Banco GNB Sudameris S. A.
Consolidated Financial Statements

December 31, 2021 and 2020

NOTE 1. REPORTING ENTITY

Banco GNB Sudameris ("the Bank"), as an entity that forms part of a financial group of companies that includes the domestic affiliates Servitrust GNB Sudameris, Servivalores GNB Sudameris S.A. Comisionista de Bolsa, Servibanca S.A., Corporación Financiera GNB Sudameris S.A., Servitotal GNB Sudameris; the international affiliates Banco GNB Perú and Banco GNB Paraguay, and the company Banco GNB S.A. (in the process of being merged by absorption), an affiliate of Banco GNB Paraguay, in addition to the Private Capital Funds that form part of the financial group of companies named Fondo de Capital Privado Inmobiliario Servivalores GNB Sudameris and Fondo de Capital Privado Inmobiliario Servitrust GNB Sudameris, reports the Consolidated Financial Statements detailed below:

Banco GNB Sudameris S. A. is a private corporation, incorporated by Public Instrument No. 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 No. 3140/September 24, 1993, the Financial Superintendence of Colombia ("the Superintendence") renewed its operating license definitively.

The latest reform to the bylaws was formalized by means of Public Instrument No. 0018 of Notary 13 of Bogotá D.C., on January 7, 2021, in which amendments were made to Articles 19 and 32 regarding General Meetings of Shareholders and meetings of the Board of Directors, to Articles 29 and 33 regarding the number of members, quorum requirements, deliberations and votes of the Board of Directors, and all corporate bylaws were compiled.

The Bank's parent company is Gilex Holding S.A., a company whose registered office is in Panama.

At December 31, 2021, the Bank had 1,476 direct employees, compared to 1,645 direct employees at December 31, 2020.

The Consolidated Financial Statements and accompanying notes were authorized for issuance by the Board of Directors and the Bank´s Legal Representative on February 25, 2022, 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 No. 0767/March 14, 2003, issued by the 11th Notary of Bogotá. Its main corporate purpose is to engage in securities brokerage contracts to purchase and sell securities listed in the Colombian Securities Exchange, according to authorization granted by Resolution No. 0133/March 11, 2003, of the Financial Superintendence of Colombia. It may also carry out transactions on its own account, manage securities for its commissioning parties, act as intermediary in the placement of securities, and finance the acquisition of securities, among others.

Servitrust GNB Sudameris S. A. is a financial services company, incorporated by Public Instrument No. 3873/July 10, 1992 issued by the Notary 18 of the Circle 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 management 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 corporation incorporated by Public Instrument 1945/August 22, 1997 issued by the 16th Notary of Bogotá, whose corporate purpose is the automation and modernization of banking and financial services, as well as operations of supply, dispensing, payment and clearing of cash.

Servitotal GNB Sudameris S. A. is a commercial company incorporated by Public Instrument No. 7177/December 26, 2011 issued by the 13th Notary of Bogotá D.C. Its corporate purpose is the performance of activities of technical and administrative services companies such as data processing, including the 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. and 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, 2021, 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 general 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, this 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 the following subsidiary: Hoteles Charleston Bogotá S. A. S., which is a company based in Colombia that operates 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 following subsidiary: LGDB LLC, of which it owns 99.9%, is 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 exchange rates and nominal share values)

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:

December 31, 2021

Type of Contract	Servitrust	Servibanca	Servivalores	Corporación Financiera	Total
Permanent - fixed	66	69	9	4	**148**
Total	**66**	**69**	**9**	**4**	**148**

December 31, 2020

Type of Contract	Servitrust	Servibanca	Servivalores	Corporación Financiera	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 No. 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 Peru S. A. and HSBC Bank Paraguay S. A., respectively.

At December 31, 2021, Banco GNB Sudameris holds 99.99% of the shares of Banco GNB Perú and 67.984% of the shares of Banco GNB Paraguay. On its part, Banco GNB Paraguay holds 99.99% of the shares of Banco GNB S.A. (in the process of being merged by absorption), previously named Banco Bilbao Viscaya Argentaria Paraguay S.A.

Banco GNB Peru 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 No. 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, 2021, the Bank operates through a Main Office and 12 branch offices located in Lima and the provinces. At December 31, 2020, the bank has 522 direct employees. At December 31, 2020, the bank had 560 direct employees and the same number of offices.

Banco GNB Paraguay S. A.

(Stated in millions of COP,
except exchange rates and nominal share values)

Banco GNB Paraguay S. A. is a Paraguayan private corporation, which began operating in 1920, as the first International Bank, a branch of the Banco de Londres y 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.

By Resolution No. 19, Minutes No. 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, 2021, the Bank operates through one (1) main office and 6 branch offices located in Asunción and Departments, with 182 direct employees. At December 31, 2020, the bank had 197 direct employees and the same number of offices.
In 2021, capitalizations were made in Banco GNB Paraguay for the amount of USD 57 million.
Regarding foreign entities, there are no restrictions on the transfer of dividends to Colombia.

At December 31, 2021 and 2020, the assets, liabilities, equity and income of the Bank and the Subsidiaries and the Bank's interest therein were as follows:

December 2021	Share	Assets	Liabilities	Equity
Banco GNB Sudameris		36,039,684	33,295,300	2,744,384
Servitrust S. A.	94.99%	54,509	2,971	51,538
Servibanca S. A.	93.03%	167,769	38,083	129,686
Servivalores S. A.	94.99%	63,073	21,387	41,686
Servitotal	94.80%	544	-	544
Corporación Financiera	94.99%	829,643	129,925	699,718
Fondo Inmobiliario	99.86%	537,716	14,156	523,560
Banco GNB Paraguay (1)	67.98%	13,082,630	11,298,039	1,784,592
Banco GNB Perú	99.99%	6,079,697	5,178,390	901,307
Eliminations of intercompany transactions		(3,455,184)	(92,416)	(3,362,769)
Consolidated		**53,400,081**	**49,885,835**	**3,514,246**

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
Eliminations of intercompany transactions		(2,763,066)	(131,734)	(2,631,332)
Consolidated		**40,698,935**	**38,226,063**	**2,472,872**

(1) At a meeting held in July 2019, the Board of Directors of Banco GNB Sudameris approved the acquisition by its affiliate Banco GNB Paraguay of 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. Closure of 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.

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 has caused a global economic slowdown and negatively affected various industries. Global authorities, including those of the countries where the Group operates, have 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 2021, the situation continued to be monitored on an ongoing basis by the Group's Management to evaluate the potential adverse effects on the results of the operations, financial position and liquidity of the Group's entities, and to take appropriate measures to minimize any negative impacts that may arise from this situation during the year.
At December 31, 2021, the matters mentioned below have been assessed, which in some cases have had impacts on the 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 Group's operations.

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 Group's entities 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 and impacts on the allowance, going from measurement for 12 months (stage 1) to measurement for the remaining life of the instrument (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, whose behavior has varied for entities depending on 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.

(Stated in millions of COP,
except exchange rates and nominal share values)

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 2021. The effects on level 1 and 2 investments were recognized in their valuation against income for the period.

Leases

Some lessors and lessees are in the process of renegotiating the terms of their lease agreements, as a result of which some lessors have granted certain concessions on lease payments.

Some Group entities that have leased assets will 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 statement of income or the adjustment of lease liabilities, depending on each renegotiation.

Impairment of assets - Goodwill, property and equipment and intangibles

At December 31, 2021, the halt of operations of certain Group businesses gave rise to potential impairment indicators, which made it necessary to update the impairment tests performed at the end of 2020 and, in some cases, to carry out new testing that had not been performed previously due to the absence of indicators.

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 goodwill as of December 31, 2021, and no impairment was found. The table below summarizes the amounts observed in the analyses performed at December 31, 2021 and 2020:

December 31, 2021 CGU	Goodwill on balance sheet	CGU Carrying value	CGU Recoverable value	Surplus
Banco GNB Perú	254,002	787,931	1,028,636	240,705
Banco GNB Paraguay	5,352	986,766	1,933,367	946,601
HSBC Colombia	15,756	2,422,651	2,752,679	330,028
Charleston Hotels Group	106,163	217,505	236,737	19,232
	381,273	**4,414,853**	**5,951,419**	**1,536,566**

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**

(Stated in millions of COP,
except exchange rates and nominal share values)

The following are the assumptions used to test for any impairment of goodwill at December 31, 2021 and 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 2021**

Banco GNB Perú

Macroeconomic Variables	2021	2022	2023	2024	2025	2026
Annual GDP growth (Real)	13.20%	3.40%	3.20%	3.20%	3.20%	3.20%
Annual inflation	6.40%	3.70%	3.00%	3.00%	3.00%	3.00%
Exchange rate (USD/PEN)	3.99	4.00	4.02	4.05	4.09	4.13
Central Bank interest rate	2.50%	4.1%	4.00%	4.00%	4.00%	4.00%

Average cost of capital USD	5.91%
Average cost of capital PEN	6.65%

Business Assumptions	2021	2022	2023	2024	2025	2026
Loan portfolio growth	-2.70%	16.40%	9.30%	9.10%	9.00%	8.90%
Net loan allowance	1.57%	1.35%	1.35%	1.35%	1.35%	1.35%
Deposit growth	2.62%	3.19%	6.94%	4.38%	9.01%	8.90%
Average financial margin	6.74%	5.96%	5.99%	6.25%	6.51%	6.51%

Banco GNB Paraguay

Macroeconomic Variables	2021	2022	2023	2024	2025	2026
Annual GDP growth (estimated)	5.0%	3.7%	4.0%	4.0%	4.0%	4.0%
Annual inflation rate	6.8%	4.5%	4.0%	4.0%	4.0%	4.0%
Market reference interest rate	5.3%	5.5%	5.5%	5.5%	5.5%	5.5%

Average cost of capital USD	11.6%
Average cost of capital ₲	12.2%

Business Assumptions	2021	2022	2023	2024	2025
Net loan portfolio growth	8.4%	9.1%	6.7%	7.0%	6.3%
Deposit growth	3.4%	5.3%	4.5%	5.1%	5.0%
Increase in allowance on loan portfolio	12.2%	0.6%	2.7%	5.0%	5.0%
Financial margin	13.6%	21.1%	10.1%	10.3%	9.9%

(Stated in millions of COP,
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Banco GNB Colombia

Macroeconomic Variables	2021	2022	2023	2024	2025	2026
Annual GDP growth (real)	10.00%	4.20%	4.00%	4.00%	4.00%	4.00%
Annual inflation rate	5.62%	6.00%	4.50%	3.40%	3.00%	3.00%
LIBOR rate - year-end	0.34%	0.25%	0.28%	0.29%	0.30%	0.30%
Exchange rate (average)	3,776,85	4,151,83	4,190,88	4,018,29	3,950,00	3,950,00
Central Bank of Colombia interest rate	3.00%	6.25%	5.50%	4.25%	4.25%	4.25%
Average cost of capital USD	11.06%					
Average cost of capital COP	12.39%					

Business Assumptions	2021	2022	2023	2024	2025	2026
Net loan portfolio growth	12.49%	11.73%	9.30%	10.46%	11.30%	12.02%
Deposit growth	5.28%	9.88%	9.71%	6.31%	4.58%	5.03%
Increase in allowance on loan portfolio	102.77%	5.55%	9.24%	9.91%	12.98%	11.49%
Financial margin	14.26%	12.81%	1.94%	13.60%	6.25%	14.94%

Charleston Hotels Group

Macroeconomic	2021	2022	2023	2024	2025	2026
Annual GDP growth (real)	3.00%	3.50%	4.00%	4.00%	4.00%	4.00%
Annual inflation rate	5.62%	3.30%	3.20%	3.10%	3.00%	3.00%
Exchange rate (year-end)	COP 3,981	COP 4,106	COP 4,234	COP 4,271	COP 4,308	COP 4,346

Average cost of capital COP 13.49%

Business Assumptions	2021	2022	2023	2024	2025	2026
Occupancy rate	20.54%	42.01%	54.56%	65.00%	66.00%	67.00%
Revenue growth	76.87%	143.29%	42.84%	27.05%	4.19%	4.44%
Operating margin	-30.12%	8.84%	24.82%	34.82%	34.59%	34.42%

- **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 COP	6.41%					

Business Assumptions	2020	2021	2022	2023	2024	2025
Loan portfolio growth	-13.60%	6.30%	12.80%	11.40%	11.30%	13.60%
Net loan allowance	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%
Average financial margin	6.36%	6.72%	6.83%	6.93%	7.02%	7.01%

(Stated in millions of COP,
except exchange rates and nominal share values)

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 loan 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 allowance 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 allowance on loan portfolio	-25.53%	44.12%	9.00%	6.65%	6.84%	6.38%
Financial margin	-1.68%	-2.25%	5.29%	16.05%	14.07%	14.38%

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%

(Stated in millions of COP,
except exchange rates and nominal share values)

a. Forecasting period and perpetuity

The cash flows were forecast for a 5-year period, from 2021 to 2026. 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 that 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 payment of dividends from operating cash flows were considered.

Conclusions on the key assumptions used, forecast period, perpetuity and payment of dividends

As a result of the impairment assessment described earlier, management concluded that the recoverable amount of the CGU is greater than its carrying value (CV), as follows:

	Colombia	Peru	Paraguay	Charleston Hotel
Recoverable amount/carrying value (%)	113,6	100,0	165,9	150,0

Consequently, Management has not identified any impairment charges that should be recognized in these 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 2022.

- 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%	1,041,933	1,041,933
Dividend payout	-24%		

Paraguay CGU (amounts in millions of COP):

Variable	Sensitivity analysis	Recoverable value	Carrying Value
Discount rate	+1%	1,933,367	1,165,448
Dividend payout	-40%		

Colombia CGU (amounts in millions of COP):

Variable	Sensitivity analysis	Recoverable value	Carrying Value
Discount rate	+1%	2,752,679	2,422,651
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
Occupancy rate	-5%		

(*) Includes different sensitivity analyses for the perpetuity index, cash flows, etc.

Other matters

At December 31, 2021, 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 recognize 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 were 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 aimed at mitigating the effects resulting from the COVID-19 health emergency declared by the National Government and the situation of the financial markets. The main spirit of the notices is on granting debt relief through grace periods to debtors who at February 29, 2020 were not more than 60 days overdue in their payments, including those with modified or restructured status pursuant to Public Notice 026/2017, and who maintained the same credit rating during the grace period. In addition, the extensions of the loans eligible for relief are not subject to higher interest rates, capitalization of interest, or interest charges on other deferred items (handling or processing fees, insurance). This regulation was extended until July 31, 2020.

The Bank took the necessary steps to comply with these notices, meeting the liquidity needs of its customers by granting relief through grace periods of up to 90 days, without changing their credit risk status. Also, during the grace period, the Bank continued to accrue interest and other charges derived from the portfolio. As of December 31, 2021, most of these relief measures had ended.

However, due to the continuance of the COVID-19 health emergency, on June 30, 2020, the Financial Superintendence of Colombia issued Public Notice 022 with instructions regarding the Debtor Support Program (PAD, for the Spanish original), under which credit institutions are to establish 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 communications guidelines for the PAD program to meet the liquidity needs of its loan portfolio customers in a timely manner. In this regard, at December 2020 the Entity had granted benefits to 7,687 debtors in the amount of COP 598,881 million, which is equivalent to 6.21% of total loans outstanding.

It should be highlighted that by the end of the Debtor Support Program (PAD) on August 31, 2021, the Bank had granted benefits to a total of 5,611 debtors in the amount of COP 525,875 million, equivalent to 4.96% of the total loan portfolio.

At the end of 2021, the balance of the loan portfolio with relief benefits in the framework of the Debtor Support Program (PAD) totaled COP 434,378 million, distributed among 4,381 debtors. Most of this amount is in the commercial loan portfolio, with 64.81% of the total, and the remaining 35.19% is in the consumer line, primarily concentrated in the payroll loan business.

The trend and evolution of the balance continues to be downward. In particular, between November and December 2021, a reduction of COP 22,550 million was reported, which in relative terms represents a decrease of 4.94%, arising from partial and full repayments by both commercial and consumer loan customers.

