

## BANCO GNB SUDAMERIS S.A. and SUBSIDIARIES

Notes to the Consolidated Financial Statements  
**December 31, 2014 and 2013**  
(Amounts in millions of Colombian pesos)

### **(1) Reporting Entity**

Banco GNB Sudameris S. A. (“the Parent”) is a stock corporation incorporated by Public Deed 8067 of December 10, 1976, Notary 5, Bogota D.C. According to its Articles of Incorporation, the Parent’s legal existence will expire on January 1, 2076, but this term may be reduced by dissolution or increased by extension. The business of the Parent is to perform all operations and enter into all contracts permitted for commercial banks, subject to the requirements and limitations of Colombian law.

Financial Superintendency (the “Superintendency”) Resolution 3140 of September 24, 1993 renewed the Parent’s operating license. The latest amendments to Articles were an exemption from a requirement of the authorization of a shareholders’ general meeting for operations with related parties to guarantee, endorse or otherwise support operations of affiliates in Colombia or abroad (Deed 2605 of April 21, 2014, Notary 13, Bogota)

Other significant changes to its Articles have been:

Acting on Superintendency Circular 054/2008 and its recommendations in Communication2008017272-004-0000 and other matters within the competence of the shareholders, the Parent amended its Articles as required (Deed 3725 of April 22, 2009, Notary 72, Bogota)

Banco Sudameris Colombia absorbed Banco Tequendama S.A., which was then dissolved but not liquidated (Deed 6432, June 28, 2005, Notary 29, Bogota).

Change of name from Banco Sudameris Colombia S.A. to Banco GNB Sudameris S.A. authorized to use the name Banco GNB Sudameris S.A. (or omitting S.A.) without losing its nature as a stock corporation. (Deed 6520, Notary 29 Bogota, June 29, 2005).

The Parent increased its capital from \$40,000 to \$50,000, divided into 125 million nominative shares of \$400 (pesos) each, with a corresponding amendment to Article 5 (Deed 6011, Notary 29, Bogota, May 23, 2006)

Articles 25(a), 29, 31 and 32 were amended to suppress the appointment of personal alternates for the principal Directors, as required by Article 44 of Law 964/2005 (Deed 4679, Notary 29 Bogota, April 2, 2007).

The Parent’s authorized capital was increased to \$75,000 million, divided into 187,500,000 shares of \$400 par value each (Deed 1029 of March 5, 2012, Notary 13, Bogotá)

The Parent’s Parent is Gilex Holding BV, a Netherlands incorporation with registered offices at Herikerbergweg 238, Luna ArenA (1101CM), Amsterdam Zuidoost, Netherlands.

The Parent’s registered offices are in Bogota, and there are the following offices: Head Office, 19 branches, 41 agencies, 9 satellite agencies, 8 cash desks and 50 collection points, 4 “superservice points” for public services, 2 payment points, 3 enrolment points, 23 sales points for Payroll Installment Loans, 1 Premier Center and 1 payment and collection center .

The Bank has five Colombian subsidiaries: Servitrust GNB Sudameris S.A., Sociedad al Servicio de la Tecnología y Sistematización Bancaria Tecnibanca S.A. – Servibanca S.A., Servivalores GNB Sudameris S.A. – Comisionista de Bolsa, Servitotal GNB Sudameris S.A., Fiduciaria GNB, acquired through the

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merger with Banco GNB Colombia; all with registered offices in Bogotá and two foreign subsidiaries, Banco GNB Peru S.A. and Banco GNB Paraguay S.A.

On June 28, 2010 Banco GNB Sudameris S.A. completed the purchase of 4,217,038 shares of Nacional de Valores S.A. Comisionista de Bolsa, representing 90.1% of its outstanding shares. The Superintendency and the Securities Exchange BVC approved this operation.

Because Banco GNB Sudameris S.A. is the majority stockholder of Servivalores GNB Sudameris S.A., with 94.9% of its outstanding shares and of Nacional de Valores S.A. with 90.1% of its outstanding shares, a decision was made with the minority stockholders to promote a merger between the two in a short-form procedure with advance notice.

Superintendency Resolution 1871 of September 22, 2010 issued a Statement of No Objection to the merger of Servivalores GNB Sudameris S.A. (absorbing) with Nacional de Valores S.A. (absorbed) and this was formalized in Deed 3299, Notary 36, Bogota on October 1, 2010.

At December 31, 2014 the Bank had 1,406 contract staff and 111 temporary staff.

The attached financial statements combine the assets, liabilities and results of their offices.

The consolidated financial statements are prepared separately.

### **Merger**

On February 21, 2014, following Superintendency Statement of No-Objection No. 2334 of December 23, 2013, Banco GNB Sudameris S.A., acquired 150,122,727,677 shares of Banco GNB Colombia S.A. (formerly HSBC Colombia), representing 99.94% of its outstanding shares.

Banco GNB Sudameris S.A. and its stockholders who hold 99.72% of the outstanding shares and Banco GNB Colombia S.A. with its stockholder Banco GNB Sudameris which holds 99.94% of the outstanding shares decided to promote the merger of Banco GNB Sudameris and Banco GNB Colombia S.A., through a short-form procedure with advance notice.

Superintendency Resolution 1684 of September 26, 2014 gave a Statement of No Objection to the merger in which Banco GNB Colombia S.A. was absorbed by Banco GNB Sudameris S.A.

Public Deed 7060 of October 9, 2014 at Notary 13 Bogotá, D.C., registered at the Bogotá Chamber of Commerce on October 10, 2014 recorded the merger, in which Banco GNB Colombia S.A., dissolved but did not liquidate.

The merger brought about a share exchange and the result was an increase in paid capital of 12,207 shares issued on October 10, 2014 for a total of 165,049,441 shares outstanding in Banco GNB Sudameris, with nominative shares of \$400 pesos each.

The following is the detail of the merger for each group of accounts at October 10, 2014:

	Banco GNB Sudameris Individual	Banco GNB Colombia Individual	Banco GNB Sudameris Merged
<b>ASSETS</b>	<b>\$ 13,998,347</b>	<b>1,375,011</b>	<b>15,284,247</b>
Cash and due from banks	894,593	76,755	971,348
Money market asset positions	1,499,831	0	1,499,831

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Investments	5,053,177	566,039	5,383,609
Loans and financial leasing operations	5,971,062	632,849	6,603,911
Acceptances, spot operations and derivatives	1,063	125	1,188
Accounts receivable	122,300	22,890	145,190
Foreclosed assets	5,661	0	5,661
Property and equipment	90,919	17,923	108,842
Other assets	273,468	36,956	394,218
Valuations - gains	149,440	21,473	170,913
Valuations - losses	63,168	0	466
<b>LLIABILITIES</b>	<b>\$ 12,773,929</b>	<b>1,200,437</b>	<b>13,974,366</b>
Deposits and demand accounts	10,581,753	835,387	11,417,140
Money market liability positions	32,847	200,000	232,847
Bank acceptances and derivatives	2,376	204	2,580
Bank loans and other financial obligations	842,894	55,754	898,648
Accounts payable	110,235	19,261	129,496
Long-term debt	1,129,128	50,000	1,179,128
Other liabilities	25,604	15,237	40,841
Estimated liabilities and provisions	49,092	24,594	73,686
<b>STOCKHOLDERS' EQUITY</b>	<b>\$ 1,224,418</b>	<b>174,574</b>	<b>1,309,881</b>
Capital	66,015	191,152	66,020
Reserves	965,066	392	965,065
Surplus / deficit	89,694	21,584	173,980
Results of previous period	0	(39,727)	0
Profit for the period	103,643	1,173	104,816
<b>INCOME</b>	<b>\$ 1,078,730</b>	<b>5,875</b>	<b>1,084,605</b>
Operating	1,064,386	5,833	1,070,219
Non-operating	14,344	42	14,386
<b>COSTS AND EXPENSES</b>	<b>\$ 975,085</b>	<b>4,704</b>	<b>979,789</b>
Operating	947,799	4,632	952,431
Non-operating	4,974	72	5,046
Income tax	22,312	0	22,312

### **Subsidiaries**

#### **Subsidiaries in Colombia**

There are 5 subsidiaries in Colombia, all with registered offices in Bogotá:

Servitrust GNB Sudameris S.A.,  
Sociedad al Servicio de la Tecnología y Sistematización Bancaria Tecnibanca S.A. -Servibanca S.A.  
Servivalores GNB Sudameris S.A. Comisionista de Bolsa,

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Servitotal GNB Sudameris S.A.,  
 Fiduciaria GNB S.A.

Servivalores GNB Sudameris S.A.

This company was incorporated by Deed 0767 of March 14, 2003 as a securities broker on the Colombian stock exchange BVC, authorized by Superintendency Resolution 0133 of March 11, 2003; it may also trade for its own account, manage securities for its customers, acts as intermediary in placements, and finances the acquisition of securities, amongst other things.

Servitrust GNB Sudameris S.A.

Is a private stock corporation incorporated by Deed 3873 of July 10, 1992 Notary 18, Bogota. It is a general trust company in the financial services sector, and may undertake any business permitted by local regulations.

Sociedad al Servicio de la Tecnología y Sistematización Bancaria Tecnibanca S.A. – Servibanca S.A. –

Is a Colombian stock corporation in the business of automation and modernization of banking and financial services and operations to provide, dispense, pay and clear cash etc.-. Superintendency Resolution 872 of May 25, 2006 required organizations engaged in low-value payment systems to adopt the Uniform Plan of Accounts (PUC) of Resolution 3600/1998.

Servitotal GNB Sudameris S.A.

Is a stock corporation incorporated by Deed 7177 of December 26, 2012 engaged in technical and administrative services, IT service and services such as the definition, analysis, design, construction, configuration, certification, testing, implementation, support and maintenance of software and hardware for ICT.

This subsidiary has not yet commenced operations.

Fiduciaria GNB S.A.

This is a private trust company in the financial services sector incorporated by Deed 5564 of November 12, 1991, Notary 7, Bogotá, licensed to undertake all kinds of business open to trust companies, and subject to related regulations and restrictions in Colombia. At December 31, 2014 Fiduciaria GNB S.A. was consolidated with Banco GNB Sudameris S.A. for the first time as a result of the purchase of HSBC Colombia S.A., of which the trust company was a subsidiary.

The subsidiaries had the following operational staff:

<b>National Subsidiaries</b>	<b>Payroll</b>	<b>Temporary Services</b>
Servitrust GNB Sudameris S.A.	31	3
Servivalores GNB Sudameris S.A.	13	0
Servibanca S.A.	60	3
Banco GNB Colombia S.A	494	66
Fiduciaria GNB S.A.	54	4
<b>Total</b>	<b>652</b>	<b>76</b>

The Colombian affiliates thus have 652 contract employees and 76 temporary staff.

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**BANCO GNB SUDAMERIS S.A.**  
**Notes to the Financial Statements**

**Subsidiaries outside Colombia**

Colombian Superintendency Letter 2013002611-080 of July 8, 2013 authorized Banco GNB Sudameris S.A. (the Parent) to acquire the shares of HSBC Bank Peru S.A., HSBC Bank Paraguay S.A. And HSBC Bank Uruguay S.A.. Peruvian Superintendency letter SBS 5378-2013 of September 6, 2013 and Banco Central de Paraguay Resolution 19 (Minute 74) of October 24, 2013 clarified by Note SBSG 01484/2013 of November 7, 2013, authorized the acquisitions of the shares of the HSBC banks in Peru and Paraguay, respectively.

The Parent therefore, on October 4 and November 29, 2013 proceeded to acquire the Peruvian bank, now Banco GNB Peru, and the Paraguayan bank, now GNB Bank Paraguay S.A. with 670,551.999 and 3,016 shares respectively representing 99.99% and 99.96% of their respective outstanding shares.

**Acquisition of subsidiaries outside Colombia**

The following were the balances acquired in the above operations:

Description	Banco GNB Peru S.A. (1)			Banco GNB Paraguay S.A. (2)		
	New soles 04-oct-13 a	Sol/USDF X- rate 04-oct-13 b	Acquired in USD equiv. a / b	Balance in guaranees 29-Nov-13 c	Guarani/USD X- rate 29-Nov-13 d	Acquired in USD equiv. c / d
Assets	S/, 4,171,069,321	2.779	USD 1,500,924,549	Gs, 3,292,161,804,444	4,422.000	USD 744,495,111
Liabilities	3,772,852,346		1,357,629,488	2,997,410,663,689		677,840,494
Equity	S/, 398,216,975		USD 143,295,061	Gs, 294,751,140,755		USD 66,655,618

(1) Balances of Banco GNB Peru S.A. on October 4, 2013.

(2) Balances of Banco GNB Paraguay S.A. on November 30, 2013.

**Banco GNB Peru S.A.**

This is a Peruvian financial institution incorporated by a Public Deed 22 of November 30, 2006 Notary Zumilda A. Narvaja, registered as No. 11877589 in the Lima Business Register; it was authorized to operate as a “multiple bank” by Superintendency Resolution SBS 537-2006 of April 28, 2006.

The Parent’s operations are basically financial intermediation as permitted to “multiple banks” regulated by the Superintendency under the Parenting Law (No. 26702), which is the statute regulating private banking and insurance activities. The Parent is licensed to take deposits from the public and invest them and its own capital in loans and securities, to grant guarantees by endorsement and sureties, engage in financial leasing operations, financial intermediation, banking services and other activities allowed by local regulations.

The Parent began trading as HSBC Bank Peru S.A., as part of HSBC’s plan to expand in the region. After a global review of May 11, 2012, HSBC announced the sale of the subsidiaries in Colombia, Peru, Paraguay and Uruguay to GNB Sudameris S.A.

