charges for credit payments in advance.
- Market competitive factors ensure the interest rates are consistent among the banks;
- Any protection regulatory standard set out in favor or the clients in the country that requires the banks to treat clients fairly.

[3] DTF is the average interest rate agreed by the savings account holders at the banks, saving and home mortgage corporations, financial entities and commercial financing companies for term deposits (CTD in Spanish) with 90 days maturity, opened during the last week.

[4]IBR is a short-term reference interest rate in Colombian pesos that reflects the price that the banks are willing to offer or to collect funds in the monetary market. IBR is calculated based on the listings of the exchange market holders.

A prepayment characteristic is consistent with the 'only capital and interest payments', if the amounts paid in advance do substantially represent amounts not paid of capital and interest over the outstanding capital amount, which may include reasonable offsetting for the contract's early termination.

In addition, a pre-payment characteristic is treated as consistent with this criterion if a financial asset is acquired or generated with a premium or discounts from its contractual face value, and the amount paid in advance does substantially represent the contractual amount plus the interests contractually accumulated but not paid (which may include a reasonable offsetting due to the early termination), and the fair value of the prep-payment characteristic is insignificant at its initial recognition.

The following accounting policies are applied to the subsequent measurement of the financial assets.

Financial assets at fair value with changes in income (FVCI)	These assets are subsequently measured at fair value. Net profit and losses included in revenues fur to interests or dividends are recognized in income. See (iii) below for the derivatives designated as hedge instruments.
Total Financial Assets at Amortized Cost (A)	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced due to the impairment loss (see (ii) below). Revenues from exchange profit and losses and impairment are taken to income. Any profit or loss derecognized from accounts is recognized in income.
Debt investments with changes in Other Comprehensive Income (FVCOCI)	These assets are subsequently measured at fair value. Interests revenue calculated through the effective interest method, exchange difference earnings and impairment losses are taken to income. Other net earnings and valuation losses are taken to OCI. At the derecognition, accumulated earnings and losses in OCI are reclassified to profit or loss due to the OCI realization.
Equity investments with changes in Other Comprehensive Income (FVCOCI)	These assets are subsequently measured at fair value. Dividends are recognized as revenue in profit or loss, unless the dividends do clearly represent a recovery of part of the investment's cost. Other net profit or loss are recognized in OCI and are never reclassified in income.

The effect of adopting the IFRS 9 over the accounting balances of the financial assets as of January 1, 2018, relates to the changes and category, and to the new impairment requirements, as described further.

ii. Impairment of Financial Assets

IFRS 9 (version 2014) replaces the incurred loss model of IAS 39 for an expected credit loss model (ECL). This new model requires the application of considerable judgment in respect to the changes in economic factors affecting the ECL, which is determined on the basis of a weighted average basis.

The new impairment model applies to the following financial assets that are not measured at FVCI and FVCOCI:

- Debt instruments;
- Leases receivable;
- Other accounts receivable
- Loans
- Financial guarantee contracts issued; and
- Loans issued covenants

Under the IFRS 9 (version 2014), the impairment loss on investments over equity instruments will not be recognized.

IFRS 9 (version 2014) requires the recognition of an impairment provision for financial assets at fair value with changes in OCI for an amount equal to an expected impairment loss for a period of twelve months subsequent to the cutoff date of the financial statements, or during the loan's remaining term. The expected loss in the remaining life of the loan are the expected losses as a result of all possible impairment events over the expected life of the financial instrument, while the expected losses for the 12-month period are the portion of the expected losses as a result of possible impairment events during the twelve months following the reporting date of the financial statements.

Under IFRS 9 (version 2014), the reserves for losses are recognized for an amount equal to the ECL during the asset's life term, except for the following cases where the amount recognized is equivalent to the ECL for the 12 months following the date of measure:

- Investments in debt instruments determined that reflect a low credit risk at the cutoff date; and
- Other financial instruments (different from other short-term accounts receivable) on which the credit risk has not significantly increased from their initial recognition.

IFRS 9 impairment requirements are complex and require management estimated judgments and assumptions, particularly in the following areas:

- To assess whether the credit risk has significantly increased from its initial recognition; and
- To include prospective information when measuring the expected impairment losses.

Measurement of ECL

ECL is the expected credit loss value according to an exposure under credit risk characteristics and is measured as follows:

- Financial assets with no credit impairment at the reporting date: present value of all contractual cash payment delays (e.g., difference between the cash flows owed to the Group according to the contract and the cash flows the Group expects to receive);
- Impaired financial assets at the reporting date: difference between the carrying value and the present value of the future estimated cash flows.
- Covenants of outstanding loans: the present value of the difference between the contractual cash flows owed to the Group in the case the covenant is exercised, and the cash flows the Group expects to receive; and
- Financial guarantees contracts: expected payments to reimburse the holder, less any amount the Group expects to recover.

Impaired financial assets are defined by the IFRS 9 in a similar way as the impaired financial assets under IAS 39.

Definition of default

Under IFRS 9, the Group considers a financial asset in default when:

- It is hardly probable that the debtor pays in full its credit obligations to the Group with no resources to take actions, such as to realize the guarantee (if any is held); or
- The debtor is default for more than 90 days on any material credit obligation. Overdrafts are considered as in default once the client has surpassed the limit recommended or when lower limit is recommended than the current balance.
- Clients in bankruptcy processes, such as the Law 1116 in the case of the Republic of Colombia.

In the case of fixed income financial instrument, the following concepts are included, among others:

- External rating by the issuer of the instrument as D.
- The contractual payments are not made on the due date or on the term or grace period set out.
- There is virtual certainty of payment suspension.
- It is probable that they go bankrupt or a bankruptcy petition or a similar action is filed.

By assessing whether a debtor is in default, the Group considers the following indicators:

- Qualitative, e.g. failure to comply with contractual clauses.
- Quantitative, e.g. default status and failure to pay another obligation of the same issuing Group; and
- Based on internally developed data, and obtained from external sources

The input used in the assessment of whether the financial instruments are in default and their importance may vary in time to reflect the changes in circumstances.

Significant Increase in Credit Risk

Under IFRS 9, when a significant increase is determined in a financial asset from its initial recognition, the Group considers reasonable and sustainable information that may be relevant and is available with no disproportionate cost or effort, including the information and the qualitative and quantitative analysis, based on the historical records, as well as the expert assessment of the Group credit, including information forecasted to the future.

The Group expects to identify whether a significant increase has occurred in the credit risk, by comparing the following:

- The default probability (DP) during the remaining life at the reporting date; with
- The DP during the remaining life at that point in time, which was estimated at the moment of the exposure's initial recognition.
- Qualitative aspects are also considered along with the refutable presumption of the standard (30 days).

The assessment of whether the credit risk has significantly increased from the initial recognition of a financial asset requires the identification of the initial recognition date of the instrument.

Rating per Credit Risk Category

The Group will assign a credit risk rating to each exposure, based on a variety of data that determines the DP is predictive and applying the expert credit judgment; the Group expects to use such ratings to identify significant increases in the credit risk under IFRS 9 (version 2014). Credit risk ratings are defined through qualitative and quantitative factors that indicate the risk of loss. These factors may vary depending on the nature of the exposure and the type of provider.

Each exposure shall be allocated to a credit risk rating at its initial recognition, based on the information available on the debtor. The exposures shall be subject to continuous monitoring, which may result in the change of an exposure to a different credit risk rating.

Generating the DP's Term Structure

Credit risk ratings are expected to be the main input to determine the DP's Term structure for the various exposures. The Group intends to obtain performance and loss information on the exposures to credit risk analyzed per jurisdiction or region, type of product and debtor, as well as by the credit risk rating. In the case of some portfolios, the information compared with external credit reference agencies may also be used.

The Group uses statistical models to analyze the data gathered and generate impairment probability estimates in the remaining life of the exposures and such impairment probabilities change as a result over time.

This analysis includes the identification and calibration of relationships between the impairment rates and the key macro-economic factors, as well as an in-depth analysis of certain factors in the impairment risk (e.g. portfolio write-offs). For most credits, the key economic factors may probable include the growth of the gross internal product, changes to market interest rates and unemployment.

For the exposures in specific industries and/or regions, the analysis may extend to pertinent products and/or real estate prices.

The Group's approach to prepare prospective economic information in its assessment is presented as follows:

The Group has determined a general framework that includes quantitative and qualitative information to determine whether the credit risk in a financial asset ha significantly raised from its initial recognition.

The initial framework is aligned to the Group's internal process to manage the credit risk.

The criterion to determine whether the credit risk has significantly increase shall vary per portfolio and include limits, based on failures to comply.

The Group assesses whether the credit risk of an instrument has significantly increased from its initial recognition if, based on the quantitative modeling, the expected impairment probability will significantly increase. in determining the credit risk increase, the expected impairment loss in the remaining life is adjusted due to changes in the terms.

Under certain circumstances, using the judgment of credit experts and based on pertinent historical information, the Group may determine that an instrument has experienced a significant increase in the credit risk, if the particular qualitative factors may indicate it and such factors may not entirely be captured by their qualitative analysis periodically carried out. As a limit, and as required by IFRS 9, the Group shall assume a significant increase in the credit risk takes place at the latest when the asset is in default from more than 30 days.

The Group monitors the effectiveness of the criterion used to identify the significant increases in credit risk, based on regular reviews to confirm that:

- Criteria are capable of identifying significant increases in credit risk before an exposure is impaired.
- The criteria are not aligned with the point in time when an asset is over 30 days in default.
- The time average in identifying a significant increase in the credit risk and the default, seem to be reasonable.
- Instruments are not generally transferred directly from the Group's expected impairment probability in the following 12 months to the impaired credit group.
- There is no unjustified volatility in the impairment transfers provision between the groups with the expected loss probability in the following 12 months and the expected loss probability in the credits remaining life.

Modified Financial Assets

The credit contractual terms may be modified by a number of reasons, including changes in market conditions, client retention, and other factors not related to a current or potential impairment in the client's credit.

When the terms in a financial asset are modified under IFRS 9 and the modification does not result in a withdrawal of the asset from the balance sheet, determining whether the credit risk has significantly increased presents comparisons on:

- The default probability in the remaining life at the date of the balance sheet based on the terms modified with
- The default probability in the estimated remaining life based on the date of the initial recognition and the original contractual terms.

The Group renegotiates loans to clients under financial difficulties to maximize the collection opportunities and to minimize the risk of default. Under the Group's renegotiation policies, clients in financial difficulties are granted concessions that generally correspond to reductions in the interest rates, extension of payment terms, reduction of the balances owed, or a combination of all of them.

In the case of modified financial assets as part of the Group's renegotiation policies, the estimated DP reflects if the modifications have improved or restored the Group's ability to collect the interests and capital and the Group's previous similar actions. As part of this process, the Grupo shall assess the compliance with the payments by the debtor with the debt terms modified and it will consider several behavior indicators of such modified debtors' group.

Generally, the restructuring indicators are a relevant increase factor in the credit risk. Therefore, a restructured debtor needs to prove a consistent payment behavior over a period of time before it is no longer considered as an impaired credit or that the DP has decreased in such way that the provision may be reversed and the credit is measured for impairment in a period of twelve months following the closing date of the financial statements.

Input at the measure of ECL

The key input when measuring the ECL are usually the term structures of the following variables:

- Default probability (DP)
- Loss Given Default (LGD)
- Exposure due to Default (ED)

The parameters above will be derived from internal statistical models. These models shall be adjusted to reflect prospective information, as described below:

DP are estimated on a specific date that will be calculated based on statistical classification models and evaluated using rating tools adjusted to the different categories of counterparts and exposures. These statistical models shall be based on internally compiled data comprising both, qualitative and quantitative factors. If a counterpart or exposure migrates between the various ratings, this will generate a change in the estimated DP. DP shall be estimated considering contractual maturity terms of the exposures and the estimated pre-payment rates.

LGD is the probable magnitude of loss in the case of default. The Group shall estimate the LGD parameters based on the history of the loss recovery rates vs. the parties in default. The LGD models will consider the structure, collateral, and priority of the debt lost, the counterpart's industry and the recovery costs for any collateral that is part of the financial asset. In the case of loans guaranteed by property, such loans shall be calculated based on discounted cash flows using the credit's effective interest rate.

ED represents the expected exposure in the event of default. The Group shall derive the ED from the current counterpart's exposure and the potential changes in the current amount allowed under the contract terms, including amortization and prepayments. The ED of a financial asset shall be the gross value at the default. In the case of covenants of loans and financial guarantees the ED shall consider the amount withdrawn, as well as the potential future amounts that may be withdrawn or collected under the contract, which shall be estimated, based on historical observations and prospective forecasted information. In the case of some financial assets, the Group shall determine the ED by modeling a range of possible exposure results in several points in time using scenarios and statistical techniques. As described before, and subject to the use a maximal DP of 12 months where the credit risk has significantly increase, the Groups shall measure the ED considering the risk of default during the contractual term (including debt extension options to the client), on which there is an exposure to the credit risk, even if, for the purposes of risk management, the Group considers a larger period. The maximal contractual period extends to the date when the Group is entitled to require the payment for a loan prior to terminating a loan covenant or a guarantee pledged.

In the case of consumer overdrafts, credit cards balances and certain revolving corporate credits that include both, a loan and a covenant component not withdrawn by the client, the Group shall measure the ED over a period higher than the maximal contractual period if the Group's contractual ability to demand its payment and pay off the non-withdrawn covenant do not limit the Group's exposure to credit losses in the contract's contractual period. These facilities do not have a fixed term or a collection structure and are managed on a collective basis. The Group may pay them off with immediate effect, but this contractual right is not enforced by management's regular administration of the Group on a daily basis, but only when the Group finds out an increase of the credit risk at each loan level. This higher period shall be estimated, considering the credit risk management actions the Group expects to take and that are useful to mitigate the ED. These measures include a reduction in the limits and the cancellation of the credit contracts.

Where the parameters modeling is carried out on collective basis, the financial instruments shall be grouped on the basis of characteristics of similar risks that include:

- Type of instrument
- Credit Risk Rating
- Guarantee
- Date of Initial Recognition
- Remaining term to maturity
- Industry
- Debtor's geographic location

The groups above shall be subject to regular reviews to ensure the exposures of a particular Group remain appropriately homogeneous.

In the case of portfolios where the Group has limited historical information, comparative data shall be used to complement the internal information available.

Forecast of Future Economic Conditions

Under IFRS 9 (version 2014), the Group includes information with the forecast of future conditions, both at the assessment whether the credit risk has significantly increased from its initial recognition, as well as the measure of ECL. Based on the recommendations of use by economic experts and on the consideration of a variety of current and forecasted external information, the Group shall prepare a 'base case' on the projection of relevant economic variables, as well as a representative range of other possible forecasted scenarios. This process involved the development of two or more additional economic scenarios and considers the relative probabilities for each result.

The external information may include economic data and the disclosure of projections by government committees and monetary authorities in the countries where the Group operates, supranational organizations like the Organization for Economic Co-operation and Development (OECD) and the International Monetary Fund, among others, and academic and private sector forecasts.

It is expected that the base case represents the most probable result and that it is aligned to the information used by the Group for other purposes such as the strategic planning and budgeting. Other scenarios represent a more optimistic and pessimistic result. In addition, the Group plans to carry out periodic stress tests to tune the determination of other representative scenarios.

The Group is in the process of identifying and documenting key guidelines on credit risk and credit losses for each financial instruments' portfolio and, based on a historical data analysis, estimate the relationships between the macro-economic variables, credit risk and credit losses.

Change Impact of the Provision Model for Financial Instruments Impairment Losses

In the case of the assets in the scope of the impairment model under IFRS 9, the impairment losses are generally expected to increase and become more volatile. The Group determined the application of the impairment requirements of IFRS 9 as of January 1, 2018, results in an additional impairment assigned as follows:

	Dec-31-2017 IAS 39	**Jan-01-2018 IFRS 9**	**Recognition IFRS 9**
Portfolio	301,288	348,799	47,511
Investments	-	2,244	2,244
Accounts receivable (1)	13,603	873	(12,730)
Total	**314,891**	**351,916**	**37,025**
Deferred tax			(13,698)
Total			23,327

(1) The difference occurs because the bank used to include interests and other concepts derived from loan portfolio as part of other accounts receivable until December 31, 2017,. However, the aforementioned concepts are included as part of the loan portfolio from January 1, 2018.

iii. Separate Financial Statement Considerations:

In accordance with the Superintendency of Finance and the rules related to the preparation of the separate Financial Statements, the Bank and its Subsidiaries use a model set out by the Superintendency. Such models require the loans' classification in loan risk levels according to the following categories:

- Category A and AA - "regular risk": Loans and financial leases in this category are adequately cleaned, the financial statements of the debtor or their cash flows, as well as the remaining loan information available to us, reflect they are paying according to their adequate ability.
- Category B and BB - "Acceptable risk, above regular": Loans and financial leases in this category have an acceptable service and are adequately protected, but there are weaknesses that may potentially affect, temporarily or permanently, the debtor's payment ability or the cash flows projection, to the extent that, if not timely corrected, may affect the regular collection of the loans or contacts.
- Category C and CC * "considerable risk": Loans and financial leases in this category have debtors with insufficient payment ability or refer to projects with insufficient cash flows, which may compromise the regular collection of the liabilities.
- Category D * - "significant risk": Loans and financial leases in this category have the same deficiencies as loans in category C, but to a higher extent; consequently, the collection probability is highly doubtful.
- Category E * - "Nonrecoverable risk": Loans and financial leases in this category are considered as uncollectible.
- (*) Categories D and E are considered "default" loans to calculate the assignment of commercial and consumer loans.

In the case of mortgages and micro-loans, the preceding risk level classification is made based on the monthly number of days in default.

Differences between the impairment calculated separately, in conformity with the rules of the Superintendency of Finance, in respect to the calculation made under IFRS 9 on a consolidated basis recorded in OCI, amounted to $6,520 (-$10,757 for 2018).

d) Derivative Financial Instruments and Hedge Accounting

A derivative is a financial instrument for which its value changes as a result of one or more underlying variables (specific interest rate, price of a financial instrument, or commodity listed in a stock market, and the exchange rate of a foreign currency, etc.), that has an initial net investment lower than the investment required for other instruments with a similar response to the variable and is traded at a future date.

The Bank and its Subsidiaries trade in the following financial markets: forwards, futures and swaps that meet the derivative's definition.

Derivative operations are initially recognized at fair value. Subsequent changes in fair value are recognized in the income statement, unless the derivative is designated as a hedge instrument, in which case, the accounting criteria will depend on the nature of the item hedged, as described below:

- In the case of the fair value hedge of assets or liabilities and firm commitments, changes in the fair value are recognized in the income statement, as well as any other change in the fair value of the asset, liability or firm commitment attributable to the risk hedged.

- Cash flows hedge a particular risk related to a recognized asset or liability or a highly probable projected operation, the effective portion of changes in the derivative's fair value is recognized in other comprehensive income (OCI) in equity. The profit or loss related to the non-effective portion for the hedge or that does not relate to the covered risk is immediately recognized in the income statement.

  Amounts accumulated in other comprehensive income (OCI) are transferred to the profit of loss in the same period when the hedged instrument is liquidated and results in a loss or profit.

- Hedging of net investments in a foreign operation is recognized similarly to the cash flows hedge: the effective portion of changes in the fair value of the hedge instrument is recognized in OCI, and the ineffective portion of the changes in the derivative's fair value is recognized in the income statement. The profit or loss of the hedge instrument accumulated in equity are recognized in the income statement when the net investment in foreign operations is entirely sold, or proportionally when it is partly sold.

At the beginning of the transaction, the Bank and its Subsidiaries document the current relationship between the hedge instrument and the item hedge, as well as the objective of the risk hedge and the strategy to start the hedge relationship. It does also document its assessment at the date of the beginning of the transaction and on recurrent bases, to determine whether the hedge relationship is highly effective to offset the changes in the fair value or in the cash flows of the items hedged.

e) Non-current assets held for sale

Foreclosed assets and non-current assets held for sale which the Bank and its Subsidiaries are going to sell within a period not shorter than one year, and for which the sale is considered highly probable, are recognized as 'non-current assets held for sale'. These assets are measured at the lower amount between the book value and fair value less the estimated cost for disposal. If the term expires and the assets have not been sold, they are reclassified to their original categories (Property and Equipment, Other Assets).

The Bank and its Subsidiaries recognize impairment losses due to initial or subsequent reduction of the asset's value for disposal in the income statement at fair value less the costs for disposal.

f) Properties and Equipment

Properties and Equipment include own assets or assets under financial leases held by the Bank and its Subsidiaries for their current or future use, and which are expected to be used during more than one period.

As of December 2017, Banco GNB Sudameris S. A. modified the accounting policy for lands and buildings, in order to account for such real estate assets under the valuation model at fair value applying a commercial valuation and not the cost model, as it had been done prior to this time.

The change was adopted as part of the accounting policies as the valuation adjustments applied to the real estate assets in Colombia have made it more reasonable to have lands and buildings accounted at their commercial value instead of cost.

The effect in the Consolidated Financial Statements of Banco GNB Sudameris is positive to the extent that an increase is generated in the assets and in the entity's Other Comprehensive Income (OCI), which will reflect in the Financial Statements for the period ended as of December 31, 2018, with the following values:

Buildings and land	10,861
Deferred tax liability	3,763
OCI, net of taxes	7,098

Other properties and equipment, different from real estate, are recorded at their acquisition cost, less the corresponding accumulation depreciation and, if applicable, the estimated losses as a result of comparing the net accounting value of each item with the corresponding recoverable amount.

Depreciation is calculating by applying the straight-line method during the estimated useful life of the asset. The annual depreciation rates per asset's item are as follows:

Concept	Useful Life
Buildings	60 – 80 years
Hardware – IT infrastructure	9 – 25 years
PC Laptops	3 – 7 years
Servers	3 – 5 years
Communications	6 – 8 years
Equipment for specific extension	5 – 7 years
ATM	5 – 10 years
Middle/high capacity equipment: power plant >40 KW/UPS > 30 KVA/ - Air conditioning of the facilities	10 – 12 years
Generators /UPS/ Air conditioning in the offices	5 – 10 years
Furniture and supplies	3 – 10 years
Vehicles	5 – 10 years

Costs related to the repair and maintenance of assets and equipment are recognized as an expense in the period they are accrued and are recorded as general expenses.

Property and equipment are initially measured at cost, including:

a) The purchase price included including any import costs and non-deductible taxes after deducting any applicable discounts;
b) Any costs directly attributable to the transportation of the goods and to bring them to operating conditions;
c) Cost of dismantling. This is an initial estimate of the restoration cost.
d) Applicable interest cost.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred

Asset impairment

The book value, including the residual value of a Property and Equipment asset is written off when no future associated economic benefit is expected, and the profit or loss for such write off are shows in income.

g) Investment properties

Land and buildings, considered in part or as a whole, maintained to earn revenues from a lease or capital appreciation, and not for its own use for sale in the ordinary course of the business, are classified as investment properties. Investment properties are initially recognized at cost, and subsequently measured at fair value with changes in the fair value recognized in the income statement.

h) Leases

Accounting policy applicable until December 31, 2018

• Assets given as a lease

The assets given as a lease by the Group are classified at the execution of the contract as financial or operating leases. A lease is classified as a financial lease when it transfers substantially all risks and rewards inherent to the property. A lease is classified as an operating lease if it does not transfer substantially all risks and rewards inherent to the property. The lease contracts classified as a financial lease, are included in the balance sheet under the account "financial assets through loans at amortized cost" and accounted for as all other loans granted. The lease contracts classified as an operating lease are included in the account property, plant and equipment and are accounted and depreciated as that class of assets. The Group currently only has operating leases.

• Assets received as a lease

The assets received as a lease, when initially received, are classified as financial or operating leases, just as the assets delivered as a lease described in the paragraph above.

The lease contracts classified as a financial lease are included in the balance sheet under property, plant and equipment for own use, or as investment properties, according to their purpose, and are initially accounted in assets and liabilities, simultaneously, at an amount equal to the fair value of the asset received in lease or at the present value of the minimum lease amounts, whichever is lower. The present value of the minimum lease amounts is established using the interest rate implicit in the lease contract, or if such rate is not determined, the average interest rate used is the rate on the bonds placed by the Bank in the market. Any initial direct cost of the lessee is added to the amount recognized as an asset. The amount recorded as a liability is included in the account financial liabilities and recorded as they are.

Payment made under operative leases are recognized in income in a linear method during the lease term. Incentives received from leases are recognized as an integral part of the total lease expense during its term.

Accounting policy applicable after January 1, 2019

A lease contract is an agreement through which a lessor assigns the right to use for an asset during a determined period in exchange for a payment or a series of payments from a lessee.

The Group is a Lessor and a Lessee of various properties, equipment and vehicles. The lease contracts are generally made for fixed periods of 1 to 10 years, but they may have extension options. The lease conditions are individually negotiated and include a wide range of different terms and conditions.

The options of extension and termination included in the Group leases, are used to maximize the operative flexibility in terms of contract management. Most of the extension and termination options maintained are applicable simultaneously by the Group and the respective counterpart.

Lessee Accounting

Leases are recognized as right of use assets and the respective liabilities at the date when the leased asset is available to be used by the Group. Each lease payment is assigned to the liability and the financial cost. The financial cost is recorded as a financial expense during the lease period, in order to produce a constant periodic interest rate on the remaining balance of the liability for each period. The right of use asset is depreciated during the shortest useful life between the assets and the lease term, using the straight-line method.

Assets and liabilities originated in a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including substantial fixed payments), less any lease incentive receivable
- Variable lease payments based on an index or rate

Amount expected to be paid by the Lessee under residual amount guarantees.

- The exercise price of a purchase option, if the Lessee is reasonably sure to exercise this option; and
- Payment of fines on lease termination, if the lease condition reflects the Lessee has exercised that option.

The lease payments are discounted using the interest rate implicit in the lease, whenever it is possible to determine, or the incremental indebtedness rate.

The right of use assets are measured at cost and comprise the following:

- The amount of the initial measurement of the lease liability
- All lease payment made on or before the initial date
- All initial direct cost; and
- Cost of decommissioning and restoration.

Payments related to short-term leases and leases of low value assets are recognized under the linear method as an expense in the income statement. Short-term leases have a term of 12 months or fewer. Low value assets comprise the computing equipment and small items of the office furniture.

Lessor Accounting

When the assets are leased under a financial lease, the present value of the future lease payments are recognized as an accounts receivable. The difference between the gross amount receivable and the present value of the accounts receivable is recognized as financial income.

The accounts receivable is amortized assigning each lease amount between the financial income and the capital amortization in each accounting period, so that the recognition of the financial income reflects in each period a constant performance rate on the net financial investment made by the Lessor in the financial lease.

When the assets are leased under an operative lease, the asset is included in the Statement of Financial Position according the nature of the asset. Operating leases income is recognized during the term of the lease contract on a straight-line basis.

i) Intangible Assets

1) Business Combination/Goodwill

Business combinations are recorded by applying the acquisition method when control is transferred. The cost transferred in the acquisition is usually measured at fair value, in the same way as the identifiable net assets acquired. The resulting goodwill is annually tested for impairment. If there are non-controlling interests during the entity's control acquisition, assets are recognized at fair value or proportional interest for the amount recognized of the acquired party's identifiable net assets. This election is allowed on an operating basis.

Goodwill represents the excess amount paid over the fair value of the assets and liabilities acquired in a business combination (with certain exceptions, where the book value is used).

Goodwill acquired in a business combination is assigned to each group of the cash generating units of which benefits are expected as a consequence of the acquisition. Goodwill is not subsequently amortized but is subject to an annual impairment assessment of the cash generating unit (CGU) to which goodwill has been assigned, from which future benefits are expected as a result of the business combinations.

An impairment recorded from goodwill cannot be reversed in subsequent periods. In addition, the financial statement of the business acquired by the Bank and its Subsidiaries is included as of the date of acquisition as part of the consolidated financial statements.

2) Other Intangible Items

Other Intangible Items comprise computer programs (software), initially measured at the cost incurred during acquisition or internal development phases. Costs incurred during the research phase are registered in the income statement.

Development costs directly attributed to design and identifiable software testing, are recognized as intangible assets when they meet the following conditions:

- It is technically possible to complete the production of an intangible asset so that it is available for use;
- Management is committed to complete that intangible asset for its use;
- The Bank is capable of using the intangible asset;
- It is probable that the Bank will receive the future expected economic benefits from using the asset;
- Adequate technical or financial resources are available or other resources to complete development and to use the intangible asset; and
- Costs attributable to intangible assets during their development phase can be reliably estimated and measured.

Costs directly attributable and capitalized as part of the computer software include personnel expenses of the developers, and an adequate percentage for general expenses.

Expenses that do not meet these criteria are recognized as expenses on an accumulative basis. Disbursements on intangible assets are initially recognized as expenses for the period and will not subsequently recognized as intangible assets.

Subsequent to recognition, these assets are measured at cost less amortization, which is done during the estimated useful life, as follows: Software programs and computing licenses: 10 years.

Amortization is recognized through the straight-line method depending on the estimated useful lives.

j) Inventory

Inventory is valued at the lower amount between the cost and the net realization value. The cost shall include the purchase cost, transformation cost and other costs incurred to bring it to condition and current location the net realizable value is the estimated sale price in the ordinary course of the business, less the applicable sale expenses.

If an inventory is impaired, the carrying value is lowered to its sale price less the cost to complete and sale; the impairment loss on the value is immediately recorded in the income statement.

k) Financial liabilities

A financial liability is any contractual obligation of the Bank and its Subsidiaries to deliver cash or other financial assets to another entity or person, or to exchange financial assets or financial liabilities under potentially unfavorable conditions to the Bank and its Subsidiaries, or a contract that will be terminated or settled using equity instruments property of the entity. Financial liabilities are initially recognized at fair value, which is usually the same as the operation value less cost directly attributable. Subsequently, such financial assets are measured at amortized cost, in accordance with the effective interest-rate method, determined at the initial recognition and taken to the income statement as financial expenses.

l) Employee Benefits

The Bank and its Subsidiaries provide the following in exchange for the services provided by its employees:

- Short-term employee benefits

According to the Colombian labor regulation, such benefits correspond to salaries, legal and extra-bonuses, holidays, severance payments, and contributions of payroll taxes to State entities paid within the 12 months following the reporting period. These benefits are recognized on an accumulative basis and taken to the income statement.

- Post-employment benefits (defined benefit plans)

These are the benefits that the Bank and its Subsidiaries pay their employees when they retire or when they complete their period of employment, different from indemnities. In accordance with Colombian labor standards, these benefits correspond to retirement pensions that are assumed directly by the Bank and its Subsidiaries, payments pending for severance payments to employees belonging to the labor regime prior to Law 50 of 1990, and certain extralegal benefits or benefits agreed in collective bargaining agreements.

The liabilities for post-employment benefits are determined based on the present value of estimated future payments, calculated based on actuarial reviews prepared using the projected credit unit method, actuarial assumptions about the mortality rate, salary increase, personnel turnover and interest rates determined with reference to market yields on bond effects at the date of reporting for National Government bonds or high quality business liabilities. According to the method of the projected credit unit, the future benefits to be paid to employees are allocated to the accounting period when the employee provides the service. Therefore, the corresponding expense on these benefits is recognized in the income statement of the Bank and its subsidiaries, includes the cost for the present service assigned in the actuarial calculation, plus the financial cost of the liabilities calculated. Changes in liabilities due to changes in actuarial assumptions are recognized in other comprehensive income (OCI).

Changes in actuarial liabilities due to changes in employment benefits retroactively granted to employees are recognized as an expense in the first of the following dates:

- When there is a change in employment benefits granted; or

- When provisions for restructuring costs are recognized by a subsidiary or a business of the Bank and its Subsidiaries.

The Group does not make payments on employee benefits as shares.

The Group does not have any asset and/or insurance policy destined to cover the payment of Post-employment Benefits, and thus, it established this entire liability in its Financial Statements.

- Other Long-term Benefits

Other long-term benefits include all employee benefits other than short-term, post-employment benefits and layoff indemnities. In accordance with collective bargaining agreements and the regulation of each company of the Bank and its Subsidiary, these benefits are mainly seniority bonuses. Liabilities for long-term benefits to employee are determined in the same way as the post-employment benefits described in Subsection (b) above; the only difference is that the changes in the actuarial liability due to changes in actuarial assumptions are taken to the income statement.

The Group does not have any asset and/or insurance policy destined to cover the payment of other long-term benefits, and thus, it established this entire liability in its Financial Statements.

Benefits for Unilateral Termination

These benefits are payments made by the Bank and its Subsidiaries as a result of a unilateral decision to terminate a contract of employment, or the employee's decision to accept benefits offered by a company in exchange for the termination of the contract of employment. In accordance with Colombian law that these payments correspond to offsettings and other benefits which entities unilaterally decide to grant their employees in these cases.

Termination benefits are recognized as a liability in the income statement on the first of the following dates:

- When the Bank and Subsidiaries formally inform the employee of the decision to terminate; or

- When provisions for restructuring costs are recognized by a subsidiary or a business of the Bank and its Subsidiaries.

m) Taxes

Income tax expenses include the current and deferred tax. The tax expense is recognized in the income statement, except for items recognized in the Other Comprehensive Income (OCI) in equity.

1) Current Income Tax

Current income tax is calculated based on the current tax regulations (enacted or substantially enacted) in Colombia as from the reporting date of the financial statements, or in the country were the subsidiaries of each subordinate entity are located. Management regularly evaluates, at each subordinate' level, the income tax positions in respect to the situations where applicable tax regulations are subject to interpretation and establishes provisions, where applicable, based on the amounts expected to pay to the tax authorities.

2) Deferred Taxes

Deferred taxes are recognized on temporary differences that arise between the tax basis of assets or liabilities and the amounts recognized in the consolidated financial statements. However, deferred taxes are not recognized if they arise due to the initial recognition of goodwill, temporary differences on the initial recognition of an asset and a liability in a transaction other than a business combination not affecting the accounting or tax profit or loss in respect to investment in subsidiaries, to the extent their reversal in the foreseeable future is not likely. Deferred tax is determined using the tax tariff in force at the close of the balance sheet.

Deferred tax assets are recognized only to the extent that it is probable future tax income are available to offset temporary differences.

Deferred tax assets arise from taxable temporary differences, except for tax liabilities in investments in subsidiaries, where the appropriate time to reverse the various temporary differences is controlled by the Bank and its Subsidiaries and is not reversed in the near future. Generally, the Bank and its Subsidiaries have the capacity to control the reversal of temporary differences in investments in associates.

Current tax and deferred tax are offset only when the Bank has the legal and enforceable offsetting legal right and is going to liquidate on a net basis and to liquidate the liability at the same time. Deferred tax is offset when there is a legal right to offset deferred taxes against current tax liabilities, and when deferred tax assets and liabilities refer to income tax accounted by the same taxing authority on the same taxable entity, or on different entities. However, these different entities intend to liquidate current tax liabilities and assets on a net basis, or their assets and liabilities will be simultaneously realized for each period where differences are reversed.

n) Provisions and Contingencies

Provisions for restructuring costs and legal claims, etc. are recognized when the Bank and its Subsidiaries face a legal or constructive obligation as a result of past events and are likely to require a flow of economic benefits to liquidate the obligation. Restructuring provisions include fines due to the cancellation of leases and payments due to the dismissal of employees.
The provision amount is determined as the best estimate, and when a long-term liquidation is expected, it is discounted at its present value.

Provisions are periodically updated, at least at the closing date for each period, and adjusted to reflect the best possible estimate at any time. The provision is reversed if it is no longer probable that funds will have to be distributed to meet that obligation. If there is a change in estimates, they are recorded prospectively as changes in accounting estimates, in accordance with IAS 8 Accounting Policies Changes in Accounting Estimates and Errors.

o) Net Profit per Share

Net profit per share, is calculated by dividing the net profit by the period attributable to the controlling interest by the weighted average of ordinary shares issued and delivered during the period. The Bank does not have financial instruments with potential voting rights. Therefore, these financial statements present only the basic profit per share.

p) Operating segments

An operating segment is a component of an entity which:

a) undertakes business activities out of which it may obtain income and incur expenses (including operating income and expenses with other components in the same entity);

b) operating profit or loss are periodically reviewed by the person responsible for making decisions, who decides the allocation of resources to the segment and evaluates performance; and

c) has differentiated financial information available.

The Bank and its Subsidiaries disclose separate information per operating segment identified that exceeds the minimal quantitative thresholds of a segment:

a) Income reported from ordinary activities, including income from external customers, as well as income or transfers between segments, equal or higher than 10% of combined ordinary activities income, internal and external, from all operating segments.

b) The net profit amount reported is, in absolute terms, equal or higher than 10% of the greater of (i) the net combined profit reported for all operating segments that have not had losses; or (ii) the combined loss reported of all operating segments that have had losses.

c) Its assets are equal or higher than 10% of the combined assets of all operating segments.

q) Non-consolidated structured entities

In the regular course of business, the Bank undertakes operations through which it transfers financial assets to third parties. Depending on the circumstances, these transfers may result on the withdrawal of those financial assets, or that they continue being recognized. The term "non-consolidated structured entities" refers to all the structured entities not controlled by the Bank. The Bank undertakes transactions with non-consolidated structured entities in the regular course of business in order to facilitate the transactions of clients and for specific investment opportunities.

r) Changes to accounting policies

The Group applied IFRS 16 - Leases, as of January 1, 2019. According to the transition provisions of IFRS 16, the new standard was retrospectively adopted with the accumulative effect of the initial application of the new standard recognized as of January 1, 2019. The comparative figures of 2018 have not been restated.

As of 2018, the leases of properties and equipment where the Group was a lessee, did not substantially have all the risks and benefits derived from the property, were classified as operating leases, and those where they did, as financial leases.

In the adoption of IFRS 16, the Group recognized liabilities on leases related to leases previously classified as “operating leases” under the principles of IAS 17 - Leases. These liabilities were measured at the present value of the remaining lease payments, discounted through the incremental indebtedness rate of each entity as from January 1, 2019. The weighted average of the incremental indebtedness rate of the lessee applied to the lease liabilities on January 1, was 5.94 %.was calculated based on the following annual discount rates of 6.94%, 7.67% and 9.53% for the Bank and its national subsidiaries and 6.2%, 3.2% and 6.3% E.A. for its foreign subsidiaries for the short, medium and long term, respectively.%.

The right of use assets were measured at an amount equal to the lease liability, adjusted by the amount of any lease amount paid in advance, recognized in the Statement of Financial Position at December 31, 2018. Properties and equipment increased by $145,011 on January 1, 2019; there was no impact on retained earnings as of January 1, 2019.

By applying IFRS 16 for the first time, the Group used the following practical options allowed by the standard:

- The use of a single discount rate on a lease portfolio with reasonably similar characteristics.
- The accounting of operating leases with a remaining lease term of at least 12 months as of January 1, 2019, as short-term leases.
- The exclusion of the initial direct cots to measure the assets of right of use at the date of initial application; and
- The retrospective use in the determination of the lease term where the contract has options to extend or terminate the lease.