(Stated in millions of COP,
except exchange rates and nominal share values)

The following is a breakdown of the portfolio balances by loan modality and segment:

Modality	Segment	December 31, 2020			December 31, 2021		
		No. Customers	No. Trans.	Principal	No. Customers	No. Trans.	Principal
Commercial	Local currency	89	160	284,541	97	154	281,539
	Foreign Currency	-	-	-	-	-	-
Total commercial		**89**	**160**	**284,541**	**97**	**154**	**281,539**
Consumer	Payroll Loans	7,074	7,389	304,686	3,857	4,005	146,945
	Others	524	801	9,654	427	603	5,893
Total consumer		**7,598**	**8,190**	**314,340**	**4,284**	**4,608**	**152,838**
Overall total		**7,687**	**8,350**	**598,881**	**4,381**	**4,762**	**434,377**

a. Liquidity and investment portfolios

Regarding the effects of Covid-19, at December 2021 external financial conditions remain favorable and a high-liquidity global environment prevails, though with a combination of factors, including an increase in medium and long-term interest rates in international financial markets and greater inflationary expectations in the United States following the recent fiscal stimulus in that country.

This was also reflected in a rise in industrial production and global trade. However, the external demand, terms of trade and risk premiums relevant for Colombia have not reached the levels observed before the pandemic, which implies that the external context is still unfavorable for the national economy.

The global outlook for the economic recovery remains uncertain in view of the continuing outbreaks of COVID-19 and its Omicron variant, as well as the reduction in incentives by several governments, and persisting difficulties in the supply chains, which have generated substantial inflation levels. Consequently, during 2021, central banks all over the world, including the Central Bank of Colombia, have decided to increase their interest rates of reference, often from historically low levels.

In Colombia, it was observed that the reopening of most sectors and more flexible social isolation measures led the economy on a path towards a more solid recovery throughout 2021. Notwithstanding the progress in different fronts, substantial uncertainty prevails regarding the adverse effects on the economy of a new wave of the pandemic, which could create the need for additional monetary stimulus. In this sense, everything points in the direction of accelerating the vaccination drive according to the plan established by the national government.

According to the latest technical analysis by the Colombian Central Bank, it is estimated that the economy will only return to pre-pandemic growth levels in late 2022, due to the slow recovery in demand, the new lock-downs and terms of trade that are weaker than observed in previous years.

b. Operational Risk – Measures implemented against COVID-19

The Entity continues to carry out its operations satisfactorily, ensuring due attention to financial consumers and complying with the guidelines of the Financial Superintendence of Colombia. The Group's Emergencies Committee continues to permanently monitor and implement, through short- and medium-term action plans, measures aimed at fulfilling the proposed objectives, protecting the integrity and lives of customers and employees, and periodically reporting the results to the Risk Committee and the Board of Directors.
Within the Entity, measures continue to be implemented to avoid the risk of infection and spread of COVID-19:

a. Reinforcement campaigns continue on the implementation of bio-safety, including:

- Adequate use of face masks.
- Recommendations in dining areas.
- Adequate and frequent hand-washing.
- The importance of physical distancing.
- Use of personal protection equipment.
- Precautions when interacting with others.

b. Two work modalities remain in place: on-site and from-home, to ensure the correct operation of the Entity during the transition period.

c. The National Human Resources Department continues to perform ongoing monitoring of the health conditions of employees, both working on-site and from-home.

d. Protocols are established and published on the website for viewing by customers and users, regarding:

- General recommendations.
- Entering offices.
- Customer service at offices.
- Respiratory health.
- Interaction with others.
- Hand-washing.
- Commuting.
- Leaving and returning home.
- Precautions when living with people at high risk.

e. The Bank strictly complies with the measures declared by the local mayors and maintains preferential business hours:

- Exclusive assistance for people over 60 years old from 7:00 a.m. to 8:00 a.m.

- Preferential line for customers and users identified as medical and health personnel and members of the armed forces and the police.

- The required bio-safety protocols continue to be implemented for customer assistance inside the offices.

- A communications campaign continues to encourage the use of electronic channels to process transactions.

- Communications continue to be issued to financial consumers related to prevention measures against COVID-19 infection.

f. The Bank complies with the provisions issued by the national government and control entities in a timely manner.

We will continue to monitor this situation in order to observe the evolution of the pandemic and its implications for the Entity, which will be monitored continuously during Board meetings.

Banco GNB Perú

The main measures implemented in Peru by the National Government, Congress, the BCRP (Central Bank of Peru, 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)

- After having maintained the monetary policy interest rate of reference at historically low levels, reaching 0.25% between March 2020 and July 2021, with the aim to stimulating the economy and counteracting the adverse effects of Covid 19 on the economy, in August 2021, the Board of the Central Bank of Peru (BCRP, for the Spanish original) began to remove the monetary stimulus through an initial 25 basis-point increase, and subsequent 50 basis-point increases at its sessions held in September, October and December, closing at year-end 2021 at a rate of 2.50%

- On October 26, Notice No. 031-2021 was issued, increasing local currency legal reserve requirements starting in November 2021. The minimum legal reserve was increased to 4.5% in November and to 4.75% in December 2021. The local currency legal reserve requirement shall be whichever is larger between: (i) the amount calculated by applying the reserve rate of the baseline period (July 2021) to the amount of the obligations subject to reserve requirements as of the baseline period, plus a marginal reserve rate of 25 percent on the increase of Total Obligations Subject to Reserve (TOSE, for the Spanish original) compared to the baseline period, or (ii) the minimum legal reserve for the assessed period.

Mandatory Rules on Social Immobilization:

- Supreme Decrees 149-2021, DS 152-2021 and DS 168 -2021 were issued to extend the state of National Emergency until September 30, October 31 and December 31, respectively.

(Stated in millions of COP,
except exchange rates and nominal share values)

- The following restrictions on mobility were established:

  - Measures in September 2021: Mandatory social immobilization at night starting at 9:00 p.m. (extremely high alert); starting at 10:00 p.m. (very high) and starting at 12:00 a.m. (high and moderate alert levels) until 4:00 a.m.

  - Mandatory social immobilization was implemented from December 10, 2021 to January 16, 2022, depending on the province.

- Regarding the COVID 19 situation at December 31, 2021, 2,301,177 confirmed cases and 202,741 deaths were reported. Vaccinated with the first dosage: 24,509,913 and with two doses: 21,563,658, equivalent to 80.4% of the target population.

SBS Resolutions (Superintendence of Banking, Insurance and Pension Funds):

- **Resolution SBS 03791** -2021: This Resolution approved the Leverage Ratio Rules that apply to Financial System Companies, which form integral part of this Resolution. In this regard, the Superintendence considers that the regulatory capital adequacy assessment based on the risk exposure of financial system companies must be complemented by an assessment of leverage levels, independently from risk exposure, in order to establish a supplementary supervision tool aligned with Basel Committee recommendations, and with the purpose of limiting excessive growth in the assets of financial system companies, to avoid the destabilizing effects of any abrupt de-leveraging during downturns in the economic cycle.

- **Resolution SBS 03922-2021:** This resolution, among other matters, amends the Accounting Manual for Financial System Companies in order to align it with the provisions related to the establishment of allowances by financial system companies to reflect the actual impairment of debtors, due to the restructuring and other measures issued by the SBS that amend the contractual conditions of loans for debtors affected by the state of emergency caused by COVID-19.

Business Continuity Management evolved steadily in 2020 and 2021 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. The accounting results at the end of December 2021 are detailed in the table below:

Banco GNB Perú

	Transactions with Relief	**Exposure with relief and/or rescheduling ***	**Exposure with relief / total Portfolio**
Commercial	81	222,415	23%
Consumer	694	24,431	2%
Mortgage	313	56,683	7%
Total	**1,088**	**303,529**	**10%**

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.

(Stated in millions of COP,
except exchange rates and nominal share values)

Banco GNB Paraguay

Banco GNB Paraguay has adjusted its loan policies based solely on Resolution No. 4, Minutes No.18 dated 03/18/2020 issued by the Central Bank of Paraguay, and for the term established therein (until 12/31/2021). In summary, this Resolution establishes:

- Renegotiation of loans without affecting the customer's category.
- Benefit for debtors less than 30 days past due.
- Automatic refinancing without requiring additional documentation or further analysis.
- Analysis for refinancing transactions greater than ₲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, 2021, the transactions that have benefited totaled COP 709,504 million. The classification by segment is as follows:

Banco GNB Paraguay

	Transactions with Relief	**Exposure with relief and/or rescheduling ***	**Exposure with relief / total Portfolio**
Commercial	505	674,518	9%
Consumer	1,394	31,598	5%
Mortgage	50	3,388	2%
Total	**1,949**	**709,504**	**9%**

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 FINANCIAL STATEMENTS

a. Statement of Compliance

The attached Consolidated Financial Statements of the Bank and its Subsidiaries have been prepared in accordance with the Generally Accepted Accounting and Financial Reporting Standards of Colombia, issued by the national government, and standards of a special nature issued by the Financial Superintendence for the preparation of consolidated financial statements of financial entities.

In accordance with Colombian law, the Bank and its subsidiaries are required to prepare both separate and consolidated financial statements. The separate financial statements are considered the basic financial statements considering that, among other factors, they are the basis for declaring dividends, filing and paying income taxes, decision-making by the Board of Directors, etc., whereas the consolidated financial statements are presented solely for information purposes.

Presentation of the financial statements

The following comments apply to the presentation of the attached Consolidated Financial Statements:

- The 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 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.

Regarding the financial statements of the subsidiaries abroad, for the consolidation process, their financial statements are translated from foreign currency to Colombian pesos at the closing exchange rate, in the case of assets and liabilities; at the average exchange rate for the year, for the statement of income; and at the historical exchange rate for equity accounts. The net adjustment resulting from the translation process is included in equity as "Translation adjustments on foreign subsidiaries’ financial statements" under 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, investing 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 investing in securities issued by foreign banking entities, securities issued by foreign companies in the real sector whose shares are listed 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 the bank and its 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. Transactions in foreign currency

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 prevailing exchange rate at the reporting date of the consolidated statement of financial position. Non-monetary assets and liabilities denominated in foreign currencies carried 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, 2021 and 2020, the representative market rates calculated and certified by the Financial Superintendence were (in pesos): COP 3,981.16 per USD 1.00 and COP 3,432.50 per USD 1.00, respectively. The average representative market exchange rates at December 31, 2021 and 2020, which are used for the translation of the financial statements of affiliates abroad, were COP 3,744.48 and COP 3,693.79 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.

1. Income

1.1 Contract assets

A contract asset is the Group's right to receive payment in exchange for goods or services that the Group 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 Group 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 Group 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.

1.2 Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer, for which the Group 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.

1.3 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,

- payment 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.

- **Commission:**

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 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 charges**

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.
- 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.

[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.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets measured 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 (b) 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

IFRS 9 (2014 version) replaces the incurred loss model of IAS 39 with an expected credit loss (ECL) model. This new model 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.

The new 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 measured 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 refutable 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.

e. Models to estimate or quantify expected credit loss under IFRS 9

The Bank performs a prospective assessment of the expected credit loss associated with debt instruments measured at amortized cost and at fair value through other comprehensive income, and of the exposure derived from loan commitments and financial guarantee contracts. The Bank recognizes an allowance for such expected losses as of each reporting date. The measurement of expected credit loss reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Bank measures the amount of the allowance as the amount equivalent to the expected credit loss estimated according to the parameters of internal risk models. Consequently, the change in the amount of the allowance between reporting dates reflects the change in the estimation of expected credit losses at the same reporting dates.

The expected credit loss is measured as the present value of the difference between the contractual cash flows and the expected cash flows from the instrument.

In the case of contingent products, the expected credit loss is additionally associated with the expected probability of materialization of the instrument within the expected flows.

Credit loss is the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

- Modality There are two modalities for determining the parameters of the allowance model, based on the type of loan with the entity: Legal entity or individual. Even though the parameters apply equally to all modalities, the risk parameters for estimating expected credit loss differ depending on the modality.

- Segment/ Product This second segmentation criterion involves the use of differentiated risk parameters to achieve a better fit of the model to the instruments. In the case of loans to legal entities, customers are also grouped into eight segments by size (segments 0 to 7), which indicate in ascending order the significance of the customer within the overall loan portfolio.

- Similarly, individuals are segmented by product to reflect the differentiated behavior of the instruments depending on their contractual characteristics, usage and purpose. Seven segments have been established that characterize the type of product within the loan portfolio: Payroll loans (LIB), Leasing (LEA), Revolving (ROT), Overdrafts (SOB), Others (OTR). The last segment is that of restructured loans (RST), which is defined based on whether or not the instrument is restructured at the reporting date.

The risk parameters are estimated depending on the characteristics of the segment/product, which are specified in the specialized documents.

Depending on the status or risk rating of the instrument, different expected credit loss estimation models are applied, which also depend on parameters related to the instrument's risk. It should be noted that the Bank defines the risk classification based on a comparison of the risk at the time of origination and at the reporting date, in accordance with the requirements of IFRS 9.

The segmentation by instrument characteristics is complemented with the risk classification, based on the Significant Increase in Credit Risk (SICR) model included in IFRS 9. A differentiated method is used depending on the instrument's risk:

- Stage 1 (STG1). Financial instruments whose credit quality has not decreased since initial recognition or whose credit risk is low as of the reporting date. The expected credit loss is recognized over a 12-month horizon and the interest income over the gross carrying amount of the instrument.

- Stage 2 (STG2). Financial instruments whose credit risk has increased significantly since initial recognition (except when their credit risk is low at the reporting date) but on which no objective evidence exists on any loss event, default or impairment. The expected credit loss is recognized over the lifetime of the instrument and the interest income is also calculated over the gross carrying value of the asset.

- Stage 3 (STG3). Instruments with Objective Evidence of Impairment (OEI) in the reporting period. The expected credit loss is recognized over the life of the asset and the interest income is calculated on the net carrying value of the asset.

In this manner, the segmentation by the instrument characteristics for all loan modalities enables defining and estimating specific parameters, while the segmentation by credit rating involves an expected credit loss model by classification of risk and usage, depending on classification, of the specific parameters.

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. Separate basis:

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, on a separate basis, compared to the calculation made under IFRS 9, on a consolidated basis, recorded in OCI increased by COP 182,785 (2020 by COP 75,539).

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.

(Stated in millions of COP,
except exchange rates and nominal share values)

Portfolio sales

The portfolio loans eligible for sale, in accordance with the Bank's Management guidelines, are the performing or non-performing loans, which must be approved by the Bank's Board of Directors. The specific loan portfolio is derecognized at the carrying value at the trade date and sold at the loan portfolio's market value. The result of the sale will be recognized in other income/expense accounts in the period of the transaction.

As of the reporting date of these financial statements, the Bank has not derecognized loans due to sales, and does not expect to sell loans in the next 12 months.

e. 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.

f. Property and equipment

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 under the fair value revaluation model, taking the commercial appraisal value, and not by the cost model, as had been done in the past. The revalued cost is reviewed annually, and if necessary appraisals are performed on the properties to update them to 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 measured 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 for 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.

g. 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 measured 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.

h. 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 an account 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 installments 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.

i. Intangible assets

1) 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 December 31 each year, 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 involve substantial judgments and assumptions regarding the perpetuity rate, forecast inflation, the discount rate, the growth rate and credit solvency.

2) Other intangibles

Other Intangible assets 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.

a. 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.

- **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.

b. 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, such benefits are salaries, legal and extra-legal bonuses, paid vacation, severance payments and payroll taxes to government agencies, 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.

- 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 benefits that are assumed directly by the Bank and its Subsidiaries, 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 assessments 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 financial statements.

- 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. 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 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.

  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.

j. 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.

1) 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 regarding 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.

2) Deferred tax

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 regarding 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.

k. 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.

Restructuring a loan is understood as any exceptional mechanism implemented through the execution of any legal transaction, the purpose of which is to change the conditions originally agreed upon, in order to allow the debtor to adequately meet its obligation in view of the actual or potential impairment of its payment capacity.