On October 4, 2013 Banco GNB Sudameris acquired 99.99% of the HSBC Bank Peru S.A. (today Banco GNB Peru S.A.) shares.

With the authorization of Superintendency Resolution SBS 5386-2013, a General Meeting of April 16, 2013 changed the name from HSBC Bank Peru S.A. to Banco GNB Peru S.A.

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**BANCO GNB SUDAMERIS S.A.**  
**Notes to the Financial Statements**

The registered offices of the Parent are at Calle Begonias 415 floor 22, Urbanización Jardín, San Isidro, Lima. At December 31, 2014 it had a Head Office, 18 (2012, 21) Agencies in Lima and the provinces. On that date it had 789 employees (754 payroll, 1 temporary staff and 34 internships)

**Banco GNB Paraguay S.A.**

This is a Paraguayan stock corporation which started operations in 1920 as the first international bank in the country, a branch of Banco de Londres y Rio de la Plata. In 1985 it became the Paraguay Branch of Lloyds Bank, and subsequently the Paraguay Branch of Lloyds TSB Bank in 2000. The operation was acquired by HSBC in 2007 and became HSBC Bank Paraguay S.A. On November 29, 2013, after receiving regulatory approvals, Banco GNB Sudameris acquired 99.96% of the outstanding shares.

The Paraguayan Central Bank issued Resolución 19 in Minute 74 of October 24, 2013, authorizing the change of name to Banco GNB Paraguay S.A., and the change was agreed at an Extraordinary Meeting of Shareholders on November 29, 2013 (Minute 12).

The Paraguayan Banking Law (Law 861) and regulations (and the Civil Code as otherwise applicable) permit banks to take in local and foreign currency sight and term savings and checking account deposits, place notes and bonds in local and foreign currencies and issue negotiable term deposit certificates; they may discount, buy and sell term trade bills and grant loans, etc. – all as locally regulated.

At December 31, 2014 the Parent has a Head Office and 6 agencies in Asunción and in the provinces. There are 194 employees and 1 external employee on the payroll and 88 outsourced temporary staff.

At December 31, 2014 and 2013 the assets, liabilities, equity and results of the Parent and subsidiaries, and the Parent's interest in the latter, were as follows:

	<u>December 31, 2014</u>								
	<u>Banco GNB Sudameris S.A.</u>	<u>Servitrust GNB Sudameris S.A.</u>	<u>Servibanca S.A.</u>	<u>Servivalores GNB Sudameris S.A.</u>	<u>Fiduciaria GNB</u>	<u>Banco GNB Paraguay S.A.</u>	<u>Banco GNB Peru S.A.</u>	<u>Net elimination</u>	<u>Consolidated total</u>
Assets	17,599,236	35,483	107,913	37,989	32,523	1,848,583	3,398,886	(872,233)	22,188,590
Liabilities	16,267,344	13,414	38,619	6,437	8,837	1,715,612	3,106,684	(233,018)	20,908,916
Equity	1,331,892	22,069	69,294	31,552	23,686	132,971	292,202	(623,993)	1,279,652
Parent's interest in subsidiaries		94.89%	88.50%	94.99%	99.63%	99.96%	99.99%		
Gilex Holding B.V. interest in subsidiaries		3.02%							
	<u>December 31, 2013</u>								
	<u>Banco GNB Sudameris S.A.</u>	<u>Servitrust GNB Sudameris S.A.</u>	<u>Servibanca S.A.</u>	<u>Servivalores GNB Sudameris S.A.</u>	<u>Banco GNB Paraguay S.A.</u>	<u>Banco GNB Peru S.A.</u>	<u>Net elimination</u>	<u>Consolidated total</u>	
Assets	\$13,876,956	45,202	110,033	32,926	1,397,742	2,494,757	(501,138)	17,456,478	
Liabilities	12,700,340	25,244	47,087	810	1,287,412	2,231,311	(14,200)	16,278,004	
Equity	\$ 1,176,616	19,958	62,946	32,116	110,330	263,446	(486,938)	1,178,474	
Parent's interest in subsidiaries		94.89%	88.50%	94.99%	99.96%	99.99%			
Gilex Holding B.V. interest in subsidiaries		3.02%							

The affiliate Servitotal GNB Sudameris S.A. does not consolidate because it is not subject to Superintendency supervision. It has not yet started activities.

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**Notes to the Financial Statements**

**Excess of investment cost over book value**

When investments in GNB Banco GNB Peru S.A. and Banco GNB Paraguay S.A. are eliminated against their equity, there is an excess of investment cost over book value as follows:

Investment	Excess	Amortized	Balance to be amortized
Banco GNB Peru S.A.	\$ 14,261	28,852	\$ 115,409
Banco GNB Paraguay S.A.	20,139	<u>4,028</u>	<u>16,111</u>
		<b>Total</b>	<b>\$ 131,520</b>

**(2) Summary of Accounting Policies**

**a. Basic Accounting Policies**

The accounting policies and the preparation of the financial statements of the Parent and Subsidiaries are in accordance with accounting standards generally accepted in Colombia, as established by the Financial Superintendency.

Figures for the Subsidiaries outside Colombia were homogenized so that they became equivalent to accounting practices generally accepted in Colombia and Colombian Superintendency instructions.

The financial statements of the Parent follow the requirements of the Colombian Commercial Code and include the financial statements of subsidiaries in Colombia under Colombian Superintendency supervision and subsidiaries outside Colombia in which there is a direct or indirect interest of 50% or more of outstanding shares. Income, expenses, assets, liabilities and equity of the subsidiaries are included appropriately in the consolidated financial statements after eliminating intercompany items and homogenizing accounts or establishing equivalent classifications.

**Substantial variations in uniformity**

Consolidation requires that equivalent classifications be established so that all items satisfy accounting practices generally accepted in Colombia.

The financial statements of subsidiaries outside Colombia are expressed in their local currencies:

Country	Currency
Paraguay	Guaraní
Peru	New sol

Following Colombian Superintendency Circular 100/1995 Chapter X, the financial statements are re-expressed as follows: The Balance Sheet is converted at the closing rate the statement of earnings at an average rate; and capital at the historic rate. The following rates or factors were used at December 31, 2014.

December 31, 2014				
Conversion of financial statements – subsidiaries outside Colombia				
	Peru *	Paraguay *	Peru **	Paraguay **
Balance Sheet	2.986	4,629.000	2,392.46	2,393.26
Earnings statement	2.838	4,459.530	2,000.33	2,000.33
Capital	2.789	4,421.060	1,945.23	1,945.35

\* Local currency/USD factor

\*\* USD/COP factor

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The Parent established equivalences for accounts and homogenized the accounting practices generally accepted by the subsidiaries outside Colombia to the Colombian Superintendency's regulations, principally where items might affect the structure of the consolidated financial statements, such as loan allowances and property and equipment and their depreciation.

**Loan allowances**

Additional allowances were made of \$11,057 in Banco GNB Peru S.A. and of \$10,254 in Banco GNB Paraguay S.A. The risk classification methods to the loan portfolios and the method for calculating allowances in subsidiaries outside Colombia, developed by the Parent and approved by the Colombian Superintendency were applied.

**b. Presentation of the Financial Statements**

The merger of Banco GNB Sudameris S.A. (absorbing) with Banco GNB Colombia S.A. (absorbed) in Deed 7060 of October 9, 2014 registered at the Chamber of Commerce on October 10, 2014, affected the comparability of the financial statements at December 31, 2014 and December 31, 2013: the accounts of merged balance sheet include balances migrated from Banco GNB Colombia S.A. at October 10, 2014 and the profit and loss accounts for accumulated movement from October 1-10, 2014

**c. Statement of Cash and Cash Equivalent Flows**

Cash flows are prepared using the indirect method. Money-market asset positions are considered to be cash equivalents for this purpose

**d. Money market asset and liability positions**

Money Market operations include repos, simultaneous operations, Interbank Funds:

**Ordinary Interbank Funds**

These are funds placed or received by the Parent and Subsidiaries directly with another financial entity, with no agreement to transfer securities or loans. They are current business operations at no more than 30 calendar days, designed to use surplus liquidity or make up liquidity deficits, including overnight operations with banks outside Colombia using Parent and Subsidiaries funds.

Interest yields on these operations are credited to earnings.

**Transfer Commitments under Repos**

In a repo, the Parent and Subsidiaries acquire or transfer securities in exchange for cash, also committing itself to transfer to, or re-acquire from, the counterpart that same day or later (but not more than a year later), with securities of the same kind and characteristics, at a given price.

The initial amount may be calculated at a discount from the market value of the securities; in the course of the operation the securities initially traded may be replaced by others, and restrictions may be set on the mobility of the securities involved.

Yields are calculated exponentially over the life of the operation and are accrued in the earnings statement.

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Securities transferred in the operation are recorded in Debtor or Creditor Contingency accounts, depending on whether the operation is an asset or liability transaction.

**Transfer Commitments under Simultaneous Operations**

Here, the Parent or a Subsidiary acquires or transfers securities in exchange for cash with the simultaneous commitment to re-transfer or re-acquire them the same date or later at a defined price for securities of the same kind and characteristics.

In these operations, no initial discount from the market price, and no substitution of the original securities is allowed; nor may restrictions be placed on the mobility of the securities.

Yields accrued by the acquirer and paid by the seller are recorded here as a cost of the operation over its term

The difference between present value (cash delivered) and future value (final transfer price) is a financial yield, calculated exponentially over the term of the operation, and is recorded in the earnings statement as and when accrued.

The securities are recorded in Debtor or Creditor Contingent accounts depending on whether the operation produces an asset or a liability.

**Commitments under short positions**

Short positions arise when the Parent transfers ownership of securities previously obtained through a commitment to transfer them in a repo or simultaneous operation.

The account records the financial obligation originating in a short position by the party initially acting as the acquirer (asset simultaneous operation) in favor of the initial disposer in the simultaneous operation for the fair price of exchange of the security object of the transaction, recorded initially as in a Creditor Memorandum Account. When the amount of the short position differs from the fair price of exchange, this difference is recorded as a profit or a loss in the earnings statement.

Daily, the obligation recorded in the liabilities section should be valued and recorded at market price or updated to the fair price of exchange, depending on the nature of the security and parameters set in current regulations for the valuation of financial investments classed as "trading" and the effect is reflected in the earnings statement.

There is a credit for the value of the financial obligation and any increase in the fair price of exchange, and a debit for payment of the obligation and any fall in the fair price of exchange.

**e. Investments**

This account includes investments acquired by the Parent for the acquisition of direct or indirect control of a company in the financial sector or engaged in services, to maintain a secondary liquidity reserve, or to meet requirements of law or regulation, or solely to eliminate or reduce market risk affecting assets, liabilities or other items in the financial statements.

The valuation of investment basically exists to calculate, book and disclose a value or fair price of exchange at which a security can be traded on a given date, depending on its particular characteristics and on prevailing market conditions.

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As of March 4, 2013, Chapter 16 of Title I of the Superintendency's Legal Circular came into effect in relation to the provision of prices and the valuation of investments, and the Parent was required to contract an official Price Supplier to value each segment of the market for a minimum of one year. The Supplier is required to supply information on the valuation on investments in each segment (prices, rates curves, margins etc.) following the parameters of Chapter I of the Superintendency Circular. The Parent contracted INFOVALMER S.A. to supply the official prices of all its investments

Investment are classified, evaluated and recorded as required by Chapter I of Superintendency Circular 100/1995, of which the following is a summary:

Classification	Term	Characteristics	Valuation	Recording
Trading – debt securities	Short term	Acquired to make profits from short-term price fluctuations.	Uses prices determined by the Price Supplier  On days when no price for the security can be found or estimated, the valuation is made exponentially based on the internal rate of return.  Valuations are made daily.	The difference between book and market value is charged or credited to the value of the investment with a credit or charge to earnings.  Investments are valued at market on the day of acquisition and therefore changes in the values of securities since acquisition date are recorded as of the purchase date.
Trading – equity investments	At sight	Unit fund investments, for yield	Unit fund investments are valued by the price of the unit calculated by the fund manager for the previous day.	The difference between current market value and the previous day's price is credited or debited to the investment and debited or credited to earnings
Held to maturity	Until maturity	Securities that the Parent or Subsidiary serious, wishes to hold to maturity or redemption and has the legal, contractual and financial capacity to do so.  The securities may not be the object of liquidity operations, repos or simultaneous operations, or temporary transfers, mandatory investments or obligations underwritten in the primary market and the counterpart is Banco de la República, the national Treasury or Superintendency – supervised institutions.  Likewise, they may be delivered in guarantee at a Counterpart Risk Clearing House to support completion of operations accepted by it for clearing and settlement	Exponentially based on the IRR calculated at the time of purchase.  Valuations are made daily	Present value is calculated as an increase to the value of the investment and the difference with the previous value is recording in the earnings statement.  This procedure is followed daily.

