MANAGEMENT REPORT
BOARD AND PRESIDENT
BANCO GNB SUDAMERIS S.A.
2017

Content

The Board of Directors and the President of the Bank present their Management Report for the financial year 2017, which contains an explanation of the macroeconomic circumstances, the evolution of business and the general situation of Banco GNB Sudameris, in economic, legal and administrative matters, and other issues raised by current regulations.

1. MACROECONOMIC SITUATION

1.1. ECONOMIC PERFORMANCE

In 2017, the Colombian economy was less dynamic than expected, as a result of continued economic adjustment caused by the oil prices fall in 2014, and tax reforms, among the most relevant events which marked the Colombian economic performance. Public finances control was focused on two basic topics: i) increased revenues and ii) spending cuts, mainly affecting investment. The 2017 started with the tax reform (Law 1819/2016), whose main purpose was to increase revenue through a higher tax collection. Here, the most important change was the Value-Added Tax (IVA) increase, from 16% to 19%, which discouraged consumption, with the corresponding impact on inflation. Household consumption, accounting for approximately 65% of GDP, continued to fall.

Inflation measured by CPI (Consumer Price Index) closed at 4.09%, slightly above the official target range (2-4%), and below, by 1.66 points, the reported for 2016, of 5.75%. Groups of spending, which contributed most to the annual CPI variation were housing, transport and food, which contributed with 2.59 percentage points of the total variation.

Housing, the spending group with the greatest weight in the family basket, reported an annual variation of 4.49%, and a contribution of 1.3% to the total, mainly explained by higher spending on rents (occupation expenses).

On the other hand, is transport, with an annual variation of 4.52% and a contribution of 0.64% compared to 2016, mainly explained by an increase in public transport prices.

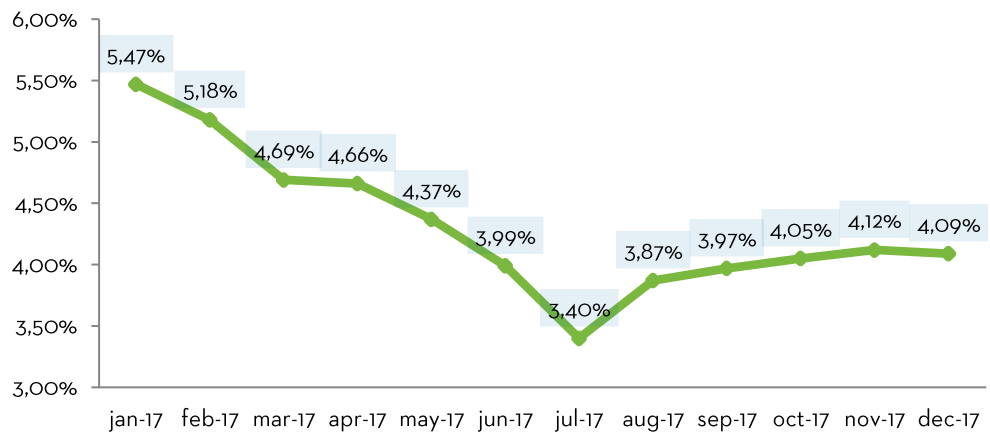
Food group reported an annual variation of 1.19% and a contribution of 0.57%, mainly explained by an increase in the price of root crops and plantains.

Banco de la República (Central Bank) made nine adjustments to its monetary policy rate, cutting 275 bp, from 7.50% in January to 4.75% at the end of the year. This was supported by higher inflation in each period compared to expectations, as explained by the performance of CPI spending groups.

While the Central Bank's target was in the range 2-4%, the inflation market expectation for 2017 and 2018 was 3.95% and 3.49%. On the other hand, core inflation continued to fall, leveraged by the measures taken to bring them closer to the target, leading year-end inflation to 4.09%, slightly above the target.

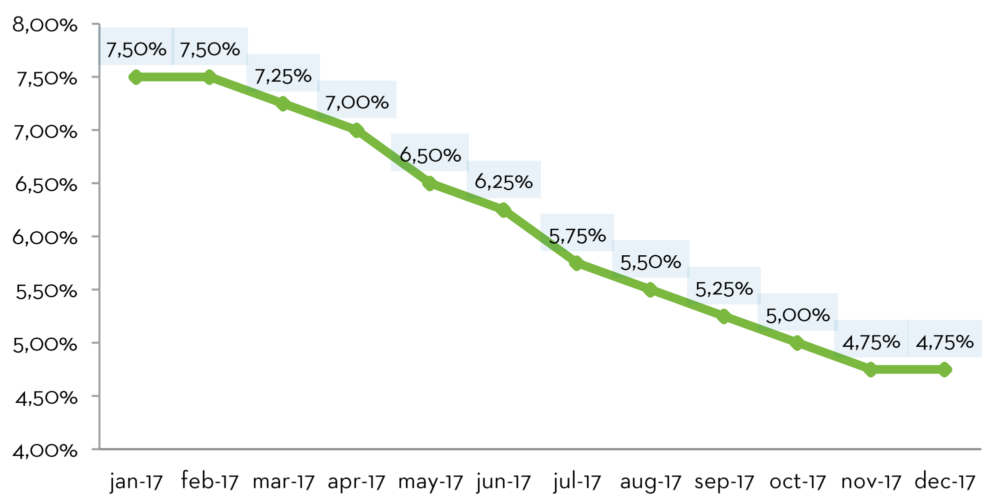
The prospects for the intervention rate in 2018 suggest that it should remain stable, although pricing conditions may bring inflation close to the central target, 3.00%.

Graphic 1: Consumer Price Index annual variation %



Source: DANE
Prepared by: Banco GNB Sudameris' Planning Unit

Graphic 2: Banco de la República Monetary Policy Rate



Source: Banco de la República

The monetary base closed at $ 88.8 billion in December 2017, an increase of $4.2 million compared to the same month of 2016.

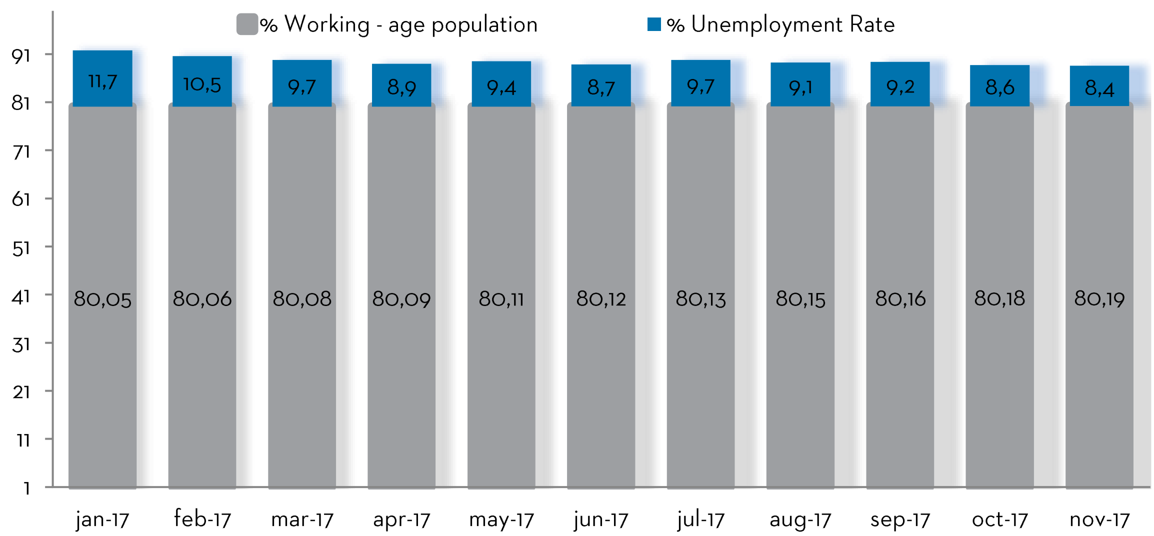
The 90-day deposit rate (DTF) ended at 5.21% annual effective, showing a reduction of 165 bp compared to December 2016, when it was 6.86%. The 360-day DTF closed at 5.91%, with a 2.1 bp reduction compared to the same period of the previous year. The interbank rate ended at 4.72%, 279 bp lower that of December 2016. The real interest rate closed at

1.08%, 3 bp above that recorded the previous year, of 1.05%.

Compared to 2016, throughout 2017, fixed-rate public debt securities (TES) recorded valuation gains along the curves. In the short part of the curve, Oct-18 TES showed a 107bp reduction in its, finishing at 4.45%. In the middle part, Nov-19 TES decreased 96bp, closing at 5.70%. Finally, in the long part, Jul-24 TES fell 63 bp, closing at 6.48%.

Unemployment rate showed a declining trend, with 8.4% (by Nov-17) compared to 9.7% for 1Q17, 8.7% for 2Q17 and 9.2% for 3Q17. (Population: 48.06 million). The above allows Colombia to maintain its favourable image on the international scene, particularly for the constant work of developing countries to reduce their unemployment rates.

