NOTE 1 - REPORTING ENTITY

Banco GNB Sudameris (the 'Bank'), as the parent or controlling entity of a financial conglomerate conformed by the local affiliates: Servitrust, GNB Sudameris, Servivalores GNB Sudameris, Servibanca S.A., Servitotal GNB Sudameris, Corporación Financiera GNB Sudameris S.A., and Fondo de Capital Privado Inmobiliario Servivalores GNB Sudameris (a structured controlled entity), in addition to the international affiliates Banco GNB Peru and Banco GNB Paraguay, report the consolidated financial statements detailed as follows:

Banco GNB Sudameris S.A. is a private stock corporation incorporated by Public Deed 8067 of December 10, 1976 of Notary Fifth of Bogota D.C., with a term set out by the Articles of Incorporation until January 1, 2076, which may be dissolved or extended prior to such term. The Bank's corporate purpose is to enter into contracts and carry out all the operations, acts and contracts related to banking entities, subject to the legal provisions in force on such matter in Colombia.

Resolution No. 3140 od September 24, 1993 of the Superintendency of Finance of Colombia (the 'Superintendency') granted the ultimate renewal of the operation permit.

The last Articles reform was legalized by means of Public Deed No. 0708 of Notary 13 of Bogota, D.C. of March 15, 2019, modifying article 4 in respect to the corporate purpose and the Articles of Incorporation were compiled.

The Bank´s Parent is the partnership Gilex Holding S.àr.l with registered domicile in Luxembourg.

At December 31, 2019, the Bank had 1,685 employees directly hired, 49 temporary employees and 1 intern.

The Consolidated Financial Statements and the accompanying notes were authorized to be issued by the Board of Directors and the Legal Representative on January 29, 2020, to be submitted to the General Shareholders' Meeting for their approval, which may approve or modify them.

Servivalores GNB Sudameris S.A. Comisionista de Bolsa is a commercial partnership incorporated as per Public Deed No. 0767 of March 14, 2003 of Notary 11 of Bogota, which corporate purpose is the execution of the brokerage contract for the purchase and sale of securities listed in the Colombia Stock Exchange (BVC as per its acronym in Spanish), according to Resolution 133 of March 11, 2013 of the Superintendency of Finance of Colombia. In addition, it may do proprietary trading, manage contracting parties' securities, act as a broker in the placement of securities, fund the acquisition of securities, among others.

Servitrust GNB Sudameris S.A. is a private financial services partnership incorporated by means of Public Deed 3873 of July 10, 1992 of Notary 18 of the Circle of Bogota; its corporate purpose is the celebration and performance of all acts, contracts, services and operations related to financial services companies of the trust companies type allowed to such financial entities, subject to the faculties, requirements, restrictions and limitations set out by the laws of the Republic of Colombia.

Sociedad al Servicio de la Tecnología y Sistematización Bancaria Tecnibanca S.A. – Servibanca S.A. – is a Colombian stock corporation which corporate purpose is the automation and modernization of the banking and financial services and of operations of supply, provision, payment and offsetting of cash.

Servitotal GNB Sudameris S.A. is a commercial partnership incorporated by means of Public Deed 7177 of December 26, 2011 of Notary 13 of Bogotá, which corporate purpose is the performance of activities related to technical and administrative services, like informatics services, such as the definition, analysis, design, construction, configuration, certification, testing, implantation, support and maintenance of software and hardware for information and communications technologies.

Corporación Financiera GNB Sudameris S.A. is commercial partnership incorporated by means of Public Deed 6428 of September 26, 2017 of Notary 13 of Bogota D.C. which corporate purpose if the celebration and performance of all operations, acts and contracts related to financial entities, subject to the legal provisions that regulate such matters in Colombia. As of December 31, 2019, the Corporation has five (5) subsidiaries, as follows:

Expressed in COP millions, except for the exchange rate and the shares' par value

- **Charleston Hotels Group S.A.S.**, a commercial company incorporated on February 27, 2019 under number 02429168 of book IX. The entity's corporate purpose is the operation and investment in hotels and in general, in tourism projects, in and out of the country, and it may acquire furniture and real estate properties to carry out its activity. In accordance with the good standing certificate of the Chamber of Commerce of May 17, 2019, under number 02466930 of book IX; this company absorbs through a merger the foreign company CHARLESTON HOTELS GROUP INC., which dissolves but does not liquidate, where the new company will appear as the owner of Hoteles Charleston Bogota and Casa Medina that are operated by the Four Seasons chain; the corporation's investment in Panama is cancelled and the investment in Colombia remains. This entity has the following subsidiary: Hoteles Charleston Bogotá S.A.S., out of which it owns 100%; a company domiciled in Colombia that operates two hotels in Bogota.

- **Namen Finance Limited,** identified with number 1995253, domiciled in the British Virgin Islands, may carry out any legal activity or business, including the trade of goods or commodities, perform any act or be part of any transaction. There are no limitations in the business the company may do. This entity has the following subsidiary: LGDB LLC., of which it owns 99.9%, a company domiciled in the United States of America that operates real estate businesses.

- **Manforce Overseas Limited**, identified with number 1995256, domiciled in the British Virgin Islands, may carry out any legal activity or business, including the trade of goods or commodities, perform any act or be part of any transaction. There are no limitations in the business the company may do. This entity has the following subsidiary: JGK HOLDING LLC, of which it owns 99.9%, a company domiciled in the United States of America that operates real estate businesses.

- **Inversiones GNB Comunicaciones S.A.S.,** is a commercial company incorporated on March 26, 2019 under number 02439415 of book IX and which main corporate purpose will be the investment in any communication or broadcasting media, whether public or private, known or to be known, including but not limited to, the sound broadcasting, television, press, magazines, written supplements, exterior advertising, signs and the internet.

- **GNB Holding S.A.S.,** is a commercial company registered on October 21, 2019 under number 02517132 of book IX and which main corporate purpose shall be the incorporation and capitalization of commercial companies of any nature, purchase-sale, investment, management and trading of shares, bonds, stock values, subscribing any act or contract on goods or furniture or real estate rights, as well as the acquisition, disposal, management and investment of furniture, real estate properties, real estate projects, or companies that carry out real estate projects.

Fondo de Capital Privado Inmobiliario Servivalores GNB Sudameris, managed by Servivalores GNB Sudameris S.A. Comisionista, that started operating on May 9, 2018. This type of entity requires no authorization by the Superintendency of Finance to be incorporated. The fund's purpose is to invest its resources in Real Estate Assets, intending the creation of a diversified portfolio that gives access to investors to the real estate market in Colombia, allowing them to have a better profitability in respect to similar operations. The Contributions support is represented by the Real Estate Assets that are part of the portfolio, and the profitability intended originates in the management and/or administration activities and in the price variations of such Real Estate Assets.

Below appears the total headcount per subsidiary as of December 31, 2019:

Contract's Type	Servitrust	Servibanca	Servivalores	Corporación	Total
Long- Fixed-term	68	71	10	4	**153**
Other contracts	2	5	1	-	**8**
Total	**70**	**76**	**11**	**4**	**161**

Subsidiaries out of Colombia

Through communication with filing number 2013002611-080 dated July 8, 2013, the Superintendency of Finance of Colombia granted the authorization to Banco GNB Sudameris S.A., the Parent, to acquire the shares of HSBC Bank Peru S.A. and HSBC Bank Paraguay S.A. Similarly, the Superintendency of Banking, Insurance and Private Administrators of Pensions (hereinafter SBS) of the Republic of Peru by means of Resolution S.B.S. No. 5378-2013 of September 6, 2013, and the Central Bank of Paraguay, by means of Resolution No. 19 of minutes No. 74 dated October 24, 2013 and explained through Note SB.SG. No. 01484/2013 of November 7, 2013, authorized the acquisition of the shares of HSBC Bank Peru S.A. and HSBC Bank Paraguay S.A., respectively.

Therefore, on October 4 and November 29, 2013, Banco Sudameris S.A. acquired from HSBC Bank Peru S.A. (nowadays Banco GNB Peru S.A.) and HSBC Bank Paraguay S.A. (nowadays Banco GNB Paraguay S.A.) a total of 670,551,999 and 3,016 shares and a (1) provisional certificate, equivalent to 99.99% and 99.96% of the total number of outstanding shares, respectively.

Banco GNB Perú S.A.

It is a financial institution incorporated by means of Public Deed 22 of November 30, 2006 authorized by Public Notary Zumilda A. Narvaja, registered with No. 11877589 of the Legal Pensions account in Lima's Public Register. The bank was authorized to operate as a multiple service bank through Resolution SBS No. 537-2006, issued on April 28, 2006.

The bank's legal domicile is Calle Begonias No. 415, floor 22, Urbanización Jardín, Distrito San Isidro, province and department of Lima. In order to perform its activities, as of December 31, 2019, the Bank operates through a Main Office and 12 agencies located in Lima and its provinces. Similarly, at December 31, 2019, the bank has 513 employees directly hired, and 3 temporary employees.

Capitalizations were made in Banco GNB Peru in 2019 amounting to USD$15 million.

Banco GNB Paraguay S. A.

Banco GNB Paraguay S.A. is a Paraguayan corporation that started operating in 1920 as the first international bank branch of the Bank of London and Rio de la Plata. In 1985, the bank changed its name to Lloyds TSB Bank Sucursal Paraguay, and later, in year 2000, to Lloyds Bank Sucursal Paraguay. In May 2007, the bank was acquired by HSBC group, and changed its name to HSBC Bank Paraguay S.A.

By means of Resolution No. 19, dated October 24, 2013, Paraguay's Central Bank authorized the change of name from HSBC Bank Paraguay S.A. to Banco GNB Paraguay S.A. Such change was agreed in Minutes No. 12 of the Extraordinary Shareholders' Meeting, dated November 29, 2013.

To perform its activities, as of December 31, 2019, the Bank operates through a (1) Main Office and 6 agencies located in Asuncion and its provinces and has 205 direct employees and 79 outsourced employees.

Capitalizations were made in Banco GNB Paraguay in 2019 amounting to USD$51 million.

In regard to the entities abroad, there are no restrictions for dividends remittance to Colombia.

As of December 31, 2019 and 2018, the assets, liabilities, equity and income of the Bank, its Subsidiaries, and the Bank's interests in them, were as follows:

Expressed in COP millions, except for the exchange rate and the shares' par value

December 2019	Share	Assets	Liabilities	Equity
Banco GNB Sudameris		28,604,030	26,406,064	2,197,966
Servitrust S.A.	94.99%	56,803	3,416	53,387
Servibanca S.A.	93.03%	180,281	55,183	125,098
Servivalores S.A.	94.99%	50,416	10,661	39,755
Servitotal	94.80%	544	-	544
Corporación Financiera	94.99%	769,598	99,819	669,779
Fondo Inmobiliario	99.86%	473,901	33,615	440,286
Banco GNB Paraguay	99.96%	4,409,738	3,888,925	520,813
Banco GNB Peru	99.99%	5,665,190	4,838,180	827,010
Write-offs		(2,678,617)	(128,964)	(2,549,653)
Consolidate		**37,531,884**	**35,206,899**	**2,324,985**

December 2018	Share	Assets	Liabilities	Equity
Banco GNB Sudameris		25,579,623	23,661,446	1,918,177
Servitrust S.A.	94.99%	56,445	3,482	52,963
Servibanca S.A.	88.49%	146,385	27,333	119,052
Servivalores S.A.	94.99%	50,862	13,045	37,817
Servitotal	94.80%	537	-	537
Corporación Financiera	94.99%	701,726	92,058	609,668
Fondo Inmobiliario	99.86%	374,144	1,444	372,700
Banco GNB Paraguay	99.96%	3,463,783	2,967,177	496,606
Banco GNB Peru	99.99%	5,417,250	4,728,413	688,837
Write-offs		(2,572,232)	(347,487)	(2,224,745)
Consolidate		**33,218,523**	**31,146,911**	**2,071,612**

NOTE 2 - PREPARATION BASIS OF THE FINANCIAL STATEMENTS

a. Statement of Compliance

The accompanying Consolidated Financial Statements of the Bank and its Subsidiaries have been prepared in accordance with the Accounting and Financial Information Standards accepted in Colombia ("NCIF" as per its acronym in Spanish), which are based on the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), that became effective and were officially translated into Spanish on December 31, 2017, (excluding IFRIC 23 or IFRS 17), except for the application of IFRS 9 where the requirement by the Superintendency of Finance is to record directly in Other Comprehensive Income (OCI) the difference between the credit impairment loss calculated through the application of IFRS 9, and the impairment provision required for the separate financial statements, based on the Superintendency's specific rules.

Colombian law required the Bank and its Subsidiaries to prepare separate and consolidated financial statements. The separate financial statements are used as the basis for the shareholders to decide on dividend distribution and other appropriations, while consolidated financial statements are presented for information purposes only.

b. Presentation of Financial Statements

The following observations apply to the presentation of the attached consolidated financial statements:

- The Statement of Financial Position presents the assets and liabilities, based on their liquidity, since it provides reliable and relevant information, as required by the International Accounting Standard (IAS 1 "Presentation of Financial Statements".

- The Income Statement and Other Comprehensive Income are presented separately in two different statements as permitted by IAS 1 "Presentation of Financial Statements". Furthermore, the Income Statement is presented according to the nature, as it provides reliable and relevant information.

- The Statement of Cash Flows is prepared based on the indirect method, where the net flows from operating activities is determined by adjusting the net profit before tax, changes due to the effects of items that do not generate cash flows, net changes in assets and liabilities derived from operating activities and any other item which effects are derived from operating activities and any other item which effects are from investment or financing activities. Income and expenses due to interests received and paid are part of the operating activities.

c. Consolidation of Controlled Entities

According to the International Financial Reporting Standard (IFRS) 10, the Bank prepares consolidated financial statements with the entities it controls. The Bank controls another entity, if and only if, it complies with the following conditions:

- Power over the investee that grants the Bank the ability to direct pertinent activities that affect its performance.
- Exposure or right to variable earnings from its involvement in the investee.
- Ability to use its power over the investee to influence on the earnings amount of the investor's revenues.

In the consolidation process, the Bank and its Subsidiaries combine the assets, liabilities and results of the entities in which control has been determined, after standardizing the accounting policies and translation into Colombian pesos of the figures of the entities controlled abroad. This process involves the elimination of reciprocal transactions and realized profit between them. Non-controlling interests in the subsidiaries' equity is presented in the consolidated equity separately from the equity of the controlling interests.

In regard to the financial statements of subsidiaries abroad, to consolidate their financial statements, their assets and liabilities in a foreign currency are translated to Colombian pesos at the closing exchange rate, the income statement at the average exchange rate for the year, and equity accounts at the historic exchange rate. The net adjustment resulting from the translation process is taken to equity as "financial statements translation adjustment" in the account of 'Other Comprehensive Income (OCI).

d. Functional Currency and Presentation Currency

The functional currency of the Bank and Subsidiaries has been determined by reference to the definition of the functional currency used to present reports, considering that their operations are basically related to lending activities. The main activities of the Bank and its Colombian Subsidiaries are to grant loans to customers in Colombia, investments in securities issued by the Republic of Colombia or national entities, whether or not registered in the National Registry of Securities and Issuers (RNVE as per its acronym in Spanish), in Colombian pesos; and to a lesser extent, granting of loans to Colombian residents in a foreign currency and the investment in securities issued foreign banking entities, securities issued by foreign companies in the real sector which shares are listed in one or several world renowned stock markets and bonds issued by multilateral lenders or state entities. Such loans and investments are mainly funded with customer deposits and debt in Colombia, also in Colombian pesos. The performance of the Bank and its Subsidiaries in Colombia is measured and reported to the shareholders and the general public in Colombian pesos. Consequently, the Bank's Management and its Subsidiaries determined the Colombian peso as the currency that most faithfully represents the economic effects of operations, events and underlying conditions of the Bank and its Subsidiaries. Therefore, the functional and presentation currency defined to prepare the consolidated financial statements is also the Colombian peso. Subsidiaries abroad have different functional currencies.

e. Transactions in a Foreign Currency

The transactions in a foreign currency are translated to the functional currency at the exchange rate on the date of the transactions. Monetary assets and liabilities in a foreign currency are translated to the functional currency using the prevailing exchange rate at the date of the Statement of Financial Position. Non-monetary assets and liabilities in a foreign currency in terms of the historical cost are measured using the exchange rate at the date of the transaction. Financial instruments measured at fair value are translated using the exchange rate of the date when the fair value is determined. Any profit or loss as a result of the translation is taken to the income statement.

Unless the financial liabilities are used as a hedge instrument for an investment in operations abroad, they are taken to equity in the account of Other Comprehensive Income.

As of December 31, 2019 and 2018, the market representative exchange rates calculated and certified by the Superintendency of Finance were COP$3,277.14 per USD$1,00, and COP$3,249.75 per USD$1,00, respectively.

NOTE 3 ACCOUNTING POLICIES

a) Cash and cash equivalents

Cash and cash equivalents include the cash at hand, deposits in banks and other short-term investments in active markets with maturity of three months or less. For a financial investment to be classified as "cash equivalent" it must be held in order to comply with the short-term payment commitment, and not for investment purposes; it must be readily convertible into a specific cash amount, it must be subject to an insignificant risk of change in value.

b) Revenues

1. Contract Assets

A contract asset is the Group's right to receive a payment in exchange for goods or services the Group has transferred to a client, when such right is subject to anything else than the passage of time (e.g. the billing or delivery of other items that are part of the contract). The Group earns assets from contracts as current assets, as they are expected to be realized within the regular operational cycle.

The contract costs eligible for capitalization as incremental costs when a contract is obtained, are recognized as a contract's asset. The costs for the subscription of contracts are capitalized when incurred, if the Group expect to recover such costs. The costs for the subscription of contracts represent non-current assets to the extent financial benefit are expected to be received form such assets in a period longer than twelve months. Contracts are amortized in a systematic and consistent manner by transferring the services to the client once the respective income has been recognized. The costs capitalized from the subscription of contracts are impaired if the client withdraws or of the asset's carrying value exceeds the projection of the discounted cash flows that are related to the contract.

ii. Contract's Liabilities

Contract's liabilities represent the Groups obligation to transfer goods or services to a client from which the Group has earned a payment from the final client, or if the amount is past due. They do also include the deferred income related to goods or services to be delivered or rendered in the future, which are billed in advance to the client, but are not past due yet.

ii. Revenue from Contracts with Customers

The group recognizes the revenues from contracts with customers, based on a five-step model set out by IFRS 15:

Step 1. Identification of contracts with customers: A contract is defined as an agreement between one or more parties, which created enforceable rights and obligations and sets criteria that must be complied with each contract. Contracts may be written, oral, or implicit, through the corporate practices used by a company.

Step 2. Identification of the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer an asset or a service to the latter.

Step 3. Determination of the transaction price: The transaction price is the consideration the group expects to have a right in exchange for the transfer of assets and services promised to a client, regardless of the amounts received in representation of third parties.

Step 4. Assignment of the transaction price to the performance obligations in the contract: In a contract with more than one performance obligation, the Group distributes the transaction price among the performance obligations in amounts that represent the consideration the Group expects to have a right to in exchange for complying with each performance obligation.

Step 5. Recognition of revenue when (or to the extent that) the Group complies with a performance obligation.

The Group complies with a performance obligation and recognizes the revenue in time, if any of the following criteria are met:

- The Group's performance does not create an asset with an alternative use for the Group, and the Group has an enforceable right on the payment for the performance completed as of that date.

- The group's performance creates or improves an asset controlled by the client while it is created or improved.

- In the meantime, the client receives and consumes the benefits resulting from the Group's performance to the extent it works.

In the case of the performance obligations where none of the conditions listed is met, the revenue is recognized when the performance obligations are met.

When the Group complies with a performance obligation by delivering the goods or services promised, it creates a contractual asset for the consideration amount obtained from the performance. When the consideration amount received from a client is higher than the revenue recognized, this generated a contractual liability.

The revenue is measured based on the consideration specified in the contract with the client and excludes the amounts received in representation of third parties. The Group recognizes revenue when the control over an asset or service is transferred to a client. Revenue is recorded net of the value added tax (VAT), reimbursements and discounts, and after eliminating the sales in the Group.

The Group assesses its revenue plans on the basis of specific criteria to determine whether it acts as a principal or agent.

Revenue is recognized to the extent it is probable that economic benefits flow to the group and if it is possible to reliably measure the income and costs, if any.

Below appears a description of the main activities through which the Group generates revenues from contracts with customers:

(ii) **Banking (Financial Services):**

In general, the Group signs contracts that cover several different services. Such contracts may include components that are in or out of the scope of IFRS 15. Thus, the banks apply IFRS 15 indications only when all or part of its contracts are out of IFRS 9 scope.

Income sources obtained by the bank through contracts with customers, are as follows:

- **Credit cards: Exchange fees, general fees (annual, quarterly, monthly), loyalty programs schemes**

There are contracts with enforceable rights and obligations between the bank and card holders or businesspeople, under which the bank generally provides services in exchange for annual fees or other types. Below appear some of the services there may be in the contract with the card holder:

- Issue of loyalty programs points (options to acquire goods/services free of charge or at a discount in the future), which are usually based on the monetary volume of card transactions.

- Service for payment processing.

- Insurance, where the bank is not the insurer.

- Fraud protection, and

- Processing in certain transactions, such as purchases in foreign currencies and cash withdrawals.

The transaction price is assigned to each performance obligation based on the sale prices related to the goods or services provided to the client. The assignment of the transaction price to each individual performance obligation is not entirely necessary when there is more than one performance obligation, but all are met at the same time or equally during the period.

- **Commissions:**

The Group receives insurance commissions when new clients are referred to third parties that sell insurance, when the bank is not the policy insurer. Such commissions are usually paid in a periodical manner(e.g. monthly) to the bank, based on the volume of new policies (and/or the renewal of current policies), generated with clients presented by the bank. The transaction price may include a consideration that is variable or is subject to the result of future events, such as the cancellation of the policy, and such item is estimated and included in the transaction price based on the most probable amount to include it in the transaction price only when it is very probable that the solution of such uncertainty will not include the revenue's significant reversal.

Covenant fees are within the scope of IFRS 15 when it is hardly probable that a specific loan agreement is generated and that such covenant is not measured at fair value through income.

The Group earns commissions on trust contracts and stand-alone shares that correspond to some performance obligations agreed with the client from the beginning of the contract and are included in the commission's amount generated on a monthly basis during the contract's term.

In addition, the Group earns commissions for the technical and administrative services provided with a low value payment system, which is an increase of the inter-banking financial transactions and form charging for the commissions on transactions made through the group's ATM network. The offset is made on a daily basis and therefore, the commissions income is recognized as the performance obligation is met by the system.

• Savings accounts and current accounts: Transactional and account charges

Generally, contracts of savings and current accounts allow clients to access a series of services that include processing electronic transfers, use of ATM's to withdraw cash, issue of debit cards, and the generation of account statements. Other benefits are sometimes included. Charges are periodically made and give the client access to the bank services and additional services.

(ii) Clients Loyalty Programs

The Bank manages several loyalty programs where the clients accumulate points for their purchases entitling them to redeem such points under the policies and awards plan in force at the date of redemption. Reward points are recognized as an identifiable component separate from the revenue for the services provided, at fair value. Revenue for awareness programs is deferred and taken to the income statement when the entity has complied with its obligations to provide products under the program terms or when it is not probable that the points will be redeemed under the program rules. A contractual liability is recognized until the points are redeemed or they expire.

The Bank acts as the principal in a clients' loyalty program if it obtains the control on the goods or services of another party in advance, or if it transfers the control over such goods or services to a client. The Bank acts as an agent if its performance obligation is to coordinate that the other party provides the goods or services.

c) Financial Instruments

IFRS 9 sets out the requirements to recognize and measure financial assets, financial liabilities, and some contracts to purchase or sell non-financial items. This standard replaces IAS 39 Financial Instruments – Recognition and Measurement.

The following table summarizes the impact, net of taxes, for the transition to the IFRS 9 in the opening of reserve balances and retained gains as of January 1, 2018 (for a description of the transition method, see (iv), below).

	Reference		**IFRS 9 adoption impact as of January 1, 2018**
Recognition of the losses expected under IFRS 9	ii.		(37,025)
Deferred tax			13,698
Impact as of January 1, 2018		**$**	**(23,327)**

Details of the new significant accounting policies and the nature and purpose of the changes to the preceding accounting policies are set as follows:

i. Classification and measurement of financial assets and liabilities

IFRS 9 (version 2014) includes a new classification and measurement approach for the financial assets that reflects the business model where they are managed and their cash flows characteristics.

IFRS 9 (version 2014) includes three main classification categories for the financial assets measured at amortized cost (AC), at fair value with changes in Other Comprehensive Income (FVOCI) and at fair value with changes in income (FVCI).

The new standard complements both of the existing categories in the preceding if 9 of AC and FVCI currently in force in Colombia for the consolidated financial statements, adding the category of FVOCI.

A financial asset is measured at amortized cost and not at fair value with changes in income, if it meets both of the following conditions:

- the asset is kept in a business model which purpose is to keep the asset to obtain the contractual cash flows; and
- The contractual terms of the financial asset set the specific dates for the cash flows derived only from payments of capital and interests on the pending balance.

A debt instrument is measured at FVOCI, only if it meets both of the following conditions and has not been designated as FVCI:

- The asset is held in a business model which purpose if achieved by charging the contractual cash flows and selling such financial assets; and,
- The contractual terms of the financial asset set the specific dates for the cash flows derived only from payments of capital and interests on the pending balance.

During the initial recognition of the investments in equity instruments not held to be traded the Group may decide to irrevocably record the subsequent changes in the fair value as part of Other Comprehensive Income in equity. This decision must be made on the per instrument basis.

All fair value not classified as measured at amortized cost or at fair value with changes in OCI, as described above, are measured at fair value with changes in income.

Additionally, at the initial recognition, the Group may irrevocably designate a financial asset that meets the measurement requirements at AC or FVCOCI to be measured at FVCI, if by doing it the accounting asymmetry does significantly reduce, which may occur if not doing so. For now, the Group will not use this option.

A financial asset is classified in one of the categories mentioned at its initial recognition.

Assessment of the business model

The Group shall assess the objectives of the business models where it keeps the various financial instruments at portfolio level to reflect, as best as possible, the way each subsidiary manages the business and how information is provided to management. Information considered included:

- The objectives and policies indicated per financial instruments portfolio and the operation of policies. They include whether management's strategy is focused on charging revenues on contractual interests, keeping a performance profile with a specific interest or coordinating the financial assets term with the term of the liabilities, funding them, or the expected cash outflows, or realizing the cash flows through the sale of the assets, on the basis of how they are evaluated and reported to the parent and key personnel of the direction of each Group's subsidiary on the portfolios performance.

- The risks affecting the business models profitability (and the financial assets held in the business model) and how such risks are managed;

- How the business drivers are offset (e.g. if the compensation is based on the fair value of the assets managed or on the contractual cash flows obtained); and

- The frequency calendar, value and sales from preceding periods. The sale reasons and the expectations on the future sales activities. However, the information on the sales activity is not considered separately, but as part of the assessment on the compliance with the objectives set by the Group to manage the financial assets and how the cash flows are realized.

The financial assets held or managed for trading and which performance is assessed on the fair value basis, are measured at fair value with changes in income because they are not held in the business models to charge for contractual cash flows, nor to obtain contractual cash flows and sell these financial assets.

Assessment of whether contractual cash flows are only payments to capital and interests

For the purpose of this assessment, capital is defined as the fair value of the financial asset at its initial recognition. Interest is defined as the consideration of the value of money in time and as the credit risk associated to the capital amount in force in a particular period and as other basic risks in a credit agreement and other related costs (e.g. liquidity risk and administrative costs), as well as the profitability margin.

By assessing whether the contractual cash flows are only payments to capital and interests, the Group considered the instrument's contractual terms. This included the assessment to determine whether the financial asset has a contractual term that may change the period of amount of the contractual cash flows, so that such condition is not met. With this assessment the Group considered:

- Contingent events that will change the amount and periodicity of the cash flows;
- Leveraging conditions;
- Advanced and extension payment terms;
- Terms that limit the Group to obtain cash flows from specific assets (e.g. assets agreements with no resources); and
- Characteristics that modify the considerations for the value or money in time; e.g. the periodic review of interest rates.

Interest rates on certain consumer and commercial credits are based on variable interest rates that are set at the Group's discretion. Variable interest rates are generally set in Colombia based on the DTF[1] (as published by the Central Bank) and the IBR[2] (Reference banking Indicator published by the Central Bank), and in other countries, according to local practices, plus certain additional discretional points. In these cases, the Group shall assess whether the discretional characteristic is consistent with the 'only capital and interests payment' criterion, considering a number of factors that include if:

- Debtors are in conditions to pay in advance the loans with no significant penalties. Colombian law prohibits to making charges for credit payments in advance.
- Market competitive factors ensure the interest rates are consistent among the banks;
- Any protection regulatory standard set out in favor or the clients in the country that requires the banks to treat clients fairly.

A prepayment characteristic is consistent with the 'only capital and interest payments', if the amounts paid in advance do substantially represent amounts not paid of capital and interest over the outstanding capital amount, which may include reasonable offsetting for the contract's early termination.

In addition, a pre-payment characteristic is treated as consistent with this criterion if a financial asset is acquired or generated with a premium or discounts from its contractual face value, and the amount paid in advance does substantially represent the contractual amount plus the interests contractually accumulated but not paid (which may include a reasonable offsetting due to the early termination), and the fair value of the prep-payment characteristic is insignificant at its initial recognition.

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[1] DTF is the average interest rate agreed by the savings account holders at the banks, saving and home mortgage corporations, financial entities and commercial financing companies for term deposits (CTD in Spanish) with 90 days maturity, opened during the last week.

[2]IBR is a short-term reference interest rate in Colombian pesos that reflects the price that the banks are willing to offer or to collect funds in the monetary market. IBR is calculated based on the listings of the exchange market holders.

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

Financial assets at fair value with changes in income (FVCI)	These assets are subsequently measured at fair value. Net profit and losses included in revenues fur to interests or dividends are recognized in income. See (iii) below for the derivatives designated as hedge instruments.
Total Financial Assets at Amortized Cost (A)	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced due to the impairment loss (see (ii) below). Revenues from exchange profit and losses and impairment are taken to income. Any profit or loss derecognized from accounts is recognized in income.
Debt investments with changes in Other Comprehensive Income (FVCOCI)	These assets are subsequently measured at fair value. Interests revenue calculated through the effective interest method, exchange difference earnings and impairment losses are taken to income. Other net earnings and valuation losses are taken to OCI. At the derecognition, accumulated earnings and losses in OCI are reclassified to profit or loss due to the OCI realization.
Equity investments with changes in Other Comprehensive Income (FVCOCI)	These assets are subsequently measured at fair value. Dividends are recognized as revenue in profit or loss, unless the dividends do clearly represent a recovery of part of the investment's cost. Other net profit or loss are recognized in OCI and are never reclassified in income.

The effect of adopting the IFRS 9 over the accounting balances of the financial assets as of January 1, 2018, relates to the changes and category, and to the new impairment requirements, as described further.

ii. Impairment of Financial Assets

IFRS 9 (version 2014) replaces the incurred loss model of IAS 29 for an expected credit loss model (ECL). This new model requires the application of considerable judgment in respect to the changes in economic factors affecting the ECL, which is determined on the basis of a weighted average basis.

The new impairment model applies to the following financial assets that are not measured at FVCI and FVCOCI:
- Debt instruments;
- Leases receivable;
- Other accounts receivable
- Loans
- Financial guarantee contracts issued; and
- Loans issued covenants

Under the IFRS 9 (version 2014), the impairment loss on investments over equity instruments will not be recognized.

IFRS 9 (version 2014) requires the recognition of an impairment provision for financial assets at fair value with changes in OCI for an amount equal to an expected impairment loss for a period of twelve months subsequent to the cutoff date of the financial statements, or during the loan's remaining term. The expected loss in the remaining life of the loan are the expected losses as a result of all possible impairment events over the expected life of the financial instrument, while the expected losses for the 12-month period are the portion of the expected losses as a result of possible impairment events during the twelve months following the reporting date of the financial statements.

Under IFRS 9 (version 2014), the reserves for losses are recognized for an amount equal to the ECL during the asset's life term, except for the following cases where the amount recognized is equivalent to the ECL for the 12 months following the date of measure:

- Investments in debt instruments determined that reflect a low credit risk at the cutoff date; and
- Other financial instruments (different from other short-term accounts receivable) on which the credit risk has not significantly increased from their initial recognition.