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Classification	Term	Characteristics	Valuation	Recording
Debt securities available for sale	1 year up to November 2013 and 6 months as of the effective date of Superintendency Circular 035 of December 2, 2013	<p>The Parent has the intention and legal, financial, operational and contractual capacity to hold these investments at least 6 months; they can be reclassified into one of the above categories.</p> <p>Upon expiry of that term, they may be reclassified to another category on the next following business day. If not reclassified on that date, it is understood that the Parent or Subsidiary continues to have a serious intention to classify them as still available for sale and therefore to continue to hold them for a period equal to that indicated for that type of investment.</p> <p>Investments classified in this category may be used as a with a central risk clearing house, upon the latter's acceptance of them for clearing and settlement.</p> <p>These investments may also be used for liquidity operations, repos, simultaneous operations or temporary securities transfers.</p>	<p>Investments in debt securities will be valued on the basis of prices, supplied by the Price Supplier.</p> <p>On days when a fair price cannot be found or estimated, these securities are valued exponentially based on their IRR.</p> <p>Valuations are made daily</p>	<p>Changes to the value of low/minimum turnover or unquoted securities are recorded as follows:</p> <p>-The difference between present value on valuation date and the existing book value is recorded as an increase to the value of the investment, which is credited to earnings.</p> <p>-The difference between market value and present value is recorded as an unrealized accumulated gain or loss in the equity section.</p> <p>This procedure is followed daily.</p>
Equity investments available for sale	None	<p>Investments made by the Parent or Subsidiary as a co-owner of the issuer</p> <p>Low/minimum turnover or unquoted held by the Parent as parent or controlling interest.</p> <p>These investments do not need to be held for a year prior to sale.</p>	<p>These securities are valued depending on whether or not they are quoted on an exchange:</p> <p>- Securities on the National Securities and issuers register RNVE</p> <p>Valued at the price published by Price Suppliers authorized by the Superintendency.</p> <p>-Unlisted equities are valued by the official Price Supplier designated for the segment, If the Price Supplier has no</p>	<p>Low/minimum turnover or unquoted</p> <p>The difference between latest updated market value and current book value is recorded as follows:</p> <p>If the new market value is higher, the difference is used to reduce any allowance or downward adjustment made until it is exhausted, and any excess is then recorded as a revaluation surplus</p> <p>If the new market value is lower, any surplus is reduced until exhausted, and any excess is a downward adjustment.</p> <p>-If dividends or profits are distributed in kind, including those corresponding to the capitalization</p>

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Classification	Term	Characteristics	Valuation	Recording
			<p>method to value these investments, the Parent must increase or reduce the acquisition cost by the percentage it holds, in respect to subsequent variations in the investment's equity value based on certified financial statements at December 31 and June 30 each year (or more recent if available)</p> <p>At each monthly closing the book equity of each international affiliate is re-expressed in US dollars and the result is compared with the value of the investment. The result is recorded as a peso valuation gain or loss.</p>	<p>of the equity revaluation account, are recorded as income for the portion recorded as a revaluation surplus, charged to the investment and the surplus is reversed.</p> <p>- If dividends or profits are distributed in cash, the amount recorded as valuation surplus is treated as income, reducing the surplus, and the amount of dividends that exceeds this is recorded as a reduction in the value of the investment.</p> <p>For the recording of investments made through purchases of international affiliates, the agreed equity value is used and re-expressed in US dollars. This value is then compared to the price paid, The difference is recorded as goodwill, to be amortized over 20 years as of the date of completion of the business.</p>

**Investment Transfer Rights**

This corresponds to restricted investments which represent the collateral for investment repurchases.

The Parent retains economic rights and benefits and continues to assume the risks related to these securities, even after ownership has legally been passed in the repo.

The securities are valued daily and recorded in the balance sheet and earnings statement using methods and procedures applicable to trading investments, investments held to maturity, and investments available for sale.

**Trading investments delivered in guarantee of derivatives, structured products and other operations, debt securities.**

This account records trading investments in debt securities delivered in an operations involving derivatives, structured products and other derivatives.

The securities are trading investments in restricted debt securities in guarantee of an operation whose principal characteristic is that its fair price of exchange depends on one or more underlying securities and settlement takes place at a later date. Settlement may be in cash, financial instruments or other tradable products or goods as agreed in the contract or regulation of the securities dealing system, of the system for recording securities operations or of the clearing and settlement systems.

The valuation and recognition of risks proper to the securities recorded in this account, and their accounting treatment, depends on the provisions of Chapters I and XVIII of the Basic Accounting Circular under the headings "Classification, Valuation and Recording of Derivatives" and "Structured Products", respectively.

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**Allowances or Losses due to Credit Risk Classification**

**Securities of Unrated Issues or Issuers**

Category	Risk	Characteristics	Allowances
A	Normal	Meets agreed terms for the security, with appropriate capacity to pay capital and interest	None
B	Acceptable	Issues with factors of uncertainty which might affect the capacity to continue to service debt; financial statements and other available information show weaknesses which might affect financial situation.	Net value may not exceed 80% of face value net of amortizations up to valuation date
C	Appreciable	High or medium probability of default in capital or interest payments when due; financial statements and other available information show deficiencies in the financial situation that compromise recovery of the investment.	Net value may not exceed 60% of face value net of amortizations up to valuation date
D.	Significant	Issues with default against agreed terms, financial statements and other available information have marked deficiencies in respect of the financial situation, and recovery of the investment is highly unlikely.	Net value may not exceed 40% of face value net of amortizations up to valuation date
E	Unrecoverable	The financial statements and other available information suggest that the investment is unrecoverable.	Full allowance required

**Externally-rated securities or issuers**

Securities that carry one or more ratings made by a rating agency recognized by the Superintendency and debt securities issued by issuers rated by them, may not be booked for amounts that exceed the following percentages of par value net of amortizations so far made up to valuation date.

Long-Term Rating	Max Value	Short-Term Rating	Max Value
BB+, BB, BB-	90%	3	90%
B+, B, B-	70%	4	50%
CCC	50%	5 and 6	0%
DD, EE	0%	5 and 6	0%

The issuer's rating is used for the estimates of allowances against term deposits

Allowances against investments classified as to be held to maturity for which a fair price can be estimated in accordance with the conditions for debt securities for trading or available for sale, correspond to the difference between book value and that price.

**f. Loans**

This account records loans in various modes funded by own funds, public deposits and other external and internal sources of finance.

Loans are recorded at disbursement value; but factoring operations are recorded at the present value of flows to be bought on a given date applying the appropriate discount rate.

The Parent has adopted a credit risk management system (SARC) to implement clear and precise policies and procedures to define criteria and modes for the Parent to evaluate, assume, classify, control and cover credit risk; not only from the point of view of allowance coverage but also through the administration of the process of granting loans and their ongoing follow-up.

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There are three modes of loan:

**Commercial Loans**

These are loans made to individuals or corporate entities for organized economic activities.

**Consumer loans**

These are loans given regardless of amount to individuals to finance the acquisition of consumer goods or pay for services for non-commercial or non-business purposes.

**Home mortgages**

These are loans given to individuals, regardless of amount, and are used to acquire new or used housing, or the construction of personal housing. They are denominated in UVR or pesos; they are guaranteed by a first mortgage on the housing unit financed.

The term of amortization is between 5 and 30 years; they may be prepaid in full or in part, with no penalty; and in the event of partial prepayment, the debtor may choose whether to reduce the installments or shorten the term of the loan. They carry ordinary interest on outstanding balances in UVR or pesos, depending on the denomination of the loan. Interest is charged in arrears and may not be capitalized. The loan may be for a maximum of 70% of the value of the property. The value must be either the purchase price or that of a professional valuation made within the last six months. Loans for social interest housing may be for up to 80% of the value of the property.

Property financed in this way must be insured against fire and earthquake.

**Frequency of Evaluation**

The Parent evaluates all loans of all kinds. Loan performance is updated monthly for part-payments, cancellations, write-offs and ageing of arrears.

For this, The Parent has adopted analytical methods and techniques to measure the credit risk inherent in a loan and possible future changes in conditions of debt servicing. These methods and techniques are based on information held of patterns of behavior of the portfolio and loans, the particular characteristics of debtors and loans and guarantees supporting them; the debtor's credit record with other lenders and financial information about the debtor or alternative information to establish his financial situation appropriately; and sector and macroeconomic variables affecting their normal development.

The Parent evaluates and reclassifies loans when:

- Payment is in arrears after a restructuring. This requires immediate reclassification.
- At least at a six-monthly evaluation (May and November); and any reclassification required is recorded at the end of the following month.

**Criteria for the evaluation of credit risk**

The Parent permanently evaluates the risks inherent in its credit assets when it grants loans and through the life of the loan, including restructurings.

The Parent has designed a Credit Risk Management System (SARC) composed of policies and processes of credit risk management, reference models for estimates or quantifications of expected losses, systems of allowances to cover credit risks and internal control systems.

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Credit is granted based on knowledge of the borrower, his capacity to pay and the characteristics of the contract to be made, including amongst other things the financial conditions of the loan, sources of repayment and macroeconomic conditions to which he might be exposed.

For the loan approvals process, each portfolio had rules that contain variables to discriminate between borrowers who match the Parent's risk profile. Segmentation and discrimination in the loan portfolios and the potential borrowers in them are the basis for classification. The methods and procedures used in the process enable the credit exposure of each portfolio to be monitored and controlled as well as the aggregate portfolio, avoiding an excessive concentration of credit per debtor, economic sector, risk factor, etc.

The Parent is engaged in continuous monitoring and classification of loan operations in accordance with the process for granting them, based amongst other things on the information on the historical performance of the portfolios and loans; the particular characteristics of debtor and their loans and guarantees; the credit record of the debtor in other entities and his financial information, in order to establish his financial situation and sector and macroeconomic variables that might affect the course of the business.

The Parent follows Laws 358-1997, 550-1999, 617-2000 and 1116-2006 when evaluating the capacity to pay of regional government agencies.

**Credit risk evaluation**

Commercial and consumer loans are classified by risk category with the following minimum objective conditions.

Category	New Loans	Existing Commercial Loans	Existing Consumer loans
AA	New loans classed AA when approved	Existing loans up to 29 days past due	Loans classified AA using MRCO rating
A	New loans classed A when approved	Existing loans 30-59 days past due	Loans classified A using MRCO rating
BB	New loans classed BB when approved	Existing loans 60-89 days past due	Loans classified BB using MRCO rating
B	New loans classed B when approved	Existing loans 90-119 days past due	Loans classified B using MRCO rating
CC	New loans classed CC when approved	Existing loans 120-149 days past due	Loans classified CC using MRCO rating
Default	-	Existing loans more than 150 days past due	Loans more than 90 days in arrears

The Parent applies the following equivalents for purposes of compatibility of risk classifications in indebtedness reports and recording in the financial statements:

**Commercial loans**

Aggregate of categories reported	
Category reported	Group Category
AA	A
A	B
BB	B
B	C
CC	C
C	C
D	D
E	E

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**Consumer Loans**

Aggregate of categories reported	
Category reported	Group Category
AA	A
Arrears 0-30 days	A
Arrears over 30 days	B
BB	B
B	C
CC	C
C	C
D	D
E	E

Where the Superintendency model requires a customer to be classed as “in default”, the following equivalences will be used:

Category E = Customers in default whose LGD is taken as 100%

Category D = Other customers in default.

For the equivalences used in consumer loans, it is understood that the arrears referred to in the table above is the maximum recorded for the debtor in aligned products.

**Home mortgage loans**

Home mortgages are classified by ageing as follows:

Category	Home mortgages
A- Normal	Current and up to 2 months arrears
B- Acceptable	2-5 months arrears
C- Acceptable	5-12 months arrears
D- Significant	12-18 months arrears
E- Unrecoverable	Over 18 months arrears

**Restructured loans**

A "restructured loan" is one for which a legal agreement exists with the intention or effect to modify the terms of the credit, to enable the debtor to pay. Before restructuring it must be established that there is a reasonable probability of recovery under the new conditions.

Debt relief granted by law – such as that of Law 546/1999 for home mortgages – is not considered to be a restructuring.

**Rules for reclassification of restructured loans**

Loans may be placed in their lower risk category after restructuring only if the restructuring agreement shows an improvement in the debtor’s capacity to pay or a smaller possibility of default. If the restructuring agreement provides a grace period for capital repayments, that classification can only be preserved where the grace period is no longer than one year after signature.

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In restructurings under Law 550/1999, Law 617/2000 and Law 1116/2006 and special restructurings, the following considerations apply:

**Law 550/99 Restructurings**

For Law 550/1999 operations, as of the date on which negotiations begin, the Parent ceased to accrue interest and maintained the classification then given to the debtor.

As of the time that Law 1116/2006 came into force to regulate business insolvency, the Parent has considered that the borrower has become insolvent.

**Fiscal Restructuring (Law 617/2000)**

Restructurings derived from the signature of Fiscal and Financial Restructuring Programs in the terms of Law 617/2000 and which are current at June 30, 2014 are subject to the following Bank policies:

- Sovereign guarantees cover loans made to regional government by financial institutions supervised by the Financial Superintendency, subject to certain requirements, one of which is that the regional government entity must sign a fiscal adjustment agreement by June 30, 2001. The guarantee covers 40% of loans outstanding at December 31, 1999 and 100% of new loans made for fiscal restructuring.
- The features of this type of restructuring allow reversal of reserves against debt which is part of the operation for the portion with Government guarantees. The portion not so covered retains the classification at June 30, 2001.

**Loans Written Off**

A loan may be written off if management considers that it is unrecoverable or that recovery would be a remote or uncertain event, after exhausting actions to collect and with the favorable opinion of legal counsel and debt collection agencies; all of this, with prior Board approval.

A write-off does not relieve the Parent of the duty to continue to press for collection and to make allowance against all capital, interest and other items.

**Loan allowances**

The Parent covers credit risk with a system of allowances charged to earnings, calculated on unpaid balances, ageing and risk categories for Home Mortgage and Microloans and as a function of expected loss produced by the reference models for commercial and consumer loans, or on outstanding balances as a function of arrears and the risk categories applicable to home mortgage.

▪ **Individual Allowances using the Reference Models**

As required by the Superintendency the Parent has established a general scheme of individual allowances for commercial and consumer reference models calculated as the sum of the two individual components – “procyclical” and “counter-cyclical”.

The individual procyclical component is the portion of the individual loan allowance that reflects the debtor’s credit risk today.