Graphic 3: Unemployment Rate %



Source: DANE

In December 2017, the market was surprised by the decision of Standard and Poor's Global Rating Agency (S&P), to change the Colombia's foreign debt rating from BBB to BBB, with a stable perspective, a measure with which Colombia's rating came closer to the lower threshold of the investment grade. Among the reasons for the reduction, according to S&P, are i) a weaker growth than expected in 2017, ii) the dependence on non-recurring revenues, and iii) the government's difficulties in reducing the deficit and complying with fiscal rule.

On the other hand, Moody's Rating Agency maintained the investment-grade for Colombia on Baa2, with stable prospects, indicating moderate risk for Colombia's debt. For what concerns to Fitch Rating Agency, Colombia maintains its investment-grade on BBB, improving its perspective from negative on March 2017 to stable.

Commodities exports (oil and oil-based products, coffee, coal and nickel) performed well, mainly due to higher volumes and better prices. Non-traditional exports did not achieve any important growth; although the dollar maintained competitive levels, other factors such as the Venezuelan crisis had an impact on this item.

The financial sector performed well in 2017, despite defaults in payments among real sector responsible for infrastructure projects (4G), mass transport and electricity sale and distribution businesses, considerably affected by corruption or mismanagement scandals (around COP 3.39 billion).

The 1Q17 provided a higher oil supply worldwide, mainly due to the United States increased in production. As a consequence, the oil price fluctuated downwards. As of May, OPEC and other 10 producing countries agreed to reduce production, a decision which brought a recovery in prices. In December, the market reacted to the OPEC meeting, which agreed to extend this agreement to reduce production from March to December 2018, with a review in June 2018. The IMF has warned that the demand for oil worldwide will progressively fall, due to the implementation of new technologies which use renewable energies, and projects that 20 years from now, 90% of vehicles in developed countries will be powered by electricity.

Colombian peso continued to fluctuate, in line with other emerging countries and Latin America's currencies performance. The trend obeyed mainly to: i) international oil prices' variations, implying a Colombian peso's appreciation, and ii) uncertainty around local economic growth.

Graphic 4: Exchange Rate Behavior

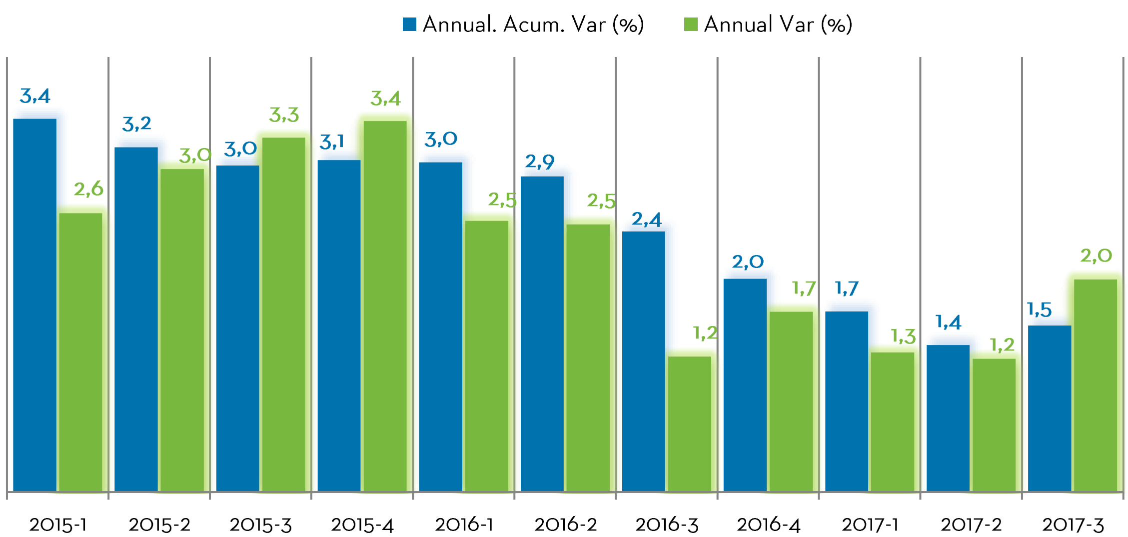
Fuente: Banco de la República
Elaboró: Unidad de Planeación

The best moment for the Colombian peso was on April 19, at COP 2,837.19. The weakest was in July, at COP 3,092.65, as a result of uncertainty in the oil market and concerns about national economic growth. This caused some capital outflows, mainly on long-term local public debt. 2017 closed with an exchange rate of COP 2,984.00.

Colombian economy is projected to grow 2.7% in 2018. Financial services, construction, and electricity, gas and water supplies may be the sectors which will be the driving forces in growth, while mining, agriculture and manufacturing industry may not be so dynamic. In 2018, the main factors which may mark a positive trend in economic growth are higher oil prices, 4G infrastructure works, lower interest rates, higher household consumption, exports growth around 4.1%, and 3.5% in imports.

In addition, 2018 is a year of presidential elections in Colombia, in which political risks may cause uncertainty in economic terms. Elections will be held in May, and will be decisive for the Peace Agreements with illegal armed groups. Therefore, Colombia will be closely watched by international community.

Graphic 5: GDP growth (%) Annual Variation and Annual Accumulation



Source: DANE
Prepared by: Banco GNB Sudameris' Planning Unit

1.2. BANKING SYSTEM

The most recent information from the Financial Superintendency (SFC) by Nov-17, date of writing this report, suggests that the banking sector may have made around COP 6.3 billion profit in 2017, 38.45% down compared to 2016.

Assets placed at COP 580.9 billion, 4.9% higher than that year before, with a 5.1% increase in equity, from COP 71.5 billion to COP 75.1 billion, and ROE of 10.1%, lower than that reported a year ago, around 17.1%. The system maintains adequate capital ratios, 15.98%, higher than that reported a year ago of 15.31%, and controlled risk levels, with a 4.44% on loan-portfolio quality ratio, increasing from 3.34% a year ago, with a provision coverage of 126.98%.

Considering some economic aspects, particularly consumer prices, Banco de la República, cut the intervention rate in 2017 to 4.75% by November, maintained through the end of the year.

In accordance with the measures taken by the Central Bank, deposits in the system increased 5.7% yoy at November 2017, at COP 373.76 billion.

Further, loans grew 5.7% yoy, from COP 394.6 billion in November 2016 to COP 417.1 billion in 2017. Commercial loans continued to be the most important segment by volume, accounting for 56.4% of total loans, growing some 2.5% yoy, while consumer loans grew at 9.8%.

2. RELEVANT TOPICS

2.1. RATING

In September 2017, the Value and Risk Rating Agency made its annual review of short and long-term debt for Banco GNB Sudameris S. A., deciding to maintain the Triple-A (AAA) rating for long-term debt, and VRrR 1+ for short-term debt, - the highest ratings according to its methodologies. This endorses the high credit quality of our Bank's operations, and the strong capacity the Bank has to comply commitments and obligations, which will not be affected by variations in industry or the economy.

2.2. MARKET MAKER

During 2017, Banco GNB Sudameris played an active role in public debt auctions as an aspirant in the Market Maker Program, under December 30, 2016's Ministry of Finance 4705 Resolution, which designates market makers and aspirants to market makers in the market makers program. Among primary market's requirements, the Bank accumulated a 4.98% auction successes, and complied with percentages required for mandatory quotations. In the accumulated ranking it stands at No. 13. The Bank will continue to play its part on the Market in 2018, and plans to become a market maker in 2019.

2.3. LOAN PORTFOLIO

The Bank continued with the strategy of replacing payroll instalment loan purchases from third-party originators with direct placement, reducing loans from originators by 73.8% in

2017, growing direct placement by 20.8% yoy.

2.4 IFRS ADOPTION

As of December 31, 2017, the Bank prepared its financial statements comparable with 2016 figures, in accordance with Colombian financial reporting standards (FULL-IFRS, except for loans, foreclosed assets and investments, which will continue to be handled using the SFC Basic Accounting Circular 100/1995).

Likewise, also as of December 31, 2017, and following SFC Circular 038/2016, the Bank presented its Consolidated Financial Statements with controlled investments in Colombia and abroad comparable with December 2016. During 2017, consolidated financial statements were transmitted quarterly using the XBRL taxonomy.

The Bank has complied with individual or separate financial statements reports transmissions to SFC, on the forms required, corresponding to the first three quarters of 2017, thus fully complying with SFC requirements.

As of December 2017, Banco GNB Sudameris S. A. changed its land and buildings accounting policy. Now, the books will show real property values calculated by the fair value model, taking account of market valuations, and not by the cost model used previously.

The aforementioned, because valuation adjustments that real estate has presented in Colombia, makes it more reasonable to have accounting for land and buildings at commercial value, and not at its cost, thus having more accurate financial information and adjusted to reality.

There is a positive effect on Banco GNB Sudameris' Financial Statements, to the extent that there is an increase in the value of assets and in Other Comprehensive Results, which will be reflected in the financial statements for the year ended December 31, 2017.

2.5. DOLLAR AND PESO SUBORDINATED BONDS' PLACEMENT

Dollar Subordinated Bonds

On March 29, 2017, Banco GNB Sudameris launched its third subordinated bond issuance on international markets for USD 300 million, with a 2.6 times the amount offered (USD 850 million) demand. The bonds were placed principally in North America (49.8%), Europe (29.5%) and Asia (9.8%).