NOTE 4 - CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES WHEN APPLYING ACCOUNTING POLICIES

The management of the Bank and its Subsidiaries makes estimates and adopts assumptions that affect the amounts recognized in the consolidated financial statements and the book value of assets and liabilities over the course of the period. These judgments and estimates are permanently evaluated and are based on management's experience and other factors including the occurrence of future events considered to be reasonable under current circumstances. Similarly, management makes judgments additional to those that involve the estimates adopted in the process of applying the accounting policies. The judgments with the most significant effect on the amounts recognized in the Consolidated Financial Statements and the estimates that may generate significant adjustments in the book value of assets and liabilities for the following year, include the following:

Going Concern: The management of the Bank and its Subsidiaries prepares the Financial Statements based on a going concern. For the purposes of this judgment, Management considers the financial position, its current intentions, the operations result and access to the financial resources in the market and analyzes the impact of such factors on its future operations.

At the date of this report, management has no knowledge of any situation that would make the Bank and its Subsidiaries think they would not have the ability to continue as a going concern in the following year.

1) Business model for financial assets

The Bank and its Subsidiaries apply significant level of judgment by determining their business model to manage financial assets and to assess whether such assets meet the conditions set by the business model in order to be classified as "at fair value" or "at amortized cost". Consequently, and in general, the Bank and its Subsidiaries have classified their financial assets in debt securities in their investment portfolios as "at fair value" with a lower segment as "at amortized cost". The latter does basically correspond to investments in debt securities of the Colombian Government and mandatory investments under Colombian regulations.

The Bank and its Subsidiaries classify their loans at amortized cost. Under the terms of the business model, the financial assets at amortized cost may only be sold in restricted circumstances and are not material in respect to the total portfolio. This may happen when an asset ceases to comply with the accounting policy for investments of the Bank and its Subsidiaries, or due to adjustments to the maturity structure of assets and liabilities, the need to finance significant disbursements or to meet seasonal liquidity needs. During the periods ended on December 31, 2019 and 2018, the Bank and its Subsidiaries did not make any significant change to the business model and no significant sales have been made of financial assets classified at amortized cost.

2) Loan impairment loss

In the calculation process of the provisions vs. the individual loans considered as significant applying the discounted cash flow method, the management of the Bank and its subsidiaries adopts assumptions in respect to the recoverable amount per client and the time when such recovery would take place. Any variation in the estimate's amount may result in significant variations in the corresponding provision amount. Management makes an estimate to calculate the provision vs. individual loans considered as significant based on the respective guarantees, in order to determine their fair value, with the assistance of independent experts. Any variation in the recovery's resulting price eventually made through the guarantee, may in turn generate significant variations in the provisions amount.

In the calculation process of the collective impairment provisions for the loans not individually considered, or those individually significant and not impaired, and which impairment is collectively assessed, the historical loss rates are periodically updated to include the most recent data that reflects the current financial position, the industry profitability trends, geographic and lenders concentrations in each loans segment, and any other pertinent information that may affect the calculation of the loans impairment provision. There are several factors that influence the provisions estimates vs. the losses in the losses granted by the Bank and its subsidiaries, including the volatility in the impairment probability, migration and the estimates on the loss severity.

In order to quantify the eventual losses in collectively assessed portfolios, the Bank and its Subsidiaries have calculation methods that considers four main factors, as follows: exposure, default probability, loss identification period, and the loss severity. Therefore, the loans are considered in default when they have been over 90 days in default, or restructured due to the lenders' financial hazards, clients in bankruptcy, and clients included in risk categories D or E, under the terms of the internal loan risk assessment model.

- Exposure to Default (ED) is the amount of risk, if the debtor stops paying.

- The Probability of Default (PD) is the probability the debtor may fail to comply with its payment obligations of capital or interests. PD is related to the rating, score or height in default in the payment per debtor or operation. In the specific case of loans in default, PD assigned is 100%. A loan is classified as 'doubtful' when it has 90 days or more in default, or where there is no failure to comply with the payments but there are doubts on the debtor's solvency ("subjective doubt").

- The Default Given Loss (DGL) is the estimated loss in the Event of Default and depends mainly on the debtor's characteristics and the valuation of the guarantees related to the operation.

- The Loss Identification Period (LIP) corresponds to the period from the occurrence of the event that causes a particular loss, and the moment when such loss becomes evident at individual level. The LIP analysis is made based on homogeneous risk portfolios.

3) Deferred Income Tax

The Bank and its Subsidiaries assess the realization in time of the deferred tax assets. Such assets consist of the recoverable Income tax through future deductions of taxable profit and are recorded in the Statement of Financial Position. They are recoverable considering the probability there may be corresponding tax benefits. Future taxable income and the amount of tax benefits are based on the medium-term management plans. The business plan is based on the management expectations that are considered as reasonable under current circumstances.

As of December 31, 2019 and 2018, the management of the Bank and its Subsidiaries estimates that the deferred income tax assets would be recovered based on the future estimated taxable profit together with the translation adjustment to the Financial Statements. No deferred tax liability has been recorded on the subsidiaries profit, since the Bank is not expecting to remit them in the near future, because the Bank controls the subsidiaries' dividends policy and it does not intend any dividends distribution or sale of the corresponding investments in the near future.

4) Goodwill

Annually, the management of the Bank and its Subsidiaries assesses the eventual impairment of goodwill recognized in its Financial Statements. Such assessment is carried out based on the valuation of the business lines related to goodwill through the discounted cash flows method and considering factors like the economic situation of the country, the operating segment, historical financial information, and the growth projections of income and costs in the following five years and in an indefinite future, considering the profit capitalization index, discounted at risk free rates with the risk premiums required under the circumstances. The main assumptions used in such valuations appear in Note 16.

5) Provisions for contingencies

The Bank and its Subsidiaries calculate and record estimates for contingencies in order to cover eventual losses due to labor, civil and commercial litigations, requirements by the tax authorities, and other matters, depending on the circumstances, which, in the opinion of the internal and external legal consultants, are considered to be sources of probable losses and that may be reasonably quantified.

In many of these lawsuits or cases, given their nature, it is not reasonably feasible to make a precise projection or to quantify the loss, and thus, the actual amount disbursed due to the lawsuits or litigations is constantly different from the amounts initially estimated and provided for. Such differences are recognized in the year when they are identified.

6) Pension plans

The measurement of the obligations due to pensions, costs and liabilities depends on a wide variety of long-term assumptions determined on actuarial bases, including the present value of future projected payments for the pensions of the plan affiliates, considering the probability of potential future events such as the increase of the minimal urban salaries and demographic experiences; these considerations may affect the amount and future contributions in case of any variation.

The discount rate used allows the representation of the future cash flows at their present value in the date of measurement. The Bank and its Subsidiaries set a long-term rate that represents the market rate for high quality fixed income investments or government bonds in Colombian pesos - i.e. the currency in which the earnings will be paid - and considers the opportunities and payment amounts of future earnings. Colombian government bonds were selected for this purpose.

The Bank and its Subsidiaries use other key assumptions to value the actuarial liability calculated on the basis of specific experiences in combination with statistics published and market indicators. The most relevant assumptions made in the actuarial calculations and the corresponding sensitivity analysis appear in Note 21.

7) Revenue recognition

The application of IFRS 15 requires the Bank and its Subsidiaries to make judgments that affect the amount's determination and the income timeliness from contacts with clients. They include:

- Determination of the moment when the performance obligation is met.
- Determination of the transaction price assigned to such obligations.
- Determination of the individual sale prices.

8) Loyalty programs

In respect to the clients' loyalty programs, the fair value attributed to the reward points is deferred as a liability and it is recognized as income at the time of redemption for the points and the provision of the service to the participants to whom the points are granted. The fair value of the reward loans is estimated as a reference to the fair value of the prizes that may be claimed, and it is reduced to consider the proportion of reward loans out of which no redemption is expected by the clients. The Bank exercises its judgment by determining the assumptions to be adopted in order to respect the amount of points not expected to be redeemed through the use of the statistical model and a historical trends model t determine the mix and the fair value of the reward credits.

The points grant a material right to the clients, which they would not have access to if they would not sign a contract. Therefore, the promise to give points to the clients is considered an individual performance obligation. The transaction price is assigned to the product and the points based on the individual sale price. The individual sale price for the product sold is estimated based on the market price.

9) Lease activities of the Bank and how they are accounted for

The Group leases several properties, equipment and vehicles. The lease contracts are regularly made for fixed periods. The lease conditions are individually negotiated and include a wide range of different terms and conditions. The lease contracts do not impose any agreement, but the assets leased may not be used as collateral for loans purposes.

Leases are recognized as right of use assets and the respective liabilities at the date when the leased asset is available to be used by the Bank. Each lease payment is assigned to the liability and the financial cost. The financial cost is taken to profit or loss during the lease period, in order to produce a constant periodic interest rate on the remaining balance of the liability for each period. The right of use asset is depreciated throughout the shortest useful life of the asset and the lease term on a linear basis.

10) Variable lease payments

Some property leases comprise variable payment conditions related to the income generated by an office. For individual offices, up to 100% of the lease payments are made on the basis of variable payment conditions and a wide range of sale percentages apply. Variable payment conditions are used due to a variety of reasons, including the minimization of the fixed costs basis for recently established offices. Variable lease payments that depend on income are recognized in the income statement in the period when the condition that triggers such payments takes place.

11) Extension and termination options

The extension and termination options are included in several leases of properties and equipment of the Group. Such conditions are used to maximize the operative flexibility in terms of contracts management. Most of the extension and termination options held are exercised by the Group and the lessor.

12) Lease Terms

By determining the lease term, management considers all facts and circumstances that create a financial incentive to exercise an extension option, or not to exercise a termination option. The assessment is reviewed if a significant event or a significant change occurs in the circumstance that affect such assessment.

NOTE 5 - ACCOUNTING STATEMENTS ISSUED BY IASB AT INTERNATIONAL LEVEL

Standards issued not yet applicable

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2020 and earlier application is permitted; however, the Grupo has not early adopted them in preparing these consolidated financial statements.

New or Amended Standard	Title of the Standard	Effective for Annual Periods Beginning on or After
Forthcoming requirements.		

Amendments to References to Conceptual Framework in IFRS Standards	Conceptual Framework	January 1, 2020
Definition of a Bussiness	Amendment to IFRS 3	January 1, 2020
IFRS 17	Isurance contracts	January 1, 2021
Interpretation IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2020

The Group has preliminarily assessed the impacts of adopting of the new or amended standards detailed above, concluding that these are not expected to have a significant impact on the Group's consolidated financial statements.

NOTE 6 - FAIR VALUE MEASUREMENT

The fair value of the financial assets and liabilities traded in active markets (such as financial assets in debt securities, equity certificates and derivatives listed and actively traded in stock exchanges or interbank markets) is based on dirty prices supplied by a price vendor.

An active market is a market where assets or liabilities are traded with sufficient frequency and volume to be able to provide price information on an ongoing basis. A dirty price is that which includes accrued and outstanding interest on the security, as from the date of issue or last payment of interest, until the effective purchase-sale operation date. The fair value of financial assets and liabilities not traded in an active market is determined through valuation techniques selected by the price supplier or by management of the Bank and its Subsidiaries.

Valuation techniques used for non-standardized financial instruments, such as foreign currency swaps and derivatives in the over-the-counter market include the use of interest rates or currency assessment curves built by market data providers, extrapolated to the specific conditions of the instrument appraised. Discounted cash flow analysis and other valuation techniques are used as well by the market stakeholders that mostly use the market data.

The Bank and its Subsidiaries may use models developed internally to appraise instruments that are not part of active markets; generally, such models are 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 in the stock exchange, debt certificates and other debt instruments where the markets have been inactive during the period. Some inputs of these models may not be observable in the market and thus, are 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 Bank's positions. Therefore, the valuations are adjusted, if necessary, to allow additional factors, including the model risk, liquidity risks and counterpart risks.

The fair value hierarchy has the following levels:

- Level 1 entry data are quoted prices (with no adjustments) in active markets for identical assets and liabilities to those the entity can access at the date of measure.

- Level 2 entry data are different from the prices quoted included in Level 1, that are directly or indirectly observable for the assets or liabilities.

- Level 3 entry data are non-observable entry data for the asset or liability.

The fair value level that allows the justification of a total fair value is determined on the basis of the lowest input level that is significant to measure the entire fair value. Therefore, the importance of an entry is evaluated in relation to the measurement of the entire fair value. If the fair value measurement uses observable inputs that require significant adjustments based on non-observable inputs, the measurement falls under Level 3. The importance evaluation of a particular input for the fair value measurement requires exercising judgment that considers the asset or liability specific factors.

Determining the meaning of "observable" requires significant judgment by the Bank and its Subsidiaries. The Bank and its Subsidiaries consider data is observable, if they are market data that is available, periodic distributed or updated, reliable and verifiable, have no rights of ownership and are provided by independent sources with an active role in the reference market.

a) Measurement of Fair Value on a Recurrent Basis

These are the measurements required or allowed by IFRS in the statement of financial position at the end of the period.

The most frequent methods applicable to derivatives are the following:

Valuation of currency forwards: A price provider publishes curves according to the underlying currency of origin. Such curves represent the nominal rate for periods in arrears related to exchange rates forwards.

Valuation of forwards on bonds: To determine a forward's valuation at a determined date, the bond's theoretical value is calculated based on its price at the valuation date and the underlying country-risk-free reference rate. 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 for the underlying security over the days to maturity.

Valuation of swaps: A price provider publishes curves in accordance with the underlying security, base swap curves (exchange of payments related to variable interest rates), domestic and foreign curves and implied curves associated with exchange forwards.

Valuation of OTC options: A price provider publishes curves for the underlying currency of origin, a forward exchange rate curve for the local operation currency, implied curves associated with exchange forwards, swap curves assigned to the particular underlying instrument and a matrix and curves for implied volatilities.

The valuation of real estate property recognized as property and equipment and 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 fair value hierarchy, the assets and liabilities (by category) held by the Bank and its Subsidiaries as of December 31, 2019 and 2018, on a recurring basis:

December 31, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Total Debt	6,179,841	-	-	6,179,841
Equity securities - issuers in Colombia	-	103,265	-	103,265
Derivatives	-	19,381	-	19,381
Investment properties	-	-	134,350	134,350
Property and equipment (real estate)			724,748	724,748
Total assets at fair value, recurrent basis	**6,179,841**	**122,646**	**859,098**	**7,161,585**
Liabilities				
Derivatives	-	49,946	-	49,946
Total liabilities at fair value, recurrent basis	**-**	**49,946**	**-**	**49,946**

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Debt securities	6,174,098	-	-	6,174,098
Equity securities - issuers in Colombia	-	86,197	-	86,197
Derivatives	-	23,511	-	23,511
Investment properties	-	-	67,567	67,567
Property and equipment (real estate)	-	-	673,967	673,967
Total assets at fair value, recurrent basis	**6,174,098**	**109,708**	**741,534**	**7,025,340**
Liabilities				
Derivatives	-	31,805	-	31,805
Total liabilities at fair value, recurrent basis	**-**	**31,805**	**-**	**31,805**

There were no transfers between Level 1 and Level 2 for December 2019 and 2018.

To determine the fair value hierarchy level, each instrument is evaluated according to the information on the type of calculation reported by PRECIA S. A. (price provider), the criteria of the front and middle office experts, who issue their opinion considering aspects like: Historical continuity in the disclosure of prices, outstanding amounts, record of operations completed, number of price contributors as a measure of market depth, market knowledge, regular quotations by one or more counterparts for the specific security, and bid/offer spread, among other factors.

Since December 2017, the buildings and lands are measured at fair value with the intention of a more effective presentation of the financial position of such non-current assets in the Financial Statements. Similarly, new valuations were made during 2019 and 2018. Additionally, in 2018 a decision was made to acquire an interest in a real estate capital fund.

DECEMBER 2019	BANK	SERVITRUST	SERVIBANCA	SERVIVALORES	CORPORACIÓN	FCP	PARAGUAY	PERU	TOTAL
Land cost	640	24	-	-	178,191	94,198	2,420	-	275,473
Buildings cost	9,019	235	804	-	137,222	262,448	5,545	22,823	437,704
Accumulated depreciation	(9,665)	(22)	(59)	-	(15,347)	-	(4,909)	(18,133)	(47,743)
Total Cost	**(5)**	**237**	**745**	**-**	**300,066**	**356,646**	**3,056**	**4,690**	**665,434**
Land revaluation	1,150	4	-	-	-	12,534	-	-	13,688
Buildings revaluation	6,458	305	1,015	-	3,466	34,924	-	-	46,654
Accumulated depreciation	(53)	(18)	(60)	-	(391)	-	-	-	(522)
Total revaluation	**7,555**	**291**	**955**	**-**	**3,055**	**47,458**	**-**	**-**	**59,314**
Total property - Real estate	**7,549**	**528**	**1,700**	**-**	**303,121**	**404,104**	**3,056**	**4,690**	**724,748**

DECEMBER 2018	BANK	SERVITRUST	SERVIBANCA	SERVIVALORES	CORPORACIÓN	FCP	PARAGUAY	PERU	TOTAL
Land cost	1,692	24	-	459	75,800	93,411	2,632	-	174,018
Buildings cost	16,900	235	802	2,821	172,769	259,362	6,001	21,979	480,869
Accumulated depreciation	(632)	(18)	(49)	(185)	(18,647)	(6,053)	(4,862)	(16,363)	(46,809)
Total Cost	**17,960**	**241**	**753**	**3,095**	**229,922**	**346,720**	**3,771**	**5,616**	**608,078**
Land revaluation	787	-	-	-	12,782	-	(105)	-	**13,464**
Buildings revaluation	3,086	233	370	1,684	47,429	-	(224)	-	**52,578**
Accumulated depreciation	(159)	(13)	(18)	(88)	-	-	125	-	**(153)**
Total revaluation	**3,714**	**220**	**352**	**1,596**	**60,211**	**-**	**(204)**	-	**65,889**
Total property - Real estate	**21,674**	**461**	**1,105**	**4,691**	**290,133**	**346,720**	**3,567**	**5,616**	**673,967**

b) Concepts Measured at Fair Value, Non-recurrent 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, 2019 and 2018.

Fair Value Determination

The Bank and its Subsidiaries have determined that the financial instrument traded in an active market correspond to Level 1. Their fair value was established according to quoted prices (unadjusted) supplied by a price vendor, who determines the price as the weighted averages of the transactions carried out during the trading day.

The Bank and its Subsidiaries have determined that the financial instrument traded in a non-active market correspond to Level 2. The table below provides information on the valuation techniques and significant inputs when measuring assets and liabilities.

The Bank and its subsidiaries have determined that the financial instruments not being traded in an active market are Level 3. The detail below provides information on the various supplies and valuation techniques:

	Valuation Technique	Significant Inputs
Assets		
Debt Securities	Market prices	Market price or price calculated based on reference points set out by the price vendor methodology.
Equity securities - issuers in Colombia	Market prices	Market price or price calculated based on reference points set out by the price vendor methodology.
Derivatives	Market prices	- Price of underlying asset - Currency per underlying asset - Forward exchange rate - Matrix and curves
Investment properties	Technical valuation	Valuation carried out at the end of each period by an independent expert for similar operations in the market
Property and equipment (real estate)	Technical valuation	Valuation carried out at the end of each period by an independent expert for similar operations in the market

Investment properties:

Investment properties are recognized at fair value, based on a valuation made by an independent expert valuation at the end of each period. In Colombia, the frequency of the market operations is low, but management considers that the volume of activities is sufficient to evaluate the fair value of the investment properties of the Bank and its Subsidiaries, based on comparable operations in the Market. Management has reviewed the main assumptions used by the expert independent appraisers (such as inflation, interest rates, etc.) and believes they are consistent with the market conditions at the end of each period. However, management believes that the estimation of the investment properties' fair value depends on significant judgment by the independent expert appraisers and thus, there is a significant possibility that the actual sales price of a property differs from its fair value.

The reconciliation between the balances at the beginning and the end of the period for the instruments measured at fair value and classified as Level 3 are included in Note 15.

Fair value of Financial Assets and Liabilities Recognized at Amortized Cost

The following table presents a summary of the financial assets and liabilities recognized at amortized cost as of December 31, 2019 and 2018.

	December 31, 2019		December 31, 2018	
	Book value	**Estimated Fair Value**	**Book value**	**Estimated Fair Value**
Assets				
Cash and cash equivalents	12,109,368	12,109,368	9,256,890	9,256,890
Debt at amortized cost	835,858	825,702	771,851	779,699
Portfolio and receivables (1)	16,720,208	16,926,374	15,609,645	15,471,405
Total Financial Assets	**29,665,434**	**29,861,444**	**25,638,386**	**25,507,994**
Liabilities				
Customer deposits (2)	9,008,058	9,004,254	8,486,862	8,502,005
Financial liabilities (3)	4,598,968	5,105,746	4,471,736	4,754,683
Bank loans	2,347,173	2,510,455	2,240,382	2,404,779
Debt securities (Bonds)	2,251,795	2,595,291	2,231,354	2,349,904
Total Debt	**13,607,026**	**14,110,000**	**12,958,598**	**13,256,688**

(1) Fair value of the loans portfolio at amortized cost was determined using cash flows models discounted at the interest rates offered by banks to grant 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 carrying value. For fixed-term deposits with maturities under 180 days its fair value was considered equal to the carrying value. For fixed-term deposits with maturities over 180 days the discounted cash flows model was used based on the rates offered by banks in accordance with their maturity. The process of valuation is deemed as Level 2.

(3) For short-term liabilities the carrying value was considered the same as their fair value. For short-term liabilities the carrying value was considered the same as their fair value. The fair value of long-term financial liabilities was determined using discounted cash flows models at risk-free interest rates adjusted by risk premiums for each entity. The fair value of outstanding bonds is determined according to quoted prices or estimated prices supplied by a price vendor. This valuation is considered as Level 2.

NOTE 7 - RISK MANAGEMENT

Risk management for the Bank and its Subsidiaries is a fundamental element to achieve efficiency and effectiveness in the operations, reliability of reports and compliance with the law, standards and regulations; hence, its importance in the achievement of the entity’s strategic objectives.

The analysis of the strategic context in which it performs its activities allows the Bank and its Subsidiaries to establish means to prevent the materialization of events that affect the regular course of processes and the achievement of the objectives set by the Entity, or if this turns out not to be reasonably possible, to implement measures for the treatment and mitigation of risks to reduce its impact.

Organizational Structure of Risk Management

The Board of Directors, as the highest body responsible for risk management of the group entities, determines the profiles and defines policies and procedures for risk management aligned with the internal control system, in the context of the development of the strategic plan, the entities' objectives and targets; therefore, it follows up each Risk Management System in regards to its objectives, plans and indicators of compliance and control, in conformity with current regulations.

With the purpose of preserving the efficiency and effectiveness of its management and operating ability, as well as to safeguard the resources it manages, Banco GNB Sudameris S. A. and its Subsidiaries have an integral risk management system and an organizational structure that allows cutting down costs and damages caused by them supported by the following structure:

Board of Directors

The Board of Directors is responsible for adopting, among others, the following decisions related to the appropriate organization of the risk management system of each entity:

- Definition and approval of the entity's policies on risk management.
- Approval of regulations, manuals of procedures and functions of the entity supervised, as well as the respective updates.
- Approval of the Code of Ethics, the internal control system and the organizational and technological structure of the risk management systems.
- Approval of operating limits and counterparts according to the attributions defined.
- Approval of exposure and limits to different types of risk.
- Approval of actions where exposure limits are overcome or exceeding the exposure limits or any exception to a rule, as well as contingency plans to adopt for any extreme situation.
- Appointment of the risk committee, definition of its functions and approval of its regulations according to the applicable legal regulations.
- Approval of methodologies and models to manage the Risk Management Systems.
- Ongoing monitoring to the compliance with the guidelines and policies of the Risk Management Systems.

The Board relies on the following committees for the administration of the various Risk Management Systems:

Risk Committee

The Risk Committee must comply with the functions and responsibilities described below:

a. Advice the Board of Directors in the definition of the exposure limits per type of risk, term, amount, currency, and instruments and observe their compliance.

b. Assess the Board of Directors and the Bank's Chairman in the definition of policies and procedures for information security and risk prevention for cybersecurity.

c. Prepare an analysis and forecasts on the behavior of the main economic and monetary variables that demonstrate the economy's situation, the behavior of the various financial instruments and their incidence in the risks to which the entity is exposed.

d. Verify the estimated risk integral to management and for the control of the level of exposure to the different risks to which the entity is exposed. The purpose of the analysis is the protection from eventual changes that may cause losses in the Financial Statements.

e. Review on a monthly basis the exposure limits to the risks of market, liquidity, credit and operation, the excess occurred and proposals for their adjustment.

f. Review on a monthly basis the results related to the management of the information security and cybersecurity risk.

g. Present to the presidency any contingency plans to adopt in respect to each extreme scenario and risk identified.

h. Review on a monthly basis the exposure to the operative risk, the assessment to the type “A” events and management during the period.

i. Review on a quarterly basis the results of the interaction of the National Risk Management area and the General Audit office of Banco GNB Sudameris.

j. Analyze and review on a semester basis the methodologies to measure the market, liquidity and credit risks.

k. Observe the timely, efficient and total compliance with the instructions provided by the SFC in respect to the identification, measure, control and monitoring of the different risk management systems and information security and cybersecurity systems.

l. Analyze the results of the Stress Test for market and liquidity risks and perform the back-testing of credit risk.

m. Analyze the limits of the entity’s counterpart and request their presentation for the approval of the Board of Directors.

n. Other duties related to the Committee’s purpose and the rules on risk management not assigned to other bodies and those issued by a competent authority which compliance is mandatory.

Loans Committee

a. Analysis of results for ongoing loans and the semester rating.

b. Sector analysis by customers and perspectives per economic activity of the clients.

c. Monthly analysis and variation of customers in default.

d. Analysis of the monthly variation to the portfolio quality per risk category.

e. Follow-up to past-due portfolio under special and legal collection.

f. Analysis of figures, trends and evolution of past-due portfolio for the regional offices and channeling of efforts to avoid operating losses.

g. Evaluation, design and recommendation of policies designed to recover past-due accounts.

h. Presentation of figures and strategies recommendations to be followed to collect the past due loans from major customers.

i. Analysis and evaluation of the provision projections by portfolio.

Credit Committee

j. Analysis, evaluation, monitoring, review and approval of credit applications within authority levels. Similarly, recommendations for the presentation of proposals that require the Board approval due to their amount.

k. Verification and approval through the signature of specific credit operations of the respective banking area, in a collective action, taking into account the allocation of limits within authority levels indicated by the Schedule of the Board and FC4.

l. Presentation to the Board of proposed limits, in accordance with the authority levels of each department.

m. Guarantee compliance with the selection policies and maintenance of the corporate banking clients, institutional banking, consumer banking and payroll-loan customers, in accordance with the policies set out by the Board.

Audit Committee

n. Proposals for the Board of Directors approval of the structure, procedures and methodologies required for the functioning of the internal control system.

o. Evaluation of the internal control structure of the Bank and its Subsidiaries in order to determine whether the procedures designed give reasonable protection to the entity's assets, as well as third parties procedures under its administration or custody, and evaluate whether controls exist to verify that operating transactions are appropriately authorized and recorded.

p. Observe that the preparation, presentation and disclosure of financial information adjusts to applicable standards, verifying that the necessary controls are in place.

q. Study of the financial statements and preparation of the related report for the Board's consideration, based on the evaluation not only of the corresponding projects, with their notes, but also, the opinions, observations by control entities, results of assessments carried out by competent committees and other related documents.

r. Propose programs and controls for the Board's approval to prevent, detect and provide an adequate response to the risk of fraud and misconduct.

s. Supervision of functions and activities of the Audit function in order to determine its independence and objectivity in regards to the activities audited, identification of limitations that prevent the appropriate performance and verification whether the scope of that work meets internal control needs.

t. Follow-up on the 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, and present to the Board the resulting reports on the most important aspects of the work performed.

u. Evaluation of internal control reports prepared by the audit function verifying that the management has taken into account the suggestions and recommendations.

v. Follow-up to the compliance with the instruction of the Board or equivalent body.

w. Presentation to the Shareholders' General Meeting, through the Board, of the candidates to occupy the post of Statutory Auditor.

x. Analysis of functional Information Systems, their reliability and integrity for decision making.

y. Other functions as established by the Board in the Internal Regulations.

Risk Management Framework

The Board of Directors is responsible for setting and supervising the risk management structure of the Bank. The Board of Directors has created the Risk Committees that is responsible for developing and monitoring the Bank's risk management policies in its specific areas. All Committees have been duly enforced and regulated and they regularly inform on their activities to the Bank's general management

The group's risk management policies were established in order to identify and analyze the risks faced by the Parent, set adequate limits and risk controls and to monitor the risk and compliance with the limits. There are regular reviews of policies and risk management systems in order to reflect changes under market conditions, products and services offered. Through its management standards and procedures, the Parent develops a disciplined and constructive control environment where all employees understand their roles and obligations.

The Bank and its Subsidiaries' Audit Committee supervises how management monitors the compliance with policies and the procedures of the group's risk management and reviews whether the risk management framework is appropriate with regard to the risks faced by the Bank and its Subsidiaries. Internal Audit assists the Committee in its supervisory roles. Internal Audit also conducts regular and ad hoc reviews of controls, procedures and risk management which results are reported to the Audit Committee of the Bank and its Subsidiaries.

Individual Risk Analysis

The Bank and its Subsidiaries are exposed in the ordinary course of business to a range of financial, operational, reputation 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 balance sheet assets and liabilities including variations in exchange rates, liquidity and interest rates. Below appears an analysis of each risk mentioned in order of importance:

- Credit risk;
- Liquidity risk;
- Market risk;
- Exchange risk; and
- Interest rate risk.

a) Credit risk;

The Bank and its Subsidiaries are exposed to credit risk consisting of the risk of incurring a financial loss because of the failure by 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 counterparts.

For the purpose 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 purpose of risk management, the credit risk originated in assets to be traded is managed in an independent manner and the related information is disclosed in the table below.

The maximum exposure for the Bank and its Subsidiaries to credit risk is reflected in the book value of the financial assets on the Statement of Financial Position as of December 31, 2019 and 2018, as follows:

	December 31, 2019	December 31, 2018
Deposits in banks other than the Central Bank (Banco de la República)	418,176	299,102
Financial instruments at fair value		
Government	5,713,794	5,666,652
Financial entities	467,054	494,850
Other sectors	102,258	98,793
Derivatives	19,381	23,511
Portfolio and receivables		
Commercial	9,093,405	8,661,068
Consumer	6,604,061	5,842,272
Home Mortgage	1,022,742	1,106,305
Other accounts receivable	230,613	175,801
Total financial assets with credit risk	**23,671,484**	**22,368,354**
Financial instruments with credit risk out of the Statement of Financial Position at face value		
Financial guarantees and letters of credit	8,987,781	6,471,782
Credit commitments	268,169	375,316
Total exposure to credit risk out of the Statement of Financial Position	**9,255,950**	**6,847,098**
Total maximal exposure to credit risk	**32,927,434**	**29,215,452**

The Board has delegated the responsibility for the credit risk supervision to the Bank's Portfolio Committee. The Credit Risk area reports to the Loans Committee and is responsible for the credit risk management, including:

- Definition of the credit policy in consultation with the business units, covering guarantee requirements, classification and credit reports, and compliance with regulatory and statutory requirements.

- **Monitoring the authorization structure for the approval and renewal of credit lines.** Authorization limits are collectively allocated, that is, at least two officers with authorization to approve new credit lines are involved, depending on the amounts defined. Approval by two or more officers, or the Credit Committee or the Board is required, depending on the credit line's amount.

- **Credit risk monitoring:** The Credit area evaluates all credit exposures exceeding the designated limits, before the respective business unit communicates the lines to the client. Renewals and reviews of loans are subject to the same review process.

- **Concentration Exposure Limits:** This applies to counterparts, geographical places and industries (in the case of loans and advances), and the issuer, credit classification band, market liquidity and country (for investment instruments).

- **Development and maintenance of risk classification in the Group:** The purpose is to classify the exposure in accordance with the risk degree of financial loss faced and to focus management on arising risks. The risk classification system is used to determine when impairment provisions may be required against specific credit exposure. The current risk classification framework comprises six classes that reflect a range of uncollectibility risks and the available guarantees or other types of factors mitigating credit risk. The responsibility to establish the degrees of risk corresponds to the Credit Risks Area which reports to the Parent's Loans Committee for its final approval, where appropriate. The risk degrees are subject to regular reviews by the Credit Risks Area.

- **Compliance review for business units with agreed exposure limits** including those for industries, country risk and types of product selected. Reports on credit quality in local portfolios are submitted to the Parent's Loans Committee and the appropriate corrective actions are taken.

- **Advisory, guidance and specialized skills** for business units in order to promote best practices on credit risk management practices across the Bank.

The Bank and its Subsidiaries define the group's credit policies and the procedures to establish the approval limits for letters of credit for each business unit. Each business unit has a Credit Director who reports to local management and the Risk Committee on all credit matters; each business unit is responsible for the quality and yield of its loan portfolio, monitoring and controlling all credit risks in its portfolio and reporting results to the Bank.

Internal Audit makes regular audits of business units and processes in the Credit Area of the Risk Management Division of the Bank and Subsidiaries.

The consolidated loans detail per type of guarantee in GNB Group at December 31, 2019 and 2018, is described below:

December 31, 2019	**Commercial**	**Consumer**	**Home Mortgage**	**Total**
Non-guaranteed credits	4,918,509	6,594,948	-	11,513,456
Collateralize Credits				
Home Mortgage	-	-	1,021,521	1,021,521
Other real estate assets	2,717,521	1,359	-	2,718,880
Fondo Nacional de Garantías	338,150	1,496	1,221	340,867
Securities and othersnote liquid assets	160,001	43	-	160,044
Other collateral	959,224	6,215	-	965,439
Total Loans, gross	**9,093,405**	**6,604,061**	**1,022,742**	**16,720,208**

December 31, 2018	**Commercial**	**Consumer**	**Home Mortgage**	**Total**
Non-guaranteed credits	5,193,789	5,825,110	380	11,019,279
Collateralize Credits				
Home Mortgage	-	-	1,105,925	1,105,925
Other real estate assets	2,325,321	575	-	2,325,896
Admissible Financial Collateral 0%	328,228	2,340	-	330,568
Admissible Financial Collateral 12%	187,197	208	-	187,405
Other collateral	626,533	14,039	-	640,572
Total Loans, gross	**8,661,068**	**5,842,272**	**1,106,305**	**15,609,645**

The summary of the portfolio per risk level classification is as follows, as of December 31, 2019 and 2018:

	Loans to clients		Interbank loans		Total	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Commercial						
A	8,018,572	7,806,765	75,412	37,830	8,093,984	7,844,595
B	205,016	221,033	-	-	205,016	221,033
C	445,588	323,526	-	-	445,588	323,526
D	303,420	217,096	-	-	303,420	217,096
E	45,397	54,818	-	-	45,397	54,818
Commercial sub-total	**9,017,993**	**8,623,238**	**75,412**	**37,830**	**9,093,405**	**8,661,068**
Consumer						
A	6,375,353	5,622,466	-	-	6,375,353	5,622,466
B	46,668	36,585	-	-	46,668	36,585
C	66,376	74,787	-	-	66,376	74,787
D	74,160	96,908	-	-	74,160	96,908
E	41,504	11,526	-	-	41,504	11,526
Consumer Sub-total	**6,604,061**	**5,842,272**	**-**	**-**	**6,604,061**	**5,842,272**
Home Mortgage						
A	950,725	1,046,738	-	-	950,725	1,046,738
B	42,165	31,911	-	-	42,165	31,911
C	7,351	4,898	-	-	7,351	4,898
D	10,170	14,381	-	-	10,170	14,381
E	12,331	8,377	-	-	12,331	8,377
Home mortgage Sub-total	**1,022,742**	**1,106,305**	**-**	**-**	**1,022,742**	**1,106,305**
Total Gross Portfolio	**16,644,796**	**15,571,815**	**75,412**	**37,830**	**16,720,208**	**15,609,645**
Provisions	(524,521)	(492,863)	(513)	(304)	(525,034)	(493,167)
Total net portfolio	**16,120,275**	**15,078,952**	**74,899**	**37,526**	**16,195,174**	**15,116,478**

Loans and investments in impaired debt instruments

Impaired loans and debt instruments correspond to loans, advances and investments in debt instruments (other than instruments carried at fair value with effect in income) for which the Bank and its Subsidiaries decide the capital and interests owed in accordance with the terms of the loan/investment instrument will not be recovered. Loans, advances and investments in debt instruments at fair value with changes in income are not tested for impairment but are subject to the same internal classification system (see Note 11 – Loans).

Loans and investments in debt instruments in default but not impaired

Past-due loans and investment debt instruments not impaired, other than those recognized at fair value with changes in income, are those where the contractual interest or capital repayments are past-due but the Parent believes that impairment is not appropriate considering the level of guarantee/collateral available and/or the collection stage on the amounts due to the Group.

Restructured loans

Loans with renegotiated terms are those that have been restructured due to impairment of the borrower's final position and where the Bank has made concessions it would not otherwise consider.

Once the loan has been restructured, it remains in this category regardless of satisfactory performance after its restructuring.

Write-off Policy

The Bank and its Subsidiaries write off loan balances, investment debt instruments or any provision related through impairment losses when Bank's Management Area of Recoveries and Collections decides that a loan or instrument is not collectible.

The write-off is only applied after considering information such as the occurrence of significant changes to the financial position of the borrower or issuer, such that they cannot continue to pay the obligation or that collection against collateral is not sufficient to pay the entire exposure.

In the case of smaller, standard loans, write-off decisions are usually based on the specific aging status of default for a product.

The following is an analysis of gross and net write-offs of individually impaired assets at each risk level:

	Colombia Write-off	Peru Write-off	Paraguay Write-off	Total Write-off
December 31, 2019				
Commercial	66,522	14,222	19,989	100,733
Consumer	129,840	46,245	975	177,060
Total	**196,362**	**60,467**	**20,964**	**277,793**
December 31, 2018				
Commercial	15,928	11,893	6,867	34,688
Consumer	74,074	44,609	157	118,840
Home Mortgage	34	-	-	34
Total	**90,036**	**56,502**	**7,024**	**153,562**

The Bank and its Subsidiaries record collateral against loans and advances to customers in the form of a mortgage interest on properties and other instruments recorded on assets in guarantee. Fair value estimates of guarantees are based on the guarantee value evaluated at the time of the loan and are generally updated in accordance with current regulations, except where the loan is individually evaluated as impaired. Generally, collateral is not recorded on the Bank's loans or advances, except where instruments are held as part of a resale activity and loan instruments.
The following are details of a fair value estimate of collateral and other instruments improvements taken against loans and advances to customers and banks:

	Loans to clients	
	December 31, 2019	December 31, 2018
Individual impairment		
Property	348,477	280,985
Debt instruments	11,619	14,714
Participation instruments	172,752	100,395
Other	452,212	181,568
Collective impairment		
Property	67,475	56,717
Other	-	23
Accounts not in default or impaired		
Property	3,443,274	3,507,099
Debt instruments	254,191	246,479
Participation instruments	762,447	594,963
Other	1,241,203	1,670,421
	6,753,650	**6,653,364**

The Bank and its Subsidiaries obtain financial and non-financial assets during the period by executing guarantees taken as instruments against loans and advances, which results in other credit improvements.