IFRS 9 impairment requirements are complex and require management estimated judgments and assumptions, particularly in the following areas:

- To assess whether the credit risk has significantly increased from its initial recognition; and
- To include prospective information when measuring the expected impairment losses.

Measurement of ECL

ECL is the expected credit loss value according to an exposure under credit risk characteristics and is measured as follows:

- Financial assets with no credit impairment at the reporting date: present value of all contractual cash payment delays(e.g., difference between the cash flows owed to the Group according to the contract and the cash flows the Group expects to receive);
- Impaired financial assets at the reporting date: difference between the carrying value and the present value of the future estimated cash flows.
- Covenants of outstanding loans: the present value of the difference between the contractual cash flows owed to the Group in the case the covenant is exercised, and the cash flows the Group expects to receive; and
- Financial guarantees contracts: expected payments to reimburse the holder, less any amount the Group expects to recover.

Impaired financial assets are defined by the IFRS 9 in a similar way as the impaired financial assets under IAS 39.

Definition of default

Under IFRS 9, the Group considers a financial asset in default when:

- It is hardly probable that the debtor will pay in full its credit obligations to the Group with no resources to take actions, such as to realize the guarantee (if any is held); or
- The debtor is in default for more than 90 days on any material credit obligation. Overdrafts are considered as in default once the client has surpassed the limit recommended or when a lower limit is recommended than the current balance.
- Clients in bankruptcy processes, such as the Law 1116 in the case of the Republic of Colombia.
- In the case of fixed income financial instrument, the following concepts are included, among others:
  - External rating by the issuer of the instrument as D.
  - The contractual payments are not made on the due date or on the term or grace period set out.
  - There is virtual certainty of payment suspension.
  - It is probable that go bankrupt or a bankruptcy petition or a similar action is filed.

By assessing whether a debtor is in default, the Group considers the following indicators:

- Qualitative, e.g. failure to comply with contractual clauses.
- Quantitative, e.g. default status and failure to pay another obligation of the same issuing Group; and
- Based on internally developed data, and obtained from external sources

The input used in the assessment of whether the financial instruments are in default and their importance may vary in time to reflect the changes in circumstances.

Significant Increase in Credit Risk

Under IFRS 9, when a significant increase is determined in a financial asset from its initial recognition, the Group considers reasonable and sustainable information that may be relevant and is available with no disproportionate cost or effort, including the information and the qualitative and quantitative analysis, based on the historical records, as well as the expert assessment of the Group credit, including information forecasted to the future.

The Group expects to identify whether a significant increase has occurred in the credit risk, by comparing the following:

- The default probability (DP) during the remaining life at the reporting date; with
- The DP during the remaining life at that point in time, which was estimated at the moment of the exposure's initial recognition.
- Qualitative aspects are also considered along with the refutable presumption of the standard (30 days).

The assessment of whether the credit risk has significantly increased from the initial recognition of a financial asset requires the identification of the initial recognition date of the instrument.

Rating per Credit Risk Category

The Group shall assign a credit risk rating to each exposure, based on a variety of data that determines the DP is predictive and applying the expert credit judgment; the Group expects to use such ratings to identify significant increases in the credit risk under IFRS 9 (version 2014). Credit risk ratings are defined through qualitative and quantitative factors that indicate the risk of loss. These factors may vary depending on the nature of the exposure and the type of provider.

Each exposure shall be allocated to a credit risk rating at its initial recognition, based on the information available on the debtor. The exposures shall be subject to continuous monitoring, which may result in the change of an exposure to a different credit risk rating.

Generating the DP's Term Structure

Credit risk ratings are expected to be the main input to determine the DP's Term structure for the various exposures. The Group intends to obtain performance and loss information on the exposures to credit risk analyzed per jurisdiction or region, type of product and debtor, as well as by the credit risk rating. In the case of some portfolios, the information compared with external credit reference agencies may also be used.

The Group shall use statistical models to analyze the data gathered and generate impairment probability estimates in the remaining life of the exposures and such impairment probabilities shall change as a result over time.

This analysis shall include the identification and calibration of relationships between the impairment rates and the key macro-economic factors, as well as an in-depth analysis of certain factors in the impairment risk (e.g. portfolio write-offs). For most credits, the key economic factors may probable include the growth of the gross internal product, changes to market interest rates and unemployment.

For the exposures in specific industries and/or regions, the analysis may extend to pertinent products and/or real estate prices.

The Group's approach to prepare prospective economic information in its assessment is presented as follows:

The Group has determined a general framework that includes quantitative and qualitative information to determine whether the credit risk in a financial asset ha significantly raised from its initial recognition.

The initial framework is aligned to the Group's internal process to manage the credit risk.

The criterion to determine whether the credit risk has significantly increase shall vary per portfolio and include limits, based on failures to comply.

The Group shall assess whether the credit risk of a particular exposure has significantly increased from its initial recognition if, based on the quantitative modeling, the expected impairment probability will significantly increase. in determining the credit risk increase, the expected impairment loss in the remaining life is adjusted due to changes in the terms.

Under certain circumstances, using the judgment of credit experts and based on pertinent historical information, the Group may determine that an exposure has experienced a significant increase in the credit risk, if the particular qualitative factors may indicate it and such factors may not entirely be captured by their qualitative analysis periodically carried out. As a limit, and as required by IFRS 9, the Group shall assume a significant increase in the credit risk takes place at the latest when the asset is in default from more than 30 days.

The Group shall monitor the effectiveness of the criterion used to identify the significant increases in credit risk, based on regular reviews to confirm that:

- Criteria are capable of identifying significant increases in credit risk before an exposure is impaired.
- The criteria are not aligned with the point in time when an asset is over 30 days in default.
- The time average in identifying a significant increase in the credit risk and the default, seem to be reasonable.
- Exposures are not generally transferred directly from the Group's expected impairment probability in the following 12 months to the impaired credit group.
- There is no unjustified volatility in the impairment transfers provision between the groups with the expected loss probability in the following 12 months and the expected loss probability in the credits remaining life.

Modified Financial Assets

The credit contractual terms may be modified by a number of reasons, including changes in market conditions, client retention, and other factors not related to a current or potential impairment in the client's credit.

When the terms in a financial asset are modified under IFRS 9 and the modification does not result in a withdrawal of the asset from the balance sheet, determining whether the credit risk has significantly increased presents comparisons on:

- The default probability in the remaining life at the date of the balance sheet based on the terms modified with
- The default probability in the estimated remaining life based on the date of the initial recognition and the original contractual terms.

The Group renegotiates loans to clients under financial difficulties to maximize the collection opportunities and to minimize the risk of default. Under the Group's renegotiation policies, clients in financial difficulties are granted concessions that generally correspond to reductions in the interest rates, extension of payment terms, reduction of the balances owed, or a combination of all of them.

In the case of modified financial assets as part of the Group's renegotiation policies, the estimated DF reflects if the modifications have improved or restored the Group's ability to collect the interests and capital and the Group's previous similar actions. As part of this process, the Grupo shall assess the compliance with the payments by the debtor with the debt terms modified and it will consider several behavior indicators of such modified debtors' group.

Generally, the restructuring indicators are a relevant increase factor in the credit risk. Therefore, a restructured debtor needs to prove a consistent payment behavior over a period of time before it is no longer considered as an impaired credit or that the DP has decreased in such way that the provision may be reversed and the credit is measured for impairment in a period of twelve months following the closing date of the financial statements.

Input at the measure of ECL

The key input when measuring the ECL are usually the term structures of the following variables:

- Default probability (DP)
- Loss Given Default (LGD)
- Exposure due to Default (ED)

The parameters above will be derived from internal statistical models. These models shall be adjusted to reflect prospective information, as described below:

DP are estimated on a specific date that will be calculated based on statistical classification models and evaluated using rating tools adjusted to the different categories of counterparts and exposures. These statistical models shall be based on internally compiled data comprising both, qualitative and quantitative factors. If a counterpart or exposure migrates between the various ratings, this will generate a change in the estimated DP. DP shall be estimated considering contractual maturity terms of the exposures and the estimated pre-payment rates.

LGD is the probable magnitude of loss in the case of default. The Group shall estimate the LGD parameters based on the history of the loss recovery rates vs. the parties in default. The LGD models will consider the structure, collateral, and priority of the debt lost, the counterpart's industry and the recovery costs for any collateral that is part of the financial asset. In the case of loans guaranteed by property, such loans shall be calculated based on discounted cash flows using the credit's effective interest rate.

ED represents the expected exposure in the event of default. The Group shall derive the ED from the current counterpart's exposure and the potential changes in the current amount allowed under the contract terms, including amortization and prepayments. The ED of a financial asset shall be the gross value at the default. In the case of covenants of loans and financial guarantees the ED shall consider the amount withdrawn, as well as the potential future amounts that may be withdrawn or collected under the contract, which shall be estimated, based on historical observations and prospective forecasted information. In the case of some financial assets, the Group shall determine the ED by modeling a range of possible exposure results in several points in time using scenarios and statistical techniques. As described before, and subject to the use of a maximal DP of 12 months where the credit risk has significantly increase, the Group shall measure the ED considering the risk of default during the contractual term (including debt extension options to the client), on which there is an exposure to the credit risk, even if, for the purposes of risk management, the Group considers a larger period. The maximal contractual period extends to the date when the Group is entitled to require the payment for a loan prior to terminating a loan covenant or a guarantee pledged.

In the case of consumer overdrafts, credit cards balances and certain revolving corporate credits that include both, a loan and a covenant component not withdrawn by the client, the Group shall measure the ED over a period higher than the maximal contractual period if the Group's contractual ability to demand its payment and pay off the non-withdrawn covenant do not limit the Group's exposure to credit losses in the contract's contractual period. These facilities do not have a fixed term or a collection structure and are managed on a collective basis. The Group may pay them off with immediate effect, but this contractual right is not enforced by management's regular administration of the Group on a daily basis, but only when the Group finds out an increase of the credit risk at each loan level. This higher period shall be estimated, considering the credit risk management actions the Group expects to take and that are useful to mitigate the ED. These measures include a reduction in the limits and the cancellation of the credit contracts.

Expressed in COP millions, except for the exchange rate and the shares' par value

Where the parameters modeling is carried out on a collective basis, the financial instruments shall be grouped on the basis of characteristics of similar risks that include:

- Type of instrument
- Credit Risk Rating
- Guarantee
- Date of Initial Recognition
- Remaining term to maturity
- Industry
- Debtor's geographic location

The groups above shall be subject to regular reviews to ensure the exposures of a particular group remain appropriately homogeneous.

In the case of portfolios where the Group has limited historical information, comparative data shall be used to complement the internal information available.

Forecast of Future Economic Conditions

Under IFRS 9 (version 2014), the Group shall include information with the forecast of future conditions, both at the assessment whether the credit risk has significantly increased from its initial recognition, as well as the measure of ECL. Based on the recommendations of use by economic experts and on the consideration of a variety of current and forecasted external information, the Group shall prepare a 'base case' on the projection of relevant economic variables, as well as a representative range of other possible forecasted scenarios. This process involved the development of two or more additional economic scenarios and considers the relative probabilities for each result.

The external information may include economic data and the disclosure of projections by government committees and monetary authorities in the countries where the Group operates, supranational organizations like the Organization for Economic Co-operation and Development (OECD) and the International Monetary Fund, among others, and academic and private sector forecasts.

It is expected that the base case represents the most probable result and that it is aligned to the information used by the Group for other purposes such as the strategic planning and budgeting. Other scenarios represent a more optimistic and pessimistic result. In addition, the Group plans to carry out periodic stress tests to tune the determination of other representative scenarios.

The Group is in the process of identifying and documenting key guidelines on credit risk and credit losses for each financial instruments' portfolio and, based on a historical data analysis, estimate the relationships between the macro-economic variables, credit risk and credit losses.

Change Impact of the Provision Model for Financial Instruments Impairment Losses

In the case of the assets in the scope of the impairment model under IFRS 9, the impairment losses are generally expected to increase and become more volatile. The Grupo determined the application of the impairment requirements of IFRS 9 as of January 1, 2018, results in an additional impairment assigned as follows:

	Dec-31-2017 IAS 39	Jan-01-2018 IFRS 9	Recognition IFRS 9
Portfolio	301,288	348,799	47,511
Investments	-	2,244	2,244
Accounts receivable (1)	13,603	873	(12,730)
Total	**314,891**	**351,916**	**37,025**
Deferred tax			(13,698)

Total	23,327

(1) The difference occurs because the bank included interests and other portfolio derived concepts as of December 31, 2017, as part of other accounts receivable. However, the concept aforementioned are included on the portfolio as of June 30, 2018

iii. Under separate:

As a corporate effect, in accordance with the Superintendency of Finance and the rules related to the preparation of the separate Financial Statements, the Bank and its Subsidiaries use an assignment model set out by the Superintendency. Such models require the loans' classification in loan risk levels according to the following categories:

- Category A and AA - "regular risk": Loans and financial leases in this category are adequately cleared; the financial statements of the debtor or their cash flows, as well as the remaining loan information available to us, reflect they are paying according to their adequate ability.
- Category B and BB - "Acceptable risk, above regular": Loans and financial leases in this category have an acceptable service and are adequately protected, but there are weaknesses that may potentially affect, temporarily or permanently, the debtor's payment ability or the cash flows projection, to the extent that, if not timely corrected, may affect the regular collection of the loans or contacts.
- Category C and CC * "considerable risk": Loans and financial leases in this category have debtors with insufficient payment ability or refer to projects with insufficient cash flows, which may compromise the regular collection of the liabilities.
- Category D * - "significant risk": Loans and financial leases in this category have the same deficiencies as loans in category C, but to a higher extent; consequently, the collection probability is highly doubtful.
- Category E * - "Nonrecoverable risk": Loans and financial leases in this category are considered as uncollectible.
- (*) Categories D and E are considered "default" loans to calculate the assignment of commercial and consumer loans.

In the case of mortgages and micro-loans, the preceding risk level classification is made based on the monthly number of days in default.

Differences between the impairment calculated separately, in conformity with the rules of the Superintendency of Finance, in respect to the calculation made as per IFRS 9 on a consolidated basis recorded in OCI, amounted to $6,520 (2018 for -$56,333).

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, price of a financial instrument, or commodity listed in a stock market, and the exchange rate of a foreign currency, etc.), that has an initial net investment lower than the investment required for other instruments with a similar response to the variable and is traded at a future date.

The Bank and its Subsidiaries trade in the following financial markets: forwards, futures and swaps that meet the derivative's definition.

Derivatives operations are initially recognized at fair value. Subsequent changes in fair value are recognized in the income statement, unless the derivative is designated as a hedge instrument, in which case, the accounting criteria will depend on the nature of the item hedged, as described below:

- In the case of the fair value hedge of assets or liabilities and firm commitments, changes in fair value are recognized in the income statement, as well as any other change in the fair value of the asset, liability or firm commitment attributable to the risk hedged.

- Cash flows hedge of a particular risk related to a recognized asset or liability or a highly probable projected operation, the effective portion of changes in the derivative's fair value is recognized in other comprehensive income (OCI) in equity. The profit or loss related to the non-effective portion for the hedge or that does not relate to the covered risk is immediately recognized in the income statement.

  Amounts accumulated in other comprehensive income (OCI) are transferred to the profit of loss in the same period when the item hedged is take to income.

- Hedging of net investments in a foreign operation is recognized similarly to the cash flows hedge: the effective portion of changes in the fair value of the hedge instrument is recognized in OCI, and the ineffective portion of the changes in the derivative's fair value is recognized in the income statement. The profit or loss of the hedge instrument accumulated in equity are recognized in the income statement when the net investment in foreign operations is entirely sold, or proportionally when it is partly sold in part.

At the beginning of the transaction, the Bank and its Subsidiaries document the current relationship between the hedge instrument and the item hedged, as well as the objective of the risk hedge and the strategy to start the hedge relationship. It does also document its assessment at the date of the beginning of the transaction and on recurrent bases, to determine whether the hedge relationship is highly effective to offset the changes in the fair value or in the cash flows of the items hedged.

e) Non-current assets held for sale

Foreclosed assets and non-current assets held for sale which the Bank and its Subsidiaries are going to sell within a period not shorter than one year, and which sale is considered as highly probable, are recognized as 'non-current assets held for sale'. These assets are measured at the lowest amount between the book value at the transfer and fair value, less the estimated cost for disposal. If the term expires and the assets have not been sold, they are reclassified to their original categories (Property and Equipment, Other Assets).

The Bank and its Subsidiaries shall recognize impairment losses due to initial or subsequent reduction of the asset's value for disposal in the income statement at fair value less the sales cost.

f) Properties and Equipment

Properties and Equipment include own assets or assets under financial leasing held by the Bank and its Subsidiaries for their current or future use, and which are expected to be used during more than one period.

Banco GNB Sudameris S.A. and its Subsidiaries recognized the lands and buildings, under the valuation model at fair value taking the value of the commercial valuation and not the cost model, as it had been done.

Other properties and equipment, different from real estate, are recorded at their acquisition cost, less the corresponding accumulation depreciation and, if applicable, the estimated losses as a result of comparing the net accounting value of each item with the corresponding recoverable amount.

Depreciation is calculating by applying the straight-line method during the estimated useful life of the asset. The annual depreciation rates per asset's item are:

Expressed in COP millions, except for the exchange rate and the shares' par value

Concept	Useful Life
Buildings	60 – 80 years
Hardware – IT infrastructure	9 – 25 years
PC Laptops	3 – 7 years
Servers	3 – 5 years
Communications	6 – 8 years
Equipment for specific extension	5 – 7 years
ATM	5 – 10 years
Middle/high capacity equipment: power plant >40 KW/UPS > 30 KVA/ - Air conditioning of the facilities	10 – 12 years
Generators /UPS/ Air conditioning in the offices	5 – 10 years
Furniture and supplies	3 – 10 years
Vehicles	5 – 10 years

Costs related to the repair and maintenance of assets and equipment are recognized as an expense in the period they are accrued and are recorded as General Expenses.

Property and equipment are initially measured at cost, including:

a) The purchase price included including the cost of importation and non-deductible taxes after deducting discounts;
b) Any costs directly attributable to take the goods to their place, and bring them to serviceable conditions;
c) Cost of dismantling. This is an initial estimate of the restoration cost.
d) Cost of debt.

Write offs of Tangible Assets
The book value, including the residual value of a Property and Equipment item is written off when no future associated economic benefit is expected, and the profit or loss for such write off are taken to income.

g) Investment properties

Land and buildings, considered in part or as a whole, maintained to earn revenues from a lease or capital appreciation, and not for its own use for sale in the ordinary course of the business, are classified as investment properties. Investment properties are initially recognized at cost, including all costs related to the operation, and subsequently measured at fair value with changes in the fair value recognized in the income statement.

h) Leases

Until December 31, 2018

• Assets given in lease

These assets given in lease by the Group are classified at the execution of the contract as financial or operational leases. A lease is classified as a financial lease when it transfers substantially all risks and rewards inherent to the property. A lease is classified as an operational lease if it does not transfer substantially all risks and rewards inherent to the property. The lease contracts classified as a financial lease, are included in the balance sheet under the account "financial assets through loans at amortized cost" and accounted as all other loans granted. The lease contracts classified as an operational lease are included in the account property, plant and equipment and are accounted and depreciated as that class of assets. The Group does only have operational leases.

• Assets received in lease

The assets received in a lease, when initially received, are classified in financial or operational leases, just as the assets delivered in lease described in the paragraph above.

The lease contracts classified as a financial lease are included in the balance sheet under property, plant and equipment for own use, or as investment properties, according to their purpose, and are initially accounted in assets and liabilities, simultaneously, at an amount equal to the fair value of the asset received in lease or at the present value of the minimum lease amounts, if lower. The present value of the minimum lease amounts is established using the interest rate implicit in the lease contract, or if such rate is not determined, the average interest rate used is the rate on the bonds placed by the Bank in the market. Any initial direct cost of the Lessee is added to the amount recognized as an asset. The amount recorded as a liability is included in the account financial liabilities and recorded as they are.

Payments made under operational leases are recognized in income in a linear method during the lease term. Incentives received from leases are recognized as an integral part of the total lease expense during its term.

As from January 1, 2019

A lease contract is an agreement through which a Lessor assigns to a Lessee the right to use an asset during a determined period of time in exchange for a payment or a series of payments.

The Group is a Lessor and a Lessee of various properties, equipment and vehicles. The lease contracts are generally made for fixed periods of 1 to 10 years, but they may have extension options. The lease conditions are individually negotiated and include a wide range of different terms and conditions.

The options of extension and termination included in the Group leases, are used to maximize the operational flexibility in terms of contracts' management. Most of the extension and termination options maintained are applicable simultaneously by the Group and the respective counterpart.

Lessee Accounting

Leases are recognized as assets of rights of use and the respective liabilities at the date when the leased asset is available to be used by the Group. Each lease payment is assigned to the liability and the financial cost. The financial cost is taken to income during the lease period, in order to produce a constant periodic interest rate on the remaining balance of the liability for each period. The asset by right of use is depreciated during the shortest useful life between the assets and the lease term, using the straight-line method.

Assets and liabilities originated in a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including substantial fixed payments), less any lease incentive receivable
- Variable lease payments based on an index or rate
- Amount expected to be paid by the Lessee under residual amount guarantees.
- The exercise price of aa purchase option, if the Lessee is reasonably sure to exercise this option; and
- Payment of fines on lease termination, if the lease condition reflects the Lessee has exercised that option.

The lease payments are discounted using the interest rate implicit in the lease, if possible to be determined, or the incremental indebtedness rate.

The assets on rights of use are measured at cost and comprise the following:

- The amount of the initial measurement of the lease liability
- All lease payment made on or before the initial date
- All initial direct cost; and
- Cost of decommissioning and restoration.

Payments related to short-term leases and leases of low value assets are recognized under the linear method as an expense in the income statement. Shirt-term leases have a term of 12 months or fewer. Low value assets comprise the computing equipment and small items of the office furniture.

Lessor Accounting

When the assets are leased under a financial lease, the present value of the future lease payments are recognized as an accounts receivable. The difference between the gross amount receivable and the present value of the accounts receivable is recognized as financial income.

The accounts receivable is amortized assigning each lease amount between the financial income and the capital amortization in each accounting period, so that the recognition of the financial income reflects in each period a constant performance rate on the net financial investment made by the Lessor in the financial lease.

When the assets are leased under an operational lease, thee asset is included in the Statement of Financial Position according the nature of the asset. Operational leases income is recognized during the term of the lease contract on a straight-line basis.

i) Intangible Assets

1) Business Combination/Goodwill

Business combinations are recorded to use the acquisition method when control is transferred. The cost transferred in the acquisition is usually measured at fair value, in the same way as the identifiable net assets acquired. The resulting goodwill is annually tested for impairment. If there are non-controlling interests during the entity's control acquisition, assets are recognized at fair value or proportional interest for the amount recognized of the acquired party's identifiable net assets. This election is allowed on an operation basis.

Goodwill represents the price excess paid over the fair value of the assets and liabilities acquired in a business combination (with certain exceptions, where the book value is used).

Goodwill acquired in a business combination is assigned to each group of the cash generating units of which benefits are expected as a consequence of the acquisition. Goodwill is not subsequently amortized but is subject to an annual impairment assessment of the cash generating unit (CGU) to which goodwill has been assigned, from which is expected benefits derive from synergies in the business combinations.

An impairment loss taken to goodwill cannot be reversed in subsequent periods. In addition, the income statement of the business acquired by the Bank and its Subsidiaries is included as from the date of acquisition as part of the consolidated financial statements.

2) Other Intangible Items

Other Intangible Items comprise computer programs (software), initially measured at the cost incurred during acquisition or internal development phases. Costs incurred during the research phase are directly taken to the income statement.

Development costs directly attributed to design and identifiable software testing, are recognized as intangible assets when they meet the following conditions:

- Technically, it is possible to complete the production of an intangible asset so that it is available for use;
- Management proposes to complete that intangible asset for its use;
- The Bank is capable of using the intangible asset;
- It is probable that the future expected economic benefits attributed to the asset enter the entity;

- Adequate technical or financial resources are available or other resources to complete development and to use the intangible asset; and

- Costs attributable to intangible assets during their development phase can be reliably estimated and measured.

Costs directly attributable and capitalized as part of the computer software include personnel expenses of the developers, and an adequate percentage for general expenses.

Expenses that do not meet these criteria are recognized as expenses on an accumulative basis. Disbursements on intangible assets are initially recognized as expenses for the period and will not subsequently recognized as intangible assets.

Subsequent to recognition, these assets are measured at cost less amortization, which is done during the estimated useful life, as follows: Software programs and computing licenses: 10 years Amortization is recognized through the straight-line method depending on the estimated useful lives.

j) Inventory

Inventory is valued at the lower amount between the cost and the net realization value. The cost shall include the purchase cost, transformation cost and other costs incurred to bring it to condition and current location the net realizable value is the estimated sale price in the ordinary course of the business, less the applicable sale expenses.

If an inventory is impaired, the carrying value is lowered to its sale price less the cost to complete and sale; the impairment loss on the value is immediately taken to the income statement.

k) Financial liabilities

A financial liability is any contractual obligation of the Bank and its Subsidiaries to deliver cash or other financial asset to another entity or person, or to exchange financial assets or financial liabilities under potentially unfavorable conditions to the Bank and its Subsidiaries, or a contract that will be terminated or settled using equity instruments property of the entity. Financial liabilities are initially recognized at fair value, which is usually the same as the operation value less cost directly attributable. Subsequently, such financial assets are measured at amortized cost, in accordance with the effective interest-rate method, determined at the initial recognition and taken to the income statement as financial expenses.

l) Employee Benefits

The Bank and its Subsidiaries provide the following in exchange for the services provided by its employees:

- Short-term employee benefits

  According to the Colombian labor regulation, such benefits correspond to salaries, legal and extra-bonuses, holidays, severance payments, and contributions of payroll taxes to State entities paid within the 12 months following the reporting period. These benefits are recognized on an accumulative basis and taken to the income statement.

- Post-employment benefits (defined benefit plans)

  These are the benefits that the Bank and its Subsidiaries pay their employees when they retire or when they complete their period of employment, different from indemnities. In accordance with Colombian labor standards, these benefits correspond to retirement pensions that are assumed directly by the Bank and its

Subsidiaries, payments pending for severance payments to employees belonging to the labor regime prior to Law 50 of 1990, and certain extralegal benefits or benefits agreed in collective bargaining agreements.

The liabilities for post-employment benefits are determined based on the present value of estimated future payments, calculated based on actuarial reviews prepared using the projected credit unit method, actuarial assumptions about the mortality rate, salary increase, personnel turnover and interest rates determined with reference to market yields on bond effects at the date of reporting for National Government bonds or high quality business liabilities. According to the method of the projected credit unit, the future benefits to be paid to employees are allocated to the accounting period when the employee provides the service. Therefore, the corresponding expense on these benefits is recognized in the income statement of the Bank and its Subsidiaries, includes the cost for the present service assigned in the actuarial calculation, plus the financial cost of the liabilities calculated. Changes in liabilities due to changes in actuarial assumptions are recognized in other comprehensive income (OCI).

Changes in actuarial liabilities due to changes in employment benefits retroactively granted to employees are recognized as an expense in the first of the following dates:

- When there is a change in employment benefits granted; or

- When provisions for restructuring costs are recognized by a subsidiary or a business of the Bank and its Subsidiaries.

The Group does not make payments on employee benefits as shares.

The Group does not have any asset and/or insurance policy destined to cover the payment of Post-employment Benefits, and thus, it established this entire liability in its Financial Statements.

- Other Long-term Benefits

Other long-term benefits include all employee benefits other than short-term, post-employment benefits and layoff indemnities. In accordance with collective bargaining agreements and the regulation of each company of the Bank and its Subsidiary, these benefits are mainly seniority bonuses. Liabilities for long-term benefits to employee are determined in the same way as the post-employment benefits described in Subsection (b) above; the only difference is that the changes in the actuarial liability due to changes in actuarial assumptions are taken to the income statement.

The Group does not have any asset and/or insurance policy destined to cover the payment of other long-term benefits, and thus, it established this entire liability in its Financial Statements.

- Benefits for Unilateral Termination

These benefits are payments made by the Bank and its Subsidiaries as a result of a unilateral decision to terminate a contract of employment, or the employee's decision to accept benefits offered by a company in exchange for the termination of the contract of employment. In accordance with Colombian law that these payments correspond to offsettings and other benefits which entities unilaterally decide to grant their employees in these cases.

Termination benefits are recognized as a liability in the income statement on the first of the following dates:

- When the Bank and Subsidiaries formally inform the employee of the decision to terminate; or

- When provisions for restructuring costs are recognized by a subsidiary or a business of the Bank and its Subsidiaries.

m) Taxes

Income tax expenses include the current and deferred tax. The tax expense is recognized in the income statement, except for items recognized in the Other Comprehensive Income (OCI) in equity.

1) Current Income Tax

Current income tax is calculated based on the current tax regulations (enacted or substantially enacted) in Colombia as from the reporting date of the financial statements, or in the country were the subsidiaries of each subordinate entity are located. Management regularly evaluates, at each subordinate' level, the income tax positions in respect to the situations where applicable tax regulations are subject to interpretation and establishes provisions, where applicable, on the basis of amounts expected to pay to the tax authorities.

2) Deferred Taxes

Deferred taxes are recognized on temporary differences that arise between the tax basis of assets or liabilities and the amounts recognized in the consolidated financial statements. However, deferred taxes are not recognized if they arise due to the initial recognition of goodwill, temporary differences on the initial recognition of an asset and a liability in a transaction other than a business combination not affecting the accounting or tax profit or loss in respect to investment in subsidiaries, to the extent their reversal in the foreseeable future is not likely. Deferred tax is determined using the tax tariff in force at the close of the balance sheet.

Deferred tax assets are recognized only to the extent that it is probable future tax income are available to offset temporary differences.

Deferred tax assets arise from taxable temporary differences, except for tax liabilities in investments in subsidiaries, where the appropriate time to reverse the various temporary differences is controlled by the Bank and its Subsidiaries and is not reversed in the near future. Generally, the Bank and its Subsidiaries have the capacity to control the reversal of temporary differences in investments in associates.

Current tax and deferred tax are offset only when the Bank has the legal and enforceable offsetting legal right and is going to liquidate on a net basis and to liquidate the liability at the same time. Deferred tax is offset when there is a legal right to offset deferred taxes against current tax liabilities, and when deferred tax assets and liabilities refer to income tax accounted by the same taxing authority on the same taxable entity, or on different entities. However, these different entities intend to liquidate current tax liabilities and assets on a net basis, or their assets and liabilities will be simultaneously realized for each period where differences are reversed.

n) Provisions and Contingencies

Provisions for restructuring costs and legal claims, etc. are recognized when the Bank and its Subsidiaries face a legal or constructive obligation as a result of past events and are likely to require a flow of economic benefits to liquidate the obligation. Restructuring provisions include fines due to the cancellation of leases and payments due to the dismissal of employees.
The provision amount is determined as the best estimate, and when a long-term liquidation is expected, it is discounted at its present value.

Provisions are periodically updated, at least at the closing date for each period, and adjusted to reflect the best possible estimate at any time. The provision is reversed if it is no longer probable that funds will have to be distributed to meet that obligation. If there is a change in estimates, they are recorded prospectively as changes in accounting estimates, in accordance with IAS 8 Accounting Policies Changes in Accounting Estimates and Errors.

o) Net Profit per Share

Net profit per share, is calculated by dividing the net profit by the period attributable to the controlling interest by the weighted average of ordinary shares issued and delivered during the period. The Bank does not have financial instruments with potential voting rights. Therefore, these financial statements present only the basic profit per share.

p) Operating segments

An operating segment is a component of an entity which:

a) undertakes business activities out of which it may obtain income and incur expenses (including operating income and expenses with other components in the same entity);

b) operating profit or loss are periodically reviewed by the person responsible for making decisions, who decides the allocation of resources to the segment and evaluates performance; and

c) has differentiated financial information available.