The characteristics of subordinated bonds in dollars are as follows:

TYPE	Subordinated
CURRENCY	US Dollars
AMOUNT	USD 300 million
SETTLEMENT DATE	April 3, 2017
MATURITY DATE	April 3, 2027
INTEREST RATE	Fixed
SPREAD	6.50%
PRICE	100.00%
INTEREST PAYMENT DATE	April 3 and October 3 each year, starting October 2017
CLEARING	DTC, Euroclear and Clearstream
LISTING	Euro MFT Market of the Luxembourg Stock Exchange
PLACEMENT AGENT	Merrill Lynch, Pierce, Fenner & Smith Incorporated

Peso Subordinated Bonds

On November 22, 2017 the first issue of local subordinated bonds was made by Banco GNB Sudameris for COP 332,405 million, being placed as follows:

SERIES – SUBSERIES	AMOUNT DEMANDED (COP)	AMOUNT AWARDED (COP)	MARGIN/ RATE
Series B Subseries B1 - 7 years, margin over CPI	$148,905,000,000	$119,205,000,000	3.85 %
Series B Subseries B2 - 9 years margin over CPI.	$240204,000,000	$213,200,000,000	4.05 %
TOTAL	**$389,109,000,000**	**$332,405,000,000**	

Placement Agents and their participations were as follows:

Ranking	Placement Agent	Result
1-	Servivalores GNB Sudameris S.A.	29.96%
2-	Credicorp Capital Colombia S.A.	21.90%
3-	Ultraserfinco S.A.	20.08%
4-	BTG Pactual Colombia S.A.	14.89%
5-	Corredores Davivienda S.A.	13.16%

2.6 CORPORACIÓN FINANCIERA GNB SUDAMERIS

By 1028 Resolution, of August 3, 2017, the SFC authorised the incorporation of "Corporación Financiera GNB Sudameris S.A.", with COP 35,000 million capital and a majority share of 94.99% held by the Bank. It is expected to start operations in 2Q18.

3. 2017 RESULTS

3.1. FINANCIAL MANAGEMENT

Despite the lower economic growth in Colombia, Banco GNB Sudameris maintained its growth rate and obtained a positive final result.

At the end of 2017, net profit was COP 194,532 million, equivalent to a 12.91% ROE[1]. The equity continued to grow strongly, 12.3% yoy, closing at COP 1.6 billion, compared to COP 1.4 billion at December 2016. That meant that it was able to maintain its solvency ratio at 25.23%, far higher than the regulatory 9%, the minimum required by SFC.

Assets

Assets closed 2017 at COP 22.6 trillion, growing 13.7% yoy (COP 19.8 trillion in 2016). Loans accounted for 33.3% of assets, with COP 7.5 trillion, with good quality and coverage levels, 1.08% and 313.4% respectively, compared to those reported for the Banking sector at November 2017, 4.4% and 126.9% respectively.

As of December 2017, total investments increased in COP 121,182 million compared to December 2016, to COP 5.8 trillion, an. Net placements increased in COP 301,464 million, to COP 7.56 trillion, compared to the same period 2016, when they stood at COP 7.26 trillion.

Liabilities

In December 2017, the Bank exhibited COP 12.6 trillion in deposits, with a COP 1.6 billion increase compared to December 2016.

Bank borrowings were approximately COP 1.03 trillion, down COP 88,082 million compared to December 2016, when they closed at COP 1,12 trillion. Interbank and overnight funds ended at COP 4.2 trillion, down COP 196,073 million compared with preceding year, when they finished at COP 4.4 trillion.

[1] Source: SFC. Calculations Banco GNB Sudameris' Financial Planning Unit.

As of December 2017, Banco GNB Sudameris held senior and subordinate debt securities for USD 865 million (COP 2.88 trillion), increasing USD 305 million compared to 2016. The last was related to the March's subordinated dollar issuance.

Intermediation Margin

As of December 2017, accumulated intermediation margin was COP 377,110 million, representing a COP 10,679 million increase since December 2016, when it was COP 366,431 million. This was explained by higher income from the peso intermediation margin.

Financial Margin

Accumulated financial margin was COP 568,249 million, increasing in COP 46,487 million compared to 2016, when it was COP 521,762 million.

Expenses

Total accumulated expenses were COP 285,453 million, down COP 1,526 million compared to December 2016, when they were COP 286,979 million.

Operating Margin

Accumulated operating margin was COP 282,796 million, increasing in COP 48,012 million compared to 2016.

Leading Indicators

In 2017, certain indicators, such as administrative efficiency, loan-portfolio quality, were particularly distinguished, and continued occupying top places within Colombian banking system. The Bank also exhibited a good solvency level, product of obtained results and shareholder support, based on investments and lending growth. As a result, the Bank has maintained a favourable position within the banking system.

According to November 2017's SFC published information, the Bank remains in first place[2] in terms of competition internal analysis.

The administrative efficiency ratio[3] places Banco GNB Sudameris on the top of the list with the lowest indicator of 1.43%, compared to the local banking sector as a whole, which was 3.94% at November 2017.

As of December, 2017, the loan-portfolio quality ratio (Past Due Loans / Total Loans) was 1.08%, and the loan coverage ratio (Provisions / Past-Due Loans) was 313.35%, compared

2 Internal calculations and analysis Banco GNB Sudameris' Planning Unit
3 Calculated as: Total Expenses / Productive Assets

to the financial sector as a whole, which reported 4.44% and 126.98% respectively at November 2016.

Regarding to assets evolution, at November 2017 showed a 12% annual growth, compared to the sector's 4.9%.

The Bank ranked second in the Banking system regarding to capital ratio, which were 29.93% in November 2017, with the best annual growth, 67.3%, compared to the sector,4.4%. This is clear evidence of the support and strengthening to the Entity's equity.

On the other hand, the sector's[4] complaints and claims indicator places Banco GNB Sudameris in 4th place of lowest number of complaints as of November 2017.

3.2. STRATEGIC PROJECTS AND OBJECTIVES

Compliance with strategic objectives and plans within the Bank´s business plan allowed a short and medium term steady and gradual growth. The Board of Directors followed up progress on these objectives and plans regularly throughout the year.

During 2017, strategic projects and objectives were implemented, among which are highlighted: the business continuity processes strengthening; the office network optimization; the development of technological innovation projects, such as mobile banking and payment options; the Bank´s participation in the Market Makers Program as an Aspirant, the IBR Management Committee membership, the local bonds issuance, among others.

Coordinated work will continue towards these strategic objectives during 2018, as provided for in the three-year financial plan.

4. SUBSIDIARIES

As complementation and deepening of the relation between the Bank and its Subsidiaries in one of the strategic objectives, throughout 2017 there was constant follow-up of their main management indicators performance.

Banco GNB Perú

At the end of 2017 assets stood at USD $1,706 million, and final accumulated results to

[4] Calculations: Banco GNB Sudameris' Planning Unit
Complaints and claims indicator: (calculated with monthly figures): Total deposits value + total portfolio value / number of complaints and claims during the period

December were USD $12.6 million. Equity was USD $211.0 million.

Banco GNB Paraguay

There was a positive accumulated result of USD $21.6 million, growing 16% yoy (USD 18.6 million in 2016). Assets were USD $1,071 million, and loans USD $768.8 million. Equity was USD $128.7 million.

Survitrust GNB Sudameris

The trust company reported COP $11,588 million on accumulated results, compared to COP $6,780 million the preceding year. Assets closed at COP $63,800 million. Equity was COP $57,818 million, and return on equity averaged 22.32%.

Servibanca

This company continued to grow strongly, broadening its coverage and updating its ATM network, reaching 736 cities and towns, with 2500 machines installed, 164 more than the preceding year. Transactions level, nationwide and abroad, was strengthened with important revenues for the company. There was a remarkable 14.8% increase in profits, COP 28,711 million and compared to COP 24,990 million for 2016. Further, assets closed at COP 158,740 million, compared to COP 140,089 million in 2016. Equity closed at COP 115,250 million, compared to COP 109,453 million in 2016, with a 27.11% return on equity.

Servivalores GNB Sudameris

The securities broker reported positive results with an annual 10.18% growth by year-end, with COP 2,354 million profit, compared to COP 2,137 million in 2016.

In results terms, the company has maintained its position among the top 10 entities in the sector. Assets totalled COP 46,533 million, equity COP 34,237 million and ROE 7.07%.

Corporación Financiera GNB Sudameris

In August 2017, the SFC approved the company's incorporation; operations may begin in 2018's second quarter.

Servitotal GNB Sudameris

This subsidiary was created to provide technological services. It is part of 2018's strategic technology planning.

5. RISK MANAGEMENT

During 2017, the Bank maintained permanent control and monitoring of risks, through the various bodies involved, particularly the Board, the President, the Risk Management Department, other areas involved, and the control entities, verifying at all times compliance with current regulations, policies and procedures adopted by the Bank, ensuring that there were no excesses, and that limits set by the Bank were observed. Recommendations were made where necessary, to mitigate the occurrence of possible events.