The individual counter-cyclical component is the portion that reflects possible changes in debt risk should there be greater deterioration in this type of loan. It is charged today in order to reduce the impact on earnings of a future situation of this kind.

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The counter-cyclical portion may not be less than zero nor more than the expected loss in Matrix B: and the sum of the two components may not be greater than the value of exposure.

The Parent calculates the two components capital and receivables separately for loans and leasing operations.

In order to determine the method to be used when calculating these components, the Parent makes a monthly evaluation of the real quarterly variation in individual allowances in Categories B, C, D and E with a quarterly accumulation of allowances net of recoveries on loans and leasing operations as a percentage of accumulated quarterly interest on them. There is a quarterly accumulation of allowances net of recoveries for loans and leasing operations as a percentage of the quarterly accumulated adjusted gross financial margin and the annual growth rate of gross loans. Depending on the result of these indicators the Parent applies the accumulative phase method or the de-accumulative phase method.

At December 31, 2014 and December 31, 2013 the individual allowances were calculated using the accumulative phase as required by Superintendency instructions.

▪ **General Allowance**

The General Allowance is a minimum of 1% of Home Mortgage loans.

▪ **Additional Allowance, Consumer loans**

Superintendency Circular 026 of June 2012 gives instructions on an additional individual allowance on consumer loans equal to 0.5% of the capital amount of the consumer loan multiplied by the value of the LGD on the loan. The Parent continued to apply this allowance and it appears as a charge in the financial statements at December 31, 2014.

**Commercial and Consumer Loan Models**

The Parent has adopted the Superintendency's Reference Model to calculate allowances against these loans.

Expected losses (allowances) are calculated as:

$\text{EXPECTED LOSS} = [\text{probability of default}] \times [\text{Exposure at the time of default}] \times [\text{Loss given default}]$
---

The segmentation and discrimination of loan portfolios and possible borrowers is the basis for estimating expected losses in the reference models.

Segmentation is effected as follows for commercial borrowers:

Classification by asset levels		
Size	Assets (minimum salaries)	Approx. USD000 equivalent
Major	Over 15,000	Over 3,750
Medium	5,000-15,000	1,250-3,750
Small	Under 5,000	Under 1,250

The model contains a category for "Individual personal" loans, which include all loans given to individuals as commercial borrowings.

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For the consumer loan model (MRCO), the discrimination of portfolios is based on segments differentiated by products and the lenders that provide them, in order to preserve particular market niches and products.

Segmentation of consumer loans is effected with the following criteria from the MRCO Model:

- General – Automobile. Loans made by finance companies other than consumer finance companies to purchase vehicles.
- General- Other. Loans made by finance companies other than consumer finance companies to purchase items other than vehicles. Credit card purchases are not included
- Credit card. Revolving credit for the purchase of consumer goods through plastic cards.

The reference models for commercial and consumer loans define the components of expected loss with the following parameters.

**a) Probability of default**

This is the probability that debtors will go into default within the next 12 months.

The probability of default is defined the matrices shown below, which are compiled by the Superintendency:

**Commercial Loans**

Classification	Major companies		Medium companies		Small companies		Individuals	
	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B
AA	1.53%	2.19%	1.51%	4.19%	4.18%	7.52%	5.27%	8.22%
A	2.24%	3.54%	2.40%	6.32%	5.30%	8.64%	6.39%	9.41%
BB	9.55%	14.13%	11.65%	18.49%	18.56%	20.26%	18.72%	22.36%
B	12.24%	15.22%	14.64%	21.45%	22.73%	24.15%	22.00%	25.81%
CC	19.77%	23.35%	23.09%	26.70%	32.50%	33.57%	32.21%	37.01%
Default	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

**Consumer loans**

Classification	Matrix A			Matrix B		
	Automobiles	Other	Credit Card	Automobiles	Other	Credit Card
AA	0.97%	2.10%	1.58%	2.75%	3.88%	3.36%
A	3.12%	3.88%	5.35%	4.91%	5.67%	7.13%
BB	7.48%	12.68%	9.53%	16.53%	21.72%	18.57%
B	15.76%	14.16%	14.17%	24.80%	23.20%	23.21%
CC	31.01%	22.57%	17.06%	44.84%	36.40%	30.89%
Default	100.0%	100.0%	100.0%	100.00%	100.00%	100.00%

Each commercial and consumer loan customer segment thus has the possibility of migrating from a category and falling into default in the next 12 months, depending on the general cycle of credit risk.

**b) Loss given default (LGD)**

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This is defined as the economic loss to the Parent if any event of default takes place. The loss given default for borrowers in the “default” category will undergo a gradual increase as a function of the days elapsed since classification into that category.

The LGD by type of guarantee is the following:

**Commercial loans**

Type of security	Loss on default	Days default	New loss on default	Days default	New loss on default
Other guarantees	55%	270	70%	540	100%
Subordinated loans	75%	270	90%	540	100%
Admissible financial collateral	0 – 12%	-	-	-	-
Commercial and residential property	40%	540	70%	1080	100%
Property leasing assets	35%	540	70%	1080	100%
Non-property leasing assets	45%	360	80%	720	100%
Other collateral	50%	360	80%	720	100%
Collection rights	45%	360	80%	720	100%
No guarantee	55%	210	80%	420	100%

**Consumer loans**

Type of security	Loss on default	Days default	New loss on default	Days default	New loss on default
Other guarantees	60%	210	70%	420	100%
Admissible financial collateral	0 – 12%	-	-	-	-
Commercial and residential property	40%	360	70%	720	100%
Asserts on property leasing	35%	360	70%	720	100%
Leasing assets other than property	45%	270	70%	540	100%
Other collateral	50%	270	70%	540	100%
Collection rights	45%	360	80%	720	100%
No guarantee	75%	30	85%	90	100%

**c) Asset value exposure**

In the Commercial Reference Model the asset value exposure is the outstanding balance of capital, interest, and receivables for interest and other items, for commercial loans.

**Home mortgage**

The Parent maintains allowances against outstanding balances no lower than the percentages shown below.

Category	Capital on % suitable guarantees	Capital on % other guarantees	Interest & Other
A – Normal	1	1	1
B- Acceptable	3.2	100	100
C- Appreciable	10	100	100
D-Significant	20	100	100
E-Unrecoverable	30	100	100

For home mortgage loans, if the account has been in Category E for two consecutive years, the percentage allowance on the secured portion is raised to 60%. If the account is still E after another year, the allowance is raised to 100% of the secured portion.

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### **Effect of collateral on individual provisions**

For the purposes of setting up individual allowances against home mortgage loans, collateral only covers the capital amount of the loan. Therefore, the allowance is made for these percentages in respect of the difference between balances pending amortization and 100% of the value of the collateral. For the guaranteed portion, 100% of the debt guaranteed.

### **Rules of alignment**

The Parent aligns debtor classifications as follows:

- **Permanent classification**

Before making provisions and applying equivalent classifications the Parent makes individual internal alignments each month, and for each debtor taking all credit operations to the highest risk category applicable, unless it can show the Superintendency that there is good reason not to do so.

Regulations require that the Parent must consolidate its financial statements, and all loans or the same mode to any given debtor must carry the same classification.

- **Quarterly classification**

On a quarterly basis, the Parent conducts a process of external alignment with loans elsewhere in the financial sector based on information supplied by the credit bureaus and following relevant regulations, Loans of any given kind to any debtor are transferred to a higher risk level accordingly unless the Superintendency can be shown that there is good reason not to do so.

- **Half-yearly classification**

Under Section 2.2.3.2 of Chapter II of the Accounting Circular, the Parent makes a classification in May and November to record the results of evaluation and any reclassifications required.

### **Policy on loan collateral**

The Parent follows the Superintendency Circular 043/2011 in relation to collateral for operations and criteria to estimate their value and effectiveness.

Collateral for loans must meet the following criteria:

- a) **Policy for admission and management of collateral.**

The collateral support of an operation is a necessary element in the calculation of LGD, and therefore, to determine the level of allowances.

Admissible guarantees are those which are formalized, and

- ✓ Have a value established on the basis of technical and objective criteria.
- ✓ Are sufficient to cover the amount of the loan.

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- ✓ Offer legally effective supports for payment of the obligation guaranteed, and are reasonably possible to realize.

Guarantees which, in accordance with Part 2, Book 1, Title II Decree 2555/2010, are classified as "non-admissible" may not be accepted as valid collateral.

The evaluation of the support offered and the possibility of realization of each security taken, should take account of at least the following considerations: nature, value, and liquidity. Further, the potential costs of realization should be estimated, along with legal requirements to enforce them, in each case

Particular instructions on certain kinds of admissible guarantees:

- ✓ If the collateral consists of a mortgage or pledge, or, although not being a real guarantee, falls on one or more defined assets - as is the case of the irrevocable trusts in guarantee or escrows - these will only be considered as admissible as a function of the factors mentioned above, and realization value should be used to establish their value.
- ✓ If a loan is guaranteed with a pledge of revenues, as in the case of loans granted to regional government, there should be a check that those revenues are not being affected by diversion to specific destinations or other prior or concurrent pledges, in accordance with Circular 029 Part II Title I, Chapter I, Section 2.1.4.
- ✓ For the purposes of evaluating credit risk, additional sources of payment may be considered as suitable guarantees, if they unconditionally and sufficiently cover the loan at the simple request of the creditor. They will have the same treatment as sovereign guarantees, which have certified budget availability approved by the competent authority.
- ✓ Likewise, guarantees given by Fondo Nacional de Garantías S.A. and Fondo Agropecuario de Garantías meeting the requirements of this section are considered to be suitable.
- ✓ Standby letters of credit are considered to be admissible when they meet the following conditions:
  - When they are irrevocable and payable against presentation.
  - If the long-term debt of the issuing bank is investment-grade as rated by a Superintendency-authorized rating agency, or by an internationally-recognized rating agency, as the case may be.

**b) Valuation of collateral.**

In order to establish the value of collateral at the time of granting a loan, and subsequent updating, the following instructions are to be followed:

1. For collateral formed by real property destined for housing, the value at the time of grant comes will correspond to that obtained a professional valuation, which will be not more than one year old. Unless it is decided to make a new professional regular road rash. Valuation of the property, at the end of this period there should be an annual update of value, applying the following mechanisms:

- ✓ Real property in Bogota. The value should be adjusted by the annual indicator for the urban and oral property valuation index (IVIUR), adopted by the City of Bogota, for the tax period and the assigned residential stratum.
- ✓ Property in Armenia, Barranquilla, Bucaramanga, Cali, Cartagena, Cúcuta, Florencia, Ibagué, Manizales, Medellín, Montería, Neiva, Pasto, Pereira, Popayán, Quibdó, Riohacha, Santa Marta, Sincelejo, Tunja, Valledupar and Villavicencio. Apply the Property Valuation Index (IVP) published

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by the statistical bureau DANE in each case.

- ✓ Property in places other than those mentioned above should apply the property valuation indicator IVP, national total.

2. In the case of guarantees on non-housing real property, value at the time of grant will correspond to that obtained by a professional valuation not more than three years old. At the end of this period, and at least every three years, a new professional valuation should be taken to keep the value of the property up to date.

3. In the case of guarantees formed over machinery and equipment, the value will be defined by the following criteria:

- ✓ Machinery and equipment which is new, or less than one year old. The Parent will use the purchase value recorded in the invoice or in the books of the debtor at the time of granting the loan. The value will be valid for three years. After this period, and at least every three years, a fresh professional valuation should be taken to keep the value of the guaranteed up to date.
- ✓ Machinery and equipment, more than one year old. The Parent will use the value obtained by a technical professional regulation at the time of granting the loan. This value will be valid for three years. At the end of this period and at least every three years, a fresh professional valuation should be made to maintain the value up to date.

4. In the case of guarantees on vehicles, the value should be determined thus:

- ✓ Vehicles classified in the *Fasecolda* Value Guide.. At the moment of grant of the loan and in subsequent monthly updates, the value of the vehicle will correspond to that published in the Guide.
- ✓ Vehicles not classified in the *Fasecolda* Value Guide. The Parent may use information from commercial valuation is published by the Ministry of Transport, or private apply the procedure described above for machinery and equipment.

5. In the case of collateral in the form of securities, the value will be determined in accordance with the terms of Chapter I of Circular 100/1995, or using the value supplied by a Superintendency-approved Price Supplier.

6. In the case of collateral formed by other assets, their value at the time of grant will correspond to value obtained by a professional valuation and its update, and this should be taken depending on the characteristics of the asset.

For goods which delivered in guarantee, and which in accordance with the terms of the preceding sections require a new professional valuation to update their value, the Parent, with the authorization of the Superintendency, will be free not to conduct the valuation provided that one of the following suppositions is satisfied:

- ✓ The term of the loan is supported by the guarantee is not more than three years, and the value of the same is at least twice the total of the unpaid balance of the loans guaranteed.
- ✓ The term to run to the completion repayments is one year or less.
- ✓ The cost of the valuation is more than 10% of the value of the balance of the loans guaranteed.

(Continued)

- ✓ The loan guaranteed has been subject to a provision of 100%.

If the Parent uses this option, it must each case justify the reasons for its decision, taking account of the criteria for the evaluation of risk. This value justification must be kept available to the Superintendency.

At all events, supervised institutions should evaluate the admissibility of their guarantees and immediately update their value when the obligations whose performance they support obtain a classification of "D", except in cases where the updating of the value of the guarantee has been made within the year prior to the time that the obligation acquires this classification.

For the purposes of this Chapter on collateral policy, it will be understood that a "professional valuation" is one which at least satisfies the criteria and content of Articles 1 and 2 of Decree 422/2000, as amended.