The policy of the Bank and its Subsidiaries is to exercise the guarantees in an orderly and timely fashion. Generally, the Bank and its Subsidiaries do not use non-monetary collateral on their own operations.

Credit Risk Concentration

The Bank and its Subsidiaries monitor the credit risk concentration per sector and geographical location; Detailed below is an analysis of credit risk concentration from loans and advances and investment instruments as of the closing date of this financial statements:

	Loans to clients December 31, 2019	Interbank loans December 31, 2019	Total December 31, 2019	Loans to clients December 31, 2018	Interbank loans December 31, 2018	Total December 31, 2018
Concentration per Sector						
Trade	1,871,352	-	1,871,352	1,919,220	-	1,919,220
Agriculture	1,504,119	-	1,504,119	1,431,385	-	1,431,385
Manufacture	1,027,922	-	1,027,922	1,161,461	-	1,161,461
Real Estate	1,564,925	-	1,564,925	703,405	-	703,405
Financial Intermediation	641,096	-	641,096	640,514	-	640,514
Transport	467,562	-	467,562	424,839	-	424,839
Health	432,770	-	432,770	167,695	-	167,695
Education	370,695	-	370,695	396,111	-	396,111
Energy and Gas	26,779	-	26,779	76,929	-	76,929
Communications	61,059	-	61,059	60,507	-	60,507
Mining	21,503	-	21,503	11,977	-	11,977
Other	955,445	-	955,445	1,579,698	-	1,579,698
Government	72,766	-	72,766	49,497	-	49,497
Banks	-	75,412	75,412	-	37,830	37,830
Unsecured	6,604,061	-	6,604,061	5,842,272	-	5,842,272
Home Mortgage	1,022,742	-	1,022,742	1,106,305	-	1,106,305
Provisions	(524,521)	(513)	(525,034)	(492,863)	(304)	(493,167)
Total	**$ 16,120,275**	**$ 74,899**	**$ 16,195,174**	**$ 15,078,952**	**37,526**	**15,116,478**

Concentration by geographical location of loans and advances is measured on the basis of the location of the Group’s entity holding the assets, which has a high correlation with the location of the borrower. Concentration by location for investment securities is measured based on the location of the instrument issued.

Geographical concentration	**Loans to clients**	**Interbank loans**	**TOTAL**
	December 31, 2019		
Colombia	8,605,355	18,124	8,623,479
Peru	3,802,862	57,274	3,860,136
Paraguay	3,034,079	14	3,034,093
Panama	880,064	-	880,064
Virgin Islands	322,436	-	322,436
Total Provisions	(524,521)	(513)	(525,034)
Total	**$ 16,120,275**	**74,899**	**16,195,174**

Geographical concentration	Loans to clients	Interbank loans	TOTAL
	December 31, 2018		
Colombia	8,098,943	4	8,098,947
Peru	3,682,314	37,819	3,720,133
Paraguay	2,816,677	7	2,816,684
Panama	636,976	-	636,976
Virgin Islands	336,905	-	336,905
Total Provisions	(492,863)	(304)	(493,167)
Total	**$ 15,078,952**	**$ 37,526**	**15,116,478**

b) Market Risk:

Market risk is defined as the potential loss of the financial assets value due to adverse movements in factors determining their price, also called risk factors, 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 as per its acronym in Spanish) implemented by the Bank and its subsidiaries is designed to identify, measure, control and monitor the market risk to which it is exposed in the course of treasury operations considering the entity's structure and size.

GNB Sudameris group trades in the money market, the exchange market and the capital market to meet its needs and those of its clients in accordance with policies and risk levels established. In this sense, it manages various financial assets portfolios within limits and levels allowed.

The risks assumed in operations, both in the Bank and the Treasury's book are consistent with the general business strategy and risk appetite of the Bank and its Subsidiaries, based on the market depth for each instrument, weighting of risk assets, the level of solvency, profits budget established for each business unit and the overall balance structure.

The business strategies are established in accordance with approved limits seeking a balance between in the risk and reward. At the same time, there are structural limits which are consistent with the general philosophy of the Bank based on its levels of capital, profit and tolerance for risk.

The GNB Group is exposed to the following risk factors:

- ***Interest rate risk:*** it is defined as the possibility that variations in interest rates may adversely affect the value of the entity's financial instruments held. Investments held by the group are exposed to this risk due to the effects of interest rates fluctuations, 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 reduce and cause losses, should unexpected movements take place.
- ***Exchange Rate Risk:*** It is defined as the sensitivity of the proprietary's position value in a currency other than the Colombian peso given potential movements in the exchange rates to which the Bank and its Subsidiaries are exposed. The risk is implicit in operations to purchase and sell currencies and forwards, mainly. The exchange risk is also present where there is a mismatch in the net currency position affected by fluctuations in exchange rates.
- ***Exchange Rate Risk:*** It is defined as the sensitivity of the proprietary's position value in a currency other than the Colombian peso given potential movements in the exchange rates to which the Bank and its Subsidiaries are exposed. The risk is implicit in operations to purchase and sell currencies and forwards, mainly. The exchange risk is also present where there is a mismatch in the net currency position affected by fluctuations in exchange rates.

- ***Hedging:*** As part of its strategy to strengthen business in the region and following the acquisition of Banco GNB Peru and Banco GNB Paraguay, Banco GNB Sudameris has developed hedging mechanisms through the issue of subordinated bonds. This way, the Entity seeks to mitigate exchange risk by using hedging tools.

- The hedge accounting treatment is subject to compliance with methodological requirements that ensure its effectiveness. The Bank performs a quarterly test to guarantee the compliance with the assumptions required.

The Bank constantly works on the review of models that allow managing the market risk on the basis of identifying and analyzing the variations in risk factors (interest rate, exchange rate and price indexes) on the value of the various financial instruments comprised by the portfolios.

Based on the standard risk measurement methodology (VaR), at December 31, 2019 and 2018, the following results are presented:

Maximum, minimum and average VaR	**December 31, 2019**			
	Minimum	**Average**	**Maximus**	**End of the period**
Interest Rate	97,553	131,167	167,901	108,030
Exchange Rate	1,587	33,869	66,352	66,352
Participation Securities	384	396	413	387
Collective Funds	28,365	30,314	31,500	30,380
Total VaR		**195,746**		**205,149**

Maximum, minimum and average VaR	**December 31, 2018**			
	Minimum	**Average**	**Maximus**	**End of the period**
Interest Rate	114,761	133,696	143,670	143,670
Exchange Rate	1,587	4,020	9,277	1,587
Participation Securities	378	394	422	397
Collective Funds	163	23,213	52,300	31,183
Total VaR		**161,323**		**176,837**

Consolidated VaR as of December 31, 2019, compared with year-end at December 31, 2018, increased by COP$28,312 million, the variation is explained mainly by the behavior of the individual VaR of Corporación Financiera, that at December 2019 amounted to COP $23,829 million, out of which COP $21,321 million are related to the Exchange Rate factor, COP $2,421 were generated by the Collective investment Funds, and COP $88 million corresponded to the Interest Rate Factor. As of December 2019, Corporación Financiera held a proprietary position of USD-50.8 million, while such position did not exist as of December 2018.

Banco GNB Paraguay's VaR increased by COP $6,370 million due to an increase of its more liquid investment portfolio for COP $196,165 million in 2018 to COP $353,456 million at 2019 year-end, corresponding to an 80% increase.

VaR indicators individually presented by the Bank and its Subsidiaries at December 31, 2019 and 2018, were:

	December 31, 2019		December 31, 2018	
Entity	Amount	Basic Points Level I	Amount	Basic Points Level I
Banco GNB Sudameris	136,258	112	88,463	99.4
Servitrust	336	0.3	1,108	1.3
Servivalores	2,033	1.8	867	1.0
Servibanca	1,099	1.0	1,499	1.8
Paraguay	11,364	10.0	6,024	7.2
Peru	30,228	26.3	19,230	22.6
Corporación	23,830	20.8	-	-
Total VaR, Consolidated Subsidiaries	**205,148**	**172.2**	**117,191**	**133.3**

c) Variation Risk in the Exchange Rate of Foreign Currencies

The GNB Group is exposed to the exchange risk from its positions in currencies other than the Colombian peso, mainly dollars and euros, both in the proprietary position and in investments held in subsidiaries abroad.

The proprietary spot position is determined by the difference between assets and liabilities in a foreign currency in and out of the balance sheet, both direct and contingent, including those liquidated in Colombian pesos. The limit is 50% of the entity's computable capital for the two preceding periods, restated at the market representative exchange rate for the following month.

The gross leverage position contains the short-term foreign currency operations of the Bank and its Subsidiaries, as well as long and short-term operations of flows or maturities of the day, rights and obligations under contracts for future delivery in foreign currency and exchange exposure in contingencies acquired in the negotiation of currency options and derivatives on the exchange rate, up to a limit of 550% of computable capital of the entity in the preceding two months, restated at the Market Representative Exchange Rate for the following month.

The global proprietary position excludes the derivatives and reports the face value recorded in the memorandum accounts including purchases and sales with a limit of 20% of the entity's computable capital in the preceding two months restated at the average Market Representative Exchange Rate.

The determination of maximum and minimum amounts in the daily position and the foreign currency spot position is based on each entity's computable capital on the last day of preceding two months translated at a rate published by the Superintendency of Finance at the closing of the preceding month.

Substantially all the foreign currency assets and liabilities of the Bank and its Subsidiaries are held in US dollars.

The following is the detail in currency as of December 31, 2019 and 2018:

December 31, 2019	USD (Millions)	Euros (Millions)	Other currencies translated to USD (Millions)	Total in COP (Millions)
Cash and cash equivalents	552.14	7.42	436.27	3,263,475
Debt investments	-	-	261.27	856,219
Equity investments	-	-	2.90	9,504
Derivatives	-	-	2.04	6,685
Loans	1,003.50	-	884.65	6,187,733
Other	632.03	-	8.45	2,098,943
Assets	**2,187.67**	**7.42**	**1,595.58**	**12,422,559**
Current accounts	412.37	-	67.63	1,573,027

Savings accounts	713.21	-	45.01	2,484,792
Term deposits	923.40	-	-	3,026,110
Other	825.80	7.25	552.46	4,540,509
Liabilities	**2,874.78**	**7.25**	**665.10**	**11,624,437**
Net Position	**(687.11)**	**0.17**	**930.48**	**798,121**

December 31, 2018	**USD (Millions)**	**Euros (Millions)**	**Other currencies translated to USD (Millions)**	**Total in COP (Millions)**
Cash and cash equivalents	287.47	5.67	151.41	1,444,698
Debt investments	-	-	397.65	1,292,277
Equity investments	-	-	0.40	1,301
Derivatives	7.09	-	-	23,043
Loans	1,100.06	-	1,254.64	7,652,186
Other	72.21	-	67.57	454,241
Assets	**1,466.83**	**5.67**	**1,871.67**	**10,867,746**
Current accounts	84.18	-	205.94	942,810
Savings accounts	377.18	-	60.89	1,423,597
Term deposits	234.91	-	971.94	3,921,966
Other	1,027.40	5.58	268.74	4,230,268
Liabilities	**1,723.67**	**5.58**	**1,507.51**	**10,518,641**
Net Position	**(256.84)**	**0.09**	**364.16**	**349,105**

Exchange rate sensitivity

Rate and exchange Rate in COP	**Active Positions**	**Passive Positions**	**Position Proprietary**	**Sensitivity USD $10 / 1**	**Units amount**
3,277.14	3,790.67	3,547.13	243.54	-	-
3,287.14	3,779.14	3,536.34	242.80	0.74	2,435.42
3,267.14	3,802.27	3,557.99	244.29	(0.75)	(2,435.42)

Figures in USD millions or as indicated

d) Structural Interest Rate Risk

The Bank consolidates assets and liabilities that are exposed to the market fluctuations of the interest rates affecting their financial position. This risk is based on the relationship between asset and liability positions. On the asset side, the positions taken for investments and loans placement at fixed and floating rates, that are in turn funded by liabilities such as deposits and bank borrowings at fixed and floating rates, means that interest margins may increase or decrease as a result of movements in these rates, which may increase the margins generating greater profit, or decrease as a consequence of unexpected market events.

A sensitivity analysis of the main productive assets and interest-bearing liabilities exposed to interest rate changes is presented below. The table presents the average volumes and accumulated amounts as of December 31, 2019 and 2018, as well as the impact of a variation of 50 basis points.

December 31, 2019

				Variation of 50 basis points in interest rates	
Account Detail	**Average for the period**	**Interest income/expense**	**Average interest rate**	**Favorable**	**Unfavorable**
Portfolio in Colombian pesos	7,859,998	988,514	12.58%	83,945	(83,945)
Portfolio in foreign currency	7,847,947	743,783	9.48%	180,961	(180,961)
Money market asset operations in COP	3,071,827	136,843	4.45%	204	(204)

Money market asset operations in foreign currency	206,538	132	0.06%	7	(7)
COP investments in negotiable debt securities and available for sale	8,106,869	386,067	4.76%	51,918	(51,918)
Financial assets generating interests	**27,093,179**	**2,255,339**	**8.3%**	**317,035**	**(317,035)**

December 31, 2019

Account Detail	Average for the period	Interest income/expense	Average interest rate	Variation of 50 basis points in interest rates	
				Favorable	Unfavorable
Clients deposits in current accounts, savings accounts and Term Deposits in COP	9,884,480	427,110	4.32%	47,373	(47,373)
Clients deposits in savings accounts and term deposits in foreign currency	1,726,172	55,165	3.20%	8,364	(8,364)
Clients deposits in fixed term deposits in COP	4,576,638	247,318	5.40%	10,191	(10,191)
Clients deposits in fixed term deposits in foreign currency	4,335,036	163,502	3.77%	34,821	(34,821)
Bonds in Colombian pesos	332,405	24,607	7.40%	7,052	(7,052)
Bonds in a Foreign Currency	1,827,564	129,208	7.07%	41,471	(41,471)
Debt in Colombian pesos	1,850,852	86,438	4.67%	93	(93)
Debt in foreign currency	1,114,375	65,771	5.90%	5,609	(5,609)
Total interest-bearing financial liabilities	**25,647,522**	**1,199,119**	**4.68%**	**154,974**	**(154,974)**
Total interest-bearing financial liabilities in COP	**16,644,375**	**785,473**	**4.72%**	**64,709**	**(64,709)**
Total interest-bearing financial liabilities in foreign currency	**9,003,147**	**413,646**	**4.59%**	**90,265**	**(90,265)**
Total net financial assets subject to interest rate risk in COP	**2,394,319**	**725,951**	**30.32%**	**71,359**	**(71,359)**
Total net financial liabilities subject to interest rate risk in foreign currency	**(948,661)**	**330,269**	**(34.81%)**	**90,702**	**(90,702)**
Total net financial assets subject to interest rate risk	**1,445,657**	**1,056,220**	**73.06%**	**162,061**	**(162,061)**

December 31, 2018

Account Detail	Average for the period	Interest income/expense	Average interest rate	Variation of 50 basic points in interest rates	
				Favorable	Unfavorable
Portfolio in Colombian pesos	7,208,856	921,747	12.8%	74,418	(74,418)
Portfolio in foreign currency	6,881,945	627,219	9.1%	173,893	(173,893)
Money market asset operations in COP	3,477,744	158,022	4.5%	156	(156)
Money market asset operations in foreign currency	91,029	97	0.1%	2	(2)
COP investments in negotiable debt securities and available for sale	6,552,925	293,497	4.5%	30,896	(30,896)
Financial assets generating interests	**24,212,499**	**2,000,582**	**8.3%**	**279,365**	**(279,365)**

December 31, 2018

Account Detail	Average for the period	Interest income/expense	Average interest rate	Variation of 50 basic points in interest rates	
				Favorable	Unfavorable
Clients deposits in current accounts, savings accounts and Term Deposits in COP	8,597,344	371,958	4.33%	41,202	(41,202)
Clients deposits in savings accounts and term deposits in foreign currency	1,296,348	34,562	2.67%	6,313	(6,313)
Clients deposits in fixed term deposits in COP	4,448,364	260,299	5.85%	9,653	(9,653)
Clients deposits in fixed term deposits in foreign currency	3,881,037	134,246	3.46%	15,561	(15,561)
Bonds in Colombian pesos	332,405	24,498	7.37%	8,018	(8,018)
Bonds in a Foreign Currency	1,931,299	131,266	6.80%	48,574	(48,574)
Debt in Colombian pesos	1,999,142	100,708	5.04%	89	(89)
Debt in foreign currency	1,017,242	52,795	5.19%	3,772	(3,772)
Total interest-bearing financial liabilities	23,503,181	1,110,332	4.72%	133,182	(133,182)
Total interest-bearing financial liabilities in COP	**15,377,255**	**757,463**	**4.93%**	**58,962**	**(58,962)**
Total interest-bearing financial liabilities in foreign currency	**8,125,926**	**352,869**	**4.34%**	**74,220**	**(74,220)**
Total net financial assets subject to interest rate risk in COP	**1,862,270**	**615,803**	**3.04%**	**46,508**	**(46,508)**
Total net financial liabilities subject to interest rate risk in foreign currency	**(1,152,952)**	**274,447**	**4.65%**	**99,675**	**(99,675)**
Total net financial assets subject to interest rate risk	**709,318**	**890,250**	**3.54%**	**146,183**	**(146,183)**

1) Had there been a 50 bp variation in the interest rates as of December 31, 2019, interest-bearing financial assets would have had a variation in income for +/- $317,035 million.

2) Had there been a 50 bp variation in interest rates as of December 31, 2019, interest-bearing financial liabilities would have had a variation in cost for +/- $154,974 million.

3) Had there been a 50 bp variation in interest rates as of December 31, 2019, the total net financial assets subject to interest rate risk would have had a variation for +/- $162,061 million.

e) Liquidity risk

1. Management and Models

The consolidated Liquidity Risk Management System (SARL as per its acronym in Spanish) allows the evaluation of the Bank's liquidity risk exposure, enabling the adoption of prompt decisions for the adequate mitigation of risk, and when applicable, to determine the adequate capital amount that may correspond to the risk levels of the Bank in order to manage its liquidity policy.

The GNB Group manages the liquidity risk in accordance with standard model set out by Chapter VI of the Basic Accounting and Financial Communication of the Superintendency of Finance of Colombia, and in accordance with the rules related to the management of the liquidity risk through the basic SARL principles. These principles establish the minimum prudent parameters to be supervised by the entities in their operation to efficiently manage the liquidity risk they are exposed to, using SARL elements and stages (identification, measurement, control and monitoring), in conformity with the structure, complexity and size of the entity consolidated.

The liquidity risk indicator measurement, and other measures regarding international subsidiaries, are the responsibility of each particular business; however, the overall liquidity management is the responsibility of the National Risk Management Area of the Parent, through the Direction of Liquidity Risk of the Group and Models Management, and such area analyzes the implications in terms of financing and liquidity of the liquidity structures and their compatibility with the Parent's policies and guidelines and the limits and alerts scheme approved by the Board of Directors that facilitates the joint management of liquidity risk.

The development and update of liquidity risk policies have contributed to the appropriate standardization of the risk management system, not only in terms of limits and alerts, but also in procedures, developing complementary management tools and conducting periodic stress exercises for its models, which will be the basis to take preventive or risk mitigating actions, thus limiting the exposure, designing a liquidity cushion, adjusting the risk profile and structuring the contingency plan.

As part of the risk liquidity analysis, the GNB Group measures, among others, 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 regular liquidity coverage ratio (lcr), the stress liquidity coverage ratio, the concentration of funding sources, proprietary position, liquidity gap per currency, and the funding positions between related parties.

Senior management (through the Group's Risk Committee) is aware of the consolidated liquidity situation and recommends the necessary decisions considering the high quality net assets that need to be held, the tolerance in liquidity management or minimum liquidity, funding, policies on surplus liquidity placement, changes in the characteristics of current products as well as new products, diversification of funding sources in order to avoid concentration in deposit-taking from a small number of investors or savers, hedging strategies, and changes in the balance sheet structure.

The Bank and its Subsidiaries, each have a liquidity contingency plan that clearly specifies the roles and responsibilities to activate the contingency, and the creation of a liquidity crisis team whose function and responsibility is to take the actions required to mitigate the effects of the exposure to the liquidity risk by any of the group entities, using a series of strategies designed to correct the liquidity structure based on supports from the Central Bank, the entity's assets, main customers, shareholders, or the deposit insurer FOGAFIN (as the last resort) in addition to defining the disclosure of internal information to the communication media, control entities and the general public through the Communications Plan.

High-quality net assets comprise cash and trading investments in debt instruments, investments in collective portfolios with no term commitment, debt investments available for sale in debt securities, and investments held to maturity, provided that they are money-market operations.

The Group meets the requirements to establish the mandatory cash reserves as regulated in each country in the case of the affiliates abroad, keeping the cash, banks and the respective deposits in the Central Banks, applying the percentages set on the deposits and liabilities, as required by each regulation.

Quantitative Information

During 2019, the Group held liquidity levels sufficient to cover all its liquidity requirements, as explained by the following table as of December 2019, and the maximum, minimum and average amounts during the period:

December 31, 2019

Entity	Amount	Percentage
Banco GNB Sudameris	5,330,825	69.22%
Banco GNB Peru	1,613,818	20.96%
Banco GNB Paraguay	562,375	7.30%
Servibanca	113,638	1.48%
Servitrust GNB Sudameris	42,826	0.56%
Corporación Financiera GNB	24,947	0.32%
Servivalores GNB Sudameris	9,766	0.13%
Fondo Inmobiliario	2,984	0.039%
Total	**7,701,179**	**100.00%**
Maximum	$ 7,939,744	
Minimum	$ 7,701,178	
Average	$ 7,830,101	

The following liquidity analysis summary of the group was presented at year-end December 31, 2018, according to the provisions issued by the Superintendency of Finance of Colombia for such purpose.

December 31, 2018

Entity	Amount	Percentage
Banco GNB Sudameris	5,091,968	74.33%
Servivalores GNB Sudameris	6,829	0.10%
Servitrust GNB Sudameris	41,253	0.60%
Servibanca	102,657	1.50%
Banco GNB Peru	1,335,257	19.49%
Corporación Financiera GNB	201	0.003%
Banco GNB Paraguay	272,688	3.98%
Total	**6,850,853**	**100%**
Maximum	$ 7,047,623	
Minimum	$ 4,413,771	
Average	$ 5,693,235	

At year-end December 31, 2019 and 2018, the Bank analyzed the maturities of financial liabilities presenting the following consolidated contractual maturities:

Maturity Analysis of Consolidated Financial Liabilities at December 31, 2019

Financial liabilities	< 1 month	1-3 months	3-12 months	Over 12 months
Customer deposits	3,014,019	5,733,950	2,924,182	12,370,502
Short-term financial liabilities	2,434,222	3,493,432	99,823	276,316
Outstanding investment securities	482	-	-	2,329,193
Bank credits	41,469	651,762	398,773	1,177,192
Total debt	**5,490,192**	**9,879,144**	**3,422,778**	**16,153,204**

Maturity Analysis of Consolidated Financial Liabilities at December 31, 2018

Financial liabilities	< 1 month	1-3 months	3-12 months	Over 12 months
Customer deposits	3,213,019	2,407,733	3,484,851	11,998,951
Short-term financial liabilities	4,995,460	1,110	14,388	317,421
Outstanding investment securities	755	-	-	2,230,599
Bank credits	151,013	322,643	574,096	1,192,570
Total debt	**8,360,247**	**2,731,486**	**4,073,335**	**15,739,541**

f) Operating Risk

Operating risk plays a fundamental role in the financial conglomerate's management, with an ongoing monitoring of various events, which may, or not, imply losses as a result of failures in internal processes, human resources, infrastructure and technology or derived from external circumstances.

1. SARO Evolution

During 2019, the Direction of Operative Risk, part of the National Risk Management Area of the Bank, in compliance with the provisions of current regulations, continued with the management of the operative risk, carrying out the following activities, among others:

1. 1 Banco GNB Sudameris and Colombian Subsidiaries:

1.1.1 Banco GNB Sudameris

Banco GNB Sudameris Board of Directors approved the update of the Standard on Operative Risk Management Procedure. The operative risk appetite limit was updated, which may be found in the document "Risk Appetite Framework" and it is monitored by the National Risk Management area through the Direction of Operative Risk.

Together with the respective areas, the review and update of the risk evaluation matrix was completed for the Bank's processes according to the schedule set. This way, the risks to which the entity is exposed were determined and identified, along with the controls to mitigate them, keeping the exposure levels within tolerable limits.

The Direction of Operative Risk supported the identification of risks for new projects, products and services developed in 2019.

As an important part of the strengthening of the risk culture in the entity, periodic training sessions were held, in-house and over the telephone, directed to collaborators in the entity's areas that allowed reinforcing the operative risk knowledge, as well as the functionality and management of the tool GNB SARO, highlighting the importance of preparing an operative risk events report.

Training and periodic evaluations were held, in order to reinforce the SARO concepts, to easily identify the operative risk events and to encourage the active participation of all Banco GNB Sudameris employees in the report of events occurred in their areas.

In order to strengthen and ensure the adequate management of risk, the Direction of Operative Risk prepared the evaluation and maturity report of the Operative Risk Management System (SARO in Spanish) at September 30, 2019.

Continuing with the strengthening of the risk culture in the entity, the report "SARO Evolution" was issued to the Vice-presidencies and National Management areas of the entity.

1.1.2. Servitrust

The Direction of Operative Risk, part of the National Risk Management Area, in compliance with the provisions of current regulations and under the synergy agreement with the Bank, continued managing the operative risk, carrying out the following activities, among others:

Servitrust GNB Sudameris Board of Directors approved the update of the Standard on Operative Risk Management Procedure. The operative risk appetite limit was updated, which may be found in the document “Risk Appetite Framework” and it is monitored by the National Risk Management area through the Direction of Operative Risk.

Together with the respective areas, the review and update of the risk evaluation matrix was completed for the entity’s processes and the Trust Businesses typologies according to the schedule set. This way, the risks to which the entity is exposed were determined and identified, along with the controls to mitigate them, keeping the exposure levels within tolerable limits.

The Direction of Operative Risk supported the identification of risks for new projects, products and services developed in 2019.

As an important part of the strengthening of the risk culture in the entity, periodic training sessions were held, in-house and over the telephone, directed to collaborators in the entity’s areas that allowed reinforcing the operative risk knowledge, as well as the functionality and management of the tool GNB SARO, highlighting the importance of preparing an operative risk events report.

Training and periodic evaluations were held, in order to reinforce the SARO concepts, to easily identify the operative risk events and to encourage the active participation of all Servitrust GNB Sudameris employees in the report of events occurred in their areas.

In order to strengthen and ensure the adequate management of risk, the Direction of Operative Risk prepared the evaluation and maturity report of the Operative Risk Management System (SARO in Spanish) at September 30, 2019.

Continuing with the strengthening of the risk culture in the entity, the report “SARO Evolution” was issued to the General Management area of Servitrust.

1.1.3. Servibanca

The Direction of Operative Risk, part of the National Risk Management Area, in compliance with the provisions of current regulations and under the synergy agreement with the Bank, continued managing the operative risk, carrying out the following activities, among others:

Servibanca Board of Directors approved the update of the Standard on Operative Risk Management Procedure. The operative risk appetite limit was updated, which may be found in the document “Risk Appetite Framework” and it is monitored by the National Risk Management area through the Direction of Operative Risk.

Together with the respective areas, the review and update of the risk evaluation matrix was completed for Servibanca S. A. processes according to the schedule set. This way, the risks to which the entity is exposed were determined and identified, along with the controls to mitigate them, keeping the exposure levels within tolerable limits.

As an important part of the strengthening of the risk culture in the entity, periodic training sessions were held, in-house and over the telephone, directed to collaborators in the entity’s areas that allowed reinforcing the operative risk knowledge, as well as the functionality and management of the tool GNB SARO, highlighting the importance of preparing an operative risk events report.

The implementation of the technological tool GNB SARO has reinforced the interaction with all entity areas, providing permanent support in the record of events, update of risk matrix, and follow-up to the treatment plans defined.

Training and periodic evaluations were held, in order to reinforce the SARO concepts, to easily identify the operative risk events and to encourage the active participation of all Servibanca S. A. employees in the report of events occurred in their areas.

In order to strengthen and ensure the adequate management of risk, the Direction of Operative Risk prepared the evaluation and maturity report of the Operative Risk Management System (SARO in Spanish) at September 30, 2019.

Continuing with the strengthening of the risk culture in the entity, the report "SARO Evolution" was issued to the General Management area of Servibanca.

1.1.4. Servivalores

The Direction of Operative Risk, part of the National Risk Management Area, in compliance with the provisions of current regulations and under the synergy agreement with the Bank, continued managing the operative risk, carrying out the following activities, among others:

Servivalores GNB Sudameris Board of Directors approved the update of the Standard on Operative Risk Management Procedure. The operative risk appetite limit was updated, which may be found in the document "Risk Appetite Framework" and it is monitored by the National Risk Management area through the Direction of Operative Risk.

Together with the respective areas, the review and update of the risk evaluation matrix was completed for the processes of Sociedad Comisionista Servivalores GNB Sudameris; the risks the entity is exposed to were determined and identified along with the controls to mitigate them, keeping the exposure levels within tolerable limits.

As an important part of the strengthening of the risk culture in the entity, periodic training sessions were held, in-house and over the telephone, directed to collaborators in the entity's areas that allowed reinforcing the operative risk knowledge, as well as the functionality and management of the tool GNB SARO, highlighting the importance of preparing an operative risk events report.

The implementation of the technological tool GNB SARO has reinforced the interaction with all entity areas, providing permanent support in the record of events, update of risk matrix, and follow-up to the treatment plans defined.

Training and periodic evaluations were held, in order to reinforce the SARO concepts, to easily identify the operative risk events and to encourage the active participation of all Servivalores GNB Sudameris employees in the report of events occurred in their areas.

In order to strengthen and ensure the adequate management of risk, the Direction of Operative Risk prepared the evaluation and maturity report of the Operative Risk Management System (SARO in Spanish) at September 30, 2019.

Continuing with the strengthening of the risk culture in the entity, the report "SARO Evolution" was issued to the General Management area of Servivalores.

1.1.5. Corporación Financiera GNB Sudameris

The Direction of Operative Risk, part of the National Risk Management Area, in compliance with the provisions of current regulations and under the synergy agreement with the Bank, continued managing the operative risk, carrying out the following activities, among others:

Corporación Financiera GNB Sudameris Board of Directors approved the update of the Standard on Operative Risk Management Procedure. The operative risk appetite limit was updated, which may be found in the document “Risk Appetite Framework” and it is monitored by the National Risk Management area through the Direction of Operative Risk.

Together with the respective areas, the review and update of the risk evaluation matrix was completed for the Corporación Financiera GNB Sudameris processes according to the schedule set. This way, the risks to which the entity is exposed were determined and identified, along with the controls to mitigate them, keeping the exposure levels within tolerable limits.

As an important part of the strengthening of the risk culture in the entity, periodic training sessions were held, in-house and over the telephone, directed to collaborators in the entity’s areas that allowed reinforcing the operative risk knowledge, as well as the functionality and management of the tool GNB SARO, highlighting the importance of preparing an operative risk events report.

The implementation of the technological tool GNB SARO has reinforced the interaction with all entity areas, providing permanent support in the record of events, update of risk matrix, and follow-up to the treatment plans defined.

Training and periodic evaluations were held, in order to reinforce the SARO concepts, to easily identify the operative risk events and to encourage the active participation of all Corporación Financiera GNB Sudameris employees in the report of events occurred in their areas.

In order to strengthen and ensure the adequate management of risk, the Direction of Operative Risk prepared the evaluation and maturity report of the Operative Risk Management System (SARO in Spanish) at September 30, 2019.

Continuing with the strengthening of the risk culture in the entity, the report “SARO Evolution” was issued to the General Management area of Corporación Financiera.

1.2 International Subsidiaries:

1.2.1 Banco GNB Peru

The Operative Risk Management System is considered an essential activity by Banco GNB Peru, and is based on its risk culture and the internal control through Risk Coordinators, Management areas/Vice-presidencies, and each employee with the directions provided by the Operative Risk area, maintaining the identification, measurement, control and monitoring of the operative risks, in compliance with the local regulatory framework and the corporate policies.

The analysis of the main operative risk events, follow-up to the litigation provisions, and main fines, was presented on a monthly basis. Additionally, an accumulated gross loss of operative risk has been identified at this date, as well as the credit risk losses (write-offs), provision losses (including litigation and credit risk), and other operative losses. Operative risk events accounted in excess of the internal threshold, have the respective treatment plans and the digital files, as indicated by Resolution 2116-2009 of SBS.

The analysis of Providers and significant Sub-contractors continued, in order to verify the new contracts and the modification of contracts with providers. As a result of such review, 14 providers were classified as non-significant sub-contractors.

In respect to the Self-evaluation workshops - SARO Workshops, the process evaluation was completed at the end of Q3, for 88% of 140 processes of Banco GNB.

A monthly, bi-monthly and quarterly monitoring of the 22 key risk indicators was maintained, along with the monitoring to the treatment plans that comprises action plans and complementary actions, which main difference is the complexity and time of execution, as well as their enforceability by the plan's origin.

The implementation of the technological tool GNB SARO has reinforced the interaction with all the entity's areas, providing permanent support in the record of events, update of risk matrix, and follow-up to the treatment plans defined.

1.2.2. Banco GNB Paraguay:

For Banco GNB Paraguay, the Operative Risk plays a significant role in the performance of its activity, since, thanks to the permanent monitoring of operative related events, it is possible to detect attention points of possible financial losses, as well as internal weaknesses in the control systems.

The follow-up to risk events has continued, along with the joint work with the process and audit area to review the risk matrix and controls.

Activities are being prepared to respond to the observations received from the Superintendency of Banks during the visit made to review the Operative Risk, Technological Risk and Business Continuity Risk.

The annual training material was prepared and the training session was held in November for the entire staff.

Together with the Human Resources area, we worked on the assignment and formal appointment of the operative risk coordinators at each entity's area.

The implementation of the technological tool GNB SARO has reinforced the interaction with all the entity's areas, providing permanent support in the record of events, update of risk matrix, and follow-up to the treatment plans defined.

2. VaR of Operative Risk

2.1. Servitrust GNB Sudameris

In conformity with the provisions of Decree 415 of 2018 in respect to the Exposure Value on Operative Risk and the regulations issued by the Superintendency of Finance of Colombia, Servitrust GNB Sudameris implemented the monthly calculation of the VaROr since June 2019, generating the respective reports as established by the provisions in force with the following results:

Figures in millions of COP

VaROr Servitrust GNB Sudameris	
Jun-19	1,860.12
Jul-19	1,862.67
Aug-19	1,865.84
Sept-19	1,866.86
Oct-19	1,871.63
Nov-19	1,875.03
Dec-19	1,876.82

In accordance with the analysis completed, VaROr has not represented a significant impact to the entity's solvency margin, which remained far above the limits set by the regulations in force.

2.2. Servivalores GNB Sudameris

In conformity with the provisions of Decree 415 of 2018 in respect to the Exposure Value on Operative Risk and the regulations issued by the Superintendency of Finance of Colombia, Servivalores GNB Sudameris implemented the monthly calculation of the VaROr since June 2019, generating the respective reports as established by the provisions in force with the following results:

	SERVIVALORES GNB Sudameris Monthly Result VaROr 2019 (figures in millions of COP)						
Period	June	July	August	September	October	November	December
VaROr	**629,86**	**651,33**	**673,28**	**696,15**	**718,86**	**738,84**	**760,22**

In accordance with the analysis completed, VaROr has not represented a significant impact to the entity's solvency margin, which remained far above the limits set by the regulations in force.

2.3 Banco GNB Sudameris and Corporación Financiera GNB Sudameris

As a complement to Decree 1477 of 2018 that modified Decree 2555 of 2010 in regard to the requirements on adequate equity due to operative risk of the credit entities, the Ministry of Public Finance and Credit issued Decree 1421 by means of which other provisions were enacted:

- There are modifications to the Total Solvency Relationship, the Basic Solvency Relationship, and the Basic Additional Solvency Relationship, to include the operative risk exposure value.

- A methodology was included to calculate the operative risk exposure value (VaROr), that is the result of multiplying the business indicator by the operative risk coefficient and the internal loss indicator.

- In respect to the Transition Regime, the credit entities must comply with the provisions of the decree as from January 1, 2021.

Th Superintendency of Finance of Colombia issued the communication project in December 2019 updating the instructions related to the operative risk management to be done by the entities supervised, gives instructions related to the calculation of the operative risk exposure value of the credit entities in conformity with Decree 1421 of 2019, and adjusts the respective formats and instructives. The final communication is expected for the first quarter 2020 to begin the corresponding management towards their implementation.

3. Operating Risk Events

During 2019, the events with the highest financial impact occurred to Banco GNB Peru and are mainly related to: i) write-off of operations due to failure in the portfolio purchase process for $494 million; ii) Reimbursement of payments made by the client, payment in advance that did not have the previous acceptance as support according to the regulations in force, for $227 million; and iii) Penalty from Indecopi for discrimination acts and out-of-time-response on the cancellation of credit cards for $216 million pesos.

In 2019, there were operative risk events with impact in the Financial Statements of Banco GNB Sudameris for $711 million, amount that is within the limit established for the operative risk and is distribute as follows: 85.1% is related to the human resource risk factor; 8.8% to the technology factor; 5.6% to the external factor, and the remaining 0.5% to process failures.

During 2019, there were operative risk event in Servibanca with impact in the Financial Statements for $251 million, among which the Type "A" events with higher amount are related to vandalism and theft of ATM cash.

In respect to Banco GNB Paraguay the Type "A" events with higher impact are related mainly to the late payment and payment of interests due to technological failures that made the access difficult to the Virtual Banking for $46 million; and ii) duplicate operation due to system failures for $38 million.

For the subsidiaries Servitrust and Servivalores, the operative risk events with impact in the Financial Statements are related to the annulment of trade vouchers at the Colombian stock market for $0.12 and $0.11 million, respectively.

Finally, there was an event at Corporación Financiera with impact in the financial statements for $0.016, due to the accrual of moratorium interests for the late payment of the income tax withholding in March.