The following were the most important matters arising in each of the risks associated.

5.1. CREDIT RISK – SARC

Credit exposure limits and tolerated losses

Credit exposure limits and tolerated losses had an optimal performance, complying with the Board's definitions. The following were the limits as of December 31, 2016 and 2017:

BANCO GNB SUDAMERIS
CREDIT RISK
EXPOSURE LIMITS AND LOSS TOLERATED

COP Million	Dec-16	Dec-17	LIMITS
Credit exposure (1)			
Commercial loans	55,90%	51,64%	**50,00%**
Consumer loans	44,10%	48,36%	**50,00%**
Risk indicators			
Commercial loans			
Past-dues indicator	0,54%	0,47%	**4,00%**
Risk indicator	7,10%	5,07%	**6,00%**
Consumer loans			
Past-dues indicator	3,39%	1,72%	**5,00%**
Risk indicator	4,44%	2,74%	**7,00%**
Total loans			
Past-dues indicator	1,81%	1,08%	
Risk indicator	5,92%	3,95%	

Loss tolerated

Commercial Loans (2)	6.752	19.399	-	**55.853**
Consumer Loans (3)	3.387		6.599	**83.779**

(1) Tolerance range: 15pts
(2) Limit = 2% of computable capital
(3) Limit = 3% of computable capital

Source:
Loan Management Reports
Bank´s books

The Bank is actually developing credit risk management stages (measurement, identification, monitoring and control), following guidelines established by SFC regulations.

Reference models

Commercial and consumer reference models (MRC, MRCO) continue to operate according to SFC's Basic Accounting and Financial Circular guidelines, chapter II, Annexes 1-5, which provide regulations relating to the Commercial Risks Management System (SARC), provisions' calculation and risk specifications for customers in both portfolio-loans. These models have been object of review by the Statutory Audit, and are certified to comply with current regulations.

Accreditation Scoring and Loan Provisions Calculation Model for International Subsidiaries

For Conglomerate's Financial Statements consolidation, the Bank continues to apply the Accreditation Scoring and Loan Provisions Calculation Model for the International Subsidiaries (Perú and Paraguay), designed within the Entity. This model determines the default probabilities (DP), based on the lending segments historical records (commercial, consumer and mortgage) in each country for the last 12 months. Therefore, DP are moving averages updated quarterly, which allows a permanent track. To estimate provisions values as of December 31, 2017, September 2017's DP calculations were applied.

Regarding to the Loss Given the Default (LGD), the Bank continues to apply SFC factors from the Basic Accounting and Financial Circular, Chapter II, given that all matters related to guarantees' evaluation, valuation and administration have similar recognition, both from a legal and a commercial points of view in the legislation of each country and in Colombia.

Loan Provisions Model under IFRS for Colombia

The Bank continues to apply methodology designed through the "IFRS model for the calculation of losses incurred", in order to produce the consolidated financial statements for the financial conglomerate in terms of IFRS.

This model consists in assigning the default probability (DP) to Colombian loans, bringing together the historical record for each segment (commercial and consumer loans), and the loan niche for the last 12 months, calculated on quarterly basis, to ensure that the model is constantly updated. There is also applied a Loss Given the Default (LGD), according to parameters defined by the SFC in Colombia, annexes 3 and 5, Chapter II of the Basic Accounting and Financial Circular. These two factors are used to calculate the impairment value (provisions).

To determine loan provisions value as of December 31, 2017, DP calculated as of September 30, 2017 were used.

Loan Provisions Constitution Model under IFRS, for Colombia and International subsidiaries

For Perú and Paraguay subsidiaries' loans, the Bank continues to apply its own methodology of the "Losses Incurred Calculation Model under IFRS for international subsidiaries", based on impairment values (provisions) calculation, using the following factors:

- Default Probability (DP) compiles last 12 months' records for each loans segment and niche in each country, updated quarterly. In order to determine the impairment (provisions) value of loans as of December 31, 2017, the September 2017's DP calculations were used.
- The Loss Given the Default (LGD) applied is the one described in the "Accreditation Scoring and Loan Provisions Calculation Model for International Subsidiaries".

The application of this methodology has contributed to comply with regulations related to the preparation and presentation of the Consolidated Financial Statements for the Financial Conglomerate, in terms of the International Financial Reporting Standards IFRS.

IFRS9

The Bank has started a project to design and implement a model to calculate impairment or expected losses for Colombia and its international subsidiaries, in order to comply with IFRS9, which comes into effect on January 1, 2018. For this purpose and with advisory services from an external firm, an inter-disciplinary group of professionals has been formed, led by the Risk Management Division.

The following is an expected impact analysis of each of the accounting of financial instruments aspects:

a) Classification and Measurement

No significant impacts are expected, and the Bank does not expect to make important changes to its current business models.

b) Impairment

Impairment application generates the greatest impact for the Bank, because it affects not only the loan portfolio, but also investment portfolio and accounts receivables. In the case of loans, new methodologies have been implemented in accordance with IFRS9 guidelines, and an impact between 23% and 30% is expected, compared to provisions under IAS 39.

Investments had no impairment under IAS 39, thus calculations with IFRS 9 will have an impact of 100% in expenses. In this sense, the impact may be between COP 1,900 million and COP 1,500 million. Finally, receivables are not expected to suffer any significant increase in impairment.

c) Hedge Accounting

Hedge accounting application under IAS 39 is covered under IFRS9 guidelines. Therefore, the Bank does not plan to make any changes to the hedge accounting as it is now managed, and no impact is expected. However, during 2018 the Bank will analyse the convenience of making some changes that are considered within the new IFRS9 definitions.

Granting and Monitoring Models and Rating Model

Granting and Monitoring Models and Rating Model of the Commercial Portfolio for Colombia, operate in accordance with the new methodology designed within the improvement process carried out during the first quarter of 2016 and approved by the Board of Directors.

During the last quarter of the year, a calibration process of the models was carried out, including the customers' financial statements update, financial indicators for economic sectors, and loan information from the financial sector by productive sectors, with the Board of Directors approval in December 2017, for subsequent implementation.

Internal regulation

Credit Risk Management System - SARC Manual, and Credit Risk Area Procedure Manual, are both duly updated as of December 2017.

External regulation

As a result of the SFC's External Circular 026/2017 entry into force, with the purpose of standardizing policies for credits adequate management that present modifications in their conditions, due to potential or real capacity payment deterioration of its debtors, the Bank presented to the Board of Directors, in its sessions of October and December 2017, defined policies for this External Circular's treatment, management and implementation.

Action is also being taken as necessary from a technological point of view to comply with this new regulation.

5.2. MARKET RISK-SARM

The Bank has implemented a Market Risk Management System which complies with the SFC's Basic Accounting and Financial Circular regulations, Chapter XXI and annexes.

The system comprises risk management policies and procedures, limits and authority levels definitions, established by types of operation, mainly supported by the Risk Management Division and the Risk Committee, as a control and compliance body.

In the area of market risk, VaR limits were approved according to portfolio structure and managed business, with financial and real sectors counterpart risks limits, and authority levels for operations and trading.

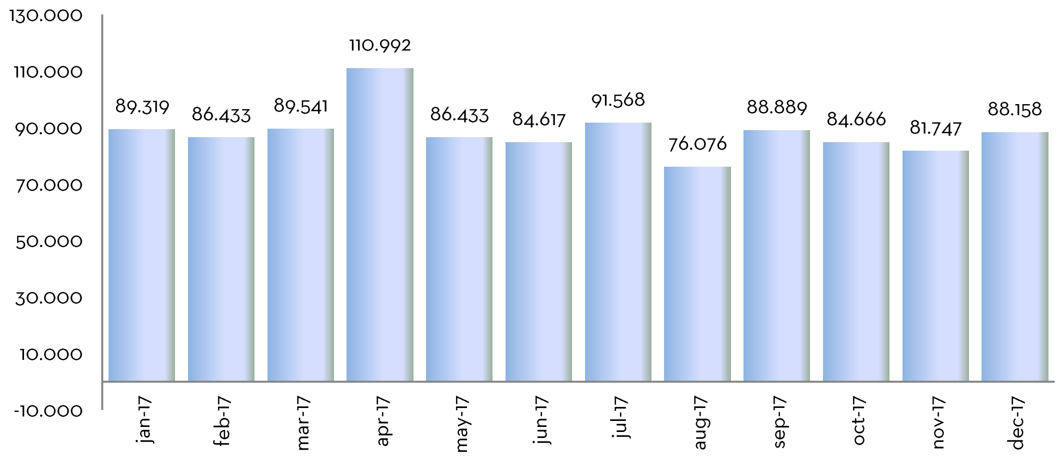
The Bank uses the SFC standard methodology to measure market risks, as defined in Chapter XXI's Basic Accounting and Financial Circular, Annex 1. At the same time, it has an EWMA internal VaR model, using historical data with decreasing weighting over time.

VeR Evolution

As of December 31, 2017, regulatory VeR was COP 88,157.64 million, increasing COP 2,157.43 million compared to 2016. The variation obeys mainly to the COP 12,158.75 million interest rates VaR increase, and the COP 10,004.23 million exchange rate's VaR reduction.