Additionally, agreements entered into within the framework of Laws 550/1999, 617/2000 and 1116/2006 or the regulations that add to or replace them, as well as extraordinary restructuring and novations, are considered restructuring.

It is important to mention that restructuring was suspended during the term the PAD was in effect, and as a result priority was assigned to supporting debtors through the mechanisms and programs issued by the Financial Superintendence of Colombia to address the economic situation derived from the pandemic.

Law 2157/2021

The national government enacted Law 2157 on October 29, 2021, also known as the “Start Over with a Clean Slate Law,” the purpose of which is to amend and supplement certain aspects of Statutory Law 1266/2008, issue general provisions on Habeas Data regarding financial, credit, commercial and services information received from other countries, and issue other provisions on amnesties for debtors with negative reports.

l. 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 financial statements.

m. 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.

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.

n. 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 "non-consolidated structured entities" refers to all the structured entities not 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.

o. 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 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.

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:

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.

1) 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, 2021 and 2020, 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.

2) Allowance for loan 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 made effective. 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 whose 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 allowance for loan 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.

3) 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.

At December 31, 2021 and 2020, Management of the Bank and its Subsidiaries estimates 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.

4) Goodwill

Annually, Management of the Bank and its Subsidiaries assesses 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.

5) Provisions for contingencies

The Bank and its Subsidiaries calculate and recognize 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

Regarding 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.

9) 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.

10) 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.

11) 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, 2023.

Decree 938/2021 updated the technical framework of Colombia's Generally Accepted Accounting and Financial Reporting Standards, incorporating International Accounting Standards 1, 16, 37, 39 and 41, and International Financial Reporting Standards 1,3,4,7,9 and 16 of the technical annex of the Financial Reporting Standards of Decree 2270/2019, compiled in the Single Regulatory Decree of Accounting, Financial Reporting and Information Assurance Standards, Decree 2420/2015.

New standards issued by the International Accounting Standards Board (IASB) that will be incorporated in the accounting framework accepted in Colombia, starting on January 1, 2023

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 financial statements.

Amendment to IAS 16 Property, Plant and Equipment - Proceeds Before Intended Use

The amendment published in May 2020 prohibits the deduction from the cost of an item of property, plant and equipment 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 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 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 financial statements.

Benchmark Interest Rate Reform IFRS 9, IFRS 7 and IAS 39

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 benchmark 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 recognized 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 financial statements.

Annual Improvements to IFRS Standards 2019 – 2021 Cycle

The following improvements were completed in May 2021:

- 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 recognized 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 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 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. The Bank considers that the policies remain appropriate in accordance with the revised Framework.

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 benchmark 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 recognized 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 financial statements.

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 security 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 according to the 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 as discount rate the risk-free rate of the country of reference of the underlying asset at the number of days to maturity of the contract.

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, 2021 and 2020, on a recurring basis.

(Stated in millions of COP,
except exchange rates and nominal share values)

December 31, 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Debt securities	9,119,130	-	-	9,119,130
Equity security certificates - issuers in Colombia	-	111,618	-	111,618
Derivatives	-	12,740		12,740
Investment properties	-	-	213,489	213,489
Property and equipment (real estate)	-	-	840,771	840,771
Total assets at fair value, recurring basis	**9,119,130**	**124,358**	**1,054,260**	**10,297,748**
Liabilities				
Derivatives	-	13,408	-	13,408
Total liabilities at fair value, recurring basis	**-**	**13,408**	**-**	**13,408**

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**

No transfers were made between Level 1 and Level 2 for December 2021 and 2020.

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 Financial Statements. New appraisals were conducted in 2021 and 2020.

December 31, 2021	**Bank**	**Servitrust**	**Servibanca**	**Corporación Financiera**	**STF**	**Paraguay**	**Peru**	**Total**
Land cost	27,406	28	-	213,407	66,648	19,228	-	326,717
Buildings cost	83,648	250	862	136,420	185,967	53,659	23,085	483,891
Revaluation	(15,234)	(57)	(164)	(18,033)	-	(29,120)	(21,006)	(83,614)
Total cost	**95,820**	**221**	**698**	**331,794**	**252,615**	**43,767**	**2,079**	**726,994**
Land revaluation	1,150	-	-	-	26,767	-	-	27,917
Buildings revaluation	6,405	290	955	3,912	74,298	-	-	85,860
Total Revaluation	**7,555**	**290**	**955**	**3,912**	**101,065**	**-**	**-**	**113,777**
Total property - real estate	**103,375**	**511**	**1,653**	**335,706**	**353,680**	**43,767**	**2,079**	**840,771**

(Stated in millions of COP,
except exchange rates and nominal share values)

December 31, 2020	Bank	Servitrust	Servibanca	Corporación Financiera	STF	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
Revaluation	(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
Revaluation	-	(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**

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, 2021 and 2020

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.

(Stated in millions of COP,
except exchange rates and nominal share values)

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, 2021 and 2020:

	December 31, 2021		December 31, 2020	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Assets				
Cash and cash equivalents	17,433,825	17,433,825	12,883,345	12,883,345
Debt securities at amortized cost	1,487,899	1,542,500	1,206,918	1,217,117
Loan portfolio and accounts receivable (1)	22,779,664	22,676,591	16,177,729	16,402,523
Total financial assets	**41,701,388**	**41,652,916**	**30,267,992**	**30,502,985**
Liabilities				
Term deposits (2)	10,442,505	10,346,374	9,080,172	9,138,620
Financial obligations (3)	5,793,745	5,687,083	4,764,512	4,850,354
Bank loans	1,783,386	1,500,428	2,421,570	2,312,900
Debt securities (bonds)	4,010,359	4,186,655	2,342,942	2,537,454
Total financial liabilities	**16,236,250**	**16,033,457**	**13,844,684**	**13,988,974**

(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 is a fundamental element for achieving operating efficiency and effectiveness, reliable reports and compliance with laws, rules and regulations, hence its importance in achieving the Group's strategic objectives.

The analysis of the strategic context in which it carries out its activities allows the Group to determine methods to prevent the occurrence of events that affect the normal development of processes and the achievement of its objectives, 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 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 Group has 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 operation and counterpart quotas, 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 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 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 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 regarding 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.

(Stated in millions of COP,
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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.

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, 2021 and 2020 below:

	December 31, 2021	December 31, 2020
Deposits in banks other than the Central Bank of Colombia	1,291,860	637,050
Financial instruments measured at fair value		
Government	8,576,950	7,682,995
Financial entities	522,034	614,456
Other sectors	131,764	124,994
Derivatives	12,740	14,519
Loan portfolio and accounts receivable		
Commercial	14,315,397	8,599,176
Consumer	7,521,217	6,703,122
Mortgage	943,050	875,431
Other accounts receivable	316,866	459,903
Total financial assets with credit risk	**33,631,878**	**25,711,646**
Off Balance sheet financial instruments with credit risk at their nominal value		
Financial guarantees and letters of credit	14,436,329	8,141,827
Credit commitments	251,009	260,420
Total off-balance-sheet credit risk exposure	**14,687,338**	**8,402,247**
Total maximum credit risk exposure	**48,319,216**	**34,113,893**

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.

(Stated in millions of COP,
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- **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 allowances 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.

- **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, 2021 and 2020 are as follows:

December 31, 2021	**Commercial**	**Consumer**	**Mortgage**	**Total**
Unsecured loans	8,190,264	7,516,767	-	15,707,031
Collateralized loans:	-	-	-	
Housing	-	-	942,377	942,377
Other real estate	3,632,279	965	-	3,633,244
Admissible financial collateral 0%	393,442	1,252	673	395,367
Admissible financial collateral 12%	160,717	27	-	160,744
Other collateral	1,938,695	2,206	-	1,940,901
Total gross loan portfolio	**14,315,397**	**7,521,217**	**943,050**	**22,779,664**

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

(Stated in millions of COP,
except exchange rates and nominal share values)

Admissible financial collateral 12%	176,626	35	-	176,661
Other collateral	888,473	4,274	-	892,747
Total gross loan portfolio	**8,599,176**	**6,703,122**	**875,431**	**16,177,729**

At December 31, 2021 and 2020, the portfolio summary by risk level classification is as follows:

	Loans to customers		**Interbank loans**		**Total**	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Commercial						
A	12,975,189	7,565,490	104,434	39,347	13,079,623	7,604,837
B	493,081	268,925	-	-	493,081	268,925
C	202,676	308,076	-	-	202,676	308,076
D	431,111	349,918	-	-	431,111	349,918
E	108,906	67,420	-	-	108,906	67,420
Subtotal Commercial	**14,210,963**	**8,559,829**	**104,434**	**39,347**	**14,315,397**	**8,599,176**
Consumer						
A	7,210,454	6,479,362	-	-	7,210,454	6,479,362
B	69,180	69,982	-	-	69,180	69,982
C	108,438	62,573	-	-	108,438	62,573
D	60,718	80,180	-	-	60,718	80,180
E	72,427	11,025	-	-	72,427	11,025
Subtotal Consumer	**7,521,217**	**6,703,122**	**-**	**-**	**7,521,217**	**6,703,122**
Mortgage						
A	844,421	765,605	-	-	844,421	765,605
B	47,698	56,886	-	-	47,698	56,886
C	7,735	26,523	-	-	7,735	26,523
D	9,756	11,049	-	-	9,756	11,049
E	33,440	15,367	-	-	33,440	15,367
Subtotal Mortgage	**943,050**	**875,430**	**-**	**-**	**943,050**	**875,431**
Total gross loan portfolio	**22,675,230**	**16,138,381**	**104,434**	**39,347**	**22,779,664**	**16,177,729**
Allowance	(735,661)	(605,183)	(1,673)	(646)	(737,334)	(605,829)
Total net portfolio	**21,939,569**	**15,533,198**	**102,761**	**38,701**	**22,042,330**	**15,571,900**

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.

(Stated in millions of COP,
except exchange rates and nominal share values)

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.

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, 2021				
Commercial	52,831	28,251	66,203	147,285
Consumer	119,869	41,253	27,481	188,603
Mortgage	108	-	804	912
Total	**172,808**	**69,504**	**94,488**	**336,800**
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**

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.

(Stated in millions of COP,
except exchange rates and nominal share values)

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, 2021	**December 31, 2020**
Against individual impairments		
Properties	207,080	173,851
Debt instruments	53,228	13,543
Equity instruments	69,129	102,046
Others	424,961	400,938
Against collective Impairment		
Properties	86,652	88,479
Against accounts that are not past due or impaired		
Properties	4,222,876	4,120,395
Debt instruments	538,823	209,395
Equity instruments	1,138,132	806,462
Others	2,040,265	1,368,069
	8,781,146	**7,283,178**

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, 2021	**Interbank loans December 31, 2021**	**Total December 31, 2021**	**Loans to customers December 31, 2020**	**Interbank loans December 31, 2020**	**Total December 31, 2020**
Concentration by Sector						
Business	2,969,891	-	2,969,891	1,569,082	-	1,569,082
Agriculture	2,660,148	-	2,660,148	1,533,051	-	1,533,051
Manufacturing	1,412,212	-	1,412,212	840,597	-	840,597
Real Estate	1,509,473	-	1,509,473	1,815,201	-	1,815,201
Financial Brokerage	726,680	-	726,680	647,207	-	647,207
Transportation	319,049	-	319,049	364,845	-	364,845
Healthcare	527,246	-	527,246	312,838	-	312,838
Education	352,358	-	352,358	362,230	-	362,230
Energy and Gas	55,574	-	55,574	21,322	-	21,322
Communications	67,299	-	67,299	62,431	-	62,431
Mining	16,509	-	16,509	28,356	-	28,356
Others	3,538,086	-	3,538,086	936,336	-	936,336
Government	56,438	-	56,438	66,333	-	66,333
Banks	-	104,434	104,434	-	39,347	39,347
Without collateral	7,521,217	-	7,521,217	6,703,122	-	6,703,122
Mortgage	943,050	-	943,050	875,431	-	875,431
Allowance	(735,661)	(1,673)	(737,334)	(605,183)	(646)	(605,829)
Total	**21,939,569**	**102,761**	**22,042,330**	**15,533,199**	**38,701**	**15,571,900**

(Stated in millions of COP,
except exchange rates and nominal share values)

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.

Geographic concentration	**Loans to customers**	**Interbank loans**	
	December 31, 2021		**Total**
Colombia	9,097,747	3,339	9,101,086
Peru	3,183,362	101,074	3,284,436
Paraguay	8,378,586	21	8,378,607
Panama	2,015,536	-	2,015,536
Total Provisions	(735,662)	(1,673)	-737,335
Total	**21,939,569**	**102,761**	**22,042,330**

Geographic concentration	**Loans to customers**	**Interbank loans**	
	December 31, 2020		**Total**
Colombia	8,255,987	-	8,255,987
Peru	3,190,689	39,347	3,230,036
Paraguay	3,146,905	-	3,146,905
Panama	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**

1. 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 the financial products traded by Group entities.

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 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.

(Stated in millions of COP,
except exchange rates and nominal share values)

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.

- **Exchange rate risk:** is defined as the sensitivity of the value of the own position in currencies other than the Colombian peso to a potential change in the exchange rates to which the 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 Peru 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 constantly reviews the models used 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, 2021 and December 31, 2020, the following results are presented:

Group VaR

Maximum, Minimum and Average VaR	**December 31, 2021**			
	Minimum	**Average**	**Maximum**	**Year-end**
Interest rate	109,491	127,188	135,064	131,199
Exchange rate	35,427	52,692	86,109	35,427
Equity securities	335	369	398	340
Collective funds	21,266	23,713	26,171	22,881
Total VaR		**203,962**		**189,847**

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**

(Stated in millions of COP,
except exchange rates and nominal share values)

The Group's VaR at December 31, 2021, compared to December 31, 2020, increased by COP 11,278 million. This increase is mainly due to the higher individual VaR of Banco GNB Paraguay, which increased from COP 11,032 in December 2020 to COP 21.836 in December 2021, due to the inclusion of Banco GNB Paraguay, which is in the process of being merged, and which contributed to the consolidated VaR of Paraguay the amount of COP 10,804 in December 2021.

The additional increase in the overall VaR in December 2021 is mainly due to the increase in the interest rate VaR component of the individual VaRs of the national affiliates, due to a greater loan portfolio value and the duration of the individual VaRs, mainly of Banco GNB Sudameris and Corporación Financiera.
The VaR indicators reported individually by the Bank and its affiliates at December 31, 2021 and 2020 were:

	December 31, 2021		December 31, 2020	
Entity	**Amount**	**Level I basis points**	**Amount**	**Level I basis points**
Banco GNB Sudameris	104,506	84,4	109,522	88,6
Servitrust	243	0,2	376	0,3
Servivalores	1,604	1,4	1,688	1,4
Servibanca	4,511	3,8	1,757	1,5
Paraguay	21,836	18,2	11,032	9,4
Peru	29,590	24,6	26,501	22,4
Corporación Financiera	27,556	23,0	27,694	23,4
Total VaR, Consolidated subsidiaries	**189,847**	**155,6**	**178,570**	**147,1**

2. 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 affiliates.

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 capital for the two preceding months restated with the average market exchange rate.

The following is the detail in currency at December 31, 2021 and 2020:

December 31, 2021	**US dollars (millions)**	**Euros (millions)**	**Other currencies translated to US dollars (millions)**	**Total in Colombian pesos (millions)**
Cash and cash equivalents	1,016	4	353	5,466,496
Debt investments	103	-	524	2,496,830
Equity investments	2	-	2	12,352
Derivatives	8	-	1	32,777
Loans	1,255	-	1,742	11,931,427
Others	127	-	418	2,168,212
Assets	**2,510**	**4**	**3,039**	**22,108,093**
Checking accounts	399	-	433	3,311,076
Savings accounts	731	-	750	5,897,609
Term deposits	544	-	962	5,995,344
Others	1,236	4	210	5,773,764
Liabilities	**2,911**	**4**	**2,355**	**20,977,793**
Net position	**- 400**	**-**	**684**	**1,130,299**

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**

Exchange rate sensitivity

Exchange rate Rate in COP	**Asset positions**	**Liability positions**	**Position Own**	**Sensitivity COP 10 / USD 1**	**Amount in pesos**
3,981,16	5,553,18	5,269,27	283,91		
3,991,16	5,539,26	5,256,06	283,20	0,71	711,352
3,971,16	5,567,16	5,282,54	284,63	(0,71)	(714,935)

Figures in millions of USD or indicated figures

The estimated effect of a COP 10/US 1 increase or decrease compared to the exchange rate at December 31, 2021, would be COP 909,504; at December 31, 2020 it was COP 693,677

(Stated in millions of COP,
except exchange rates and nominal share values)

3. 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 or lower profit as a consequence of unexpected events in the market.