The share of Type A operating risk events corresponding to the year 2019 in respect to the events occurred, is as follows:

Figures in millions of COP	**YEAR 2019**	
Entity	**Amount**	**Share**
Banco GNB Peru*	1,619.7	60%
Banco GNB Sudameris	710.9	26%
Servibanca	251.8	9%
Banco GNB Paraguay*	114.8	4%
Servitrust	0.1	0.004%
Servivalores	0.1	0.004%
Corporación Financiera GNB	0.02	0.001%
Group	**2,697.3**	**100%**

Source: SARO Application

***** Liquidation based on the exchange rate at the last business date, as it may correspond to each country.

Below appears a comparison on the behavior of the Type "A" events for each entity in the Group during the year 2019 and 2018:

Figures in millions of COP	**YEAR 2019**	**YEAR 2018**	**Variation**	
Entity	**Amount**	**Amount**	**Amount**	**%**
Banco GNB Peru*	1,619.7	2,561.8	(942)	(37%)
Banco GNB Sudameris	710.9	376	335	89%
Servibanca	251.8	336.8	(85)	(25%)
Banco GNB Paraguay*	114.8	7.4	107	1,451%
Servitrust	0.1	0.5	(0.38)	(77)
Servivalores	0.1	0.1	-	-
Corporación Financiera GNB	0.02	-	0.02	-
Group	**2,697.3**	**3,282.6**	**(585)**	**22%**

Source: SARO Application

* Liquidation based on the exchange rate at the last business date, as it may correspond to each country.

4. Risk Profile

The Financial Group has defined a conservative risk appetite in the development of its operations. During 2019, considering the risks found at each entity, we reported that the Group's residual risk level is LOW and that it is below the risk limit defined for each of its companies.

5. Business Continuity Plan Management

5.1 Banco GNB Sudameris and Subsidiaries in Colombia

In accordance with the Continuity Plan defined and approved by the Business Continuity Committee, the Direction of Operative Risk did during the year, among others, the following activities:

- Approval of the Procedure Standard "Business Continuity Plan for Entities of GNB Sudameris Group", that included adjustments related to the transfer of responsibility in management and the process coordination by the Vice-presidency of Technology to the National Risk Management area, as well as strengthening the different methodologies.

- On the other hand, supported by the areas of the Bank and its Subsidiaries, the identification of critical processes/activities was completed through the update of the Business Impact Analysis (BIA), verifying they are aligned to the Business Continuity Plan.

- The annual training and evaluation were held on the Business Continuity Management System through the virtual tool directed to all Entity employees.

- An in-house training was held on the Business Continuity Plan, directed to the members of the Business Continuity Committee, responsible for the administration of the Crisis Management Plan, the Emergency Plan Management, and members of General Audit.

- Additionally, tests and contingency operations have been carried out, both internal and with third parties, for the Bank and its subsidiaries at the Alternative Computing Center (ACC) and the Contingency Operation Center (COC), specific and for several days, with the active participation of all areas involved in such processes, who certified the connectivity and functionality of the services and applications.

5.2 International Subsidiaries

5.2.1 Banco GNB Peru

The Business Continuity Management is a process carried out by the Board, Management and the staff, that implements effective answers in order for the Bank's operation to continue, with the purpose of safeguarding the interests of its main groups of interest, in case events occur that may interrupt or destabilize the Bank operations.

In 2019, business continuity events continued to be gathered and recorded. Likewise, the following was done:

- Tests at agencies with satisfactory results to assess the Contingency Plan - Unit DRP, Emergency Plan (Evacuation).

- The evaluation to critical providers (30 services) was completed, defined through the results obtained at the BIA's. Training program

- Business Continuity trainings were held for the Agencies Network.

- The follow-up continued for the indicators defined for the Business Continuity Management, indicators related to Business Interruption and the Activation of Plans peer Agency (including Agency ATM), which were reported to SBS.

5.2.2. Banco GNB Paraguay

As of December 2019, the Business Continuity and Contingency Plans were updated for different areas, and tests are still in process for some plans by other areas.

As part of the Transformation Project to BT Web, specific processes were agreed to be classified as critical considering the launch of the new system, giving priority to those with impact in the clients, where specific contingency plans were in turn coordinated with the related areas in case of any inconvenient. By 2020, the change of the PCN approach is expected, in order to be entirely faced by Processes.

g) Information Security and Cybersecurity

In 2019, the Direction of Information Security and Cybersecurity, part of the National Risk Management area, in compliance with the provisions of the regulations in force, did, under a synergy agreement with the Parent Banco GNB Sudameris, the following activities, among others:

- In compliance with External Communication 007 of 2018 issued by the Superintendency of Finance of Colombia, through which instructions are given in regard to the minimal requirements to manage the cybersecurity risk, the service of the Security operation Center (SOC) was implemented for the Group, including tools to correlate events that allow warning about security and cybersecurity events and incidents.

- The monitoring was implemented through the Security Operation Center (SOC) to protect the brand of GNB Sudameris Group.

- The annual training was held, in order to reinforce the concepts of Information Security and Cybersecurity and encouraging the participation of all members of GNB Sudameris Group in respect to the new cyber threats.

- The review and update were completed for the information classification matrix of all areas of Banco GNB Sudameris and its local subsidiaries, determining and applying the corresponding protection measures, according to their classification.

- In compliance with the internal regulation and communication 042 of the Superintendency of Finance of Colombia, the vulnerability analysis was held for the productive infrastructure, as well as the ethical hacking analysis to specific internal objectives and some exposed to cyberspace.

- In compliance with the internal and external regulations, evaluation visits were made to critical providers, with the purpose of validating the controls implemented to protect the information provided by Banco GNB Sudameris.

- The annual recertification of users and employees profiles was completed at GNB Sudameris Group and its local subsidiaries, with access to the different Financial Services and/or Virtual Banking, with satisfactory results.

- The access to external email, corporate email through internet, access to removable devices, and internet surfing were re-certified for the employees of GNB Sudameris Group with satisfactory results.

- The International Subsidiaries were supported on the implementation of best practices in topics related to information security and cybersecurity.

NOTE 8 - OPERATING SEGMENTS

Banco GNB Sudameris has segmented its operations at the consolidated level in accordance with its geographical distribution in the countries it operates. These segments are components of the Bank, in charge of carrying out commercial activities that generate income and expenses and the results are periodically reviewed by the Board of Directors.

The Bank is organized into three business segments: Colombia, Peru and Paraguay. All the countries composing the segments provide services related to the financial sector's activity and are regulated by the laws in the country of presence and the Bank's guidelines.

Colombia

Colombia's segment is composed of Banco GNB Sudameris and its local subsidiaries: Servitrust GNB Sudameris, Servibanca, Servivalores GNB Sudameris, Servitotal and Corporación Financiera GNB Sudameris. Banco GNB Sudameris has more than 95 years of experience in the country and offers a range of products and services to its customers in different sectors of the economy; including consumer, commercial and institutional credit, complemented by services offered by the local subsidiaries. The trust fund, Servitrust GNB Sudameris, has wide experience in the management of collective investment funds and Administration and Guarantee Trust, the Subsidiary Servibanca is a strategic ally of the Bank for the implementation of technology-based products, and has a network of more than 2300 ATMs nationwide, with a presence in more than 600 cities and municipalities. Servivalores GNB Sudameris is the securities exchange broker of the Bank, a company with more than 20 years of experience, dedicated entirely to securities dealing in Colombia. The Corporation GNB Sudameris started operating at the end of 2018 through investments (variable income) in the hotel sector, real estate and media communication. As of December 31, 2019 Servitotal has not started its operations.

Peru

This segment corresponds to Banco GNB Peru acquired in 2013 from HSBC. Its operation began in 2007, and it has been consolidating into a relevant player in the Peruvian banking system. GNB Peru operates in consumer, commercial and corporate segments.

Paraguay

Paraguay's segment consists of Banco GNB Paraguay, a long-serving bank in that country operating since 1920, acquired by Banco GNB Sudameris from HSBC in 2013. The Bank engages in activities in two business segments: retail banking and commercial and corporate banking.

This segmentation by country responds to a strategic organization of the Bank with regards to its offer of products and services, in response to the needs of its customers in the different sectors of the economy of the countries it has presence.

The Board of Directors evaluates financial information at the consolidated and individual levels of each of the companies comprising the segments for which performance follow-up is made based on results obtained in the various items of the balance sheet and the income statement, as well as the various indicators that complement them.

The following is a summary of the financial information per segment as of December 31, 2019 and 2018:

Statement of financial position as of December 31, 2019

Assets	**Colombia**	**Peru**	**Paraguay**	**Eliminations**	**Consolidate**
Cash and Cash Equivalents	10,208,812	963,912	1,019,037	(82,393)	12,109,368
Financial assets at fair value	7,958,070	750,736	357,400	(2,763,719)	6,302,487
Financial assets at amortized cost	671,024	164,834	-	-	835,858
Portfolio	9,609,783	3,655,873	2,961,568	(32,050)	16,195,174
Other accounts receivable	191,618	31,524	13,249	(5,778)	230,613
Non-current assets held for sale	230	16,825	5,658	-	22,713
Intangible Assets	1,028,331	25,712	12,170	(9,850)	1,056,363
Intangible Assets	135,299	4,280	14,224	215,174	368,977
Income tax assets	261,665	38,867			300,532
Other assets	70,740	12,626	26,433	-	109,799
Total Assets	**30,135,572**	**5,665,189**	**4,409,739**	**(2,678,616)**	**37,531,884**

Liabilities					
Financial liabilities at fair value	15,586	-	45,784	(11,424)	49,946
Customer deposits	16,178,528	4,106,651	3,431,298	(82,393)	23,634,084
Short-term liabilities	5,847,942	91,925	286,358	-	6,226,225
Loans with development entities	1,943,206	341,915	94,102	(32,050)	2,347,173
Long-term loans	2,161,262	90,533	-	-	2,251,795
Liabilities on financial leases	92,243	32,220	5,898		130,361
Employee benefits	54,773	4,432	-	-	59,205
Provisions	20,158	28,326	16,067	-	64,551
Income tax	19,171	-	725	-	19,896
Other liabilities	237,045	174,399	15,316	(3,097)	423,663
Total Liabilities	**26,569,914**	**4,870,401**	**3,895,548**	**(128,964)**	**35,206,899**

Income Statement

	Colombia	**Peru**	**Paraguay**	**Eliminations**	**Consolidate**
Interests income and valuations	1,258,568	363,016	290,615	(4,342)	1,907,857
Interest expense:					
Deposits interest expense	699,898	132,473	93,872	(4,058)	922,185
Financial debt and other interests	284,187	61,352	5,769	(284)	351,024
Total Interests expense	**984,085**	**193,825**	**99,641**	**(4,342)**	**1,273,209**
Net interests income and valuations	274,483	169,191	190,974	-	634,648
Impairment loss on financial assets	201,550	84,360	44,216	-	330,126
Net interests income and valuations	**72,933**	**84,831**	**146,758**	**-**	**304,522**
Commissions and fees net income	99,765	26,048	24,507	245	150,565
Valuation income at fair value, net	394,186	70,252	(20,139)	(110,509)	333,790
Other income	438,980	15,416	84,945	(270,976)	268,365
Other Expenses	501,869	116,719	140,916	(33,401)	726,103
Net profit before income tax	**503,995**	**79,828**	**95,155**	**(347,839)**	**331,139**
Income Tax	38,746	9,766	9,730	-	58,242
Net profit	**465,249**	**70,062**	**85,425**	**(347,839)**	**272,897**

Statement of financial position as of December 31, 2018

Assets	Colombia	Peru	Paraguay	Eliminations	Consolidate
Cash and Cash Equivalents	8,445,145	630,383	436,995	(255,633)	9,256,890
Financial assets at fair value	7,592,466	920,463	224,857	(2,453,980)	6,283,806
Financial assets at amortized cost	569,596	202,255	-	-	771,851
Portfolio	8,796,475	3,553,260	2,766,743	-	15,116,478
Other accounts receivable	198,997	41,498	4,249	(68,943)	175,801
Non-current assets held for sale	230	12,790	12,744	-	25,764
Tangible Assets	804,954	10,421	7,847	(7,066)	816,156
Intangible Assets	206,367	11,397	1,385	213,390	432,539
Income tax assets	222,250	36,123	-	-	258,373
Other assets	37,117	34,783	8,965	-	80,865
Total Assets	**26,873,597**	**5,453,373**	**3,463,785**	**(2,572,232)**	**33,218,523**

Liabilities					
Financial liabilities at fair value	26,798	-	30,598	(25,591)	31,805
Customer deposits	14,718,405	3,828,777	2,438,991	(255,633)	20,730,540
Short-term liabilities	4,878,790	120,369	290,164	-	5,289,323
Loans with development entities	1,538,619	531,031	170,732	-	2,240,382
Long-term loans	2,142,283	89,071	-	-	2,231,354
Employee benefits	50,235	4,446	-	-	54,681
Provisions	21,454	16,316	14,323	-	52,093
Income tax	23,567	-	3,419	-	26,986
Capital increase advances	162,488	-	-	-	162,488
Other liabilities	236,169	138,403	18,950	(66,261)	327,259
Total Liabilities	**23,798,808**	**4,728,413**	**2,967,177**	**(347,485)**	**31,146,911**

Income Statement

	Colombia	Peru	Paraguay	Eliminations	Consolidate
Interests income and valuations	1,207,778	312,182	236,803	(5,378)	1,751,385
Interest expense:					
Deposits interest expense	649,762	111,780	65,007	(4,448)	822,101
Financial debt and other interests	273,572	34,677	6,824	(930)	314,143
Total Interests expense	923,334	146,457	71,831	(5,378)	1,136,244
Net interests income and valuations	284,444	165,725	164,972	-	615,141
Impairment loss on financial assets	153,215	106,683	35,795	-	295,693
Net interests income and valuations	**131,229**	**59,042**	**129,177**	**-**	**319,448**
Commissions and fees net income	91,128	30,076	21,042	246	142,492
Valuation income at fair value, net	236,504	33,529	(12,816)	(19,163)	238,054
Other income	397,363	58,361	17,708	(220,170)	253,262
Other Expenses	483,783	120,042	73,299	(19,086)	658,038
Net profit before income tax	**372,441**	**60,966**	**81,812**	**(220,001)**	**295,218**
Income Tax	37,043	9,410	8,739	-	55,192
Net profit	**335,398**	**51,556**	**73,073**	**(220,001)**	**240,026**

The main eliminations in total income, expenses, assets and liabilities between segments with the corresponding consolidated entries at the level of the Bank and its Subsidiaries, are:

- Investment in term deposits and outstanding bonds in other segments.
- Investments in subsidiary eliminations and registry of non-controlling interests.

- Commissions expense and income

Income Analysis per Products and Services

Income of the Bank and its Subsidiaries is analyzed per product and services in the income statement.

Income per Country

The following table presents the income of the Bank and its Subsidiaries per individual country where income is significant for the periods ended on December 31, 2019 and 2018.

	December 31, 2019	**December 31, 2018**
Colombia	1,163,176	1,128,158
Peru	363,016	312,182
Panama	67,158	52,570
Paraguay	290,615	236,803
United States	-	343
British Virgin Islands	23,892	21,329
Total Consolidated Earnings	**1,907,857**	**1,751,385**

The preceding analysis is based on the client's domicile; income of extra-territorial entities (off-shore) of Colombian clients is reported as Colombian income. Earnings include income from interests, commissions, fees, and other operating income.

Assets per Country

The following table presents the non-current assets of the Bank and its Subsidiaries for each country for the periods ended on December 31, 2019 and 2018:

December 31, 2019	**Tangible Assets**	**Intangible Assets**
Colombia	1,028,331	135,299
Peru	25,712	4,280
Paraguay	12,170	14,224
Eliminations	(9,850)	215,174
Total	**1,056,363**	**368,977**

December 31, 2018	**Tangible Assets**	**Intangible Assets**
Colombia	797,887	208,051
Peru	10,421	11,397
Paraguay	7,848	1,385
Eliminatios	-	211,706
Total	**816,156**	**432,539**

During the years ended on December 31, 2019 and 2018, the Bank and its Subsidiaries did not report any income concentration between the clients with more than 10% of share in ordinary activities income.

NOTE 9 - CASH AND CASH EQUIVALENTS

The following is the detail of cash and cash equivalents

	December 31, 2019	December 31, 2018
Local currency		
Cash	326,681	295,484
Banco de la República (Central Bank)	1,812,395	1,078,774
Banks and other financial entities	3,344	5,975
Interbanking funds	-	80,036
Simultaneous operations (repurchase agreement) (a)	7,494,097	6,351,923
Subtotal	**9,636,517**	**7,812,192**
Foreign Currency		
Cash	106,176	87,535
Banco de la República (Central Bank)	1,363,862	760,715
Banks and other financial entities	502,016	318,459
Bank reserve	2,561	893
Remittances in transit	564	-
Interbanking funds	497,672	277,096
Subtotal	**2,472,851**	**1,444,698**
Total	**12,109,368**	**9,256,890**

There are no restrictions on cash and cash equivalents.

(a) As of December 31, 2019, and 2018, financial investments in debt securities act as guarantees for repo and simultaneous operations amounting to $7,494,097and $6,351,923 respectively.

NOTE 10 – FINANCIAL ASSETS MEASURED AT FAIR VALUE

a) At fair value with changes in income

The financial assets balance in debt instruments and equity instruments as of December 31, 2019 and 2018 is shown below:

Debt securities	December 31 2019	December 31 2018
Denominated in local currency		
Securities issued or guaranteed by the Local Government	4,629,954	4,517,327
Securities issued or guaranteed by National State Entities	35,405	78,522
Securities issued or guaranteed by financial entities	421,993	463,886
Total denominated in local currency	**5,087,352**	**5,059,735**
Denominated in foreign currency		
Securities issued or guaranteed by Central Banks	1,050,453	1,071,766
Other securities	42,036	42,597
Total denominated in foreign currency	**1,092,489**	**1,114,363**
Total debt securities	**6,179,841**	**6,174,098**
Equity securities, net	58,050	54,869
Investment funds, net	45,215	31,328
Total investment securities, net	**6,283,106**	**6,260,295**

b) Debt securities at amortized cost

The detail of the carrying value of investments in debt securities, net of provisions due to investment losses, on the dates indicated is shown below:

Debt securities	December 31 2019	December 31 2018
Denominated in COP		
Issued or guaranteed by other financial entities	671,051	569,651
Total in local currency	**671,051**	**569,651**
In foreign currency		
Issued or guaranteed by other financial entities	164,840	202,264
Total in foreign currency	**164,840**	**202,264**
Total debt securities	**835,891**	**771,915**
Investments impairment - IFRS 9	(33)	(64)
Total investments, net	**835,858**	**771,851**

c) At fair value per credit rating

The credit quality detail defined by rating agencies of independent risks for the issuers of interest debt securities for the Bank is detailed as follows:

Fair Value	December 31 2019	December 31 2018
Issued or guaranteed by Central Banks	1,071,766	1,071,766
Issued or guaranteed by Governments	4,644,047	4,595,849
Investment degree	421,993	463,886
Speculative operations	44,658	44,163
Not classified / not available	100,642	84,631
Total Investments, net	**6,283,106**	**6,260,295**

e) Maturity of financial assets

The following is a summary of the financial assets by maturity dates:

December 31, 2019

Description	From 0 to 30 days	From 31 to 180 days	From 181 to 360 days	From 361 to 720 days	Impairment	Balance
Investments in debt securities at fair value with changes in income	112,895	1,647,920	1,692,520	2,726,506	-	6,179,841
Investments in debt securities at amortized cost	164,152	226,834	280,065	164,841	(34)	835,858
Cash operations and derivatives	19,381	-	-	-	-	19,381
Total Investments	**296,428**	**1,874,754**	**1,972,585**	**2,893,969**	**(34)**	**7,035,080**

December 31, 2018

Description	From 0 to 30 days	From 31 to 180 days	From 181 to 360 days	From 361 to 720 days	Impairment	Balance
Investments in debt securities at fair value with changes in income	181,985	2,687,955	1,269,204	2,034,954	-	6,174,098
Investments in debt securities at amortized cost	135,649	211,936	222,067	202,263	(64)	771,851
Cash operations and derivatives	23,511	-	-	-	-	23,511
Total Investments	**341,145**	**2,899,891**	**1,491,271**	**2,238,784**	**(64)**	**6,969,460**

g) Equity instruments

	2019	2018
Investments in equity at fair value with changes in PL	55,903	52,651
Other securities	47,302	33,546
Total	**103,265**	**86,197**

The investments in equity are related to securities of companies where the Group do not have control.The other securities are related to investments in trusts which own securities of companies and investments funds where the group do not have control.

f) Derivatives

Trading derivatives

The following table expresses the fair value at the end of the period for forwards, futures and swaps of interest rates, securities and foreign currencies where the Bank and its Subsidiaries has commitments.

The derivative financial instruments contracted by the Bank and its Subsidiaries are traded in financial offshore and local markets. The fair value of the derivative instruments has positive or negative variations as a result of the fluctuations in exchange rates of foreign currencies, interest rates and other risk factors, depending of the type of underlying instrument.

	December 31, 2019			December 31, 2018		
	Value USD	Notional amount	Fair Value	Value USD	Notional amount	Fair Value
ASSETS		**3,277.14**			**3,249.75**	
Currency spot	-	-	-	12,916	41	41
Currency forwards	5,100,001	16,713	16,713	7,203,562	23,410	23,410
Interest rate swaps	9,485	31	31	18,357	60	60
Hedge forwards	804,450	2,637	2,637	-	-	-
TOTAL ASSETS	**5,913,936**	**19,381**	**19,381**	**7,234,835**	**23,511**	**23,511**
LIABILITIES						
Currency forwards	15,219,532	49,877	49,877	2,694,238	8,756	8,756
Interest rate swaps	9,975	33	33	20,027	65	65
Currency spot	-	-	-	13,763	45	45
Currency futures	11,185	36	36	7,058,829	22,939	22,939
TOTAL LIABILITIES	**15,240,692**	**49,946**	**49,946**	**9,786,857**	**31,805**	**31,805**
NET POSITION	**(9,326,756)**	**(30,565)**	**(30,565)**	**(2,552,022)**	**(8,294)**	**(8,294)**

g) Offsetting of financial assets and financial liabilities

The detail of the financial instruments subject to contractual offsetting as of December 31, 2019 and 2018 is presented below:

December 31, 2019

	Gross amounts of financial assets recognized	Gross amounts of financial liabilities recognized offset in the Statement of Financial Position	Net amount of financial assets presented in the Statement of Financial Position
Assets			
Derivatives	369,752	(350,371)	19,381
Total	**369,752**	**(350,371)**	**19,381**

	Gross amounts of financial assets recognized	Gross amounts of financial liabilities recognized offset in the Statement of Financial Position	Net amount of financial liabilities presented in the Statement of Financial Position
Liabilities			
Derivatives	198,602	(148,656)	49,946
Total	**198,602**	**(148,656)**	**49,946**

December 31, 2018

	Gross amounts of financial assets recognized	Gross amounts of financial liabilities recognized offset in the Statement of Financial Position	Net amount of financial assets presented in the Statement of Financial Position
Assets			
Derivatives	41,323	(17,853)	23,470
Repos and simultaneous operations (repurchase agreement)	41	-	41
Total	**41,364**	**(17,853)**	**23,511**

	Gross amounts of financial assets recognized	Gross amounts of financial liabilities recognized offset in the Statement of Financial Position	Net amount of financial liabilities presented in the Statement of Financial Position
Liabilities			
Derivatives	97,781	(66,021)	31,760
Repos and simultaneous operations (repurchase agreement)	45	-	45
Total	**97,826**	**(66,021)**	**31,805**

Hedging Instruments

The Bank and its Subsidiaries decided to manage the hedge accounting in the following subsidiaries abroad: Banco GNB Peru and Banco GNB Paraguay, with derivative instruments (foreign currency borrowings).

The purpose of these operations is to protect the Bank from the exchange rate risk due to structural positions in some of its subsidiaries abroad.

The primary position subject to hedging are the net initial investments abroad (investment cost). In 2017, hedging extended to the goodwill generated by the acquisition of subsidiaries abroad.

The hedge used by Banco GNB Sudameris to cover its initial investments and the goodwill of such investments abroad is 100% the subordinated bonds with maturity in 2022 and 63.58% the subordinated bonds with maturity in 2027.

The following information is the detail of the total investments hedged and the hedge type used out of Colombia.

December 31, 2019	Foreign Currency (Millions)		Colombian pesos (Millions)		
Investment Detail	**Amount with Hedge**	**Hedge amount in USD obligations, net**	**Accumulated translation of obligations adjustments in foreign currencies**	**Obligations of Hedge - Net**	**OCI Account**
Investment in Banco GNB Peru (Soles)	638	220	121,863	121,863	2,521
Investment in Banco GNB Paraguay (Guaraníes)	811,046	155	85,919	85,919	1,778
Goodwill		65	26,727	26,727	1,784
Total		**440**	**234,509**	**234,509**	**6,083**

December 31, 2018	Foreign Currency (Millions)		Colombian pesos (Millions)		
Investment Detail	**Amount with Hedge**	**Hedge amount in USD obligations, net**	**Accumulated translation of obligations adjustments in foreign currencies**	**Obligations of Hedge - Net**	**OCI Account**
Investment in Banco GNB Peru (Soles)	627	187	136,788	136,788	49,610
Investment in Banco GNB Paraguay (Guaraníes)	524,919	91	66,696	66,696	24,189
Goodwill		65	24,943	24,943	17,313
Total		**343**	**228,427**	**228,427**	**91,112**

Hedging Effectiveness Tests

In terms of hedge effectiveness the Bank considers that the hedge is highly effective if at the beginning of the period and during the subsequent periods it results in the offsetting of changes in the fair value or the cash flows attributable to the hedged risk.

In accordance with regulations, the Bank conducts prospective tests on a quarterly basis to establish the financial conditions that guarantee the hedge effectiveness. Similarly, it generates a correlation analysis of the exchange rate flows that verifies the historical behaviors; thus, complementing the prospective analysis with actual results.

During the period ended on December 31, 2019 the portion of profit or loss related to the hedge instrument determined to be an effective hedge, is recognized in Other Comprehensive Income, and the ineffective portion in the income for the period.

The Bank has documented the hedge effectiveness in its net investments in foreign currency. The value of the investments fluctuates during the year and, as a result, the Bank evaluates the hedge and results of the effectiveness test on a quarterly basis.

Hedge Corporación Financiera GNB

The Corporation decided to manage the hedge accounting with derivative instruments (forwards). The purpose of the hedge accounting operations is to protect the Corporation from the exchange rate risk due to structural positions in some of its investments abroad.

Initially, the primary position subject to hedging was the investment in Charleston Hotels Group Inc. Considering that the productive activity of the company Charleston Hotels Group Inc, investment under hedging, is carried out in Colombia, a decision was made to remove the hedge and transfer the investment to the national territory. The agreement of the forwards established generated income for $2,031,105 in 2019.

New derivative instruments were established, whose primary positions subject to hedging correspond to the investment in Namen Finance Ltd. and the Guarantee Trust in GNB Sudameris Bank of Panama.

The following is the detail of the total investments hedged and the hedge type used:

December 31,2019					**Colombian pesos (Millions)**	
Investment	**Hedge detail**	**Date of hedge creation**	**Investment amount in USD at year-end**	**Investment accumulated translation**	**Obligations of Hedge – Net**	**Net result hedge valuation**
Namen Finance Ltd.	Investment abroad	01/08/2019	28,719,076	421	421	0
Fiducia en garantía GNB Sudameris Bank	Financial instrument	09/09/2019	5,000,000	414	414	0
	Total		**33,719,076**	**835**	**835**	**0**

December 31, 2018					**Colombian pesos (Millions)**	
Investment	**Hedge detail**	**Date of hedge creation**	**Investment amount in USD at year-end**	**Investment accumulated translation**	**Obligations of Hedge – Net**	**Net result hedge valuation**
Charleston Hotels Group Inc.	Investment abroad	02/11/2018	65,000,000	3,447	3,447	0
	Total		**65,000,000**	**3,447**	**3,447**	**0**

In terms of hedge effectiveness the Bank considers that the hedge is highly effective if at the beginning of the period and during the subsequent periods it results in the offsetting of changes in the fair value or the cash flows attributable to the hedged risk.

In accordance with regulations, the Corporation conducts prospective tests on a quarterly basis to establish financial conditions that guarantee the hedge effectiveness. Similarly, it generates a correlation analysis of the exchange rate flows that verifies the historical behaviors; thus, complementing the prospective analysis with actual results.

During the period ended on December 31, 2019 the portion of profit or loss related to the hedge instrument determined to be an effective hedge, is recognized in Other Comprehensive Income, and the ineffective portion in the income for the period.

The Corporation has documented the hedge effectiveness in its net investments in foreign currency. The net value of the investments fluctuates during the year and, as a result, the Corporation evaluates the hedge and results of the effectiveness test on a quarterly basis.

At December 2019 year-end, the Corporation has the following forwards established:

AMOUNT	OPENING	MATURITY	TYPE	COUNTERPART
USD 30,000,000	1/08/2019	28/01/2020	HEDGING	BANCO DE BOGOTA
USD 5,000,000	12/12/2019	9/06/2020	HEDGING	CORFICOLOMBIANA
USD 20,000,000	5/08/2019	3/02/2020	SPECULATION	BANCO DE BOGOTA
USD 15,000,000	11/12/2019	10/06/2020	SPECULATION	BANCO DE BOGOTA
USD 5,000,000	12/12/2019	12/06/2020	SPECULATION	CORFICOLOMBIANA
USD 6,000,000	13/11/2019	11/05/2020	SPECULATION	CORFICOLOMBIANA
USD 5,000,000	13/11/2019	11/05/2020	SPECULATION	CORFICOLOMBIANA
USD 5,000,000	13/11/2019	11/05/2020	SPECULATION	CORFICOLOMBIANA
USD 5,000,000	13/11/2019	11/05/2020	SPECULATION	CORFICOLOMBIANA
USD 5,000,000	13/11/2019	11/05/2020	SPECULATION	CORFICOLOMBIANA
USD 101,000,000				

NOTE 11 - LOANS

The following is an analysis of the financial asset at amortized cost.

Loans per modality

The distribution of the credits portfolio of the Bank and its Subsidiaries at amortized cost is as follows:

Description	December 31, 2019	December 31, 2018
Payroll loans	6,334,623	5,515,282
Ordinary loans (1)	7,586,418	7,135,358
Loans with resources of development entities	1,020,745	1,011,488
Overdrafts	46,337	37,035
Credit cards	119,665	147,299
Loans to SMEs	584,318	648,557
Home mortgage (2)	1,022,742	1,106,305
Vehicle loans	5,360	8,321
Total gross financial assets in credits portfolio	**16,720,208**	**15,609,645**
Impairment provision	(525,034)	(493,167)
Total net financial assets in credits portfolio	**16,195,174**	**15,116,478**

(1) Includes employees consumer portfolio for	9,806	10,695
(2) Includes employees home mortgage portfolio for	27,343	26,344

The movement of the provision on financial assets impairment in loans during the years ended on December 31, 2019 and 2018, is as follows:

	December 31, 2019			
Impairment specific provisions	**Commercial**	**Consumer**	**Home Mortgage**	**Total**
Balance at December 31, 2018	288,714	152,987	51,466	493,167
Impairment losses for the period:	-	-	-	-
Charge for the period	276,490	271,965	19,948	568,403
Recoveries	(136,279)	(83,882)	(27,797)	(247,958)
Effect of foreign currency movements	(10,785)	-	-	(10,785)
Write-offs	(100733)	(177,060)	-	(277,793)
Subtotal impairment provisions - Clients	**317,407**	**164,010**	**43,617**	**525,034**

Impairment specific provisions	December 31, 2018 Commercial	Consumer	Home Mortgage	Total
Balance at December 31, 2017	172,245	104,838	24,205	301,288
Adoption IFRS 9 (see note 3c)	13,765	23,722	10,024	47,511
Total	**186,010**	**128,560**	**34,229**	**348,799**
Impairment losses for the period:				
Charge for the period	204,331	289,014	43,996	537,341
Recoveries	(73,883)	(145,747)	(26,725)	(246,355)
Effect of foreign currency movements	54,364	-	-	54,364
Discount effect	(47,420)	-	-	(47,420)
Write-offs	(34,688)	(118,840)	(34)	(153,562)
Subtotal impairment provisions - Clients	**288,714**	**152,987**	**51,466**	**493,167**

The distribution of the credits portfolio of the Bank and its Subsidiaries per maturity is as follows:

December 31, 2019

	Up to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Commercial	5,107,159	1,369,490	1,119,361	1,497,395	9,093,405
Consumer	87,369	379,424	849,054	5,288,214	6,604,061
Home Mortgage	2,304	12,941	35,437	972,060	1,022,742
Total Gross Portfolio	**5,196,832**	**1,761,855**	**2,003,852**	**7,757,669**	**16,720,208**

December 31, 2018

	Up to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Commercial	4,045,753	2,016,467	1,019,064	1,579,784	8,661,068
Consumer	97,166	391,332	758,996	4,594,779	5,842,273
Home Mortgage	1,431	11,179	32,775	1,060,919	1,106,305
Total Gross Portfolio	**4,144,350**	**2,418,978**	**1,810,835**	**7,235,482**	**15,609,645**

Portfolio in default

The Bank and its subsidiaries consider a loan in past due if payment has not been received 30 days past the due date and up to 90 days. Once the loan is past due for more than 90 days it is considered part of the portfolio in default. As of December 31, 2019 and 2018, the summary of the portfolio in default per aging is as follows:

December 31, 2019

	Portfolio in default From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	Total in default	Total in default
Commercial	273,072	39,243	13,184	325,499	232,459
Consumer	190,817	33,149	23,906	247,872	77,197
Home Mortgage	75,007	28,247	16,749	120,003	35,914
Total Portfolio	**538,896**	**100,639**	**53,839**	**693,374**	**345,570**

December 31, 2018

	Portfolio in default				
	From 1 to 30 days	**From 31 to 60 days**	**From 61 to 90 days**	**Total in default**	**Total in default**
Commercial	333,998	20,062	13,093	367,153	151,677
Consumer	157,556	27,408	18,487	203,451	79,438
Home Mortgage	95,908	27,652	9,941	133,501	30,892
Total Portfolio	**587,462**	**75,122**	**41,521**	**704,105**	**262,007**

NOTE 12 - OTHER ACCOUNTS RECEIVABLE

The detail of other accounts receivable as of December 31, 2019 and 2018 is shown below:

	December 31, 2019	**December 31, 2018**
Commissions and fees	1,075	1,086
Leases	76	67
Sale of assets and services	444	996
Contract assets Servibanca IFRS 15	113	286
Debtors	130	75
Deposits	12,907	10,828
Taxes	784	1,741
Advances to providers	1,731	1,737
Advances to employees	3,063	3,302
Payments on account of clients	10,284	14,943
Purchase-sale agreements	36,049	35,747
Insurance claims	32,842	32,510
Abandoned ICETEX accounts	6,573	4,889
National Treasury Direction	2,207	2,148
Servibanca offset	13,208	-
Miscellaneous (1)	116,840	73,525
Subtotal	**238,326**	**183,880**
Impairment	(7,713)	(8,079)
TOTAL	**230,613**	**175,801**

(1) The miscellaneous is represented by several judicial procedures for $34.396 and accounts receivable to the office of the Digital Bank for $46,259.

The detail of the impairment of other accounts receivable as of December 31, 2019 and 2018 is shown below:

	December 31, 2019	**December 31, 2018**
Balance at the beginning of the period	(8,079)	(13,603)
Adoption IFRS 9	-	12,730
Provision taken to income	(4,226)	(8,526)
Write-offs	3,065	(1,081)
Reimbursements taken to income	1,527	239
Balance at the end of the period	**(7,713)**	**(8,079)**

The accounts receivable model uses the simplified impairment methodology that assumes assets are classified as stage 2; thus, the remaining useful life of the accounts receivable should be considered; however, as their useful life has been traditionally under one year their analysis does not differ from the assets classified as
stage 1.

NOTE 13 - NON-CURRENT ASSETS HELD FOR SALE

The detail of non-current assets held for sale at December 31, 2019 and 2018, is as follows:

	December 31, 2019	December 31, 2018
Assets received in kind		
Furniture	1,858	1,957
Real estate properties	44,606	37,273
Machinery and equipment	5,123	4,960
Subtotal	**51,587**	**44,190**
Impairment	(28,874)	(18,426)
TOTAL	**22,713**	**25,764**

The movement of non-current assets held for sale for the years ended December 3|1, 2019 and 2018 is shown below:

	December 2019	December 2018
Balance at the beginning of the period	25,764	21,609
Acquisition and withdrawal of properties	7,397	5,715
Impairment	(10,448)	(1,560)
Balance at the end of the period	**22,713**	**25,764**

NOTE 14 - PROPERTIES AND EQUIPMENT

The detail of property and equipment December 31, 2019 and 2018 is shown below:

December 31, 2019	Cost	Accumulated depreciation	Net
Land	289,162	-	289,162
Buildings	483,852	(48,266)	435,586
Vehicles	2,607	(1,662)	945
Furniture and supplies	48,945	(26,610)	22,335
Computing equipment	105,720	(57,384)	48,336
Total	**930,286**	**(133,922)**	**796,364**

December 31, 2018	Cost	Accumulated depreciation	Net
Land	187,482	-	187,482
Buildings	533,447	(46,962)	486,485
Vehicles	4,620	(1,971)	2,649
Furniture and supplies	48,957	(22,845)	26,112
Computing equipment	93,555	(47,694)	45,861
Total	**868,061**	**(119,472)**	**748,589**

The Bank and its Subsidiaries evaluated indications of impairment in the assets classified as of Property and Equipment and did not find sufficient evidence to conduct any impairment test during the period. Therefore, no impairment was recognized during the period.

The movement in the carrying value of property and equipment during the years ended on December 31, 2019 and 2018, is as follows:

	December 31, 2018	Acquired through business combination	Additions	Disposals	Revaluation	December 31, 2019
Land	187,482	127,923	7,847	(47,778)	13,688	289,162
Buildings (1)	533,447	492	-	(96,235)	46,148	483,852
Vehicles	4,620	-	88	(2,101)	-	2,607
Furniture and supplies	48,957	-	3,648	(3,660)	-	48,945
Computing equipment	93,555	-	12,315	(150)	-	105,720
Total	**868,061**	**128,416**	**23,898**	**(149,774)**	**59,836**	**930,286**

(1) The buildings disposals corresponds mainly to the sale of the subsidiary Hoteles Charleston Santa Teresa S. A.S. by Corporación Financiera GNB Sudameris.