**c) Administration of collateral.**

In order to comply with the above collateral policy, there are policy and procedure manuals, and technological tools and physical resources for the appropriate management, custody and disclosure of the collateral which supports loans granted.

**Equivalent Loan Classifications and Calculations of Allowances and Losses from Credit Risk in Peru and Paraguay**

Following Superintendency regulations on the presentation of consolidated financial statements and loan allowances, the Parent established equivalent risk classifications and made allowances for loans in the Peruvian and Paraguayan subsidiaries in the terms of Annexes 1-5 of the Superintendency Accounting Circular Chapter II and relevant regulatory principles established by the authorities of the countries where the subsidiaries operate.

**Credit Risk Evaluation Criteria in Peru and Paraguay subsidiaries**

The Subsidiaries outside Colombian allocate classifications at the time of making loans, following local regulations and internal policies defined by the Parent and the Subsidiary.

**Classification of Credit Risk in Peru and Paraguay subsidiaries**

The Colombian-method calculation of loan allowances for Subsidiaries outside Colombia requires a credit risk assessment for each borrowing client in Peru and Paraguay; and this in turn requires that credit categories equivalent to the Colombian categories must be established. An analysis was therefore made of client segmentation in each mode of loan, together with the identification of the leading characteristics of loan risk categories for each Subsidiary. A comparison was then made with the Colombian classifications to establish equivalences.

**Banco GNB Peru S.A.**

**Commercial Loans: Corporate and Large and Medium Enterprises**

COLOMBIA	PERU
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Risk category	Category name	Description	Risk category	Category name	Description
AA	Normal	Normal Loans with less than 29 days past due	0	Normal	Prompt payment, highly competitive. Less than 29 days past due.
BB	Acceptable	60-89 days past due	1	With problems	Good financial situation and profitability. Occasional minor delays in payment not more than 60 days. 60 days past due.
			2	Deficient	Weak financial situation, little capacity to generate profits. 61-89 days past due.
B	Appreciable	90-119 days past due	2	Deficient	Weak financial situation, little capacity to generate profits. 90-119 days past due.
CC	Appreciable	120-149 days past due	2	Deficient	Weak financial situation, little capacity to generate profits. 120 days past due.
			3	Doubtful	Critical financial situation, very high indebtedness, Insufficient cash flow 121-149 days past due.
IN	Significant (D) or unrecoverable (E)	150+ days past due	3	Doubtful	Critical financial situation, very high indebtedness, Insufficient cash flow 150-365 days past due.
			4	Loss	Insolvent, Difficulties in meeting eventual restructuring arrangements. Cash flow does not cover costs. Over 366 days past due.

**Commercial loans: Small businesses and personal banking borrowers**

COLOMBIA			PERU		
Risk category	Category name	Description	Risk category	Category name	Description
AA	Normal	Normal Loans 29 days past due	0	Normal	Performing well, 0-8 days past due
			1	Potential problems	9-29 days past due
A	Acceptable	30-59 days past due	1	Potential problems	30 days past due.
			2	Doubtful	31-59 days past due
BB	Acceptable	60-89 days past due	2	Deficient	60 days past due
			3	Doubtful	61-89 days past due
B	Appreciable	90-119 days past due	3	Doubtful	90-119 days past due.
CC	Appreciable	120-149 days past due	3	Doubtful	120 days past due
			4	Loss	121-149 days past due
IN	Significant (D) or unrecoverable (E)	150+ days past due	4	Loss	150 or more days past due

**Consumer loans**

COLOMBIA			PERU		
Risk category	Category name	Description	Risk category	Category name	Description
AA	Normal	MRCO classification AA	0	Normal	Performing well, 0-8 days past due
			1	Potential	9-30 days past due

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COLOMBIA			PERU		
				problems	
BB	Acceptable	MRCO classification BB	2	Deficient	31-60 days past due
CC	Appreciable	MRCO classification CC	3	Doubtful	61-90 days past due
IN	Significant (D) or unrecoverable (E)	90+ days past due	3	Doubtful	91-120 days past due
			4	Loss	121 or more days past due

### Home mortgage loans

COLOMBIA			PERU		
Risk category	Category name	Description	Risk category	Category name	Description
A	Normal	Up to date – up to 2 months past due	0	Normal	Up to date or up to 30 days past due
			1	Potential problems	31-60 days past due
B	Acceptable	2-5 months past due	2	Deficient	61-120 days past due
			3	Doubtful	121-150 days past due
C	Appreciable	5-12 months past due	3	Doubtful	151-360 days past due
D	Significant	12-18 months past due	3	Doubtful	361-540 days past due
			4	Loss	366-540 days past due
E	Unrecoverable	Over 18 months past due	4	Loss	Over 541 days past due

### Banco GNB Paraguay S.A.

#### Commercial Loans

COLOMBIA			PARAGUAY		
Risk category	Category name	Description	Risk category	Category name	Description
AA	Normal	Normal Loans 29 days past due	1	Category 1	Up to date
			1A		1-29 days past due
A	Acceptable	30-59 days past due	1A	Category 1	30 days past due
			1B	Category 1	31-59 days past due
BB	Acceptable	60-89 days past due	1B	Category 1	60 days past due
			2	Category 2	61-89 days past due.
B	Appreciable	90-119 days past due	2	Category 2	90 days past due
			3	Category 3	91-119 days past due.
CC	Appreciable	120-149 days past due	3	Category 3	120-149 days past due
IN	Significant (D) or unrecoverable (E)	150+ days past due	3	Category 3	150 days past due
			4	Category 4	151-180 days past due
			5	Category 5	181-270 days past due
			6	Category 6	Over 271 days past due

#### Consumer loans

COLOMBIA			PARAGUAY		
Risk category	Category name	Description	Risk category	Category name	Description
AA	Normal	MRCO classification AA	1	Category 1	Up to date
			1A	Category 1	1-30 days past due

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BANCO GNB SUDAMERIS S.A.  
**Notes to the Financial Statements**

BB	Acceptable	MRCO classification BB	1B	Category 1	31-60 days past due
CC	Appreciable	MRCO classification CC	2	Category 2	61-90 days past due.
IN	Significant (D) or unrecoverable (E)	90+ days past due	3	Category 3	91-150 days past due
			4	Category 4	151-180 days past due
			5	Category 5	181-270 days past due
			6	Category 6	271+ days past due

**Loan allowances**

The Parent calculates individual allowances for the loans of Subsidiaries outside Colombia, applying the Colombian scheme of commercial and consumer reference models. The allowances against home mortgage loans are calculated on unpaid balances as a function of ageing and risk category.

The calculation of loan allowances for these Subsidiaries is based on the following criteria:

- **Individual Allowances for Peru and Paraguay using the Colombian Reference Models**

The calculation of individual allowances for the Peruvian and Paraguayan subsidiaries was effected as required by the Colombian Superintendency, as the sum of the two individual components – procyclical and counter-cyclical – for principal, interest and other items.

**The individual procyclical component** is the portion of the individual loan provision that reflects the debtor’s credit risk today.

**The individual counter-cyclical component** is the portion that reflects possible changes in debt risk should there be greater deterioration in this type of loan. It is charged today in order to reduce the impact on earnings of a future situation of this kind.

At December 31, 2014 the individual provisions of the Parent and subsidiaries outside Colombia were calculated using the accumulative phase as required by Superintendency instructions.

- **General Allowance for Home Mortgage Loans in Subsidiaries outside Colombia**

The Peruvian Subsidiary calculates the minimum General Allowance of 1%; the Paraguayan Subsidiary has no home mortgage loans in its portfolio at December 31, 2014

- **Additional Allowance, Consumer Loans, Subsidiaries outside Colombia**

In the terms of Colombian Superintendency Circular 026 of June 22, 2012, additional individual allowances are made against consumer loans in the Subsidiaries in Peru and Paraguay, equal to 0.5% of the capital amount of the month’s consumer loans multiplied by the value of the LGD on the loan.

**Commercial and Consumer Loan Models for the Subsidiaries in Peru and Paraguay**

The Parent has adopted the Colombian Superintendency’s Reference Model to calculate allowances against the loans of the Subsidiaries in Peru and Paraguay.

Expected losses (provisions) are calculated as:

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**BANCO GNB SUDAMERIS S.A.**  
**Notes to the Financial Statements**

EXPECTED LOSS = [probability of default] x [Exposure at the time of default] x [Loss given default]

**Commercial Loans**

For the Subsidiaries in Peru and Paraguay, the segmentation and discrimination of borrowers is the basis for estimating expected losses in the reference models. Segmentation is effected by asset levels as follows:

Classification by asset levels		
Enterprise Size	Assets (minimum salaries)	Approx. USD000 equivalent
Major	Over 15,000	Over 3,750
Medium	5,000-15,000	1,250-3,750
Small	Under 5,000	Under 1,250

The model contains a category for “Individual personal” loans, which include all loans given to individuals as commercial borrowings.

(\*) “Minimum salaries” refers to the Colombian minimum.

**Consumer Loans**

The differentiation of consumer loan segments in the Subsidiaries in Peru and Paraguay depends on the product.

Segmentation of consumer loans is effected with the following criteria from the MRCO Model:

- General – Automobile. Loans made by finance companies other than consumer finance companies to purchase vehicles.
- General- Other. Loans made by finance companies other than consumer finance companies to purchase items other than vehicles. Credit card purchases are not included
- Credit card. Revolving credit for the purchase of consumer goods through plastic cards.

The reference models for commercial and consumer loans define the components of expected loss with the following parameters:

**a. Probability of default**

This is the probability that debtors will go into default within the next 12 months.

The probability of default for Peru and Paraguay incorporates an individual country risk in each case, to reflect the economic context and its interaction with local credit operations

The “country risk” indicator provides a measurement of credit risk applicable to the Probability of Default Matrices of Annexes 3 and 5 of Chapter II of the Colombian Superintendency’s Accounting and Financial Circular.

The charts below show the probability of default for Peru and Paraguay, in each class of loan:

**Banco GNB Peru S.A.**

**Commercial Loans**

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Classification	Major companies		Medium companies		Small companies		Individuals	
	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B
AA	1.53%	2.19%	1.51%	4.19%	4.18%	7.52%	5.27%	8.22%
A	2.24%	3.54%	2.40%	6.32%	5.30%	8.64%	6.39%	9.41%
BB	9.55%	14.13%	11.65%	18.49%	18.56%	20.26%	18.72%	22.36%
B	12.24%	15.22%	14.64%	21.45%	22.73%	24.15%	22.00%	25.81%
CC	19.77%	23.35%	23.09%	26.70%	32.50%	33.57%	32.21%	37.01%
Default	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

**Consumer Loans**

Classification	Credit Card		Automobiles		Other	
	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B
AA	1.58%	3.36%	0.97%	2.75%	2.10%	3.88%
A	5.35%	7.13%	3.12%	4.91%	3.88%	5.67%
BB	9.53%	18.57%	7.48%	16.53%	12.68%	21.72%
B	14.17%	23.21%	15.76%	24.80%	14.16%	23.20%
CC	17.06%	30.89%	31.01%	44.84%	22.57%	36.40%
Default	100.0%	100.00%	100.0%	100.00%	100.0%	100.00%

**Banco GNB Paraguay S.A.**

**Commercial Loans**

Classification	Major companies		Medium companies		Small companies		Individuals	
	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B
AA	1.73%	2.47%	1.70%	4.73%	4.72%	8.48%	5.94%	9.27%
A	2.53%	3.99%	2.71%	7.13%	5.98%	9.75%	7.21%	10.61%
BB	10.77%	15.94%	13.14%	20.86%	20.94%	22.85%	21.12%	25.22%
B	13.81%	17.17%	16.51%	24.20%	25.64%	27.24%	24.82%	29.11%
CC	22.30%	26.34%	26.05%	30.12	36.66%	37.87%	36.33%	41.75%
Default	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

**Consumer Loans**

Classification	Credit Card		Automobiles		Other	
	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B
AA	1.78%	3.79%	1.09%	3.10%	2.37%	4.38%
A	6.03%	8.04%	3.52%	5.54%	4.38%	6.40%
BB	10.75%	20.95%	8.44%	18.65%	14.30%	24.50%

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**Notes to the Financial Statements**

Classification	Credit Card		Automobiles		Other	
	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B
<b>B</b>	15.98%	26.18%	17.78%	27.97%	15.97%	26.17%
<b>CC</b>	19.24%	34.84%	34.98%	50.58%	25.46%	41.06%
<b>Default</b>	100.0%	100.00%	100.0%	100.00%	100.0%	100.00%

**b. Loss given default (LGD)**

This is defined as the economic loss to the Parent and Subsidiaries if any event of default takes place. The loss given default for borrowers in the “default” category will undergo a slow increase as a function of the days elapsed since classification into that category.