The sensitivity analysis of the main productive assets and liabilities with costs due to exposure to interest rate changes is presented below. The table shows average volumes and cumulative amounts as of December 31, 2021 and December 2020, as well as the impact in light of a variation of 50 basis points.

December 31, 2021				**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	9,253,579	974,715	10.53%	109,601	(109,601)
Portfolio in foreign currency	11,518,284	891,831	7.74%	120,248	(120,248)
Asset money market transactions in Colombian pesos	3,146,086	85,156	2.71%	159	(159)
Asset money market transactions in foreign currency	1,150,202	41,257	3.59%	57	(57)
Investments in tradable debt securities and debt securities available for sale in Colombian pesos	11,139,406	304,931	2.74%	56,797	(56,797)
Interest-bearing financial assets	**36,207,557**	**2,297,889**	**6.3%**	**286,862**	**(286,862)**

December 31, 2021				**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	13,182,369	255,724	1.94%	64,654	(64,654)
Customer deposits in savings accounts and CDs in foreign currency	5,151,438	129,376	2.51%	25,126	(25,126)
Customer deposits in fixed term certificates of deposit in Colombian pesos	4,558,773	153,861	3.38%	9,468	(9,468)
Customer deposits in fixed term certificates of deposit in foreign currency	6,085,897	134,372	2.21%	48,801	(48,801)
Bonds in Colombian pesos	332,405	21,956	6.61%	5,062	(5,062)
Bonds in foreign currency	3,045,715	218,476	7.17%	50,321	(50,321)
Financial obligations in Colombian pesos	1,882,703	51,493	2.74%	32,359	(32,359)
Financial obligations in foreign currency	1,133,987	67,136	5.92%	5,410	(5,410)
Total financial liabilities with financial costs	**19,956,249**	**483,035**	**4.42%**	**111,544**	**(111,544)**
Total financial liabilities with financial costs in Colombian pesos	**15,417,037**	**549,361**	**3.56%**	**129,658**	**(129,658)**
Total financial liabilities with financial costs in foreign currency	**35,373,287**	**1,032,395**	**2.92%**	**241,202**	**(241,202)**
Total net financial assets subject to interest rate risk in Colombian pesos	**3,582,822**	**881,767**	**24.61%**	**55,014**	**(55,014)**
Total net financial liabilities subject to interest rate risk in foreign currency	**(2,748,551)**	**383,727**	**-13.96%**	**(9,353)**	**9,353**
Total net financial assets subject to interest rate risk	**834,271**	**1,265,494**	**151.69%**	**45,660**	**(45,660)**

(Stated in millions of COP,
except exchange rates and nominal share values)

December 31, 2020

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	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 tradable debt securities and debt securities available for sale in Colombian pesos	8,819,706	323,637	0.00%	53,506	(53,506)
Interest-bearing financial assets	**28,741,014**	**2,168,809**	**6.4%**	**250,753**	**(250,753)**

December 31, 2020

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	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 certificates of deposit 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**	**129.75%**	**89,113**	**(89,113)**

1) If a variation of 50 basis points had occurred in interest rates during the year ended on December 31, 2021, the financial assets that earn interest would have had an income variation of +/- COP 286,862 million.

2) If a variation of 50 basis points had occurred in interest rates during the year ended on December 31, 2021, financial liabilities with financial costs that pay interest would have had cost variation of +/- COP 241,202 million.

3) If a variation of 50 basis points had occurred in interest rates during the year ended on December 31, 2021, total net financial assets subject to interest rate risk would have had a variation of +/- COP 45,660 million.

4. 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´s 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,
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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 2021, the Group kept sufficient liquidity levels to cover all its requirements, as explained in the table below at the end of December 2021 and the maximum, minimum and average levels throughout the year:

December 31, 2021

Entity	Amount	Percentage
Banco GNB Sudameris	6,060,748	55.19%
Banco GNB Perú	2,424,465	22.08%
Banco GNB Paraguay	2,275,847	20.72%
Servibanca	145,921	1.33%
Servitrust GNB Sudameris	10,293	0.09%
Corporación Financiera GNB	43,452	0.40%
Servivalores GNB Sudameris	5,937	0.05%
Fondo Inmobiliario	14,788	0.13%
Total	**10,981,451**	**100.00%**
Maximum	10,981,451	
Minimum	10,836,225	
Average	10,930,397	

At the end of December 31, 2020, 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, 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	10,870,499	
Minimum	9,654,579	
Average	10,405,557	

(Stated in millions of COP,
except exchange rates and nominal share values)

At the end of December 31, 2021 and 2020, the Parent Company performed the analysis of maturities for financial liabilities showing the following consolidated contractual maturities:

Analysis of maturities of consolidated financial liabilities at December 31, 2021

Financial liabilities	< 1 month	1-3 months	3-12 months	More than 12 months
Customer deposits	8,945,038	4,878,587	5,912,634	15,484,246
Short-term financial obligations	3,740,902	4,271,941	87,206	371,434
Investment securities outstanding	589	8,168	159,270	3,850,500
Bank loans	74,874	456,620	555,052	696,840
Total financial liabilities	**12,761,403**	**9,615,316**	**6,714,162**	**20,403,020**

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
Investment securities outstanding	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**

5. 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. Operational Risk Management

During 2021, the Operational Risk Department, which reports to the Parent Company's National Risk Management Department, in compliance with the provisions of 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 2021, the Operational Risk Department, which reports to the National Risk Management Department, carried out the activities to comply with the provisions defined in 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 an update to procedures of the Rules on Operational Risk Management, mainly in connection with policies and procedures aimed at complying with Public Notice 025/2020, and an update of the "Operational Risk Assessment Methodology."

The various requirements of the Statutory Audit, Internal Audit and the Financial Superintendence of Colombia 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.

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.

The Operational Risk Department provided support identifying the risks for new projects, products and services developed in 2021.

As an important part of strengthening the risk culture within the Entity, 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. Training was also provided to the Board of Directors and the Risk Committee on topics related to Operational Risk.

On the other hand, operational risk indicators were calculated and analyzed, which allowed monitoring the behavior of operational risk events and validated the timely, effective and efficient functioning of controls.

Development and testing work was completed on the technological tool "GNB SARO," aimed at strengthening the tool and complying with the requirements of Public Notice 025 of the Financial Superintendence regarding Operational Risk Management Rules.

Lastly, working in synergy with the affiliates and in compliance with the SARO management policies, the National Risk Management Department, carried out the following activities through the Operational Risk Department:

1.1.2. Servitrust

During 2021, the Operational Risk Department, which reports to the National Risk Management Department, carried out the activities to comply with the provisions defined in 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 Servitrust GNB Sudameris approved an update to procedures of the Rules on Operational Risk Management, mainly in connection with policies and procedures aimed at complying with Public Notice 025/2020, and an update of the "Operational Risk Assessment Methodology."

The various requirements of the Statutory Audit, Internal Audit and the Financial Superintendence of Colombia 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.

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.

Training sessions were held periodically for employees in the Entity's departments to reinforce knowledge on operational risk, as well as the GNB ORMS tool's functionality and usage, highlighting the importance of reporting operational risk events. Training was also provided to the Board of Directors and the Risk Committee on topics related to Operational Risk.

On the other hand, operational risk indicators were calculated and analyzed, which allowed monitoring the behavior of operational risk events and validated the timely, effective and efficient functioning of controls.

1.1.3. Servivalores

During 2021, the Operational Risk Department, which reports to the National Risk Management Department, carried out the activities to comply with the provisions defined in 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 Servivalores GNB Sudameris approved an update to procedures of the Rules on Operational Risk Management, mainly in connection with policies and procedures aimed at complying with Public Notice 025/2020, and an update of the "Operational Risk Assessment Methodology."

The various requirements of the Statutory Audit, Internal Audit and the Financial Superintendence of Colombia 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.

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.

Training sessions were held periodically for employees in the Entity's departments to reinforce knowledge on operational risk, as well as the GNB ORMS tool's functionality and usage, highlighting the importance of reporting operational risk events. Training was also provided to the Board of Directors and the Risk Committee on topics related to Operational Risk.

On the other hand, operational risk indicators were calculated and analyzed, which allowed monitoring the behavior of operational risk events and validated the timely, effective and efficient functioning of controls.

1.1.4. Servibanca

During 2021, the Operational Risk Department, which reports to the National Risk Management Department, carried out the activities to comply with the provisions defined in 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 Servibanca approved an update to procedures of the Rules on Operational Risk Management, mainly in connection with policies and procedures aimed at complying with Public Notice 025/2020, and an update of the "Operational Risk Assessment Methodology."

Work was completed on topics related to the “Provisions Related to Risk Management” that are part of the Rules of the Low-amount Payments System Managed by Servibanca S.A”, in connection with the work plan to comply with Decree 1692/2020.

The various requirements of the Statutory Audit, Internal Audit and the Financial Superintendence of Colombia 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.

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.

Training sessions were held periodically for employees in the Entity’s departments to reinforce knowledge on operational risk, as well as the GNB ORMS tool’s functionality and usage, highlighting the importance of reporting operational risk events. Training was also provided to the Board of Directors and the Risk Committee on topics related to Operational Risk.

On the other hand, operational risk indicators were calculated and analyzed, which allowed monitoring the behavior of operational risk events and validated the timely, effective and efficient functioning of controls.

1.1.5. Corporación Financiera GNB Sudameris

During 2021, the Operational Risk Department, which reports to the National Risk Management Department, carried out the activities to comply with the provisions defined in Public Notice 025/2020 issued by the Financial Superintendence of Colombia, in relation to the Rules regarding Operational Risk Management.

The Board of Directors Corporación Financiera GNB Sudameris approved an update to procedures of the Rules on Operational Risk Management, mainly in connection with policies and procedures aimed at complying with Public Notice 025/2020, and an update of the “Operational Risk Assessment Methodology.”

The various requirements of the Statutory Audit, Internal Audit and the Financial Superintendence of Colombia 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.

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.

Training sessions were held periodically for employees in the Entity’s departments to reinforce knowledge on operational risk, as well as the GNB ORMS tool’s functionality and usage, highlighting the importance of reporting operational risk events. Training was also provided to the Board of Directors and the Risk Committee on topics related to Operational Risk.

On the other hand, operational risk indicators were calculated and analyzed, which allowed monitoring the behavior of operational risk events and validated the timely, effective and efficient functioning of controls.

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 Peru, based on the risk culture and Internal Control of Banco GNB Peru, 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.

In 2021, the Risk Committee assessed the main operational risk events, controlled the operational risk appetite, and reviewed significant service results, positions, key personnel and suppliers.

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 2021, risk events continued to be monitored, identified and recorded in the GNB SARO tool.

2. Operational Risk VaR

Pursuant to the provisions issued by the Financial Superintendence of Colombia in Chapter XXIII of the Basic Accounting Public Notice, in Decree 415/2018 and Decree 1421/2019, which issue instructions related to the calculation of the Operating Value at Risk, the following are the results of each Entity:

2.1. Banco GNB Sudameris

Pursuant to the provisions of Decree 1421/2019, regarding capital adequacy requirements for operational risks at credit establishments, and Public Notice 025/2020 issued by the Financial Superintendence of Colombia, Banco GNB Sudameris implemented the calculation of OpVaR on a monthly basis since January 2021, generating the required reports in accordance with applicable regulations.

The average OpVaR of Banco GNB Sudameris during the period from January 1, 2021 to December 31, 2021, was COP 86,993 million, with a maximum value of COP 94,214 million and a minimum value of COP 75,823 million.

(Stated in millions of COP,
except exchange rates and nominal share values)

Figures in COP million

OpVaR Banco GNB Sudameris	
Date	**OpVaR**
Jan-21	75,823
Dec-21	94,214

Figures in COP million

OpVaR Banco GNB Sudameris	
Average	86,993
Maximum	94,214
Minimum	75,823

Compared to January 1, 2021, the VaR-OR at December 31, 2021 increased by COP 18,391 million, equivalent to 24.25%, mainly due to the impact of account 513505 “Restatement of own position liabilities” and the increase in income from dividends.

According to the analyses performed, the OpVaR has not had a significant impact on the Entity’s solvency margin, which remained above the thresholds defined by applicable regulations.

2.2. 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, 2020 to December 31, 2021 was COP 1,840 million, with a maximum value in March 2021 of COP 1,877 million and a minimum value of COP 1,786 million in December 2021:

Figures in COP million

OpVaR Sociedad Fiduciaria Servitrust GNB Sudameris	
Date	**OpVaR**
Dec-20	1,879
Dec-21	1,786

Figures in COP million

OpVaR Sociedad Fiduciaria Servitrust GNB Sudameris	
Average	1,840
Maximum	1,877
Minimum	1,786

According to the analyses performed, the OpVaR has not had a significant impact on the Entity’s solvency margin, which remained above the thresholds defined by applicable regulations.

2.3. 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 January 1, 2021 to December 31, 2021 was COP 1,151 with a maximum value December 2021 of COP 1,185 million and a minimum value of COP 1,065 million in December 2021:

Figures in COP million

OpVaR Sociedad Comisionista Servivalores GNB Sudameris	
Date	**OpVaR**
Dec-20	1,042
Dec-21	1,185

Figures in COP million

OpVaR Sociedad Comisionista Servivalores GNB Sudameris	
Average	1,151
Maximum	1,185
Minimum	1,065

The OpVaR at December 31, 2020 compared to December 31, 2021 displays a change of COP COP 143 million, equivalent to 13.72%, arising primarily from the evolution of the business of the securities broker Servivalores GNB Sudameris.

(Stated in millions of COP,
except exchange rates and nominal share values)

2.4. Corporación Financiera 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 1421/ 2019, the average OpVaR of Corporación Financiera S. A. in the period from January 1, 2021 to December 31, 2021 was COP 6,808 million, with a maximum value in August 2021 of COP 9,270 million and a minimum value of COP 2,205 million in December 2021.

The calculated regulatory OpVaR of Corporación Financiera totals COP 2,205.01 million, which arises from the change of methodology implemented in the third quarter of 2021, given that Corporación Financiera has already been in operation for three years:

Figures in COP million

OpVaR Corporación Financiera	
Date	**OpVaR**
Jan-21	8,859
Dec-21	2,205

Figures in COP million

OpVaR Corporación Financiera	
Average	6,808
Maximum	9,270
Minimum	2,205

It should be noted that OpVaR varied significantly between January and December 2021 due to a change in the methodology used for its calculation, given that Corporación Financiera has already been in operation for 3 years, and according to Public Notice 025/2020, OpVaR must be calculated using the standard methodology described in Annex 1 of Chapter XXIII of the Basic Accounting and Financial Public Notice (Public Notice 100/1995), using the defined general ledger accounts.

According to the analyses performed, the OpVaR has not had a significant impact on the Entity's solvency margin, which remained above the thresholds defined by applicable regulations.

3. Operational Risk Events

During 2021, the events with greatest impact were related to the Banco GNB merger project for COP 1,638 million and to Banco GNB Perú for COP 912,5 million. This amount is within the established operational risk limit.

Regarding Servibanca, operational risk events took place that impacted the financial statements in the amount of COP 560.7 million. This amount is within the established limit of operational risk. Type B events also occurred, associated mainly with "damages to physical assets" and "technological failures," which were remedied in a timely manner.