The maximum VeR in December 2017 was COP 111,231.54 million, and the minimum COP 88,157.64 million. The maximum VeR in 2017 was COP 138,097.99 million and the minimum was COP 68,957.24 million. The maximum monthly VeR in 2017 was COP 110,992.05 million, and the minimum COP 76,075.89 million.

Graphic 6: VeR Evolution 2017



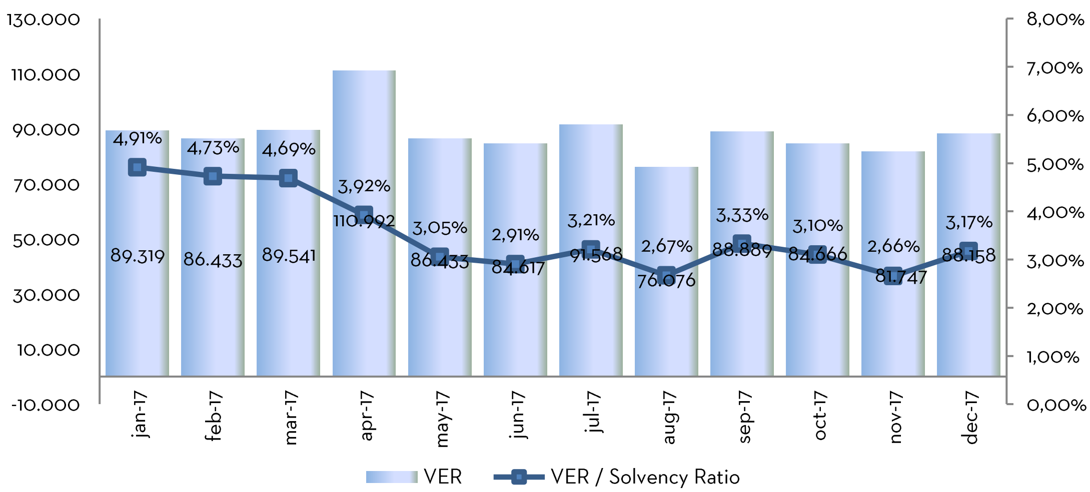
As of December 31, 2017, risk by risk factors measurement (386 Form) produced the following figures:

2017	
VALUE AND RISK MODULES Million COP	
RISK	VALUE
Interest Rate	$87,196.52
Exchange Rate	$793,85
Share Price	$69,68
Funds	$97,58
TOTAL VALUE AND RISK	**$88,157.64**

VeR Impact on Technical Equity

Capital committed to investments represented 3.17% of Technical Equity. In January and February 2014, recorded its highest level in the last three years, 6.73%. In December 2016, it stood at 4.69%.

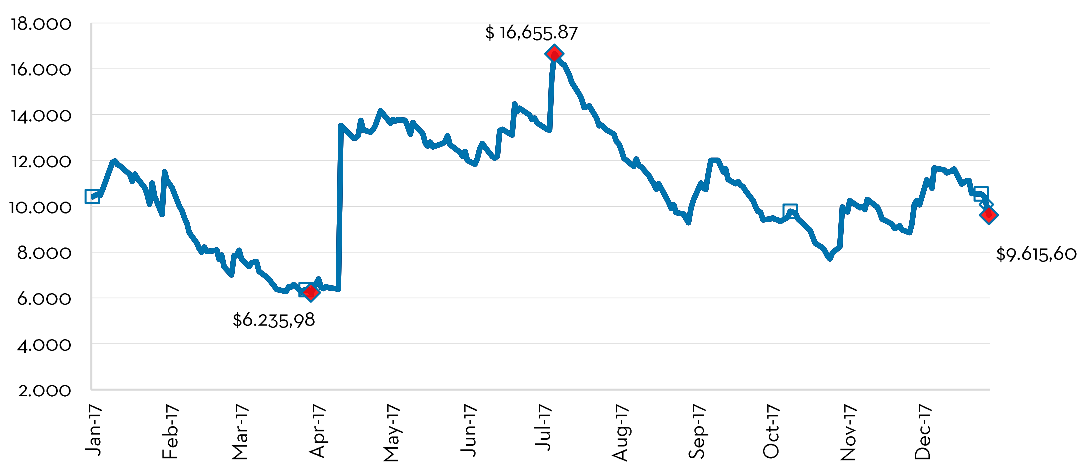
Graphic 7: VeR Relation/Solvency Ratio



VaR Evolution

According to results obtained through the internal Value-at-Risk model (VaR), which uses historical series weighting towards the most recent data, a confidence level of 95%, 1.65 standard deviations and a decadence factor of 94%, the VaR performance in 2017 was as follows:

Graphic 8: VaR Evolution 2017



VaR Level	Investment Portfolio	VaR 10 days	Duration
Average	$ 4.362.707,33	$ 10.744,82	1,12
Maximum	$ 5.805.134,21	$ 16.655,87	1,46
Minimum	$ 3.717.257,77	$ 6.235,98	0,74

5.3. LIQUIDITY RISK – SARL

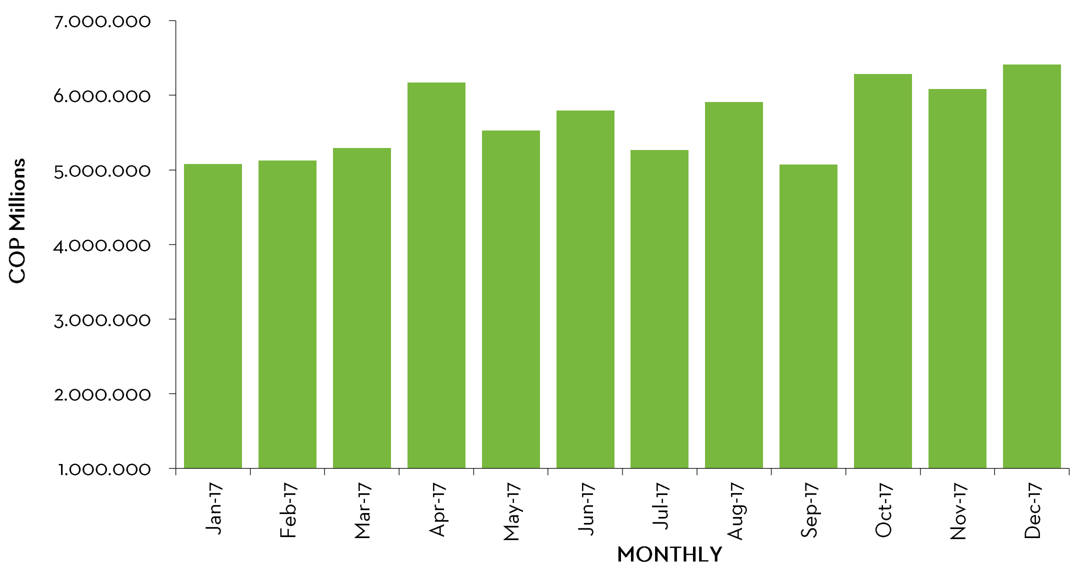
During 2017, the Bank complied with SFC Basic Accounting and Financial Circular 100/1995 on liquidity risk management.

The Bank´s internal liquidity risk management manual is also duly updated.

During the period, the Bank maintained a positive and favourable Liquidity Risk Indicator (LRI), as a consequence of appropriate strategies, through a high-liquidity structural portfolio that allows to cover any eventuality.

In 2017, the 7-day LRI performed as follows:

Graphic 9: IRL Evolution 7 days



LIQUIDITY RISK INDICATOR	
(Figures in Million COP) Last 12 months	
	7-DAY LRI
Maximum	6.411.031
Mínimum	5.069.546
Average	5,666.952
Latest	6.411.031

Liquidity Risk Internal Measurements

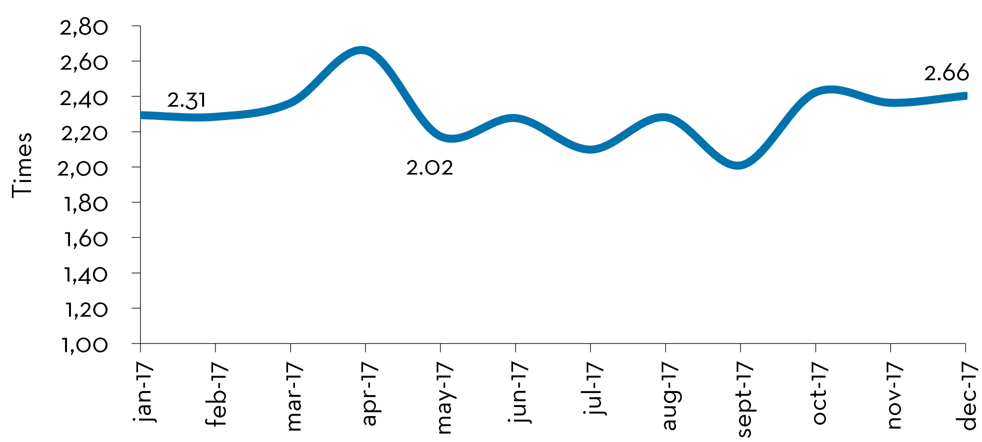
Liquidity Coverage Indicator (LCI)

This indicator measures the relation between the high-quality liquid assets fund (Assets level 1, 2A and 2B) versus the net deposit withdrawals, over a 30 days' horizon in a normal scenario.