The LGD by type of guarantee appears in Annexes 3 and 5 of the Colombian Superintendency Circular Accounting and Finance Circular Chapter II, applied to the Subsidiaries in Peru and Paraguay. The following is the LGD by type of guarantee for each mode of loan is the following for Peru and Paraguay:

**Commercial loans**

Type of security	Loss on default	Days default	New loss on default	Days default	New loss on default
Unsecured	55%	270	70%	540	100%
Subordinated loans	75%	270	90%	540	100%
Admissible financial collateral	0 – 12%	-	-	-	-
Commercial and residential property	40%	540	70%	1080	100%
Property leasing assets	35%	540	70%	1080	100%
Non-property leasing assets	45%	360	80%	720	100%
Other collateral	50%	360	80%	720	100%
Collection rights	45%	360	80%	720	100%
No guarantee	55%	210	80%	420	100%

**Consumer loans**

Type of security	Loss on default	Days default	New loss on default	Days default	New Loss on default
Unsecured	60%	210	70%	420	100%
Admissible financial collateral	0-12%	-	-	-	-
Commercial and residential property	40%	360	70%	720	100%
Assets on property leasing	35%	360	70%	720	100%
Leasing assets other than property	45%	270	70%	540	100%
Other collateral	50%	270	70%	540	100%
Collection rights	45%	360	80%	720	100%
No guarantee	75%	30	85%	90	100%

**Home mortgage loans**

Loan allowances for Peru apply Annex 1 Chapter II of the Superintendency Circular which requires then following allowances in addition to the General Allowance of 1% of capital outstanding:

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**Notes to the Financial Statements**

Classification	Risk category	% allowance on secured capital	%allowance on unsecured capital	Interest and other items
A	Normal	1%	1%	1%
B	Acceptable	3.2%	100%	100%
C	Appreciable	10%	100%	100%
D	Significant	20%	100%	100%
E	Unrecoverable	30%	100%	100%

Banco GNB Paraguay S.A. has no home mortgage loans in its portfolio at December 31, 2014

**Recording of income from financial yields**

Income from financial yields and other items is recorded on an accrual basis

**Suspension of interest accrual**

The Parent ceases to accrue interest, monetary correction, exchange adjustment or income for other items when a loan meets the following conditions.

<u>Mode</u>	<u>Arrears more than</u>
Commercial	3 months
Consumer	2 months
Home mortgage	2 months
Microcredit	1 month

Therefore, they do not affect the earnings statement until effectively collected. Until that occurs, the records are kept in Contingent Accounts.

In cases where as a result of restructuring agreements or any other mode of agreement, there is provision for the capitalization of interest recorded in Memorandum Accounts, or as balances of loans written off including capital, interest and other items, they are recorded as deferred income, and amortization is credited to earnings in proportion to amounts effectively collected.

Where there is suspension of accrual yields, monetary correction, exchange adjustment and income for other items, a provision is made for all accruals not yet collected, and corresponding to these items.

**g. Acceptances, spot operations and derivatives**

**Bankers' Acceptances**

These are commercial transactions using a bill of exchange as an acceptance in which the Parent and Subsidiaries outside Colombia undertake to pay a third party (the beneficiary), within a given term, one of its customers' (requester) bills corresponding to the purchase or sale of goods for a defined value.

Bankers' acceptances have a maximum term of one year and are only issued as part of import and export transactions, or for the purchase and sale of movable goods within Colombia.

At the time of accepting a bill, the amount is entered as an asset and a liability as "Current Bank Acceptances". If not presented for payment at maturity, it is reclassified as "Non-Current". If unpaid at maturity by the purchaser of the goods, it is reclassified to a loan account "Bank Acceptances Covered".

After maturity, acceptances are subject to cash reserve requirements for demand liabilities for payment within 30 days.

(Continued)

### **Spot Operations and Derivatives**

Spot operations entail clearing and settlement within three working days of being closed.

The Parent and Subsidiaries record derivatives, which are contracts whose essence is that the fair price of exchange depends on one or more underlying assets, and performance or settlement occurs subsequently. There may be several purposes for such operations.

- The offer of products required by customers, to hedge financial risk, amongst other things
- The structuring of Bank portfolios to make use of arbitrage between curves, assets and markets to obtain high profitability with low levels of equity commitment.

### **Types of Financial Derivative Instruments**

The Parent and Subsidiaries work with the following derivatives:

#### **Forwards (peso-dollar, peso-other currencies)**

A forward is a tailor-made derivative in which the two parties agree to purchase/sell a specific quantity of an underlying asset at some future date. The basic conditions are established – mainly, price, date and mode of delivery of the underlying. At due date, the operation is liquidated by the delivery of the underlying asset or through settlement of differences, depending on the underlying asset and the mode of delivery agreed. This latter condition may be changed during the term of the agreement through mutual agreement of the parties.

Derivatives traded in the OTC market can be cleared and settled in the Central Counterpart Risk Chamber, (CRCC) which becomes the counterpart in these operations.

#### **Futures in CRCC**

A future is a standard contract in relation to maturity date, size or face amount, the characteristics of the underlying assets, the place and form of delivery (cash or kind). Futures are traded in the Central Risk Counterpart Chamber CRCC, and involves an agreement between two parties who undertake to purchase and sell an underlying asset at a future date (maturity date) at a price set at the time the contract is made.

#### **IBR Swaps**

A swap is a contract between two parties establishing an obligation to exchange a series of flows for a defined time on set dates.

In an interest rate swap the flows exchanged are calculated on a face value in a single currency at different rates of interest. Generally, in this type of contract one party receipt flows of fixed-rate interest and the other receives floating rate flows, although the mechanism can also involve two different floating rates.

### **Recording and valuation of derivatives**

Derivatives are classified according to their marketability:

- Hedging risks of other positions
- Speculation, seeking profit, or

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**Notes to the Financial Statements**

- Arbitrage

The recording of derivatives depends on the purpose of the business. At December 31, 2014 and 2013 the Parent's derivatives operations were recorded as "speculative".

Regardless of purpose, derivatives with a positive fair price of exchange (that is, favorable to the Parent and Subsidiaries) are recorded as assets, separating the right from the obligation except for options, where both are booked in a single account. Derivatives with a negative fair price of exchange (that is, unfavorable to the Parent and Subsidiaries) are recorded as a liability, with the same separation of items. Favorable and unfavorable balances of different operations are not netted, even if they are of the same type.

"Speculative" Derivatives are recorded in the balance sheet from the date the business is closed, at the fair price of exchange. If on the initial date the value of the contracts is zero – that is, there are no physical payments or deliveries made between the parties – there is no effect on profit and loss. For subsequent valuations, the variations in the fair price of exchange are recorded in profit and loss.

On settlement date derivatives balances are cancelled for the amounts appearing in the balance sheet, and any difference is charged or credited to earnings. If the accumulated balance of the derivative is positive, it is recorded as income; and if negative, it is recorded as an expense. This procedure is followed independently and individually for each instrument and for each settlement.

**h. Foreclosed Assets, Leasing Assets Restored; Assets not used in the business**

This account records assets received by the Parent and Subsidiaries in lieu of payment of unpaid loan balances in its favor.

Assets received in payment in the form of real property are received for a professionally determined market value and movable assets, shares and other capital interests, at market.

The following circumstances are taken into account when recording foreclosed assets:

- The initial entry is made for the value awarded by the court or agreed with the debtor.
- If the asset received in payment is not in a condition to be sold, its value is increased by the value of the expenses required to make it so.
- If there is a difference between the value of the asset and the balance of the debt in the debtor's favor. The difference is recorded as an account payable; but if its value is insufficient to repay the balance of the loan, an allowance is made for the difference in the group of accounts where the obligation is recorded.

**Restored Leasing Assets**

This account records the value of financial leasing assets restored to the Parent and Subsidiaries outside Colombia due to breach of contract by the lessee or failure to exercise the purchase option. These assets are not subject to depreciation.

These assets are to be sold within two years unless the Directors of the Parent or Subsidiaries have extended that term.

**Assets not used in the business**

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These are assets owned by the Parent and Subsidiaries outside Colombia which they have ceased to use in the course of business.

They continue to be depreciated until sold and form part of the assets of the Parent and Subsidiaries outside Colombia for the purposes of Chapter VII Title I of the Superintendency Legal Circular the two-year time limit for selling assets also applies to these items.

**i. Allowance Against Foreclosed and Restored Assets**

**Real Property**

An allowance of 30% of acquisition cost (that is, value received) is made in monthly installments during the year following acquisition. This increased by a further 30% during the second year, to make a total allowance of 60%. When the regulatory limit of two years is reached and the property is not sold and no extension of time has been granted, allowance is made to cover 80% of acquisition cost. If there is an extension, the remaining 20% is provided of the term of the extension.

If acquisition cost is lower than the amount of the debt on the balance sheet, the difference is charged immediately to profit and loss.

If the market value of the property is lower than book value, allowance is made for the difference.

**Movable assets**

An allowance is made for 35% of acquisition cost of the asset during the first year after receiving the asset, in monthly installments, to be increased by 35% more until, reaching 70% in the second year. Once the regulatory deadline for sale has passed, the allowance will be increased to 100%; if an extension is granted, the remaining 30% will be provided during the extension period.

If the acquisition cost of the asset is lower than the amount of the debt shown in the balance sheet, the difference must immediately be charged to earnings.

If the market value is lower than book value, an allowance is made for the difference.

Without prejudice to the rules for allowances mentioned above, foreclosed assets in the form of securities should be valued as directed in Chapter I of the Superintendency Accounting and Financial Circular, taking account of their classification as trading investments available for sale or held to maturity.

**Restored Leasing Assets**

This account records the value of assets restored from financial leasing operations as a result of breach of contract by the lessee, or failure to exercise the purchase option. These assets are not depreciated.

The calculation of individual allowances follows Chapter III of the Superintendency Accounting Circular.

Time limits for the holding of these assets are the same as for foreclosed assets, falling under Section 110, numeral 6 of the Financial System Statute.

**Rules on Time Allowed for Sale**

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Foreclosed assets must be sold within two years of acquisition, but they may be reclassified as fixed assets if they are required for the normal course of business, within the maximum parameter for investments in fixed assets, and provided that they are not subject to the regime that requires prior authorization (otherwise, prior authorization must be obtained).

If the transfer of title is formalized by registration, the acquisition date is that of registration and therefore the books should show the payment in lieu as of that date. Other assets may be recorded as of the date of material delivery.

For financial leasing assets restored, the time limit for sale is counted from material delivery date

The Superintendency may be requested to grant for an extension of time for disposal. The request must be presented prior to the expiry of the initial two years.

The request to the Superintendency must show that due diligence has been exercised in attempting to effect a disposal but that disposal has not been possible. The Superintendency may grant an extension for up to two years from the expiry of the initial term, during which efforts at disposal of these non-productive assets must be continued.

**j. Property and Equipment**

This account records tangible assets acquired, constructed or in the process of importation or construction and permanently used in the course of the Parent's business whose useful life exceeds one year. Values include direct and indirect costs and expenses incurred up to the time that the asset is in a usable condition. Additions, improvements and non-routine repairs which significantly prolong the useful life of the assets are capitalized. Payments for routine maintenance and repairs are charged to expense in the period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The annual rates used are:

Buildings	5%
Equipment, furniture and fittings	10%
Computer equipment	20%
Vehicles	20%

**k. Branches and Agencies**

This account records the operations between the Head Office, Branches and Agencies and between offices in Colombia and the Agencies and vice versa; and pending items are automatically reconciled daily.

**l. Prepaid Expenses and Deferred Charges**

Prepaid expenses are payments made in the normal course of business, the benefits of which are recovered over more than one period and are recoverable assuming continuous delivery of services.

- Insurance, over the life of the policy;
- Equipment maintenance, three years;

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BANCO GNB SUDAMERIS S.A.  
**Notes to the Financial Statements**

- Loan premium pending amortization, over the life of the promissory note;
- Prepaid expenses under loan agreements, up to 1 year;
- Other prepaid expenses, over the period services are received or costs or expenses accrue.

Deferred charges are costs and expenses which benefit future periods and cannot be recovered. Amortization is calculated from the date which they contribute to the generation of income. Amortizations are made as follows:

- Wealth tax, over 4 years
- Deferred tax (debit), while the timing differences exist
- Remodeling charges are amortized over a maximum of 2 years.
- Software is amortized over a maximum of 3 years;
- Improvements to rented property are amortized over the shorter of the remaining life of the lease not including extensions, and the probable useful life of the improvements;
- Contributions and affiliations, over the period prepaid
- Commissions and fees paid for bond placements, over 10 and 5 years, according to the term of the bonds.
- The HSBC Regional Integration Project, over 3 years
- Advertising, over the period estimated for the benefit expected
- Other items, over the estimated recovery period or the period for obtaining the expected benefits.

#### **Goodwill acquired**

##### **Subsidiaries in Colombia**

The Bank has intangible peso assets in goodwill for:

- The purchase of Servivalores GNB Sudameris S.A. Comisionista de Bolsa)
- The purchase of Nacional de Valores S,A, Comisionista de Bolsa (now merged with Servivalores GNB Sudameris S.A. Comisionista de Bolsa)
- The purchase of HSBC Colombia S.A. (now merged with Banco GNB Sudameris S.A.).

##### **Subsidiaries outside Colombia**

The Bank has intangible dollar assets in goodwill for:

- The purchase of HSBC Bank Peru S.A. (now Banco GNB Peru S.A.)
- The acquisition of HSBC Bank Paraguay S.A. (now Banco GNB Paraguay S.A.)

#### **m. Valuations**

This account records the revaluation of investments available for sale in capital securities and property and equipment, particularly real property

The valuation gains on investments available for sale in capital securities are based on the variations in the equity of the issuer.

In Colombia, real property is revalued on the basis of independent professional valuations, differences being established in relation to adjusted net cost.

Works of art are recorded on the basis of independent professional market valuations.

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BANCO GNB SUDAMERIS S.A.  
**Notes to the Financial Statements**

If there is a loss on valuation, the Parent exercises prudence in making individual allowances for each property.

**n. Long-term debt**

This is the face value of the subordinated bonds placed by the Parent on the international capital market. Holders become creditors of the Parent.

**o. Income received in advance**

This account records deferred income and income received in advance in the course of Parent and Subsidiaries business, which is amortized over the period in which they are accrued or services are rendered.

**p. Pensions**

The Parent applied the provisions of Decree 4565 of December 7, 2010 which repealed Article 2 of Decree 2984/2009, and stated that the percentage of amortization reached up to December 2009 and what remained to be provided for should be amortized from the financial statements at December 2010 through to 2029 on a straight line basis, but amortization could in any case be completed before that date.