At Banco GNB Sudameris, Type A events impacted the financial statements in the amount of COP 366.4 million. This amount is within the established operational risk limit. Type B events also occurred, associated mainly with "process management and execution" and "technological failures," which were remedied in a timely manner.

At the Servitrust GNB Sudameris affiliate, events occurred worth COP 0.6 million, while operational risks at Servivalores and Corporación Financiera had no effect on the financial statements.

The following are the type "A" operational risk events as of year-end 2021 as a percentage of total events:

Figures in millions of COP

YEAR 2021		
Entity	**Amount**	**Share**
Banco GNB Merger Project*	1,638.7	45.8%
Banco GNB Perú*	912.5	25.5%
Servibanca	560.7	15.7%
Banco GNB Sudameris	366.4	10.2%
Banco GNB Paraguay*	101.2	2.8%
Servitrust	0.6	0.0%
Servivalores		0.0%
CorfiGNB		0.0%
Total	**3,580.1**	**100%**

Source: GNB SARO application

***** Calculations made using the exchange rate as of the last business day of each month, as appropriate for each country.

4. Risk Profile

The Financial Group has defined a conservative risk appetite in the development of its operations. During 2021, considering the risks identified in each of the Entities, we report that the residual risk level for the Group is LOW and is below the risk limit defined for each of the Group 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 corresponding authorities, during 2021, the Operational Risk Management Department carried out the following activities, among others:

a) The Risk Assessment Matrix that is part of the Business Continuity Plan was updated, along with all its components.

b) The user areas performed an assessment of critical suppliers to review the efficiency and effectiveness of the services provided during the events that took place (pandemic / national protests).

c) Automation of the BIA and the PCN Risk Matrix in the GNB SARO tool was completed.

d) With support from other departments of the Entity, the identification of critical processes/activities was completed by updating the BIA (Business Impact Analysis), making sure they were aligned with the Business Continuity Plan.

e) 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.

f) The annual Business Continuity Management System training and assessment session was held virtually for all Entity employees.

g) Training was delivered on topics related to the BCP to members of the Business Continuity Committee, and updates made to the Crisis Management Plan were communicated.

h) During 2021, 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.

i) The requirements of the Financial Superintendence of Colombia and the Internal Auditor in terms of the Business Continuity Management System were fulfilled in a timely fashion, with satisfactory results.

5.2. COVID-19 Event Follow-up

5.2.1. Banco GNB Sudameris and Subsidiaries in Colombia

During the health emergency caused by COVID-19, the Parent Company and its affiliates continue to perform their operations satisfactorily, ensuring adequate service to financial consumers and abiding by the guidelines reported by the Financial Superintendence of Colombia. The Group's Emergencies Committee continues to permanently monitor and implement, through short- and medium-term action plans, measures aimed at fulfilling the proposed objectives, protecting the integrity and lives of customers and employees, and periodically reporting the results to the Risk Committee and the Board of Directors.

Within the Entities, measures continue to be implemented to avoid the risk of infection and spread of COVID-19:

a. Reinforcement campaigns continue on the implementation of bio-safety measures.

b. Two work modalities remain in place: on-site and from-home, to ensure the correct operation of the Entities during the transition period.

c. The Human Resources Department continues to perform ongoing monitoring of the health conditions of employees, both working on-site and from-home.

d. The Entities have strictly complied with the measures declared by the Local Municipalities.

e. Communications continue to be sent to each Entity's stakeholders in connection with the protection of employees, customers and suppliers.

f. Timely compliance continues with the provisions issued by the national government and control entities.

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 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.

5.3.3. 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.

During 2021, the critical positions were identified, contingency plans were designed for the Bank's areas in coordination with the Risk Coordinators, and a report was prepared regarding suppliers classified as critical.

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). .

Peru

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.

(Stated in millions of COP,
except exchange rates and nominal share values)

The following is a summary of the financial information by segment at December 31, 2021 and 2020:

Consolidated Statement of Financial Position at December 31, 2021

Assets	**Colombia**	**Peru**	**Paraguay**	**Eliminations of intercompany transactions**	**Consolidated**
Cash and cash equivalents	12,573,075	1,702,781	3,223,920	(65,951)	17,433,825
Financial assets measured at fair value	11,012,283	859,459	988,779	(3,617,033)	9,243,488
Financial assets at amortized cost	1,185,554	302,345	-	-	1,487,899
Portfolio	10,843,914	3,091,025	8,107,391	-	22,042,330
Other accounts receivable	273,213	11,021	35,576	(2,944)	316,866
Non-current assets held for sale	230	-	173,386	-	173,616
Tangible assets	1,052,328	29,961	128,698	(17,784)	1,193,203
Intangible assets	136,517	3,253	214,478	261,038	615,286
Income tax assets	603,387	74,987	(2,683)	(158,599)	517,092
Other assets	158,526	4,865	213,085	-	376,476
Total Assets	**37,839,027**	**6,079,697**	**13,082,630**	**(3,601,273)**	**53,400,081**
Liabilities					
Financial liabilities at fair value	19,882	697	3,838	(11,009)	13,408
Customer deposits	19,815,089	4,625,152	10,543,968	(65,952)	34,918,257
Short-term liabilities	7,937,070	70,159	464,253	-	8,471,482
Loans from development entities	1,473,716	282,941	26,729	-	1,783,386
Long-term loans	3,850,500	60,330	99,529	-	4,010,359
Finance lease liabilities	71,783	8,945	6,811	-	87,539
Personnel expenses	44,779	5,604	9,357	-	59,740
Allowance	22,173	615	45,456	-	68,244
Income tax	158,599	-	-	(158,599)	-
Other Liabilities	266,828	123,947	98,098	(15,454)	473,419
Total Liabilities	**33,660,419**	**5,178,390**	**11,298,039**	**(251,014)**	**49,885,834**

Statement of Income

	Colombia	**Peru**	**Paraguay**	**Eliminations of intercompany transactions**	**Consolidated**
Interest and valuation income	1,133,203	256,651	603,627	(1,143)	1,992,338
Interest expenses:					
Interest expense on deposits	436,620	94,873	173,623	(1,142)	703,974
Financial debt and other interest	313,708	21,492	25,451	-	360,652
Total interest expenses	750,328	116,365	199,074	(1,142)	1,064,626
Net interest and valuation income	**382,875**	**140,286**	**404,553**	**(1)**	**927,712**
Impairment loss on financial assets	305,843	13,867	117,423	-	437,133
Net interest and valuation income	**77,032**	**126,419**	**287,130**	**(1)**	**490,579**
Net fee and commission income	116,831	13,670	71,266	106	201,873
Net income from valuation at fair value	186,073	(37,875)	(19,954)	(61,096)	67,148
Other income	623,764	49,379	99,135	(435,919)	336,359
Other expenses	512,260	112,116	245,574	(37,044)	832,906
Net pre-tax profit	**491,440**	**39,477**	**192,003**	**(459,866)**	**263,053**
Income taxes	(431)	(558)	15,311	-	14,322
Net profit	**491,871**	**40,035**	**176,692**	**(459,866)**	**248,731**

(Stated in millions of COP,
except exchange rates and nominal share values)

Consolidated Statement of Financial Position at December 31, 2020

Assets	**Colombia**	**Peru**	**Paraguay**	**Eliminations of intercompany transactions**	**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
Personnel expenses	49,344	4,108	-	-	53,452
Allowance	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 of intercompany transactions**	**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 taxes	46,070	1,345	7,602	-	55,017
Net profit	**307,200**	**40,342**	**73,524**	**(235,603)**	**185,464**

(Stated in millions of COP,
except exchange rates and nominal share values)

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:

- 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, 2021 and 2020:

	December 31, 2021	**December 31, 2020**
Colombia	1,055,519	1,075,629
Paraguay	603,627	320,994
Peru	256,651	362,178
Panama	49,157	63,644
British Virgin Islands	27,384	35,642
Total consolidated profit	**1,992,338**	**1,858,087**

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 significant non-current assets of the Bank and its Subsidiaries in each country for the years ended on December 31, 2021 and 2020:

December 31, 2021	**Tangible assets**	**Intangible assets**
Colombia	1,052,328	136,517
Peru	29,961	3,253
Paraguay	128,698	214,478
Eliminations of intercompany transactions	(17,784)	261,038
Total	**1,193,203**	**615,286**

December 31, 2020	**Tangible assets**	**Intangible assets**
Colombia	1,038,448	137,956
Peru	34,006	5,248
Paraguay	28,658	11,514
Eliminations of intercompany transactions	(12,687)	225,285
Total	**1,088,425**	**380,003**

(Stated in millions of COP,
except exchange rates and nominal share values)

During the years ended on December 31, 2021 and 2020, the Bank and its Subsidiaries did not report any concentration of income in customers accounting for more than 10% of income from ordinary activities.

NOTE 9. - CASH AND CASH EQUIVALENTS

The following is the breakdown of cash and cash equivalents:

	December 31, 2021	December 31, 2020
Local currency		
Cash	340,551	343,293
Central Bank	1,851,494	2,064,157
Banks and other financial entities	2,493	1,235
Remittances in transit	-	10
Interbank funds	80,013	80,038
Simultaneous operations (with repurchase agreements)	8,734,051	6,749,508
Subtotal	**11,008,602**	**9,238,241**
Foreign currency		
Cash	293,235	100,033
Central Bank	3,104,406	1,865,831
Banks and other financial entities	2,059,630	1,119,759
Checks on hold	9,224	22,997
Interbank funds	958,728	536,484
Subtotal	**6,425,223**	**3,645,104**
Total	**17,433,825**	**12,883,345**

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 MEASURED 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, 2021 and 2020:

Debt securities	December 31, 2021	December 31, 2020
Denominated in local currency		
Securities issued or guaranteed by the National Government	6,730,454	6,498,705
Securities issued or guaranteed by national public entities	89,069	25,961
Securities issued or guaranteed by the financial entities	213,390	344,005
Total denominated in local currency	**7,032,913**	**6,868,671**
Denominated in foreign currency		
Securities issued or guaranteed by the financial entities	298	-
Securities issued or guaranteed by foreign governments	2,019,109	1,382,691
Other securities	66,810	63,024
Total denominated in foreign currency	**2,086,217**	**1,445,715**
Total debt securities, net	**9,119,130**	**8,314,386**
Equity securities, net	64,954	61,969
Investment funds, net	46,664	46,090
Total investment securities, net	**9,230,748**	**8,422,445**

(Stated in millions of COP,
except exchange rates and nominal share values)

b) In debt securities at amortized cost

The following breakdown presents the carrying value of investments in debt securities, net of allowances for investment losses, as of the indicated dates:

Debt securities	**December 31, 2021**	**December 31, 2020**
Denominated in pesos		
Securities issued or guaranteed by the National Government	320,883	321,981
Issued or guaranteed by other financial institutions	864,984	728,301
Total denominated in local currency	**1,185,867**	**1,050,282**
Denominated in foreign currency		
Issued or guaranteed by other financial institutions	302,410	156,695
Total denominated in foreign currency	**302,410**	**156,695**
Total debt securities	**1,488,277**	**1,206,977**
Impairment of investments as per IFRS 9	(378)	(59)
Total investments, net	**1,487,899**	**1,206,918**

At December 31, 2021 and 2020, the financial investments in debt securities are guaranteeing repos and simultaneous operations for a total amount of COP 9,772,791 and COP 7,366,029, respectively.

c) 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, 2021**	**December 31, 2020**
Issued or guaranteed by central banks	2,019,109	1,382,691
Issued or guaranteed by governments	6,557,840	6,524,666
Investment grade	213,689	344,005
Speculative transactions	66,810	63,024
Not classified / not available	373,300	108,059
Total	9,230,748	**8,422,445**

d) Maturities of financial assets

The following is the summary of financial assets by maturity dates:

December 31, 2021

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	826,552	2,625,263	992,494	3,530,097	1,144,724	-	9,119,130
Investments in debt securities at amortized cost	242,826	583,212	359,829	66,515	235,895	(378)	1,487,899
Cash transactions and derivative instruments	12,740	-	-	-	-	-	12,740
Total investments	**1,082,118**	**3,208,475**	**1,352,323**	**3,596,612**	**1,380,619**	**(378)**	**10,619,769**

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

(Stated in millions of COP,
except exchange rates and nominal share values)

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**

e) 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, 2021			December 31, 2020		
	Amount in USD	**Amount in local currency**	**Fair value**	**Amount in USD**	**Amount in local currency**	**Fair value**
ASSETS		**TRM 3,981.16**			**TRM 3,432.50**	
Spot foreign currency				23,515	80	80
Foreign currency forwards	3,094,895	12,321	12,321	4,182,607	14,357	14,357
Interest rate swaps	77,530	309	309	23,793	82	82
Hedging forwards	27,628	110	110	-	-	-
TOTAL ASSETS	**3,200,053**	**12,740**	**12,740**	**4,229,915**	**14,519**	**14,519**
LIABILITIES						
Currency forwards	942,437	3,752	3,752	11,491,777	39,445	39,445
Interest rate swaps	91,342	364	364	29,399	101	101
Spot foreign currency				23,566	81	
Foreign currency futures	206,967	824	824	52,880	182	182
Hedging forwards	2,127,107	8,468	8,468	52,880	182	182
TOTAL LIABILITIES	**3,367,853**	**13,408**	**13,408**	**11,597,622**	**39,809**	**39,809**
NET POSITION	**(167,800)**	**(668)**	**(668)**	**(7,367,707)**	**(25,290)**	**(25,290)**

f) Offsetting of financial assets and financial liabilities

The following is a breakdown of the financial instruments subject to contractual offsetting at December 31, 2021 and 2020:

December 31, 2021

	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	197,315	(184,575)	12,740
Repos and simultaneous operations (with repurchase agreements)	180	(180)	-
Total	**197,495**	**(184,755)**	**12,740**

(Stated in millions of COP,
except exchange rates and nominal share values)

	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	(275,610)	262,202	(13,408)
Repos and simultaneous operations (with repurchase agreements)	-	-	-
Total	**(275,610)**	**262,202**	**(13,408)**

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)**

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 (non-renewable) bonds with maturity in 2022 at 100%, subordinated bonds with maturity in 2027 at 100%, and bonds with maturity in 2031 in a percentage of 9.78%.

The following information is the breakdown of the total investments with hedging and type of hedge used outside of Colombia.

(Stated in millions of COP,
except exchange rates and nominal share values)

December 31, 2021	**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)	828	220	245,443	245,443	89,342
Investment in Banco GNB Paraguay (Guaranís)	1,456,884	231	257,216	257,216	147,179
Goodwill		65	72,591	72,591	35,743
Total		**516**	**575,250**	**575,250**	**272,264**

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**

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.

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, 2021, 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.

The primary position to be hedged is the net investment abroad (cost of the investment) in Namen Finance Limited and Manforce Overseas Limited.

(Stated in millions of COP,
except exchange rates and nominal share values)

At December 31, 2021, Corporación Financiera held no hedging forwards.

The Group 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.