	December 31, 2017	Acquired through business combinations	Additions	Disposals	Revaluation	December 31, 2018
Land	97,200	75,754	13,477	-	1,051	187,482
Buildings	308,773	196,199	24,000	(5,334)	9,810	553,448
Vehicles	2,932	1,118	820	(251)	-	4,619
Furniture and supplies	34,439	7,201	9,026	(1,709)	-	48,957
Computing equipment	76,744	302	16,509	-	-	93,555
Total	**520,088**	**280,574**	**63,832**	**(7,294)**	**10,861**	**868,061**

The movement in the accumulated depreciation related to property and equipment during the years ended on December 31, 2019 and 2018 is as follows:

	Buildings	Furniture and supplies	Computing equipment	Vehicles	Total
December 31, 2017	**(26,027)**	**(14,888)**	**(39,312)**	**(1,581)**	**(81,808)**
Depreciation recorded during the year	(3,815)	(3,478)	(10,021)	(309)	(17,623)
Disposals and additions in PPE	(17,120)	(4,479)	1,639	(81)	(20,041)
December 31, 2018	**(46,962)**	**(22,845)**	**(47,694)**	**(1,971)**	**(119,472)**
Depreciation recorded during the year	(4,446)	(3,321)	(10,815)	(331)	(18,913)
Revaluation	(10,904)	-	-	-	(10,904)
Disposals and additions in PPE	14,046	(444)	1,125	640	15,367
December 31, 2019	**(48,266)**	**(26,610)**	**(57,384)**	**(1,662)**	**(133,922)**

The accumulated depreciation at December 31, 2019 includes $10,904 related to assets revaluation which effect is recorded in the OCI, accordingly, the total amount recorded in the OCI for asset revaluation is $ 48,932.

Property and equipment for right of use assets, net of depreciation

The detail of property and equipment for right of use assets as of December 31, 2019 is as follows:

Assets:

	Cost	Depreciation	Net
Buildings	124,747	(18,636)	106,111
Transport equipment	18,115	(1,006)	17,109
Technology equipment	3,637	(1,208)	2,429
Total	**146,499**	**(20,850)**	**125,649**

The movement for right of use assets as of December 31, 2019 is as follows:

Balance at the beginning of the period	145,011
Gain on lease contract early termination	7,917
Depreciation expenses	(27,279)
Balance at the end of the period	**125,649**

Lease liabilities:

The following is the detail of other lease liabilities at December 31, 2019, which are calculated with discount interest rates of 6.94%, 7.67% and 9.53% E.A., for the Bank and its local subsidiaries, and 6.2%, 3.2% and 6.3% E.A. for the subsidiaries abroad, in the short, medium and long-term, respectively.

Balance at the beginning of the period	145,011
Gain on lease contract early termination	15,110
Interest expense	9,689
Payments made	(39,449)
Balance at the end of the period	**130,361**

Below appears the short-term and long-term balance of lease liabilities:

	Amortization balance lower than 12 months	Amortization balance higher than 12 months
Other lease liabilities	**$ 11,735**	**$ 118,626**

NOTE 15 - INVESTMENT PROPERTIES:

The following is a summary of the investment properties as of December 31, 2019 and 2018

	December 31, 2019	December 31, 2018
Cost	128,172	58,488
Revaluation to Fair Value	6,178	9,079
Total	**134,350**	**67,567**

There was lease income on investment properties for $758 and $69 for the periods ended on December 31, 2019 and 2018, respectively.

There we no purchase commitments of investment properties in 2019.

There are no restrictions on the sale of investment properties.

The following table presents the reconciliation between the balances at the beginning and the end of the period with the fair value measurements classified as Level 3:

Investment properties

December 31, 2017	**51,878**
Additions	15,689
December 31, 2018	**67,567**
Additions	69,683
Disposals	(2.900)
December 31, 2019	**134,350**

NOTE 16 - INTANGIBLE ITEMS

a) Goodwill

The movement in the goodwill account during the years ended on December 31, 2019 and 2018, is as follows:

	December 31, 2019	December 31, 2018
Balance at the beginning of the year	**411,820**	211,834
Exchange difference adjustment	1,784	17,312
Investment sale held by Corporación Financiera (1)	(76,511)	-
Investments acquisition through business combination (2)	7,433	182,673
Balance at the end of the year	**344,526**	**411,820**

(1) The investment in Hoteles Charleston Santa Teresa S.A.S. was sold on September 5, 2019. The following is the detail of the accounts which were affected as a result of the transaction:

Consideration received	212,000
Net assets transfer	(188,832)
Derecognition of goodwill on investment sale	(76,511)
Net income on investment sale	**23,168**

2) Business combination

As part of its corporate purpose, and in attention to the guidelines to comply with the strategic purposes, the Bank made certain investments through its subsidiary Corporation various economic sectors.

As a result of such operations, the Bank made the assessments and analysis necessary to assign the purchase prices in accordance with IFRS 3 – "Business Combinations". Listed below are the provisional and final fair values of the identifiable assets and liabilities of the business at the date control was obtained; they may be modified and adjusted to the extent the assignment process of the purchase price is completed, which allows up to one year after the date of acquisition:

	Charleston Hotels Group S.A.S.	Hoteles Charleston Santa Teresa S.A.S.	Total
Date of acquisition	**2/11/2018**	**25/10/2018**	
Cash and cash equivalents	23	1,682	1,704
Property plant & equipment	157,819	122,756	280,574
Accounts receivable	8,475	6,014	14,489
Other assets	2,560	2,882	5,442
Identifiable assets	**168,877**	**133,334**	**302,210**
Other liabilities	50,324	3,491	53,816
Taxes	1,099	821	1,919
Deferred taxes	15,215	14,223	29,439
Identifiable liabilities	**66,638**	**18,536**	**85,174**
Exchange rate difference	1,890	965	2,855
Equity	**100,348**	**113,833**	**214,181**
Consideration transferred	206,511	190,343	396,854
Goodwill recognized	**- 106,163**	**-76,510**	**- 182,673**

- The investment in Charleston Hotels Group S.A.S. occurred in May 2019 with the incorporation of this company that merged with Charleston Hotels Group Inc., which was absorbed and therefore, the goodwill value determined was maintained as of December 31, 2019.

- The investment in Hoteles Charleston Santa Teresa S.A.S. originated in an initial investment in the company Tayset Investments Ltd that was liquidated on December 27, 2018, which resulted in the Corporation keeping the stock of Tayset Investments Ltd; during that process, a new procedure took place to identify the assets and liabilities, which generated an adjustment to the value of the goodwill recognized, that amounted to $76,405. The investment was sold in 2019, and therefore the resulting goodwill was written off.

	Namen Finance Ltd	Manforce Overseas Ltd	Servibanca	Total
Date of acquisition	**01/03/2019**	**01/03/2019**	**08/02/2019**	
Cash and cash equivalents	32	48	-	80
Property Plant & equipment	89,281	39,135	-	128,416
Goodwill	2,428	463	-	2,891
Other assets	-	111	3,958	4.069
Identifiable assets	**91,741**	**39,757**	**3,958**	**135,456**
Other liabilities	-	-	-	-
Identifiable liabilities	-	-	-	-
Exchange rate difference	(186)	(28)	-	(214)
Equity	**91,555**	**39,729**	**3,958**	**135,242**
Consideration transferred	81,957	34,922	8,500	125,379
Gain from bargain purchase	**(9,598)**	**(4,807)**	**-**	**(14,405)**
Goodwill recognized	-	-	**4,542**	**4,542**

- On March 1, 2019, Namen Finance Limited was acquired; subsequently, an adjustment was made which originated in the identification of the income from previous periods, concluding that the amount generated for the purchase under favorable conditions was $9.597, which was recognized in the income statement at year-end 2019. The purchase of this investments included a goodwill allocated to JGDB LLC which amounted to de $2,428.

- On March 1, 2019, Manforce Overseas Limited was acquired; subsequently, the adjustment was made that originated in the identification of the income from previous periods, concluding that the amount generated for the purchase under favorable conditions was $4.805, which was recognized in the income statement at year-end 2019. The purchase of this investments included a goodwill allocated to JGK HOLDING LLC which amounted to de $462.

- The investment in the Corporation Servibanca S. A. for the acquisition of a 4.54% interest that also led to the recognition of Goodwill at the time of the acquisition was established for $4.542; it has not had any variation since that date and until the period ended on December 31, 2019.

Goodwill is attributed to the Company's expansion strategy and to the synergies expected from the integration with the current operations. Except for the indication in each case, the Goodwill has not had any other variations until the period ended on December 31, 2019. In accordance with the provisions of subparagraph c of number 2 of article 74 and paragraph 3 of article 143 of the Tax Statute, the mercantile loan determined in this business combination may not be amortized for tax purposes.

The following is the detail of goodwill assigned by cash generating units (CGU), that comprise the lowest level monitored by the management of the Bank and its Subsidiaries:

December 31, 2019 CGU	**Goodwill in books**	**CGU book value**	**CGU recoverable amount**	**Excess**
Banco GNB Peru	209,085	209,085	262,035	52,950
Banco GNB Paraguay	4,406	4,406	4,406	-
Servivalores	1,684	1,684	1,684	-
HSBC	15,756	15,756	623,984	608,708
Charleston Hotels Group S.A.S.	106,163	106,163	231,433	125,270
Servibanca	4,542	4,542	4,542	-
JGDB LLC	2,428	2,428	2,428	-
JGK HOLDING LLC	462	462	462	-
	344,526	**344,526**	**1,130,974**	**786,928**

December 31, 2018 CGU	**Goodwill in books**	**CGU book value**	**CGU recoverable amount**	**Excess**
Banco GNB Peru	207,337	207,337	212,604	5,267
Banco GNB Paraguay	4,369	4,369	4,369	-
Servivalores	1,684	1,684	1,684	-
HSBC	15,756	15,756	1,075,933	1,075,933
Charleston Santa Teresa S.A.S	76,511	76,511	-	-
Charleston Hotels Group Inc.	106,163	106,163	-	-
	411,820	**411,820**	**1,294,590**	**1,081,200**

2018**

The following are the assumptions applied to assess the impairment of the highest values of goodwill recorded as of December 31, 2019:

Goodwill Banco GNB Peru	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Us Treasuries 10 years	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Country Risk Peru	1.5%	1.5%	1.5%	1.5%	1.5%	1.4%
USD risk free rate	4.1%	4.1%	4.1%	4.1%	4.1%	4.0%
Market Risk Premium (Rm)	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%
Tx	30%	30%	30%	30%	30%	30%
Sector beta	0.33	0.33	0.33	0.33	0.33	0.33
Leveraged beta	0.33	0.33	0.33	0.33	0.33	0.33
Equity cost (Ke) nominal USD	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Devaluation	0.4%	0.1%	0.0%	0.0%	0.0%	0.0%
Equity cost (Ke) nominal PEN	**6.9%**	**6.6%**	**6.5%**	**6.5%**	**6.5%**	**6.5%**

Goodwill HSBC

Cost of capital CAPM method	2019	2020	2021	2022	2023
US Treasuries 10 years (1)	1.69%	1.69%	1.69%	1.69%	1.69%
Country Risk Colombia (2)	1.38%	1.38%	1.38%	1.38%	1.38%
USD risk free rate*	2.18%	2.18%	2.18%	2.18%	2.18%
Market Risk Premium (Rm)**	10.12%	10.12%	10.12%	10.12%	10.12%
Tx	37%	34%	34%	34%	34%
Beta (3)	0.20	0.20	0.20	0.20	0.20
Debt/equity relationship - emerging countries	4.07	4.07	4.07	4.07	4.07
Leveraged beta	0.71	0.74	0.74	0.74	0.74
Equity cost (Ke) nominal Pesos	9.2%	9.4%	9.4%	9.4%	9.4%
Devaluation	5.0%	(0.5%)	(1.3%)	1.5%	(2.9%)
Equity cost (Ke) nominal Pesos	14.7%	8.9%	8.0%	11.0%	6.2%
Debt	2,259,846	2,199,655	2,174,905	1,352,405	1,367,629
Capital	2,043,467	2,218,847	2,405,091	2,613,537	2,847,542
Average cost of capital USD	9.37%				
Average cost of capital Pesos	9.75%				

*US debt bonds 30 years
**Profitability index S&500 - average October 2018
(1 and 2) Information at closing October 2018, source Bloomberg
(3) Banks emerging markets - Damodaran at December 2017

Charleston Hotels Group S.A.S.	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
TES rate in COP (year)	3.73%	4.15%	4.57%	4.99%	5.14%	5.29%	5.61%	5.75%	5.88%	6.01%	6.13%
Country Risk Colombia	2.64%	2.64%	2.64%	2.64%	2.64%	2.64%	2.64%	2.64%	2.64%	2.64%	2.64%
Market Premium Risk Colombia	8.60%	8.60%	8.60%	8.60%	8.60%	8.60%	8.60%	8.60%	8.60%	8.60%	8.60%
Risk Free Rate COP	1.09%	1.51%	1.93%	2.35%	2.50%	2.65%	2.97%	3.11%	3.24%	3.37%	3.48%
Tax rate	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%
Sector beta	0.7277	0.7277	0.7277	0.7277	0.7277	0.7277	0.7277	0.7277	0.7277	0.7277	0.7277
Leveraged beta	1.0730	0.9802	0.9259	0.8851	0.8632	0.8365	0.8273	0.8039	0.7810	0.7481	0.7277
Ke	10.32%	9.94%	9.89%	9.96%	9.92%	9.84%	10.08%	10.02%	9.96%	9.80%	9.74%
IBR	4.14%	4.35%	4.40%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Kd (IBR+4%)	8.14%	8.35%	8.40%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%
%D	34.10%	27.45%	22.90%	19.08%	16.87%	14.02%	12.98%	10.24%	7.39%	2.96%	0.00%
%E	65.90%	72.55%	77.10%	80.92%	83.13%	85.98%	87.02%	89.76%	92.61%	97.04%	100.00%
WACC	9.34%	9.31%	9.39%	9.55%	9.56%	9.56%	9.79%	9.79%	9.80%	9.74%	9.74%

Computer software and applications

The detail for the software and other computer applications as of December 31, 2019 and 2018 is as follows:

	December 31, 2018	Additions and disposals	Amortization	December 31, 2019
Licenses	5,962	-	-	5,962
Programs acquired	22,898	12,365	-	35,262
Programs in transit	-	233	-	233
Finished programs	26,124	930	-	27,054
Amortization licenses	(342)	-	(1,234)	(1,576)
Accumulated amortization of programs acquired	(16,803)	-	(1,915)	(18,718)
Accumulated amortization of programs finished	(17,120)	-	(6,646)	(23,766)
Total Intangible items	**20,719**	**13,528**	**(9,795)**	**24,451**

	December 31, 2017	Additions and disposals	Amortization	December 31, 2018
Licenses	-	5,962	-	5,962
Programs acquired	20,516	2,382	-	22,898
Programs in transit	902	(902)	-	-
Programs withdrawn	26,816	(692)	-	26,124
Amortization licenses	-	-	(342)	(342)
Accumulated amortization of programs acquired	(11,737)	-	(5,066)	(16,803)
Accumulated amortization of programs finished	(15,016)	-	(2,104)	(17,120)
Total Intangible items	**21,481**	**6,750**	**(7,512)**	**20,719**

NOTE 17 - CURRENT INCOME TAX

i. Detail of consolidated income tax liquidation surplus:

December 31, 2019

Entity	Advance	Provision	Asset (Liability)
Banco GNB Sudameris	247,098	-	247,098
Servitrust	-	(1,074)	(1,074)
Servibanca	-	(3,806)	(3,806)
Servivalores	341	(1,614)	(1,273)
Servitotal	4	(2)	2
Corporación Financiera	-	(4,145)	(4,145)
Banco GNB Peru	31,609	(6,746)	24,863
Total Income Assets	**279,052**	**(17,387)**	**261,665**

Banco GNB Paraguay	8,317	(9,042)	(725)
Total Income Liabilities	**8,317**	**(9,042)**	**(725)**

December 31, 2018

Entity	Advance	Provision	Asset (Liability)
Banco GNB Sudameris	192,463	-	192,463
Servitrust	1,206	(1,595)	(389)
Servibanca	-	(7,367)	(7,367)
Servivalores	772	(1,420)	(648)
Servitotal	3	(5)	(2)
Corporación Financiera	1,184	-	1,184
Banco GNB Peru	43,447	(6,438)	37,009
Total Income Assets	**239,075**	**(16,825)**	**222,250**

Banco GNB Paraguay	7,610	(8,778)	(1,168)
Total Income Liabilities	**7,610**	**(8,778)**	**(1,168)**

ii. Components of income tax expense:

The detail of the income tax expense components for the years ended on December 31, 2019 and 2018, is as follows:

Concept	December 31, 2019	December 31, 2018
Income tax for the period	60,192	55,765
Income surcharge	-	2,426
SUB-TOTAL	**60,192**	**58,191**
Deferred tax (see Note 23)	(1,950)	(2.999)
TOTAL	**58,242**	**55,192**

iii. Reconciliation of the tax tariff in accordance with the Tax Provisions and Effective Rate

Reconciliation of the Nominal Tax Rate and the Effective tax Rate

The following are the existing legal provisions related to income tax in Colombia:

The tax rules in relation to the income tax applicable during the years 2019, 2018 and 2017, among other things, establish the following:

- The income tax rate to be 33% in the year 2019 and 2018 plus an income tax surcharge of 4% applicable to financial entities in 2018 with taxable income higher than $800 million.

- Gains on the sale or disposal of non-current assets held for more than two years is taxed at 10%.

- Gains of the entities that belong to the special free zone regime in Colombia is taxed at 20%.

- Tax loss-carry forwards incurred prior to 2017 may be offset on the same terms applicable for 2016, but they may not be fiscally readjusted. Tax loss carry-forwards incurred since 2017 may be offset against company taxable income over the following twelve years.

- The “presumptive income” incurred prior to 2017 may be offset on the same terms applicable for 2016, but they may not be fiscally readjusted. The “presumptive income” incurred since 2017 may be offset by taxable income over the following five years.

- As of 2017 the companies’ taxable income will be determined based in the new accounting regulation in force in Colombia since January 1, 2015. However, the new tax regulation also includes special income tax rules for several transactions.

- In December 2019, the Colombian congress issued Law 2010 of 2019 (Economic Growth Law), which replaces Law 1943 of 2018 (Financing Law) that was declared unconstitutional as of January 1, 2020 by the Constitutional Court of Colombia through Judgment C-481 of October 2019. The Economic Growth Law, among other things, establishes the following:

- The income tax rate to be 32% in the year 2020, 31% in the year 2021 and 30% in the year 2022 and following plus an income tax surcharge of 4% applicable to financial entities in 2018. In addition, for financial institutions in Colombia that obtain in the period a taxable income equal to or greater than 120,000 Units of Tax Value (UVT), which by 2020 equals 35,607 pesos, there is 4% income tax surcharge in 2020, and 3% for the years 2021 and 2022.

- The tax rate on presumptive income is reduced down to 1.5% in 2019, to 0.5% in the year 2020 and 0% from the year 2021.

- In 2019 there is the possibility of taking 50% of the industry and commerce tax paid in the taxable period as an income tax discount, which will be 100% as of the year 2022. For the years 2018 and 2017 this tax has the deduction treatment in the income tax.

- It holds the possibility of taking 50% of the industry and commerce tax paid in the taxable period as an income tax discount, which will be 100% as of the year 2022.

- The audit benefit is extended for taxpayers who increase their net income tax of the taxable year in relation to the net income tax of the immediately preceding year by at least 30% or 20%, thereby making the income statement it will be firm within 6 or 12 months following the date of its presentation, respectively.

- Corporate tax returns are in firm by tax authorities five years after the filing date, for taxpayers who determine or compensate tax losses or are subject to the transfer pricing regime.

Tax rates for 2018 and 2019 that affect the subsidiaries in Peru and Paraguay are 30% and 10%, respectively.

The detailed reconciliation between the total tax expense for fiscal purposes and the expense recorded in the financial statements for the periods ended on December 31, 2019 and 2018 is included below:

Concept	December 31, 2019	December 31, 2018
Profit before tax	325,699	290,302
Theoretical income tax expense at the rate in force (2019 - 33% and 2018 - 37%)	83,201	81,054
Plus or less taxes that increase or decrease the income tax expense		
Non-deductible expenses	7,910	94
Interests and other non-taxable income	(14,237)	(534)
Not taxable income	(11,974)	(595)
Other concepts	(6,658)	(24,827)
Total tax expense for the period	**(58,242)**	**(55,192)**
Effective tax tariff	**17,88%**	**19.01%**

NOTE 18 - OTHER ASSETS

The detail of the balances of other assets as of December 31, 2019 and 2018 is as follows:

	December 31, 2019	December 31, 2018
Other interests - Assets foreclosed (1)	67,488	66,335
Constructions in progress (2)	10,399	-
Expenses paid in advance	5,344	6,409
Hotels inventory	452	1,289
Miscellaneous	26,029	7,332
Works of art and culture	1,787	1,790
Impairment of other assets	(1,700)	(2,290)
Total	**109,799**	**80,865**

(1) Other interests correspond to rights in stand-alone equities received by the Bank in kind, where a percentage is owned.
(2) It corresponds to the real estate development undertaken by Namen and Manforce through their subsidiaries in the United States.

The detail of the impairment movement of other assets as of December 31, 2019 and 2018 is as follows:

	December 31, 2019	December 31, 2018
Balance at the beginning of the period	**(2,290)**	**(1,220)**
Provision taken to income	-	(1,070)
Reimbursements taken to income	590	-
Balance at the end of the period	**(1,700)**	**(2,290)**

NOTE 19 - CUSTOMER DEPOSITS

Customer deposits

The detail of deposits by clients received by the Bank and its Subsidiaries in the course of their operations is as follows:

Checking accounts	December 31, 2019	December 31, 2018
Private – Active	1,556,647	1,540,529
Private – Inactive (a)	8,232	14,370
Official – active	422,076	384,430
Official – inactive (a)	2,940	323
Private – Abandoned (b)	2,548	1,836
Official – Abandoned (b)	269	255
Total current accounts	**1,992,712**	**1,941,743**

Savings accounts	December 31, 2019	December 31, 2018
Ordinary – Active	12,517,064	10,146,717
Ordinary – Inactive (a)	112,863	152,320
With term deposits	-	197
Abandoned (b)	3,387	2,701
Total savings accounts	**12,633,314**	**10,301,935**

(a) Inactive accounts are those without any movement for at least 1 year and no larger than 322 UVR ($ 86.94 at December 31, 2019).
(b) Abandoned accounts are those without any movement for at least 3 years.

Term deposits	December 31, 2019	December 31, 2018
Maturity from inception - up to 6 months	5,304,317	4,854,814
6-12 months	1,675,479	1,758,815
12-18 months	1,380,593	980,654
18 months and over	647,669	892,579
Total term deposits	**9,008,058**	**8,486,862**

A summary of the effective interest rates earned by deposits of clients in Colombia is presented below:

	December 31, 2019			
	Local Currency		Foreign Currency	
	Minimal	Maximal	Minimal	Maximal
	%	%	%	%
Current accounts	1.94	2.83	1.94	2.23
Savings accounts	4.26	4.39	4.26	4.39
Term deposits	5.36	5.53	-	-

	December 31, 2018			
	Local Currency		Foreign Currency	
	Minimal	Maximal	Minimal	Maximal
	%	%	%	%
Current accounts	1.63	2.23	1.63	2.23
Savings accounts	4.14	4.72	4.14	4.72
Term deposits	5.47	6.45	-	-

Banco GNB Peru determines the interest rates that regulate its liability operations based on the offer and demand and depending on the type of deposit. The applicable rates as of December 31, 2019 fluctuated as follows for the main products (annual effective rate):

	2019		2018	
Product	**L/C**	**F/C**	**L/C**	**F/C**
Term deposits	1.50-5.25	0.25-1.00	1.65 - 5.50	0.25 - 1.00
Savings deposits	0.25-4.50	0.20-1.50	0.25 - 4.50	0.20 - 1.50
Checking deposit	4.25-5.50	1.80-2.50	4.25 - 5.50	1.80 - 2.50

A summary of the effective interest rates earned by clients' deposits in Paraguay is presented below:

	2019		2018	
	L/C	F/C	L/C	F/C
	%		%	
Savings at hand	1.04	0.22	0.99	0.19
CDA				
At 80 days	3.74	1.78	3.85	1.4
Below or equal to 365 days	5.3	2.31	4.56	2.47
Over 365 days	8.37	4.83	8.57	5.23

Deposits per Economic Sector

The following charts show the clients deposit exposure by economic sector, using the Central Bank classifications, separately indicating the deposits of individuals corresponding to employees on a salary and rentiers.

Checking accounts as of December 31, 2019

Sector	Colombia	Peru	Paraguay	Total
Agriculture and livestock	2,599	4,621	54,714	61,934
Trade	226,016	51,407	119,368	396,791
Construction	166	55,374	27,249	82,789
Services	491,507	24,397	24,525	540,429
Transport	4,678	31,073	20,005	55,756
Financial	317,448	60,700	13,674	391,823
Industry	111,591	4,669	46,468	162,728
Mining and energy	209	7,678	10,427	18,314
Solidarity	3,802	-	108,741	112,543
Other - on a salary and rentiers	41,381	11,268	116,957	169,606
Total	**1,199,397**	**251,187**	**542,128**	**1,992,712**

Savings accounts as of December 31, 2019

Sector	Colombia	Peru	Paraguay	Total
Agriculture and livestock	3,890	407	50,929	55,226
Trade	501,050	28,400	273,276	802,726
Construction	315	2,550	21,948	24,813
Services	3,055,990	13,353	34,117	3,103,460
Transport	10,625	435	82,303	93,363
Financial	6,399,822	548	168,168	6,568,539
Industry	107,426	9,307	233,406	350,139
Mining and energy	10,085	282	6,390	16,756
Solidarity	43,405	-	161,549	204,954
Other - on a salary and rentiers	362,422	741,632	309,284	1,413,338
Total	**10,495,030**	**796,914**	**1,341,370**	**12,633,314**

Term deposits as of December 31, 2019

Sector	Colombia	Peru	Paraguay	Total
Agriculture and livestock	14,071	7,349	98,160	119,580
Trade	273,989	479,869	138,588	892,446
Construction	650	21,631	21,886	44,168
Services	1,386,355	498,957	62,289	1,947,601
Transport	15,744	34,497	38,785	89,025
Financial	1,660,993	1,033,863	459,822	3,154,677
Industry	33,858	7,252	140,539	181,650
Mining and energy	8,234	15,872	10,060	34,166
Solidarity	27,407	-	284,163	311,570
Other - on a salary and rentiers	980,408	959,261	293,506	2,233,175
Total	**4,401,709**	**3,058,551**	**1,547,798**	**9,008,058**

Checking accounts as of December 31, 2018

Sector	Colombia	Peru	Paraguay	Total
Agriculture and livestock	2,807	7,959	49,928	60,694
Trade	292,489	62,649	108,926	464,064
Construction	89	127,583	24,865	152,537
Services	328,489	31,652	22,380	382,521
Transport	3,954	15,458	18,255	37,667
Financial	265,291	143,399	12,478	421,168
Industry	72,260	6,437	42,403	121,100
Mining and energy	2,784	2,233	9,515	14,532
Solidarity	3,582	-	99,229	102,811
Other - on a salary and rentiers	47,794	30,129	106,726	184,649
Total	**1,019,539**	**427,499**	**494,705**	**1,941,743**

Savings accounts as of December 31, 2018

Sector	Colombia	Peru	Paraguay	Total
Agriculture and livestock	1,410	229	29,554	31,193
Trade	386,980	19,711	158,580	565,271
Construction	53	4,457	12,736	17,246
Services	2,981,520	17,470	19,798	3,018,788
Transport	3,135	395	47,760	51,290
Financial	5,130,079	1,217	97,587	5,228,883
Industry	60,994	5,169	135,444	201,607
Mining and energy	473	862	3,708	5,043
Solidarity	64,899	-	93,746	158,645
Other - on a salary and rentiers	248,795	595,699	179,475	1,023,969
Total	**8,878,338**	**645,209**	**778,388**	**10,301,935**

Term deposits as of December 31, 2018

Sector	Colombia	Peru	Paraguay	Total
Agriculture and livestock	20,933	9,880	73,940	104,753
Trade	373,951	364,867	104,393	843,211
Construction	711	96,525	16,486	113,722
Services	1,311,307	390,525	46,920	1,748,752
Transport	32,799	8,390	29,215	70,404
Financial	1,700,953	1,061,374	346,366	3,108,693
Industry	80,678	9,007	105,863	195,548
Mining and energy	90,356	10,836	7,578	108,770
Solidarity	26,444	-	214,049	240,493
Other - on a salary and rentiers	926,763	804,665	221,088	1,952,516
Total	**4,564,895**	**2,756,069**	**1,165,898**	**8,486,862**

NOTE 20 - FINANCIAL LIABILITIES

Deposits by financial entities

The detail of deposits by financial entities as of December 31, 2019 and 2018 is as follows:

Short-term financial debt

	December 31, 2019	December 31, 2018
Banks	281,037	273,637
Special deposits	92,304	115,382
Services	100,934	88,416
Interbanking funds	232,711	175,951
Repo operations	2,800,646	3,526,610
Simultaneous operations (repurchase agreement)	2,718,593	1,109,056
Commercial checking accounts	-	271
Total	**6,226,225**	**5,289,323**

Borrowings from development entities

The summary of the financial liabilities of the Bank and its Subsidiaries as of December 31, 2019 and 2018 is as follows:

Entity	Interest Rate	December 31, 2019	December 31, 2018
Banco de la República (Colombian Central Bank)	From 1.04% to 4.25%	10,816	27,814
Banco de Comercio Exterior (Bancoldex)	4.8746%	252,246	198,697
Fondo para el Financiamiento del Sector Agropecuario FINAGRO	From 0.0% to 9.06%	13,688	10,000
Financiera de Desarrollo Territorial S. A. FINDETER	From 9.06% to 14.58%	795,862	742,069
Banks abroad		759,928	721,449
Other financial liabilities		514,633	540,353
Total		**2,347,173**	**2,240,382**

Effective interest rates for short-term financial liabilities

A summary of the effective annual interest rates accrued on the short-term financial liabilities is presented below:

	December 31, 2019				December 31, 2018			
	Rate in Colombian pesos		Rate in foreign currency		Rate in Colombian pesos		Rate in foreign currency	
	Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %
Interbanking funds **(I)**	4.11	4.11	1.80	1.80	-	-	2.30	2.55
Repo operations **(R)**	4.21	4.21	-	-	4.25	5.25	-	-
Simultaneous **(S)**	2.96	4.18	-	-	4.22	4.25	-	-

Long-term financial debt

Type	December 31, 2019	December 31, 2018
Outstanding subordinated bonds - COP	333,986	333,756
Outstanding subordinated bonds - foreign currency	1,876,935	1,857,774
Outstanding subordinated bonds - foreign currency	40,874	39,824
Total	**2,251,795**	**2,231,354**

The detail on the characteristics of the Bank's bonds are as follows:

	December 31, 2019							
	Type of issue	Amount of issue	Balance	Interest Rate	Interest expense	Date of issue	Date of maturity	Payment method
Issue 2012	Subordinated Bonds	USD 250,000,000	838,037	7.50%	63,971	30-Jul-12	30-Jul-22	Semester interests in arrears
Issue 2016	Subordinated Bonds Peru	USD 15,006,000	49,659	5.4375%	2,675	27-oct-16	27-oct-26	Semester interests in arrears
Issue 2017	Subordinated Bonds	USD 300,000,000	989,239	6.50%	64,937	03-Apr-17	03-Apr-27	Semester interests in arrears
Issue 2018	Ordinary Bonds Peru	SOLES 41,050,000	40,874	5.8407%	2,358	19-Nov-18	19-Nov-21	Semester interests in arrears
		Total Bonds Foreign Currency	**1,917,809**					
Issue 2017	Subordinated Bonds	$119,205	119,756	3,85%	8,612	23-Nov-17	23-Nov-24	Quarter interests in arrears
Issue 2017	Subordinated Bonds	$213,200	214,230	4,05%	15,995	23-Nov-17	23-Nov-26	Quarter interests in arrears
		Total Bonds Local Currency	**333,986**					
		Total Bonds Issued	**2,251,795**					

						December 31, 2018			
	Type of issue	**Amount of issue**	**Balance**	**Interest Rate**	**Interest expense**	**Date of issue**	**Date of maturity**	**Payment method**
Issue 2012	Subordinated Bonds	USD 250,000,000	828,489	7.50%	57,787	30-Jul-12	30-Jul-22	Semester interests in arrears
Issue 2016	Subordinated Bonds Peru	USD 15,006,000	49,247	5.4375%	5,100	27-oct-16	27-oct-26	Semester interests in arrears
Issue 2017	Subordinated Bonds	USD 300,000,000	980,038	6.50%	58,135	03-Apr-17	03-Apr-27	Semester interests in arrears
Issue 2018	Ordinary Bonds Peru	SOLES 41,050,000	39,824	5.8407%	14,150	19-Nov-18	19-Nov-21	Semester interests in arrears
		Total Bonds Foreign Currency	**1,897,598**					
Issue 2017	Subordinated Bonds	$119,205	119,673	3,85%	8,633	23-Nov-17	23-Nov-24	Quarter interests in arrears
Issue 2017	Subordinated Bonds	$213,200	214,083	4,05%	15,865	23-Nov-17	23-Nov-26	Quarter interests in arrears
		Total Bonds Local Currency	**333,756**					
		Total Bonds Issued	**2,231,354**					

NOTE 21 - EMPLOYEE BENEFITS

According to Colombian labor legislation, labor agreements and the collective bargaining agreements, employees of the Bank and its Subsidiaries have short-term fringe benefits - salaries, holidays, legal and extralegal bonuses, severance payments and interests on severance payment - and long-term benefits such as seniority bonus and medical aids, and post-employment and retirement benefits. The latter ones include the severance payment to employees that remain in the labor regime before Law 50 of 1990 and legal and extralegal retirement pensions. Management remuneration includes salaries, benefits in kind and contributions to a post-employment benefit plan.

Employees of subsidiaries in Peru and Paraguay receive only short-term benefits.

In regards to the employee benefit plans, the Bank and its Subsidiaries are exposed to several risks (interest rates and operating risks), which they intent to minimize by applying the risk management policies and procedures defined by Note 7, above.

The following is the detail of the provisions included for the employee benefits as of December 31, 2019 and 2018:

	December 31, 2019	**December 31, 2018**
Short-Term	16,460	16,100
Post-employment	25,274	23,301
Long-Term	16,747	14,573
Estimated liabilities	724	707
Total	**59,205**	**54,681**

Short-term benefits

The payment of such benefits (different from the lay-off indemnities) must be attended in a term of the twelve months following the year-end when the employees have provided their services. Such benefits are accumulated through the accrual system and are recorded as an expense. In accordance with the Colombian labor legislation, as well as with the provisions of the Collective Bargaining Agreement subscribed between the Bank and the unions, and considering all the extra-legal benefits applicable to the employees excluded from the aforementioned bargaining agreement, such benefits corresponds to: Basic salaries, integral salaries, severance payments Law 50 of 1990, interest on severance payment, vacation, legal bonus, extra-legal bonus, financial aids, remunerated leaves of absence, as well as the contributions to the social security system in pension and health, and the payroll taxes.

Post-employment benefits

These types of benefits are paid to employees at their retirements or after their completion of the employment period (different form the termination indemnities). Such benefits, in accordance with the Colombian labor regulations, as well as with the provisions of the Collective Bargaining Agreement subscribed between the Bank and the unions, correspond to the retirement pensions (retirees in charge of the Bank or with a pension shared with Colpensiones), and the Retirement Aid that is paid to the employees whose position is covered under the Bargaining Agreement to whom the elderly pension has been recognized.

The liability corresponding to the post-employment benefits is determined based on the present value of the future payments estimated to be made to the employees too whom the elderly pension has been recognized, calculated based on actuarial studies; therefore, the expense corresponding to such benefits is recorded in the Bank's income statement, including the cost for the current service assigned in the actuarial calculation plus the financial cost of the liability calculated.

The Bank does not have any asset and/or insurance policy destined to covering the Post-employment Benefits, and thus, it established this entire liability in its Financial Statements.

The Bank does not make payment for employee benefits based on shares.

Retirement benefits (termination indemnities)

Termination indemnities are the remunerations to pay to the employees as a consequence of:

(a) the company's decision to terminate the employee's contract prior to the regular retirement age; or

(b) the employee's decision to voluntarily accept the termination of the work relationship, in exchange for such compensation.

The Bank has not established any retirement plan or program for its employees. Nonetheless, in case of a decision to unilaterally terminate, with no just cause, the work contract, the Bank, in accordance with the Colombian labor legislation and the Collective Bargaining Agreement, shall make the payment of the corresponding indemnity.

Termination benefits are recognized as a liability in the income statement on the first of the following dates:

- When the Bank formally communicates to the employee its decision to retire him from the job.
- When the provisions for restructuring costs are recognized by a subsidiaries or a bank's business involving the payment of the termination benefits.

Other Long-term Benefits

These are all the employee benefits, different from the short-term benefits and the post-employment benefits and termination indemnities. In accordance with the Colombian labor legislation, as well as with the provisions of the Collective Bargaining Agreement subscribed between the Bank and the unions, and considering all the extra-legal benefits applicable to the employees excluded from the aforementioned bargaining agreement, among such benefits we find: the seniority bonus to employees in the regime prior to Law 50 of 1990.

The liabilities on long-term employee benefits are determined through the same method as the post-employment benefits, i.e. by preparing actuarial calculations with the same methodology above described. Therefore, the corresponding expense on these benefits is recognized in the income statement of the Bank, including the cost for the present service assigned in the actuarial calculation, plus the financial cost of the calculated obligations.

The Bank does not have any asset and/or insurance policy destined to covering the Post-employment Benefits, and thus, it established this entire liability in its Financial Statements.

Actuarial Calculations

Measurement of the retirement pension liabilities, retirement aid, seniority bonus, and retroactive severance payment depends on a great variety of premises and long-term assumptions that are determined on actuarial bases, including the present value estimates of the benefits future value considering the probability of future events such as the salary increases, as well as the variations in the headcount, etc. eventual variations to the premises and long-term assumptions may have a significant effect in the amount of the actuarial calculation and thus, in the future contributions with the consequent variation of the cost of interests and service of such actuarial calculation.

The actuarial studies are made through the projected credit unit method using therefore actuarial assumptions like the percentage of the cost of life, mortality rates, average of work life, salary increases, personnel turnover, and discount rates.

The discount rate used in the preparation of the actuarial calculation, in order to determine the present value of the future cash flows corresponds to a rate for long-term investments. Such rate represents the market rate for fixed income investments of for Government bonds denominated in the currency on which the benefit will be paid and considers the opportunity and amount of the payments of future benefits.

Pension Benefits

In Colombia the state or private pension funds assume the responsibility for retirement benefits when an employee retires after complying with the requirements of age and number of years of service. The responsibility assumed by these funds are based on defined contribution plans where the companies and employees make a monthly contribution of amounts determined by law to have access to the employees' retirement pension; however, in the case of some employees hired before 1968 who have met the requirements of age and number of years of service, pensions are assumed directly by the Bank.