At December 31, 2013 and 2014 the Parent had made provisions for 87.32% and 88.11%, respectively, of the total actuarial value at those dates.

Pension payments are charged to the provision.

**q. Estimated liabilities and Provisions**

The Parent and Subsidiaries record provisions to cover estimated liabilities, where:

- A right has been acquired, and therefore an obligation has also been acquired
- Payment may be demanded or is probable, and
- The provision is justifiable, quantifiable and verifiable.

This account also records estimates for taxes, contributions and affiliations.

**r. Foreign Currency Conversion**

Operations in currencies other than dollars are converted into dollars and then expressed in Colombian pesos using the method established for the financial system in the Uniform Plan of Accounts (PUC) at the rate for the closing date. At December 31, 2014 the rate was \$2,392.46 (pesos) and at December 31, 2013 the rate was \$1,926.83 (pesos) per US dollar.

These rates are certified by the Superintendency, and exchange differences are credited or charged to earnings.

**s. Contingent Accounts**

These accounts record operations in which the Parent and Subsidiaries acquire rights or assumes obligations conditioned by possible future events of varying degrees of probability. Likewise, financial yields are recorded in this account when loans are placed on non-performing status.

(Continued)

**t. Memorandum Accounts**

These accounts record third-party operations whose nature does not affect the financial situation of the Parent and Subsidiaries. They also include tax memorandum accounts which record the figures used in preparing tax returns and memorandum accounts used for internal control or management information.

**Convergence with International Financial Reporting Standards - IFRS**

Following Decree 2784/2012 the Parent and Subsidiaries are part of Group 1 of those preparing financial information and on July 31, 2014 it presented a preliminary statement of financial situation at January 1, 2014 to the Superintendency, as the starting point for its IFRS-based reporting.

The transition period ended on December 31, 2014 and the first set of IFRS-compliant financial statements for the Parent and Subsidiaries will be in 2015.

**(3) Principal Differences between Special Regulations and Accounting Practices Generally Accepted in Colombia**

The special regulations of the Superintendency in some cases depart from accounting practices generally accepted Colombia. Examples are:

**Equity investments available for sale**

A loss on valuation (where the market value is lower than book value) for low/minimum turnover or unquoted equity investments available for sale is recorded in the assets and in the equity section as a reduction in their value; the generally-accepted practices require that an allowance be recorded and charged to expenses. If the investments are high/medium-turnover the updating of the value directly affects book value in the assets and the accumulated unrealized gain or loss in the equity section

**Property and Equipment**

Generally-accepted practice requires that the net value of property plant and equipment whose inflation-adjusted value exceeds 20 minimum monthly salaries (SMLM) at the close should be adjusted to present or market value, recording revaluations or reserves as necessary. The special regulations contain no such requirement.

**Additional capital - Share Premium**

Special regulations require that share premium be credited to Legal Reserve. Generally accepted practices assign it to a separate account in the equity section.

**Financial Statements**

Decree 2649/1993 made the Statement of Changes in the Financial Situation part of the Basic Financial Statements; however, the Financial Superintendency does not require it.

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BANCO GNB SUDAMERIS S.A.  
**Notes to the Financial Statements**

**(4) Cash and due from banks**

The following is the detail of cash in local currency and foreign currency expressed in local currency at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
<b>Local currency:</b>		
Cash	\$ 310,517	242,515
Banco de la República	1,096,929	791,688
Banks and other financial institutions	17,463	6,079
Remittances in transit	2,533	5,230
Clearing	49	53
Allowance against cash	<u>(14)</u>	<u>(6)</u>
	1,427,477	1,045,559
<b>Foreign currency expressed in local currency:</b>		
Cash	42,429	22,912
Banco de la República	684,587	546,109
Banks and other financial institutions	136,605	435,564
Clearing	890	2,420
Remittances in transit	366	27
Allowance against cash	<u>(2)</u>	<u>(2)</u>
	<u>\$ 864,875</u>	<u>1,007,030</u>
	<u>\$2,292,352</u>	<u>2,052,589</u>

Local currency cash and deposits at Banco de la República and Central Banks in local currency are part of the mandatory cash reserve held against customer deposits in each country.

At December 31, 2014 and 2013 there are outstanding pending reconciliation over 30 days for \$6 respectively, with 100% allowances in the Trust Business managed by Servitrust GNB Sudameris S.A. and Fiduciaría GNB S.A. and Banco GNB Paraguay S.A. have made allowances for \$5 and \$3 respectively.

At December 31, 2014 and 2013, the allowance of \$2 in foreign currency represents outstanding with Banco GNB Paraguay.

There are no restrictions on these balances other than the mandatory cash reserve.

**(5) Money market asset positions**

The balance of money market asset positions at December 31, 2014 and 2013 was \$2,894,762 and \$1,190,149, respectively. At December 31, 2014 the balance was composed of \$2,910,190 in Banco GNB Sudameris S.A., the Parent, \$16,430 in Servivalores GNB Sudameris S.A., \$6,421 in Banco GNB Paraguay S.A. and \$38,279 eliminations of reciprocal operations with Banco GNB Paraguay.

At December 31, 2013 the balance was composed of \$1,019,364 in Banco GNB Sudameris S.A., the Parent, \$13,537 in Servivalores GNB Sudameris S.A., \$125,192 in Banco GNB Paraguay and \$32,056 in Banco GNB Peru.

**(6) Investments**

At December 31, 2014 and 2013, the investments are the following:

	<u>2014</u>	<u>2013</u>
Trading, debt securities		

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BANCO GNB SUDAMERIS S.A.  
**Notes to the Financial Statements**

TES	\$ 362,363	1,878,436
Multilateral bonds	8,186	14,557
Bonds of issuers not supervised by the Superintendency	1,366	0
Bond of Banco de la República	0	90,633
TDs	<u>13,557</u>	<u>43,845</u>
	<b>\$ <u>385,472</u></b>	<b><u>2,027,471</u></b>
<b>Trading, equities</b>		
Unit funds	<b>\$ <u>23,929</u></b>	<b><u>35,967</u></b>
<b>Held to maturity</b>		
TES	1,818,458	1,158,999
TRD	22,908	22,950
TDs	39,480	58,952
Multilateral issues	15,093	14,899
Ag	<u>405,215</u>	<u>394,657</u>
Agricultural development issues– TDA Class “A” and “B” FINAGRO	<b>\$ <u>2,301,154</u></b>	<b><u>1,650,457</u></b>
<b>Available for sale – debt securities</b>		
TES	<b>\$ <u>568,141</u></b>	<b><u>547,734</u></b>
<b>Available for sale – equities</b>		
<b>Companies in Colombia</b>		
	<b>\$ 2,457</b>	<b>2,198</b>
Unidades Fondo de Garantías – FOGACOL	369	331
Deceval S.A.	736	141
Cámara de Riesgo Central de Contraparte	367	367
ACH Colombia S. A.	176	37
Cámara de Compensación de Divisas	148	112
Servitotal GNB Sudameris S.A.	474	498
Cifin S.A.	<u>1,630</u>	<u>239</u>
<b>Carried forward</b>	<b>\$ <u>6,357</u></b>	<b><u>3,923</u></b>
<b>Brought forward</b>		
	<b>\$ <u>6,357</u></b>	<b><u>3,923</u></b>
Fiduciaria GNB S.A.	4979	0
Red Multicolor S.A.	1,078	0
Bancard S.A.	2,648	809
Banco Central de Reserva	11,426	0
Camara de Compensación Electrónica S.A. CCE	<u>146</u>	<u>142</u>
	<b>\$ <u>26,634</u></b>	<b><u>4,874</u></b>
<b>Transfer rights</b>		
Trading investments – debt securities	524,895	1,040,085
Available for sale – debt securities	<u>1,836,696</u>	<u>33,927</u>
	<b>\$ <u>2,361,591</u></b>	<b><u>1,074,012</u></b>
<b>Investments in guarantee of derivatives</b>		
TES	<u>8,827</u>	<u>3,863</u>
	<b>\$ <u>5,675,748</u></b>	<b><u>5,344,378</u></b>

There are no restrictions on these investments.

**(7) Loan portfolio**

At December 31, 2014 and 2013, the Bank evaluated all loans, interest and other related items as required by Superintendency Circular 100/1995 and made the minimum regulatory allowances. The result of the classifications was as follows:

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BANCO GNB SUDAMERIS S.A.  
Notes to the Financial Statements

**COLOMBIA**

December 31, 2014

	Capital	Interest	Other items	Total	Collateral	Allowance		
						Capital	Interest & other	Total
<b>Commercial, secured</b>								
A – Normal	\$1,262,231	13,390	6	1,275,627	1,782,415	14,305	248	14,553
B – Acceptable	18,899	312	1	19,212	29,621	604	14	618
C – Appreciable	8,685	68	0	8,753	9,688	2,481	68	2,549
D – Significant	2,641	84	0	2,725	3,369	2,641	84	2,725
E - Unrecoverable	<u>2,809</u>	<u>53</u>	<u>0</u>	<u>2,862</u>	<u>1,029</u>	<u>2,809</u>	<u>53</u>	<u>2,862</u>
Sub total	<u>\$1,295,265</u>	<u>13,907</u>	<u>7</u>	<u>1,309,179</u>	<u>1,826,122</u>	<u>22,840</u>	<u>467</u>	<u>23,307</u>
<b>Commercial Unsecured</b>								
A – Normal	\$2,393,690	20,606	22,047	2,436,343	0	32,950	416	33,366
B – Acceptable	14,057	336	0	14,393	0	422	308	730
C – Appreciable	17,472	52	8	17,532	0	3,169	55	3,224
D – Significant	4,971	171	4	5,146	0	4,923	174	5,097
E - Unrecoverable	<u>5,064</u>	<u>3</u>	<u>9</u>	<u>5,076</u>	<u>0</u>	<u>5,064</u>	<u>12</u>	<u>5,076</u>
Sub total	<u>\$2,435,254</u>	<u>21,168</u>	<u>22,068</u>	<u>2,478,490</u>	<u>0</u>	<u>46,528</u>	<u>965</u>	<u>47,493</u>
<b>Consumer Secured</b>								
A – Normal	\$38,809	2,235	5	41,049	67,596	217	15	232
B – Acceptable	783	40	0	823	1,419	14	0	14
C – Appreciable	124	5	0	129	299	14	0	14
D – Significant	51	1	1	53	191	23	2	25
E - Unrecoverable	<u>3</u>	<u>0</u>	<u>0</u>	<u>3</u>	<u>12</u>	<u>3</u>	<u>1</u>	<u>4</u>
Sub total	<u>\$39,770</u>	<u>2,281</u>	<u>6</u>	<u>42,057</u>	<u>69,517</u>	<u>271</u>	<u>18</u>	<u>289</u>
<b>Consumer Unsecured</b>								
A – Normal	\$2,877,548	17,744	7,659	2,902,951	0	77,753	703	78,456
B – Acceptable	19,145	359	224	19,728	0	1,996	93	2,089
C – Appreciable	34,632	483	115	35,230	0	6,412	365	6,777
D – Significant	59,172	1,800	563	61,535	0	39,398	2,345	41,743
E - Unrecoverable	<u>9,067</u>	<u>288</u>	<u>173</u>	<u>9,528</u>	<u>0</u>	<u>9,067</u>	<u>461</u>	<u>9,528</u>
Sub total	<u>\$2,999,564</u>	<u>20,674</u>	<u>8,734</u>	<u>3,028,972</u>	<u>0</u>	<u>134,626</u>	<u>3,967</u>	<u>138,593</u>
<b>Home mortgage</b>								
A – Normal	\$18,329	82	12	18,423	58,620	183	88	271
B – Acceptable	611	6	2	619	1,836	20	8	28
C – Appreciable	371	3	1	375	891	37	4	41
D – Significant	175	1	1	177	680	35	2	37

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BANCO GNB SUDAMERIS S.A.  
Notes to the Financial Statements

E - Unrecoverable	<u>1,514</u>	<u>46</u>	<u>22</u>	<u>1,582</u>	<u>3,956</u>	<u>1,187</u>	<u>66</u>	<u>1,253</u>
Sub total	<u>\$21,000</u>	<u>138</u>	<u>38</u>	<u>21,176</u>	<u>65,983</u>	<u>1,462</u>	<u>168</u>	<u>1,630</u>
<b>General Allowance</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23</u>	<u>0</u>	<u>23</u>
	<b><u>\$6,790,853</u></b>	<b><u>58,168</u></b>	<b><u>30,853</u></b>	<b><u>6,879,874</u></b>	<b><u>1,961,622</u></b>	<b><u>205,937</u></b>	<b><u>5,585</u></b>	<b><u>211,312</u></b>