According to daily information provided by Proveedor de Precios para Valoración S.A. (Precia), at December 31, 2021, the following valuation was reported for the hedging forwards:

Initial Value	Term		Counterpart	Right Value	Obligation Value	Net Valuation
USD 5,000,000	18/08/2021	18/01/2022	Corficolombiana	19,419,582	19,917,748	(498,166)
USD 5,000,000	16/12/2021	14/02/2022	Bancolombia	18,967,066	19,927,737	(960,671)
USD 5,000,000	16/11/2021	7/02/2022	Bancolombia	19,558,499	19,926,929	(368,430)
USD 5,000,000	13/12/2021	11/02/2022	Corficolombiana	19,558,338	19,927,429	(369,091)
USD 5,000,000	14/12/2021	15/02/2022	Corficolombiana	19,617,506	19,927,838	(310,332)
USD 10,000,000	27/12/2021	3/03/2022	Corficolombiana	39,943,864	39,873,877	69,987
USD 5,000,000	27/12/2021	1/03/2022	Bancolombia	19,976,634	19,936,628	40,006
USD 40,000,000				**157,041,489**	**15,9438,186**	**(2,396,697)**

Additionally, at December 2021 the Corporation had the following trading forwards established:

Initial Value	Term		Counterpart	Right Value	Obligation Value	Net Valuation
USD 5,000,000	27/09/2021	13/01/2022	Bancolombia	19,015,197	19,914,794	(899,597)
USD 5,000,000	27/09/2021	13/01/2022	Bancolombia	19,005,158	19,914,794	(909,636)
USD 5,000,000	27/09/2021	13/01/2022	Bancolombia	19,010,153	19,914,794	(904,641)
USD 5,000,000	27/09/2021	13/01/2022	Bancolombia	19,000,163	19,914,794	(914,631)
USD 5,000,000	27/09/2021	13/01/2022	Bancolombia	18,990,174	19,914,794	(924,620)
USD 5,000,000	27/09/2021	13/01/2022	Bancolombia	19,419,819	19,914,794	(494,975)
USD 5,000,000	8/11/2021	7/02/2022	Corficolombina	19,459,214	19,928,929	(467,715)
USD 5,000,000	8/11/2021	4/03/2022	Bancolombia	19,464,399	19,910,246	(445,847)
USD 10,000,000	26/11/2021	27/01/2022	Corficolombina	40,249,751	39,851,294	398,458
USD 10,000,000	27/12/2021	3/03/2022	Corficolombina	39,943,864	39,873,877	69987
USD 40,000,000				**233,557,892**	**239,053,110**	**(5,493,217)**

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:

(Stated in millions of COP,
except exchange rates and nominal share values)

Description	December 31, 2021	December 31, 2020
Payroll Loans	6,854,496	6,502,322
Ordinary loans **(1)**	13,027,999	7,244,415
Loans with funds from development entities	785,789	957,363
Overdrafts	52,442	22,085
Credit cards	220,347	84,907
SME loans	894,587	487,881
Mortgage (housing) loans **(2)**	943,050	875,431
Vehicle loans	954	3,325
Gross total of loan portfolio financial assets	**22,779,664**	**16,177,729**
Impairment allowance	(737,334)	(605,829)
Net total of loan portfolio financial assets	**22,042,330**	**15,571,900**
(1) Includes consumer loans to employees for	10,535	9,215
(2) Includes mortgage (housing) loans to employees for	29,827	28,880

The following were the movements in the financial assets impairment allowances on the loan portfolio during the years ended on December 31, 2021 and 2020:

	December 31, 2021			
Specific impairment allowances	**Commercial**	**Consumer**	**Mortgage**	**Total**
Balance at December 31, 2020	**310,202**	**202,265**	**93,362**	**605,829**
Current period impairment loss:	0	0	0	-
Charge for the period	456,336	371,477	37,018	864,831
Recoveries	(252,781)	(130,786)	(44,846)	(428,413)
Effect of foreign currency fluctuations	31,887	-	-	31,887
Write-offs	(147,286)	(188,603)	(911)	(336,800)
Subtotal impairment allowances - Customers	**398,358**	**254,353**	**84,623**	**737,334**

	December 31, 2020			
Specific impairment allowances	**Commercial**	**Consumer**	**Mortgage**	**Total**
Balance at December 31, 2019	**317,407**	**164,010**	**43,617**	**525,034**
Current period impairment loss:				
Current period charges	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 allowances - Customers	**310,202**	**202,265**	**93,362**	**605,829**

The following is a breakdown of the loan portfolio of the Bank and its Subsidiaries by maturities:

December 31, 2021

	Up to 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 Years	Total
Commercial	8,223,631	1,726,320	2,750,128	1,615,318	14,315,397
Consumer	397,307	488,443	732,423	5,903,044	7,521,217
Mortgage	167,058	16,042	32,967	726,983	943,050
Total gross loan portfolio	**8,787,996**	**2,230,805**	**3,515,518**	**8,245,345**	**22,779,664**

December 31, 2020

	Up to 1 year	From 1 to 3	From 3 to 5	More than 5	Total

		years	years	Years	
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 loan portfolio	**3,694,056**	**2,659,550**	**2,174,884**	**7,649,239**	**16,177,729**

Loan portfolio by maturity:

The following is a summary of the loan portfolio by maturity at December 31, 2021 and 2020:

December 31, 2021	0 to 30 days	31 to 60 days	31 to 90 days	More than 91 days	Total
Commercial	13,927,521	92,042	16,955	278,879	14,315,397
Consumer	7,322,662	61,940	47,751	88,864	7,521,217
Mortgage	843,379	29,142	17,560	52,969	943,050
Total Portfolio	**22,093,562**	**183,124**	**82,266**	**420,712**	**22,779,664**
December 31, 2020	**0 to 30 days**	**31 to 60 days**	**31 to 90 days**	**More than 91 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 Portfolio	**15,676,725**	**132,892**	**54,766**	**313,344**	**16,177,729**

NOTE 12. – OTHER ACCOUNTS RECEIVABLE

The following is a breakdown of other accounts receivable at December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Commissions and fees	1,249	963
Leases	139	76
Sales of goods and services	739	688
Deposits	13,072	12,932
Taxes	286	173
Advance payments to suppliers	961	1,364
Advance payments to employees	2,224	2,914
Payments on behalf of customers	44,868	87,766
Purchase/sale agreements	19,906	72,085
Insurance claims	27,127	31,753
Abandoned accounts of ICETEX	8,210	7,115
National Treasury Direction	2,333	2,273
Servibanca clearing	13,418	20,108
Others (1)	213,899	245,477
Subtotal	**348,431**	**485,687**
Impairment	(31,565)	(25,784)
Total	**316,866**	**459,903**

(1) It includes claims to insurance companies for COP 27,126, other amounts in judicial proceedings for COP 92,893, other accounts receivable at overseas subsidiaries for COP 35,788 and other minor accounts receivable at less than 90 days for COP 58,092 in Colombia.

(Stated in millions of COP,
except exchange rates and nominal share values)

The following is a breakdown of the impairment movements of other accounts receivable at December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Balance at the beginning of period	25,784	7,713
Charge for the period	32,158	48,249
Recoveries	(7,356)	(8,715)
Write-offs	(19,021)	(21,463)
Final balance	**31,565**	**25,784**

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. 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, 2021 and 2020:

	December 31, 2021	December 31, 2020
Assets received as payment		
Chattel assets	2,067	1,812
Real estate	194,576	79,689
Subtotal	**196,643**	**81,501**
Impairment	(23,027)	(3,958)
Total	**173,616**	**77,543**

The following is the movement of non-current assets held for sale for the years ended on December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Initial balance	**(3,958)**	(28,874)
Acquisitions and disposals of properties	(18,412)	33,830
Impairment movements	(657)	(8,914)
Final balance	**(23,027)**	**(3,958)**

NOTE 14. – PROPERTY AND EQUIPMENT

The following is a breakdown of property and equipment at December 31, 2021 and 2020:

December 31, 2021	Cost	Revaluation	Net
Land	354,634	-	354,634
Buildings	569,751	(83,614)	486,137
Vehicles	5,686	(4,533)	1,153
Furniture and fixtures	82,556	(63,268)	19,288
Computers	138,569	(99,348)	39,221
Total	**1,151,196**	**(250,763)**	**900,433**

(Stated in millions of COP,
except exchange rates and nominal share values)

December 31, 2020	Cost	Revaluation	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**

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, 2021 and 2020:

	December 31, 2020	Additions	Derecognition	Revaluation	December 31, 2021
Land (1)	313,276	38,851	-	2,507	354,634
Buildings (1)	513,328	51,332	-	5,091	569,751
Vehicles	2,759	2,927	-	-	5,686
Furniture and fixtures	48,609	33,953	(6)	-	82,556
Computers	108,789	29,780	-	-	138,569
Total	**986,761**	**156,843**	**(6)**	**7,598**	**1,151,196**

	December 31, 2019	Additions	Derecognition	Revaluation	December 31, 2020
Land	289,162	8,214	-	15,900	313,276
Buildings	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**

(1) The addition of land and buildings in 2021 is primarily from the acquisition of Banco GNB Paraguay in the process of being merged.

The following are the movements of accumulated depreciation on property and equipment during the years ended on December 31, 2021 and 2020:

	Buildings	Furniture and fixtures	Computers	Vehicles	Total
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)**
Current period depreciation charges	(4,874)	(3,117)	(18,503)	(301)	(26,795)
Derecognition and additions of PPE	(25,580)	(29,666)	(15,822)	(2,395)	(73,463)
December 31, 2021	(83,614)	(63,268)	(99,348)	(4,533)	**(250,763)**

Right-of-use property and equipment, net of depreciation

The following is a breakdown of right-of-use property and equipment at December 31, 2021 and 2020:

(Stated in millions of COP,
except exchange rates and nominal share values)

	December 31, 2021		
Asset:	**Cost**	**Depreciation**	**Net**
Buildings	123,883	(52,675)	71,208
Transportation equipment	18,115	(12,076)	6,039
Technological equipment	3,911	(1,877)	2,034
Total	**145,909**	**(66,628)**	**79,281**

	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**

Asset:

The following is the movement of right-of-use assets at December 31, 2021 and 2020:

	December 31, 2021	**December 31, 2021**
Initial balance	96,346	125,649
Additions and derecognition of contracts	9,617	(2,914)
Depreciation expenses	(26,682)	(26,389)
Final balance	**79,281**	**96,346**

Lease liabilities:

The following is the breakdown of other lease liabilities at December 31, 2021 and 2020, which are calculated with effective annual discount rates of 6.37%, 6.87% and 9.33% for the Bank and domestic affiliates, and 5.46%, 5.48% and 5.84% EAR for foreign affiliates, for the short, medium and long-term, respectively.

Liabilities:

	December 31, 2021	**December 31, 2020**
Initial balance	103,436	130,361
Additions and derecognition of contracts	8,973	1,969
Interest expenses	6,902	7,857
Payments made	(31,772)	(36,751)
Final balance	**87,539**	**103,436**

The breakdown of the short and long-term balances for lease liabilities is shown below:

	Balance from amortization less than 12 months	Balance from amortization greater than 12 months
Other lease liabilities	COP 7,880	COP 79,659

NOTE 15. – INVESTMENT PROPERTIES

The following is a summary of the investment properties at December 31, 2021 and 2020:

	December 31, 2021	**December 31, 2020**
Cost	135,114	144,653
Fair value	78,375	11,170
Total	**213,489**	**155,823**

(Stated in millions of COP,
except exchange rates and nominal share values)

During the years ended on December 31, 2021 and 2020, rental income from investment properties amounted to COP 994 and COP 758, respectively.

No commitment to acquire the investment properties was made in 2021.

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, 2019	**134,350**
Transfers	29,367
Derecognition	(7,894)
December 31, 2020	**155,823**
Additions	8,722
Fair value update	48,944
December 31, 2021	**213,489**

NOTE 16. - INTANGIBLE ASSETS

a) Goodwill

The following are the movements of the goodwill account for the periods ended on December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Balance at the beginning of year	**357,781**	**344,526**
Adjustment for exchange difference	36,225	10,255
Acquisition of investments through business combination (1)	193,508	-
Balance at year end	**584,514**	**354,781**

(1) Business combination

On January 22, 2021, through the Banco GNB (Paraguay) subsidiary, the banking operations of Banco Bilbao Vizcaya Argentaria S. A. (BBVA Paraguay S. A.) were acquired for USD 251.3 million, which generated goodwill in the amount of USD 48 million and a 100% equity stake in the acquired company. Closure of the operation was authorized by the competent regulatory entities in Colombia and abroad. Also, in order to facilitate the acquisition of the shares of BBVA Paraguay S. A., Banco GNB Sudameris made a share capital contribution for approximately USD 75 million and Grupo Vierci contributed approximately USD 80 million, changing the shareholding percentages of the affiliate.

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 value 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.

(Stated in millions of COP,
except exchange rates and nominal share values)

Millions of dollars	**Banco GNB in merger process**
Acquisition date	**January 22, 2021**
Assets	
Cash and cash equivalents	529
Financial assets measured at fair value	2
Measured at amortized cost	1,298
Non-current assets held for sale, net	14
Tangible assets, net	12
Intangible assets, net	4
Total Assets	**1,859**
Liabilities	
Customer deposits	1,469
Financial Obligations	113
Allowance	13
Taxes	1
Other Liabilities	60
Total Liabilities	**1,656**
Equity	
Subscribed and paid-in capital	65
Reserves	81
Net income for the year	26
Income from prior fiscal years	31
Total Equity	**203**
Consideration provided	251
Goodwill recognized	**48**

The goodwill arising from the purchase since that date until the period ended on December 31, 2021 has displayed variation due to differences in currency translation.

b) Computer programs and applications

The following is a breakdown of the balances of computer software and other applications at December 31, 2021 and 2020:

	December 31, 2020	**Additions and removals**	**Amortization**	**December 31, 2021**
Licenses	9,828	706	-	10,534
Acquired programs	39,806	8,498	-	48,304
Programs in transit	358	(338)	-	20
Finished programs	26,016	2,065	-	28,081
Amortization of licenses	(2,105)	-	(1,726)	(3,831)
Accumulated amortization of acquired programs	(23,976)	-	(1,381)	(25,357)
Accumulated amortization of finished programs	(24,705)	-	(2,274)	(26,979)
Total intangible assets	**25,222**	**10,931**	**(5,381)**	**30,772**

	December 31,		**Amortization**	**December 31,**

	2019	Additions and removals		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**

NOTE 17. - CURRENT INCOME TAX

i. Details of the surplus in the calculation of consolidated income tax:

December 31, 2021

Entity	Advance payment	Provision	Assets(liabilities)
Banco GNB Sudameris	350,633	-	350,633
Servitrust	318	(481)	(163)
Servibanca	-	(7,285)	(7,285)
Servivalores	865	-	865
Servitotal	3	-	3
Fondo Inmobiliario	-	(12,510)	(12,510)
Corporación Financiera	3,683	-	3,683
Banco GNB Perú	46,260	-	46,260
Banco GNB Paraguay	21,749	(15,705)	6,044
Total income tax assets	**423,511**	**(35,981)**	**387,530**

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
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)**

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, 2021 and 2020:

(Stated in millions of COP,
except exchange rates and nominal share values)

Item	December 31, 2021	December 31, 2020
Current period income tax	45,971	63,657
Subtotal	**45,971**	**63,657**
Deferred tax (See Note 23)	(31,649)	(8,640)
Total	**14,322**	**55,017**

iii. Reconciliation of the tax rate in accordance with the tax provisions and effective rate

The tax provisions that apply to income taxes for fiscal years 2021 and 2020 establish the following, among others:

Taxable income is taxed at a rate of 31% plus a 3% surcharge for financial entities in tax year 2021, and in 2020 the tax rate was 32% with a 4% surcharge.

Income from capital gains is taxed at a rate of 10%.

The taxable income of entities that belong to the special free trade zone regime in Colombia is taxed at a rate of 20%.

In 2021, presumptive income is 0%, whereas in 2020 it was 0.5% of net assets as of the last day of the previous tax year.

In 2021 and 2020, a tax credit can be taken on income tax for 50% of the municipal taxes (ICA, for the Spanish original) effectively paid during the tax year, and starting in 2022 the tax credit will be 100%. The tax rule allows treating the ICA tax as either a tax deduction or a tax credit, at each entity's convenience (though not both).

Tax losses reported before 2017 can be offset in the terms described in the tax laws that were in effect at December 31, 2016, but cannot be readjusted for tax purposes. Tax losses reported after 2017 can be offset against ordinary taxable income reported within the next 12 tax years.

The excess amounts of presumptive income reported before 2017 can be offset in the terms described in the tax laws that were in effect at December 31, 2016, but cannot be readjusted for tax purposes. The excess amounts of presumptive income reported after 2017 can be offset against ordinary taxable income reported by companies within the next 5 years.

For the effects of determining the income tax, starting on January 1, 2017, the amounts of assets, liabilities, equity, income, costs and expenses shall be determined based on the recognition and measurement systems defined in the accounting technical regulatory standards in effect in Colombia, whenever tax law expressly refers to such standards, and whenever tax law does not regulate such matters. In any case, tax law may expressly provide for a different treatment.