The movement of retirement benefits and long-term benefits for the periods ended on December 31, 2019 and 2018 is shown below:

	Post-employment		Other long-term benefits	
	2019	**2018**	**2019**	**2018**
Balance at the beginning of the period	23,301	26,449	14,573	14,270
Costs incurred during the period	236	239	1,075	1,047
Interests	1,636	1,684	956	873
Paid to employees	(2,454)	(2,597)	(1,358)	(1,638)
OCI adjustments	2,555	(2,474)	-	-
Effect of changes in assumptions-				
Financial and based on experience	-	-	1,314	(186)
Corporación Hoteles	-	-	98	52
Other Long Term . Perú	-	-	89	155
Balance at the end of the year	**25,274**	**23,301**	**16,747**	**14,573**

Actuarial assumptions

The variables used to calculate the projected liability of the various retirement benefits and other long-term benefits are presented below:

Actuarial assumptions	**December 31, 2019**	**December 31, 2018**
Discount rate	6.25%	7.50%
Inflation rate	3.50%	3.50%

Employees' turnover rate The Turnover Table SOA 2003 was used to prepare the different actuarial calculations.

To calculate the employees' expected life, the Colombian mortality table was used as published by the Superintendency, which is based on the mortality experience of several insurers with operations in Colombia.

Other Long-term Benefits:

The Bank grants its employees long-term extra-legal seniority bonuses during their work life, depending on the number of years of service, every five, ten, fifteen and twenty years, etc., calculated as days of salary (between 15 and 180 days) of each payment.

The Bank has a group of employees with the benefit of severance payment prior to the issuance of Law 50 of 1990, where such benefit is accumulative and is issued based on the latest salary earned by the employee, multiplied by the number of years of service, less the advances made on such benefit.

The remunerations to key management personnel in each of the three benefits categories granted, are disclosed in Note 31 - Related Parties.

Sensitivity Analysis

The sensitivity analysis of the liability on retirement employee benefits of the different financial and actuarial variables is as follows, maintaining all other variables constant:

Post-employment benefits	Change in the variable	Variable increase	Variable reduction
		+50 points	-50 points
Discount rate	6.25%	(885.65)	950.87
Growth rate of salaries	4.50%	238.34	(221.41)
Growth rate of pensions	3.50%	94.20	(94.21)

Long-term benefits	Change in the variable	Variable increase	Variable reduction
		+50 points	-50 points
Discount rate	6.25%	(457.52)	486.05
Growth rate of salaries	4.50%	572.44	(542.97)

Pensions

The actuarial study of retirement pensions has been prepared , in order to determine the present value of the future liabilities originated by the retirement pensions in charge of the Bank.

Mathematical reserves for retirement pensions are calculated using the technical bases established by Decree 2783 of December 20, 2001, and the respective modifications through Decree 2984 of 2009.

Similarly, they considered the requirements determined by the External Communication 027 of August 2010, by means of which the proformas F.0000-147 and F.0000-148 were modified.

The actuarial calculation of the retirement pensions with cutoff date at December 31, 2019, was $25,274, amount which the Bank has provided in 100%, in accordance with the provisions of the International Accounting Standards Board No. 19 (IAS 19) in respect to the Legal Plan of Retirement Pensions in charge of the Entity.

NOTE 22 - PROVISIONS FOR LEGAL CONTINGENCIES AND OTHER PROVISIONS

The detail of provisions as of December 31, 2019 and 2018 is as follows:

Legal processes, fines, penalties and indemnities	December 31, 2019	December 31, 2018
Fines and penalties other administrative authorities	122	122
Labor lawsuits	1,210	1,115
Other lawsuits in administrative, judicial or arbitration process	6,759	6,563
Sub-total legal processes, fines, penalties and indemnities	**8,091**	**7,800**

Other provisions	December 31, 2019	December 31, 2018
Provisions	**56,460**	**44,293**

Such provisions are estimated based on the evolution per process, as well as the concept by the respective lawyers, in respect to the probability of a sentence in favor for each one of them.

Labor Lawsuits

As of December 31, 2019 and 2918 the provision includes labor lawsuits for $1,210 and $1,115 for litigation against the Bank, mainly due to lawsuits for illicit enrichment by the Bank, alleging that the Bank misappropriated social security funds and other employee benefits and did not deliver them to the respective government agencies.

Additionally, the Bank also faces litigation regarding employment contracts from former employees seeking additional termination benefits. The expected timing of decision 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. Historically, most labor proceedings have been decided in favor of the Bank.

Other processes

As of December 31, 2019 and 2018 the provision includes administrative processes for $6,759 and $6,563 for claims related to loans under the *Unidad de poder adquisitivo constante (UPAC)* system, and with regard to the lack of access to premises by the individuals with disabilities, client indemnities, complaints, and improper client disbursements, among others. The expected timing of decision 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 23 - DEFERRED INCOME TAX

- **Deferred tax on temporary differences**

The difference between carrying value of assets and liabilities and their tax value causes the temporary differences shown below. These differences, in turn, generate deferred taxes calculated and recorded for the years ended on December 31, 2019 and 2018, based on current rates, for the years in which they would revert.

Year ended on December 31, 2019

	Consolidated					
	Balance at December 31, 2018	**Sale of subsidiary**	**Reclassification**	**Debit (credit) to income**	**Debit (credit) to OCI**	**Balance at December 31, 2019**
Presumptive income	40,770	-	-	(10,844)	-	29,926
Employee benefits	7,340	-	-	4,233	(1,263)	10,310
Exchange rate differencea	16,855	-	-	(14,426)	-	2,429
Cash Flow hedges	63,042	-	-	(30,375)	(6,501)	26,166
Credits Loans Impairment	9,503	-	-	4,117	-	13,620
Expense depreciation excess	3,016	-	-	213	-	3,229
Others	4,929	-	4,482	(1,944)	-	7,467
Financial Instruments at fair value	-	-	(10,131)	24,451	(2,118)	12,202
Cash and cash equivalents (Exchange rate differences)	-	-	-	259	-	259
Derivatives (Exchange rate differences)	-	-	-	2,339	-	2,339
Deferred tax assets	**145,455**	**-**	**(5,649)**	**(21,977)**	**(9,882)**	**107,947**
Forward operations	(634)	-	-	634	-	-
Property, plant and equipment	(44,049)	15,784	-	4,456	4,229	(19,580)
Investment in debt securities	(10,131)	-	10,131	-	-	-
Loan portfolio impairment full IFRS	(23,809)	-	-	-	(6,838)	(30,647)
Financial Instruments at fair value	(4,324)	-	-	403	(333)	(4,254)
Loan portfolio (Exchange rate differences)	(31,741)	-	-	1,161	-	(30,580)
Cash and cash equivalents (Exchange rate differences)	(17,905)	-	-	17,905	-	-
Other accounts receivable (Exchange rate differences)	(1,411)	-	-	(217)	-	(1,628)
Others	(1,145)	-	-	(415)	-	(1,560)
Deferred tax liabilities	**(135,149)**	**15,784**	**10,131**	**23,927**	**(2,942)**	**(88,249)**
TOTAL	**10,306**	**15,784**	**4,482**	**1,950**	**(12,824)**	**19,698**

Year ended on December 31, 2018

	Balance at December 31, 2017	Debit (credit) to previous years	Reclassification	Acquisition business combination	Debit (credit) to income	Debit (credit) to OCI	Balance at December 31, 2019
Presumptive income	50,564	-	-	-	(9,794)	-	40,770
Employee benefits	10,231	-	-	-	(4,150)	1,259	7,340
Exchange rate differencea (assets)	512	-	-	-	16,343	-	16,855
Cash Flow hedges	691	-	-	-	23,777	38,574	63,042
Generic provision credits	9,503	-	-	-	-	-	9,503
Expense depreciation excess	3,016	-	-	-	-	-	3,016
Others	4,861	-	1,903	-	(1,835)	-	4,929
Deferred tax assets	**79,378**	**-**	**1,903**	**-**	**24,341**	**39,833**	**145,455**
Forward operations	(435)	-	-	-	(199)	-	(634)
Property, plant and equipment	(48,428)	-	-	(29,394)	21,111	12,662	(44,049)
Investment in debt securities	(14,766)	-	-	-	4,606	30	(10,131)
Loan portfolio impairment full IFRS	(65,171)	13,706	-	-	-	27,656	(23,809)
Financial Instruments at fair value	(4,055)	-	-	-	(269)	-	(4,324)
Loan portfolio (Exchange rate differences)	(2,805)	-	-	-	(28,936)	-	(31,741)
Cash and cash equivalents (Exchange rate differences)	(1,954)	-	-	-	(15,951)	-	(17,905)
Other accounts receivable (Exchange rate differences)	-	-	-	-	(1,411)	-	(1,411)
Others	(852)	-	-	-	(293)	-	(1,145)
Deferred tax liabilities	**(138,466)**	**13,706**	**-**	**(29,394)**	**(21,342)**	**40,348**	**(135,149)**
TOTAL	**(59,088)**	**13,706**	**1,903**	**(29,394)**	**2,999**	**80,181**	**10,306**

The Grupo offsets deferred assets and liabilities, per entity and fiscal authority, according to the application of relevant fiscal laws in Colombia y other countries in which subsidiaries operate, for the legal right to offset assets and liabilities in respect of taxes and other requirements imposed by IAS 12, in accordance to the following table:

December 31, 2019		**Gross deferred tax**		**Offsetting**		**Offset Balances**
Deferred income tax asset	Ps.	107,947		(69,079)	Ps.	38,868
Deferred income tax liability		(88,249)		69,079		(19,170)
Net	**Ps.**	**19,698**	**Ps.**	**-**	**Ps.**	**19,698**

December 31, 2018		**Gross deferred tax**		**Offsetting**		**Offset Balances**
Deferred income tax asset	Ps.	145,456		(109,332)	Ps.	36,124
Deferred income tax liability		(135,150)		109,332		(25,818)
Net	**Ps.**	**10,306**	**Ps.**	**-**	**Ps.**	**10,306**

Effect of the deferred tax on each component of Other Comprehensive Income in equity

The effect of the deferred tax on each component of Other Comprehensive Income is described below:

	December 31,2019 expense (income) deferred tax	December 31,2018 expense (income) deferred tax
Items that may be subsequently reclassified to income		
Differences between the provision and impairment recorded in the calculation of the separate and consolidated financial statements	(6,838)	27,656
Profit (loss) on cash flows hedge	(6,501)	38,574
Financial instruments at fair value	(2,451)	30
Subtotal	**(15,790)**	**66,260**
Items that will not be reclassified to income		
Profit on assets revaluation	4,229	12,662
Profit (loss) in employee benefits plans	(1,263)	1,259
Subtotal	**2,966**	**13,921**
Total other comprehensive income during the period	**(12,824)**	**80,181**

NOTE 24 - OTHER LIABILITIES

The detail of other liabilities as of December 31, 2019 and 2018 is presented below:

Concept	December 31, 2019	December 31, 2018
Fogafín	18,947	17,611
Ascredibanco	160	310
Cancelled accounts	5,089	5,639
Commissions and fees	9,423	5,630
Taxes	3,497	6,888
Dividends and surplus	2,184	1,431
Leases	52	188
Tax on Financial Movements (GMF)	1,059	2,092
Providers and services payable	23,091	23,692
Contributions, affiliations and transfers	768	695
Income tax withholdings and payroll taxes	16,849	59,039
Advance income	5,994	9,099
Deferred deposits	5,798	4,334
Other contributions	354	115
Other (1)	330,398	190,496
Total	**423,663**	**327,259**

(1) It includes $111,947 of accounts payable on payroll loans agreements as of December 2019.

NOTE 25 - CAPITAL INCREASE ADVANCES

The following is the capitalization advance by the shareholder GILEX HOLDING at December 31, 2018:

Foreign currency advance: USD 50,000,000
Market Representative Exchange Rate: 3,249.75.
Total local currency advance: $ 162,488

NOTE 26 - EQUITY

Capital

The Banks's shares have a par value of $400 pesos each at December 31, 2019 and 2018, and are represented as follows:

	December 31, 2019	December 31, 2018
Number of authorized shares (1)	250,000,000	250,000,000
Number of shares to be subscribed	71,825,559	84,950,559
Total shares subscribed and paid	**178,174,441**	**165,049,441**
Authorized Capital (1)	100,000	100,000
Capital to be subscribed	(28,730)	(33,980)
Total subscribed and paid capital	**71,270**	**66,020**

(1) On April 26, 2019, the Bank recorded an increase in the subscribed and paid capital of five thousand two hundred fifty million pesos legal currency ($5.250) and increase in the number of shares for 13,125,000. This increase resulted in additional paid-in capital for $152,250.

Reserves

Legal Reserve (mandatory)

Banks are required to set a 'Legal Reserve' by appropriating 10% of the net profit in each period until it reaches 50% of the subscribed capital. The reserve may be reduced below such level in order to cover losses exceeding the non-distributed profit or could be above de 50% of the subscribed capital if required by the Bank´s management. This reserve may not be used to pay dividends or cover expenses or losses if the Bank has non-distributed profit.

Appropriation of withheld profit

The detail of profit appropriation at December 31, 2019 and 2018 is as follows:

Reserves	December 31, 2019	December 31, 2018
Legal	1,301,714	1,129,450
Occasional	12,096	66,932
Total Reserves	**1,313,810**	**1,196,382**

Declared Dividends

Dividends as declared and paid to the shareholders, based on the net profit recognized in the separate financial statements for the preceding period.

Calculation of profit per share for the periods ended on December 31, 2019 and 2018 is as follows:

Basic Earnings per Share	December 31, 2019	December 31, 2018
Net profit of the period	272,897	240,026
Less: Non-controlling interests	5,440	4,916
Net income for the year attributable to controlling interests	**267,457**	**235,110**
Weighted average of ordinary shares used to calculate the net basic earnings per share.	178,174,441	165,049,441
Net basic earnings per share of controlling interests (COP)	**1,501**	**1,424**

During the Shareholders' Meeting No. 94 of March 29, 2019, the parent declared cash dividends for $189,396 ($1,147.51 per share).

During the Shareholders' Meeting No. 88 of March 28, 2018, the parent declared cash dividends for $56,369 ($341.53 per share).

NOTE 27 - NET INCOME FROM COMMISSIONS AND FEES

The detail of income and expenses on commissions and fees for the periods ended on December 31, 2019 and 2018 is as follows:

Concept	December 31, 2019	December 31, 2018
Bank acceptance	69	53
Credit Letters	540	1,389
Bank guarantees	1,040	1,224
Bank services	68,147	65,724
Credit card and debit card affiliated stores	7,689	7,483
Management fees, credit cards	1,198	1,373
Other (1)	175,872	154,347
SUB-TOTAL	**254,555**	**231,593**
Bank services	19,438	18,653
Bank guarantees	5,032	4,777
Trust deals	62	53
Management of collective investment fund	6,207	3,269
Commissions on sales and services	73	120
Board of Directors	259	156
Statutory Audit and External Audit	3,608	4,417
Valuations	89	17
Legal Consulting	3,705	3,825
Other (2)	65,517	53,814
SUB-TOTAL	**103,990**	**89,101**
TOTAL	**150,565**	**142,492**

(1) Commissions paid by Banco GNB Sudameris for the use of the low value payment system.
(2) It includes $36,676 paid for commissions to the sales force in agreements portfolio as of December 2019.

NOTE 28 - OTHER INCOME

The detail of other income for the periods ended on December 31, 2019 and 2018 is presented below:

Concept	December 31, 2019	December 31, 2018
Sale of Investments	90,135	28,994
Loans sales	-	10,218
Dividends and other capital earnings	1,630	2,587
Property, plant and equipment	195	272
Leases	8,049	6,767
Exchange difference	13,380	27,954
Other (1)	154,976	176,470
Total	**268,365**	**253,262**

(1) It includes income on the written-off portfolio for $10,937, reimbursement of other provisions for $2,200, return insurance banking management for $21,119, and hotel services for $38,603 (Corporation subsidiaries) as of December 31, 2019.

NOTE 29 - OTHER EXPENSES

The detail of other expenses for the periods ended on December 31, 2019 and 2018 is presented below:

Concept	December 31, 2019	December 31, 2018
Employee benefits	**245,029**	**238,750**
Loss on investments sale	**75,477**	**22,146**
Legal expenses	1,218	3
Leases	48,459	75,630
Contributions, affiliations and transfers	32,516	28,785
Insurance	47,632	43,807
Repairs and maintenance	45,061	44,598
Adjustments and installations	1,636	2,103
Total general administrative expenses	**176,522**	**194,926**
Depreciation of property and equipment	18,913	17,623
Depreciation on rights of use	27,279	-
Amortization of intangible items	9,795	7,512
Management and intermediation services	235	270
Loss for operating risk	329	479
Taxes and fees	38,350	42,242
Penalties, fines, litigations, indemnities, operating risks	108	60
Other (1)	134,066	134,030
Other Expenses	**178,528**	**181,997**
Total Other Expenses	**726,103**	**658,038**

(1) Other expenses comprise mainly the payment for cleaning and security for $6.625, temporary services for $1,296, advertising and publicity for $295, public utilities, transport for $2,540 and $15,192 for hotel expenses (Corporation subsidiaries) as of December 31, 2018.

NOTE 30 - CONTINGENCIES AND COVENANTS

Credit Commitments

In the regular course of operations, the Bank grants guarantees and letters of credit to customers where the group makes irrevocable commitments to make payments to third parties if the customer does not meet his obligations to those third parties, with the same credit risk as the financial assets in the loan portfolio. The granting of guarantees and letters of credit are subject to the same approval policies for the disbursement of loans with regard to the credit quality of customers, and guarantees are required as considered adequate to the circumstances.

The commitments to extend credit represent the unused portion of authorizations to extend credit in the form of loans, the use of credit cards, overdraft limits and letters of credit. With regard to credit risk on commitments to extend lines of credit, the Bank and its Subsidiaries are potentially exposed to losses for an amount equal to the total amount of the unused commitments, if the amount unused were to be fully withdrawn; however, the amount of the loss is lower than the total amount of the unused commitments given that most of the commitments to extend credit are also contingent on the customer maintaining specific standards of credit risk. The Bank monitors the term the maturities of commitments regarding credit limits, because long-term commitments carry a higher credit risk than short-term commitments.

The use of pending balances of lines of credit and guarantees do not necessarily represent future cash requirements, because these limits may expire and part or all of them may not be used.

Contingencies

Legal contingencies

As of December 31, 2019 and 2018, the parent attended administrative and judicial processes against it; the processes expectations were valued, based on the analysis and concepts by the lawyers in charge and the following contingencies were determined:

Labor Lawsuits

As December 31, 2019 and 2018, there were labor claims for $918 and $697 millions, respectively. Historically, most of these cases have been decided in favor of the Bank and its Subsidiaries.

Civil Processes

As of December 31, 2019 and 2018, the result of valuation of claims in judicial processes due to civil claims, without including those of remote probabilities, amounted to $6,342 and $6,549, respectively.

Administrative processes and other litigation

The expectations for administrative and judicial tax processes, initiated by national and local tax authorities, in some cases set penalties that would be due by the Bank as an active collector of regional taxes, and in others, determine higher taxes acting as a taxpayer. At December 31, 2019 and 2018, the amount of these claims amounted to $911 and $618, respectively.

NOTE 31 - RELATED PARTIES DETAIL

The following are considered related parties:

1) Individual shareholders holding more than 10% of the Bank's capital and those whose individual share is lower than it, but which are involved in operations in excess of 5% of the computable capital.

Shareholders with more than 10% holding:

- GILEX HOLDING S.àr.l

Shareholders with less than 10% interest in capital but with operations for more than 5% of computable capital.

- As of December 31, 2019, and 2018, the Bank had no shareholders with less than 10% interest in capital, but more than 5% of computable capital.

2) Key management personnel: These are individuals with authorities 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 Peru
- Banco GNB Paraguay
- Servitrust GNB Sudameris
- Servivalores GNB Sudameris
- Servibanca S. A.
- Servitotal
- Corporación Financiera GNB Sudameris
- Charleston Hotels Group S.A.S
- Namen Finance Limited
- Manforce Overseas Limited
- Inversiones GNB Comunicaciones S.A.S
- GNB Holding S.A.S
- Fondo Capital Privado Inmobiliario

4) Other related entities not subsidiaries

Operations with Related Parties:

The Bank 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.

There were no operations between the Bank and related parties during the periods ended December 31, 2019 and 2018 that meet the following criteria:

- 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.

During the periods ended on December 31, 2019 and 2018, Director fees were paid for $259 and $156, respectively, for attendance to Board of Directors and Committee meetings.

In 2018 and 2019, the Bank purchased from the subsidiary GNB Peru some asset collection rights for which the book value at December 31, 2019 is $34,396 million and are guaranteed with real estate assets. The transaction was made at market prices, based on the valuations of the collection rights made by an external third-party.

At December 2019, the Bank has an accounts receivable in the name of Starmites Corporation, a related party, in regard to the development of the project Digital Banking for $46,259 million.

Most 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 rates for those products.

In the performance of its commercial operations, the Bank conducts transactions with related parties such as interests in such entities, loans, and financial liabilities, which are detailed as follows:

December 31, 2019

	Shareholders	Members of the Board	Key Executives
Assets			
Loans	-	2	838
Liabilities			
Deposits	-	107	283

	Shareholders	Members of the Board	Key Executives
Income interest	-	-	108
Financial expenses	-	-	5
Fees Expenses	-	259	-
Income from commissions and fees	-	-	6
Other Expenses	-	3	9

December 31, 2018

	Shareholders	Members of the Board	Key Executives
Assets			
Loans	-	7	1,171
Liabilities			
Deposits	-	9	178

	Shareholders	Members of the Board	Key Executives
Income interest	-	1	133
Financial expenses	-	-	7
Fees Expenses	-	148	-
Income from commissions and fees	-	1	7
Other income	1,172	-	-
Other Expenses	-	2	8

Benefits to key personnel

Banco GNB Sudameris does not have any exclusive benefits plan that may apply to key personnel of the Bank's high management, other than the plan applied to all employees out of the Collective bargaining Agreement in force.

Some key members of the parent management are also key executives of the subsidiaries.

The remuneration received by key management personnel comprises the following:

Concept	December 31, 2019	December 31, 2018
Salaries	**5,294**	**3,543**

The remuneration of key personnel includes salaries, benefits different from cash and contributions to a post-employment defined benefits plan.

NOTE 32 - NON-CONSOLIDATED STRUCTURED ENTITIES

The term "non-consolidated structured entities" refers to all the structured entities not controlled by the Bank. The Bank undertakes transactions with non-consolidated structured entities in the regular course of business in order to facilitate the transactions of clients and for specific investment opportunities.

The following table present the total assets of the non-consolidated structured entities where the Bank had an interest at the reporting date and their maximum exposure to a loss in respect to such interests.

December 31, 2019

	Funds managed by the Bank in FIC
Interests in Bank Assets	
Investments at fair value with changes in income	8,526
Other accounts receivable	28
The total assets in respect to the Bank's interests in non-consolidated structured entities	**8,554**
Maximum Bank's exposure	**8,554**

December 31, 2018

	Funds managed by the Bank in FIC
Interests in Bank Assets	
Investments at fair value with changes in income	7,646
Other accounts receivable	105
The total assets in respect to the Bank's interests in non-consolidated structured entities	**7,751**
Maximum Bank's exposure	**7,751**

In the regular course of the business, the Bank owns a trust and a stockbroker that manage the collective investment funds and the third-party assets which trustees receive commissions.

The obligations in these entities does not guarantee a result; the maximum exposure to risk of loss is determined by the possible failures in the management of funds by the amount of earnings managed and the return on income of the clients' assets.

NOTE 33 - SUBSEQUENT EVENTS

By means of Resolution No. 1673 of December 12, 2019, the Superintendency of Finance of Colombia authorized the Regulations for the issuance and subscription of 9,240,000 ordinary shares of Banco GNB Sudameris for a total issuance amount of COP$168,482,160,000. Such regulations were approved by the Board of Directors of the Bank on October 2019.

As a consequence of the shares subscription by the Shareholder of Banco GNB Sudameris S. A., the Bank recorded on January 28, 2020 the increase of the subscribed and paid capital for $3,696,000,000.00 pesos in legal currency, moving from $71,269,776,400 pesos in legal currency, $74,965,776,400 pesos in legal currency, and an increase in the number of shares of 9,240,000 moving from 178,174,441 to 187,414,441.

During the session of July 2019, the Board of Directors of Banco GNB Sudameris approved the purchase by the Bank's subsidiary, GNB Paraguay, of 100% of the stock of BANCO BILBAO VIZCAYA ARGENTARIA S. A. (BBVA Paraguay S. A.), domiciled in the Republic of Paraguay for a total approximate amount of USD270 million. The closing of the operation is subject to the authorization of the competent regulatory entities in Colombia and abroad. Similarly, in order to facilitate the acquisition of the stock of BBVA Paraguay S. A., the subsidiary signed an agreement with Grupo Vierci through which an important contribution of capital would be possible to the subsidiary.

Except for the aforementioned, we have no knowledge of any additional subsequent event that may have occurred between the date of the Consolidated Financial Statements and the date of their issuance, that may require any modification to the figures presented as of December 31, 2019.

BANCO BILBAO VIZCAYA ARGENTARIA PARAGUAY S.A.

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the President and Board of Directors of
BANCO BILBAO VIZCAYA ARGENTARIA PARAGUAY S.A.

Report on the Audit of the Financial Statements

1. We have audited the accompanying financial statements of **BANCO BILBAO VIZCAYA ARGENTARIA PARAGUAY S.A.**, which comprise the Balance Sheet as of December 31, 2020 and the corresponding Statement of Income, Cash Flows and Changes in Shareholder's Equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management´s Responsibility for the Financial Statements

2. The Company's Management are responsible for the preparation and fair presentation of these financial statements in accordance with the standards, regulations and accounting instructions established by the Superintendence of Banks of the Paraguay Central Bank. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to errors, omissions or fraud; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor´s Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Standards on Independent Auditing established by the Superintendence of Banks in the Resolution SB.SG Nº 313/01 of November 30, 2001 and Standards on Auditing in force in Paraguay issued by Public Accountants Council of Paraguay. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

   An audit involves performing procedures, substantially on a test basis, 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 errors, omissions or fraud. In making those risk assessments, the auditor considers internal control relevant to the Company'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 of the Company's internal control.

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An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's Board of Directors and Management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

4. In our opinion the Financial Statements referred to above present fairly, in all material respects, the financial position of **BANCO BILBAO VIZCAYA ARGENTARIA PARAGUAY S.A.** as of December 31, 2020 and the results of their operations, and cash flows for the years then ended, in accordance with the standards, regulations and accounting instructions established by the Superintendence of Banks of Paraguay Central Bank, and in matters not addressed by them, with the financial reporting standards in force in Paraguay issued by Public Accountants Council of Paraguay, as is mentioned in Note B.2, in the Financial Statements.

Other Matter

5. The Financial Statements of **BANCO BILBAO VIZCAYA ARGENTARIA PARAGUAY S.A.** for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on February 25, 2020.

Asunción, Paraguay
February 17, 2021

Pablo Di Iorio
Partner
Ernst & Young Paraguay
Auditores y Asesores de Negocios
Res SB.SG. N° 00393/03
Register CNV AE N° 028
Register SET N° 241/2020

BANCO GNB
EN PROCESO DE FUSIÓN

BANCO BILBAO VIZCAYA ARGENTARIA PARAGUAY SOCIEDAD ANÓNIMA
BALANCE SHEET FOR THE YEAR ENDED DECEMBER 31, 2020
Presented for comparative purpose with the prior year ended December 31, 2019
(Expressed in Guaranies)

ASSETS	Note	31.12.2020	31.12.2019
CASH AND EQUIVALENTS		**3.662.030.395.098**	**2.948.213.172.243**
Cash		198.991.646.340	361.749.407.205
Central Bank of Paraguay	C.2	1.922.972.522.235	2.079.674.390.704
Other financial institutions		1.540.721.368.957	505.206.369.962
Debtors of accrued financial products		473.369.884	1.684.450.204
Allowances	C.6	(1.128.512.318)	(101.445.832)
GOVERNMENT SECURITIES	C.3	**413.357.075.708**	**454.627.914.895**
OUSTANDING CREDITS FROM FINANCIAL INTERMEDIATION - FINANCIAL SECTOR	C.13	**373.520.013.614**	**451.701.948.337**
Other financial institutions		371.835.590.078	448.149.342.278
Debtors of accrued financial products		1.684.423.536	3.552.606.059
OUSTANDING CREDITS FROM FINANCIAL INTERMEDIATION - NON-FINANCIAL SECTOR	C.5.1; C.13	**8.047.842.590.581**	**8.163.322.024.457**
Credits		7.523.947.336.785	7.962.443.140.453
Credits to be settled	K.2	3.338.602.536	222.346.919
Public sector		598.034.152.998	235.319.437.920
Debtors of accrued financial products		93.300.248.712	90.321.321.357
Deferred valuation gains		(948.267.183)	(3.430.772.759)
Allowances	C.5.1; C.6	(169.829.483.267)	(121.553.449.433)
OTHER CREDITS	C.16	**113.282.291.437**	**129.224.063.858**
OVERDUE CREDITS FROM FINANCIAL INTERMEDIATION	C.5.2	**47.309.700.299**	**76.394.218.318**
Credits to the non-financial sector		231.587.531.747	265.120.425.774
Debtors of accrued financial products		8.254.342.476	11.059.030.220
Allowances	C.5.2;C.6	(190.868.938.299)	(197.691.966.917)
Deferred valuation gains		(1.663.235.625)	(2.093.270.759)
INVESTMENTS	C.7	**106.469.580.033**	**110.191.507.277**
Private securities		10.477.000.000	10.477.000.000
Other investments		135.103.803.990	131.074.969.934
Allowances	C.6	(39.111.223.957)	(31.360.462.657)
PROPERTY, PLANT AND EQUIPMENT	C.8	**81.915.162.744**	**84.764.209.262**
DEFERRED CHARGES	C.9	**36.200.455.724**	**34.416.570.072**
TOTAL ASSETS		12.881.927.265.238	12.452.855.628.719

The accompanying notes A to L are an integral part of these financial statements.

See Independent Auditor's Report on pages 1 and 2.

Sally Sosa de Molinas
CEO and General Manager

Héctor Daniel Benegas
General Accountant
Prof. Reg. N° 437
Prof. Patent 010-0034557

Daniel Osvaldo Elicetche
Syndic

BANCO BILBAO VIZCAYA ARGENTARIA PARAGUAY SOCIEDAD ANÓNIMA
BALANCE SHEET FOR THE YEAR ENDED DECEMBER 31, 2020 [Cont.]
Presented for comparative purpose with the prior year ended December 31, 2019
(Expressed in Guaranies)

LIABILITIES	Note	31.12.2020	31.12.2019
FINANCIAL INTERMEDIATION OBLIGATIONS - FINANCIAL SECTOR	C.13	**781.209.611.823**	**1.231.761.206.062**
Other financial institutions		501.522.882.741	535.022.435.347
Loans to financial institutions		274.216.793.552	686.596.182.277
Financial charges accrued - Creditors		5.469.935.530	10.142.588.438
FINANCIAL INTERMEDIATION OBLIGATIONS - NON-FINANCIAL SECTOR	C.13	**10.536.088.410.269**	**9.855.273.058.481**
Deposits - private sector		9.008.128.803.931	8.113.355.496.198
Deposits - public sector		1.170.057.546.545	1.398.248.746.683
Other obligations		5.543.953.407	9.235.385.410
Operations to settle	K.2	3.293.636.939	527.113.076
Subordinated obligations	C.10	310.504.950.000	290.391.300.000
Accrued financial charges - Creditors		38.559.519.447	43.517.017.114
MISCELLANEOUS OBLIGATIONS		**63.773.658.064**	**51.165.231.760**
Tax debts		8.996.614.668	9.726.534.749
Social security debts		476.546.508	1.367.584.612
Other obligations	C.18	54.300.496.888	40.071.112.399
PROVISIONS		**93.090.651.145**	**84.563.741.038**
ALLOWANCES	C.6	**1.594.215.139**	**1.477.989.782**
TOTAL LIABILITIES		**11.475.756.546.440**	**11.224.241.227.123**
EQUITY			
Paid-in capital	B.5	450.000.000.000	450.000.000.000
Equity adjustments		50.437.247.430	50.437.254.630
Legal reserve	C.11 C)	453.796.627.045	453.796.627.045
Voluntary reserves		60.460.848.956	60.460.848.956
Accumulated income		213.919.670.965	-
Results of the fiscal year		177.556.324.402	213.919.670.965
TOTAL EQUITY		**1.406.170.718.798**	**1.228.614.401.596**
TOTAL LIABILITIES AND EQUITY		**12.881.927.265.238**	**12.452.855.628.719**
CONTINGENCY AND MEMORANDUM ACCOUNTS			
Total contingency accounts	E.1)	**610.697.123.679**	**579.929.348.246**
Total memorandum accounts	E.2)	**11.611.111.341.444**	**10.954.469.912.415**

The accompanying notes A to L are an integral part of these financial statements.

See Independent Auditor's Report on pages 1 and 2.

Sally Sosa de Molinas
CEO and General Manager

Héctor Daniel Bergos
General Accountant
Prof. Reg. N° 437
Prof. Patent 010-0034557

Daniel Osvaldo Elioriche
Syndic

BANCO BILBAO VIZCAYA ARGENTARIA PARAGUAY SOCIEDAD ANÓNIMA
INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2020
Presented for comparative purpose with the prior year ended December 31, 2019
(Expressed in Guaranies)

	Note	31.12.2020	31.12.2019
FINANCIAL INCOME			
From oustanding credits - financial sector		37.609.891.555	80.739.317.816
From oustanding credits - non-financial sector		642.910.952.604	658.987.057.874
From overdue credits - non-financial sector		23.224.822.015	22.114.415.577
From income and debt of government and private securities		16.356.702.971	40.394.287.101
From valuation of financial assets and liabilities in foreign currency (net)	F.2	26.278.915.490	27.837.736.156
		746.381.284.635	830.072.814.524
FINANCIAL LOSSES			
From obligations - financial sector		(46.530.133.377)	(50.242.944.836)
From obligations - non-financial sector		(231.541.329.189)	(256.684.834.728)
		(278.071.462.566)	(306.927.779.564)
FINANCIAL INCOME BEFORE ALLOWANCES		**468.309.822.069**	**523.145.034.960**
ALLOWANCES			
Constitution of allowances	C.6	(304.634.079.379)	(328.145.486.205)
Reversal of allowances	C.6	168.346.144.467	179.026.543.992
		(136.287.934.912)	(149.118.942.213)
FINANCIAL INCOME AFTER ALLOWANCES		**332.021.887.157**	**374.026.892.747**
RESULTS FROM SERVICES			
Income from services		131.604.523.708	136.716.168.810
Losses from services		(46.657.243.811)	(47.305.697.370)
		84.947.279.897	89.410.471.440
GROSS RESULT - INCOME		**416.969.167.054**	**463.436.564.187**
OTHER OPERATING INCOME			
Income from other credits		531.481.520	203.049.323
Income from assets		-	30.046.018
Result from exchange and arbitrage operations		31.500.901.153	29.356.213.730
From valuation of other liabilities and assets in foreign currency (net)	F.2	1.524.650.796	2.368.389.028
		33.557.033.469	31.957.698.099
OTHER OPERATING LOSSES			
Employee benefits and social security charges		(122.824.259.857)	(131.104.218.850)
General expenses		(129.323.666.408)	(124.171.788.575)
Depreciation of property, plant and equipment	C.8	(6.247.053.522)	(8.166.528.041)
Amortization of deferred charges	C.9	(15.338.660.935)	(14.351.745.722)
Others	F.5	(7.811.719.629)	(7.774.668.150)
		(281.545.360.351)	(285.568.949.338)
NET OPERATING RESULT - INCOME		**168.980.840.172**	**209.825.312.948**
EXTRAORDINARY RESULTS			
Extraordinary incomes	F.6	29.369.869.657	26.545.476.605
Extraordinary losses	F.7	(921.035.437)	(6.960.443.248)
		28.448.834.220	19.585.033.357
ADJUSTMENT OF PRIOR FISCAL YEAR RESULTS			
Income		1.589.259.390	11.635.416.587
Losses		(508.219.025)	(872.691.927)
		1.081.040.365	10.762.724.660
FISCAL YEAR PROFIT BEFORE INCOME TAX		**198.510.714.757**	**240.173.070.965**
INCOME TAX	F.4	(20.954.390.355)	(26.253.400.000)
FISCAL YEAR PROFIT AFTER INCOME TAX		**177.556.324.402**	**213.919.670.965**
EARNINGS PER SHARE		**39.457**	**47.538**

The accompanying notes A to L are an integral part of these financial statements.

See Independent Auditor's Report on pages 1 and 2.

Sally Soad de Molinas
CEO and General Manager

Héctor Daniel Bengoa
General Accountant
Prof. Reg. N° 437
Prof. Patent 010-0034557

Daniel Osvaldo Elizeche
Syndic

BANCO BILBAO VIZCAYA ARGENTARIA PARAGUAY SOCIEDAD ANÓNIMA
STATEMENT OF SHAREHOLDER'S EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020
Presented for comparative purpose with the prior year ended December 31, 2019
(Expressed in Guaranies)

CONCEPT	Paid-in Capital (Note b.5)	Equity Adjustments	Legal reserve	Voluntary Reserves	Accumulated Income	Result of the fiscal year	Total
Balance as of December 31, 2018	470.000.000.000	47.516.648.178	411.750.437.845	-	-	308.210.958.541	1.139.942.231.744
Transfer of previous fiscal year result	-	-	-	-	308.210.958.541	(308.210.958.541)	-
Resolutions of the Ordinary Shareholders Meeting No. 86 on April 22, 2019							
Allocation to social responsibility fund	-	-	-	-	(2.082.109.383)	-	(2.082.109.383)
Allocation to voluntary reserve	-	-	-	78.791.723.984	(78.791.723.984)	-	-
Resolutions of the Ordinary Shareholders Meeting No. 87 on September 5, 2019							
Dividend distribution	-	-	-	(10.330.878.000)	(135.317.131.852)	-	(145.658.009.852)
Variation of the revaluation reserve	-	2.002.880.471	-	-	-	-	2.002.880.471
Profit of the year	-	-	-	-	-	313.919.670.963	313.919.670.963
Balance as of December 31, 2019	470.000.000.000	50.437.241.649	411.750.437.845	69.400.848.976	-	313.919.670.963	1.318.414.481.396
Resolutions of the Ordinary Shareholders Meeting No. 89 on April 28, 2020							
Transfer of previous fiscal year results	-	-	-	-	313.919.670.963	(313.919.670.963)	-
Profit of the year	-	-	-	-	-	177.556.231.482	177.556.231.482
Other adjustments	-	(7.200)	-	-	-	-	(7.200)
Balances as of December 31, 2020	470.000.000.000	50.437.241.649	411.750.437.845	69.400.848.976	313.919.670.963	177.556.231.482	1.496.178.718.798

The accompanying notes A to L are an integral part of these financial statements.