The Bank and its Subsidiaries disclose separate information per operating segment identified that exceeds the minimal quantitative thresholds of a segment:

a) Income reported from ordinary activities, including income from external customers, as well as income or transfers between segments, equal or higher than 10% of combined ordinary activities income, internal and external, from all operating segments.

b) The net profit amount reported is, in absolute terms, equal or higher than 10% of the greater of (i) the net combined profit reported for all operating segments that have not had losses; or (ii) the combined loss reported of all operating segments that have had losses.

c) Its assets are equal or higher than 10% of the combined assets of all operating segments.

q) **Non-consolidated structured entities**

In the regular course of business, the Bank undertakes operations through which transfers financial assets to third parties. Depending on the circumstances, these transfers may result on the withdrawal of those financial assets, or that they continue being recognized. The term "non-consolidated structured entities" refers to all the structured entities not controlled by the Bank. The Bank undertakes transactions with non-consolidated structured entities in the regular course of business in order to facilitate the transactions of clients and for specific investment opportunities.

r) Changes to accounting policies

The Group applied IFRS 16 - Leases, as from the year 2019. According to the transition provisions of IFRS 16, the new standard was retrospectively adopted with the accumulative effect of the initial application of the new standard recognized as of January 1, 2019. The comparative figures of 2018 have not been restated.

Until 2018, the leases of properties and equipment where the Group, acting as a Lessee, did not substantially have all the risks and benefits derived from the property, were classified as operational leases, and those where they did, as financial leases.

In the adoption of IFRS 16, the Group recognized liabilities on leases related to leases previously classified as "operational leases" under the principles of IAS 17 - Leases. These liabilities were measured at the present value of the remaining lease payments, discounted through the incremental indebtedness rate of each entity as from January 1, 2019, which re calculated at the discount rates of 6.94%, 7.67% and 9.53% EA for the Baank and its local Subsidiaries, and 6.2%, 3.2% y 6.3% E.A. for the foreign Subsidiaries in the short, medium and long-term, respectively.

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

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

- The use of a single discount rate on a lease portfolio with reasonably similar characteristics.
- The accounting of operational leases with a remaining lease term of at least 12 months as of January 1, 2019, as short-term leases.
- The exclusion of the initial direct cots to measure the assets of right of use at the date of initial application; and
- The retrospective use in the determination of the lease term where the contract has options to extend or terminate the lease.

NOTE 4 - CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES WHEN APPLYING ACCOUNTING POLICIES

The management of the Bank and its Subsidiaries makes estimates and adopts assumptions that affect the amounts recognized in the consolidated financial statements and the book value of assets and liabilities over the course of the period. These judgments and estimates are permanently evaluated and are based on management's experience and other factors including the occurrence of future events considered to be reasonable under current circumstances. Similarly, management makes judgments additional to those that involve the estimates adopted in the process of applying the accounting policies. The judgments with the most significant effect on the amounts recognized in the Consolidated Financial Statements and the estimates that may generate significant adjustments in the book value of assets and liabilities for the following year, include the following:

Going Concern: The management of the Bank and its Subsidiaries prepares the Financial Statements based on a going concern. For the purposes of this judgment, Management considers the financial position, its current intentions, the operations result and access to the financial resources in the market and analyzes the impact of such factors on its future operations.

At the date of this report, management has no knowledge of any situation that would make the Bank and its Subsidiaries think they would not have the ability to continue as a going concern in the following year.

1) Business model for financial assets

The Bank and its Subsidiaries apply significant level of judgment by determining their business model to manage financial assets and to assess whether such assets meet the conditions set by the business model in order to be classified as "at fair value" or "at amortized cost". Consequently, and in general, the Bank and its Subsidiaries have classified their financial assets in debt securities in their investment portfolios as "at fair value" with a lower segment as "at amortized cost". The latter does basically correspond to investments in debt securities of the Colombian Government and mandatory investments under Colombian regulations.

The Bank and its Subsidiaries classify their loans at amortized cost. Under the terms of the business model, the financial assets at amortized cost may only be sold in restricted circumstances and are not material in respect to the total portfolio. This may happen when an asset ceases to comply with the accounting policy for investments of the Bank and its Subsidiaries, or due to adjustments to the maturity structure of assets and liabilities, the need to finance significant disbursements or to meet seasonal liquidity needs. During the periods ended on December 31, 2019 and 2018, the Bank and its Subsidiaries did not make any significant change to the business model and no significant sales have been made of financial assets classified at amortized cost.

2) Impairment loss provision of loans

In the calculation process of the provisions vs. the individual loans considered as significant applying the discounted cash flow method, the management of the Bank and its Subsidiaries adopts assumptions in respect to the recoverable amount per client and the time when such recovery would take place. Any variation in the estimate's amount may result in significant variations in the corresponding provision amount. Management makes an estimate to calculate the provision vs. individual loans considered as significant based on the respective guarantees, in order to determine their fair value, with the assistance of independent experts. Any variation in the recovery's resulting price eventually made through the guarantee, may in turn generate significant variations in the provisions amount.

In the calculation process of the collective impairment provisions for the loans not individually considered, or those individually significant and not impaired, and which impairment is collectively assessed, the historical loss rates are periodically updated to include the most recent data that reflects the current financial position, the industry profitability trends, geographic and lenders concentrations in each loans segment, and any other pertinent information that may affect the calculation of the loans impairment provision. There are several factors that influence the provisions estimates vs. the losses in the losses granted by the Bank and its Subsidiaries, including the volatility in the impairment probability, migration and the estimates on the loss severity.

In order to quantify the eventual losses in collectively assessed portfolios, the Bank and its Subsidiaries have calculation methods that considers four main factors, as follows: exposure, default probability, loss identification period, and the loss severity. Therefore, the loans are considered in default when they have been over 90 days in default, or restructured due to the lenders' financial hazards, clients in bankruptcy, and clients included in risk categories D or E, under the terms of the internal loan risk assessment model.

- Exposure to Default (ED) is the amount of risk, if the debtor stops paying.

- The Probability of Default (PD) is the probability the debtor may fail to comply with its payment obligations of capital or interests. PD is related to the rating, score or height in default in the payment per debtor or operation. In the specific case of loans in default, PD assigned is 100%. A loan is classified as 'doubtful' when it has 90 days or more in default, or where there is no failure to comply with the payments but there are doubts on the debtor's solvency ("subjective doubt").

- The Default Given Loss (DGL) is the estimated loss in the Event of Default and depends mainly on the debtor's characteristics and the valuation of the guarantees related to the operation.

- The Loss Identification Period (LIP) corresponds to the period from the occurrence of the event that causes a particular loss, and the moment when such loss becomes evident at individual level. The LIP analysis is made based on homogeneous risk portfolios.

3) Deferred Income Tax

The Bank and its Subsidiaries assess the realization in time of the deferred tax assets. Such assets consist of the recoverable Income tax through future deductions of taxable profit and are recorded in the Statement of Financial Position. They are recoverable considering the probability there may be corresponding tax benefits. Future taxable income and the amount of tax benefits are based on the medium-term management plans. The business plan is based on the management expectations that are considered as reasonable under current circumstances.

As of December 31, 2019 and 2018, the management of the Bank and its Subsidiaries estimates that the deferred income tax assets would be recovered based on the future estimated taxable profit together with the translation adjustment to the Financial Statements. No deferred tax liability has been recorded on the subsidiaries profit, since the Bank is not expecting to remit them in the near future, because the Bank controls the subsidiaries' dividends policy and it does not intend any dividends distribution or sale of the corresponding investments in the near future.

4) Goodwill

Annually, the management of the Bank and its Subsidiaries assesses the eventual impairment of goodwill recognized in its Financial Statements. Such assessment is carried out based on the valuation of the business lines related to goodwill through the discounted cash flows method and considering factors like the economic situation of the country, the operating segment, historical financial information, and the growth projections of income and costs in the following five years and in an indefinite future, considering the profit capitalization index, discounted at risk free rates with the risk premiums required under the circumstances. The main assumptions used by such valuations appear in Note 16.

5) Provisions for contingencies

The Bank and its Subsidiaries calculate and record estimates for contingencies in order to cover eventual losses due to labor, civil and commercial litigations, requirements by the tax authorities, and other matters, depending on the circumstances, which, in the opinion of the internal and external legal consultants, are considered to be sources of probable losses and that may be reasonably quantified.

In many of these lawsuits or cases, given their nature, it is not reasonably feasible to make a precise projection or to quantify the loss, and thus, the actual amount disbursed due to the lawsuits or litigations is constantly different from the amounts initially estimated and provided for. Such differences are recognized in the year when they are identified.

6) Pension plans

The measurement of the obligations due to pensions, costs and liabilities depends on a wide variety of long-term assumptions determined on actuarial bases, including the present value of future projected payments for the pensions of the plan affiliates, considering the probability of potential future events such as the increase of the minimal urban salaries and demographic experiences; these considerations may affect the amount and future contributions in case of any variation.

The discount rate used allows the representation of the future cash flows at their present value in the date of measurement. The Bank and its Subsidiaries set a long-term rate that represents the market rate for high quality fixed income investments or government bonds in Colombian pesos - i.e. the currency in which the earnings will be paid - and considers the opportunities and payment amounts of future earnings. Colombian government bonds were selected for this purpose.

The Bank and its Subsidiaries use other key assumptions to value the actuarial liability calculated on the basis of specific experiences in combination with statistics published and market indicators. The most relevant assumptions made in the actuarial calculations and the corresponding sensitivity analysis appear in Note 21.

7) Recognition of Income

The application of IFRS 15 requires the Bank and its Subsidiaries to make judgments that affect the amount's determination and the income timeliness from contacts with clients. They include:

- Determination of the time of compliance with the performance obligations.
- Determination of the transaction price assigned to such obligations.
- Determination of the individual sale prices.

8) Loyalty programs

In respect to the clients' loyalty programs, the fair value attributed to the reward points is deferred as a liability and it is recognized as income at the redemption of the points and the provision of the service to the participants to who the points are granted. The fair value of the reward loans is estimated as a reference to the fair value of the prizes that may be claimed, and it is reduced to consider the proportion of reward loans out of which no redemption is expected by the clients. The Bank exercises its judgment by determining the assumptions to be adopted in order to respect the amount of points not expected to be redeemed through the use of the statistical model and a historical trends model t determine the mix and the fair value of the reward credits.

The points grant a material right to the clients, which they would not have access to if they would not sign a contract. Therefore, the promise to give points to the clients is considered an individual performance obligation. The transaction price is assigned to the product and the points based on the individual sale price. The individual sale price for the product sold is estimated based on the market price.

9) Lease activities of the Bank and how they are accounted for

The Group leases several properties, equipment and vehicles. The lease contracts are regularly made for fixed periods. The lease conditions are individually negotiated and include a wide range of different terms and conditions. The lease contracts do not impose any agreement, but the assets leased may not be used as collateral for loans purposes.

Leases are recognized as assets of rights of use and the respective liabilities at the date when the leased asset is available to be used by the Entity. Each lease payment is assigned to the liability and the financial cost. The financial cost is taken to profit or loss during the lease period, in order to produce a constant periodic interest rate on the remaining balance of the liability for each period. The right of use asset is depreciated throughout the shortest useful life of the asset and the lease term on a linear basis.

10) Variable lease payments

Some property leases comprise variable payment conditions related to the income generated by an office. For individual offices, up to 100% of the lease payments are made on the basis of variable payment conditions and a wide range of sale percentages apply. Variable payment conditions are used due to a variety of reasons, including the minimization of the fixed costs basis for recently established offices. Variable lease payments that depend on income are recognized in the income statement in the period when the condition that triggers such payments takes place.

11) Extension and termination options

The extension and termination options are included in several leases of properties and equipment of the Group. Such conditions are used to maximize the operational flexibility in terms of contracts management. Most of the extension and termination options held are exercised by the Group and the Lessor.

12) Lease Terms

By determining the lease term, management considers all facts and circumstances that create a financial incentive to exercise n extension option, or not to exercise a termination option. The assessment is reviewed if a significant event or a significant change occurs in the circumstance that affect such assessment.

NOTE 5 - ACCOUNTING STATEMENTS ISSUED BY IASB AT INTERNATIONAL LEVEL

Standards issued not in force

The standards and interpretations that have not been published but are enforceable at the date of these Financial Statements, as disclosed as follows: The Group shall adopt the standards on the date they become effective, in accordance with the decrees issued by the local authorities.

IFRS 17: Insurance Contracts

In May 2017, IASB issued IFRS 17, a new comprehensive accounting standard for insurance contracts that covers their measurement and recognition, presentation and disclosure. Once it becomes effective, IFRS 17 will replace IFRS 4, issued in 2005. IFRS 17 applies to all kinds of insurance contracts, irrespective of the type of entities that issue them, as well as certain guarantees and financial instruments with characteristics of discretional participation. This standard includes a few exceptions.
The general objective of the standard consists of the provision of an accounting model for insurance contracts that is more useful and consistent for the insurers. Contrary to the requirements of IFRS 4 that mainly intends to protect previous local accounting policies, IFRS 17 offers a comprehensive model for these contracts, including all relevant issues. The essence of this standard is a general model, supplemented by:

- A specific adjustment to contracts with direct participation characteristics (variable tariff approach)
- A simplified approach (the assignment premium approach) mainly for short-term contracts

IFRS 17 has not been introduced to the Colombian accounting framework through any decree at this date. The Group will not have any effect on for applying this standard in its Financial Statements.

Modifications to IAS 19: Modification, reduction or liquidation of a plan

The modifications to IAS 19 define the accounting treatment of any modification, reduction or liquidation of a plan, occurred during the period. The modifications specify that in the case of a modification, reduction or liquidation of a plan during the reporting period, the entity shall:

- Determine the current cost of the service for the remaining period following the modification, reduction or liquidation of the plan, using the updated actuarial hypothesis to recalculate the liability (asset) net of defined provisions defined that reflect the benefits offered under the plan and the plan assets after said event.
- Determine net interest for the remaining period following the modification, reduction or liquidation of the plan, using liability (asset) net of defined provisions defined that reflect the benefits offered under the plan and the plan assets after the event; and the discount rate used to recalculate the liability (asset) net of defined provisions defined.

Th modifications do also explain that the entity does first determine any cost for a past service, profit or loss in the liquidation, irrespective of the limit of the asset's ceiling. This amount is recognized as a benefit or loss. Then, the asset ceiling effect is determined following the modification, reduction or liquidation of the plan and any change in that effect, excluding the quantities included in the net interest, are recorded in other global income.

This standard is included in the Compiling and Updated Technical Annex 1-2019 of Decree 2270 of 2019. The changes will be applied to the modifications, reduction or liquidations of the plan that occur during the periods starting on January 1, 2020 or later, and the comprehensive and early application is allowed. These modifications will apply only to any future modification, reduction or liquidation of the Group's plan, if any.

IFRIC 23 - Uncertainty regarding the Income Tax Treatment

Th interpretation approaches the accounting of income tax when the tax treatments imply an uncertainty that affects the application of IAS 12. This interpretation is not applied to taxes or encumbrances out of the scope of IAS 12, nor does it include the treatment of the related interests and penalties that may derive. The interpretation approaches specifically the following:

- If an entity must consider the tax uncertainties separately
- The hypothesis an entity must make whether the tax treatment will be audited by the tax authorities
- How an entity must determine the final result, the tax bases, the losses still to offset, the tax deduction and the tax types.
- How an entity must consider the changes to the facts and circumstances.

The interpretation is included in the Compiling and Updated Technical Annex 1.2019 of Decree 2270 of 2019 and is effective for the periods starting on January 1, 2019 or later, and its comprehensive and early application is allowed; certain exemptions are allowed during the transition.

The Group is carrying out the assessment of the potential impacts of this interpretation in its Financial Statements. No situations have been identified so far that may require changes.

Annual improvement 2018 (issued in October 2018)

The improvements introduced to the Colombian accounting framework through Decree 2270 of 2019 include:

Amendments to IFRS 3: Definition of a business

The amendments to the definition of a business inn IFRS 3 - Business Combination, help the entity to determine if a set of activities and assets acquired is a business, or not. They explain the minimal requirements of a business, eliminate the assessment of whether the market stakeholders are able to replace the missing items, add guidance to help the entities assess if a process acquired is substantive, reduce the definitions of a business and products, and introduce an optional test for fair value concentration. New illustrative examples are provided along with the amendments.

Given that the amendments are prospectively applied to transactions of events that occur on the date of the first request, or after it, the Group will not be affected by these amendments at the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material or with Relative Importance

The amendments align the definition of "*Material*" with IAS 1 - Presentation of the Financial Statements and IAS 8 - Accounting Policies, Changes to Accounting Estimates and Errors, and explain certain definition aspects. The new definition establishes that "*The information is material or has relative importance if its omission, inadequate expression or shadowing may be reasonably expected to impact the decisions made by the main users of the financial statements of general purpose based on them, which provide specific financial information on the reporting entity".*

The amendments to the definition of material or with relative importance are not expected to have a significant impact in the Group's Financial Statements.

NOTE 6 - FAIR VALUE MEASUREMENT

The fair value of the financial assets and liabilities traded in active markets (such as financial assets in debt securities, equity certificates and derivatives listed and actively traded in stock exchanges or interbank markets) is based on dirty prices supplied by a price vendor.

An active market is a market where assets or liabilities are traded with sufficient frequency and volume to be able to provide price information on an ongoing basis. A dirty price is that which includes accrued and outstanding interest on the security, as from the date of issue or last payment of interest, until the effective purchase-sale operation date. The fair value of financial assets and liabilities not traded in an active market is determined through valuation techniques selected by the price supplier or by management of the Bank and its Subsidiaries.

Valuation techniques used for non-standardized financial instruments, such as foreign currency swaps and derivatives in the over-the-counter market include the use of interest rates or currency assessment curves built by market data providers, extrapolated to the specific conditions of the instrument appraised. Discounted cash flow analysis and other valuation techniques are used as well by the market stakeholders that mostly use the market data.

The Bank and its Subsidiaries may use models developed internally to appraise instruments that are not part of active markets; generally, such models are based on valuation techniques and methods generally standardized in the financial sector. The valuation models are mainly used for appraising equity financial instruments not listed in the stock exchange, debt certificates and other debt instruments where the markets have been inactive during the period. Some inputs of these models may not be observable in the market and thus, are estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty and the valuation techniques used may not fully reflect all the factors relevant to the Bank's positions. Therefore, the valuations are adjusted, if necessary, to allow additional factors, including the model risk, liquidity risks and counterpart risks.

The fair value hierarchy has the following levels:

- Level 1 entry data are quoted prices (with no adjustments) in active markets for identical assets and liabilities to those the entity can access at the date of measure.

- Level 2 entry data are different from the prices quoted included in Level 1, that are directly or indirectly observable for the assets or liabilities.

- Level 3 entry data are non-observable entry data for the asset or liability.

The fair value level that allows the justification of a total fair value is determined on the basis of the lowest input level that is significant to measure the entire fair value. Therefore, the importance of an entry is evaluated in relation to the measurement of the entire fair value. If the fair value measurement uses observable inputs that require significant adjustments based on non-observable inputs, the measurement falls under Level 3. The importance evaluation of a particular input for the fair value measurement requires exercising judgment that considers the asset or liability specific factors.

Determining the meaning of "observable" requires significant judgment by the Bank and its Subsidiaries. The Bank and its Subsidiaries consider data is observable, if they are market data that is available, periodic distributed or updated, reliable and verifiable, have no rights of ownership and are provided by independent sources with an active role in the reference market.

a) Measurement of Fair Value on a Recurrent Basis

These are the measurements required or allowed by the IFRS in the statement of financial position at the end of the period.

The most frequent methods applicable to derivatives are the following:

Valuation of currency forwards: The provider publishes curves assigned according to the underlying currency of origin. Such curves represent the nominal rate for periods in arrears related to exchange rates forwards.

Valuation of forwards on bonds: To determine a forward's valuation at a determined date, the bond's theoretical value is calculated based on its price at the valuation date and the underlying country-risk-free reference rate. The present value of the difference between the theoretical future value and agreed price of the bond in a forward contract is obtained using the country-risk-free discount rate of reference for the underlying security over the days to maturity.

Valuation of swaps: The provider publishes curves assigned in accordance with the underlying security, base swap curves (exchange of payments related to variable interest rates), domestic and foreign curves and implied curves associated with exchange forwards.

Valuation of OTC options: The Provider publishes curves assigned to the underlying currency of origin, a forward exchange rate curve for the local operation currency, implied curves associated with exchange forwards, swap curves assigned to the particular underlying instrument and a matrix and curves for implied volatilities.

Expressed in COP millions, except for the exchange rate and the shares' par value

The valuation of real estate property recognized as property and equipment and as investment property at fair value is measured using a Level 3 market approach with available data in relation to the available prices in different regions of Colombia.

The following table analyses, within the fair value hierarchy, the assets and liabilities (by category) held by the Bank and its Subsidiaries as of December 31, 2019 and 2018, on a recurring basis:

December 31, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Total Debt	6,179,841	-	-	6,179,841
Equity securities - issuers in Colombia	-	103,265	-	103,265
Derivatives	-	19,381	-	19,381
Investment properties	-	-	134,350	134,350
Property and equipment (real estate)			724,748	724,748
Total assets at fair value, recurrent basis	**6,179,841**	**122,646**	**859,098**	**7,161,585**
Liabilities				
Derivatives	-	49,946	-	49,946
Total liabilities at fair value, recurrent basis	**-**	**49,946**	**-**	**49,946**

December 31, 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Debt securities	6,174,098	-	-	6,174,098
Equity securities - issuers in Colombia	-	86,197	-	86,197
Derivatives	-	23,511	-	23,511
Investment properties	-	-	67,567	67,567
Property and equipment (real estate)	-	-	673,967	673,967
Total assets at fair value, recurrent basis	**6,174,098**	**109,708**	**741,534**	**7,025,340**
Liabilities				
Derivatives	-	31,805	-	31,805
Total liabilities at fair value, recurrent basis	**-**	**31,805**	**-**	**31,805**

There were no transfers between Level 1 and Level 2 for December 2019 and 2018.

To determine the fair value hierarchy level, each instrument is evaluated according to the information on the type of calculation reported by PRECIA S.A. (price provider), the expert criteria of the Front and Middle Office, who issue their opinion considering aspects like: Historical continuity in the disclosure of prices, outstanding amounts, record of operations completed, number of price contributors as a measure of market depth, market knowledge, regular quotations by one or more counterparts for the specific security, and bid/offer spread, among other factors.

Since December 2017, the buildings and lands are measured at fair value with the intention of a more effective presentation of the financial position of such non-current assets in the Financial Statements. Similarly, new valuations were made during 2019 and 2018. Additionally, in 2018 a decision was made to acquire an interest in the real estate capital fund.

DECEMBER 2019	**BANK**	**SERVITRUST**	**SERVIBANCA**	**SERVIVALORES**	**CORPORACIÓN**	**FCP**	**PARAGUAY**	**PERU**	**TOTAL**
Land cost	640	24	-	-	178,191	94,198	2,420	-	275,473
Buildings cost	9,019	235	804	-	136,351	262,448	5,545	22,823	437,225
Accumulated depreciation	(9,718)	(22)	(59)	-	(15,347)	-	(4,909)	(18,133)	(48,188)
Total Cost	**(6)**	**237**	**745**	**-**	**299,586**	**356,646**	**3,056**	**4,690**	**664,954**

Expressed in COP millions, except for the exchange rate and the shares' par value

Land revaluation	1,150	4	-	-	-	12,535	-	-	13,689
Buildings revaluation	6,458	305	1,015	-	3,926	34,923	-	-	46,627
Accumulated depreciation	(53)	(18)	(60)	-	(391)	-	-	-	(522)
Total revaluation	**7,555**	**291**	**955**	**-**	**3,535**	**47,458**	**-**	**-**	**59,794**
Total property - Real estate	**7,549**	**528**	**1,700**	**-**	**303,121**	**404,104**	**3,056**	**4,690**	**724,748**

DECEMBER 2018	**BANK**	**SERVITRUST**	**SERVIBANCA**	**SERVIVALORES**	**CORPORACIÓN**	**FCP**	**PARAGUAY**	**PERU**	**TOTAL**
Land cost	1,196	24	-	459	88,582	93,411	2,632	-	186,304
Buildings cost	12,212	235	802	2,821	220,198	259,362	6,001	21,979	523,610
Accumulated depreciation	(632)	(18)	(49)	(185)	(18,647)	(6,053)	(4,862)	(16,363)	(46,809)
Total Cost	**12,776**	**241**	**753**	**3,095**	**290,133**	**346,720**	**3,771**	**5,616**	**663,105**
Land revaluation	1,283	-	-	-	-	-	(105)	-	**1,178**
Buildings revaluation	7,774	233	370	1,684	-	-	(224)	-	**9,837**
Accumulated depreciation	(159)	(13)	(18)	(88)	-	-	125	-	**(153)**
Total revaluation	**8,898**	**220**	**352**	**1,596**	**-**	**-**	**(204)**	-	**10,862**
Total property - Real estate	**21,674**	**461**	**1,105**	**4,691**	**290,133**	**346,720**	**3,567**	**5,616**	**673,967**

b) Concepts Measured at Fair Value, Non-recurrent Basis

The Bank and its Subsidiaries do not have any assets or liabilities measured at fair value with a non-recurring basis as of December 31, 2019 and 2018.

Fair Value Determination

The Bank and its Subsidiaries have determined that the financial instrument traded in an active market correspond to Level 1. Their fair value was established according to quoted prices (unadjusted) supplied by the price vendor, who determines the price ass the weighted averages of the transactions carried out during the trading day.

The Bank and its Subsidiaries have determined that the financial instrument traded in a non-active market correspond to Level 2. The table below provides information on the valuation techniques and significant inputs when measuring assets and liabilities.

The Bank and its Subsidiaries have determined that the financial instruments not being traded in an active market are Level 3. The detail below provides information on the various supplies and valuation techniques:

	Valuation Technique	**Significant Inputs**
Assets		
Debt Securities	Market prices	Market price or price calculated based on reference points set out by the price vendor methodology.
Equity securities - issuers in Colombia	Market prices	Market price or price calculated based on reference points set out by the price vendor methodology.
Derivatives	Market prices	- Price of underlying asset - Currency per underlying asset - Forward exchange rate - Matrix and curves

Investment properties	Technical valuation	Valuation carried out at the end of each period by an independent expert for similar operations in the market
Property and equipment (real estate)	Technical valuation	Valuation carried out at the end of each period by an independent expert for similar operations in the market

Investment properties:

Investment properties are recognized at fair value, based on a valuation made by an independent expert valuation at the end of each period. In Colombia, the frequency of the market operations is low, but management considers that the volume of activities is sufficient to evaluate the fair value of the investment properties of the Bank and its Subsidiaries, based on comparable operations in the Market. Management has reviewed the main assumptions used by the expert independent appraisers (such as inflation, interest rates, etc.) and believes they are consistent with the market conditions at the end of each period. However, management believes that the estimation of the investment properties' fair value depends on significant judgment by the independent expert appraisers and thus, there is a significant possibility that the actual sales price of a property differs from its fair value.

Reconciliation between the balances at the beginning and the end of the period with the fair value classified as Level 3, appears in Note 15.

Fair value of Financial Assets and Liabilities Recognized at Amortized Cost

The following table presents a summary of the financial assets and liabilities recognized at amortized cost only for the purposes of this disclosure as of December 31, 2019 and 2018.

	December 31, 2019		December 31, 2018	
	Book value	**Estimated Fair Value**	**Book value**	**Estimated Fair Value**
Assets				
Cash and cash equivalents	12,109,368	12,109,368	9,256,890	9,256,890
Debt at amortized cost	835,858	825,702	771,851	779,699
Portfolio and receivables (1)	16,720,208	16,926,374	15,609,645	15,471,405
Total Financial Assets	**29,665,434**	**29,861,444**	**25,638,386**	**25,507,994**
Liabilities				
Customer deposits (2)	9,008,058	9,004,254	8,486,862	8,502,005
Financial liabilities (3)	4,598,968	5,105,746	4,471,736	4,754,683
Bank loans	2,347,173	2,510,455	2,240,382	2,404,779
Debt securities (Bonds)	2,251,795	2,595,291	2,231,354	2,349,904
Total Debt	**13,607,026**	**14,110,000**	**12,958,598**	**13,256,689**

(1) Fair value of the loans portfolio at amortized cost was determined using cash flows models discounted at the interest rates offered by banks to grant new loans, taking into account the credit risk and its maturity. The process of valuation is deemed as Level 3.

(2) The fair value of demand deposits is equal to their carrying value. For fixed-term deposits with maturities below 180 days, its fair value was considered as equal to its carrying value. For fixed-term deposits with maturities over 180 days, the discounted cash flows model was used at the rates offered by banks in accordance with their maturity. The process of valuation is deemed as Level 2.

(3) For short-term liabilities the carrying value was considered as their fair value. For short-term liabilities the carrying value was considered as their fair value. The fair value of long-term financial liabilities was determined using discounted cash flows models at risk-free interest rates adjusted by risk premiums for each entity. The fair value of outstanding bonds is determined according to quoted prices or estimated prices supplied by the price vendor. This valuation is considered as Level 2.

NOTE 7 - RISK MANAGEMENT

Risk management for the Bank and its Subsidiaries is a fundamental element to achieve efficiency and effectiveness in the operations, reliability of reports and compliance with the law, standards and regulations; hence, its importance in the achievement of the entity's strategic objectives.

The analysis of the strategic context in which it performs its activities allows Banco GNB Sudameris and its Subsidiaries to establish means to prevent the materialization of events that affect the regular course of processes and the achievement of the objectives set by the Entity, or if this turns out not to be reasonably possible, to implement measures for the treatment and mitigation of risks to reduce its impact.

Organizational Structure of Risk Management

The Board of Directors, as the highest body responsible for risk management of the group entities, determines the profiles and defines policies and procedures for risk management aligned with the internal control system, in the context of the development of the strategic plan, the entities' objectives and targets; therefore, it follows up each Risk Management System in regards to its objectives, plans and indicators of compliance and control, in conformity with current regulations.

With the purpose of preserving the efficiency and effectiveness of its management and operating ability, as well as to safeguard the resources it manages, Banco GNB Sudameris S.A. and its Subsidiaries have an integral risk management system and an organizational structure that allows cutting down costs and damages caused by them supported by the following structure:

Board of Directors

The Board of Directors is responsible for adopting, among others, the following decisions related to the appropriate organization of the risk management system of each entity:

- Definition and approval of the entity's policies on risk management.
- Approval of regulations, manuals of procedures and functions of the entity supervised, as well as the respective updates.
- Approval of the Code of Ethics, the internal control system and the organizational and technological structure of the risk management systems.
- Approval of operating limits and counterparts according to the attributions defined.
- Approval of exposure and limits to different types of risk.
- Approval of actions where exposure limits are overcome or exceeding the exposure limits or any exception to a rule, as well as contingency plans to adopt for any extreme situation.
- Appointment of the risk committee, definition of its functions and approval of its regulations according to the applicable legal regulations.
- Approval of methodologies and models to manage the Risk Management Systems.
- Ongoing monitoring to the compliance with the guidelines and policies of the Risk Management Systems.

The Board relies basically on the following committees for the administration of the various Risk Management Systems:

Risk Committee

The Risk Committee must comply with the functions and responsibilities described as follows:

a. Advice the Board of Directors in the definition of the exposure limits per type of risk, term, amount, currency, and instruments and observe their compliance.

b. Assess the Board of Directors and the Bank's Chairman in the definition of policies and procedures for information security and risk prevention of cybersecurity.

c. Prepare an analysis and forecasts on the behavior of the main economic and monetary variables that evidence the economy's situation, the behavior of the various financial instruments and their incidence in the risks to which the entity is exposed.

d. Verify the estimated risk integral management and control the level of exposure to the different risks to which the entity is exposed, with the purpose of protection of eventual changes that may cause losses in the Financial Statements.

e. Review on a monthly basis the exposure limits to the risks of market, liquidity, credit and operation, the excess occurred and proposals for their adjustment.

f. Review on a monthly basis the results related to the management of the information security and cybersecurity risk.

g. Present proposals to the presidency regarding the contingency plans to adopt in respect to each extreme scenario and risk identified.

h. Review on a monthly basis the exposure to the operational risk, the assessment to the type "A" events and the management during the period.

i. Review on a quarterly basis the results of the interaction of the National Risk Management area and the General Audit office of Banco GNB Sudameris.

j. Analyze and review on a semester basis the methodologies to measure the market, liquidity and credit risks.

k. Observe the timely, efficient and total compliance with the instructions provided by the SFC in respect to the identification, measure, control and monitoring of the different risk management systems and information security and cybersecurity systems.

l. Analyze the results of the Stress Test to the risks of market, liquidity and backtesting of the credit risk.

m. Analyze the limits of the entity's counterpart and request their presentation for the approval by the Board of Directors.

n. Other duties related to the Committee's purpose and the rules on risk management not assigned to other bodies and those issued by a competent authority which compliance is mandatory.