The applicable income tax rate according to Colombian law was 31% in 2021 and 32% in 2020. The reduction in the income tax rate applicable to the Company is due to changes in Colombian tax law that were enacted in 2019.

During 2021, as a result of the increase in the income tax rate from 30% to 35%, which was approved on September 14, 2021 and becomes effective starting on January 1, 2022, the Company made the corresponding adjustments to deferred tax balances. The deferred taxes that are expected to revert in 2022 and subsequent years has been calculated using the income tax rate of 35%.

The following is the breakdown of the reconciliation between the total income tax expense of the Bank calculated at the currently valid tax rates and the tax expenses effectively recognized in profit and loss for the years ending December 31, 2021 and 2020.

(Stated in millions of COP,
except exchange rates and nominal share values)

Item	December 31, 2021	December 31, 2020
Pre-tax profit	263,053	240,481
Theoretical income tax expenses at the current rate (2021: 34% and 2020: 36%)	150,022	86,501
Plus or less taxes that increase or decrease the income tax expense		
Non-deductible expenses	4,634	2,237
Interest and other non-taxable income	(7,334)	(7,159)
Non-taxable income	(1,468)	(14,139)
Other items		11,081
Losses in subsidiaries in countries that are tax-free or with different tax rates	(131,532)	(23,504)
Total current period tax expense	**14,322**	**55,017**
Effective tax rate	**5.44%**	**22.88%**

NOTE 18. – OTHER ASSETS

The following is the breakdown of the balances of other assets at December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Other parts of interest – Repossessed assets (1)	112,107	65,355
Constructions in progress (2)	34,381	17,026
Prepaid expenses	42,422	10,697
Hotel inventories	387	415
Other	188,638	142,344
Art and cultural assets	1,787	1,787
Impairment of other assets	(3,247)	(2,599)
Total	**376,476**	**235,025**

(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.

The following is the breakdown of impairment movements for other assets at December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Initial balance	**(2,599)**	**(1,700)**
Allowance charged to income	(648)	(899)
Impairment reversals credited to income	-	-
Final balance	**(3,247)**	**(2,599)**

(Stated in millions of COP,
except exchange rates and nominal share values)

NOTE 19. – CUSTOMER DEPOSITS

Customer deposits

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, 2021	December 31, 2020
Private - active	4,344,985	2,313,033
Private- inactive	14,915	14,874
Government - active	594,577	334,783
Government - inactive	1,368	3,119
Private - abandoned	3,528	3,193
Government - abandoned	14	271
Total checking accounts	**4,959,387**	**2,669,273**

Savings accounts	December 31, 2021	December 31, 2020
Ordinary - active	19,191,241	14,802,649
Ordinary - inactive	320,287	431,465
With term deposit	212	1,245
Abandoned	4,625	3,520
Total savings accounts	**19,516,365**	**15,238,879**

Term deposits	December 31, 2021	December 31, 2020
Maturities up to 6 months from initial date	7,052,212	5,548,560
6-12 months	1,340,645	1,579,562
12-18 months	1,346,396	1,190,100
18 months or longer	703,252	761,950
Total term deposits	**10,442,505**	**9,080,172**

A summary of effective interest rates earned on customer deposits in Colombia is included below:

	December 31, 2021			
	Local currency		Foreign currency	
	Minimum	Maximum	Minimum	Maximum
	%	%	%	%
Checking accounts	1,00	1,89	1,00	1,89
Savings accounts	1,76	2,74	1,76	2,74
Term deposits	3,15	3,9	-	-

	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	-	-

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, 2021 for the main products were within the following ranges (effective annual rate):

(Stated in millions of COP,
except exchange rates and nominal share values)

	2021		2020	
Product	**Local currency %**	**Foreign currency %**	**Local currency %**	**Foreign currency %**
Term deposits	0.1 - 3.5	0.05 - 0.65	0.5 - 4.50	0.10 - 0.90
Savings accounts	0.25 - 3.75	0.10 - 1.00	0.25 - 4.00	0.10 - 1.00
Checking accounts	3.75 - 5.50	1.30 - 2.00	3.75 - 5.50	1.30 - 2.00

A summary of effective interest rates earned in customer deposits in Paraguay is included below:

	2021		2020	
	Local currency %	**Foreign currency**	**Local currency %**	**Foreign currency**
On-demand deposits	0,45	0,45	0,70	0,40
Term deposits				
180 days	0,85	0,29	1,35	0,79
Up to 365 days	3,41	0,93	3,85	1,26
More than 365 days	5,72	2,74	5,98	3,63

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, 2021

Sector	Colombia	Peru	Paraguay	Total
Agriculture and livestock farming	3,810	226	247,103	251,139
Business	305,877	12,036	595,142	913,055
Construction	268	957	202,394	203,619
Services	585,598	46,124	443,082	1,074,804
Transportation	6,209	192	-	6,401
Financial	584,671	292,150	136,520	1,013,341
Industry	142,152	1,471	470,576	614,199
Mines and energy	222	2,589	-	2,811
Solidarity	3,626	-	-	3,626
Others - employees and rentiers	50,788	-	825,604	876,392
Total	**1,683,221**	**355,745**	**2,920,421**	**4,959,387**

(Stated in millions of COP,
except exchange rates and nominal share values)

Savings accounts at December 31, 2021

Sector	Colombia	Peru	Paraguay	Total
Agriculture and livestock farming	6,708	33	213,023	219,764
Business	858,921	560	1,072,992	1,932,473
Construction	699	2	39,890	40,591
Services	4,641,778	2,167	521,779	5,165,724
Transportation	21,180	247	-	21,427
Financial	7,293,975	1,835,464	211,038	9,340,477
Industry	175,372	383	907,263	1,083,018
Mines and energy	21,663	-	-	21,663
Solidarity	42,273	-	-	42,273
Others - employees and rentiers	556,188	6,506	1,086,261	1,648,955
Total	**13,618,757**	**1,845,362**	**4,052,246**	**19,516,365**

Term deposits at December 31, 2021

Sector	Colombia	Peru	Paraguay	Total
Agriculture and livestock farming	1,040,889	-	135,297	1,176,186
Business	17,364	156,124	181,480	354,968
Construction	289,584	62,772	23,375	375,731
Services	811	78,285	294,493	373,589
Transportation	1,598,216	-	-	1,598,216
Financial	3,717	2,070,985	288,396	2,363,098
Industry	1,210,849	120	117,053	1,328,022
Mines and energy	270,386	-	-	270,386
Solidarity	8,681	-	-	8,681
Others - employees and rentiers	6,664	55,757	2,531,207	2,593,628
Total	**4,447,161**	**2,424,043**	**3,571,301**	**10,442,505**

Checking accounts at December 31, 2020

Sector	Colombia	Peru	Paraguay	Total
Agriculture and livestock farming	3,387	474	1,289,49	5,150
Business	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
Industry	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**

(Stated in millions of COP,
except exchange rates and nominal share values)

Savings accounts at December 31, 2020

Sector	Colombia	Peru	Paraguay	Total
Agriculture and livestock farming	5,208	836	716,57	6,761
Business	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
Industry	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	Peru	Paraguay	Total
Agriculture and livestock farming	12,872	13,826	4,769,89	31,468
Business	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
Industry	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**

NOTE 20. - FINANCIAL OBLIGATIONS

Deposits by financial institutions

The following is a breakdown of deposits by financial institutions

Short-term obligations

	December 31, 2021	December 31, 2020
Banks	358,435	337,166
Special deposits	163,567	83,179
Services	108,882	111,674
Interbank funds	354,325	183,279
Repo operations	1,660,269	1,250,119
Simultaneous operations (with repurchase agreements)	5,826,004	3,760,677
Total	**8,471,482**	**5,726,094**

(Stated in millions of COP,
except exchange rates and nominal share values)

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, 2021 and 2020:

Entity	Interest rate	December 31, 2021	December 31, 2020
Central Bank	Between 1.04% and 4.25%	20,400	17,946
Banco de Comercio Exterior (Bancoldex)	4.4800%	145,518	253,192
Fondo para el Financiamiento del Sector Agropecuario "FINAGRO S. A.	Between 0.0% and 9.06%	11,458	12,875
Financiera de Desarrollo Territorial S. A. (FINDETER)	Between 9.06% and 14.58%	514,885	645,997
Foreign banks		715,736	872,551
Other financial obligations		375,389	619,009
Total		**1,783,386**	**2,421,570**

These obligations with rediscount entities are associated with funds that government entities make available to the Bank to make loans to companies in economic sectors that have been targeted by the national government for promotion. This implies that the counterparties of the loans are entities involved in agriculture, livestock farming, national production for export, etc. The loan disbursements have been previously authorized by the rediscount entities and collections on the loans are to be allocated to repaying these financial obligations.

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, 2021				December 31, 2020			
	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)**	2,91	2,910	0,3	0,3	1,71	1,71	0,3	0,35
Repo operations **(R)**	2,95	2,956			1,75	1,76		
Simultaneous operations **(S)**	(0,51)	3,025			1,65	1,75		

Long-term financial obligations

Type	December 31, 2021	December 31, 2020
Subordinated bonds outstanding – COP	334,604	333,407
Subordinated bonds outstanding - Foreign currency	3,675,755	1,970,352
Ordinary bonds outstanding - Foreign currency	-	39,183
Total	**4,010,359**	**2,342,942**

(Stated in millions of COP,
except exchange rates and nominal share values)

The following is a breakdown of the bond features on a consolidated basis:

					December 31, 2021			
Issue period	**Type of issue**	**Amount of issue**	**Balance**	**Interest rate**	**Interest expense**	**Issue date**	**Maturity date**	**Payment method**
2012 Issuance	Subordinated Bonds	USD 250,000,000	725,732	7.50%	44,848	Jul 30, 12	Jul 30, 22	Interest semester in arrears
2015 Issuance	Subordinated Bonds Paraguay	USD 25,000,000	99,529	6.70%	2,202	Nov 24, 15	Nov 18, 22	Interest semester in arrears
2016 Issuance	Subordinated bonds Peru	USD 15,006,000	60,330	5,437%	2,256	Oct-27-16	Oct-27-26	Interest semester in arrears
2017 Issuance	Subordinated Bonds	USD 300,000,000	1,205,955	6.50%	54,904	Apr 03, 17	Apr 03, 27	Interest semester in arrears
2021 Issuance	Subordinated Bonds	USD 400,000,000	1,584,209	7.50%	52,807	Apr 16, 21	Apr 16, 31	Interest semester in arrears
		Total foreign-currency bonds	**3,675,755**					
2017 Issuance	Subordinated Bonds	COP 119,205	113,765	3.85%	5,133	Nov 23, 17	Nov 23, 24	Interest quarter in arrears
2017 Issuance	Subordinated Bonds	COP 213,200	220,839	4.05%	9,965	Nov 23, 17	Nov 23, 26	Interest quarter in arrears
		Total bonds Local currency	**334,604**					
		Total bonds issued	**4,010,359**					

The amount of the Subordinated Bonds forms part of additional equity and is verified each quarter by the Statutory Auditor.

					December 31, 2020			
Issue period	**Type of issue**	**Amount of issue**	**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
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	Nov 23, 17	Nov 23, 24	Interest quarter in arrears
2017 Issuance	Subordinated Bonds	COP 213,200	213,844	4.05%	15,301	Nov 23, 17	Nov 23, 26	Interest quarter in arrears

(Stated in millions of COP,
except exchange rates and nominal share values)

Total bonds Local currency	**333,407**
Total bonds issued	**2,342,942**

NOTE 21. – EMPLOYEE BENEFITS

In accordance with Colombian labor law, labor bargaining agreements and collective agreements, the employees of the Bank and its Subsidiaries receive short-term benefits (salaries, vacations, mandatory bonus, extra-legal bonus, severance fund and interest on severance fund) and long-term benefits, such as seniority bonus and medical care, and post-employment and retirement benefits. The latter include severance pay for employees covered by the regime prior to Law 50/1990, and mandatory and extra-legal pensions. The remuneration for key executives includes salaries, in-kind benefits and contributions to their post-employment benefits plan.

The employees at the subsidiaries in Peru and Paraguay only receive short-term benefits.

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, 2021 and 2020:

	December 31, 2021	**December 31, 2020**
Short-term	15,328	14,756
Post-employment	18,918	22,058
Long-term	25,494	16,420
Estimated liabilities	-	218
Total	**59,740**	**53,452**

Short-term benefits

The payment of such benefits (other than severance payments) must be made within twelve months following the end of the fiscal year in which the employees rendered their services. These benefits accrue as they are incurred and charged to income. 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.

Post-employment benefits

Benefits of this type are paid to employees when they retire or after they complete their employment period (excluding severance payments). Said benefits, in accordance with Colombian labor law and the provisions of the Collective Labor Agreement between the Bank and the labor unions, correspond to retirement pensions (retirees to be paid by the Bank or with pension shared with Colpensiones) and retirement benefits, which are paid to employees whose positions are covered by the Collective Agreement, to whom old-age pensions have been granted.

The post-employment benefits liability is determined based on the present value of estimated future payments to be made to employees whose entitlement to an old-age pension has been recognized. It is calculated based on actuarial studies. Therefore, the expense associated with these benefits is recorded in the Bank's statement of income, which includes the present cost of service assigned in the actuarial calculation plus the financial cost of the calculated liability.

The Bank does not have assets and/or an insurance policy allocated to covering the payment of post-employment benefits. Therefore, it has fully recognized this liability in its financial statements.

The Bank does not make benefit payments to employees based on shares.

Severance benefits (severance payments)

Severance payments are the remunerations payable to employees as a result of:

(a) the company's decision to terminate the employee's contract prior to the normal retirement age; or

(b) the employee's decision to voluntarily accept the termination of the relationship of employment in exchange for such compensation.

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 charged to income on the earlier of the following dates:

- When the Bank formally informs the employee of its decision to remove him/her from employment.

- When provisions are recognized for restructuring costs for a Bank subsidiary or business involving the payment of termination benefits.

Other long-term benefits

These are all employee benefits other than short-term benefits, post-employment benefits and severance payments. In accordance with Colombian labor regulations, the Collective Labor Agreement between the Bank and labor unions, as well as the extra-legal benefits applicable to employees excluded from the aforementioned collective agreement, these benefits include: the seniority bonus and severance payments to employees under the regime prior to Law 50/1990.

Long-term employee benefit liabilities are determined in the same way as post-employment benefits, i.e. by performing actuarial calculations as described above. Therefore, the corresponding expense for these benefits is recognized in the Bank's statement of income, which includes the present service cost assigned in the actuarial calculation, plus the financial cost of the calculated liability.

The Bank does not have assets and/or an insurance policy allocated to covering the payment of post-employment benefits. Therefore, it has fully recognized this liability in its 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 changes in 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.

(Stated in millions of COP,
except exchange rates and nominal share values)

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.

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, 2021 and 2020:

	Post-employment		**Other long-term**	
	2021	**2020**	**2021**	**2020**
Initial balance	22,058	25,274	16,420	16,747
Current period accrued costs	272	278	1,118	1,109
Interest	1,241	1,478	855	967
Paid to employees	(2,144)	(2,669)	(2,166)	(2,060)
Adjustments (OCI)	(2,607)	(2,303)	-	-
Effect of changes in assumptions Financial and based on experience	(36)	-	3,127	(246)
Corporación Hoteles	134	-	123	(29)
Other long term Peru	-	-	6,017	(68)
Final balance	**18,918**	**22,058**	**25,494**	**16,420**

Actuarial assumptions

The variables used for the calculation of the projected obligations of the different employee post-employment and other long-term benefits are shown below:

Actuarial Assumptions	**December 31, 2021**	**December 31, 2020**
Discount rate	7.75%	5.75%
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.

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).

(Stated in millions of COP,
except exchange rates and nominal share values)

The parent company has a group of employees who were entitled to severance payments prior to the issuance of Law 50 of 1990. Such benefits is 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 31, Related Parties.