To determine the impact, it is assumed that sight deposit balances are reduced in the calculation of 30-day volatility, and no term deposits are renewed over the analysed horizon, which is the maximum probable normal withdrawal over seven days (MPNW 30). This indicator must remain above 100% (more than 1), LCI = (ALM+ACM) / MPNW 30.

The monthly evolution of this indicator in 2017 remain above the limit, 2.32 (232%) in average, a 2.66 (266%) maximum, and a 2.01 (201%) minimum, closing at 2.66 (266%).

Graphic 10: Liquidity Coverage Indicator (LCI)



Stressed Liquidity Coverage Indicator (LCI)

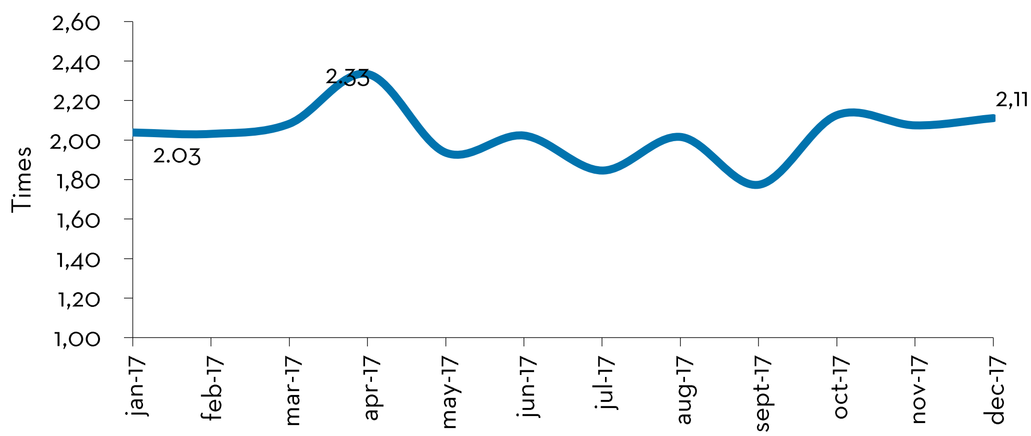
This indicator measures the ratio between high-quality liquid assets fund (assets level 1, 2A, 2B), against deposits net withdrawals over a 30 days' horizon, in a stressed scenario.

This period is assumed as the necessary time for the entity or the supervisor to take the action required to maintain an orderly execution of contingency liquidity plans.

In order to determine the impact of the stress situation, it is assumed that sight deposits volatility is under stress, and that no term deposit is renewed over the horizon analysed. This is the maximum probable withdrawal in 30 days (MPWS 30s). This indicator must be kept at above 100%, LCI = (ALM / ACM) / MPWS30s

The monthly evolution of this indicator in 2017 stood above the limit, at 2.03 (203%) in average, a 2.33 (233%) maximum and a 1.77 (177%) minimum, closing at 2.11 (211%).

Graphic 11: Stressed Liquidity Coverage Indicator (LCI)

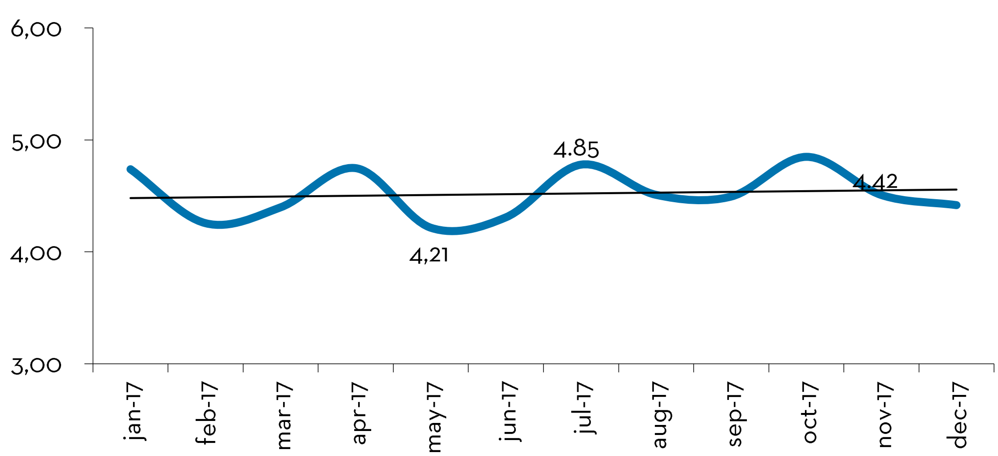


Excess Deposits / Deposit Indicator (EDD).

This indicator measures the Bank's capacity to maintain liquid assets. It is generated by deposits excess after funding loans with own resources, divided among total demand accounts. It must be kept above the 30-day net liquidity requirement.

During 2017 the EDD remained above the 30-day net liquidity requirement, 4.52 (452%) in average, a 4.85 (485%) maximum, a 4.21 (421%) minimum, and closing at 4.42 (442%).

Graphic 12: Excess Deposits/Deposit Indicator (EDD)



5.4 OPERATIONAL RISK - SARO

The Bank complies with all legal provisions for Operating Risk Management, as established in SFC's Circular 41/2007, Chapter XXIII "Rules on Operating Risk Management", in the Basic Accounting and Financial Circular 100/1995.

In order to guarantee proper risk management, the Bank has developed and maintained an Operating Risk Management System - SARO -, which allows it to effectively identify, measure, control and monitor this risk, and keep it constantly under review.

Risk factors associated with operations are covered by the system and defined controls are applicable, and are aligned to treatment plans for risk mitigation, under internal policies and procedures.

Management operating risk has a fundamental role the Bank, and constant monitoring is exercised on the range of events which might or might not imply future losses from failures in internal processes, human resources and/or systems, or derived from external circumstances.

Throughout 2017, the Operating Risk Unit, which is part of the Banking Risks Department, reporting to the Risk Management Department, continued to manage operating risks in compliance with current regulations, and advancing in the following activities amongst others:

- Regular face-to-face and virtual training, to reinforce SARO basic concepts, and to more easily identify operating risk events. In addition, the Bank reinforced the importance of keeping risk assessment matrices up-to-date, so that the areas can manage their own risks and set up treatment plans, which, if necessary, would have the support of the Banking Risks Department.
- Regarding to events reporting, the Risk Management Department regularly reminded all staff their commitment and duty to comply with this activity.
- The Bank attended the Statutory Auditor requirements related to SARO with satisfactory results.
- There was a follow-up visit from the Auditor General´s Office on SARO's technological support requirements, a recurring events review and an accounting reconciliation, as they affected financial statements with positive results.
- The Financial Superintendency visited Bank in August; certain improvement opportunities were raised, and measures were taken to their implementation.
- The Bank completed an adjustment to the Risk Assessment Methodology (potential and materialized), through which risk assessment matrices are obtained, and included within the internal Operating Risk Management Rule, after approval by the Board.
- Review and updates of processes' risk assessment matrices continued, and

adjustments were made in order to determine the risks to which the Entity is exposed, identifying controls to mitigate them, for residual risk assessment, keeping exposure measures within tolerable limits.

- Regarding to the Business Impact Analysis –BIA-, forms updating continued, defining critical processes and ensuring that they were aligned with processes established in the Business Continuity Plan.

In 2017, operating risk events with impact on the financial statements totalled COP 365.6 million; 75% of cases due to processes' execution and management, and 15.8% from external fraud, but no specific treatment plans were required.

The Bank's operating risk appetite is conservative, and is set at 0.5% of computable capital, which easily covers occurred Type-A risk events in2017.

The operating risk events during 2017 show that the Bank's residual risk level is VERY LOW, with an insignificant impact and low probability of occurrence for all the Bank's processes.

5.5 ANTI MONEY LAUNDERING AND COUNTER TERRORISM FINANCING RISK MANAGEMENT SYSTEM- SARLAFT

The Bank is aware that money laundering and the financing of terrorism may be present to some extent in the business environment, representing a serious threat to the financial system stability. The Bank complies strictly with Articles 102 of the Financial System Statute, Part 1, Title IV, Chapter IV of the SFC Basic Legal Circular (Circular 055/2016), and international recommendations from the Financial Action Task Force on Money Laundering (FATF); and all complementary rules or recommendations related to money laundering and the financing of terrorism's risks.

As an entity subject to SFC control and supervision, the Bank adopted appropriate and adequate control measures, designed to prevent it from being used to give the appearance of legality to assets which might proceed from criminal activity, or to channel resource funds towards terrorist activity.

In conformity with the above, the Board, with the President and the Compliance Officer support, has defined adequate policies and procedures for Money Laundering Management Risk and Terrorist Financing (SARLAFT), which allows those risks to be identified, measured, evaluated, controlled and monitored.
Implemented SARLAFT covers all the Bank's activities in the course of its principal business, and provides for procedures and methodologies to protect it from being used directly - that is, through its shareholders, management and other related parties - as an instrument for the for money-laundering or funds channelling towards terrorist activity, or

where there is an intention to conceal assets which are the proceeds of those activities.