Loans Committee

- Analysis of results for ongoing and semester rating.
- Sector analysis by customers and perspectives per economic activity of the clients.
- Monthly analysis and variation of customers in default.
- Analysis of the monthly variation to the portfolio quality per risk category.

- Follow-up to past-due portfolio under special and legal collection.

- Analysis of figures, trends and evolution of past-due portfolio in regional offices and channeling of efforts to avoid operating losses.

- Evaluation, design and recommendation of policies designed to recover past-due accounts.

- Presentation of figures and strategies recommendations to be followed to collect the past due loans from major customers.

- Analysis and evaluation of the provision projections by portfolio.

Credit Committee

- Analysis, evaluation, monitoring, review and approval of credit applications within authority levels. Similarly, recommendations for the presentation of proposals that require the Board approval due to their amount.

- Verification and approval through the signature of specific credit operations of the respective banking area, in a collective action, taking into account the allocation of limits within authority levels indicated by the Schedule of the Board and FC4.

- Presentation to the Board of proposed limits, in accordance with the authority levels of each department.

- Assure compliance with the selection policies and maintenance of the corporate banking clients, institutional banking, consumer banking and payroll-loan customers, in accordance with the policies set out by the Board.

Audit Committee

- Proposals for the Board of Directors approval of the structure, procedures and methodologies required for the functioning of the internal control system.

- Evaluation of the internal control structure of the Bank and its Subsidiaries in order determined whether the procedures designed give reasonable protection to the entity's assets, as well as third parties procedures under its administration or custody, and evaluate whether controls exist to verify that operating transactions are appropriately authorized and recorded.

- Observe that the preparation, presentation and disclosure of financial information adjusts to applicable standards, verifying that the necessary controls are in place.

- Study of the financial statements and preparation of the related report for the Board's consideration, based on the evaluation not only of the corresponding projects, with their notes, but also, the opinions, observations by control entities, results of assessments carried out by competent committees and other related documents.

- Proposals for programs and controls to the Board to prevent, detect and provide an adequate response to the risk of fraud and misconduct.

- Supervision of functions and activities of the Audit function in order to determine its independence and objectivity in regards to the activities audited, identification of limitations that prevent the appropriate performance and verification whether the scope of that work meets internal control needs.

- Follow-up on the levels of risk exposure, the implications for the Bank and its Subsidiaries, and measures adopted to control or mitigate them, at least every six months, or more frequently if appropriate, and present to the Board the resulting reports on the most important aspects of the work performed.

- Evaluation of internal control reports prepared by the audit function verifying that the management has taken into account the suggestions and recommendations.

- Follow-up to the compliance with the instruction of the Board or equivalent body.

- Presentation to the Shareholders' General Meeting, through the Board, of the candidates to occupy the post of Statutory Auditor.

- Analysis of functional Information Systems, their reliability and integrity for decision making.

- Other functions as established by the Board in the Internal Regulations.

Risk Management Framework

The Board of Directors is responsible for setting and supervising the risk management structure of the Bank. The Board of Directors has created the Risk Committees that is responsible for developing and monitoring the Bank's risk management policies in its specific areas. All Committees have been duly enforced and regulated and they regularly inform on their activities to the Bank's general management

The group's risk management policies were established in order to identify and analyze the risks faced by the Parent, set adequate limits and risk controls and to monitor the risk and compliance with the limits. There are regular reviews of policies and risk management systems in order to reflect changes under market conditions, products and services offered. Through its management standards and procedures, the Parent develops a disciplined and constructive control environment where all employees understand their roles and obligations.

The Bank and its Subsidiaries' Audit Committee supervises how management monitors the compliance with policies and the procedures of the group's risk management and reviews whether the risk management framework is appropriate with regard to the risks faced by the Bank and its Subsidiaries. Internal Audit assists the Committee in its supervisory roles. Internal Audit also conducts regular and ad hoc reviews of controls, procedures and risk management which results are reported to the Audit Committee of the Bank and its Subsidiaries.

Individual Risk Analysis

The Bank and its Subsidiaries are exposed in the ordinary course of business to a range of financial, operational, reputation and legal risks. The financial risks include (i) market risk (ii) credit risk (including dealing and price risks as detailed below); and (iii) structural risks due to the composition of balance sheet assets and liabilities including variations in exchange rates, liquidity and interest rates. Below appears an analysis of each risk mentioned in order of importance:

- Credit risk;
- Liquidity risk;
- Market risk;
- Exchange risk; and
- Interest rate risk.

a) Credit risk;

The Bank and its Subsidiaries are exposed to credit risk consisting of the risk of incurring a financial loss because of the failure by the debtor to meet its payment obligations on a timely and complete manner. Exposure to credit risk is also incurred as result of credit activities and transactions with counterparts.

For the purpose of risk management reporting, the exercise considers and consolidates all elements of exposure to credit risk (such as the risk of an individual debtor failing to pay, country risk and sector risk).

For the purpose of risk management, the credit risk originated in assets to be traded is managed in an independent manner and the related information is disclosed in the table below.

Expressed in COP millions, except for the exchange rate and the shares' par value

The maximal exposure of the Bank and its Subsidiaries to the credit risk, under the term of IFRS 7 and the consolidated level, is reflected in the book value of the financial assets if the Statement of Financial Position as of December 31, 2019 and 2018, as follows:

	December 31, 2019	December 31, 2018
Deposits in banks other than the Central Bank (Banco de la República)	418,176	299,102
Financial instruments at fair value		
Government	5,713,794	5,666,652
Financial entities	467,054	494,850
Other sectors	102,258	98,793
Derivatives	19,381	23,511
Portfolio and receivables		
Commercial	9,093,405	8,661,068
Consumer	6,604,061	5,842,272
Home Mortgage	1,022,742	1,106,305
Other accounts receivable	238,326	175,801
Total financial assets with credit risk	**23,679,197**	**22,368,354**
Financial instruments with credit risk out of the Statement of Financial Position at face value		
Financial guarantees and letters of credit	8,987,781	6,471,782
Credit commitments	268,169	375,316
Total exposure to credit risk out of the Statement of Financial Position	**9,255,950**	**6,847,098**
Total maximal exposure to credit risk	**32,935,147**	**29,215,452**

The Board has delegated the responsibility for the credit risk supervision to the Bank's Portfolio Committee. The Credit Risk area reports to the Loans Committee and is responsible for the credit risk management, including:

- Definition of the credit policy in consultation with the business units, covering guarantee requirements, classification and credit reports, and compliance with regulatory and statutory requirements.

- **Monitoring of the authorization structure for the approval and renewal of credit lines.** Authorization limits are collectively allocated, that is, at least two officers with authorization to approve new credit lines are involved, depending on the amounts defined. Approval by two or more officers, or the Credit Committee or the Board is required, depending on the credit line's amount.

- **Credit risk monitoring:** The Credit area evaluates all credit exposures exceeding the designated limits, before the respective business unit communicates the lines to the client. Renewals and reviews of loans are subject to the same review process.

- **Concentration Exposure Limits:** This applies to counterparts, geographical places and industries (in the case of loans and advances), and the issuer, credit classification band, market liquidity and country (for investment instruments).

- **Development and maintenance of risk classification in the Group:** The purpose is to classify the exposure in accordance with the risk degree of financial loss faced and to focus management on arising risks. The risk classification system is used to determine when impairment provisions may be required against specific credit exposure. The current risk classification framework comprises six classes that reflect a range of uncollectibility risks and the available guarantees or other types of factors mitigating credit risk. The responsibility to establish the degrees of risk corresponds to the Credit Risks Area which reports to the Parent's Loans Committee for its final approval, where appropriate. The risk degrees are subject to regular reviews by the Credit Risks Area.

Expressed in COP millions, except for the exchange rate and the shares' par value

- **Compliance review for business units with agreed exposure limits** including those for industries, country risk and types of product selected. Reports on credit quality in local portfolios are submitted to the Parent's Loans Committee and the appropriate corrective actions are taken.

- **Advisory, guidance and specialized skills** for business units in order to promote best practices on credit risk management practices across the Bank.

The Bank and its Subsidiaries define the group's credit policies and the procedures to establish the approval limits for letters of credit for each business unit. Each business unit has a Credit Director who reports to local management and the Risk Committee on all credit matters; each business unit is responsible for the quality and yield of its loan portfolio, monitoring and controlling all credit risks in its portfolio and reporting results to the Bank.

Internal Audit makes regular audits of business units and processes in the Credit Area of the Risk Management Division of the Bank and Subsidiaries.

The consolidated loans detail per type of guarantee in GNB Group at December 31, 2019 and 2018, is as follows:

December 31, 2019	Commercial	Consumer	Home Mortgage	Total
Non-guaranteed credits	4,918,509	6,594,948	-	11,513,456
Collateralize Credits				
Home Mortgage	-	-	1,021,521	1,021,521
Other real estate assets	2,717,521	1,359	-	2,718,881
Admissible Financial Collateral 0%	338,151	1,496	1,222	340,869
Admissible Financial Collateral 12%	160,001	43	-	160,043
Other collateral	959,224	6,215	-	965,439
Total Loans, gross	**9,093,405**	**6,604,061**	**1,022,742**	**16,720,208**

December 31, 2018	Commercial	Consumer	Home Mortgage	Total
Non-guaranteed credits	5,193,789	5,825,110	380	11,019,279
Collateralize Credits				
Home Mortgage	-	-	1,105,925	1,105,925
Other real estate assets	2,325,321	575	-	2,325,896
Admissible Financial Collateral 0%	328,228	2,340	-	330,568
Admissible Financial Collateral 12%	187,197	208	-	187,405
Other collateral	626,533	14,039	-	640,572
Total Loans, gross	**8,661,068**	**5,842,272**	**1,106,305**	**15,609,645**

Expressed in COP millions, except for the exchange rate and the shares' par value

The summary of the portfolio per risk level classification is as follows, as of December 31, 2019 and 2018:

	Loans to clients		Interbank loans		Total	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Commercial						
A	8,018,572	7,806,765	75,412	37,830	8,093,984	7,844,595
B	205,016	221,033	-	-	205,016	221,033
C	445,588	323,526	-	-	445,588	323,526
D	303,420	217,096	-	-	303,420	217,096
E	45,397	54,818	-	-	45,397	54,818
Commercial sub-total	**9,017,993**	**8,623,238**	**75,412**	**37,830**	**9,093,405**	**8,661,068**
Consumer						
A	6,375,353	5,622,466	-	-	6,375,353	5,622,466
B	46,668	36,585	-	-	46,668	36,585
C	66,376	74,787	-	-	66,376	74,787
D	74,160	96,908	-	-	74,160	96,908
E	41,504	11,526	-	-	41,504	11,526
Consumer Sub-total	**6,604,061**	**5,842,272**	**-**	**-**	**6,604,061**	**5,842,272**
Home Mortgage						
A	950,725	1,046,738	-	-	950,725	1,046,738
B	42,165	31,911	-	-	42,165	31,911
C	7,351	4,898	-	-	7,351	4,898
D	10,170	14,381	-	-	10,170	14,381
E	12,331	8,377	-	-	12,331	8,377
Home mortgage Sub-total	**1,022,742**	**1,106,305**	**-**	**-**	**1,022,742**	**1,106,305**
Total Gross Portfolio	**16,644,796**	**15,571,815**	**75,412**	**37,830**	**16,720,208**	**15,609,645**
Provisions	(524,521)	(492,863)	(513)	(304)	(525,034)	(493,167)
Total net portfolio	**16,120,275**	**15,078,952**	**74,899**	**37,526**	**16,195,174**	**15,116,478**

Loans and Investments in Impaired debt instruments

Impaired loans and debt instruments correspond to loans, advances and investments in debt instruments (other than instruments carried at fair value with effect in income) for which the Bank and its Subsidiaries decide the recoverability of the capital and interests owed in accordance with the terms of the loan/investment instrument; loans, advances and investments in debt instruments at fair value with changes in income are not tested for impairment, but are subject to the same internal classification system (see Note 11 – Loans).

Loans and Investments in Debt Instruments in Default but nor Impaired

Past-due loans and investment debt instruments not impaired, other than those recognized at fair value with changes in income are those where the contractual interest or capital repayments are past-due but the Parent believes that impairment is not appropriate considering the level of guarantee/collateral available and/or the collection stage on the amounts due to the Group.

Restructured loans

Loans with renegotiated terms are those that have been restructured due to impairment of the borrower's final position and where the Parent has made concessions it would not otherwise consider.

Once the loan has been restructured, it remains in this category regardless of satisfactory performance after its restructuring.

Write-off Policy

The Parent and its subsidiaries write off loan balances, investment debt instruments or any provision related through impairment losses when Bank's Management Area of Recoveries and Collections decides that a loan or instrument is not collectible.

Expressed in COP millions, except for the exchange rate and the shares' par value

This decision is taken after considering information such as the occurrence of significant changes to the financial position of the borrower or issuer, such that they cannot continue to pay the obligation or that collection against collateral is not sufficient to pay the entire exposure.

In the case of smaller, standard loans, write-off decisions are usually based on the specific aging status of default for a product.

The following is an analysis of gross and net write-offs of individually impaired assets per risk degree:

	Colombia	Peru	Paraguay	Total
	Write-off	Write-off	Write-off	Write-off
December 31, 2019				
Commercial	66,522	14,222	19,989	100,733
Consumer	129,840	46,245	975	177,060
Home Mortgage	-	-	-	-
Total	**196,362**	**60,467**	**20,964**	**277,793**
December 31, 2018				
Commercial	15,928	11,893	6,867	34,688
Consumer	74,074	44,609	157	118,840
Home Mortgage	34	-	-	34
Total	**90,036**	**56,502**	**7,024**	**153,562**

The Bank and its Subsidiaries record collateral against loans and advances to customers in the form of a mortgage interest on properties and other instruments recorded on assets in guarantee. Fair value estimates of guarantees are based on the guarantee value evaluated at the time of the loan and are generally updated in accordance with current regulations, except where the loan is individually evaluated as impaired. Generally, collateral is not recorded on the Bank's loans or advances, except where instruments are held as part of a resale activity and loan instruments.

The following are details of a fair value estimate of collateral and other instruments improvements taken against loans and advances to customers and banks:

	Loans to clients		Interbank loans	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Against individual impairment				
Property	348,477	280,985	-	-
Debt instruments	11,619	14,714	-	-
Participation instruments	172,752	100,395	-	-
Other	452,212	181,568	-	-
Against collective impairment				
Property	67,475	56,717	-	-
Other	-	23	-	-
Against accounts not in default or impaired				
Property	3,443,274	3,507,099	-	-
Debt instruments	254,191	246,479	-	-
Participation instruments	762,447	594,963	-	-
Other	1,241,203	1,670,421	-	-
	6,753,650	**6,653,364**	-	-

When the Bank and its Subsidiaries obtain financial and non-financial assets during the period by calling on guarantees taken as instruments against loans and advances, which results in other credit improvements.

The policy of the Bank and its Subsidiaries is to exercise the guarantees in an orderly and timely fashion. As a general rule, the Bank and its Subsidiaries do not use non-monetary collateral on their own operations.

Expressed in COP millions, except for the exchange rate and the shares' par value

Credit Risk Concentration

The Bank and its Subsidiaries monitor the credit risk concentration per sector and geographical location; below appears an analysis of credit risk concentration from loans and advances and investment instruments as of the closing date:

	Loans to clients December 31, 2019	Interbank loans December 31, 2019	Total December 31, 2019	Loans to clients December 31, 2018	Interbank loans December 31, 2018	Total December 31, 2018
Concentration per Sector						
Trade	1,871,352	-	1,871,352	1,919,220	-	1,919,220
Agriculture	1,504,119	-	1,504,119	1,431,385	-	1,431,385
Manufacture	1,027,922	-	1,027,922	1,161,461	-	1,161,461
Real Estate	1,564,925	-	1,564,925	703,405	-	703,405
Financial Intermediation	641,096	-	641,096	640,514	-	640,514
Transport	467,562	-	467,562	424,839	-	424,839
Health	432,770	-	432,770	167,695	-	167,695
Education	370,695	-	370,695	396,111	-	396,111
Energy and Gas	26,779	-	26,779	76,929	-	76,929
Communications	61,059	-	61,059	60,507	-	60,507
Mining	21,503	-	21,503	11,977	-	11,977
Other	955,445	-	955,445	1,579,698	-	1,579,698
Government	72,766	-	72,766	49,497	-	49,497
Banks	-	75,412	75,412	-	37,830	37,830
Unsecured	6,604,061	-	6,604,061	5,842,272	-	5,842,272
Home Mortgage	1,022,742	-	1,022,742	1,106,305	-	1,106,305
Provisions	(524,521)	(513)	(525,034)	(492,863)	(304)	(493,167)
Total	**$ 16,120,275**	**$ 74,899**	**$ 16,195,174**	**$ 15,078,952**	**37,526**	**15,116,478**

Concentration by geographical location of loans and advances is measured on the basis of the location of the Group's entity holding the assets, which has a high correlation with the location of the borrower. Concentration by location for investment securities is measured on the basis of the location of the instrument´s issue.'

Geographical concentration	**Loans to clients**	**Interbank loans**	**TOTAL**
	December 31, 2019		
Colombia	8,605,355	18,124	8,623,479
Peru	3,802,862	57,274	3,860,136
Paraguay	3,034,079	14	3,034,093
Panama	880,064	-	880,064
Virgin Islands	322,436	-	322,436
Total Provisions	(524,521)	(513)	(525,034)
Total	**$ 16,120,275**	**74,899**	**16,195,174**

Expressed in COP millions, except for the exchange rate and the shares' par value

Geographical concentration	**Loans to clients**	**Interbank loans**	**TOTAL**
	December 31, 2018		
Colombia	8,098,943	4	8,098,947
Peru	3,682,314	37,819	3,720,133
Paraguay	2,816,677	7	2,816,684
Panama	636,976	-	636,976
Virgin Islands	336,905	-	336,905
Total Provisions	(492,863)	(304)	(493,167)
Total	**$ 15,078,952**	**$ 37,526**	**15,116,478**

b) Market Risk:

Market risk is defined as the potential loss of the financial assets value due to adverse movements in factors determining their price, also called risk factors, such as interest rates, exchange rates, share prices and other factors affecting the value of financial products traded by the Bank.

The market risk management system (SARM as per its acronym in Spanish) implemented by the Bank and its Subsidiaries is designed to identify, measure, control and monitor the market risk to which it is exposed in the course of treasury operations considering the entity's structure and size.

GNB Sudameris group trades in the money market, the exchange market and the capital market to meet its needs and those of its clients in accordance with policies and risk levels established. In this sense, it manages various financial assets portfolios within limits and levels allowed.

The risks assumed in operations, both in the Parent and the Treasury's book are consistent with the general business strategy and risk appetite of the Bank and its Subsidiaries, based on the market depth for each instrument, weighting of risk assets, the level of solvency, profits budget established for each business unit and the overall Balance structure.

The business strategies are established in accordance with approved limits seeking a balance between in the risk and reward. At the same time, there are structural limits which are consistent with the general philosophy of the Bank based on its levels of capital, profit and tolerance for risk.

GNB Sudameris group is exposed to the following risk factors:

- ***Interest rate risk:*** it is defined as the possibility that variations in interest rates may adversely affect the value of the entity's financial instruments held. Investments held by the group are exposed to this risk due to the effects of interest rates fluctuations, which may affect the financial position and future cash flows. Interest margins can be increased as a result of changes in interest rates, but they may also reduce and cause losses, should unexpected movements take place.
- ***Exchange Rate Risk:*** It is defined as the sensitivity of the proprietary's position value in a currency other than the Colombian peso given potential movements in the exchange rates to which the Bank and its Subsidiaries are exposed. The risk is implicit in operations to purchase and sell currencies and forwards, mainly. The exchange risk is also present where there is a mismatch in the net currency position affected by fluctuations in exchange rates.
- ***Exchange Rate Risk:*** It is defined as the sensitivity of the proprietary's position value in a currency other than the Colombian peso given potential movements in the exchange rates to which the Bank and its Subsidiaries are exposed. The risk is implicit in operations to purchase and sell currencies and forwards,

Expressed in COP millions, except for the exchange rate and the shares' par value

mainly. The exchange risk is also present where there is a mismatch in the net currency position affected by fluctuations in exchange rates.

- ***Hedging:*** As part of its strategy to strengthen business in the region and following the acquisition of Banco GNB Peru and Banco GNB Paraguay, Banco GNB Sudameris has developed hedging mechanisms through the issue of subordinated bonds. This way, the Entity seeks to mitigate exchange risk by using hedging tools.

- The hedge accounting treatment for hedging is subject to compliance with methodological requirements that ensure its effectiveness. Banco GNB Sudameris does a quarterly test to guarantee the compliance with the assumptions required.

GNB Sudameris group does constantly work on the review of models that allow managing the market risk on the basis of identifying and analyzing the variations in risk factors (interest rate, exchange rate and price indexes) on the value of the various financial instruments comprised by the portfolios.

Based on the standard risk measurement methodology (VaR), at December 31, 2019 and 2018, the following results are presented:

Maximal, minimal and average VaR	**December 31, 2019**			
	Minimal	**Average**	**Maximal**	**End of the period**
Interest Rate	97,553	131,167	167,901	108,030
Exchange Rate	1,587	33,869	66,352	66,352
Participation Securities	384	396	413	387
Collective Funds	28,365	30,314	31,500	30,380
Total VaR		195,747		205,148

Maximal, minimal and average VaR	**December 31, 2018**			
	Minimal	**Average**	**Maximal**	**End of the period**
Interest Rate	114,761	133,696	143,670	143,670
Exchange Rate	1,587	4,020	9,277	1,587
Participation Securities	378	394	422	397
Collective Funds	163	23,213	52,300	31,183
Total VaR		161,323		176,837

Consolidated VaR as of December 31, 2019, compared with year-end at December 31, 2018, increased by COP$28,312 million, growth that is explained mainly by the behavior of the individual VaR of Corporación Financiera, that at December 2019 cutoff amounted to COP $23,829 million, out of which COP $21,321 million are related to the Exchange Rate factor, COP $2,421 were generated by the Collective investment Funds, and COP $88 million corresponded to the Interest Rate Factor. This because at year-end December 2019, Corporación Financiera held a proprietary position of USD-50.8 million, while such position did not exist at 2018 year-end.

In second instance appears Banco GNB Paraguay VaR that increased COP $6,370 million due to an increase of its more liquid investment portfolio for COP $196,165 million in 2018 to COP $353,456 million at 2019 year-end, corresponding to an 80% increase.

VaR indicators individually presented by the Bank and its Subsidiaries at December 31, 2019 and 2018, were:

	December 31, 2019	**December 31, 2018**

Entity	Amount	Basic Points Level I	Amount	Basic Points Level I
Banco GNB Sudameris	136,258	112	88,463	99.4
Servitrust	336	0.3	1,108	1.3
Servivalores	2,033	1.8	867	1.0
Servibanca	1,099	1.0	1,499	1.8
Paraguay	11,364	10.0	6,024	7.2
Peru	30,228	26.3	19,230	22.6
Corporación	23,830	20.8	-	-
Total VaR, Consolidated Subsidiaries	**205,148**	**172.2**	**117,191**	**133.3**

c) Variation Risk in the Exchange Rate of Foreign Currencies

GNB Sudameris group is exposed to the exchange risk from its positions in currencies other than the Colombian peso, mainly dollars and euros, both in the proprietary position and in investments held in subsidiaries abroad.

The proprietary spot position is determined by the difference between assets and liabilities in a foreign currency in and out of the balance sheet, both direct and contingent, including those liquidated in Colombian pesos. The limit is 50% of the entity's computable capital for the two preceding periods, restated at the market representative exchange rate for the following month.

The gross leverage position contains the short-term foreign currency operations of the Bank and its Subsidiaries, as well as long and short-term operations of flows or maturities of the day, rights and obligations under contracts for future delivery in foreign currency and exchange exposure in contingencies acquired in the negotiation of currency options and derivatives on the exchange rate, up to a limit of 550% of computable capital of the entity in the preceding two months, restated at the Market Representative Exchange Rate for the following month.

The global proprietary position excludes the derivatives and reports the face value recorded in the memorandum accounts including purchases and sales with a limit of 20% of the entity's computable capital in the preceding two months restated at the average Market Representative Exchange Rate.

The determination of maximum and minimum amounts in the daily position and the foreign currency spot position is based on each entity's computable capital on the last day of preceding two months translated at a rate published by the Superintendency of Finance at the closing of the preceding month.

Substantially all the foreign currency assets and liabilities of the Bank and its Subsidiaries are held in US dollars.

The following is the detail in currency as of December 31, 2019 and 2018:

December 31, 2019	**USD (Millions)**	**Euros (Millions)**	**Other currencies translated to USD (Millions)**	**Total in COP (Millions)**
Cash and cash equivalents	552.14	7.42	436.27	3,263,475
Debt investments	-	-	261.27	856,219
Equity investments	-	-	2.90	9,504
Derivatives	-	-	2.04	6,685
Loans	1,003.50	-	884.65	6,187,733
Other	632.03	-	8.45	2,098,943
Assets	**2,187.67**	**7.42**	**1,595.58**	**12,422,559**
Current accounts	412.37	-	67.63	1,573,027
Savings accounts	713.21	-	45.01	2,484,792
Term deposits	923.40	-	-	3,026,110
Other	825.80	7.25	552.46	4,540,509
Liabilities	**2,874.78**	**7.25**	**665.10**	**11,624,437**
Net Position	**(687.11)**	**0.17**	**930.48**	**798,122**

December 31, 2018	**USD (Millions)**	**Euros (Millions)**	**Other currencies translated to USD (Millions)**	**Total in COP (Millions)**
Cash and cash equivalents	287.47	5.67	151.41	1,444,698
Debt investments	-	-	397.65	1,292,277
Equity investments	-	-	0.40	1,301
Derivatives	7.09	-	-	23,043
Loans	1,100.06	-	1,254.64	7,652,186
Other	72.21	-	67.57	454,241
Assets	**1,466.83**	**5.67**	**1,871.67**	**10,867,746**
Current accounts	84.18	-	205.94	942,810
Savings accounts	377.18	-	60.89	1,423,597
Term deposits	234.91	-	971.94	3,921,966
Other	1,027.40	5.58	268.74	4,230,268
Liabilities	**1,723.67**	**5.58**	**1,507.51**	**10,518,641**
Net Position	**(256.84)**	**0.09**	**364.16**	**349,105**

Exchange rate sensitivity

Rate and exchange Rate in COP	**Active Positions**	**Passive Positions**	**Position Proprietary**	**Sensitivity USD $10 / 1**	**Units amount**
3,277.14	3,790.67	3,547.13	243.54	-	-
3,287.14	3,779.14	3,536.34	242.80	0.74	2,435.42
3,267.14	3,802.27	3,557.99	244.29	(0.75)	(2,435.42)

Figures in USD millions or as indicated

d) Interest Rate Risk on Structure

The Bank consolidated assets and liabilities are exposed to the market fluctuations of the interest rates affecting their financial position. This risk is based on the relationship between asset and liability positions. On the asset side, the positions taken for investments and loans placement at fixed and floating rates, that are in turn funded by liabilities such as deposits and bank borrowings at fixed and floating rates, means that interest margins may increase or decrease as a result of movements in these rates, which may increase the margins generating greater profit, or decrease as a consequence of unexpected market events.

The following tables present a sensitivity analysis of the main productive assets and interest-bearing liabilities exposed to interest rate changes. The tables present the average volumes and accumulated amounts as of December 31, 2019 and 2018, as well as the impact of a 50 basic points variation.

December 31, 2019

Account Detail	**Average for the period**	**Interest income/expense**	**Average interest rate**	**Variation of 50 basic points in interest rates**	
				Favorable	**Unfavorable**
Portfolio in Colombian pesos	7,859,998	988,514	12.58%	83,945	(83,945)
Portfolio in foreign currency	7,847,947	743,783	9.48%	180,961	(180,961)
Money market asset operations in COP	3,071,827	136,843	4.45%	204	(204)
Money market asset operations in foreign currency	206,538	132	0.06%	7	(7)
COP investments in negotiable debt securities and available for sale	8,106,869	386,067	4.76%	51,918	(51,918)
Financial assets generating interests	**27,093,179**	**2,255,339**	**8.3%**	**317,035**	**(317,035)**

Expressed in COP millions, except for the exchange rate and the shares' par value

December 31, 2019

Account Detail	Average for the period	Interest income/expense	Average interest rate	Variation of 50 basic points in interest rates – Favorable	Variation of 50 basic points in interest rates – Unfavorable
Clients deposits in current accounts, savings accounts and Term Deposits in COP	9,884,480	427,110	4.32%	47,373	(47,373)
Clients deposits in savings accounts and term deposits in foreign currency	1,726,172	55,165	3.20%	8,364	(8,364)
Clients deposits in fixed term deposits in COP	4,576,638	247,318	5.40%	10,191	(10,191)
Clients deposits in fixed term deposits in foreign currency	4,335,036	163,502	3.77%	34,821	(34,821)
Bonds in Colombian pesos	332,405	24,607	7.40%	7,052	(7,052)
Bonds in a Foreign Currency	1,827,564	129,208	7.07%	41,471	(41,471)
Debt in Colombian pesos	1,850,852	86,438	4.67%	93	(93)
Debt in foreign currency	1,114,375	65,771	5.90%	5,609	(5,609)
Total interest-bearing financial liabilities	**25,647,522**	**1,199,119**	**4.68%**	**154,974**	**(154,974)**
Total interest-bearing financial liabilities in COP	**16,644,375**	**785,473**	**4.72%**	**64,709**	**(64,709)**
Total interest-bearing financial liabilities in foreign currency	**9,003,147**	**413,646**	**4.59%**	**90,265**	**(90,265)**
Total net financial assets subject to interest rate risk in COP	**2,394,319**	**725,951**	**30.32%**	**71,359**	**(71,359)**
Total net financial liabilities subject to interest rate risk in foreign currency	**(948,661)**	**330,269**	**(34.81%)**	**90,702**	**(90,702)**
Total net financial assets subject to interest rate risk	**1,445,657**	**1,056,220**	**73.06%**	**162,061**	**(162,061)**

December 31, 2018

Account Detail	Average for the period	Interest income/expense	Average interest rate	Variation of 50 basic points in interest rates – Favorable	Variation of 50 basic points in interest rates – Unfavorable
Portfolio in Colombian pesos	7,208,856	921,747	12.8%	74,418	(74,418)
Portfolio in foreign currency	6,881,945	627,219	9.1%	173,893	(173,893)
Money market asset operations in COP	3,477,744	158,022	4.5%	156	(156)
Money market asset operations in foreign currency	91,029	97	0.1%	2	(2)
COP investments in negotiable debt securities and available for sale	6,552,925	293,497	4.5%	30,896	(30,896)
Financial assets generating interests	**24,212,499**	**2,000,582**	**8.3%**	**279,365**	**(279,365)**

December 31, 2018

Account Detail	Average for the period	Interest income/expense	Average interest rate	Variation of 50 basic points in interest rates – Favorable	Variation of 50 basic points in interest rates – Unfavorable
Clients deposits in current accounts, savings accounts and Term Deposits in COP	8,597,344	371,958	4.33%	41,202	(41,202)
Clients deposits in savings accounts and term deposits in foreign currency	1,296,348	34,562	2.67%	6,313	(6,313)
Clients deposits in fixed term deposits in COP	4,448,364	260,299	5.85%	9,653	(9,653)
Clients deposits in fixed term deposits in foreign currency	3,881,037	134,246	3.46%	15,561	(15,561)
Bonds in Colombian pesos	332,405	24,498	7.37%	8,018	(8,018)
Bonds in a Foreign Currency	1,931,299	131,266	6.80%	48,574	(48,574)
Debt in Colombian pesos	1,999,142	100,708	5.04%	89	(89)
Debt in foreign currency	1,017,242	52,795	5.19%	3,772	(3,772)
Total interest-bearing financial liabilities	23,503,181	1,110,332	4.72%	133,182	(133,182)
Total interest-bearing financial liabilities in COP	15,377,255	757,463	4.93%	58,962	(58,962)

Expressed in COP millions, except for the exchange rate and the shares' par value

Total interest-bearing financial liabilities in foreign currency	8,125,926	352,869	4.34%	74,220	(74,220)
Total net financial assets subject to interest rate risk in COP	1,862,270	615,803	3.04%	46,508	(46,508)
Total net financial liabilities subject to interest rate risk in foreign currency	(1,152,952)	274,447	4.65%	99,675	(99,675)
Total net financial assets subject to interest rate risk	709,318	890,250	3.54%	146,183	(146,183)

1) Had there been a 50 bp variation in the interest rates as of December 31, 2019, interest-bearing financial assets would have had a variation in income for +/- $317,035 million.