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CEO and General Manager

Blanca Daniel Burgos
General Accountant
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Daniel Cataldo Ebandis
Syndic

6

BANCO GNB
EN PROCESO DE FUSIÓN

BANCO BILBAO VIZCAYA ARGENTARIA PARAGUAY SOCIEDAD ANÓNIMA
STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2020
Presented for comparative purpose with the prior year ended December 31, 2019
(Expressed in Guaranies)

CASH FLOW FROM OPERATING ACTIVITIES	Note	31.12.2020	31.12.2019
Interest received		610.389.362.625	689.868.339.840
Interest paid		(266.392.803.375)	(253.412.941.712)
Net income from services		84.947.279.897	89.410.471.440
Net income from exchange and arbitrage operations		34.285.724.637	29.356.213.730
Payment of income tax		(21.202.369.890)	(37.957.751.621)
Other income - operating payments, net		(214.868.878.454)	(299.835.213.663)
Variations to determine the cash flow of operating activities:			
- Net variation of loans to clients		359.070.340.958	(608.724.695.934)
- Net variation of deposits and loans received from financial and non-financial clients		313.940.070.496	(152.300.639.903)
- Net variation of the portfolio of government and private securities		2.343.747.120	72.670.070.490
Net cash flow of operating activities		**902.512.474.114**	**(460.926.147.393)**
CASH FLOW USED IN INVESTING ACTIVITIES			
Net variation of investments		27.088.282.807	33.738.386.933
Purchase of property, plant and equipment	C.8	(3.399.269.115)	(2.898.089.076)
Sale of property, plant and equipment			886.258.804
Purchase of intangibles	C.9	(9.753.994.272)	(11.116.310.554)
Net cash flow of investing activities		**13.935.019.420**	**20.610.246.107**
CASH FLOW FROM FINANCING ACTIVITIES			
Variation of loans taken from multilateral entities and other financial institutions		(413.014.773.225)	18.123.205.131
Dividends paid		-	(145.668.000.000)
Allocation to the social responsibility fund		-	(2.082.109.585)
Net cash flow from financing activities		**(413.014.773.225)**	**(129.626.904.454)**
Increase of cash flow		503.432.720.309	(569.942.805.740)
Gain/loss from valuation of cash and equivalents in foreign currency		172.083.689.536	130.327.456.462
Cash and equivalents at the beginning of the fiscal year		3.395.435.785.850	3.835.051.135.128
Cash and equivalents at the end of the fiscal year	C.17	**4.070.952.195.695**	**3.395.435.785.850**

The accompanying notes A to L are an integral part of these financial statements.

See Independent Auditor's Report on pages 1 and 2.

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Syndic

BANCO BILBAO VIZCAYA ARGENTARIA PARAGUAY SOCIEDAD ANÓNIMA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

Presented for comparative purpose with the prior year ended December 31, 2019
(Expressed in Guaranies)

NOTE A: CONSIDERATION BY THE SHAREHOLDERS' MEETING

These financial statements of Banco Bilbao Vizcaya Argentaria Paraguay Sociedad Anónima (hereinafter referred to as "Banco Bilbao Vizcaya Argentaria Paraguay Sociedad Anónima or "the Entity") to December 31, 2020 will be considered by the next Ordinary Shareholders' Meeting, to be held in 2021 within the period established in the Bylaws and according to provisions of the Paraguayan Civil Code.

The financial statements as of December 31, 2019 were approved by the Ordinary Shareholders' Meeting held on April 28, 2020, within the period established in the Bylaws and according to the Paraguayan Civil Code.

NOTE B: BASIC INFORMATION ON THE FINANCIAL ENTITY

B.1 Legal Status

Banco Bilbao Vizcaya Argentaria Paraguay Sociedad Anónima is a Paraguayan entity member of the economic group Banco Bilbao Vizcaya Argentaria (BBVA), whose majority shareholder is Banco Bilbao Vizcaya Argentaria Sociedad Anónima, a Spain-based company.

The Entity was originally incorporated under the name of Banco Exterior Sociedad Anónima, by public Deed No. 33, dated May 22, 1968, having been approved bylaw and recognized the legal status of the company, by Executive Order of the Nation No. 34,199, dated December 24, 1968, and registered at the Public Registry of Commerce under No. 220 on December 25, 1968. By public deed dated April 18, 2000, the first article of the Bylaws, concerning the company name, was amended. This amendment was registered at the Public Registry of Commerce under No. 435, folio No. 4.303 et seq Contracts section, on December 19, 2000, and accordingly, the Entity was renamed "Banco Bilbao Vizcaya Argentaria Paraguay Sociedad Anónima".

The activities of the Entity are within the permitted to commercial banks in accordance with the laws of Paraguay and regulatory dispositions established by the Central Bank of Paraguay (BCP).

At December 31, 2020 and 2019, the Entity had twenty branches and three customer service centers in the Paraguayan territory.

B.2 Bases of preparation of the financial statements

These financial statements have been prepared in accordance with the standards, regulations and guidelines established by the BCP and in matters not regulated by the them, with the financial reporting standards issued by the Consejo de Contadores Públicos del Paraguay.

The accounting standards, regulations and guidelines established by the BCP differ from the financial reporting standards issued by the Consejo de Contadores Públicos del Paraguay, mainly in the following aspects:

NOTE B: BASIC NFORMATION ON THE FINANCIAL ENTITY (CONTINUATION)

a) Adjustments to accumulated results are recorded as results of the year without affecting the equity accounts of the Entity.

b) The accounting records of assets or liabilities for deferred taxes are not contemplated.

c) Specific criteria are established for classification and valuation of the loan portfolio, the accrual and suspension of interest and valuation gains, as mentioned in note c.5.

d) Entities must establish allowances on the loan portfolio, contingent risks and assets in general based on the parameters set in Resolution No. 1, Minutes 60, from the Board of the Central Bank of Paraguay on September 28, 2007 and its amendments.

e) The disclosure of the average interest rates or of the average of assets and liabilities that have accrued interests is not required.

f) The calculation or disclosure of earnings per share is not required.

g) The disclosure of the movement of property, plant and equipment is not required.

h) The disclosure of the concentration of liabilities per number of depositors is not required.

i) The issuance of the cash flow statements and comparative financial statements is not required.

j) The disclosure of the basis to identify the general risks of the banking sector and the accounting treatment of such risks is not required.

k) The opening of the movement of deferred charges is not required.

l) The accounting treatments for special situations of specific cases expressly approved by the Superintendency of Banks is allowed.

The Central Bank of Paraguay does not require the disclosure and/or quantification of these differences.

Balances included in the financial statements have been prepared on the historical cost basis, except for property, plant and equipment and accounts in foreign currency, as explained in paragraphs c.1 and c.8 of Note C. These balances do not comprehensively recognize the effects of inflation in the economic and financial structure of the Entity over the results of their operations and cash flows. According to the Consumer Price Index (CPI) published by the Central Bank of Paraguay, accrued inflation to December 31, 2020 and 2019 was 2.2% and 2.8%, respectively.

(i) Significant accounting policies:

In addition to the mentioned in other notes to the financial statements, the following significant accounting policies have been used:

- Cash: valued at their nominal value in Guaranies, net of the allowance set by the BCP according to regulations in force for long-standing reconciling items. Includes overnight investments.

See Independent Auditor's Report on pages 1 and 2

NOTE B: BASIC NFORMATION ON THE FINANCIAL ENTITY (CONTINUATION)

- Cash and cash equivalents: to prepare the Cash Flow Statement, the nominal values included in Cash and cash equivalents regardless of the allowances are considered cash. Investments with maturity date less than ninety days included in the line-items "Government Securities" and "Investments" are considered cash equivalents.

(ii) Estimates:

The preparation of these financial statements requires that the Entity's Board and Management perform certain estimates and assumptions that affect the balances of the assets and liabilities, the disclosure of contingencies and the recognition of income and expenses. The assets and liabilities are recognized in the financial statements when it is probable that future economic benefits flow towards or from the Entity, and when the items have a cost or value that can reliably be measured. If in the future, these estimates and assumptions, based on the best criteria of the management on the date of these financial statements, were to be modified with respect to the present circumstances, the original estimates and assumptions will be properly modified on the date such changes take place.

Main estimates related to these financial statements refer to allowances on assets and credit risks considered of doubtful collection, depreciation of property, plant and equipment, amortization of deferred charges and intangible assets, allowances for litigations filed against Entity and allowances to cover other contingencies.

(iii) Comparative information:

Financial statements as of December 31, 2020 and complementary information are presented for comparative purposes with the respective statements and complementary information of the year ended December 31, 2019.

B.3. Branches in foreing countries

The Entity does not have foreing branches.

B.4. Investment in other companies

The Entity owns a participation in Bancard S.A. valued at its acquisition cost and included in the Investments line-item (see Note c.7). As of December 31, 2020 and 2019, the Entity's participation in the share capital and votes in Bancard S.A. was 7.14%.

B.5. Composition of the capital and characteristics of the shares

As at December 31, 2020 and 2019, the paid-in capital is comprised as follows:

Shares suscribed and paid-in capital

Type	Quantity	No. of votes per share	Value per share	Guaranies
Common	4.500.000	1 (one)	100.000	450.000.000.000

As of December 31, 2020 and 2019, the shareholders of the Entity were the following:

Shareholders	Country	Share percentage
1. Banco Bilbao Vizcaya Argentaria S.A.	Spain	99.999978%
2. Minority shareholders	Spain	0.000022%

See Independent Auditor's Report on pages 1 and 2

NOTE B: BASIC NFORMATION ON THE FINANCIAL ENTITY (CONTINUATION)

As stated in paragraph d) of the Note c. 11, the level of paid-in capital at the closing date of the financial statements exceeded the minimum capital required by the BCP.

B.6. Members of the Board and Senior Management

As of December 31, 2020, members of the Board of Directors and Senior Management were as follows:

Board		Senior Management	
President	Ignacio Sanz y Arcelus	Chief Executive Officer	Ignacio Sanz y Arcelus
Director Secretary	Alberto Andrada	Chief Commercial Officer	Sonia Chena
Director	José Mestre	Chief Operation Officer	Pablo Estébanez
Director	Antonio Alcalde	Chief Financial Officer	Ricardo Maduro
Director	Luis Bach	Risks Director	Juan Antonio Díaz
Syndic	Daniel Elicetche	Legal Services Director	Alberto Andrada
Alternate Syndic	María Belén Ávila Arias	Internal Audit Director	David Hueso
		Talent & Culture Director	Natalia Cristaldo
		Regulatory Compliance Manager	Pablo Jimeno
		CISO Manager	Daniel Espínola
		Retail Banking Manager	Claudio Laterza
		Companies & Institutions Banking Manager	Juan José Carreño
		Agriculture & Livestock Banking Manager	Jorge H. Díaz
		Complementary Channels Manager	Lorena Valenzuela
		Retail Segment Manager	Gustavo Arias
		SME Segment Manager	Susana Cáceres
		Business Execution Manager	Fernando Oliver
		Wholesale Development Manager	Mirian Ibarrola
		Retail Risk Manager	Ana Pino
		Wholesale Risk Manager	Federico Giménez
		Market, Structural and Liquidity Risk Manager	Rodrigo Yanho
		Internal Control & Operational Risk Manager	Rita Berino
		Financial Processes Manager	Rodrigo Haitter
		Accounting Manager	Hector Bengna
		Treasury & Markets Manager	Miguel Ferreira
		Project Office & Internal Financial Control Manager	Juan César Ríos
		Technology & Systems Manager	Juan Lezcano
		Project Management and Development Manager	Clara García
		Operations Manager	Luis Almirón
		Foreign Trade Manager	Viviana Gómez

As of December 31, 2019, members of the Board of Directors and Senior Management were as follows:

Board		Senior Management	
President	Ignacio Sanz y Arcelus	Chief Executive Officer	Ignacio Sanz y Arcelus
Director Secretary	Alberto Andrada	Chief Commercial Officer	Sonia Chena
General Manager	José Mestre	Chief Operation Officer	Pablo Estébanez
	Antonio Alcalde	Chief Financial Officer	Ricardo Maduro
	Luis Bach	Risks Director	Juan Antonio Díaz
Syndic	Daniel Elicetche	Legal Services Director	Alberto Andrada
Alternate Syndic	Jorge Velazco	Internal Audit Director	David Hueso
		Talent & Culture Director	Natalia Cristaldo
		Regulatory Compliance Manager	Pablo Jimeno
		CISO Manager	Daniel Espínola
		Retail Banking Manager	Claudio Laterza
		Companies & Institutions Banking Manager	Juan José Carreño
		Agriculture & Livestock Banking Manager	Jorge H. Díaz
		Complementary Channels Manager	Lorena Valenzuela
		Retail Segment Manager	Gustavo Arias
		SME Segment Manager	Susana Cáceres
		Business Execution Manager	Fernando Oliver

See Independent Auditor's Report on pages 1 and 2

NOTE B: BASIC NFORMATION ON THE FINANCIAL ENTITY (CONTINUATION)

Board	Senior Management		
	Wholesale Development Manager	:	Mirian Ibarrola
	Retail Risk Manager	:	Ana Pino
	Wholesale Risk Manager	:	Federico Giménez
	Market, Structural & Liquidity Risk Manager	:	Rodrigo Yardo
	Internal Control & Operational Risk Manager	:	Rita Berino
	Financial Processes Manager	:	Rodrigo Haitter
	Accounting Manager	:	Hector Bengoa
	Treasury & Markets Manager	:	Miguel Ferreira
	Project Office & Internal Financial Control Manager	:	Juan César Ríos
	Technology & Systems Manager	:	Juan Lezcano
	Project Management and Development Manager	:	Clara García
	Operations Manager	:	Luis Almirón
	Marketing Manager	:	Adriana Roura
	Foreign Trade Manager	:	Viviana Gómez

B.7 English translation of statutory financial statements

These financial statements have been translated into English for the convenience of English-speaking readers. The financial statements are the English translations of those originally prepared by the Entity in Spanish and presented in accordance with the standards, regulations and guidelines established by the BCP and in matters not regulated by the them, with the financial reporting standards issued by the Consejo de Contadores Públicos del Paraguay. The effects of the differences between these standards and the financial reporting have not been quantified. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations, shareholder's equity or cash flow in accordance with accounting principles generally accepted in the countries of users of the financial statements, other than Paraguay.

NOTE C: INFORMATION REGARDING THE MAIN ASSETS AND LIABILITIES

C.1 Valuation of foreign currency and exchange position

The assets and liabilities in foreign currency are expressed in Paraguayan Guaranies based on the effective foreign exchange rates in force at the closing date of each fiscal year, reported by the Foreign Exchange Office of the Department of International Operations of the BCP, which do not differ significantly from the exchange rates in force in the free foreign exchange market (Paraguayan Guaranies per each unit of foreign currency):

Foreign currency	31.12.2020	31.12.2019
United States dollar	6.900,11	6.453,14
Euro	8.476,10	7.228,81

The foreign exchange differences originated by fluctuations in foreign exchange rates, between the dates of execution of the operations and their liquidation or valuation at the closing date of the fiscal year, are recognized in the results of each year, with the exceptions indicated in note f.1.

NOTE C: INFORMATION REGARDING THE MAIN ASSETS AND LIABILITIES (CONTINUATION)

C.2. Deposits at the Central Bank of Paraguay

The deposits held by the Entity at the Central Bank of Paraguay as of December 31, 2020 and 2019, includes the following concepts:

Description	December 31, 2020		December 31, 2019	
	Foreign currency	Local currency	Foreign currency	Local currency
Legal cash reserve - Gs.	-	282.226.096.532	-	555.297.733.403
Legal cash reserve - US$	93.228.835,56	643.289.220.536	121.938.997,16	786.889.420.133
Legal cash reserve - Euros	4.406.867,04	37.353.045.718	2.242.314,52	16.209.265.625
Special cash reserve Gs.	-	316.653	-	-
Special cash reserve US$	3.185.729,53	21.981.884.187	9.460.113,06	61.047.433.992
Legal cash reserve – Anticipated rescue Gs.	-	871.105.080	-	524.000.000
Legal cash reserve – Anticipated rescue US$	51.753,52	357.104.981	145.460,00	958.673.744
Subtotal legal and special cash reserves (Note c.11.a)		986.078.773.687		1.420.906.526.897
Balances in current accounts - Gs.	-	11.106.018.303	-	384.829.938
Balances in current accounts - US$	15.116.209,14	104.303.505.849	17.178.028,97	110.852.225.868
Balances in current accounts - Euros	1.237.054,06	10.485.224.396	765.106,29	5.530.808.001
Placements (*)	-	811.000.000.000	-	542.000.000.000
Total BCP balances		1.922.972.522.235		2.079.674.390.704

(*) As of December 31, 2020 corresponds to an operation expiring on January 4, 2021, at a rate of 0.50% and as of December 31, 2019 corresponds to operations expiring on January 2, 3 and 6, 2020, at rates of 3.75%; 3.85% and 4.05%.

C.3. Government securities

Government securities acquired by the Entity are valued at their acquisition cost plus the accrued and unpaid interest at the closing date of each fiscal year. The Management's expects to maintain the securities to their maturity.

From the point of view of the Board of Directors and the Management of the Entity, the aggregate amount so calculated does not exceed their probable market value.

The values of the Entity's securities portfolio at the closing date of each year are the following:

As of December 31, 2020

Government securities in Guaranies – Unlisted	Book value		Classification per principal repayment terms	
	Capital	Capital & Interest	Instruments with maturity less than 90 days (*)	Instruments with maturity greater than 90 days
National Treasury Bonds (Note C.17)	5.163.000.000	5.290.306.585	-	5.163.000.000
Monetary regulations bills (Note C.17)	407.793.288.279	408.066.769.123	407.793.288.279	-
TOTAL	412.956.288.279	413.357.075.708	407.793.288.279	5.163.000.000

As of December 31, 2019

Government securities in Guaranies – Unlisted	Book value		Classification per principal repayment terms	
	Capital	Capital & interest	Instruments with maturity less than 90 days (*)	Instruments with maturity greater than 90 days
National Treasury bonds	55.163.000.000	56.989.889.697	50.000.000.000	5.163.000.000
Monetary regulations bills (Note C.17)	397.121.167.775	397.638.025.198	397.121.167.775	-
TOTAL	452.284.167.775	454.627.914.895	447.121.167.775	5.163.000.000

(*) As of December 31, 2020 and 2019 includes the balance of Monetary regulations bills retained as collateral in favor of the Central Bank of Paraguay (BCP) in the framework of the general regulations of the SIPAP, Gs. 12.000.000.000 and Gs. 3.010.000.000, respectively (see Note C.11 b).

NOTE C: INFORMATION REGARDING THE MAIN ASSETS AND LIABILITIES (CONTINUATION)

C.4 Assets and liabilities with readjustment clause

As of December 31, 2020 and 2019, the Entity did not have assets or liabilities that include clauses for the readjustment of capital. At those dates, loans obtained from the AFD (Agencia Financiera de Desarrollo), loans granted with funds from the AFD and loans for housing (mortgage loans called H20 and H30), include contractual clauses providing for the readjustment of the annual interest rates.

C.5 Loan Portfolio

Credit risk administration:

The credit risk, is controlled by the Management of the Entity, mainly through the evaluation and analysis of the individual transactions, for which certain clearly defined aspects in the credit policies of the Entity are considered, such as: the proven payment capacity indebtedness of the debtor, the credit concentration in economic groups, the individual limits for credit granting, the evaluation of economic sectors, preferred guarantees and the requirement of working capital, according to the market risks.

The Entity's loan portfolio has been valued at its face value plus interest accrued at the end of each year, net of allowances, which have been calculated according to the regulations established by the Resolution No. 1, Minute 60 of the BCP dated September 28, 2007 and its subsequent amendments. The aforementioned regulations establish the following parameters:

a) Debtors have been classified in the following groups: (i) large debtors; (ii) medium and small debtors; (iii) individual debtors (retail and dwelling) and (iv) micro-credits.

b) Debtors have been classified based on the evaluation and qualification of the payment capacity of the debtor or group of related affiliated debtors, with respect to all their obligations, classifying the debtors in six risk categories. The amending Resolution No. 1/2007, Minute 60 of the Board of the BCP, dated September 28, 2007, requires that the first one (category 1) must be broken down into three sub-categories for the purpose of calculating the allowances (1, 1a and 1b).

c) Accrued interest on the balance of debtors in the performing portfolio classified in the categories of lower risk (1 and 2 subjectively); have been recognized as an income in full. Accrued interest and not collected at the closing date of the overdue credits and /or Oustanding credits classified as category "3" and higher, which have been recognized as income until their entry into arrears, have been fully provisioned.

d) Unrealized valuation earnings and interest accrued and not collected from debtors with non-Oustanding credits and/or Oustanding credits classified as categories "3" and higher are held in suspense and recognized as income at the time of their collection (see note f.1).

e) Loans payable in installments are considered overdue credits starting on the 61st day of default of any of their installments, and fixed term or single maturity credits on the day following their maturity.

f) Required allowances to cover possible losses that can arise from the bad debt of the portfolio, have been constituted following the methodology provided for in Resolution 1, Minute 60 dated September 27, 2007 and its subsequent amendments.

NOTE C: INFORMATION REGARDING THE MAIN ASSETS AND LIABILITIES (CONTINUATION)

g) The Entity has been established generic allowances on the total of the loan portfolio net of specific allowances. As of December 31, 2020 and 2019, the Entity established generic allowances on its credit risk portfolio as per BCP regulations and, additionally, has established voluntary generic allowances according to the guidelines of the Board of the Entity.

h) Bad debt written off under the conditions established in applicable BCP regulations are recorded and reported in memorandum accounts.

i) As exceptional measure to support sectors economically affected by the spread of the coronavirus (COVID 19), the BCP issued Resolution No. 4, Record 18 dated March 18, 2020 authorizing the deferral of the charges generated by the established allowances, to be recognized gradually in the results of the respective financial entities in a term not exceeding 36 months (Note C.9).

C.5.1 Oustanding credits to non-financial sector

In accordance with the standards for the valuation of assets and credit risks, established by the Superintendency of Banks of the Central Bank of Paraguay, Oustanding credits of the non-financial sector of the Entity are classified by risk as follows:

As of December 31, 2020

Risk category	Balance in books before allowances (a)	Guarantees computed for allowances	Allowances		Balance in books after allowances
			Minimum % (b)	Constitution of allowances (c)	
Category 1	6.816.430.158.425	1.662.793.378.687	-	48.255.178	6.816.381.903.247
Category 1a	684.470.072.499	311.257.664.494	0,5	1.396.880.072	683.073.192.427
Category 1b	530.295.746.013	115.342.468.238	1,5	6.899.276.105	523.396.469.908
Category 2	130.633.620.687	103.771.399.136	5	2.100.109.264	128.533.511.425
Category 3	34.855.995.460	7.989.769.193	25	7.811.173.603	27.044.821.857
Category 4	16.748.594.549	10.798.054.442	50	4.709.342.931	12.039.251.618
Category 5	3.140.533.327	102.950.804	75	2.144.772.630	995.760.697
Category 6	1.097.352.888	-	100	1.073.019.127	24.333.761
Generic allowances (d)	-	-	-	143.646.654.357	(143.646.654.357)
TOTAL	8.217.672.073.848	2.212.035.644.994		169.829.483.267	8.047.842.590.581

As of December 31, 2019

Risk Category	Balance in books before allowances (a)	Computable guarantees for allowances	Allowances		Balance in books after allowances
			Minimum % (b)	Incorporated (c)	
Category 1	7.318.350.146.620	1.792.235.898.667	-	25.724	7.318.350.120.896
Category 1a	589.217.054.667	160.420.848.596	0,5	1.197.632.959	588.019.421.708
Category 1b	243.386.248.164	102.867.574.924	1,5	2.182.320.553	241.203.927.611
Category 2	83.185.325.805	50.136.964.937	5	1.826.803.288	81.358.522.517
Category 3	29.545.451.904	23.462.208.886	25	4.818.477.112	24.726.974.792
Category 4	20.010.589.023	11.147.641.828	50	7.788.967.699	12.221.621.324
Category 5	1.152.936.289	-	75	866.320.385	286.615.904
Category 6	27.721.418	-	100	27.729.818	(8.400)
Generic allowances (d)	-	-	-	102.845.171.895	(102.845.171.895)
TOTAL	8.284.875.473.890	2.140.271.137.838		121.553.449.433	8.163.322.024.457

a) Includes principal and interest (net of unrealized valuation earnings) and transactions to be settled.

b) For debtors without computable guarantees, the percentage is applied over the total risk (monetary debt plus contingent debt). For the rest of debtors, allowances are estimated in two phases and the guarantees are computed in the second one.

NOTE C: INFORMATION REGARDING THE MAIN ASSETS AND LIABILITIES (CONTINUATION)

c) In support of sectors economically affected by the spread of the coronavirus (COVID 19), as of March 16, 2020, the BCP issued a series of credit measures backed by Resolutions that mitigated the economic effect on the Entity's customers. Such measures were applied with regard to the formalization of extensions, refinancing and restructuring, interruption of the calculation of arrears, grace periods of up to 1 year, debt weighting and the deferral of the allowances established, among other measures.

d) It includes the generic allowances established by the Entity in accordance with the requirements of Resolution No. 1, Minute 60 of the BCP Board of Directors dated September 28, 2007 and its subsequent amendments issued by the Central Bank of Paraguay, constituted on the total loan portfolio net of specific allowances registered in the line-item "Oustanding credits from financial intermediation - non-financial sector" and the line-item "Overdue credits from financial intermediation". Additionally, the generic allowances defined by the Entity's Management for the years ended December 31, 2020 and 2019 are included.

C.5.2 Overdue credits

In accordance with the standards of valuation of assets and credit risks, established by the Superintendency of Banks of the Central Bank of Paraguay, the overdue credits of the Entity are classified per risk as follows:

As of December 31, 2020

Risk Category	Book balance before allowances (a)	Computable guarantees for allowances	Allowances		Book balance after allowances
			Minimum % (b)	Incorporated (c)	
Category 1	5.563.211	-	-	-	5.563.211
Category 1a	-	-	0.5	-	-
Category 1b	1.042.979.175	-	1.5	296.508.911	746.470.264
Category 2	6.267.844.259	-	5	501.512.869	5.766.331.390
Category 3	19.869.670.453	1.672.136.227	25	5.092.217.455	14.777.452.998
Category 4	20.255.308.941	4.722.362.486	50	8.800.322.671	11.454.986.270
Category 5	23.350.135.693	3.896.589.507	75	15.631.473.623	7.718.662.070
Category 6	167.387.136.866	6.475.888.223	100	160.546.902.770	6.840.234.096
TOTAL	238.178.638.998	16.766.976.443		190.868.938.299	47.309.700.299

As of December 31, 2019

Risk category	Book balance before allowances (a)	Guarantees computed for allowances	Allowances		Book balance after allowances
			Minimum % (b)	Constitution of allowances (c)	
Category 1	-	-	-	-	-
Category 1a	-	-	0.5	-	-
Category 1b	941.870.909	425.132.863	1.5	10.923.689	930.947.220
Category 2	20.213.950.766	699.356.510	5	1.750.666.578	18.463.284.188
Category 3	20.842.191.078	1.050.821.703	25	5.590.654.458	15.251.536.620
Category 4	13.385.800.088	1.081.898.994	50	6.542.748.021	6.843.052.067
Category 5	29.363.791.845	2.710.438.712	75	21.283.473.058	8.080.318.787
Category 6	189.338.580.549	52.474.186.941	100	162.513.501.113	26.825.079.436
TOTAL	274.086.185.235	58.441.835.723		197.691.966.917	76.394.218.318

a) Includes principal and interest (net of unrealized valuation earnings).

b) For debtors without computable guarantees, the percentage is applied over the total risk (monetary debt plus contingent debt). For the rest of debtors, allowances are estimated in two phases, and the guarantees are computed in the second phase, except for bank guarantees.

NOTE C: INFORMATION REGARDING THE MAIN ASSETS AND LIABILITIES (CONTINUATION)

e) In support of sectors economically affected by the spread of the coronavirus (COVID 19), as of March 16, 2020, the BCP issued a series of credit measures backed by Resolutions that mitigated the economic effect on the Entity's customers. Such measures were applied with regard to the formalization of extensions, refinancing and restructuring, interruption of the calculation of arrears, grace periods of up to 1 year, debt weighting and the deferral of the allowances established, among other measures.

C.6. Allowances regarding direct and contingent risks

The Management of the Entity performs, on a regular basis, the review and analysis of the loan portfolio for purposes of adjust the allowances for doubtful accounts, based on the valuation standards established by the Superintendence of Banks of the BCP and specific policies and criteria to the Entity. All the allowances have been constituted to cover possible losses on direct risks and contingency risks pursuant to the Entity's management criteria and the Resolution No. 1, Minute 60 dated September 28, 2007 of the Board of Directors of the BCP, and its subsequent amendments.

Variations recorded during the fiscal years ended December 31, 2020 and 2019 in the allowance accounts are as follows:

As of December 31, 2020

Concept	Balance at beginning of the year	Constitution of allowances in the year (b)	Application of allowances in the year	Reversal of allowances in the year (a)	Reclassification and variation for valuation in foreign currency	Balance at the end of the year
Cash and cash equivalents	101.445.832	1.304.245.611	-	(378.270.953)	3.101.828	1.128.512.318
Outstanding credits- non-financial sector	121.553.449.433	141.376.298.384	-	(113.841.431.280)	20.741.166.828	169.829.482.257
Other credits - note c. 16	1.002.599.274	131.002.535	-	(220.941.751)	38.862.913	919.522.971
Outstanding credits- non-financial sector	197.691.966.917	144.417.511.888	(94.442.920.266)	(48.104.266.713)	(8.693.334.537)	190.868.958.289
Investment	31.360.462.657	8.047.107.836	-	(296.346.536)	-	39.111.223.957
Contingencies (a)	1.477.989.782	5.500.847.961	(777.720)	(5.482.787.134)	80.942.250	1.594.215.130
TOTAL	353.187.913.896	300.876.814.217	(94.443.706.986)	(168.346.146.467)	12.177.839.292	403.451.895.951

As of December 31, 2019

Concept	Balance at beginning of the year	Constitution of allowances in the year (b)	Application of allowances in the year	Reversal of allowances in the year (a)	Reclassification and variation for valuation in foreign currency	Balance at the end of the year
Cash and cash equivalents	76.516.396	137.881.601	(87.504.322)	(19.685.862)	(5.761.981)	101.445.832
Outstanding credits- non-financial sector	143.128.789.226	85.810.546.573	-	(123.753.046.226)	16.387.159.860	121.553.440.433
Other credits - note c. 16	677.033.657	231.496.042	77.801.781	(19.735.703)	35.993.537	1.002.599.274
Outstanding credits- non-financial sector	199.182.983.208	232.841.356.428	(183.127.700.320)	(48.016.312.194)	(2.188.289.203)	197.691.966.917
Investment	31.076.519.019	2.094.574.109	(6.250.000)	(1.804.380.471)	-	31.360.462.657
Contingencies (a)	1.648.233.752	5.447.920.545	(303.235.314)	(5.413.463.536)	98.537.235	1.477.989.782
TOTAL	375.790.142.216	326.563.775.298	(183.447.037.079)	(179.026.543.992)	13.387.579.448	353.187.913.895

(a) These allowances are included in the "Allowances" of Liabilities.

(b) As of December 31, 2020 and 2019 the Income Statement includes Gs. 3.758.065.162 and Gs. 1.581.712.907, respectively, corresponding to other uncollectable charges recorded as constitution for allowances.

NOTE C: INFORMATION REGARDING THE MAIN ASSETS AND LIABILITIES (CONTINUATION)

C.7. Investments

Investments includes securities representing equity issued by the local companies and debt securities from local companies. Investments are valued according to their nature pursuant to valuation standards established by the BCP (the lowest value arising from the historical acquisition cost compared with its market value or estimated realizable value).

In addition, this line includes assets received as recovery of credits. These assets are stated in accordance with the related BCP dispositions at the lowest of following three values: (i) the value of appraisal, (ii) the value of foreclosing and (iii) the balance of the debt immediately before the foreclosing. For the assets that exceed the period established by the BCP for their possession, the allowances are constituted according to rules established by the Resolution No. 1, Minute 60 by the Board of the BCP and its subsequent amendments. After three years of possession, these assets reach a total level of allowance, with the exception of goods awarded or received in payment, for credits assigned to the agricultural sector reached by the transitory measure of Resolution No. 7/2018; assigned to the production sector in accordance with Resolution No. 15/2019 and the goods awarded or received in payment in the period between January 1, 2018 and December 31, 2020 inclusive, as per Resolution No. 15/2020.

The investments of the Entity are detailed in the following charts:

As of December 31 2020

Concept	Book balance before allowances	Allowances	Book balance after allowances
Foreclosed assets	135.103.803.990	(39.111.223.957)	95.992.580.033
Investments in Bancard S.A. (note b.4)	10.477.000.000	-	10.477.000.000
Total as of December 31, 2020	145.580.803.990	(39.111.223.957)	106.469.580.033

As of December 31, 2019

Concept	Book balance before allowances	Allowances	Book balance after allowances
Foreclosed assets	131.074.969.934	(31.360.462.657)	99.714.507.277
Investments in Bancard S.A. (note b.4)	10.477.000.000	-	10.477.000.000
Total as of December 31, 2019	**141.551.969.934**	**(31.360.462.657)**	**110.191.507.277**

C.8. Property, Plant and Equipment

As of December 31, 2019, property, plant and equipment are exposed at their revalued cost, in accordance with CPI variation, deducting accumulated depreciations based on rates determined by Law 125/1991, its amendments and regulatory decrees, considering the update coefficients provided for such purpose by the Ministry of Finance. The net amount of the revaluation funds is specified in the "Equity Adjustments" account of the Entity's net worth.

As of December 31, 2020, with the entry into force of Law 6320/2019, the Executive Branch may establish the mandatory revaluation of property, plant and equipment, when the CPI variation determined by the Central Bank of Paraguay reaches at least 20% (twenty percent), accumulated as of the fiscal year in which the last revaluation adjustment was instructed.

See Independent Auditor´s Report on pages 1 and 2

NOTE C: INFORMATION REGARDING THE MAIN ASSETS AND LIABILITIES (CONTINUATION)

Depreciations begin to be computed from the next month of the incorporation to the Entity assets, by means of monthly charges to the results based on the straight-line method, during the estimated years of useful life. In 2020, the years of useful life were considered taking into account the modifications established in Law 6380/2019 "On Modernization and Streamlining of the National Tax System".

The rates considered are the following:

As of December 31, 2020

Concept	Depreciation rate (in annual %
- Real Estate - Land	-
- Real Estate - Building	3,33
- Furniture and office supplies	20
- Machinery and equipment	10
- Facilities	10
- Computer hardware	50
- Safe deposit box and treasury	10
- Transport material	20

As of December 31, 2019

Concept	Depreciation rate (in annual %
- Real Estate — Land	-
- Real Estate — Building	3 y 2,5
- Furniture and office supplies	10
- Machinery and equipment	10
- Facilities	3 y 2,5
- Computer equipment	25
- Safe deposit box and treasury	10
- Transport material	

As of December 31, 2020 and 2019, the residual value of the adjusted property, plant and equipment, considered as a whole, does not exceed its fair value.

The composition and variations of property, plans and equipments for the years ended December 31, 2020 and 2019, was as follows:

Description	Original Values				
	Balance at beginning of the fiscal year	Additions	Reclassification adjustments and derecognition	Revaluation Law 125/91	Balance at the end of the fiscal year
Property - Buildings	59.140.194.063	-	-	-	59.140.194.063
Property - Land	28.490.381.879	-	-	-	28.490.381.879
Furniture and office supplies	19.733.671.285	2.713.637	-	-	19.736.384.922
Machinery and equipment	27.374.758.925	1.138.764.176	-	-	28.513.523.101
Facilities	4.811.354.283	-	-	-	4.811.354.283
Computing hardware	37.798.612.785	2.257.791.302	-	-	40.056.404.087
Safe deposit boxes and treasury	502.804.667	-	-	-	502.804.667
Automobiles	6.455.472.111	-	(33.449.451)	-	6.422.022.660
Motorbikes	28.500	-	(28.500)	-	-
TOTAL AS OF 12/31/2020	184.307.278.498	3.399.269.115	(33.477.951)	-	187.673.069.662
TOTAL AS OF 12/31/2019	181.087.275.107	2.898.089.076	(2.180.696.157)	2.502.606.472	184.307.278.498

See Independent Auditor´s Report on pages 1 and 2

NOTE C: INFORMATION REGARDING THE MAIN ASSETS AND LIABILITIES (CONTINUATION)

Description	Depreciations				Net value at the end of the fiscal year
	Accumulated at the beginning of the fiscal year	From the period	Removals derecognitions and adjustments	Accumulated at the end of the fiscal year	
Property - Buildings	(15.879.989.605)	(1.234.327.746)	1	(17.114.317.350)	42.025.876.713
Property - Land	-	-	-	-	28.490.381.879
Furniture and office supplies	(17.612.372.288)	(666.818.555)	-	(18.279.190.843)	1.457.194.079
Machinery and equipment	(23.173.696.529)	(1.084.163.807)	-	(24.257.860.336)	4.255.662.765
Facilities	(4.096.495.802)	(154.705.776)	(7.200)	(4.251.208.778)	580.145.505
Computing hardware	(33.705.997.752)	(2.376.148.316)	-	(36.082.146.068)	3.974.258.019
Safe deposit boxes and treasury	(490.693.309)	(5.372.911)	-	(496.066.220)	6.738.447
Automobiles	(4.583.795.452)	(725.516.411)	32.194.540	(5.277.117.323)	1.144.905.337
Motorbikes	(28.499)	-	28.499	-	-
TOTAL AS OF 12/31/2020	**(99.543.069.236)**	**(6.247.053.522)**	**32.215.840**	**(105.757.906.918)**	**81.915.162.744**
TOTAL AS OF 12/31/2019	**(93.131.701.214)**	**(8.166.528.041)**	**1.755.160.019**	**(99.543.069.236)**	**84.764.209.262**

C.9. Deferred Charges

The Entity calculates amortization as it is established by the BCP. In this regard, until September 2012, the Entity amortized the improvements and installations in rented properties linearly considering a useful life of five years. Since Resolution No. 00202/2012 of the SG of the Superintendency of Banks entering into force as of October 1, 2012, amortizations are calculated regarding deadline established in the lease contract.

The composition of the account as of December 31, 2020 and 2019 is as follows:

As of December 31 2020

Concept	Initial net balance	Additions/ Removals (net movement)	Amortization/ write off of the year	Net balance
Intangibles	31.436.366.998	9.753.994.272	(14.416.78.234)	26.773.483.036
Deferred charges authorized by BCP (a)	-	11.508.901.790	(3.748.820.758)	7.760.081.032
Improvements and facilities in leased property	2.046.682.539	10.885.557	(921.782.701)	1.135.785.395
Office supplies and others (b)	933.520.535	1.420.646.814	(1.823.061.088)	531.106.261
Total as of December 31, 2020	**34.416.570.072**	**22.694.428.433**	**(20.910.542.781)**	**36.200.455.724**

As of December 31, 2019

Concept	Initial net balance	Additions/ Removals (net movement)	Amortization/ write-offs of the year	Net balance
Intangibles	33.836.563.288	11.116.310.554	(13.516.506.844)	31.436.366.998
Improvements and installations in leased properties	2.676.515.581	205.405.836	(835.238.878)	2.046.682.539
Office supplies and others (b)	1.108.564.929	1.624.073.185	(1.799.117.579)	933.520.535
Total as of December 31, 2019	**37.621.643.798**	**12.945.789.575**	**(16.150.863.301)**	**34.416.570.072**

a) As exceptional measure to support sectors economically affected by the spread of the coronavirus (COVID-19), the BCP issued Resolution No. 4, Minute 18 dated March 18, 2020 instructing the constitution of allowances on the balance of the beneficiary portfolio with the exceptional measure established in Article 1 of Resolution No. 4 Minute 18 dated March 18, 2020 and authorizes the deferral of the charges generated by the allowances established in Article 3 of Resolution No. 4 Minute 18 dated March 18, 2020, to be gradually recognized in the results of the respective financial entities in a period not exceeding 36 months.