Sensitivity analysis

The sensitivity analysis 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	8.00%	(547)	582
Salary growth rate	4.50%	219	(205)
Pension growth rate	3.50%	65	(65)

Long-term benefits	Change to the Variable	Increase in the variable	Decrease in the Variable
		+50 points	-50 points
Discount rate	7.75%	(377)	398
Salary growth rate	4.50%	485	(461)

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 of 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 13,509. The Bank has established a provision for 100% of said amount, pursuant to the provisions of the International Accounting Standard No. 19 (IAS 19), regarding a Legal Retirement Pension Plan on the account of the Entity.

NOTA 22 - PROVISIONS FOR LEGAL CONTINGENCIES AND OTHER PROVISIONS

The following is the breakdown of provisions at December 31, 2021 and 2020:

Legal proceedings, fines, penalties and indemnities	December 31, 2021	December 31, 2020
Fines and penalties of other administrative authorities	122	122
Labor proceedings	3,066	2,108
Other litigation in legal administration or arbitration proceedings	11,335	7,178
Subtotal legal proceedings, fines, penalties and indemnities	**14,523**	**9,408**

Other provisions	December 31, 2021	December 31, 2020
Allowance	**53,721**	**60,456**

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 ruling in favor in each case.

Labor Proceedings

At December 31, 2021 and 2020, this provision includes labor lawsuits for COP 3,066 and COP 2,108 in litigation against the Bank, 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, 2021 and 2020, this provision includes legal proceedings for COP 11,335 and COP 6,759, which in the opinion of the lawyers will generate outlays for the Bank. 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 ruling in favor in each case.

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, 2021 and 2020, based on the currently enacted rates for the years in which said differences will revert.

Year ending on December 31, 2021

Stated in millions of COP

	Dec-20	Reclassifications	Accredited (charged) to profit and loss	Accredited (charged) to OCI	Dec-21
Presumptive income	8,626	-	(8,233)	-	393
Employee benefits	8,493	-	(6,998)	-	1,495
Exchange difference assets	(36)	-	3,983	-	3,947
Cash flow hedges	17,225	-	(2,808)	-	14,417
Generic provision on loan portfolio	21,925	-	523	-	22,448
Surplus in depreciation of facilities	2,814	-	348	-	3,162
Others	8,822	-	142,465	-	151,287
Financial instruments measured at fair value	23,054	-	(20,846)	118,112	120,320
Cash and cash equivalents (Exchange Rate Difference)	10,403	-	(8,992)	-	1,411
Derivatives (exchange differences)	8	-	2,099	-	2,107
Deferred tax assets	**101,334**	-	**101,541**	**118,112**	**320,987**
Property plant and equipment	(34,708)	-	5,422	(4,428)	(33,714)
Loan portfolio impairment allowance Full IFRS	(11,616)	-	(14,151)	(64,627)	(90,394)
Financial instruments measured at fair value	(4,588)	-	4,588	(2,393)	(2,393)
Loan Portfolio (Exchange Rate Difference)	-	-	(29,856)	-	(29,856)
Other accounts receivable (Exchange Rate Difference)	-	-	(5,080)	-	(5,080)
Others	-	830	(30,818)	-	(29,988)
Deferred tax liabilities	**(50,912)**	**830**	**(69,895)**	**(71,448)**	**(191,425)**
Total	**50,422**	**830**	**31,646**	**46,664**	**129,562**

Year ending on December 31, 2020

Stated in millions of COP

	Dec-19	Reclassifications	Accredited (charged) to profit and loss	Accredited (charged) to OCI	Dec-20
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
Surplus in depreciation of facilities	3,229	-	(415)	-	2,814
Others	7,467	(1,560)	2,915	-	8,822
Financial instruments measured at fair value	12,201	-	9,925	928	23,054
Cash and cash equivalents (Exchange Rate Difference)	259	-	10,144	-	10,403
Derivatives (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)		(2,912)	(5,677)	(34,708)
Loan portfolio impairment allowance Full IFRS	(30,647)		-	19,031	(11,616)
Financial instruments measured at fair value	(4,254)		(1,208)	674	(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**

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, 2021	**Gross amounts of Deferred tax**	**Offset**	**Balances Offset**
Deferred income tax assets	320,987	(191,425)	129,562
Deferred income tax liabilities	(191,425)	191,425	-
Net	**129,562**	**-**	**129,562**

December 31, 2020	**Gross amounts of Deferred tax**	**Offset**	**Balances Offset**
Deferred income tax assets	101,334	(50,912)	50,422
Deferred income tax liabilities	(50,912)	50,912	-
Net	**50,422**	**-**	**50,422**

Effect of current and deferred taxes on each component of other comprehensive income in equity.

The following is the effect of current and deferred taxes on each component of other comprehensive income:

Stated in millions of COP	**Consolidated**	**Consolidated**
Items that may be subsequently reclassified to income	**December 31, 2021**	**December 31, 2020**
Differences between the provision and impairment recorded in the calculation of the separate and consolidated financial statements	(64,627)	19,031
Gains on cash flow hedges	-	24,697
Financial instruments measured at fair value	115,719	1,802
Subtotal	**51,092**	**45,530**
Items that will not be reclassified to income		
(Loss) on revaluation of assets	(4,428)	(5,677)
Loss in employee benefit plans	-	(11,229)
Subtotal	**(4,428)**	**(16,906)**
Total other comprehensive income for the period	**46,664**	**28,624**

NOTE 24. – OTHER LIABILITIES

The following is the breakdown of other liabilities at December 31, 2021 and 2020:

Item	**December 31, 2021**	**December 31, 2020**
Fogafín	29,500	27,159
Ascredibanco	400	220
Closed accounts	5,187	5,152
Commissions and fees	4,496	7,255
Taxes	11,730	14,373
Dividends and surpluses	2,416	4,830
Leases	80	120
Tax on financial transactions	2,523	2,289
Suppliers and services payable	23,481	29,531
Contributions, affiliations and transfers	1,529	799
Income tax and payroll tax withholdings	27,263	12,888
Income received in advance	7,599	6,333
Letters of credit - deferred payment	39,812	-
Deferred payments	9,514	3,666
Other contributions	6,110	88
Others (1)	301,779	365,868
Total	**473,419**	**480,571**

(1) It includes offsetting and sundry transactions at Servibanca for COP 16,114; at Banco GNB Perú it includes currency sales with buyback commitment for COP 84,875, currency interest buybacks for COP 4,508 and sundry transactions for COP 26,510; at Banco GNB Paraguay COP 88,764 in other accounts payable and COP 81,008 at Banco GNB Sudameris.

(Stated in millions of COP,
except exchange rates and nominal share values)

NOTE 25. - EQUITY

Share Capital

The shares of the parent company have a nominal value of COP 400 (pesos) each at December 31, 2021 and 2020, with the following breakdown:

	December 31, 2021	December 31, 2020
Number of authorized shares	250,000,000	250,000,000
Number of shares to be subscribed	62,585,559	62,585,559
Total subscribed and paid-in shares	**187,414,441**	**187,414,441**
Authorized capital	100,000	100,000
Capital to be subscribed	(25,034)	(25,034)
Total subscribed and paid-in shares	**74,966**	**74,966**

Reserves

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, 2021 and 2020:

Reserves	December 31, 2021	December 31, 2020
Local	1,517,799	1,455,962
Occasional	15,245	12,096
Total reserves	**1,533,044**	**1,468,058**

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, 2021 and 2020:

Basic earnings per share	December 31, 2021	December 31, 2020
Net profit for the fiscal year	248,731	185,464
Less: Non-controlling interests	60,509	3,492
Current period’s income attributable to controlled interests	**188,222**	**181,972**
Weighted average of ordinary shares used for the calculation of basic net earnings per share	187,414,441	187,414,441
Net basic earnings per share of controlled interests (pesos)	**1,004**	**971**

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).

(Stated in millions of COP,
except exchange rates and nominal share values)

Out-of -period Adjustments

As of June 30, 2020, the bank determined that the suspended interest had been inadequately presented in the consolidated statement of changes in equity, specifically between the ORI account and the retained earnings account, at the time of adopting IFRS 9 in Colombia. This was caused when part of the suspended interest corresponding to loans in default was recorded in the ORI account instead of the retained earnings account. This was due to the fact that initially it was interpreted that all the effects related to the adoption of IFRS 9 should be recognized in ORI as stipulated in Public Notice 036/2014 of the Financial Superintendence of Colombia. However, after subsequent analysis it was concluded that the Notice only contemplates the recognition of the difference between the provisioning models in OCI. Even though the recognition of interest income from the loan portfolio was performed in accordance with IFRS 9, such recognition is not contemplated within the scope of Public Notice 036. Due to the above, the Bank proceeded to reduce ORI by COP 42,890 and increase retained earnings in the same amount. This adjustment does not affect total equity as of December 31, 2020. According to the analyses carried out, the Bank has determined that the correction of retained earnings and 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. – COMMISSIONS AND FEE INCOME AND EXPENSES

The following is the breakdown of commissions and fee income and expenses for the years ended on December 31, 2021 and 2020:

Item	December 31, 2021	December 31, 2020
Banker's acceptances	33	53
Letters of credit	121	121
Bank guarantees	932	922
Bank services	139,711	56,120
Debit and credit card affiliated establishments	6,928	5,294
Use of means of payment other than cash	118,349	
Credit card handling fees	894	1,045
Others (1)	70,141	177,167
SUBTOTAL	**337,109**	**240,722**
Bank services	(51,958)	19,193
Bank guarantees	(4,444)	5,210
Trust businesses	(2)	125
Collective investment funds management	(7,743)	7,245
Commissions on sales and services	-	-
Board of Directors	(147)	234
Statutory Auditor and external auditing	(3,633)	3,743
Appraisals	(31)	40
Legal counsel	(4,212)	2,226
Others (2)	(63,066)	60,032
SUBTOTAL	**(135,236)**	**98,048**
Total	**201,873**	**142,674**

(1) It includes fees at Servitrust for trust businesses in the amount of COP 13,475; at Servivalores investment fund management fees for COP 10,246; at Servibanca for use of means of payment other than cash in the amount of COP 32,310, and payment of insurance at Banco GNB Peru for COP 14,110.

(2) It includes fees and sundry items paid by the Bank for COP 39,160; COP 18,061 paid by Servibanca and 5,845 for payment of fees and commissions at affiliates abroad.

(Stated in millions of COP,
except exchange rates and nominal share values)

NOTE 27. – OTHER INCOME

The following is the breakdown of other income for the years ended on December 31, 2021 and 2020:

Item	**December 31, 2021**	**December 31, 2020**
Sales of Investments	7,982	7,089
Dividends	1,940	1,646
Sale of property and equipment	543	1,977
Leases	8,267	8,525
Industrial and service income	16,195	8,794
Exchange difference	148,686	74,309
Others (1)	152,746	184,210
Total	**336,359**	**286,550**

(1) It includes income on written-off assets for COP 18,965; reversal of other provisions COP 9,723; on returns of management insurance banking for COP 34,488; sundry items at national affiliates for COP 12,181, and valuation of assets received as payment in Peru and Paraguay for COP 42,662 at December 31, 2021. It also includes sundry revenues in Paraguay in the merger process for COP 17,970.

NOTE 28. – OTHER EXPENSES

The following is the breakdown of other expenses for the years ended on December 31, 2021 and 2020:

Item	**December 31, 2021**	**December 31, 2020**
Personnel expenses	**309,496**	**247,122**
Loss on sale of investments	**11,748**	**12,645**
Automation	80	
Legal expenses	736	397
Leases	47,348	49,510
Contributions, affiliations and transfers	67,135	38,142
Insurance	77,538	63,305
Repairs and maintenance	58,439	43,571
Upgrades and installations	1,511	902
Joint operations	179	
Total general administrative expenses	**252,966**	**195,827**
Depreciation of property and equipment	**26,795**	**17,006**
Depreciation of right-of-use	**26,682**	**26,389**
Amortization of intangible assets	**5,381**	**6,726**
Cost of production – Hotels	10,799	-
Management and brokerage services	224	249
Loss on operational risks	588	268
Taxes and fees	31,573	32,907
Penalties, fines, litigation, indemnities, operational risks	857	30
Others (1)	155,797	139,170
Other expenses	**189,039**	**172,624**
Total other expenses	**832,906**	**678,339**

(1) The “other” item mainly includes cleaning and security services for COP 6,173, outsourcing for COP 60, advertising and publicity for COP 394, public utilities for COP 12,648, transportation for COP 1,940.

NOTE 29. – COMMITMENTS AND CONTINGENCIES

Credit commitments

As part of its normal course of operations, the Bank 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. Regarding 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 once the customer maintains the specific standards of the credit risks. The parent company monitors the terms of maturity of the commitments in terms of 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, 2021 and 2020, 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, 2021 and 2020, claims related to labor proceedings totaled COP 626 and COP 634 million, respectively. Historically, most decisions in these proceedings have been in favor of the parent company and its subsidiaries.

Civil proceedings

At December 31, 2021 and 2020, the assessment of legal claims in civil proceedings, excluding those with remote probability, totaled COP 5,931 and COP 6,931, 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 would incur derived from performing its activities as National and Territorial tax collector. In other cases, higher taxes are determined in its condition as taxpayer. At December 31, 2021 and 2020, 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 equity.

The only shareholder with over 10% of share capital is:

- GILEX HOLDING S.ar.l

Shareholders with less than a 10% share, but with transactions that exceed 5% of technical equity. At December 31, 2021 and 2020, there were no transactions at the parent company for more than 5% of the parent company's technical equity with shareholders with less than a 10% share.

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
- Lulo Bank

4) Other non-subsidiary related parties

Transactions with related parties:

The parent company may engage in transactions, agreements or contracts with related parties, with the understanding that any such transactions shall be made at fair value and on an arm's length basis in terms of market terms and rates.

There were none of the following between the parent company and its related parties during the periods ending December 31, 2021 and 2020:

- 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.

(Stated in millions of COP,
except exchange rates and nominal share values)

During the periods ending December 31, 2021 and 2020, fees were paid to directors worth COP 147 and COP 234, respectively, for attending Board of Directors and Committee meetings.

Most operations 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 operations 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, 2021	**Shareholders**	**Members of the Board**	**Key Executives**
Assets			
Loan portfolio	**-**	**-**	**81**
Liabilities			
Deposits	**-**	**77**	**677**

	Shareholders	**Members of the Board**	**Key Executives**
Interest income	**-**	**1**	42
Fee income	**-**	**1**	7
Financial expenses	**-**	**-**	9
Fee expenses	**-**	147	-
Other expenses	-		5

December 31, 2020	**Shareholders**	**Members of the Board**	**Key Executives**
Assets			
Accounts receivable	-	-	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

(Stated in millions of COP,
except exchange rates and nominal share values)

Key personnel employee benefits

There is no exclusive benefit plan at Banco GNB Sudameris that applies to the Bank's key Senior Management personnel that is different from 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, 2021	December 31, 2020
Salaries	4,458	4,241

The compensation of key management personnel includes salaries, benefits other than cash and contributions to a defined benefit post-employment 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 a share as of the date of the report and its maximum exposure to loss with respect to those shares.

December 31, 2021

	Funds managed by the Bank in FIC
Interest - Bank´s assets	
Investments measured at fair value through profit or loss	7,462
Total assets related to Bank interests in unconsolidated structured entities	**7,462**
Bank´s maximum exposure	**7,462**

December 31, 2020

	Funds managed by the Bank in FIC
Interest - Bank´s assets	
Investments measured at fair value through profit or loss	8,284
Total assets related to Bank interests in unconsolidated structured entities	**8,284**
Bank´s maximum exposure	**8,284**

Within the normal course of operations, the Bank has a trust company and stock broker, which manage collective investment funds and the assets of third parties on which trust management fees are received.

In managing these assets, these entities take on only obligations of means, and they do not guarantee results. Their maximum exposure to the risk of loss is determined by any possible failures in managing the funds under management in connection with the yields and the income earned from the customer's assets.

NOTE 32. – SUBSEQUENT EVENTS

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 February 25, 2022, their date of issuance, that would require changing the figures presented as of December 31, 2021.