2) Had been a 50 bp variation in interest rates as of December 31, 2019, interest-bearing financial liabilities would have had a variation in cost for +/- $154,974 million.

3) Had there been a 50 bp variation in interest rates as of December 31, 2019, the total net financial assets subject to interest rate risk would have had a variation for +/- $162,061 million.

e) Liquidity risk

1. Management and Models

The consolidated Liquidity Risk Management System (SARL as per its acronym in Spanish) allows the evaluation of GNB Sudameris group liquidity risk exposure, enabling the adoption of prompt decisions for the adequate mitigation of risk, and when applicable, to determine the adequate capital amount that may correspond to the risk levels of GNB Sudameris group and manage its liquidity policy.

GNB Sudameris group manages the liquidity risk in accordance with standard model set out by Chapter VI of the Basic Accounting and Financial Communication of the Superintendency of Finance of Colombia , and in concordance with the rules related to the management of the liquidity risk through the basic SARL principles, which establish the minimal prudent parameters to be supervised by the entities in their operation to efficiently manage the liquidity risk they are exposed to, using SARL elements and stages (identification, measurement, control and monitoring), in conformity with the structure, complexity and size of the Entity consolidated.

The liquidity risk indicator measurement and other measures regarding international subsidiaries are the responsibility of each particular business; however, the overall liquidity management is the responsibility of the National Risk Management Area of the Parent, through the Direction of Liquidity Risk of the Group and Models Management, and such area analyzes the implications in terms of financing and liquidity of the liquidity structures and their compatibility with the Parent's policies and guidelines and the limits and alerts scheme approved by the Board of Directors that facilitates the joint management of liquidity risk.

The development and update of liquidity risk policies have contributed to the appropriate standardization of the risk management system, not only in terms of limits and alerts, but also in procedures, developing complementary management tools and conducting periodic stress exercises for its models, which will be the basis to take preventive or risk mitigating actions, thus limiting the exposure, designing a liquidity cushion, adjusting the risk profile and structuring the contingency plan.

As part of the risk liquidity analysis, GNB Sudameris group measures, among others, the volatility of deposits with no contractual maturity through statistical analysis, the evolution of financial assets and liabilities, the structure of interest rates, the indicator for regular liquidity coverage ratio (lcr), and the stress liquidity coverage ratio, the concentration of funding sources, proprietary position, liquidity gap per currency, and the funding positions between related parties.

Senior management (through the Group's Risk Committee) is aware of the consolidated liquidity situation and recommends the necessary decisions considering the high quality net assets that need to be held, the tolerance in liquidity management or minimum liquidity, funding, policies on surplus liquidity placement, changes in the characteristics of current products as well as new products, diversification of funding sources in order to avoid concentration in deposit-taking from a small number of investors or savers, hedging strategies, and changes in the balance sheet structure.

Expressed in COP millions, except for the exchange rate and the shares' par value

The Bank and its Subsidiaries, each have a liquidity contingency plan that clearly specifies the roles and responsibilities to activate the contingency, and the creation of a liquidity crisis team which function and responsibility are to take the actions required to mitigate the effects of the exposure to the liquidity risk by any of the group entities, using a series of strategies designed to correct the liquidity structure based on supports from the Central Bank, the entity's assets, main customers, shareholders, or the deposit insurer FOGAFIN, as the last case, in addition to defining the disclosure of internal information to communication media, control entities and the general public through the Communications Plan.

High-quality net assets comprise cash and trading investments in debt instruments, investments in collective portfolios with no term commitment, debt investments available for sale in debt securities, and investments held to maturity, provided that they are money-market operations.

GNB Sudameris group meets the requirements to establish the mandatory cash reserves as regulated in each country in the case of the affiliates abroad, keeping the cash, banks and the respective deposits in the Central Banks, applying the percentages set on the deposits and liabilities, as required by each regulation.

Quantitative Information

During 2019, GNB Sudameris Group held liquidity levels sufficient to cover all its liquidity requirements, as explained by the following table at the closing of December 2019, and the maximal, minimal and average amounts during the period:

December 31, 2019

Entity	Amount	Percentage
Banco GNB Sudameris	5,330,825	69.22%
Banco GNB Peru	1,613,818	20.96%
Banco GNB Paraguay	562,375	7.30%
Servibanca	113,638	1.48%
Servitrust GNB Sudameris	42,826	0.56%
Corporación Financiera GNB	24,947	0.32%
Servivalores GNB Sudameris	9,766	0.13%
Fondo Inmobiliario	2,984	0.039%
Total	7,701,178	100.00%
Maximal	$ 7,939,744	
Minimal	$ 7,701,178	
Average	$ 7,830,101	

The following liquidity analysis summary of the group was presented at year-end December 31, 2018, according to the provisions issued by the Superintendency of Finance of Colombia for such purpose.

December 31, 2018

Entity	Amount	Percentage
Banco GNB Sudameris	5,091,968	74.33%
Servivalores GNB Sudameris	6,829	0.10%
Servitrust GNB Sudameris	41,253	0.60%
Servibanca	102,657	1.50%
Banco GNB Peru	1,335,257	19.49%
Corporación Financiera GNB	201	0.003%
Banco GNB Paraguay	272,688	3.98%
Total	**6,850,853**	**100%**
Maximal	$ 7,047,623	

Expressed in COP millions, except for the exchange rate and the shares' par value

Minimal	$ 4,413,771
Average	$ 5,693,235

At year-end December 31, 2019 and 2018, the Bank analyzed the maturities of financial liabilities presenting the following consolidated contractual maturities:

Maturity Analysis of Consolidated Financial Liabilities at December 31, 2019

Financial liabilities	< 1 month	1-3 months	3-12 months	Over 12 months
Customer deposits	2,957,336	2,440,313	3,810,530	14,425,905
Short-term financial liabilities	6,226,225	2,347,173	-	-
Outstanding investment securities	-	49,946	-	-
Bank credits	54,710	305,497	881,176	1,010,412
Total debt	**9,238,271**	**5,142,929**	**4,691,706**	**15,436,317**

Maturity Analysis of Consolidated Financial Liabilities at December 31, 2018

Financial liabilities	< 1 month	1-3 months	3-12 months	Over 12 months
Customer deposits	2,107,471	2,407,733	3,484,850	13,120,215
Short-term financial liabilities	4,991,660	-	-	-
Outstanding investment securities	755	-	-	2,707,007
Bank credits	151,013	322,643	574,096	1,362,967
Total debt	**7,250,899**	**2,730,376**	**4,058,946**	**17,190,189**

f) Operational Risk

Operational risk plays a fundamental role in the financial conglomerate's management, with an ongoing monitoring of various events, which may, or not, imply losses as a result of failures in internal processes, human resources, infrastructure and technology or derived from external circumstances.

1. SARO Evolution

During 2019, the Direction of Operational Risk, part of the National Risk Management Area of the Parent, in compliance with the provisions of current regulations, continued with the management of the operational risk, carrying out the following activities, among others:

1. 1 Banco GNB Sudameris and Colombian Subsidiaries:

1.1.1 Banco GNB Sudameris

Banco GNB Sudameris Board of Directors approved the update of the Standard on Operational Risk Management Procedure. The operational risk appetite limit was updated, which may be found in the document "Risk Appetite Framework" and it is monitored by the National Risk Management area through the Direction of Operational Risk.

Together with the respective areas, the review and update of the risk evaluation matrix was completed for the Bank's processes according to the schedule set. This way, the risks to which the entity is exposed were determined and identified, along with the controls to mitigate them, keeping the exposure levels within tolerable limits.

The Direction of Operational Risk supported the identification of risks for new projects, products and services developed in 2019.

As an important part of the strengthening of the risk culture in the Entity, periodic training sessions were held, in-house and over the telephone, directed to collaborators inn the Entity's areas that allowed reinforcing the operational risk knowledge, as well as the functionality and management of the tool GNB SARO, highlighting the importance of preparing an operational risk events report.

Training and periodic evaluations were held, in order to reinforce the SARO concepts, to easily identify the operational risk events and to encourage the active participation of all Banco GNB Sudameris employees in the report of events occurred in their areas.

In order to strengthen and ensure the adequate management of risk, the Direction of Operational Risk prepared the evaluation and maturity report of the Operational Risk Management System (SARO in Spanish) at September 30, 2019.

Continuing with the strengthening of the risk culture in the Entity, the report "SARO Evolution" was issued to the Vice-presidencies and National Management areas of the Entity.

1.1.2. Servitrust

The Direction of Operational Risk, part of the National Risk Management Area, in compliance with the provisions of current regulations and under the synergy agreement with the Parent, continued managing the operational risk, carrying out the following activities, among others:

Servitrust GNB Sudameris Board of Directors approved the update of the Standard on Operational Risk Management Procedure. The operational risk appetite limit was updated, which may be found in the document "Risk Appetite Framework" and it is monitored by the National Risk Management area through the Direction of Operational Risk.

Together with the respective areas, the review and update of the risk evaluation matrix was completed for the Entity's processes and the Trust Businesses typologies according to the schedule set. This way, the risks to which the entity is exposed were determined and identified, along with the controls to mitigate them, keeping the exposure levels within tolerable limits.

The Direction of Operational Risk supported the identification of risks for new projects, products and services developed in 2019.

As an important part of the strengthening of the risk culture in the Entity, periodic training sessions were held, inn-house and over the telephone, directed to collaborators inn the Entity's areas that allowed reinforcing the operational risk knowledge, as well as the functionality and management of the tool GNB SARO, highlighting the importance of preparing an operational risk events report.

Training and periodic evaluations were held, in order to reinforce the SARO concepts, to easily identify the operational risk events and to encourage the active participation of all Servitrust GNB Sudameris employees in the report of events occurred in their areas.

In order to strengthen and ensure the adequate management of risk, the Direction of Operational Risk prepared the evaluation and maturity report of the Operational Risk Management System (SARO in Spanish) at September 30, 2019.

Continuing with the strengthening of the risk culture in the Entity, the report "SARO Evolution" was issued to the General Management area of Servitrust.

1.1.3. Servibanca

The Direction of Operational Risk, part of the National Risk Management Area, in compliance with the provisions of current regulations and under the synergy agreement with the Parent, continued managing the operational risk, carrying out the following activities, among others:

Servibanca Board of Directors approved the update of the Standard on Operational Risk Management Procedure. The operational risk appetite limit was updated, which may be found in the document "Risk Appetite Framework" and it is monitored by the National Risk Management area through the Direction of Operational Risk.

Together with the respective areas, the review and update of the risk evaluation matrix was completed for Servibanca S.A. processes according to the schedule set. This way, the risks to which the entity is exposed were determined and identified, along with the controls to mitigate them, keeping the exposure levels within tolerable limits.

As an important part of the strengthening of the risk culture in the Entity, periodic training sessions were held, inn-house and over the telephone, directed to collaborators inn the Entity's areas that allowed reinforcing the operational risk knowledge, as well as the functionality and management of the tool GNB SARO, highlighting the importance of preparing an operational risk events report.

The implementation of the technological tool GNB SARO has reinforced the interaction with all Entity areas, providing permanent support in the record of events, update of risk matrix, and follow-up to the treatment plans defined.

Training and periodic evaluations were held, in order to reinforce the SARO concepts, to easily identify the operational risk events and to encourage the active participation of all Servibanca S.A. employees in the report of events occurred in their areas.

In order to strengthen and ensure the adequate management of risk, the Direction of Operational Risk prepared the evaluation and maturity report of the Operational Risk Management System (SARO in Spanish) at September 30, 2019.

Continuing with the strengthening of the risk culture in the Entity, the report "SARO Evolution" was issued to the General Management area of Servibanca.

1.1.4. Servivalores

The Direction of Operational Risk, part of the National Risk Management Area, in compliance with the provisions of current regulations and under the synergy agreement with the Parent, continued managing the operational risk, carrying out the following activities, among others:

Servivalores GNB Sudameris Board of Directors approved the update of the Standard on Operational Risk Management Procedure. The operational risk appetite limit was updated, which may be found in the document "Risk Appetite Framework" and it is monitored by the National Risk Management area through the Direction of Operational Risk.

Together with the respective areas, the review and update of the risk evaluation matrix was completed for the processes of Sociedad Comisionista Servivalores GNB Sudameris; the risks the Entity is exposed to were determined and identified along with the controls to mitigate them, keeping the exposure levels within tolerable limits.

As an important part of the strengthening of the risk culture in the Entity, periodic training sessions were held, in-house and over the telephone, directed to collaborators in the Entity's areas that allowed reinforcing the operational risk knowledge, as well as the functionality and management of the tool GNB SARO, highlighting the importance of preparing an operational risk events report.

The implementation of the technological tool GNB SARO has reinforced the interaction with all Entity areas, providing permanent support in the record of events, update of risk matrix, and follow-up to the treatment plans defined.

Training and periodic evaluations were held, in order to reinforce the SARO concepts, to easily identify the operational risk events and to encourage the active participation of all Servivalores GNB Sudameris employees in the report of events occurred in their areas.

In order to strengthen and ensure the adequate management of risk, the Direction of Operational Risk prepared the evaluation and maturity report of the Operational Risk Management System (SARO in Spanish) at September 30, 2019.

Continuing with the strengthening of the risk culture in the Entity, the report "SARO Evolution" was issued to the General Management area of Servivalores.

1.1.5. Corporación Financiera GNB Sudameris

The Direction of Operational Risk, part of the National Risk Management Area, in compliance with the provisions of current regulations and under the synergy agreement with the Parent, continued managing the operational risk, carrying out the following activities, among others:

Corporación Financiera GNB Sudameris Board of Directors approved the update of the Standard on Operational Risk Management Procedure. The operational risk appetite limit was updated, which may be found in the document "Risk Appetite Framework" and it is monitored by the National Risk Management area through the Direction of Operational Risk.

Together with the respective areas, the review and update of the risk evaluation matrix was completed for the Corporación Financiera GNB Sudameris processes according to the schedule set. This way, the risks to which the entity is exposed were determined and identified, along with the controls to mitigate them, keeping the exposure levels within tolerable limits.

As an important part of the strengthening of the risk culture in the Entity, periodic training sessions were held, inn-house and over the telephone, directed to collaborators inn the Entity's areas that allowed reinforcing the operational risk knowledge, as well as the functionality and management of the tool GNB SARO, highlighting the importance of preparing an operational risk events report.

The implementation of the technological tool GNB SARO has reinforced the interaction with all Entity areas, providing permanent support in the record of events, update of risk matrix, and follow-up to the treatment plans defined.

Training and periodic evaluations were held, in order to reinforce the SARO concepts, to easily identify the operational risk events and to encourage the active participation of all Corporación Financiera GNB Sudameris employees in the report of events occurred in their areas.

In order to strengthen and ensure the adequate management of risk, the Direction of Operational Risk prepared the evaluation and maturity report of the Operational Risk Management System (SARO in Spanish) at September 30, 2019.

Continuing with the strengthening of the risk culture in the Entity, the report "SARO Evolution" was issued to the General Management area of Corporación Financiera.

1.2 International Subsidiaries:

1.2.1 Banco GNB Peru

The Operational Risk Management System is considered an essential activity by Banco GNB Peru, and is based on its risk culture and the internal control through Risk Coordinators, Management areas/Vice-presidencies, and each employee with the directions provided by the Operational Risk area, maintaining the identification, measurement, control and monitoring of the operational risks, in compliance with the local regulatory framework and the corporate policies.

The analysis of the main operational risk events, follow-up to the litigation provisions, and main fines, was presented on a monthly basis. Additionally, an accumulated gross loss of operational risk has been identified at this date, as well as the credit risk losses (write-offs), provision losses (including litigation and credit risk), and other operational losses. Operational risk events accounted in excess of the internal threshold, have the respective treatment plans and the digital files, as indicated by Resolution 2116-2009 of SBS.

The analysis of Providers and significant Sub-contractors continued, in order to verify the new contracts and the modification of contracts with providers. As a result of such review, 14 providers were classified as non-significant sub-contractors.

In respect to the Self-evaluation workshops - SARO Workshops, the process evaluation was completed at the end of Q3, for 88% of 140 processes of Banco GNB.

A monthly, bi-monthly and quarterly monitoring of the 22 key risk indicators was maintained, along with the monitoring to the treatment plans that comprises action plans and complementary actions, which main difference is the complexity and time of execution, as well as their enforceability by the plan's origin.

The implementation of the technological tool GNB SARO has reinforced the interaction with all Entity areas, providing permanent support in the record of events, update of risk matrix, and follow-up to the treatment plans defined.

1.2.2. Banco GNB Paraguay:

For Banco GNB Paraguay, the Operational Risk plays a significant role in the performance of its activity, since, thanks to the permanent monitoring of operational related events, it is possible to detect attention points of possible financial losses, as well as internal weaknesses in the control systems.

The follow-up to risk events has continued, along with the joint work with the process and audit area to review the risk matrix and controls.

Activities are being prepared to respond to the observations received from the Superintendency of Banks during the visit made to review the Operational Risk, Technological Risk and Business Continuity Risk.

The annual training material was prepared and the training session was held in November for the entire staff.

Together with the Human Resources area, we worked on the assignment and formal appointment of the operational risk coordinators at each Entity's area.

The implementation of the technological tool GNB SARO has reinforced the interaction with all Entity areas, providing permanent support in the record of events, update of risk matrix, and follow-up to the treatment plans defined.

2. VaR of Operational Risk

2.1. Servitrust GNB Sudameris

In conformity with the provisions of Decree 415 of 2018 in respect to the Exposure Value on Operational Risk and the regulations issued by the Superintendency of Finance of Colombia, Servitrust GNB Sudameris implemented the monthly calculation of the VaROr since June 2019, generating the respective reports as established by the provisions in force with the following results:

Figures in COP millions	
VaROr Servitrust GNB Sudameris	
Jun-19	1.860,12
Jul-19	1.862,67
Aug-19	1.865,84
Sept-19	1.866,86
Oct-19	1.871,63
Nov-19	1.875,03
Dec-19	1.876,82

In accordance with the analysis completed, VaROr has not represented a significant impact to the Entity's solvency margin, which remained far above the limits set by the regulations in force.

2.2. Servivalores GNB Sudameris

In conformity with the provisions of Decree 415 of 2018 in respect to the Exposure Value on Operational Risk and the regulations issued by the Superintendency of Finance of Colombia, Servivalores GNB Sudameris implemented the monthly calculation of the VaROr since June 2019, generating the respective reports as established by the provisions in force with the following results:

SERVIVALORES GNB Sudameris
Monthly Result VaROr 2019 (figures in COP millions)

Period	June	July	August	September	October	November	December
VaROr	629,86	651,33	673,28	696,15	718,86	738,84	760,22

In accordance with the analysis completed, VaROr has not represented a significant impact to the Entity's solvency margin, which remained far above the limits set by the regulations in force.

2.3 Banco GNB Sudameris and Corporación Financiera GNB Sudameris

As a complement to Decree 1477 of 2018 that modified Decree 2555 of 2010 in regard to the requirements on adequate equity due to operational risk of the credit entities, the Ministry of Public Finance and Credit issued Decree 1421 by means of which other provisions were enacted:

- There are modifications to the Total Solvency Relationship, the Basic Solvency Relationship, and the Basic Additional Solvency Relationship, to include the operational risk exposure value.

- A methodology was included to calculate the operational risk exposure value (VaROr), that is the result of multiplying the business indicator by the operational risk coefficient and the internal loss indicator.

- In respect to the Transition Regime, the credit entities must comply with the provisions of the decree as from January 1, 2021.

Th Superintendency of Finance of Colombia issued the communication project in December 2019 updating the instructions related to the operational risk management to be done by the entities supervised, gives instructions related to the calculation of the operational risk exposure value of the credit entities in conformity with Decree 1421 of 2019, and adjusts the respective formats and instructives. The final communication is expected for the first quarter 2020 to begin the corresponding management towards their implementation.

3. Operating Risk Events

During 2019, the events with the highest financial impact occurred to Banco GNB Peru and are mainly related to: i) write-off of operations due to failure in the portfolio purchase process for $494 million; ii) Reimbursement of payments made by the client, payment in advance that did not have the previous acceptance as support according to the regulations in force, for $227 million; and iii) Penalty from Indecopi for discrimination acts and out-of-time-response on the cancellation of credit cards for $216 million.

In 2019, there were operational risk events with impact in the Financial Statements of Banco GNB Sudameris for $711 million, amount that is within the limit established for the operational risk and is distribute as follows: 85.1% is related to the human resource risk factor; 8.8% to the technology factor; 5.6% to the external factor, and the remaining 0.5% to process failures.

During 2019, there were operational risk event in Servibanca with impact in the Financial Statements for $251 million, among which the Type "A" events with higher amount are related to vandalism and theft of ATM cash.

In respect to Banco GNB Paraguay the Type "A" events with higher impact are related mainly to the late payment and payment of interests due to technological failures that made the access difficult to the Virtual Banking for $46 million; and ii) duplicate operation due to system failures for $38 million.

For the subsidiaries Servitrust and Servivalores, the operational risk events with impact in the Financial Statements are related to the annulment of trade vouchers at the Colombian stock market for $0.12 and $0.11 million, respectively.

Finally, there was an event at Corporación Financiera with impact in the financial statements for $0.016 million, due to the accrual of moratorium interests for the late payment of the income tax withholding in March.

The share of Type A operating risk events corresponding to the year 2019 in respect to the events occurred, is as follows:

Figures in COP millions	**YEAR 2019**	
Entity	**Amount**	**Share**
Banco GNB Peru*	1,619.7	60%
Banco GNB Sudameris	710.9	26%
Servibanca	251.8	9%
Banco GNB Paraguay*	114.8	4%
Servitrust	0.1	0.004%
Servivalores	0.1	0.004%
Corporación Financiera GNB	0.02	0.001%
Group	**2,697.3**	**100%**

Source: SARO Application

***** Liquidation based on the exchange rate at the last business date, as it may correspond to each country.

Below appears a comparison on the behavior of the Type "A" events for each entity in the Group during the year 2019 and 2018:

Figures in COP millions	**YEAR 2019**	**YEAR 2018**	**Variation**	
Entity	**Amount**	**Amount**	**Amount**	**%**
Banco GNB Peru*	1,619.7	2,561.8	(942)	(37%)
Banco GNB Sudameris	710.9	376	335	89%
Servibanca	251.8	336.8	(85)	(25%)
Banco GNB Paraguay*	114.8	7.4	107	1,451%
Servitrust	0.1	0.5	(0.38)	(77)
Servivalores	0.1	0.1	-	-

Expressed in COP millions, except for the exchange rate and the shares' par value

Corporación Financiera GNB	0.02	-	0.02	-
Group	**2,697.3**	**3,282.6**	**(585)**	**22%**

Source: SARO Application

* Liquidation based on the exchange rate at the last business date, as it may correspond to each country.

4. Risk Profile

The Financial Group has defined a conservative risk appetite in the development of its operations. During 2019, considering the risks found at each Entity, we reported that the Group's residual risk level is LOW and that it is below the risk limit defined for each of its companies.

5. Management of the Business Continuity Plan

5.1 Banco GNB Sudameris and Subsidiaries in Colombia

In accordance with the Continuity Plan defined and approved by the Business Continuity Committee, the Direction of Operational Risk did during the year, among others, the following activities:

- Approval of the Procedure Standard "Business Continuity Plan for Entities of GNB Sudameris Group", that included adjustments related to the transfer of responsibility in management and the process coordination by the Vice-presidency of Technology to the National Risk Management area, as well as strengthening the different methodologies.

- On the other hand, supported by the areas of the Bank and its Subsidiaries, the identification of critical processes/activities was completed through the update of the Business Impact Analysis (BIA), verifying they are aligned to the Business Continuity Plan.

- The annual training and evaluation were held on the Business Continuity Management System through the virtual tool directed to all Entity employees.

- An in-house training was held on the Business Continuity Plan, directed to the members of the Business Continuity Committee, responsible for the administration of the Crisis Management Plan, the Emergency Plan Management, and members of General Audit.

- Additionally, tests and contingency operations have been carried out, both internal and with third parties, for the Bank and its Subsidiaries at the Alternative Computing Center (ACC) and the Contingency Operation Center (COC), specific and for several days, with the active participation of all areas involved in such processes, who certified the connectivity and functionality of the services and applications.

5.2 International Subsidiaries

5.2.1 Banco GNB Peru

The Business Continuity Management is a process carried out by the Board, Management and the staff, that implements effective answers in order for the Banks operation to continue, with the purpose of safeguarding the interests of its main groups of interest, in case events occur that may interrupt or destabilize for Bank operations.

In 2019, business continuity events continued to be gathered and recorded. Likewise, the following was done:

- Tests at agencies with satisfactory results to assess the Contingency Plan - Unit DRP, Emergency Plan (Evacuation).

- The evaluation to critical providers (30 services) was completed, defined through the results obtained at the BIA's. Training program

- Business Continuity trainings were held for the Agencies Network.

- The follow-up continued for the indicators defined for the Business Continuity Management, indicators related to Business Interruption and the Activation of Plans peer Agency (including Agency ATM), which were reported to SBS.

5.2.2. Banco GNB Paraguay

At the closing of 2019, the Business Continuity and Contingency Plans were updated by different areas, and the tests are still in process for some plans by other areas.

As part of the Transformation Project to BT Web, specific processes were agreed to be classified as critical considering the launch of the new system, giving priority to those with impact in the clients, where specific contingency plans were in turn coordinated with the related areas in case of any inconvenient. By 2020, the change of the PCN approach is expected, in order to be entirely faced by Processes.

It ended with the BIA update and the calls cascade.

g) Information Security and Cybersecurity

In 2019, the Direction of Information Security and Cybersecurity, part of the National Risk Management area, in compliance with the provisions of the regulations in force, did, under a synergy agreement with the Parent Banco GNB Sudameris, the following activities, among others:

- In compliance with External Communication 007 of 2018 issued by the Superintendency of Finance of Colombia, through which instructions are given in regard to the minimal requirements to manage the cybersecurity risk, the service of the Security operation Center (SOC) was implemented for the Group, including tools to correlate events that allow warning about security and cybersecurity events and incidents.

- The monitoring was implemented through the Security Operation Center (SOC) to protect the brand of GNB Sudameris Group.

- The annual training was held, in order to reinforce the concepts of Information Security and Cybersecurity and encouraging the participation of all members of GNB Sudameris Group in respect to the new cyber threats.

- The review and update were completed for the information classification matrix at all areas of Banco GNB Sudameris and its local subsidiaries, determining and applying the corresponding protection measures, according to their classification.

- In compliance with the internal regulation and communication 042 of the Superintendency of Finance of Colombia, the vulnerability analysis was held for the productive infrastructure, as well as the ethical hacking analysis to specific internal objectives and some exposed to cyberspace.

- In compliance with the internal and external regulations, evaluation visits were made to critical providers, with the purpose of validating the controls implemented to protect the information provided by Banco GNB Sudameris.

- The annual recertification of users and employees profiles was completed at GNB Sudameris Group and its local subsidiaries, with access to the different Financial Services and/or Virtual Banking, with satisfactory results.

- The access to external email, corporate email through internet, access to removable devices, and internet surfing were re-certified for the employees of GNB Sudameris Group with satisfactory results.

- The International Subsidiaries were supported on the implementation of best practices in topics related to information security and cybersecurity.

NOTE 8 - OPERATING SEGMENTS

Banco GNB Sudameris has segmented its operations at consolidated level in accordance with its geographical distribution in the countries it is present. These segments are components of the Parent, in charge of carrying out commercial activities that generate income and expenses and the results are periodically reviewed by the Board of Directors.

The Parent is organized into three business segments: Colombia, Peru and Paraguay. All the countries composing the segments provide services related to the financial sector's activity and are regulated by the laws in the country of presence and the Parent's guidelines.

Colombia

Colombia's segment is composed of Banco GNB Sudameris and its local subsidiaries: Servitrust GNB Sudameris, Servibanca, Servivalores GNB Sudameris, Servitotal and Corporación Financiera GNB Sudameris. Banco GNB Sudameris has more than 95 years' experience in the country and offers a range of products and services to its customers in different sectors of the economy; including consumer, commercial and institutional credit, complemented by services offered by the local subsidiaries. The trust fund, Servitrust GNB Sudameris, has wide experience in the management of collective investment funds and Administration and Guarantee Trust, the Subsidiary Servibanca is a strategic ally of the Bank for the implementation of technology-based products, and has a network of more than 2300 ATMs nationwide, with a presence in more than 600 cities and municipalities, and Servivalores GNB Sudameris is the securities exchange broker of the Parent, a company with more than 20 years' of experience, dedicated entirely to securities dealing in Colombia. The Corporation GNB Sudameris started operating at the end of 2018 through investments (variable income) in the hotel sector, real estate and communication media. At the end of 2019, Servitotal did not started its operations.

Peru

This segment corresponds to Banco GNB Peru acquired in 2013 from HSBC. Its operation began in 2007, and it has been consolidating into a relevant player in the Peruvian banking system. GNB Peru operates in consumer, commercial and corporate segments.

Paraguay

Paraguay's segment consists of Banco GNB Paraguay, a long-serving bank in that country operating since 1920, acquired by Banco GNB Sudameris from HSBC in 2013. The Bank engages in activities in two business segments: retail banking and commercial and corporate banking.

This segmentation by country responds to a strategic organization of the Parent with regard to its offer of products and services, in response to the needs of its customers in the different sectors of the economy of the countries it has presence.

The Board of Directors has financial information at consolidated and individual levels of each of the companies comprising the segments for which performance follow-up is made based on results obtained in the various items of the balance sheet and the income statement, as well as the various indicators that complement them.