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NOTE C: INFORMATION REGARDING THE MAIN ASSETS AND LIABILITIES (CONTINUATION)

b) As of December 31, 2020 and 2019, the consumption of office supplies and others is included in operating expenses in the Income Statement.

C.10. Subordinated Liabilities

Placements in the domestic market:

The Shareholders Extraordinary Meeting of the Entity held on June 26, 2014, approved the issuance of subordinated bonds under the scheme of Global Issuance Program, as provided in the Resolution No. 1260/10 of the National Securities Commission, in the Operating Regulations of the Electronic Trading System (SEN) and other regulations enacted for the purpose by the Bolsa de Valores y Productos de Asunción S.A., amounting maximum of USD 60.000.000 with maturity of 1.460 days to 2.920 days (4-8 years).

On November 19, 2014, SERIES I was issued worth USD 20.000.000, the term of which is 2.543 days.

On November 24, 2015, the SERIES II was issued worth USD 25.000.000, the term of which is 2251 days. In both cases, the issues were part of the Global Issuance Program USD 1.

C.11. Limitations to the free disposal of the assets or the equity or any other restriction to property rights

In general, there are no restricted availability assets or other restrictions on property rights, with the exception of:

a) Legal cash reserve and special cash reserve:

The Central Bank of Paraguay account as of December 31, 2020 and 2019 includes the sum of Gs. 986.078.773.667 and 1.420.906.526.897, corresponding to limited availability accounts, maintained in BCP as a legal mandatory cash reserve or special cash reserve requirement (see Note C.2).

b) Government Securities:

The Government Securities account includes the amount of Monetary regulations bills held as guarantees required by the BCP in the framework of the general regulations of the Paraguayan Payment System (SIPAP) (see Note C.3), as of December 31, 2020 and 2019 for Gs 12.000.000.000 and Gs. 3.010.000.000, respectively.

c) Legal reserve

According to 27 of Law No. 861/96, financial institutions must have a reserve no less than the equivalent to the one hundred percent (100%) of their paid-in capital, will be incorporated by annual transfers of, at least, twenty percent (20%) of the net profits of each financial year.

Article 28 of the above mentioned law establishes that the legal reserves will be applied automatically to the coverage of losses in the financial year. In the following financial years, the total of profits must be assigned to the legal reserve until the minimum is reached again, or the highest level ever obtained in the process of its constitution.

At any time, the reserve amount could be increased further with cash contributions.

NOTE C: INFORMATION REGARDING THE MAIN ASSETS AND LIABILITIES (CONTINUATION)

d) Monetary correction of paid-in capital

Pursuant to the Law No. 861/96, financial institutions must annually adjust their minimum paid-in capital in relation to the CPI calculated by the BCP. The adjusted amount of the minimum paid-in capital for the year 2020 is Gs. 55.445.000.000, according to Letter No. 00013/2020 of the SB SG of the Superintendency of Banks and for 2019 it is Gs. 53.930.000.000, according to Circular No. 0007/2019 of the SG of the Superintendency of Banks.

The actualization for monetary correction of the paid-in capital is transferred to the equity account "Irrevocable advance to paid-in capital", with a debit to retained earnings at the beginning of the year immediately subsequent to which is determined, as established by the Circular No. 78/96 dated December 27, 1996 No. 0007/2019 of the SB SG of the Superintendency of Banks.

The Entity's paid-in capital as of December 31, 2020 and 2019 (see note b.5.), exceeds the legal minimum required as at those dates.

e) Distribution of profits:

According to the dispositions established by the Law No. 861/96 "On Banks, Financial Institutions and other Credit Organizations", financial entities may distribute profits prior approval of their respective annual financial statements audited by the Superintendency of Banks, provided it makes the decision within a period of one-hundred-and-twenty-days after the closing date of the fiscal year. If there is not any objection from the Superintendency of Banks, the profits may be distributed.

f) Additional income tax for profits distribution

As of December 31, 2020, with entry into force of Law 6380/2019 "On Modernization and Streamlining of the National Tax System" establishing the Tax on Dividends & Profits (IDU), the distribution of profits is taxed at a rate of 8% for residents in the country and 15% for non-residents.

As of December 31, 2019, pursuant to the dispositions established by Law No. 125/91, modified by Law No. 2421/04, the cash dividends are taxable at the rate of 5%. It should be noted that, in accordance with the tax regime established by the mentioned laws, 15% of the profits remitted to beneficiaries living abroad were withheld as income tax.

The Entity records the additional income tax charge in the year in which the Shareholders' Meeting decides on the distribution. See Note F.4.

C.12. Guarantees granted with respect to liabilities

As of December 31, 2020 and 2019, the Entity delivered the credit card portfolio "Affinity of the Visa Classic brand", including the credit rights on the debts of users of the cards included, for the value of Gs. 33.857.580.153 in favor of Bancard S.A., in order to guarantee faithful compliance of the obligations as Issuing Entity.

NOTE C: INFORMATION REGARDING THE MAIN ASSETS AND LIABILITIES (CONTINUATION)

C.13. Distribution of loans and financial obligations according to their maturity

The distribution of loans and financial obligations according to their maturity at the end of each year is as follows:

As of December 31.2020

Concept	Time remaining to maturity					
	Up to 30 days	From 31 days to 180 days	From 181 days to 1 year	From 1 year to 3 years	More than 3 years	TOTAL
Outstanding credits from the financial sector(*)	-	256.092.578.427	110.255.182.417	5.101.320.784	2.070.931.986	373.520.013.614
Outstanding credits from the non-financial sector(*)	473.124.402.760	1.845.149.084.497	3.232.000.842.936	1.718.723.080.055	778.845.170.232	8.047.842.500.581
Total Outstanding credits	**473.124.402.760**	**2.101.241.663.924**	**3.342.256.026.353**	**1.723.824.409.839**	**780.916.101.219**	**8.421.362.604.195**
Obligations with Financial sector	348.952.552.432	31.504.719.935	154.640.968.989	146.383.634.572	97.727.735.915	781.209.611.823
Obligations with the non-financial sector	7.552.599.201.560	682.090.825.526	1.318.987.866.620	961.402.044.674	21.008.471.889	10.536.088.410.269
Total Obligations	**7.901.551.753.992**	**713.595.545.461**	**1.473.628.835.589**	**1.109.785.679.246**	**118.736.207.804**	**11.317.298.022.092**

As of December 31. 2019

Concept	Time remaining to maturity					
	Up to 30 days	From 31 days to 180 days	From 181 days to 1 year	From 1 year to 3 years	More than 3 years	TOTAL
Outstanding credits from the financial sector(*)	90.134.152	177.731.124.348	267.512.760.745	4.833.615.772	1.533.333.320	451.781.948.337
Outstanding credits from the non-financial sector(*)	397.674.197.404	1.874.411.939.377	3.525.015.461.897	1.471.696.721.814	894.523.703.965	8.163.322.024.457
Total Outstanding credits	**397.764.311.556**	**2.052.143.063.725**	**3.792.529.222.642**	**1.476.530.337.585**	**896.057.037.285**	**8.615.023.972.794**
Obligations with the financial sector	321.417.476.760	62.080.877.632	356.585.257.207	253.428.255.889	238.241.338.768	1.231.763.206.062
Obligations with the non-financial sector	6.158.500.172.987	625.414.671.271	1.589.220.656.496	1.388.076.127.390	94.061.430.337	9.855.273.058.481
Total Obligations	**6.479.917.649.752**	**687.595.548.903**	**1.945.805.913.703**	**1.641.504.383.889**	**332.302.769.105**	**11.087.036.264.543**

(*) Net amounts of allowances and unrealized valuation earnings.

C.14. Concentration of the portfolio and financial obligations

The following is the concentration that the Entity held as of December 31, 2020 and 2019 corresponding to the non-financial sector, both in its portfolio of outstanding and overdue credits as in its financial obligations:

a) *Concentration of the portfolio by number of clients— non-financial sector*

Number of clients	Amount and percentage of portfolio as of December 31, 2020			
	Current (*)	%	Overdue (*)	%
10 largest debtors	1.430.498.869.739	17%	65.559.647.581	28%
Next 50 largest debtors	2.224.754.854.265	27%	64.062.738.626	27%
Next 100 largest debtors	1.500.144.504.340	18%	45.344.967.750	19%
Others	3.058.935.242.968	37%	63.211.284.643	27%
TOTAL	**8.214.333.471.312**	**100%**	**238.178.638.600**	**100%**

Number of clients	Amount and percentage of portfolio as of December 31, 2019			
	Current (*)	%	Overdue (*)	%
10 largest debtors	1.241.261.773.398	15%	83.630.486.946	30%
Next 50 largest debtors	2.239.054.514.221	27%	70.473.603.502	26%
Next 100 largest debtors	1.515.769.892.937	18%	48.821.495.075	18%
Others	3.288.566.946.415	40%	71.160.599.712	26%
TOTAL	**8.284.653.126.971**	**100%**	**274.086.185.235**	**100%**

* Includes accrued interests and unrealized valuation earnings (amounts before allowances). Does not include transactions to be settled.

See Independent Auditor's Report on pages 1 and 2

NOTE C: INFORMATION REGARDING THE MAIN ASSETS AND LIABILITIES (CONTINUATION)

b) Concentration of financial obligations - non financial sector

Number of clients	31.12.2020 (*)	%	31.12.2019 (*)	%
10 largest clients	1.833.395.153.571	18%	2.031.602.881.283	21%
Next 50 largest clients	1.772.495.424.298	17%	1.783.462.403.281	19%
Next 100 largest clients	1.309.238.762.265	13%	1.149.170.725.555	12%
Others	5.263.057.010.342	52%	4.547.368.232.762	48%
TOTAL	**10.178.186.350.476**	**100%**	**9.511.604.242.881**	**100%**

* Includes accrued interests and unrealized valuation earnings (amounts before allowances). Does not include transactions to be settled.

C.15. Assets, liabilities and contingencies with related parties

The summary of the credit balances and contingent balances of related parties at the end of each year:

As of December 31, 2020

Concept	Book balance before allowances (Note J)	Book balance net of allowances
Credits	302.290.206	302.290.206
Contingencies (*)	215.638.667.591	215.638.667.591
Total as of December 31,2020	**215.940.957.797**	**215.940.957.797**

(*) Includes corporate credit cards assigned to senior staff and bonds granted with counter-guarantee (see Note J).

As of December 31, 2019

Concept	Book balance before allowances (Note J)	Book balance net of allowances
Credits	505.312.375	505.312.375
Contingencies (*)	190.599.775.002	190.599.775.002
Total to December 31, 2019	**191.105.087.377**	**191.105.087.377**

(*) Includes corporate credit cards assigned to senior staff and bonds granted with counter guarantee (see Note J).

C.16. Other credits

The composition as of December 31, 2020 and 2019 is as follows:

Concept	31.12.2020	31.12.2019
Debtors for the sale of PP&E assets	50.765.400.902	63.196.221.658
Sundry debtors	22.276.902.714	21.859.634.530
Income tax advance (a)	21.184.016.093	21.161.607.667
Miscellaneous	11.567.663.917	11.699.727.848
Expenses of systems project	4.946.268.728	5.904.910.617
Value added tax	1.996.776.414	3.502.337.937
Deferred expenses (b)	569.905.148	959.310.246
Expenses paid in advance	480.524.745	1.620.582.129
Tax withheld to non-residents	304.849.235	-
Advances for purchase of goods and services	109.506.512	322.330.500
Allowances (c); C.6	(919.522.971)	(1.002.599.274)
Total	**113.282.291.437**	**129.224.063.858**

See Independent Auditor's Report on pages 1 and 2

NOTE C: INFORMATION REGARDING THE MAIN ASSETS AND LIABILITIES (CONTINUATION)

(a) Allowances for income tax included in the "Allowances" account as of December 31, 2020 and 2019, totaled Gs. 21.422.000.000 and Gs. 21.650.430.930, respectively.

(b) Mainly related to borrowing costs, which are accrued according to the duration of the respective line-items.

(c) Allowances were constituted according to the standards of valuation established by the BCP (see Note C.6).

C.17. Composition of cash and equivalents

As of December 31, 2020 and 2019, the composition of the cash and equivalents is as follows:

Concept	31.12.2020	31.12.2019
Cash and equivalents	3.663.158.907.416	2.948.314.618.075
Government Securities (Note C.3)	407.793.288.279	447.121.167.775
Total	4.070.952.195.695	3.395.435.785.850

C.18. Other liabilities

The composition of the line-item to December 31, 2020 and 2019, is as follows:

Concept	31.12.2020	31.12.2019
Pending operations - SIPAP (a)	25.145.701.899	10.942.888.181
Miscellaneous	11.300.788.534	13.231.378.150
Cashier checks	7.939.679.820	9.037.345.142
Transfers to be issued	5.659.209.575	6.222.481.434
Commissions received to accrue	4.255.117.060	637.019.492
Total	54.300.496.888	40.071.112.399

(a) Operations pending settlement as of December 31, 2020 and 2019 that were regularized on January 22, 2021 and January 6 and 9, 2020.

NOTE D: EQUITY

D.1. Limits

Effective equity is used to determine certain limits and operational restrictions established by the Superintendency of Banks of the Central Bank of Paraguay to the entities operating in Paraguay.

Effective equity of the Entity to December 31, 2020 and 2019 totaled approximately millions of Guaranies 1.480.682 and Gs. 1.434.940, respectively.

Through Resolution No. 1, Minute 44 dated July 21, 2011,amended by Resolution No. 3, Minute 4 dated February 2, 2012, the BCP determined the minimum ratio of effective equity: a) Tier 1 - core capital; and b) Tier 2 - supplementary capital; and the total risk-weighted assets and contingents may not be less than 8% and 12%, respectively.

To December 31, 2020 and 2019, the Entity exceeded the limits of the mentioned ratio.

NOTE D: EQUITY (CONTINUATION)

D.2. Shareholders Meeting

The Ordinary General Shareholders' Meeting was held on April 28, 2020, and approved the Minutes of the Board of Directors, the financial statements and the Syndic's report for the fiscal year ended on December 31, 2019.

Similarly, the Ordinary General Shareholders' Meeting held on April 23, 2019 approved the Minutes of the Board of Directors, the financial statements and the Syndic's report for the fiscal year ended on December 31, 2018. In addition, the shareholders decided to allocate Gs. 2.082.109.595 corresponding to 1% of the profits of 2018 to the corporate social responsibility fund, to constitute voluntary reserves worth Gs. 70.791.725.904 corresponding to 34% of the bank's profit and to authorize the Board of Directors to maintain Gs. 135.337.123.052 in accumulated results corresponding to 65% of the profits of the 2018 fiscal year or to allocate the mentioned sum to legal reserves and / or any other allocation it deems necessary and/or advisable, partially or totally until the Ordinary General Assembly decides on their allocation.

On September 25, 2019, the Ordinary General Shareholders' Meeting was held, which approved the distribution of Gs. 135.337.123.052 corresponding to 65% of the profits of 2018 and Gs. 10.330.876.948, approximately 15% of the optional reserves, prorated among shareholders based on their shareholding.

NOTE E. INFORMATION ON CONTINGENCY AND MEMORANDUM ACCOUNTS

E.1. Contingency Accounts

The contingency accounts are comprised as follows:

Concept	31.12.2020	31.12.2019
Credit lines to be used by means of credit cards	399.505.429.368	402.297.463.312
Documentary letters of credit to be negotiated	112.908.804.909	74.893.138.494
Guarantees provided	88.272.720.798	92.694.096.462
Credit lines for advances in current accounts	10.010.168.604	10.044.649.978
Total	610.697.123.679	579.929.348.246

E.2. Memorandum Accounts

Memorandum accounts are comprised as follows:

Concept	31.12.2020	31.12.2019
Guarantees received	7.696.818.697.806	7.367.723.809.985
Insurance policies	1.337.381.966.547	1.474.377.150.401
Other memorandum accounts	1.178.015.513.184	1.002.325.936.770
Administration of securities and deposits	834.121.618.344	796.275.513.405
Forward foreign currency sales (see Note K.2)	273.455.644.268	131.237.508.180
Business abroad and collection	262.723.845.455	180.097.159.894
Forward foreign currency purchases (see Note K.2)	28.594.055.840	2.432.833.780
TOTAL	11.611.111.341.444	10.954.469.912.415

NOTE F. INFORMATION REGARDING RESULTS

F.1. Recognition of gains and losses

The Entity recognizes income and charges or costs incurred as they accrued, with the following exceptions where income is recognized as gain at the time of its reception or collection, according to the Resolution No. 1, Minute 60 of the BCP Board of Directors, dated September 28, 2007 and its subsequent amendments:

a) Financial products accrued and not collected, from borrowers with overdue credits, and its valuation earnings.

b) Financial products, accrued and not collected related to borrowers and credits classified in categories 2 (not by subjective criteria), 3, 4, 5 and 6; which are recognized as profit upon collection.

c) Valuation earnings related to debtors with overdue and Oustanding credits classified in categories 2 (not by subjective criteria), 3, 4, 5 and 6; which are recognized as profit upon collection.

d) Earnings to be realized for the sale of property, plant and equipment, which are recognized as income as credits are collected.

e) Certain banking service fees.

F.2. Foreign Exchange Differences

Foreign exchange differences related to assets and liabilities held in foreign currency are shown in net values under "Valuation of assets and liabilities in foreign currency" of the statement of income, and their breakdown is as follows:

Concept	31.12.2020	31.12.2019
Gains from valuation of financial assets and liabilities in foreign currency	3.198.657.718.896	4.017.139.859.089
Losses from valuation of financial assets and liabilities in foreign currency	(3.172.378.803.406)	(3.989.302.122.933)
Net foreign exchange differences on financial assets and liabilities in foreign currency	**26.278.915.490**	**27.837.736.156**
Gains from valuation of other assets and liabilities in foreign currency	30.661.609.277	39.065.579.292
Losses from valuation of other assets and liabilities in foreign currency	(29.136.958.481)	(36.697.190.264)
Net foreign exchange difference on other assets and liabilities in foreign currency	**1.524.650.796**	**2.368.389.028**
Net foreign exchange difference on total assets and liabilities in foreign currency	**27.803.566.286**	**30.206.125.184**

F.3. Contributions to the Deposit Guarantee Fund (FGD)

In compliance with Law No. 2334 dated December 12, 2003, financial institutions provide on a quarterly basis, mandatory funds to the FGD managed by the Central Bank of Paraguay, equivalent to the 0.12% of the quarterly average balances of its portfolio of deposits in local and foreign currency.

NOTE F. INFORMATION REGARDING RESULTS (CONTINUATION)

The amount contributed by the Bank to the FGD for the years ended December 31, 2020 and 2019 is Guaranies 50.087.969.029 and Guaranies 47.871.215.150, respectively. The amounts contributed by the Bank to the FGD, are not recoverable expenses and are included in the line-item "General Expenses" of the category "Other operating expenses".

F.4. Income Tax

Current

Income tax which is charged to the results for the year at a rate of 10% is based on book income before tax, adjusted by the items that the law and its regulations include or exclude for the determination of net taxable income

Deferred

The book recognition of income tax by the deferred method is not contemplated in BCP regulations. The Entity calculates income tax applying the rate on the estimated taxable income, excluding the effect of temporary differences between book and taxable profit. As of December 31, 2020 and 2019, the Board estimated that the effect of deferred asset/liability of the Entity is not significant for the financial statements as a whole.

In short, income tax charged to the years ending December 31, 2020 and 2019 is as follows:

Concept	31.12.2020	31.12.2019
Income tax allowance	20.954.390.355	18.970.000.000
Income tax for dividend distribution (Note C.11f)	-	7.283.400.000
Total	**20.954.390.355**	**26.253.400.000**

Until December 31, 2019 the Entity recorded the additional income tax charge on the distribution of profit in the fiscal year in which the Shareholders' Meeting resolved the distribution.

F.5. Other operating expenses

The other operating expenses are as follows:

Concept	31.12.2020	31.12.2019
Taxes, patents and fees	6.038.821.324	5.982.165.967
Value added tax	1.581.493.922	1.486.374.226
Other non-deductible taxes	184.249.296	278.419.720
Other operating losses	7.155.087	27.708.237
Total	**7.811.719.629**	**7.774.668.150**

F.6. Extraordinary Earnings

Extraordinary earnings are as follows:

Description	31.12.2020	31.12.2019
Portfolio sale	20.435.090.126	7.549.797.233
Usufruct of foreclosed assets	3.975.597.243	-
Recovery of expenses (*)	2.002.839.145	4.282.596.429
Sale of foreclosed assets	1.828.722.223	3.061.144.903
Other income	1.123.075.466	11.159.275.643
Sale of PP&E	4.545.454	492.662.397
Total	**29.369.869.657**	**26.545.476.605**

NOTE F. INFORMATION REGARDING RESULTS (CONTINUATION)

F.7. Extraordinary Losses

Extraordinary losses are as follows:

Description	31.12.2020	31.12.2019
Other expenses	465.100.528	2.075.065.805
Portfolio sale	195.370.894	218.449.720
Operating risk	134.783.912	84.376.231
Sale of foreclosed assets	90.760.099	1.033.826.240
Legal fees	35.020.000	3.541.682.044
Removal of PP&E	4	7.043.208
Total	**921.035.437**	**6.960.443.248**

NOTE G: INFLATION EFFECTS

As of December 31, 2020, no inflation adjustment procedures have been applied; As of December 31, 2019, no inflation adjustment procedures have been applied, except as mentioned in Note C.8.

NOTE H: SUBSEQUENT EVENTS

To the date of issuance of these financial statements, the conditions of the purchase agreement of the share package of the Banco Bilbao Vizcaya Argentaria Paraguay S.A. signed on August 7, 2019 as part of the business expansion strategy, have been met and finalized.

NOTE H: SUBSEQUENT EVENTS (CONTINUATION)

On January 22, 2021, Banco GNB Paraguay S.A. completed the above mentioned acquisition for a total amount of US$ 251 million for its incorporation by absorption merger in the course of the following months of 2021, as per the terms of Article 22 of Law 861/96 "On Banking, Financial Institutions and Other Credit Entities" and Circular SB SG No. 288 dated October 18, 1999 "Basic Guide to Merge Financial Entities". The above mentioned absorption merger is subject to the prior and express authorization of the Central Bank of Paraguay.

The Extraordinary General Shareholders' Meeting was held on January 29, 2021 and approved the amendment of the entity's corporate name to "BANCO GNB S.A." (IN THE PROCESS OF ABSORPTION MERGER), whereby it is necessary to amend the Bylaws of BBVA Paraguay S.A.
Between the closing date of the fiscal year and the date of presentation of these financial statements, no other significant events of a financial or other nature have occurred that affect the equity, financial and income structure of the Entity as of December 31, 2020.

NOTE I: RISK MANAGEMENT

The main risks managed by the Entity to achieve its objective are as follows:

a) **Credit Risk**

The main credit lines granted by the Entity are: loans, document discount, credit card, overdrafts, letters of credit.

NOTE I: RISK MANAGEMENT (CONTINUATION)

Considering a prudent approach, the Entity seeks to atomize its portfolio, analyzing and performing controls as per the requirements of Resolution No. 1/2007 and amendments issued by the Central Bank of Paraguay, namely, the system of allowance for doubtful accounts, early warnings to detect possible weakening of clients outside the Entity and the corresponding follow-up of such indicators. The minimum level of allowance for doubtful accounts is determined according to provisions in force on the matter, issued by BCP, and the policies established by the Management and the Board of Directors of the Entity.

Credit risk management includes the analysis of credit risks in the credit admission, monitoring and recovery phases.

In the Wholesale Risk area, an internal rating tool of the BBVA Group is used in the acceptance process, in order to measure the financial capability of a client when assuming the credit risk. In the Retail Risk area, a scoring tool is used which measures the capacity to pay and the debtor's profile in the financing of particular risks, as well as SME Web, an ad hoc tool created for the SME segment, which allows valuation of the financial and economic profile of the applicant and their capacity to pay. Both tools are combined with the expert appraisal of credit analysts. In addition, through the "Asset Allocation", the Entity establishes the maximum levels of portfolio typology which determine the target growth required in the fiscal year.

b) Market Risk

- **Liquidity Risk**

Liquidity risk is the eventual inability to respond to a massive withdrawal of deposits of any kind or the performance of obligations in time and to high prices. In order to mitigate this situation, the Entity maintains a percentage of assets as cash and equivalents or as highly convertible assets, to provide security to depositors.

The monitoring of liquidity and the multiple variables associated with this item, is managed by the area of Market, Structural and Liquidity Risks, through daily, weekly and monthly reports presented to the different management areas of the Entity and to the Assets & Liabilities Committee to be considered in the decision-making process.

As of December 31, 2020 and 2019, basic liquidity levels were above the minimum level recommended by the policy, both in dollars and Guaranies. Regarding broad-based liquidity, which additionally considers net availabilities, discountable assets by the BCP (Monetary regulations bills and National Treasury Bonds), the indicators were also at levels above the minimum limits recommended by the policy.

- **Exchange Rate Risk**

The Entity actively operates in financial intermediation, as well as in the purchase and sale of foreign currency and the purchase of checks. Therefore, the Entity maintains a business division with qualified staff and experience in money trading, supported by computing tools in order for ongoing monitoring of the business and market behavior.

See Independent Auditor´s Report on pages 1 and 2

NOTE I: RISK MANAGEMENT (CONTINUATION)

In order to measure the Entity's exposure to the fluctuations of the exchange rate, the VaR (Value at Risk) methodology is used. According to this methodology, the Structural Market and Liquidity Risk area daily calculates the probable loss due to exchange rate fluctuations, considering the positions in foreign currency. The risk measurement methodology calculates the maximum potential loss that could occur with statistical confidence level of 99% by exposure of the Entity, and then compares it to the currency risk limits established by the policy and the tolerable risk appetite of the Board.

In the opinion of the Board and the Management of the Entity, the VaR limit for the net position in foreign exchange is low, thus limiting the risk of losses due to unfavorable exchange rate fluctuations.

- **Interest Rate Risk**

The Entity performs monthly controls of the structure of assets and liabilities sensitive to interest rate adjustments at different terms. The net portion of the assets and liabilities sensitive to adjustments in each tranche is called "gap" and corresponds to the portion not covered by a counterpart adjustable by interest rate, whereby interest rate fluctuations could generate an additional accrual interest that would not be compensated by a counterpart, in favor or against the Entity. The policy of the Entity establishes that sensitivity to the interest margin cannot exceed 11% of the financial margin budgeted for 12 months and sensitivity to economic value cannot exceed 11% of the CET 1.

As of December 31, 2020, the Corporate HIKE tool has well-behaved indicators and within the risk appetite limits of the Board.

c) **Operational Risk**

Operational risk is everything that cannot be classified as credit risk or market risk. Operational risk materializes in the form of events. These may have different consequences: a) without accounting effects; b) impact on profits and losses; c) with effect from loss of future business; and d) with impact on reputation. Therefore, it is necessary to consider all possible consequences at the time of assessing the operational risk. The types of operational risk are as follows: Process-based, fraud and unauthorized activities, technology, human resources, business practices, disaster and suppliers.
The tools to manage and control this type of risk are STORM, which is the basic tool for qualitative identification and assessment of operational risk factors per business or shared resources, and the SIRO database of losses and recoveries.

Operational Risk management is implemented through Operational Risk Committees, in which the factors of operational risk are identified and quantified, the monitoring corresponding to the mitigation plans and the appropriate drive is provided by the Control Specialists assigned to Business and Support Units.

- *Committee of Operational Risk Admission (CARO)*

New businesses, products and services are among the sources of operational risk admission and therefore must be managed within the risk appetite established and best practices. In this regard, the Entity has established a methodology for the approval of new businesses, products and services, incorporating the necessary processes for analysis, design and approval by defining two phases: strategic decision making, and technical approval and implementation. The Committee on New Business, Products and Services (CARO) is responsible for approving all new businesses and products originated and/or marketed, in order to ensure the prior analysis of all operational risks and their adequacy in terms of appetite, as well as of monitoring their evolution and development.

NOTE I: RISK MANAGEMENT (CONTINUATION)

- *Culture of control*

Corporate Assurance is a reinforced control model that allows an integrated and uniform approach to the risk control of the Entity for the Board of Directors and the Management to support their decision-making. The purpose of this control model is to: a) promote the efforts of the Management and Specialists; b) ensure the effective operation of the control model; c) encourage the prioritization of weaknesses identified by Internal Audit and Specialists; and d) report the degree of compliance with mitigation plans.

Along with the other internal control specialists, Internal Risk Control is in this control framework which is in charge of reviewing the process-based risks supported by operational risk tools, ensuring that the regulatory risk framework is comprehensive and covers all aspects of risks, monitoring any weakness detected by the audits in relation to risks and promoting the prompt implementation of planned improvements.

The Technical Secretariat is the unit responsible for assessing proposals on credit risk submitted to the Higher Decision-making Bodies of the Entity, at all times ensuring they remain within the parameters of acceptable risk.

d) Environmental and Social Risk

The consideration of sustainable practices for the effective management of environmental and social risks in the credit analysis process is mandatory for BBVA Paraguay S.A. In all financed projects, compliance with the legal and regulatory provisions established by the local supervisory, regulatory and control bodies is evaluated in terms of socio-environmental, forestry and labor matters, and the potential environmental impact of the projects financed is considered.

In order to actively contribute to the achievement of sustainable development goals, BBVA Paraguay S.A. has implemented an Environmental & Social Risk Management System (SARAS), which consists of a series of processes and procedures to identify, analyze and reduce potential effect of its activities, products and/or services on the environment through advice and support to customers. The SARAS consists of a series of automated tools that are periodically updated for continuous improvement; it provides a common reference framework for users and BBVA entities, as well as relevant information for decision-making at all hierarchical levels and assumes more effective monitoring of the environmental and social risks identified in the portfolio.

NOTE J: BALANCES WITH RELATED PARTIES

Balances with related parties at the end of each year are as follows:

As of December 31, 2020

Entity	Country	Assets				Liabilities	Result	
		Sight deposits	Time deposits	Credits	Contingencies	Savings Deposit Certificate (CDA) (*)	Earned interests	Interest paid
Banco Bilbao Vizcaya Argentaria S.A.	Spain	82,246,391,442	-	-	23,975,494,295	-	75,019,574	-
Banco Bilbao Vizcaya Argentaria Paraguay S.A. (**)	Paraguay	-	-	9,078,073	804,921,833	-	-	-
Banco Bilbao Vizcaya Argentaria Paris Br (***)	France	-	-	-	400,000,000	-	-	-
Banco Bilbao Vizcaya Argentaria S.A.	USA	64,972,473,813	172,982,798,000	-	-	-	604,078,822	-
Banco Bilbao Vizcaya Argentaria S.A.	Switzerland	-	-	-	-	24,215,181,132	-	1,518,240,797
Banco Bilbao Vizcaya Argentaria Uruguay S.A. (***)	Uruguay	-	-	-	17,412,216,435	-	-	-
Banco Bilbao Vizcaya Argentaria SA Frankfurt AM (***)	Germany	-	-	-	46,021,067,155	-	-	-
BBVA Banco Continental (***)	Peru	-	-	-	43,147,519,977	-	-	313,561,499
BBVA Bancomer S.A. (***)	Mexico	-	-	-	83,200,878,648	-	-	-
Other related persons	-	-	-	193,212,131	846,549,788	-	-	-
TOTALS		147,218,865,255	172,982,798,000	202,290,204	216,426,447,391	24,215,181,132	679,098,396	1,831,802,296

NOTE J: BALANCES WITH RELATED PARTIES (CONTINUATION)

(*) Includes principal and interest.
(**) Correspond to corporate credit cards assigned to the executive officers and senior staff, issued in the name of BBVA Paraguay S.A.
(***) The amount of the contingencies corresponds to guarantees received for bonds granted in favor of third parties.

As of December 31, 2019

Entity	Country	Assets			Liabilities	Result	
		Sight deposits	Credits	Contingencies	Savings Deposit Certificate (CDA) (*)	Formed interests	Interest paid
Banco Bilbao Vizcaya Argentaria S.A.	Spain	77.338.283.708	-	47.352.552.953	-	242.195.625	-
Banco Bilbao Vizcaya Argentaria Paraguay S.A. (**)	Paraguay	-	21.103.835	743.895.165	-	-	-
Banco Bilbao Vizcaya Argentaria Paris (***)	France	-	-	600.000.000	-	-	-
Banco Bilbao Vizcaya Argentaria S.A.	USA	248.950.855.924	-	-	-	4.784.970.874	-
Banco Bilbao Vizcaya Argentaria S.A.	Switzerland	-	-	-	41.399.175.227	-	1.556.739.821
Banco Bilbao Vizcaya Argentaria Uruguay S.A. (***)	Uruguay	-	-	17.899.386.741	-	-	-
Banco Bilbao Vizcaya Argentaria SA Frankfurt AM (***)	Germany	-	-	19.831.071.916	-	-	-
Banco Bilbao Vizcaya Argentaria Singapore Branch (***)	Singapore	-	-	8.486.137.806	-	-	-
BBVA Banco Continental (***)	Peru	-	-	129.862.800	38.079.612.444	-	1.455.778.801
BBVA Bancomer S.A. (***)	Mexico	-	-	74.836.424.000	-	-	-
Other natural persons	-	-	484.208.540	947.342.021	-	-	-
TOTALS		325.315.138.424	505.312.375	108.599.775.002	77.478.788.671	5.027.166.499	3.012.518.622

(*) Includes principal and interest.
(**) Correspond to corporate credit cards assigned to the executive officers and senior staff, issued in the name of BBVA Paraguay S.A.
(***) Number of contingencies to counter-guarantees received for bonds granted in favor of third parties.

NOTE K: FOREIGN EXCHANGE POSITION AND FINANCIAL DERIVATIVE INSTRUMENTS

K.1 Foreign exchange position

The currency position at the end of each year is as follows:

Concept	December 31, 2020		December 31, 2019	
	Arbitrated amount to US$	Equivalent amount in PYG	Arbitrated amount to US$	Equivalent amount in PYG
Total assets in foreign currency	899.235.981,92	6.204.827.191.441	904.535.718,96	5.837.095.629.338
Total liabilities in foreign currency	(834.039.385,25)	(5.754.964.882.765)	(853.848.211,24)	(5.510.002.045.959)
Forward purchase operations	4.144.000,00	28.594.055.840	377.000,00	2.432.833.780
Forward sale operations	(39.630.821,00)	(273.455.644.268)	(20.337.000,00)	(131.237.508.180)
Foreign currency position	**29.709.775,67**	**205.000.720.248**	**30.727.507,72**	**198.288.908.979**

The Entity has adjusted its foreign exchange position policy as established in Resolution No. 2, Minute 34 dated May 13, 2019 of the Central Bank of Paraguay, which defines the net position in foreign currency that the entities of the financial system can maintain in relation to Effective Equity.

As of December 31, 2020 and 2019, the foreign currency position did not exceed the maximum position set by the BCP.

See Independent Auditor´s Report on pages 1 and 2

NOTE K: FOREIGN EXCHANGE POSITION AND FINANCIAL DERIVATIVE INSTRUMENTS (CONTINUATION)

K.2. Financial derivative instruments

The Entity has financial derivatives for trading that meet the following conditions: (a) their fair value fluctuates in response to changes in the level or price of an underlying asset; (b) do not require a net initial investment or only require a lower investment than would be required in contracts responding similarly to changes in market variables; and (c) are settled at a future date. The nominal value of the operations contracted as of January 1, 2018 is recorded in memorandum accounts and their economic valuation is part of "Operations to be settled" in the line-items Oustanding credits from financial intermediation and Financial intermediation obligations. These contracts are valued considering the Market Forward Curve and the Zero-Coupon Yield Curve, published on the institutional page of the Central Bank of Paraguay, in accordance with Resolution No. 12/2017. See Note E.2.

As of December 31, 2020, the net position of the valuation of these operations is as follows: (expressed in Guaranies)

Forward purchases of foreign currency - non-financial private sector:	31.12.2020
Debtors for forward foreign currency purchase operations	-
Creditors for forward foreign currency purchase operations	(188.816.530)
Net balance for forward foreign currency purchase operations	**(188.816.530)**

Forward sales of foreign currency - non-financial private sector:	31.12.2020
Debtors for forward foreign currency sales operations	3.338.602.536
Creditors for forward foreign currency sales operations	(3.104.820.409)
Net balance for forward foreign currency sales operations - Liabilities	**233.782.127**

As of December 31, 2019, the net position of the valuation of these operations is as follows: (expressed in Guaranies)

Forward foreign currency purchases - non-financial private sector:	31.12.2019
Debtors of forward foreign currency purchase operations	114.617.006
Creditors of forward foreign currency purchase operations	-
Net balance of forward foreign currency purchase operations - Assets	**114.617.006**

Forward foreign currency sales - non-financial private sector:	31.12.2019
Debtors of forward sales operations	107.729.913
Creditors of forward foreign currency sales operations	(527.113.076)
Net balance of forward foreign currency sales operations - Liabilities	**(419.383.163)**

NOTE L: HEALTH EMERGENCY - COVID-19 PANDEMIC

During the first quarter of 2020, the World Health Organization declared the COVID-19 pandemic. The public health emergency spread practically across the world and different countries have taken various measures to address it. This situation and the measures adopted have significantly affected international economic activity with diverse impacts in different countries and business sectors. As a result, in March 2020, mandatory lockdown measures were implemented in Paraguay established by the National Government through Decree 3478/2020 in relation to the COVID-19 pandemic, as well as other complementary regulations in relation to the national health emergency.

The Central Bank of Paraguay issued specific regulations as detailed in the Notes that accompany these Financial Statements. BCP Management considers that this situation generates, and will continue to generate, considerable impact on the Entity's operations, but the uncertainties in relation to the effects, extent and duration of this issue do not allow a reasonable estimate of the impact to the date of these Financial Statements.

Given the favorable projections expected for the less impacted sectors, the Entity estimates that it will address future difficulties with the resources generated by business as usual, in addition to surplus allowances available in addition to those required by the regulator.

Sally Sosa de Molinas
General Manager

Daniel Osvaldo Elicetche
Syndic

Héctor Daniel Bengoa
General Accountant
Prof. Reg. No. 437
Prof. Patent 010-0034557

See Independent Auditor's Report on pages 1 and 2

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7.50% Subordinated Notes due 2031

OFFERING MEMORANDUM

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