The Bank has a number of instances which are part of the control and risk management ML/TF's process, including the Compliance Unit, led by the Compliance Officer; the General Audit and the Statutory Auditor, who are responsible for ensuring that the risk management system works as intended, according to the compliance evaluation with policies set up by the Bank, and to promote the corrective actions adoption as necessary to improve them.

The Bank has an annual training programme led by the Compliance Officer, intended to promote SARLAFT culture, which is addressed to all staff. The most recent training cycle was held in August 2017, in which matters related to ML/TF concepts' risks were discussed (factors, stages, elements, associated risks, etc), the organizational structure, code of ethics, know-your-customer, warning signals, unusual and suspect operations, and sanctions for failure to comply with SARLAFT, amongst others.

Control mechanisms and instruments for money laundering and terrorist financing prevention are found in SARLAFT Procedure Manuals, and Code of Conduct, all approved by the Board.

The Bank, in compliance with the Financial Information and Analysis Unit (UIAF) requirements, prepares the legal reports related to Cash Operations, Foreign Currency Transactions, Exempt Clients, Political Campaigns Report and Suspicious Transactions.

SFC's Circulars 109/2015 and 110/2015 reiterated the obligation to keep confidentiality of suspect operations reported to the UIAF, explain matters related to the administrative agreement between the Ministry of Foreign Affairs, the Attorney-General's Office, the Financial Superintendency and UIAF. As a result, the Bank continues to handle information with total confidentiality and at the highest management level.

Risk Profile Evolution

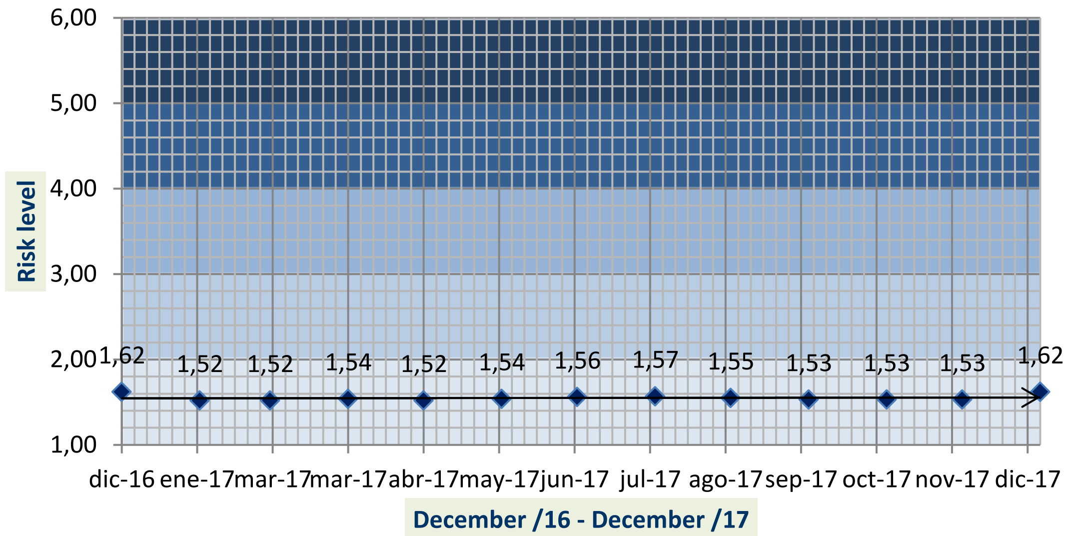
According to the Bank's risk management, including a risk evolution review according to identified risk factors and associated risks and controls based on an evaluation as of December 31, 2017, it was concluded that 92% of residual risks are "low", and 8% are "moderate".

Regarding risk factors' segmentation, for which criteria stablished on Circular 55/2016, section 4.2.2.3.2 must be taken into account, whereby individual customer profiles are defined, consolidated average risk level for 2017 was -notably- only 1.54. Since risk levels are scaled between 1 and 5 (being 5 the highest risk) it is clear that the general risk profile of the Bank is low.

The following is a detail of the monthly risk evolution, between January and December

2017:

Graphic 13: Banco GNB Sudameris' Customer Risk Profile



5.5.1. COMMON REPORTING STANDARD (CRS)

During 2017, the Bank complied with all legal requirements related to the automatic information exchange for tax purposes, in accordance with OECD standard (CRS), and transmitted its related report to the Colombian tax and customs authority DIAN.

5.5.2. FATCA

During 2017, the Bank complied with all legal requirements related to FATCA (Foreign Account Tax Compliance Act) purposes, and transmitted the related report to DIAN.

6. CORPORATE GOVERNANCE

In compliance with the 28/2014 Superintendency's Circular requirements, the Bank presented its Best Corporate Practices report for 2017, informing the January-December 2017 situation (Attachment 1).

7. SYSTEMS AND ORGANIZATION

During 2017 the Bank engaged in a range of activities designed to secure and optimize its operating processes, and to strengthen and increase efficiency, quality and productivity levels, in particular, the following:

Processes

Assurance and Improvement of Internal Processes

Among the most important issues in this area during 2017 are:

- Extension of the customer service scheme for Payroll Instalment Loan Agreements, through the Bank´s nationwide office network, supported by policies and procedures formalization, in order to provide comprehensive, prompt and efficient advisory services.
- Customers' guidelines standardization, engagement and maintenance for the Payroll Loan Vicepresidency.
- Guidelines' definition and implementation under which the Bank must process the payments reversal requested by financial consumers, as a result of goods and services acquisition conducted through e-commerce mechanisms, through the use of credit cards, debit cards, or any other electronic payment instrument, in compliance with Decree 587/2016.
- Optimization of the Financial Consumer Service System – SAC – model, adjusting operation types for risk maps preparation, enabling a more accurate operating risks analysis that allow a more accurate analysis regarding the operational risk in the attention of complaints and claims against the Bank and its subsidiaries.
- Guidelines' implementation and documentation associated with the unified total value (VTU) calculation and delivery, to Consumer and Payroll Customers, prior to the approval of asset and liability products in each portfolio, in compliance with SFC's Circular 023/2016.
- Development and implementation of changes in the procedures for the Bank and its subsidiaries' customers' engagement, related to a Politically Exposed Persons (PEP) broader definition, the incorporation "final beneficiary" definition, and procedures to follow-up and control in compliance with SFC's Circular 055/2016.
- Attention and service scheme implementation for disabled financial consumers, through policies and procedures' definition, documentation and implementation, by means of through a range of channels available - office network, customer service lines, salesforce, and website -. At the same time, the Bank has created mechanisms to supply consumers with clear, adequate and easy-to-understand information, related to existing products and services, in compliance with SFC's Circular 008 of March 31, 2017.
- Design, implementation and official adoption of policies related to loans' "Modification", in accordance with SFC's Circular 026/2017, in order to provide adequate governance and control for debtors' loans management with potential or real impairment in their capacity to pay, and who wish to adopt the regime of

the Circular.

- Management for financial consumers' services' rendering during the incidence of events that generate Bank service channels' interruption.

Processes' Optimization

The following are among the most important topics in this area:

- Technological tools' development and implementation, designed as a mechanism to optimize legal proceedings reception and management, corresponding to the Legal Support and Advisory Services Department.
- Measures' study, analysis and identification to optimize resources and reduce costs associated with the following processes:
  - Engagement forms printing
  - Office supplies
  - Messenger services and correspondence
  - Filing
  - Documents' printing in different areas
  - Statements' generation and delivery
  - Cleaning supplies

Regulatory documentation

- During 2017, the Bank restructured the preparation methodology used for the Bank and its subsidiaries' regulatory documentation, generated by the Organization and Processes Unit, strengthening paperwork understanding and handling.
- The Bank prepared and updated internal regulations associated with securing, improving and optimizing processes as mentioned above, including those affected by external regulation.
- Regular institution and area manuals documentation were updated.

Technology

The Bank has worked permanently on the review and supervision levels strengthening of information systems with general controls and applications, to guarantee the information integrity and promptness, considering security, process quality and confidentiality, amongst other considerations.

The Bank´s operations controls were optimised, for both presential and non-presential service channels, in order to increase transactions' security, continue with the strategy of strengthening security measures and good practices for fraud management, and improve levels of customer's complaints and claims.

Customer information updating was maintained as a current and ongoing policy within the organization.

Business Continuity Plans were tested in order to evaluate and secure the processes' execution in each area of the Bank.