The following is a summary of the financial information per segment as of December 31, 2019 and 2018:

BANCO GNB SUDAMERIS S.A. AND SUBSIDIARIES
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(For the periods ended on December 31, 2019 and 2018)
Expressed in COP millions, except for the exchange rate and the shares' par value

Statement of financial position as of December 31, 2019

Assets	**Colombia**	**Peru**	**Paraguay**	**Write-offs**	**Consolidate**
Cash and Cash Equivalents	10,208,812	963,912	1,019,037	(82,393)	12,109,368
Financial assets at fair value	7,958,070	750,736	357,400	(2,763,719)	6,302,487
Financial assets at amortized cost	671,024	164,834	-	-	835,858
Portfolio	9,609,783	3,655,873	2,961,568	(32,050)	16,195,174
Other accounts receivable	191,618	31,524	13,249	(5,778)	230,613
Non-current assets held for sale	230	16,825	5,658	-	22,713
Intangible Assets	1,028,331	25,712	12,170	(9,850)	1,056,363
Intangible Assets	135,299	4,280	14,224	215,174	368,977
Income tax assets	261,665	38,867			300,532
Other assets	70,740	12,626	26,433	-	109,799
Total Assets	**30,135,572**	**5,665,189**	**4,409,739**	**(2,678,616)**	**37,531,884**

Liabilities					
Financial liabilities at fair value	15,586	-	45,784	(11,424)	49,946
Customer deposits	16,178,528	4,106,651	3,431,298	(82,393)	23,634,084
Short-term liabilities	5,847,942	91,925	286,358	-	6,226,225
Loans with development entities	1,943,206	341,915	94,102	(32,050)	2,347,173
Long-term loans	2,161,262	90,533	-	-	2,251,795
Liabilities on financial leases	92,243	32,220	5,898		130,361
Employee benefits	54,773	4,432	-	-	59,205
Provisions	20,158	28,326	16,067	-	64,551
Income tax	19,171	-	725	-	19,896
Other liabilities	237,045	174,399	15,316	(3,097)	423,663
Total Liabilities	**26,569,914**	**4,870,401**	**3,895,548**	**(128,964)**	**35,206,899**

Income Statement

	Colombia	**Peru**	**Paraguay**	**Write-offs**	**Consolidate**
Interests income and valuations	1,258,568	363,016	290,615	(4,342)	1,907,857
Interest expense:					
Deposits interest expense	699,898	132,473	93,872	(4,058)	922,185
Financial debt and other interests	284,187	61,352	5,769	(284)	351,024
Total Interests expense	984,086	193,825	99,641	(4,342)	1,273,209
Net interests income and valuations	274,483	169,191	190,974	-	634,648
Impairment loss on financial assets	201,550	84,360	44,216	-	330,126
Net interests income and valuations	72,933	84,831	146,758	-	304,522
Commissions and fees net income	99,765	26,048	24,507	245	150,565
Valuation income at fair value, net	394,186	70,252	(20,139)	(110,509)	333,790
Other income	438,980	15,416	84,945	(270,976)	268,365
Other Expenses	507,309	116,719	140,916	(33,401)	731,543
Net profit before income tax	498,555	79,828	95,155	(347,839)	325,699
Income Tax	38,746	9,766	9,730	-	58,242
Net profit	**459,809**	**70,062**	**85,425**	**(347,839)**	**267,457**

BANCO GNB SUDAMERIS S.A. AND SUBSIDIARIES
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Statement of financial position as of December 31, 2018

Assets	**Colombia**	**Peru**	**Paraguay**	**Write-offs**	**Consolidate**
Cash and Cash Equivalents	8,445,145	630,383	436,995	(255,633)	9,256,890
Financial assets at fair value	7,592,466	920,463	224,857	(2,453,980)	6,283,806
Financial assets at amortized cost	569,596	202,255	-	-	771,851
Portfolio	8,796,475	3,553,260	2,766,743	-	15,116,478
Other accounts receivable	198,997	41,498	4,249	(68,943)	175,801
Non-current assets held for sale	230	12,790	12,744	-	25,764
Tangible Assets	804,954	10,421	7,847	(7,066)	816,156
Intangible Assets	206,367	11,397	1,385	213,390	432,539
Income tax assets	222,250	36,123	-	-	258,373
Other assets	37,117	34,783	8,965	-	80,865
Total Assets	**26,873,597**	**5,453,373**	**3,463,785**	**(2,572,232)**	**33,218,523**
Liabilities					
Financial liabilities at fair value	26,798	-	30,598	(25,591)	31,805
Customer deposits	14,718,405	3,828,777	2,438,991	(255,633)	20,730,540
Short-term liabilities	4,878,790	120,369	290,164	-	5,289,323
Loans with development entities	1,538,619	531,031	170,732	-	2,240,382
Long-term loans	2,142,283	89,071	-	-	2,231,354
Employee benefits	50,235	4,446	-	-	54,681
Provisions	21,454	16,316	14,323	-	52,093
Income tax	23,567	-	3,419	-	26,986
Capital increase advances	162,488	-	-	-	162,488
Other liabilities	236,169	138,403	18,950	(66,261)	327,259
Total Liabilities	**23,798,808**	**4,728,413**	**2,967,177**	**(347,485)**	**31,146,911**

Income Statement

	Colombia	**Peru**	**Paraguay**	**Write-offs**	**Consolidate**
Interests income and valuations	1,207,778	312,182	236,803	(5,378)	1,751,385
Interest expense:					
Deposits interest expense	649,762	111,780	65,007	(4,448)	822,101
Financial debt and other interests	273,572	34,677	6,824	(930)	314,143
Total Interests expense	**923,334**	**146,457**	**71,831**	**(5,378)**	**1,136,244**
Net interests income and valuations	284,444	165,725	164,972	-	615,141
Impairment loss on financial assets	153,215	106,683	35,795	-	295,693
Net interests income and valuations	**131,229**	**59,042**	**129,177**	**-**	**319,448**
Commissions and fees net income	91,128	30,076	21,042	246	142,492
Valuation income at fair value, net	236,504	33,529	(12,816)	(19,163)	238,054
Other income	397,363	58,361	17,708	(220,170)	253,262
Other Expenses	488,699	120,042	73,299	(19,086)	662,954
Net profit before income tax	**367,525**	**60,966**	**81,812**	**(220,001)**	**290,302**
Income Tax	37,043	9,410	8,739	-	55,192
Net profit	**330,482**	**51,556**	**73,073**	**(220,001)**	**235,110**

The main write-offs in total income, expenses, assets and liabilities between segments with the corresponding consolidated entries at the level of the Bank and its Subsidiaries, are:

- Investment in term deposits and outstanding bonds in other segments.
- Investments in subsidiary write-offs and registry of non-controlling interests.
- Commissions expense and income

Income Analysis per Products and Services

Income of the Bank and its Subsidiaries is analyzed per product and services in the income statement.

Expressed in COP millions, except for the exchange rate and the shares' par value

Income per Country

The following table presents the income of the Bank and its Subsidiaries per individual country where income is significant for the periods ended on December 31, 2019 and 2018.

	December 31, 2019	December 31, 2018
Colombia	1,163,176	1,128,158
Peru	363,016	312,182
Panama	67,158	52,570
Paraguay	290,615	236,803
United States	-	343
British Virgin Islands	23,892	21,329
Total Consolidated Earnings	**1,907,857**	**1,751,385**

The preceding analysis is based on the client's domicile; income of extra-territorial entities (off-shore) of Colombian clients is reported as Colombian income. Earnings include income from interests, commissions, fees, and other operating income.

Assets per Country

The following table presents the non-current assets of the Bank and its Subsidiaries per individual country for the periods ended on December 31, 2019 and 2018:

December 31, 2019	Tangible Assets	Intangible Assets
Colombia	1,028,331	135,299
Peru	25,712	4,280
Paraguay	12,170	14,224
Write-offs	(9,850)	215,174
Total	**1,056,363**	**368,977**

December 31, 2018	Tangible Assets	Intangible Assets
Colombia	797,887	208,051
Peru	10,421	11,397
Paraguay	7,848	1,385
Write-offs	-	211,706
Total	**816,156**	**432,539**

During the years ended on December 31, 2019 and 2018, the Bank and its Subsidiaries did not report any income concentration between the clients with more than 10% of share in ordinary activities income.

NOTE 9 - CASH AND CASH EQUIVALENTS

The following is the detail of cash and cash equivalents

	December 31, 2019	December 31, 2018
Local currency		
Cash	326,681	295,484
Banco de la República (Central Bank)	1,812,395	1,078,774
Banks and other financial entities	3,344	5,975

Expressed in COP millions, except for the exchange rate and the shares' par value

Interbanking funds	-	80,036
Simultaneous operations (repurchase agreement)	7,494,097	6,351,923
Subtotal	**9,636,517**	**7,812,192**
Foreign Currency		
Cash	106,176	87,535
Banco de la República (Central Bank)	1,363,862	760,715
Banks and other financial entities	502,016	318,459
Bank reserve	2,561	893
Remittances in transit	564	-
Interbanking funds	497,672	277,096
Subtotal	**2,472,851**	**1,444,698**
Total	**12,109,368**	**9,256,890**

There are no restrictions on cash and cash equivalents.

NOTE 10 – FINANCIAL ASSETS AT FAIR VALUE

a) At fair value with changes in income

The financial assets balance in debt instruments and equity instruments is as follows as of December 31, 2019 and 2018:

Debt securities	**December 31 2019**	**December 31 2018**
Denominated in local currency		
Securities issued or guaranteed by the Local Government	4,629,954	4,517,327
Securities issued or guaranteed by National State Entities	35,405	78,522
Securities issued or guaranteed by financial entities	421,993	463,887
Total denominated in local currency	**5,087,352**	**5,059,735**
Denominated in foreign currency		
Securities issued or guaranteed by Central Banks	1,050,453	1,071,766
Other securities	44,658	44,163
Total denominated in foreign currency	**1,095,111**	**1,115,929**
Total debt securities, net	**6,182,463**	**6,175,665**
Investments impairment - IFRS 9	(2,622)	(1,567)
Total debt securities	**6,179,841**	**6,174,098**
Equity securities, net	58,050	54,869
Investment funds, net	45,215	31,329
Total investment securities, net	**6,283,106**	**6,260,295**

b) Debt securities at amortized cost

Below appears the detail of the carrying value of investments in debt securities, net of provisions due to investment losses on the dates indicated:

Expressed in COP millions, except for the exchange rate and the shares' par value

Debt securities	**December 31 2019**	**December 31 2018**
Denominated in COP		
Issued or guaranteed by other financial entities	671,051	569,651
Total in local currency	**671,051**	**569,651**
In foreign currency		
Issued or guaranteed by other financial entities	164,840	202,264
Total in foreign currency	**164,840**	**202,264**
Total debt securities	**835,891**	**771,915**
Investments impairment - IFRS 9	(34)	(64)
Total investments, net	**835,858**	**771,851**

As of December 31, 2019 and 2018, financial investments in debt securities are guaranteeing repo and simultaneous operations amounting to $7,991,770 and $6,709,053, respectively

c) Impairment

The following is the impairment movement of investments with cutoff date at December 31, 2019:

Final balance provision at December 31, 2017	**-**
Plus provision IFRS 9, year 2018 investments	1,631
Final balance provision at December 31, 2019	**1,631**
Plus provision IFRS 9, year 2019 investments	1,025
Final balance provision at December 31, 2019	**2,656**

d) At fair value per rating

The following is the credit quality detail defined by rating agencies of independent risks for the issuers of interest debt securities for the Bank:

Fair Value	**December 31 2019**	**December 31 2018**
Issued or guaranteed by Central Banks	1,050,453	1,071,766
Issued or guaranteed by Governments	4,644,047	4,595,849
Investment degree	421,993	463,886
Speculative operations	44,658	44,163
Not classified / not available	103,264	86,198
Total	**6,285,728**	**6,261,862**
Investments impairment - IFRS 9	(2,622)	(1,567)
Total investments, net	**6,283,106**	**6,260,295**

Expressed in COP millions, except for the exchange rate and the shares' par value

e) Maturity of financial assets

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

December 31, 2019

Description	From 0 to 30 days	From 31 to 180 days	From 181 to 360 days	From 361 to 720 days	Impairment	Balance
Investments in debt securities at fair value with changes in OCI.	112,896	1,647,430	1,682,353	2,723,060	(2,622)	6,163,117
Investments in debt securities at fair value with changes in income	-	490	10,167	6,067	-	16,724
Investments in debt securities at amortized cost	164,152	226,834	280,065	164,841	(34)	835,858
Investments in equity at fair value with changes in OCI	-	-	-	58,050	-	58,050
Equity instruments at fair value with changes in income	-	-	-	45,215	-	45,215
Cash operations and derivatives	19,381	-	-	-	-	19,381
Total Investments	**296,429**	**1,874,754**	**1,972,585**	**2,997,233**	**(2,656)**	**7,138,345**

December 31, 2018

Description	From 0 to 30 days	From 31 to 180 days	From 181 to 360 days	From 361 to 720 days	Impairment	Balance
Investments in debt securities at fair value with changes in OCI.	130,601	2,687,955	1,263,334	2,032,781	(1,567)	6,113,104
Investments in debt securities at fair value with changes in income	51,384	-	5,871	3,739	-	60,994
Investments in debt securities at amortized cost	135,649	211,936	222,067	202,263	(64)	771,851
Investments in equity at fair value with changes in OCI	-	-	-	54,868	-	54,868
Equity instruments at fair value with changes in income	-	-	-	31,329	-	31,329
Cash operations and derivatives	23,511	-	-	-	-	23,511
Total Investments	**341,145**	**2,899,891**	**1,491,272**	**2,324,980**	**(1,631)**	**7,055,657**

f) Derivatives

Trading derivatives

The following table expresses the fair value at the end of the period for forwards, futures and swaps of interest rates, securities and foreign currencies where the Bank and its Subsidiaries has commitments.

The derivative financial instruments contracted by the Bank and its Subsidiaries are traded in financial off-shore and local markets. The fair value of the derivative instruments has positive or negative variations as a result of the fluctuations in exchange rates of foreign currencies, interest rates and other risk factors, depending of the type of and underlying instrument.

	December 31, 2019			December 31, 2018		
	Value USD	Notional amount	Fair Value	Value USD	Notional amount	Fair Value
ASSETS		**3,277.14**			**3,249.75**	
Currency spot	-	-	-	12,916	41	41
Currency forwards	5,100,001	16,713	16,713	7,203,562	23,410	23,410
Interest rate swaps	9,485	31	31	18,357	60	60

Expressed in COP millions, except for the exchange rate and the shares' par value

Hedge forwards	804,450	2,637	2,637	-	-	
TOTAL ASSETS	**5,913,936**	**19,381**	**19,381**	**7,234,835**	**23,511**	**23,511**
LIABILITIES						
Currency forwards	15,219,532	49,877	49,877	2,694,238	8,756	8,756
Interest rate swaps	9,975	33	33	20,027	65	65
Currency spot	-	-	-	13,763	45	45
Currency futures	11,185	36	36	7,058,829	22,939	22,939
TOTAL LIABILITIES	**15,240,692**	**49,946**	**49,946**	**9,786,857**	**31,805**	**31,805**
NET POSITION	**(9,326,756)**	**(33,565)**	**(33,565)**	**(2,552,022)**	**(8,294)**	**(8,294)**

g) Offsetting of financial assets and financial liabilities

Below appears the detail of the financial instruments subject to contractual offsetting as of December 31, 2019 and 2018:

December 31, 2019

	Gross amounts of financial assets recognized	Gross amounts of financial liabilities recognized offset in the Statement of Financial Position	Net amount of financial assets presented in the Statement of Financial Position
Assets			
Derivatives	369,752	(350,371)	19,381
Repos and simultaneous operations (repurchase agreement)	-	-	-
Total	**369,752**	**(350,371)**	**19,381**

	Gross amounts of financial assets recognized	Gross amounts of financial liabilities recognized offset in the Statement of Financial Position	Net amount of financial liabilities presented in the Statement of Financial Position
Liabilities			
Derivatives	198,602	(148,656)	49,946
Repos and simultaneous operations (repurchase agreement)	-	-	-
Total	**198,602**	**(148,656)**	**49,946**

December 31, 2018

	Gross amounts of financial assets recognized	Gross amounts of financial liabilities recognized offset in the Statement of Financial Position	Net amount of financial assets presented in the Statement of Financial Position
Assets			
Derivatives	41,323	(17,853)	23,470
Repos and simultaneous operations (repurchase agreement)	41	-	41
Total	**41,364**	**(17,853)**	**23,511**

	Gross amounts of financial assets recognized	Gross amounts of financial liabilities recognized offset in the Statement of Financial Position	Net amount of financial liabilities presented in the Statement of Financial Position
Liabilities			
Derivatives	97,781	(66,021)	31,760
Repos and simultaneous operations (repurchase agreement)	45	-	45
Total	**97,826**	**(66,021)**	**31,805**

Hedging Instruments

The Bank and its Subsidiaries decided to manage the hedge accounting in the following Subsidiaries abroad: Banco GNB Peru and Banco GNB Paraguay, with derivative instruments (foreign currency borrowings).

The purpose of these operations is to protect the Bank and its Subsidiaries from the exchange rate risk due to structural positions in some of its subsidiaries abroad.

The primary position subject to hedging are the net initial investments abroad (investment cost). In 2017, hedging extended to the goodwill generated by the acquisition of subsidiaries abroad.

The hedge used by the Bank and its Subsidiaries to cover its initial investments and the goodwill of such investments abroad as the subordinated bonds with maturity in 2022 in a percentage of 100% and subordinated bonds with maturity in 2027 in a percentage of 63.58%.

The following information is the detail of the total investments hedged and the hedge type used out of Colombia.

December 31, 2019	Foreign Currency (Millions)		Colombian pesos (Millions)		
Investment Detail	**Amount with Hedge**	**Hedge amount in USD obligations, net**	**Accumulated translation of obligations adjustments in foreign currencies**	**Obligations of Hedge - Net**	**OCI Account**
Investment in Banco GNB Peru (Soles)	638	220	121,863	121,863	2521
Investment in Banco GNB Paraguay (Guaraníes)	811,046	155	85,919	85,919	1,778
Goodwill		65	26,727	26,727	1,784
Total		**440**	**234,509**	**234,509**	**6,083**

December 31, 2018	Foreign Currency (Millions)		Colombian pesos (Millions)		
Investment Detail	**Amount with Hedge**	**Hedge amount in USD obligations, net**	**Accumulated translation of obligations adjustments in foreign currencies**	**Obligations of Hedge - Net**	**OCI Account**
Investment in Banco GNB Peru (Soles)	627	187	136,788	136,788	49,610
Investment in Banco GNB Paraguay (Guaraníes)	524,919	91	66,696	66,696	24,189
Goodwill		65	24,943	24,943	17,313
Total		**343**	**228,427**	**228,427**	**91,112**

Hedging Effectiveness Tests

In terms of hedge effectiveness, IFRS 9 derives from the requirements of IAS 39. In that sense, it considers that the hedge is highly effective, if any, at the beginning of the period and during the subsequent periods, offsetting changes in the fair value or the cash flows attributable to the risk hedged.

In accordance with the regulations, the Bank does prospective tests on a quarterly basis to establish the stability of the financial conditions that guarantee the hedge effectiveness. Similarly, it generates a correlation analysis of the exchange rate flows that verifies the historical behaviors; thus complementing the prospective analysis with behaviors incurred.

During the period ended on December 31, 2019 the portion of profit or loss related to the hedge instrument determined to be an effective hedge, is recognized in Other Comprehensive Income, and the ineffective portion in the income for the period.

The Bank has documented the hedge effectiveness in its net investments in foreign currency. The value of the investments fluctuates during the year and, as a result, the Bank evaluates the hedge and results of the effectiveness test on a quarterly basis.

Hedge Corporación Financiera GNB

The Corporation decided to manage the hedge accounting with derivative instruments (forwards). The purpose of thee hedge accounting operations is to protect the Corporation from the exchange rate risk due to structural positions in some of its investments abroad.

Initially, the primary position subject to hedging was the investment in Charleston Hotels Group Inc. Considering that the productive activity of the company Charleston Hotels Group Inc, investment under hedging, is carried out in Colombia, a decision was made to remove the hedge and the actions started to transfer the investment to the national territory. The compromise agreement of the forwards established generated income for $2,031,105 in 2019.

New derivative instruments were established later, which primary positions subject to hedging correspond to the investment in Namen Finance Ltd. and the Guarantee Trust in GNB Sudameris Bank of Panama.

The following is the detail of the total investments hedged and the hedge type used:

December 31, 2019					**Colombian pesos (Thousands)**	
Investment Detail	**Hedge detail**	**Date of hedge creation**	**Investment amount in USD at year-end**	**Investment accumulated translation**	**Net hedge liabilities**	**Net result hedge valuation**
Namen Finance Ltd.	Investment abroad	01/08/2019	28,719,076	421	421	421
Fiducia en garantía GNB Sudameris Bank	Financial instrument	09/09/2019	5,000,000	414	414	414
	Total		**33,719,076**	**835**	**835**	**4,282**

December 31, 2018						**Colombian pesos (Millions)**
Investment Detail	**Hedge detail**	**Date of hedge creation**	**Investment amount in USD at year-end**	**Investment accumulated translation**	**Net hedge liabilities**	**Net result hedge valuation**
Charleston Hotels Group Inc.	Investment abroad	02/11/2018	65,000,000	3,447	3,447	(4,509)
	Total		**65,000,000**	**3,447**	**3,447**	**(4,509)**

Expressed in COP millions, except for the exchange rate and the shares' par value

In terms of hedge effectiveness, IFRS 9 derives from the requirements of IAS 39. In that sense, it considers that the hedge is highly effective, if any, at the beginning of the period and during the subsequent periods, offsetting changes in the fair value or the cash flows attributable to the risk hedged.

In accordance with the regulations, the Corporation does prospective tests on a quarterly basis to establish the stability of the financial conditions that guarantee the hedge effectiveness. Similarly, it generates a correlation analysis of the exchange rate flows that verifies the historical behaviors; thus complementing the prospective analysis with behaviors incurred.

During the period ended on December 31, 2019 the portion of profit or loss related to the hedge instrument determined to be an effective hedge, is recognized in Other Comprehensive Income, and the ineffective portion in the income for the period.

The Corporation has documented the hedge effectiveness in its net investments in foreign currency. The net value of the investments fluctuates during the year and, as a result, the Corporation evaluates the hedge and results of the effectiveness test on a quarterly basis.

At December 2019 year-end, the Corporation has the following forwards established:

AMOUNT	OPENING	MATURITY	TYPE	COUNTERPART
USD 30,000,000	1/08/2019	28/01/2020	HEDGING	BANCO DE BOGOTA
USD 5,000,000	12/12/2019	9/06/2020	HEDGING	CORFICOLOMBIANA
USD 20,000,000	5/08/2019	3/02/2020	SPECULATION	BANCO DE BOGOTA
USD 15,000,000	11/12/2019	10/06/2020	SPECULATION	BANCO DE BOGOTA
USD 5,000,000	12/12/2019	12/06/2020	SPECULATION	CORFICOLOMBIANA
USD 6,000,000	13/11/2019	11/05/2020	SPECULATION	CORFICOLOMBIANA
USD 5,000,000	13/11/2019	11/05/2020	SPECULATION	CORFICOLOMBIANA
USD 5,000,000	13/11/2019	11/05/2020	SPECULATION	CORFICOLOMBIANA
USD 5,000,000	13/11/2019	11/05/2020	SPECULATION	CORFICOLOMBIANA
USD 5,000,000	13/11/2019	11/05/2020	SPECULATION	CORFICOLOMBIANA
USD 101,000,000				

NOTE 11 - LOANS

The following is an analysis of the financial asset at amortized cost.

Loans per modality

The distribution of the credits portfolio of the Bank and its Subsidiaries at amortized cost is as follows:

Expressed in COP millions, except for the exchange rate and the shares' par value

Description	December 31, 2019	December 31, 2018
Agreements	6,334,623	5,515,282
Ordinary loans (1)	7,586,418	7,135,358
Loans with resources of development entities	1,020,745	1,011,488
Overdrafts	46,337	37,035
Credit cards	119,665	147,299
Loans to SMEs	584,318	648,557
Home mortgage (2)	1,022,742	1,106,305
Vehicle loans	5,360	8,321
Total gross financial assets in credits portfolio	**16,720,208**	**15,609,645**
Impairment provision	(525,034)	(493,167)
Total net financial assets in credits portfolio	**16,195,174**	**15,116,478**

(1) Includes employees consumer portfolio for	9,806	10,695
(1) Includes employees home mortgage portfolio for	27,343	26,344

The movement of the provision on financial assets impairment in loans during the years ended on December 31, 2019 and 2018, is as follows:

	December 31, 2019			
Specific impairment provisions	**Commercial**	**Consumer**	**Home Mortgage**	**Total**
Balance at December 31, 2018	288,714	152,987	51,466	493,167
Impairment losses for the period:	-	-	-	-
Charge for the period	276,490	271,965	19,948	568,403
Recoveries	(136,279)	(83,882)	(27,797)	(247,958)
Effect of foreign currency movements	(10,785)	-	-	(10,785)
Write-offs	(100,733)	(177,060)	-	(277,793)
Subtotal impairment provisions - Clients	**317,408**	**164,009**	**43,617**	**525,034**

	December 31, 2018			
Impairment specific provisions	**Commercial**	**Consumer**	**Home Mortgage**	**Total**
Balance at December 31, 2017	172,245	104,838	24,205	301,288
Adoption IFRS 9	13,765	23,722	10,024	47,511
Total	**186,010**	**128,560**	**34,229**	**348,799**
Impairment losses for the period:				
Charge for the period	204,331	289,014	43,996	537,341
Recoveries	(73,883)	(145,747)	(26,725)	(246,355)
Effect of foreign currency movements	54,364	-	-	54,364
Discount effect	(47,420)	-	-	(47,420)
Write-offs	(34,688)	(118,840)	(34)	(153,562)
Subtotal impairment provisions - Clients	**288,714**	**152,987**	**51,466**	**493,167**

The distribution of the credits portfolio of the Bank and its Subsidiaries per maturity is as follows:

December 31, 2019

	Up to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Commercial	5,107,159	1,369,490	1,119,361	1,497,395	9,093,405

Expressed in COP millions, except for the exchange rate and the shares' par value

Consumer	87,369	379,424	849,054	5,288,214	6,604,061
Home Mortgage	2,304	12,941	35,437	972,060	1,022,742
Total Gross Portfolio	**5,196,832**	**1,761,855**	**2,003,852**	**7,757,669**	**16,720,208**

December 31, 2018

	Up to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Commercial	4,045,753	2,016,467	1,019,064	1,579,784	8,661,068
Consumer	97,166	391,332	758,996	4,594,779	5,842,273
Home Mortgage	1,432	11,179	32,775	1,060,919	1,106,305
Total Gross Portfolio	**4,144,351**	**2,418,978**	**1,810,835**	**7,235,482**	**15,609,646**

Portfolio in default but not impaired

As of December 31, 2019 and 2018, the summary of the portfolio in default per aging is as follows:

December 31, 2019

	In default but not impaired				
	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	Total in default but not impaired	Total in default impaired
Commercial	273,072	39,243	13,184	325,499	232,459
Consumer	190,817	33,149	23,906	247,872	77,197
Home Mortgage	75,007	28,247	16,749	120,003	35,914
Total Portfolio	**538,896**	**100,639**	**53,839**	**693,374**	**345,570**

December 31, 2018

	In default but not impaired				
	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	Total in default but not impaired	Total in default impaired
Commercial	333,998	20,062	13,093	367,153	151,677
Consumer	157,556	27,408	18,487	203,451	79,438
Home Mortgage	95,908	27,652	9,941	133,501	30,892
Total Portfolio	**587,462**	**75,122**	**41,521**	**704,105**	**262,007**

NOTE 12 - OTHER ACCOUNTS RECEIVABLE

The following is the detail of other accounts receivable as of December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Commissions and fees	1,075	1,086
Leases	76	67
Sale of assets and services	444	996
Contract assets Servibanca IFRS 15	113	286

Expressed in COP millions, except for the exchange rate and the shares' par value

Debtors	130	75
Deposits	12,907	10,828
Taxes	784	1,741
Advances to providers	1,731	1,737
Advances to employees	3,063	3,302
Payments on account of clients	10,284	14,943
Purchase-sale agreements	36,049	35,747
Insurance claims	32,842	32,510
Abandoned ICETEX accounts	6,573	4,889
National Treasury Direction	2,207	2,148
Servibanca offset	13,208	-
Miscellaneous (1)	116,840	73,525
Subtotal	**238,326**	**183,880**
Impairment	(7,713)	(8,079)
TOTAL	**230,613**	**175,801**

(1) Various are included in judicial procedures for $34.396, accounts receivable to the office of the Digital Bank for 46,259.

The following is the detail of thee impairment of other accounts receivable as of December 31, 2019 and 2018:

	December 31, 2019	**December 31, 2018**
Balance at the beginning of the period	(8,079)	(2,285)
Provision taken to income	(5,925)	(3,507)
Write-offs	(15,719)	(9,402)
Reimbursements taken to income	22,010	7,115
Balance at the end of the period	**(7,713)**	**(8,079)**

The accounts receivable model uses the simplified impairment methodology that assumes assets are classified as stage 2; thus, the remaining useful life of the accounts receivable must be analyzed However, being them traditionally below one year, their analysis does not differ from the assets classified as stage 1.

NOTE 13 - NON-CURRENT ASSETS HELD FOR SALE

The detail of non-current assets held for sale at December 31, 2019 and 2018, is as follows:

	December 31, 2019	**December 31, 2018**
Assets received in kind		
Furniture	1,858	1,957
Real estate properties	44,606	37,273
Machinery and equipment	5,122	4,960
Subtotal	**51,587**	**44,190**
Impairment	(28,874)	(18,426)
TOTAL	**22,713**	**25,764**

The following is the movement of non-current assets held for sale for the years ended December 31, 2019 and 2018:

	December 2019	**December 2018**
Balance at the beginning of the period	25,764	21,609
Acquisition and withdrawal of properties	7,396	5,715
Impairment	(10,448)	(1,560)
Balance at the end of the period	**22,713**	**25,764**

Expressed in COP millions, except for the exchange rate and the shares' par value

NOTE 14 - PROPERTIES AND EQUIPMENT

The following is the detail of property and equipment December 31, 2019 and 2018:

December 31, 2019	Cost	Accumulated depreciation	Accumulated depreciation	Net
Land	289,162	-	-	289,162
Buildings	483,852	(37,362)	(10,904)	435,586
Vehicles	2,607	(1,662)	-	945
Furniture and supplies	48,945	(26,610)	-	22,335
Computing equipment	105,720	(57,384)	-	48,336
Total	**930,286**	**(123,018)**	**(10,904)**	**796,364**

December 31, 2018	Cost	Accumulated depreciation	Net
Land	187,482	-	187,482
Buildings	533,447	(46,962)	486,485
Vehicles	4,620	(1,971)	2,649
Furniture and supplies	48,957	(22,845)	26,112
Computing equipment	93,555	(47,694)	45,861
Total	**868,061**	**(119,472)**	**748,589**

The Bank and its Subsidiaries evaluated indications of impairment in the assets classified as of Property and Equipment and did not find sufficient evidence to conduct any impairment test during the period. Therefore, no recognition or record was made for this item.

The movement in the carrying value of property and equipment during the years ended on December 31, 2019 and 2018, is as follows:

	December 31, 2018	Additions	Write-offs	Revaluation	December 31, 2019
Land	187,482	88,558	(566)	13,688	289,162
Buildings (1)	533,447	38,045	(133,788)	46,148	483,852
Vehicles	4,620	88	(2,101)	-	2,607
Furniture and supplies	48,957	3,648	(3,660)	-	48,945
Computing equipment	93,555	12,315	(150)	-	105,720
Total	**868,061**	**142,654**	**(140,265)**	**59,836**	**930,286**

(1) The buildings write-off corresponds mainly to the sale of the subsidiary Hoteles Charleston Santa Teresa S.A.S. by Corporación Financiera GNB Sudameris.

	December 31, 2017	Acquisition through business combination	Additions	Write-offs	Revaluation	December 31, 2018
Land	97,200	12,782	649	-	1,051	111,682
Buildings	308,773	299,347	-	(5,334)	9,810	612,596
Vehicles	2,932	1,803	136	(251)	-	4,620

Expressed in COP millions, except for the exchange rate and the shares' par value

Furniture and supplies	34,439	10,503	2,375	(1,709)	-	45,608
Computing equipment	76,744	1,402	15,409		-	93,555
Total	**520,088**	**325,837**	**18,569**	**(7,294)**	**10,861**	**868,061**

The movement in the accumulated depreciation related to property and equipment during the years ended on December 31, 2019 and 2018 is as follows:

	Buildings	Furniture and supplies	Computing equipment	Vehicles	Total
December 31, 2017	**(26,027)**	**(14,888)**	**(39,312)**	**(1,581)**	**(81,808)**
Depreciation recorded during the year	(3,815)	(3,478)	(10,021)	(309)	(17,623)
Write-offs and additions in PPE	(17,120)	(4,479)	1,639	(81)	(20,041)
December 31, 2018	**(46,962)**	**(22,845)**	**(47,694)**	**(1,971)**	**(119,472)**
Depreciation recorded during the year	(4,446)	(3,321)	(10,815)	(331)	(18,913)
Revaluation	(10,904)	-	-	-	(10,904)
Write-offs and additions in PPE	14,046	(444)	1,125	640	15,367
December 31, 2019	**(48,266)**	**(26,610)**	**(57,386)**	**(1,662)**	**(133,924)**

Property and equipment with right of use, net of depreciation

The following is the detail of property and equipment by right of use at December 31, 2019:
Assets:

	Cost	Depreciation	Net
Buildings	124,747	(18,636)	106,111
Transport equipment	18,115	(1,006)	17,109
Technology equipment	3,637	(1,208)	2,429
Total	146,499	**(20,850)**	**125,649**

The following is the detail of assets with right of use as of December 31, 2019:

Balance at the beginning of the period	145,011
Income and write-offs of contracts	7,917
Depreciation expenses	(27,279)
Balance at the end of the period	**125,649**

Lease liabilities:

The following is the detail of other lease liabilities at December 31, 2019, which are calculated with discount interest rates of 6.94%, 7.67% and 9.53% E.A., for the Bank and its local subsidiaries, and 6.2%, 3.2% and 6.3% for the subsidiaries abroad, in the short, medium and long-term, respectively.