The organization continues to work on the enhancement of review and supervision levels. In and in order to generate data effectiveness, quality and integrity in the processes, for which support was given to the development and implementation and/or formalization of the following improvements and security measures:

- SWIFT's security arrangements services for funds transfer abroad and within the country, updating the software authorization module, security, parameter-setting and the Sanctions Screening system implementation in compliance with SARLAFT.
- Refining the protecting credit cards' process in information exchange process with third parties, in order to guarantee card numbers information confidentiality, and to mitigate fraud-related risks.
- SFC's Circular 026/2017 implementation, on refinancing loans process, in accordance with customer needs, and based on the Bank's policies and regulatory guidelines.
- Queries and transactions implementation for Servivalores GNB Sudameris' Rentaval Collective Fund, in customer service channels, such as e-banking, offices, ATMs and sales points (using debit cards), based on the network use agreement.
- Bank's systems adjustments to attend paymaster accounts, following SFC's regulations and Government instructions.
- Improvements in the credit card management system, following mandatory requirements of MasterCard and Visa franchises.
- Implementation of a new version for the information collection system, optimising technological aspects designed to improve availability, and promoting debt recovery indicators improvement.
- Improvements in e-banking and PSE systems, to enable new functions and enhance logical security aspects.
- Monitoring servers process' improvements with special tools for business services presentation and its related technological architecture.
- Policies review and improvement of logical security parameters setting for the AS400 platform, supporting the Bank's main Core.

8. EVALUATION OF THE FINANCIAL CONSUMER ATTENTION SYSTEM – SAC

SAC stages Management

During 2017, the policies, procedures, structure and infrastructure defined for SAC management were successfully implemented, designed to offer and guarantee service, protection and respect for financial consumers, and managing the permanent follow-up and monitoring of the statistics and management indicators behaviour, related to received complaints and claims, developing new activities and strategies designed to comply with the objectives of the organisation.

Assurances and optimization

- Implementation and unification of control and follow-up processes in the outsourcing Call Center operation.
- Implementation of activities designed to improve response times for requirements from the Statutory Auditor, or from Business and Institutional banking customers.
- Process Centralization in order to attend requirements related to originators for Payroll Loans Agreements.
- Implementation of the work-plan to secure service levels for specific service typologies as EXPRESS SERVICE, according to SFC regulations, to be attended within 24 and 48 hours following official receipt.
- Optimization of statistical report for follow-up and management of petitions, complaints and claims (PCC), for continuous service levels improvement, and control detection and assurance of situations that could affect the Bank´s institutional goal full compliance to be among the Banks with the smallest number of complaints and claims.
- Operating processes' assurance for maintenance and reporting of customer's commercial information sent to the information bureaus - Datacrédito and Transunion (CIFIN) -, and a quality improvement implementation and execution plan, in order to reduce claims number related to this process.
- Procedures and scripts' continuous optimization for customer retention process (credit card and revolving credit products), managed through the "GNB Sudameris Experience Line", improving process effectiveness.
- PBX's operations centralization, incorporating the one located in downtown Bogotá's Headquarters, in order to optimize processes, standardize service procedures, and provide adequate service to external and internal customers.
- The Bank implemented new activities within its action plans, based on the 10 most relevant complaints and claims in the first quarter of 2017, in order to minimize customer disagreements' probability.
- System parameters' definition centralization for the statement delivery process, optimizing delivery time in order to contribute to the related indicator

improvement.
- Filing process' implementation for payroll loans applications, in order to optimize received complaints types.
- Payroll loans withdrawal evaluation requests process' optimization, executing control activities in order to improve response times and related operating processes.
- Managerial Reports' implementation of payroll loan customers' balance certifications requests, in order to pursue retention actions.
- SFC's Circular 008 implementation at all service points, website, and Call Center, related to "Attention to disabled persons".

Training plan

During the first quarter of 2017 the Bank addressed to all staff a Customer Service System (SAC) virtual training plan, to reinforce proper attention to financial customers' concepts.

The Human Resources Department also conducted to all new staff entering into the organization during the year, a SAC induction training program.

Training activities took place within customer service areas, as a means of improving the information quality in the Bank's replies given to financial consumers. At the same time, to secure proper attention through that channel, face-to-face training on topics related to SAC was addressed to new advisers on the service lines.

A training for the entire service channels' team with the Financial Consumers Defender, Dr Luis Humberto Luis Ustariz, was executed, regarding general SAC's aspects, with an emphasis on the importance of giving proper attention to the financial consumer.

Financial Education Program

During 2017, the National Product Development and Marketing Department carried out the Financial Education Program addressed to financial consumers, using the Bank's website and Mailings as the main communication channels, addressing the following topics:

- Concepts on how to use Electronic Banking
- Healthy financial habits recommendations
- Loans Normalization concept's definition
- Information on accounts types' differences
- Concepts on how the "Revolving Credit" product works
- How to extend a Term Deposit
- Information about the Banking-insurance product
- Financial Information Bureaus' concepts and responsibilities

- Promissory Note general concept
- Recommendations for the proper use and application for a loan
- Information about the Term Deposit's renewal.
- General information about VTU (unified total value) and its references (VTU - Assets and VTU- Liabilities), amongst other.

9. IMPORTANT POST CLOSING FINANCIAL YEAR EVENTS

There are no post-closing 2017 events to be mentioned.

10. EXPECTED DEVELOPMENT

In 2018, the Bank expects a more dynamic economic environment than 2017. Work will continue on guidelines for growth, maintaining market niches and enhancing current business lines, all within the context of an adequate profitability margins' policy with a minimum exposure to risk, in order to maintain appropriate levels of loans and capital, and to secure the Bank's growth in the long-term.

11. SPECIAL REPORT OPERATIONS BETWEEN RELATED PARTIES

At the end of December 2017, Banco GNB Sudameris S.A. reported operations with related parties, all within the legal framework that regulates its activity. Associated information can be found in Financial Statements and related Notes.

12. OPERATIONS WITH SHAREHOLDERS AND ADMINISTRATORS

In compliance with Article 47 of Law 222/1995's terms, amended by Law 603/2000, we state that at December 2017 operations undertaken by Banco GNB Sudameris with its shareholders were in accordance with the Bank's general policy, and all within the law framework that regulates its activity. Also, operations undertaken with managers, in staff loans form, were executed in accordance with the Bank's policies and procedures, and related details are available to the SFC.

We note that regarding to direct or indirect operations with related parties, contract conditions were in line with negotiations standard criteria, with normal risk criteria and market rates, or eventually, with operations conditions undertaken with other customers, following the rules and exceptions provided for in the law, and with the relevant authorisation.

13. DISCLOSURE AND CONTROL SYSTEMS PERFORMANCE EVALUATION

In compliance with Article 47 of Law 964/2005 terms', we inform that Banco GNB Sudameris has an adequate Disclosure and Control, which makes it possible to engage in permanent follow-up of results, as well as the various risks to which the Bank is exposed. This implies that established plans and budgets' fulfilment is efficiently controlled and opportune decisions can be taken in case of any eventuality.

There is permanent verification of controls operability and consolidation processes, construction and transmission's reviewing of the Bank's financial information reports, in accordance with the structure and timing established internally, or according to external supervision and control entities' requirements. Management reports are produced related to own position, balances, results, and treasury operations results, in order to keep Management informed and allow proper analysis and decision-making.

14. INTERNAL CONTROL SYSTEMS EVALUATION

Regarding the Internal Control System evaluation, an independent section is presented in which the performance assessment of the of the ICS is reported for each of the elements indicated in Circular 029/2014, including a system effectiveness assessment for the Bank's subsidiaries (affiliates).

15. INFORMATION UNDER ART. 446.3 OF THE COLOMBIAN COMMERCIAL CODE

All information indicated in the Commercial Code's Section 446-3 was presented to the Annual General Meeting, and will be available at the Bank General Secretary's office.

16. INTELLECTUAL PROPERTY AND COPYRIGHT LEGAL COMPLIANCE

Banco GNB Sudameris has acquired the software it uses legally, and holds related licenses in accordance with Law 603/2000 on Intellectual Property and Copyright. It has also designed, regulated and documented control mechanisms for acquisition, development and maintenance of that software. Additionally, there is documentation that shows that the software installed and in use has the corresponding licenses.

In compliance with the SFC's Circular Letter No. 16/2011, the document issued by the Bank's General Auditor, attached to this document as (Annex 3), records that the software used by the Bank has been legally acquired and that it has the corresponding licenses, in accordance with provisions of Law 603 of 2000 on Intellectual Property and Copyright.

17. FREE INVOICES CIRCULATION LEGAL COMPLIANCE

In compliance with the law and in particular, the terms of Law 1676 August 20, 2013, supplementing Article 7 of Law 1231/2008, the Bank has not retained any invoices or performed any act which would impede the free circulation of invoices issued by its suppliers or vendors.

18. ASSERTIONS VERIFICATION

Banco GNB Sudameris' Board of Directors and President, in the terms established in Section 2.3.7 of Chapter IX of SFC Circular 100/1995, place it expressly on record that the Management has complied with the terms of Article 57 of Decree 2649/1993 on the verification of affirmations.

19. LEGAL SITUATION

The Bank complies with current provisions of law regulating its activities, and its Articles. During 2017, it had no knowledge of cases or actions of an administrative or judicial nature of material importance that would affect the Bank's activities development during the period reported.

20. FINAL CONSIDERATIONS

In legal matters, there were no situations which would affect the Bank's normal operations course, and no circumstances arose which would be a real or objectively determinable threat to the continuity of the business.

21. RECOGNITION

The Board and President of the Bank are grateful for the staff's highly committed support in achieving 2017 objectives.

THE BOARD

CAMILO VERASTEGUI CARVAJAL
President