Expressed in COP millions, except for the exchange rate and the shares' par value

Balance at the beginning of the period	145,011
Contracts' write-offs	15,110
Interest expense	9,689
Payments made	(39,449)
Balance at the end of the period	**130,361**

Below appears the short-term and long-term balance of lease liabilities of assets by right of use:

	Amortization balance lower than 12 months	Amortization balance higher than 12 months
Other lease liabilities of assets by right of use	$ 11,735	$ 118,626

NOTE 15 - INVESTMENT PROPERTIES:

The following is a summary of the investment properties as of December 31, 2019 and 2018

	December 31, 2019	**December 31, 2018**
Cost	128,172	58,488
Fair Value	6,178	9,079
Total	**134,350**	**67,567**

There was lease income on investment properties for $758 and $69 for the periods ended on December 31, 2019 and 2018, respectively.

There we no purchase commitments of investment properties in 2019.

There are no restrictions on the sale of investment properties.

The following table presents the reconciliation between the balances at the beginning and the end of the period with the fair value measurements classified as Level 3:

Investment properties

December 31, 2017	**51,878**
Additions	15,689
December 31, 2018	**67,567**
Additions	69,683
Write-offs	(2.900)
December 31, 2019	**134,350**

NOTE 16 - INTANGIBLE ITEMS

a) Goodwill

The movement in the goodwill account during the years ended on December 31, 2019 and 2018, is as follows:

Expressed in COP millions, except for the exchange rate and the shares' par value

	December 31, 2019	December 31, 2018
Balance at the beginning of the year	**411,820**	211,834
Exchange difference adjustment	1,784	17,312
Investment sale Corporacion GNB (1)	(76,511)	-
Acquisition investments on business combination (2)	7,433	182,673
Balance at the end of the year	**344,526**	**411,820**

(1) The investment in Hoteles Charleston Santa Teresa SAAS Aws sold on September 5, 2019 whereby accounting profit was earned for $23,167.
(2) Business combination

In the performance of its corporate purpose and in attention to the guidelines to comply with the strategic purposes, the Bank made investments in various economic sectors.

As a result of these operations, it made the necessary assessments and analysis to assign the purchase prices in accordance with IFRS 3 – "Business Combinations". Below are listed the final and interim fair values of the business identifiable assets and liabilities at the date control is gained; they will be subject to changes and adjustments to the extent the purchase price assignment pro cess is completes, which is allowed until one year after the acquisition date:

Year 2018	**Charleston Hotels Group S.A.S.**	**Hoteles Charleston Santa Teresa S.A.S.**	**TOTAL**
Acquisition date	02/11/2018	25/10/2018	
Investments	121,738	113,938	235,676
Other assets	21,501	-	21501
Identifiable assets	**143,239**	**113,938**	**257,177**
Other liabilities	42,891	-	42891
Identifiable liabilities	42,891	-	42891
Equity	**100,348**	**113,938**	**214,286**
Consideration made	206,511	190,449	396,960
Goodwill recognized	**106,163**	**76,511**	**182,674**

- The investment in Charleston Hotels Group SAS was made in May 2019 through the incorporation of that company, which merged with Charleston Hotels Group, Inc., that was absorbed and therefore, the goodwill value determined was maintained as of December 31, 2019.

- The investment in Hoteles Charleston Santa Teresa SAS originated in an initial investment in the company Tayset Invesstments Ltd., that was liquidated on December 27, 2018, and which resulted in the Corporation holding the shares of Hoteles Charleston Santa Teresa SAS. Assets and liabilities were also identified in this process which resulted in an adjustment to the goodwill value recognized that amounted to $76,511. This investment was sold in 2019, hence that goodwill was written off.

Expressed in COP millions, except for the exchange rate and the shares' par value

Year 2019	**Namen Finance Ltd**	**Manforce Overseas Ltd**	**Servibanca**	**TOTAL**
Acquisition date	01/03/2019	01/03/2019	08/02/2019	
Investments	91,554	39,727	3,958	135,239
Other assets	-	-	-	-
Identifiaable assets	**91,554**	**39,727**	**3,958**	**131,281**
Other liaabilities	-	-		-
Identifiable liabilities	-	-		-
Equity	**91,554**	**39,727**	**3,958**	**131,281**
Consideration made	81,957	34,922	8,500	116,879
Profit on bargain purchase	**(9,597)**	**(4,805)**	**-**	**(14,402)**
Goodwill recogniced	-	-	**4,542**	**4,542**

- Namen Finance Limited was acquired on March 1, 2019. An adjustment was later made to the identification of prior periods results, and the conclusion was that the amount generated by the bargain purchase was $9,597, which was taken to income at 2019 year-end. The purchase of this investment included the goodwill of JGDB LLC for $2,428.

- Manforce Overseas Limited was acquired on March 1, 2019. An adjustment was later made to the identification of prior periods results, and the conclusion was that the amount generated by the bargain purchase was $4,805, which was taken to income at 2019 year-end. The purchase of this investment included the goodwill of JGK HOLDING LLC for $462.

- The investment is related to a Corporation's associate in Servibanca S.A. for the purchase of 4.54% of interest and resulted in a mercantile loan that at the acquisition amounted to $4,542; no variations have occurred from that date to the period ended on December 31, 2019.

The temporary mercantile loan is attributed to the Company's expansion strategy and to the synergies expected from the integration with the current operations. Except for the explanations in each case, the mercantile loan has not had other variations until the period ended on December 31, 2019. In accordance with subparagraph c of article 74 and paragraph 3 of article 143 of the Tax Statute, the mercantile loan determined in this business combination may not be subject to amortization for tax purposes.

The following is the detail of goodwill assigned by cash generating units (CGU), that comprise the lowest level monitored by the management of the Bank and its Subsidiaries:

December 31, 2019 CGU	**Goodwill in books**	**CGU book value**	**CGU recoverable amount**	**Excess**
Banco GNB Peru	209,085	209,085	262,035	52,950
Banco GNB Paraguay	4,406	4,406	4,406	-
Servivalores	1,684	1,684	1,684	-
HSBC	15,756	15,756	623,984	608,708
Charleston Hotels Group S.A.S.	106,163	106,163	231,433	125,270
Servibanca	4,542	4,542	4,542	-
LGDB LLC	2,428	2,428	2,428	-
JGK HOLDING LLC	462	462	462	-
	344,526	**344,526**	**1,130,974**	**786,928**

Expressed in COP millions, except for the exchange rate and the shares' par value

December 31, 2018 CGU	**Goodwill in books**	**CGU book value**	**CGU recoverable amount**	**Excess**
Banco GNB Peru	207,337	207,337	212,604	5,267
Banco GNB Paraguay	4,369	4,369	4,369	-
Servivalores	1,684	1,684	1,684	-
HSBC	15,756	15,756	1,075,933	1,075,933
Charleston Santa Teresa S.A.S	76,511	76,511	-	-
Charleston Hotels Group Inc.	106,163	106,163	-	-
	411,820	**411,820**	**1,294,590**	**1,081,200**

The following are the assumptions applied to assess the impairment of the highest values of goodwill recorded as of December 31, 2019:

Goodwill Banco GNB Peru	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Us Treasuries 10 years	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Country Risk Peru	1.5%	1.5%	1.5%	1.5%	1.5%	1.4%
USD risk free rate	4.1%	4.1%	4.1%	4.1%	4.1%	4.0%
Market Risk Premium (Rm)	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%
Tx	30%	30%	30%	30%	30%	30%
Sector beta	0.33	0.33	0.33	0.33	0.33	0.33
Leveraged beta	0.33	0.33	0.33	0.33	0.33	0.33
Equity cost (Ke) nominal USD	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Devaluation	0.4%	0.1%	0.0%	0.0%	0.0%	0.0%
Equity cost (Ke) nominal PEN	**6.9%**	**6.6%**	**6.5%**	**6.5%**	**6.5%**	**6.5%**

Goodwill HSBC

Cost of capital
CAPM method

	2019	**2020**	**2021**	**2022**	**2023**
US Treasuries 10 years (1)	1.69%	1.69%	1.69%	1.69%	1.69%
Country Risk Colombia (2)	1.38%	1.38%	1.38%	1.38%	1.38%
USD risk free rate*	2.18%	2.18%	2.18%	2.18%	2.18%
Market Risk Premium (Rm)**	10.12%	10.12%	10.12%	10.12%	10.12%
Tx	37%	34%	34%	34%	34%
Beta (3)	0.20	0.20	0.20	0.20	0.20
Debt/equity relationship - emerging countries	4.07	4.07	4.07	4.07	4.07
Leveraged beta	0.71	0.74	0.74	0.74	0.74
Equity cost (Ke) nominal Pesos	9.2%	9.4%	9.4%	9.4%	9.4%
Devaluation	5.0%	(0.5%)	(1.3%)	1.5%	(2.9%)
Equity cost (Ke) nominal Pesos	14.7%	8.9%	8.0%	11.0%	6.2%
Debt	2,259,846	2,199,655	2,174,905	1,352,405	1,367,629
Capital	2,043,467	2,218,847	2,405,091	2,613,537	2,847,542
Average cost of capital USD	9.37%				
Average cost of capital Pesos	9.75%				

*US debt bonds 30 years
**Profitability index S&500 - average October 2018
(1 and 2) Information at closing October 2018, source Bloomberg
(3) Banks emerging markets - Damodaran at December 2017

Expressed in COP millions, except for the exchange rate and the shares' par value

Charleston Hotels Group S.A.S.	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
TES rate in COP (year)	3.73%	4.15%	4.57%	4.99%	5.14%	5.29%	5.61%	5.75%	5.88%	6.01%	6.13%
Country Risk Colombia	2.64%	2.64%	2.64%	2.64%	2.64%	2.64%	2.64%	2.64%	2.64%	2.64%	2.64%
Market Premium Risk Colombia	8.60%	8.60%	8.60%	8.60%	8.60%	8.60%	8.60%	8.60%	8.60%	8.60%	8.60%
Risk Free Rate COP	1.09%	1.51%	1.93%	2.35%	2.50%	2.65%	2.97%	3.11%	3.24%	3.37%	3.48%
Tax rate	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%
Sector beta	0.7277	0.7277	0.7277	0.7277	0.7277	0.7277	0.7277	0.7277	0.7277	0.7277	0.7277
Leveraged beta	1.0730	0.9802	0.9259	0.8851	0.8632	0.8365	0.8273	0.8039	0.7810	0.7481	0.7277
Ke	10.32%	9.94%	9.89%	9.96%	9.92%	9.84%	10.08%	10.02%	9.96%	9.80%	9.74%
IBR	4.14%	4.35%	4.40%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Kd (IBR+4%)	8.14%	8.35%	8.40%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%
%D	34.10%	27.45%	22.90%	19.08%	16.87%	14.02%	12.98%	10.24%	7.39%	2.96%	0.00%
%E	65.90%	72.55%	77.10%	80.92%	83.13%	85.98%	87.02%	89.76%	92.61%	97.04%	100.00%
WACC	9.34%	9.31%	9.39%	9.55%	9.56%	9.56%	9.79%	9.79%	9.80%	9.74%	9.74%

b) Computer software and applications

The following is the detail of the balances of software and other computer applications as of December 31, 2019 and 2018:

	December 31, 2018	Additions and write-offs	Amortization	December 31, 2019
Licenses	5,962	-	-	5,962
Programs acquired	22,898	12,364	-	35,262
Programs in transit	-	233	-	233
Finished programs	26,124	930	-	27,054
Amortization licenses	(342)	-	(1,234)	(1,576)
Accumulated amortization of programs acquired	(16,803)	-	(1,915)	(18,718)
Accumulated amortization of programs finished	(17,120)	-	(6,646)	(23,766)
Total Intangible items	**20,719**	**13,527**	**(9,795)**	**24,451**

	December 31, 2017	Additions and write-offs	Amortization	December 31, 2018
Licenses	-	5,962	-	5,962
Programs acquired	20,516	2,382	-	22,898
Programs in transit	902	(902)	-	-
Programs withdrawn	26,816	(692)	-	26,124
Amortization licenses	-	-	(342)	(342)
Accumulated amortization of programs acquired	(11,737)	-	(5,066)	(16,803)
Accumulated amortization of programs finished	(15,016)	-	(2,104)	(17,120)
Total Intangible items	**21,481**	**6,750**	**(7,512)**	**20,719**

Expressed in COP millions, except for the exchange rate and the shares' par value

NOTE 17 - CURRENT INCOME TAX

i. Detail of consolidated income tax liquidation surplus:

December 31, 2019

Entity	Advance	Provision	Asset (Liability)
Banco GNB Sudameris	247,098	-	247,098
Servitrust	-	(1,074)	(1,074)
Servibanca	-	(3,806)	(3,806)
Servivalores	341	(1,614)	(1,273)
Servitotal	4	(2)	2
Corporación Financiera	-	(4,145)	(4,145)
Banco GNB Peru	31,609	(6,746)	24,863
Total Income Assets	**279,052**	**(17,387)**	**261,665**

Banco GNB Paraguay	8,317	(9,042)	(725)
Total Income Liabilities	**8,317**	**(9,042)**	**(725)**

December 31, 2018

Entity	Advance	Provision	Asset (Liability)
Banco GNB Sudameris	192,463	-	192,463
Servitrust	1,206	(1,595)	(389)
Servibanca	-	(7,367)	(7,367)
Servivalores	772	(1,420)	(648)
Servitotal	3	(5)	(2)
Corporación Financiera	1,184	-	1,184
Banco GNB Peru	43,447	(6,438)	37,009
Total Income Assets	**239,075**	**(16,825)**	**222,250**

Banco GNB Paraguay	7,610	(8,778)	(1,168)
Total Income Liabilities	**7,610**	**(8,778)**	**(1,168)**

ii. Components of income tax expense:

The detail of the income tax expense components for the years ended on December 31, 2019 and 2018, is as follows:

Concept	December 31, 2019	December 31, 2018
Income tax for the period	60,192	55,765
Income surcharge	-	2,426
SUB-TOTAL	**60,192**	**58,190**
Deferred tax (see Note 23)	(1,950)	(2,999)
TOTAL	**58,242**	**55,191**

iii. Reconciliation of the tax tariff in accordance with the Tax Provisions and Effective Rate

Reconciliation of the tax nominal rate and the effective rate

The following are the basic income tax parameters in force:

In Colombia

Current applicable tax provisions in Colombia in respect to income tax for the years 2019 and 2018 indicate the following, among others:

- Taxable income will be subject at a tariff of 33% for 2019 and 2018; a 4% income tax surcharge was added in 2018 for financial entities in Colombia which taxable income is higher than Ps 800.

- Occasional taxable gains are subject to aa 10% tariff.

- Gains of entities that belong to the special free zone regime in Colombia are taxed at 20%.

- Income tax returns of companies are firm after three years from the date of expiration of the date of presentation.

- Tax loss-carry forwards incurred prior to 2017 may be offset on the same terms applicable for 2016, but they may not be fiscally readjusted. Tax loss carry-forwards incurred since 2017 may be offset against company taxable income over the following twelve years, but the period when the income tax and its corrections are firm, where tax losses are determined or offset, shall be of six years from their date of presentation.

- The presumptive income excess determined prior to 2017 may be offset on the same terms described in the tax regulations applicable at December 31, 2016, but they may not be fiscally readjusted. The presumptive income excess determined as from year 2017 may be offset by ordinary net income tat the companies may have received over the following five years.

- In order to determine the income tax, the value of assets, liabilities, income, costs and expenses as from January 1, 2017, the recognition and measurement systems will be applied in conformity with the technical accounting standards framework in force in Colombia, when the tax law expressly addresses them and in the cases this rule does not regulate the matter. In any case, the tax law may expressly indicate a different treatment.

  In December 2018, Colombian congress issued Law 1943 called the 'Financing Law' that introduces the following pertinent changes to income tax applicable in 2019:

- Income tax tariff shall be 33%.

- The income tax tariff incudes 9% for the services provided by new or expanded and/or remodeled hotels by 50% of the acquisition value during a 10-year period.

- Presumptive tax tariff was reduced to 1.5% in 2019.

- Exempt income is included for Orange Economy companies for a 7-year period with the income of industries of added value, technology and creative activities, and a 10-year period that includes the investment income that increase the productivity in the agricultural sector, provided the requirements are met as set forth by the national government.

- It created a special tariff of 7.5% on dividends or interest received by local companies, that will apply by the paying entity only on the company that receives such dividends for the first time and which credit shall be transferred to the final beneficiary, i.e. the natural person resident in Colombia or the investor residing abroad.

Expressed in COP millions, except for the exchange rate and the shares' par value

- A regime was created for the Colombian Holding Companies (CHC) in the income tax for entities with a direct or indirect interest of at least 10% of capital from 2 or more Colombian and/or foreign companies or entities for a period of at least 12 months and with at least three employees; it will be regulated by the national government.

- The entire preceding law was declared unconstitutional due to procedure failures by means of the Ruling C-481/19 of the Constitutional Court. However, the ruling indicates the unconstitutionality shall apply as from January 1, 2020, granting the national government the possibility to prepare and enact a new Law before December 31, 2019, that allows replacing or substitute the Law mentioned.

Based on the above, in December 2019 the Colombian congress issued Law 2010 called the 'Growth Law'. This law will be effective as from January 1, 2020 and replaced the Law 1943 of 2018, which kept most of the preceding working and separated from relevant topics.

- A 4% income tax surcharge tariff was created for 2020 and 3% for the years 2021 and 2022 that applies to the Colombian financial entities which taxable income is higher than Ps. 800. Likewise, 100% advance was created for the income tax surcharge that shall be computed based on the profit of the preceding taxable year, starting by the income tax return of 2019 that shall be presented and paid during the year 2020.

- The presumptive income tariff was reduced to 0.5% for 2019 and 0% ad from year 2022.

Tax rates for 2018 and 2019 that affect the subsidiaries in Peru and Paraguay are 30% and 10%, respectively.

The detailed reconciliation between the total tax expense for fiscal purposes and the expense recorded in the financial statements for the periods ended on December 31, 2019 and 2018 is included below:

Concept	December 31, 2019	December 31, 2018
Profit (loss) before tax	325,699	290,302
Theoretical income tax expense at the rate in force (2019 - 33% and 2018 - 37%)	83,201	81,054
Plus or less taxes that increase or decrease the income tax expense		
Non-deductible expenses	7,910	94
Interests and other non-taxable income	(14,237)	(534)
Exempt income	(11,974)	(595)
Other concepts	(6,658)	(24,827)
Total tax expense for the period	**(58,242)**	**(55,,192)**
Effective tax tariff	**17,88%**	**19.01%**

NOTE 18 - OTHER ASSETS

The following is the detail of the balances of other assets as of December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Other interests - Assets foreclosed (1)	67,488	66,335
Constructions in progress (2)	10,399	-
Expenses paid in advance	5,344	6,409

Expressed in COP millions, except for the exchange rate and the shares' par value

Hotels inventory	452	1,289
Miscellaneous	26,029	7,332
Works of art and culture	1,787	1,790
Impairment of other assets	(1,700)	(2,290)
Total	**109,799**	**80,865**

(1) Other interests correspond to rights in stand-alone equities received by the Bank in kind, where a percentage is owned.
(2) It corresponds to the real estate development undertaken by Namen and Manforce through their subsidiaries in the United States.

The following is the detail of the impairment movement of other assets as of December 31, 2019 and 2018:

	December 31, 2019	**December 31, 2018**
Balance at the beginning of the period	**(2,290)**	**(1,220)**
Provision taken to income	-	(1,070)
Reimbursements taken to income	590	-
Balance at the end of the period	**(1,700)**	**(2,290)**

NOTE 19 - CUSTOMER DEPOSITS

Customer deposits

The detail of deposits by clients received by the Bank and its Subsidiaries in the course of their operations is as follows:

Current accounts	**December 31, 2019**	**December 31, 2018**
Private - Active	1,556,647	1,540,529
Private - Inactive	8,232	14,370
Official - active	422,076	384,430
Official - inactive	2,940	323
Private - Abandoned	2,548	1,836
Official - Abandoned	269	255
Total current accounts	**1,992,712**	**1,941,743**

Savings accounts	**December 31, 2019**	**December 31, 2018**
Ordinary - Active	12,517,064	10,146,717
Ordinary - Inactive	112,863	152,320
With term deposits	-	197
Abandoned	3,387	2,701
Total savings accounts	**12,633,314**	**10,301,935**

Term deposits	**December 31, 2019**	**December 31, 2018**
Maturity from inception - up to 6 months	5,304,317	4,854,814
6-12 months	1,675,479	1,758,815
12-18 months	1,380,593	980,654
18 months and over	647,669	892,579
Total term deposits	**9,008,058**	**8,486,862**

Expressed in COP millions, except for the exchange rate and the shares' par value

Below appears a summary of the effective interest rates earned by deposits of clients in Colombia:

	December 31, 2019			
	Local Currency		Foreign Currency	
	Minimal	Maximal	Minimal	Maximal
	%	%	%	%
Current accounts	1.94	2.83	1.94	2.23
Savings accounts	4.26	4.39	4.26	4.39
Term deposits	5.36	5.53	-	-

	December 31, 2018			
	Local Currency		Foreign Currency	
	Minimal	Maximal	Minimal	Maximal
Current accounts	1.63	2.23	1.63	2.23
Savings accounts	4.14	4.72	4.14	4.72
Term deposits	5.47	6.45	-	-

Banco GNB Peru does freely determine the interest rates that regulate its liability operations based on the offer and demand and depending in the type of deposit. The rates in force at December 31, 2019 fluctuated as follows for the main products (annual effective rate):

	2019		2018	
Product	L/C	L/C	L/C	F/C
Term deposits	1.50-5.25	0.25-1.00	1.65 - 5.50	0.25 - 1.00
Savings deposits	0.25-4.50	0.20-1.50	0.25 - 4.50	0.20 - 1.50
CTS deposit	4.25-5.50	1.80-2.50	4.25 - 5.50	1.80 - 2.50

Below appears a summary of the effective interest rates earned by clients' deposits in Paraguay:

	2019		2018	
	L/C	F/C	L/C	F/C
	%		%	
Savings at hand	1.04	0.22	0.99	0.19
CDA				
At 80 days	3.74	1.78	3.85	1.4
Below or equal to 365 days	5.3	2.31	4.56	2.47
Over 365 days	8.37	4.83	8.57	5.23

Deposits per Economic Sector

The following charts show the clients deposit exposure by economic sector, using the Central Bank classifications, separately indicating the deposits of individuals corresponding to employees on a salary and rentiers.

Current accounts as of December 31, 2019

Expressed in COP millions, except for the exchange rate and the shares' par value

Sector	Colombia	Peru	Paraguay	Total
Agriculture and livestock	2,599	4,621	54,714	61,934
Trade	226,016	51,407	119,368	396,791
Construction	166	55,374	27,249	82,789
Services	491,507	24,397	24,525	540,429
Transport	4,678	31,073	20,005	55,756
Financial	317,448	60,700	13,674	391,823
Industry	111,591	4,669	46,468	162,728
Mining and energy	209	7,678	10,427	18,314
Solidarity	3,802	-	108,741	112,543
Other - on a salary and rentiers	41,381	11,268	116,957	169,606
Total	**1,199,397**	**251,187**	**542,128**	**1,992,712**

Savings accounts as of December 31, 2019

Sector	Colombia	Peru	Paraguay	Total
Agriculture and livestock	3,890	407	50,929	55,226
Trade	501,050	28,400	273,276	802,726
Construction	315	2,550	21,948	24,813
Services	3,055,990	13,353	34,117	3,103,460
Transport	10,625	435	82,303	93,363
Financial	6,399,822	548	168,168	6,568,539
Industry	107,426	9,307	233,406	350,139
Mining and energy	10,085	282	6,390	16,756
Solidarity	43,405	-	161,549	204,954
Other - on a salary and rentiers	362,422	741,632	309,283	1,413,338
Total	**10,495,030**	**796,914**	**1,341,370**	**12,633,314**

Term deposits as of December 31, 2019

Sector	Colombia	Peru	Paraguay	Total
Agriculture and livestock	14,071	7,349	98,160	119,580
Trade	273,989	479,869	138,588	892,446
Construction	650	21,631	21,886	44,168
Services	1,386,355	498,957	62,289	1,947,601
Transport	15,744	34,497	38,785	89,025
Financial	1,660,993	1,033,863	459,822	3,154,677
Industry	33,858	7,252	140,539	181,650
Mining and energy	8,234	15,872	10,060	34,166
Solidarity	27,407	-	284,163	311,570
Other - on a salary and rentiers	980,408	959,261	293,508	2,233,176
Total	**4,401,708**	**3,058,551**	**1,547,800**	**9,008,058**

Expressed in COP millions, except for the exchange rate and the shares' par value

Current accounts as of December 31, 2018

Sector	Colombia	Peru	Paraguay	Total
Agriculture and livestock	2,807	7,959	49,928	60,694
Trade	292,489	62,649	108,926	464,064
Construction	89	127,583	24,865	152,537
Services	328,489	31,652	22,380	382,521
Transport	3,954	15,458	18,255	37,667
Financial	265,291	143,399	12,478	421,168
Industry	72,260	6,437	42,403	121,100
Mining and energy	2,784	2,233	9,515	14,532
Solidarity	3,582	-	99,229	102,811
Other - on a salary and rentiers	47,794	30,129	106,726	184,649
Total	**1,019,539**	**427,499**	**494,705**	**1,941,743**

Savings accounts as of December 31, 2018

Sector	Colombia	Peru	Paraguay	Total
Agriculture and livestock	1,410	229	29,554	31,193
Trade	386,980	19,711	158,580	565,271
Construction	53	4,457	12,736	17,246
Services	2,981,520	17,470	19,798	3,018,788
Transport	3,135	395	47,760	51,290
Financial	5,130,079	1,217	97,587	5,228,883
Industry	60,994	5,169	135,444	201,607
Mining and energy	473	862	3,708	5,043
Solidarity	64,899	-	93,746	158,645
Other - on a salary and rentiers	248,795	595,699	179,475	1,023,969
Total	**8,878,338**	**645,209**	**778,388**	**10,301,935**

Term deposits as of December 31, 2018

Sector	Colombia	Peru	Paraguay	Total
Agriculture and livestock	20,933	9,880	73,940	104,753
Trade	373,951	364,867	104,393	843,211
Construction	711	96,525	16,486	113,722
Services	1,311,307	390,525	46,920	1,748,752
Transport	32,799	8,390	29,215	70,404
Financial	1,700,953	1,061,374	346,366	3,108,693
Industry	80,678	9,007	105,863	195,548
Mining and energy	90,356	10,836	7,578	108,770
Solidarity	26,444	-	214,049	240,493
Other - on a salary and rentiers	926,763	804,665	221,088	1,952,516
Total	**4,564,895**	**2,756,069**	**1,165,898**	**8,486,862**

Expressed in COP millions, except for the exchange rate and the shares' par value

NOTE 20 - FINANCIAL LIABILITIES

Deposits by financial entities

The following is the detail of deposits by financial entities

Short-term liabilities

	December 31, 2019	December 31, 2018
Banks	281,037	273,637
Special deposits	92,304	115,382
Services	100,934	88,416
Interbanking funds	232,711	175,951
Repo operations	2,800,646	3,526,610
Simultaneous operations (repurchase agreement)	2,718,593	1,109,056
Commercial current accounts	-	271
Total	**6,226,225**	**5,289,323**

Debt with development entities and banks out of Colombia

The following is the summary of the financial liabilities of the Bank and its Subsidiaries as of December 31, 2019 and 2018:

Entity	Interest Rate	December 31, 2019	December 31, 2018
Banco de la República (Central Bank)	From 1.04% to 4.25%	10,816	27,814
Banco de Comercio Exterior (Bancoldex)	4.8746%	252,246	198,697
Fondo para el Financiamiento del Sector Agropecuario FINAGRO	From 0.0% to 9.06%	13,688	10,000
Financiera de Desarrollo Territorial S. A. FINDETER	From 9.06% to 14.58%	795,862	742,069
Banks abroad		759,928	721,449
Other financial liabilities		514,633	540,353
Total		**2,347,173**	**2,240,382**

Effective interest rates for short-term financial liabilities

Below appears a summary of the effective annual interest rates accrued on the short-term financial liabilities:

	December 31, 2019				December 31, 2018			
	Rate in Colombian pesos		Rate in foreign currency		Rate in Colombian pesos		Rate in foreign currency	
	Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %
Interbanking funds **(I)**	4.11	4.11	1.80	1.80	-	-	2.30	2.55
Repo operations **(R)**	4.21	4.21	-	-	4.25	5.25	-	-
Simultaneous **(S)**	2.96	4.18	-	-	4.22	4.25	-	-

Expressed in COP millions, except for the exchange rate and the shares' par value

Long-term financial debt

Type	December 31, 2019	December 31, 2018
Outstanding subordinated bonds - COP	333,986	333,756
Outstanding subordinated bonds - foreign currency	1,876,935	1,857,774
Outstanding subordinated bonds - foreign currency	40,874	39,824
Total	**2,251,795**	**2,231,354**

The following is the detail on the characteristics of the Bank's bonds:

December 31, 2019

	Type of issue	Amount of issue	Balance	Interest Rate	Interest expense	Date of issue	Date of maturity	Payment method
Issue 2012	Subordinated Bonds	USD 250,000,000	838,037	7.50%	63,971	30-Jul-12	30-Jul-22	Semester interests in arrears
Issue 2016	Subordinated Bonds Peru	USD 15,006,000	49,659	5.4375%	2,675	27-oct-16	27-oct-26	Semester interests in arrears
Issue 2017	Subordinated Bonds	USD 300,000,000	989,239	6.50%	64,937	03-Apr-17	03-Apr-27	Semester interests in arrears
Issue 2018	Ordinary Bonds Peru	SOLES 41,050,000	40,874	5.8407%	2,358	19-Nov-18	19-Nov-21	Semester interests in arrears
		Total Bonds Foreign Currency	**1,917,809**					
Issue 2017	Subordinated Bonds	$119,205	119,756	3,85%	8,612	23-Nov-17	23-Nov-24	Quarter interests in arrears
Issue 2017	Subordinated Bonds	$213,200	214,230	4,05%	15,995	23-Nov-17	23-Nov-26	Quarter interests in arrears
		Total Bonds Local Currency	**333,986**					
		Total Bonds Issued	**2,251,795**					

December 31, 2018

	Type of issue	Amount of issue	Balance	Interest Rate	Interest expense	Date of issue	Date of maturity	Payment method
Issue 2012	Subordinated Bonds	USD 250,000,000	828,489	7.50%	57,787	30-Jul-12	30-Jul-22	Semester interests in arrears
Issue 2016	Subordinated Bonds Peru	USD 15,006,000	49,247	5.4375%	5,100	27-oct-16	27-oct-26	Semester interests in arrears
Issue 2017	Subordinated Bonds	USD 300,000,000	980,038	6.50%	58,135	03-Apr-17	03-Apr-27	Semester interests in arrears
Issue 2018	Ordinary Bonds Peru	SOLES 41,050,000	39,824	5.8407%	14,150	19-Nov-18	19-Nov-21	Semester interests in arrears
		Total Bonds Foreign Currency	**1,897,598**					
Issue 2017	Subordinated Bonds	$119,205	119,673	3,85%	8,633	23-Nov-17	23-Nov-24	Quarter interests in arrears

Expressed in COP millions, except for the exchange rate and the shares' par value

Issue 2017	Subordinated Bonds	$213,200	214,083	4,05%	15,865	23-Nov-17	23-Nov-26	Quarter interests in arrears
		Total Bonds Local Currency	**333,756**					
		Total Bonds Issued	**2,231,354**					

NOTE 21 - EMPLOYEE BENEFITS

According to Colombian labor legislation, labor agreements and the collective bargaining agreements, employees of the Bank and its Subsidiaries have short-term fringe benefits - salaries, holidays, legal and extralegal bonuses, severance payments and interests on severance payment - and long-term benefits such as seniority bonus and medical aids, and post-employment and retirement benefits. The latter ones include the severance payment to employees that remain in the labor regime before Law 50 of 1990 and legal and extralegal retirement pensions. Management remuneration includes salaries, benefits in kind and contributions to a post-employment benefit plan.

Employees of subsidiaries in Peru and Paraguay receive only short-term benefits.

In regards to the employee benefit plans, the Bank and its Subsidiaries are exposed to several risks (interest rates and operating risks), which they intent to minimize by applying the risk management policies and procedures defined by Note 7, above.

The following is the detail of the provisions included for employee benefits as of December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Short-Term	16,460	16,100
Post-employment	25,274	23,301
Long-Term	16,747	14,573
Estimated liabilities	724	707
Total	**59,205**	**54,681**

Short-term benefits

The payment of such benefits (different from the lay-off indemnities) must be attended in aa term of the twelve months following the year-end when the employees have provided their services. Such benefits are accumulated through the accrual system and taken to income. In accordance with the Colombian labor legislation, as well as with the provisions of the Collective Bargaining Agreement subscribed between the Bank and the unions, and considering all the extra-legal benefits applicable to the employees excluded from the aforementioned bargaining agreement, such benefits corresponds to: Basic salaries, integral salaries, severance payments Law 50 of 1990, interest on severance payment, vacation, legal bonus, extra-legal bonus, financial aids, remunerated leaves of absence, as well as the contributions to the social security system in pension and health, and the payroll taxes.

Post-employment benefits

These types of benefits are paid to the employees at their retirements or after their completion of the employment period (different form the severance indemnities). Such benefits, in accordance with the Colombian labor regulations, as well as with the provisions of the Collective Bargaining Agreement subscribed between the Bank and the unions, correspond to the retirement pensions (retirees in charge of the Bank or with a pension shared with Colpensiones), and the Retirement Aid that is paid to the employees whose position is covered under the Bargaining Agreement to whom the elderly pension has been recognized.

The liability corresponding to the post-employment benefits is determined based on the present value of the future payments estimated to be made to the employees too whom the elderly pension has been recognized, calculated based on actuarial studies; therefore, the expense corresponding to such benefits is recorded in the Bank's income statement, including the cost for the current service assigned in the actuarial calculation plus the financial cost of the liability calculated.

The Bank does not have any asset and/or insurance policy destined to covering the Post-employment Benefits, and thus, it established this entire liability in its Financial Statements.

The Bank does not make payment for employee benefits based on shares.

Retirement benefits (severance indemnities)

Severance indemnities are the remunerations to pay to the employees as a consequence of:

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

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

The Bank has not established any retirement plan or program for its employees. Nonetheless, in case of a decision to unilaterally terminate, with no just cause, the work contract, the Bank, in accordance with the Colombian labor legislation and the Collective Bargaining Agreement, shall make the payment of the corresponding indemnity.

Termination benefits are recognized as a liability in the income statement on the first of the following dates:

- When the Bank formally communicates to the employee its decision to retire him from the job.
- When the provisions for restructuring costs are recognized by a subsidiaries or a bank's business involving the payment of the termination benefits.

Other Long-term Benefits

These are all the employee benefits, different from the short-term benefits and the post-employment benefits and severance indemnities. In accordance with the Colombian labor legislation, as well as with the provisions of the Collective Bargaining Agreement subscribed between the Bank and the unions, and considering all the extra-legal benefits applicable to the employees excluded from the aforementioned bargaining agreement, among such benefits we find: the seniority bonus to employees in the regime prior to Law 50 of 1990.

The liabilities on long-term employee benefits are determined through the same method as the post-employment benefits, i.e. by preparing actuarial calculations with the same methodology above described. Therefore, the corresponding expense on these benefits is recognized in the income statement of the Bank, including the cost for the present service assigned in the actuarial calculation, plus the financial cost of the calculated obligations.

The Bank does not have any asset and/or insurance policy destined to covering the Post-employment Benefits, and thus, it established this entire liability in its Financial Statements.

Actuarial Calculations

Measurement of the retirement pension liabilities, retirement aid, seniority bonus, and retroactive severance payment depends on a great variety of premises and long-term assumptions that are determined on actuarial bases, including the present value estimates of the benefits future value considering the probability of future events such as the salary increases, as well as the variations in the headcount, etc. eventual variations to the premises and long-term assumptions may have a significant effect in the amount of the actuarial calculation and thus, in the future contributions with the consequent variation of the cost of interests and service of such actuarial calculation.

Expressed in COP millions, except for the exchange rate and the shares' par value

The actuarial studies are made through the projected credit unit method using therefore actuarial assumptions like the percentage of the cost of life, mortality rates, average of work life, salary increases, personnel turnover, and discount rates.

The discount rate used in the preparation of the actuarial calculation, in order to determine the present value of the future cash flows corresponds to a rate for long-term investments. Such rate represents the market rate for fixed income investments of for Government bonds denominated in the currency on which the benefit will be paid and considers the opportunity and amount of the payments of future benefits.

Pension Benefits

In Colombia, retirement benefits when the employees retire after complying with the requirements of age and number of years of service, are assumed by state or private pension funds, based on contribution plans defined, where the companies and employees make a monthly contribution of amounts determined by law to have access to the employees' retirement pension; however, in the case of some employees hired before 1968 who have met the requirements of age and number of years of service, pensions are assumed directly by the Parent.

Below appears the movement of retirement benefits and long-term benefits for the periods ended on December 31, 2019 and 2018:

	Post-employment		**Other long-term benefits**	
	2019	**2018**	**2019**	**2018**
Balance at the beginning of the period	23,301	26,449	14,573	14,270
Costs incurred during the period	236	239	1,075	1,047
Interests	1,636	1,684	956	873
Paid to employees	(2,454)	(2,597)	(1,358)	(1,638)
Adjustments (OCI)	2,555	(2,474)	-	-
Effect of changes to financial assumptions and based on experience	-	-	1,314	(186)
Corporacion Hoteles	-	-	98	52
Other long-term Peru	-	-	89	155
Balance at the end of the period	**25,274**	**23,301**	**16,747**	**14,573**

Actuarial assumptions

The variables used to calculate the projected liability of the various retirement benefits and other long-term benefits, are presented below:

Actuarial assumptions	**December 31, 2019**	**December 31, 2018**
Discount rate	6.25%	7.50%
Inflation rate	3.50%	3.50%

Employees' turnover rate The Turnover Table SOA 2003 was used to prepare the different actuarial calculations.

To calculate the employees' expected life, the Colombian mortality table was used as published by the Superintendency, which is based on the mortality experience of several insurers with operations in Colombia.

Other Long-term Benefits:

Expressed in COP millions, except for the exchange rate and the shares' par value

The parent grants its employees long-term extra-legal seniority bonuses during their work life, depending on the number of years of service, every five, ten, fifteen and twenty years, etc., calculated as days of salary (between 15 and 180 days) of each payment.

The parent has a group of employees with the benefit of severance payment prior to the issuance of Law 50 of 1990, where such benefit is accumulative and is issued based on the latest salary earned by the employee, multiplied by the number of years of service, less the advances made on such new benefit.

The remunerations to key management personnel in each of the three benefits categories granted, are disclosed in Note 31 - Related Parties.

Sensitivity Analysis

The sensitivity analysis of the liability on retirement employee benefits of the different financial and actuarial variables is as follows, maintaining all other variables constant:

Post-employment benefits	Change in the variable	Variable increase	Variable reduction
		+50 points	-50 points
Discount rate	6.25%	(885.65)	950.87
Growth rate of salaries	4.50%	238.34	(221.41)
Growth rate of pensions	3.50%	94.20	(94.21)

Long-term benefits	Change in the variable	Variable increase	Variable reduction
		+50 points	-50 points
Discount rate	6.25%	(457.52)	486.05
Growth rate of salaries	4.50%	572.44	(542.97)

Pensions

The actuarial study of retirement pensions has been prepared by MERCER, in order to determine the present value of the future liabilities originated by the retirement pensions in charge of the Bank.

Mathematical reserves for retirement pensions are calculated using the technical bases established by Decree 2783 of December 20, 2001, and the respective modifications through Decree 2984 of 2009.

Similarly, they considered the requirements determined by the External Communication 027 of August 2010, by means of which the proformas F.0000-147 and F.0000-148 were modified.

The actuarial calculation of the retirement pensions with cutoff date at December 31, 2019, was $25,274, amount which the Bank has provided in 100%, in accordance with the provisions of the International Accounting Standards Board No. 19 (IAS 19) in respect to the Legal Plan of Retirement Pensions in charge of the Entity.

Expressed in COP millions, except for the exchange rate and the shares' par value

NOTE 22 - PROVISIONS FOR LEGAL CONTINGENCIES AND OTHER PROVISIONS

The following is the detail of provisions as of December 31, 2019 and 2018:

Legal processes, fines, penalties and indemnities	December 31, 2019	December 31, 2018
Fines and penalties other administrative authorities	122	122
Labor lawsuits	1,210	1,115
Other lawsuits in administrative, judicial or arbitration process	6,759	6,563
Sub-total legal processes, fines, penalties and indemnities	**8,091**	**7,800**

Other provisions	December 31, 2019	December 31, 2018
Provisions	**56,460**	**44,293**

Such provisions are estimated based on the evolution per process, as well as the concept by the respective lawyers, in respect to the probability of a sentence in favor for each one of them.

Labor Lawsuits

As of December 31, 2019 and 2918 the provision includes labor lawsuits for $1,210 and $1,115 for litigation against the parent, mainly due to lawsuits for illicit enrichment by the parent, alleging that the parent misappropriated social security funds and other employee benefits and did not deliver them to the respective government agencies. Additionally, the Bank also faces litigation regarding employment contracts from former employees seeking additional termination benefits. The expected timing of decision is uncertain since each case is subject to review and analysis by experts in charge as well as a legal ruling over the disputed matters. Historically, most labor proceedings have been decided in favor of the Bank.

Other processes

As of December 31, 2019 and 2018 the provision includes administrative processes for $6,759 and $6,563 for claims related to loans under the UPAC system, and with regard to the lack of access to premises by the individuals with disabilities, client indemnities, complaints, and improper client disbursements, among others. The expected timing of decision is uncertain since each case is subject to review and analysis by experts in charge as well as a legal ruling over the disputed matters.

NOTE 23 - DEFERRED INCOME TAX

- **Deferred tax on temporary differences**

The difference between carrying value of assets and liabilities and their tax value causes the temporary differences shown below. These differences, in turn, generate deferred taxes calculated and recorded for the years ended on December 31, 2019 and 2018, based on current rates, for the years in which they would revert.

Year ended on December 31, 2019

Expressed in millions of COP	**CONSOLIDATED**					
	Dec-18	**Sale of Subsidiary**	**Reclassification**	**Credited (taken) to income**	**Credited (taken) to OCI**	**Dec-19**
Presumptive income	40,770	-	-	(10,844)	-	29,926
Employees benefits	7,340	-	-	4,233	(1,263)	10,310
Exchage difference aassets	16,855	-	-	(14,426)	-	2,429
Cash flows hedge	63,042	-	-	(30,375)	(6,501)	26,166
Generic provisión of loans	9,503	-	-	4,117	-	13,620
Deprecition excess of facilities	3,016	-	-	213	-	3,229
Other	4,929	-	4,482	(1,944)	-	7,467
Financial instruments at fair value	-	-	(10,131)	24,451	(2,119)	12,201
Cash and cash equivalents (Exchange Difference)	-	-	-	259	-	259
Derivatives (Exchange Difference)	-	-	-	2,339	-	2,339
Deferred tax assets	**145,455**	**-**	**(5,649)**	**(21,977)**	**(9,883)**	**107,946**
Forward contracts operations	(634)	-	-	634	-	-
Property, Plant and Equipment	(44,049)	15,784	-	4,456	4,229	(19,580)
Investment on debt securities	(10,131)	-	10,131	-	-	-
Impairment provision of loans portfolio full IFRS	(23,809)	-	-	-	(6,838)	(30,647)
Financial instruments at fair value	(4,324)	-	-	403	(333)	(4,254)
Loans portfolio (Exchange Difference)	(31,741)	-	-	1,161	-	(30,580)
Cash and cash equivalents (Exchange Difference)	(17,905)	-	-	17,905	-	-
Other accounts receivable (Exchange Difference)	(1,411)	-	-	(217)	-	(1,628)
Other	(1,145)	-	-	(415)	-	(1,560)
Deferred tax liabilities	**(135,149)**	**15,784**	**10,131**	**23,927**	**(2,942)**	**(88,249)**
TOTAL	**10,306**	**15,784**	**4,482**	**1,950**	**(12,825)**	**19,697**

Year ended on December 31, 2018

	Dec-17	**Deposits (charges) to previous periods**	**Reclassification**	**Acquisition business combination**	**Credited (taken) to income**	**Credited (taken) to OCI**	**Dec-18**
Presumptive income	50,564	-	-	-	(9,794)	-	40,770
Employees benefits	10,231	-	-	-	(4,150)	1,259	7,340
Exchange difference assets	512	-	-	-	16,343	-	16,855
Cash flows hedge	691	-	-	-	23,777	38,574	63,042
Generic provision of loans	9,503	-	-	-	-	-	9,503
Depreciation excess of facilities	3,016	-	-	-	-	-	3,016
Other	4,861	-	1,903	-	(1,835)	-	4,929
Deferred tax assets	**79,378**	**-**	**1,903**	**-**	**24,341**	**39,833**	**145,455**

Forward contracts operations	(435)	-	-	-	(199)	-	(634)
Property, Plant andf Equipment	(48,428)	-	-	(29,394)	21,111	12,662	(44,049)
Investment in debt securities	(14,766)	-	-	-	4,606	30	(10,131)
Impairment provisión loaans portfolio full IFRS	(65,171)	13,706	-	-	-	27,656	(23,809)
Financial instruments at fair value	(4,055)	-	-	-	(269)	-	(4,324)
Loans portfolio (Exchange Difference)	(2,805)	-	-	-	(28,936)	-	(31,741)
Casah and caash equivalents (Exchange Difference)	(1,954)	-	-	-	(15,951)	-	(17,905)
Other accounts receivable (Exchange Difference)	-	-	-	-	(1,411)	-	(1,411)
Other	(852)	-	-	-	(293)	-	(1,145)
Deferred tax liabilities	**(138,466)**	**13,706**	**-**	**(29,394)**	**(21,342)**	**40,348**	**(135,149)**
TOTAL	**(59,088)**	**13,706**	**1,903**	**(29,394)**	**2,999**	**80,181**	**10,306**

The Group offsets the deferred assets and liabilities, per entity and tax authority, considering the application of the tax regulations in force in Colombia and other countries where the subsidiaries operated, based on the legal right to offset the tax assets and tax liabilities and other requirements of IAS 12, in according to the following detail:

December 31, 2019		**Deferred tax gross amount**		**Offset**		**Offset balances**
Deferred tax on assets income	Ps.	107,946		(69,079)	Ps.	38,867
Deferred tax on liabilities income		(88,250)		69,079		(19,171)
Net	**Ps.**	**19,696**	**Ps.**	**-**	**Ps.**	**19,696**

December 31, 2018		**Deferred tax gross amount**		**Offset**		**Offset balances**
Deferred tax on assets income	Ps.	145,456		(109,332)	Ps.	36,124
Deferred tax on liabilities income		(135,150)		109,332		(25,818)
Net	**Ps.**	**10,306**	**Ps.**	**-**	**Ps.**	**10,306**

Effect of the current tax and deferred tax on each component of Other Comprehensive Income in equity

Below appears the effect of the current tax and deferred tax on each component of Other Comprehensive Income:

Expressed in millions of COP	**CONSOLIDATED**			**CONSOLIDATED**		
	December 31, 2019			**December 31, 2018**		
	Amount before taxes	**Expense (income) of deferred tax**	**Net**	**Amount before taxes**	**Expense (income) of deferred tax**	**Net**
Items that may be subsequently reclassified to income						
Investment translation of subsidiaries abroad	(13,536)	(2,563)	(16,099)	50,374	38,643	89,017
Differences between the provision and impairment recorded in the calculation of the separate and consolidated financial statements	6,520	(6,838)	(318)	(10,757)	-	(10,757)

Expressed in COP millions, except for the exchange rate and the shares' par value

Profit (loss) on cash flows hedge	(10,365)	(6,501)	(16,866)	(91,112)	41,354	(49,758)
Profit (loss) on valuation of equity instruments	-	-	-	-	4,510	4,510
Items that will not be reclassified to income						
Profit (loss) in employee benefits plans	(2,555)	(1,263)	(3,818)	7,860	1,261	9,121
Profit on assets revaluation	48,933	4,229	53,162	(33,870)	12,661	(21,209)
Others profit (loss)	-	111	111	7,516	(29,425)	(21,209)
Profit (loss) loans reclassification to retained earnings	-	-	-	-	(13,697)	(13,697)
Total other comprehensive income during the period	**28,997**	**(12,825)**	**16,172**	**(69,989)**	**55,307**	**(14,862)**

NOTE 24 - OTHER LIABILITIES

The following is the detail of other liabilities as of December 31, 2019 and 2018:

Concept	December 31, 2019	December 31, 2018
Fogafín	18,947	17,611
Ascredibanco	160	310
Cancelled accounts	5,089	5,639
Commissions and fees	9,423	5,630
Taxes	3,497	6,888
Dividends and surplus	2,184	1,431
Leases	52	188
Tax on Financial Movements (GMF)	1,059	2,092
Providers and services payable	23,091	23,692
Contributions, affiliations and transfers	768	695
Income tax withholdings and payroll taxes	16,849	59,039
Advance income	5,994	9,099
Deferred deposits	5,798	4,334
Other contributions	354	115
Other (1)	330,398	190,496
Total	**423,663**	**327,259**

(1) It includes 111,947 of accounts payable on payroll loans agreements as of December 2019.

NOTE 25 - CAPITAL INCREASE ADVANCES

The following is the capitalization advance by the shareholder GILEX HOLDING at December 31, 2018:

Foreign currency advance: USD 50,000,000
Market Representative Exchange Rate: 3,249.75
Total local currency advance: $ 162,488

Expressed in COP millions, except for the exchange rate and the shares' par value

NOTE 26 - EQUITY

Capital

Parent's shares have a par value of $400 pesos each at December 31, 2019 and 2018, and are represented as follows:

	December 31, 2019	December 31, 2018
Number of authorized shares (1)	250,000,000	250,000,000
Number of shares to subscribe	71,825,559	84,950,559
Total shares subscribed and paid	**178,174,441**	**165,049,441**
Authorized Capital (1)	100,000	100,000
Capital to be subscribed	(28,730)	(33,980)
Total subscribed and paid capital	71,270	66,020

(1) On April 26, 2019, the parent recorded an increase in the subscribed and paid capital of five thousand two hundred fifty million pesos legal currency ($5.250) and increase in the number of shares for 13,125,000. This increase did also have paid-in capital for $152,250.

Reserves

Legal Reserve (mandatory)

Banks are required to set a 'Legal Reserve' by appropriating 10% of the net profit in each period until it reaches 50% of the subscribed capital. The reserve may be reduced below such level in order to cover losses exceeding the non-distributed profit. This reserve may not be used to pay dividends or cover expenses or losses if the Bank has non-distributed profit.

Appropriation of withheld profit

The detail of profit appropriation at December 31, 2019 and 2018 is as follows:

Reserves	December 31, 2019	December 31, 2018
Legal	1,301,714	1,129,450
Occasional	12,096	66,932
Total Reserves	**1,313,810**	**1,196,382**

Declared Dividends

Dividends as declared and paid to the shareholders, based on the net profit recognized in the separate financial statements for the preceding period.

Calculation of profit per share for the periods ended on December 31, 2019 and 2018 is as follows:

Basic Earnings per Share	December 31, 2019	December 31, 2018
Net profit of the period	272,897	240,026
Less: Non-controlling interests	5,440	4,916
Net income for the year attributable to controlling interests	**267,457**	**235,110**

Expressed in COP millions, except for the exchange rate and the shares' par value

Weighted average of ordinary shares used to calculate the net basic earnings per share.	178,174,441	165,049,441
Net basic earnings per share of controlling interests (COP)	**1,501**	**1,424**

During the Shareholders' Meeting No. 94 of March 29, 2019, the parent declared cash dividends for $189,396 ($1,147.51 per share).

During the Shareholders' Meeting No. 88 of March 28, 2018, the parent declared cash dividends for $56,369 ($341.53 per share).

NOTE 27 - NET INCOME FROM COMMISSIONS AND FEES

The following is the detail of income and expenses on commissions and fees for the periods ended on December 31, 2019 and 2018.

Concept	**December 31, 2019**	**December 31, 2018**
Bank acceptance	69	53
Credit Letters	540	1,389
Bank guarantees	1,040	1,224
Bank services	68,147	65,724
Credit card and debit card affiliated stores	7,689	7,483
Management fees, credit cards	1,198	1,373
Other (1)	175,872	154,347
SUB-TOTAL	**254,555**	**231,593**
Bank services	19,438	18,653
Bank guarantees	5,032	4,777
Trust deals	62	53
Management of collective investment fund	6,207	3,269
Commissions on sales and services	73	120
Board of Directors	259	156
Statutory Audit and External Audit	3,608	4,417
Valuations	89	17
Legal Consulting	3,705	3,825
Other (2)	65,517	53,814
SUB-TOTAL	**103,990**	**89,101**
TOTAL	**150,565**	**142,492**

(1) Commissions paid by Banco GNB Sudameris for the use of the low value payment system.
(2) It includes $36,676 paid for commissions to the sales force in agreements portfolio as of December 2019.

NOTE 28 - OTHER INCOME

The following is the detail of other income for the periods ended on December 31, 2019 and 2018:

Concept	**December 31, 2019**	**December 31, 2018**
Sale of Investments	90,135	28,994
Loans sales	-	10,218
Dividends and other capital earnings	1,630	2,587
Property, plant and equipment	195	272
Leases	8,049	6,767
Exchange difference	13,380	27,954

Expressed in COP millions, except for the exchange rate and the shares' par value

Other (1)	154,976	176,470
Total	**268,365**	**253,262**

(1) It includes income on written-off portfolio for $10,937, reimbursement of other provisions for $2,200, return insurance banking management for $21,119, and hotel services for $38,603 (Corporation subsidiaries) as of December 31, 2019.

NOTE 29 - OTHER EXPENSES

The following is the detail of other expenses for the periods ended on December 31, 2019 and 2018:

Concept	December 31, 2019	December 31, 2018
Employee benefits	**245,029**	**238,750**
Loss on investments sale	**75,477**	**22,146**
Legal expenses	1,218	3
Leases	48,459	75,630
Contributions, affiliations and transfers	32,516	28,785
Insurance	47,632	43,807
Repairs and maintenance	45,061	44,598
Adjustments and installations	1,636	2,103
Total general administrative expenses	**176,522**	**194,926**
Depreciation of property and equipment	**18,913**	**17,623**
Depreciation on rights of use	**27,279**	**-**
Amortization of intangible items	**9,795**	**7,512**
Management and intermediation services	235	270
Loss for operating risk	329	479
Taxes and fees	38,350	42,241
Non-controlling interest	5,440	4,917
Penalties, fines, litigations, indemnities, operating risks	108	60
Other (1)	134,066	134,030
Other Expenses	**163,336**	**181,997**
Total Other Expenses	**731,543**	**662,954**

(1) Other expenses comprise mainly the payment for cleaning and security for $6.625, temporary services $1,296, advertising and publicity for $295, public utilities, transport $2,540 and $15,192 for hotel expenses (Corporation subsidiaries) at December 31, 2018.

NOTE 30 - CONTINGENCIES AND COVENANTS

Credit Commitments

In the regular course of operations, the Parent grants guarantees and letters of credit to customers where the group makes irrevocable commitments to make payments to third parties if the customer does not meet his obligations to those third parties, with the same credit risk as the financial assets in the loan portfolio. The granting of guarantees and letters of credit are subject to the same approval policies for the disbursement of loans with regard to the credit quality of customers, and guarantees are required as considered adequate to the circumstances.

The commitments to extend credit represent the unused portion of authorizations to extend credit in the form of loans, the use of credit cards, overdraft limits and letters of credit. With regard to credit risk on commitments to extend lines of credit, the Bank and its Subsidiaries are potentially exposed to losses for an amount equal to the total amount of the unused commitments, if the amount unused were to be fully withdrawn; however, the amount of the loss is lower than the total amount of the unused commitments given that most of the commitments to extend credit are also contingent on the customer maintaining specific standards of credit risk. The parent monitors the term the maturities of commitments regarding credit limits, because long-term commitments carry a higher credit risk than short-term commitments.

The use of pending balances of lines of credit and guarantees do not necessarily represent future cash requirements, because these limits may expire and part or all of them may not be used.

Contingencies

Legal contingencies

As of December 31, 2019 and 2018, the parent was subject to administrative and judicial processes against it. The claims were evaluated, based on the analysis of the lawyers in charge and the following contingencies were determined:

Labor Lawsuits

As December 31, 2019 and 2018, there were labor claims for $918 and $697 million, respectively. Historically, most of these cases have been decided in favor of the Bank and its Subsidiaries.

Civil Processes

As of December 31, 2019 and 2018, the result of valuation of claims in judicial processes due to civil claims, without including those of remote probabilities, amounted to $6,342 and $6,549, respectively.

Administrative processes and other litigation

The expectation for administrative and judicial tax processes, initiated by national and local tax authorities, in some cases set penalties that would be due by the Parent as an active collector of regional taxes, and in others, determine higher taxes acting as a taxpayer. At December 31, 2019 and 2018, the amount of these claims was $911 and $618, respectively.

NOTE 31 - RELATED PARTIES

The following are considered as related parties:

1) Individual shareholders holding more than 10% of the Parent's capital and those whose individual share is lower than it, but which are involved in operations in excess of 5% of the computable capital.

Shareholders with more than 10% holding:

- GILEX HOLDING S.àr.l

Shareholders with less than 10% interest in capital but with operations for more than 5% of computable capital.

- As of December 31, 2019 and 2018, the Parent had no operations exceeding 5% of the Parent's computable capital with shareholders holding less than 10%.

2) Key management personnel: These are individuals with authorities or responsibilities to plan, manage and control the Parent's activities, directly or otherwise, including any director or administrator (whether executive or not) of the Parent. These include members of the Board of Directors, the President-CEO and Vice Presidents.

3) Subsidiaries in which the Bank exercises control as Parent

- Banco GNB Peru
- Banco GNB Paraguay
- Servitrust GNB Sudameris
- Servivalores GNB Sudameris
- Servibanca S.A.
- Servitotal
- Corporación Financiera GNB Sudameris
- Charleston Hotels Group S.A.S
- Namen Finance Limited
- Manforce Overseas Limited
- Inversiones GNB Comunicaciones S.A.S
- GNB Holding S.A.S
- Fondo Capital Privado Inmobiliario

4) Other related entities not subsidiaries

Operations with Related Parties:

The Parent may engage in operations, agreements or contracts with related parties on the understanding that these operations will be undertaken at fair values, respecting market conditions and tariffs.

There were no operations between Parent and related parties during the periods ended December 31, 2019 and 2018 that were:

- Loans implying that the borrower would be subject to an obligation not corresponding to the essence or nature of a loan.

- Loans at interest rates other than those ordinarily paid or charged to third parties in similar conditions of term, risk, etc.

During the periods ended on December 31, 2019 and 2018, Director fees were paid for $259 and $156, respectively, for attendance to Board of Directors and Committee meetings.

In 2018 and 2019, the Bank purchased from the subsidiary GNB Peru some assets collection rights which book value at December 31, 2019 is $34,396 million and are guaranteed with real estate assets. The transaction was made at market prices, based on the valuations of the collection rights made by an external third-party.

At December 2019, the Bank has an accounts receivable in the name of Starmites Corporation, a related party, in regard to the development of the project Digital Banking for $46,259 million.

Most operations were conducted at market prices; the average loan placement rate, which the Parent granted to its related parties, is equal to DTF +3.45. Credit card and overdraft operations were made at full rates for those products.

In the performance of its commercial operations, the Bank does transactions with subsidiaries like interests in such entities, loans, and financial liabilities, which are detailed as follows:

In the performance of its commercial operations, the Bank does transactions with subsidiaries like interests in such entities, loans, and financial liabilities, which are detailed as follows:

Expressed in COP millions, except for the exchange rate and the shares' par value

December 31, 2019

	Shareholders	Members of the Board	Key Executives
Assets			
Loans	-	2	838
Liabilities			
Deposits	-	107	283

	Shareholders	Members of the Board	Key Executives
Income interest	-	-	108
Financial expenses	-	-	5
Fees Expenses	-	259	-
Income from commissions and fees	-	-	6
Other Expenses	-	3	9

December 31, 2018

	Shareholders	Members of the Board	Key Executives
Assets			
Loans	-	7	1,171
Liabilities			
Deposits	-	9	178

	Shareholders	Members of the Board	Key Executives
Income interest	-	1	133
Financial expenses	-	-	7
Fees Expenses	-	148	-
Income from commissions and fees	-	1	7
Other income	1,172	-	-
Other Expenses	-	2	8

Benefits to key personnel

Banco GNB Sudameris does not have any exclusive benefits plan that may apply to key personnel of the Bank's high management, other than the plan applied to all employees out of the Collective bargaining Agreement in force.

Some key members of the parent management are also key executives of the subsidiaries.

The remuneration received by key management personnel comprises the following:

Concept	December 31, 2019	December 31, 2018
Salaries	5,294	3,543

Th remuneration of key personnel includes salaries, benefits different from cash and contributions to a post-employment defined benefits plan.

Expressed in COP millions, except for the exchange rate and the shares' par value

NOTE 32 - NON-CONSOLIDATED STRUCTURED ENTITIES

The term "non-consolidated structured entities" refers to all the structured entities not controlled by the Bank. The Bank undertakes transactions with non-consolidated structured entities in the regular course of business in order to facilitate the transactions of clients and for specific investment opportunities.

The following table present the total assets of the non-consolidated structured entities where the Bank had an interest at the reporting date and their maximal exposure to a loss in respect to such interests.

December 31, 2019

	Funds managed by the Bank in FIC
Interests in Bank Assets	
Investments at fair value with changes in income	8,526
Other accounts receivable	28
The total assets in respect to the Bank's interests in non-consolidated structured entities	**8,554**
Maximal Bank's exposure	**8,554**

December 31, 2018

	Funds managed by the Bank in FIC
Interests in Bank Assets	
Investments at fair value with changes in income	7,646
Other accounts receivable	105
The total assets in respect to the Bank's interests in non-consolidated structured entities	**7,751**
Maximal Bank's exposure	**7,751**

In the regular course of the business, the Bank owns a trust and a stockbroker that manage the collective investment funds and the third-party assets which trustees receive commissions.

The obligations in these entities when managing these assets are of means and guarantee no result; the maximal exposure to risk of loss is determined by the possible failures in the management of funds by the amount of earnings managed and the return on income of the clients' assets.

NOTE 33 - SUBSEQUENT EVENTS

By means of Resolution No. 1673 of December 12, 2019, the Superintendency of Finance of Colombia authorized the Regulations for the issuance and subscription of 9,240,000 ordinary shares of Banco GNB Sudameris for a total issuance amount of COP$168,482,160,000. Such regulations were approved by the Board of Directors of the Bank in October 2019.

As a consequence of the shares subscription by the Shareholder of Banco GNB Sudameris S.A., the Bank recorded on January 28, 2020 the increase of the subscribed and paid capital for three thousand six hundred ninety-six million legal currency ($3,696,000,000.00), moving from seventy-one thousand two hundred sixty-nine million seven hundred seventy-six thousand four hundred pesos legal currency ($71,269,776,400), to seventy-four thousand nine hundred sixty-five thousand seven hundred seventy-six thousand four hundred (74,965,776,400), and an increase in the number of shares of 9,240,000,m moving from 178,174,441 to 187,414,441.

During the session of July 2019, the Board of Directors of Banco GNB Sudameris approved the purchase by the Bank's subsidiary GNB Paraguay of 100% of the stock of BANCO BILBAO VIZCAYA ARGENTARIA S.A. (BBVA Paraguay S.A.), domiciled in the Republic of Paraguay, for a total approximate amount of USD270 million. The closing of the operation is subject to the authorization of the competent regulatory entities in Colombia and abroad. Similarly, in order to facilitate the acquisition of the stock of BBVA Paraguay S.A., the subsidiary signed an agreement with Grupo Vierci through which an important contribution of capital would be possible to the subsidiary, previous increase of the capital.

Except for the aforementioned, we have no knowledge of any additional subsequent event that may have occurred between the date of the Consolidated Financial Statements and the date of their issuance, that may require any modification to the figures presented as of December 31, 2019.