**PERU**

December 31, 2014

	Capital	Interest	Other items	Total	Collateral	Allowance		
						Capital	Interest & other	Total
<b>Commercial</b>								
A - Normal	\$1,076,923	11,057	0	1,087,980	0	23,780	200	23,980
B - Acceptable	20,982	106	0	21,088	0	2,453	7	2,460
C - Appreciable	4,720	1	0	4,721	0	1,850	1	1,851
D - Significant	18,485	0	0	18,485	0	13,182	0	13,182
E - Unrecoverable	<u>8,112</u>	<u>0</u>	<u>0</u>	<u>8,112</u>	<u>0</u>	<u>8,112</u>	<u>0</u>	<u>8,112</u>
Sub total	<u>\$1,129,222</u>	<u>11,164</u>	<u>0</u>	<u>1,140,386</u>	<u>0</u>	<u>49,377</u>	<u>208</u>	<u>49,585</u>
<b>Consumer</b>								
A - Normal	\$660,581	5,961	0	666,542	0	18,600	144	18,744
B - Acceptable	16,123	45	0	16,168	0	4,003	6	4,009
C - Appreciable	22,093	11	0	22,104	0	13,115	3	13,118
D - Significant	4,304	0	0	4,304	0	3,365	0	3,365
E - Unrecoverable	<u>3,170</u>	<u>0</u>	<u>0</u>	<u>3,170</u>	<u>0</u>	<u>3,170</u>	<u>0</u>	<u>3,170</u>
Sub total	<u>\$706,271</u>	<u>6,017</u>	<u>0</u>	<u>712,288</u>	<u>0</u>	<u>42,253</u>	<u>153</u>	<u>42,406</u>
<b>Home mortgage</b>								
A - Normal	\$734,017	3,394	0	737,411	0	14,877	0	14,877
B - Acceptable	8,332	17	0	8,349	0	1,217	3	1,220
C - Appreciable	873	1	0	874	0	434	1	435
D - Significant	7,246	4	0	7,250	0	3,578	0	3,578
E - Unrecoverable	<u>508</u>	<u>0</u>	<u>0</u>	<u>508</u>	<u>0</u>	<u>432</u>	<u>0</u>	<u>432</u>
Sub total	<u>\$750,976</u>	<u>3,416</u>	<u>0</u>	<u>754,392</u>	<u>0</u>	<u>20,538</u>	<u>4</u>	<u>20,542</u>
	<b><u>\$2,586,469</u></b>	<b><u>20,597</u></b>	<b><u>0</u></b>	<b><u>2,607,066</u></b>	<b><u>0</u></b>	<b><u>112,168</u></b>	<b><u>365</u></b>	<b><u>112,533</u></b>

**PARAGUAY**

December 31, 2014

Commercial, secured	Capital	Interest	Other items	Total	Collateral	Allowance		
						Capital	Interest & other	Total
<b>Commercial</b>								
A - Normal			0		0			

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BANCO GNB SUDAMERIS S.A.  
Notes to the Financial Statements

	\$1,158,262	22,060		1,180,322		22,464	355	22,819
B - Acceptable	26,236	527	0	26,763	0	1,710	42	1,752
C - Appreciable	6,169	226	0	6,395	0	980	176	1,157
D – Significant	1,019	15	0	1,034	0	1,019	15	1,034
E - Unrecoverable	<u>4,120</u>	<u>116</u>	<u>0</u>	<u>4,236</u>	<u>0</u>	<u>4,120</u>	<u>116</u>	<u>4,236</u>
Sub total	<u>\$1,195,806</u>	<u>22,944</u>	<u>0</u>	<u>1,218,750</u>	<u>0</u>	<u>30,292</u>	<u>704</u>	<u>30,997</u>
<b>Consumer</b>								
A – Normal	\$121,235	1,443	0	122,678	0	4,290	47	4,338
B - Acceptable	3,374	64	0	3,438	0	619	12	631
C - Appreciable	727	16	0	743	0	214	16	230
D – Significant	1,751	47	0	1,798	0	1,374	46	1,419
E - Unrecoverable	<u>6,090</u>	<u>189</u>	<u>0</u>	<u>6,279</u>	<u>0</u>	<u>6,090</u>	<u>189</u>	<u>6,279</u>
Sub total	<u>\$133,177</u>	<u>1,759</u>	<u>0</u>	<u>134,936</u>	<u>0</u>	<u>12,588</u>	<u>309</u>	<u>12,897</u>
	<u>\$1,328,983</u>	<u>24,703</u>	<u>0</u>	<u>1,353,686</u>	<u>0</u>	<u>42,880</u>	<u>1,014</u>	<u>43,894</u>
<b>GRAND TOTAL</b>	<b><u>\$10,706,305</u></b>	<b><u>103,468</u></b>	<b><u>30,853</u></b>	<b><u>10,840,626</u></b>	<b><u>1,961,621</u></b>	<b><u>360,984</u></b>	<b><u>6,963</u></b>	<b><u>367,947</u></b>

Restructured Loans	Classification	Capital	Interest	Other	Total	Secured	Allowance - Capital	Allowance Interest / Other	Allowance Other	Total allowance
Law 550/1999	A-Normal	\$19,782	140	0	19,922	493	238	140	0	378
Law 550/1999	B-Acceptable	2,962	307	0	3,270	129	225	307	0	532
Law 550/1999	C-Appreciable	25,246	112	1	25,358	6,421	5,534	112	1	5,647
Law 550/1999	D-Significant	1,792	67	1	1,860	1,317	1,722	67	1	1,790
Law 550/1999	E-Unrecoverable	<u>5,158</u>	<u>6</u>	<u>0</u>	<u>5,164</u>	<u>0</u>	<u>5,158</u>	<u>6</u>	<u>0</u>	<u>5,164</u>
<b>Total Law 550/1999</b>		<b><u>54,940</u></b>	<b><u>632</u></b>	<b><u>2</u></b>	<b><u>55,575</u></b>	<b><u>8,359</u></b>	<b><u>12,878</u></b>	<b><u>632</u></b>	<b><u>2</u></b>	<b><u>13,512</u></b>
Law 617	A-Normal	<u>8,838</u>	<u>0</u>	<u>0</u>	<u>8,838</u>	<u>8,838</u>	<u>641</u>	<u>0</u>	<u>0</u>	<u>641</u>
<b>Subtotal Law 617/</b>		<b><u>8,838</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>8,838</u></b>	<b><u>8,838</u></b>	<b><u>641</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>641</u></b>
Restructured	A-Normal	41,401	143	23	41,567	97	1,220	8	1	1,228
Restructured	B-Acceptable	16,321	260	2	16,584	6,394	714	17	0	731
Restructured	C-Appreciable	20,905	169	11	21,085	26	4,106	66	5	4,178
Restructured	D-Significant	6,923	129	10	7,062	6	5,818	123	10	5,951
Restructured	E-Unrecoverable	<u>3,596</u>	<u>76</u>	<u>1</u>	<u>3,673</u>	<u>721</u>	<u>3,596</u>	<u>76</u>	<u>1</u>	<u>3,673</u>
<b>Total Restructured</b>		<b><u>89,146</u></b>	<b><u>777</u></b>	<b><u>47</u></b>	<b><u>89,970</u></b>	<b><u>7,244</u></b>	<b><u>15,454</u></b>	<b><u>289</u></b>	<b><u>18</u></b>	<b><u>15,761</u></b>
<b>GRAN TOTAL</b>		<b><u>\$152,924</u></b>	<b><u>1,409</u></b>	<b><u>50</u></b>	<b><u>154,383</u></b>	<b><u>24,441</u></b>	<b><u>28,972</u></b>	<b><u>921</u></b>	<b><u>20</u></b>	<b><u>29,913</u></b>

**DECEMBER 31, 2014**

CLASS	RISK	City	DESCRIPTION IN NOTES	No Ops	CAPITAL
COMMERCIAL	Law 550/1995	BARRANQUILLA	F- MFR OIL PRODUCTS, FERTILIZERS, CHEMICALS, PLASTICS AND RUBBER	9	1,304
	Law 550/1995	BARRANQUILLA	V- OTHER ACTIVITIES	1	0
		Total BARRANQUILLA		10	\$1,304
	Law 550/1995	BOGOTA	A- AGRICULTURE, HUNTING & FISHING	1	557
	Law 550/1995	BOGOTA	D- TEXTILES, LEATHER AND SHOES	2	6,915
	Law 550/1995	BOGOTA	I- MFR OF MACHINERY, MOTORS, ACCESSORIES FOR VEHICLES ETC.	1	8
	Law 550/1995	BOGOTA	K- CIVIL WORKS AND CONSTRUCTION	3	2,937
	Law 550/1995	BOGOTA	M- COMMERCE	4	7,160
	Law 550/1995	BOGOTA	P- TELECOMMUNICATIONS SERVICES	1	2,963
	Law 550/1995	BOGOTA	U- CULTURE, LEISURE AND SPORTS	1	485
	Law 550/1995	BOGOTA	V- OTHER ACTIVITIES	2	270
		Total BOGOTA		15	\$21,295
	Law 550/1995	CALI	C- FOODS, BEVERAGES, TOBACCO & CONCENTRATES	1	189

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BANCO GNB SUDAMERIS S.A.  
Notes to the Financial Statements

CLASS	RISK	City	DESCRIPTION IN NOTES	No Ops	CAPITAL
	Law 550/1995	CALI	F- MFR OIL PRODUCTS, FERTILIZERS, CHEMICALS, PLASTICS AND RUBBER	1	0
	Law 550/1995	CALI	G- MFR PHARMACEUTICALS, MEDICAL CHEMICALS	1	1,003
	Law 550/1995	CALI	M- COMMERCE	1	56
	Law 550/1995	CALI	V- OTHER ACTIVITIES	1	1,317
		Total CALI		5	\$2,565
	Law 550/1995	CARTAGENA	F- MFR OIL PRODUCTS, FERTILIZERS, CHEMICALS, PLASTICS AND RUBBER	1	841
	Law 550/1995	CARTAGENA	K- CIVIL WORKS AND CONSTRUCTION	2	500
		Total CARTAGENA		3	\$1,341
	Law 550/1995	MANIZALES	R- PUBLIC ADMINISTRATION	1	19,250
		Total MANIZALES		1	19,250
	Law 550/1995	MEDELLIN	C- FOODS, BEVERAGES, TOBACCO & CONCENTRATES	3	1,000
	Law 550/1995	MEDELLIN	H- MFR MINERAL AND METAL PRODUCTS	1	6,027
	Law 550/1995	MEDELLIN	I- MFR OF MACHINERY, MOTORS, ACCESSORIES FOR VEHICLES ETC.	1	154
		Total MEDELLIN		5	\$7,181
	Law	TUNJA	L- NEW AND USED VEHICLES AND SPARES	4	1,697
		Total TUNJA		4	\$1,697
	Total Law 550/1995 Ley 617 de 2000			43	54,632
		CALI	R- PUBLIC ADMINISTRATION	14	8,838
		Total CALI		14	\$8,838
	Total Ley 617/2000			14	8,838
	Restructured	BARRANQUILLA	F- MFR OIL PRODUCTS, FERTILIZERS, CHEMICALS, PLASTICS AND RUBBER	1	2,917
	Restructured	BARRANQUILLA	J- ELECTRICITY, GAS & WATER PRODUCTION & DISTRIBUTION	1	158
	Restructured	BARRANQUILLA	M- COMMERCE	1	196
		Total BARRANQUILLA		3	\$3,270
	Restructured	BOGOTA	D- TEXTILES, LEATHER AND SHOES	1	1,908
	Restructured	BOGOTA	F- MFR OIL PRODUCTS, FERTILIZERS, CHEMICALS, PLASTICS AND RUBBER	1	863
	Restructured	BOGOTA	M- COMMERCE	2	1,105
	Restructured	BOGOTA	O- FREIGHT AND PASSENGER TRANSPORT & SIMILAR	1	694
	Restructured	BOGOTA	S- SOCIAL SECURITY, HEALTH	1	3,750
	Restructured	BOGOTA	T- EDUCATION	1	774
	Restructured	BOGOTA	V- OTHER ACTIVITIES	2	2,200
		Total BOGOTA		9	\$11,294
	Restructured	BUCARAMANGA	I- MFR OF MACHINERY, MOTORS, ACCESSORIES FOR VEHICLES ETC.	1	3,150
		Total BUCARAMANGA		1	\$3,150
	Restructured	CALI	J- ELECTRICITY, GAS & WATER PRODUCTION & DISTRIBUTION	1	2,809
	Restructured	CALI	L- NEW AND USED VEHICLES AND SPARES	1	4,467
	Restructured	CALI	V- OTHER ACTIVITIES	1	1,799
		Total CALI		3	\$9,075
	Restructured	MEDELLIN	O- FREIGHT AND PASSENGER TRANSPORT & SIMILAR	1	20
	Restructured	MEDELLIN	V- OTHER ACTIVITIES	1	918
		Total MEDELLIN		2	\$937
	Total Restructured			18	27,727
Total Commercial CONSUMER				75	91,197
	Law 550/1995	BARRANQUILLA	W- EMPLOYEES AND RENTIERS	1	32
		Total BARRANQUILLA		1	\$32
	Law 550/1995	BOGOTA	W- EMPLOYEES AND RENTIERS	6	182
		Total BOGOTA		6	\$182
	Law 550/1995	CALI	W- EMPLOYEES AND RENTIERS	3	94
		Total CALI		3	\$94
	Total Law 550/1995			10	308
	Restructured	ARMENIA	W- EMPLOYEES AND RENTIERS	32	644
		Total ARMENIA		32	\$644
	Restructured	B/MANGA	A- AGRICULTURE, HUNTING & FISHING	6	443
	Restructured	B/MANGA	D- TEXTILES, LEATHER AND SHOES	3	96
	Restructured	B/MANGA	H- MFR MINERAL AND METAL PRODUCTS	1	18
	Restructured	B/MANGA	K- CIVIL WORKS AND CONSTRUCTION	2	282
	Restructured	B/MANGA	L- NEW AND USED VEHICLES AND SPARES	2	45
	Restructured	B/MANGA	M- COMMERCE	9	473
	Restructured	B/MANGA	N- HOTELS Y RESTAURANTS	1	9
	Restructured	B/MANGA	O- FREIGHT AND PASSENGER TRANSPORT & SIMILAR	3	138

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**BANCO GNB SUDAMERIS S.A.**  
**Notes to the Financial Statements**

CLASS	RISK	City	DESCRIPTION IN NOTES	No Ops	CAPITAL
	Restructured	B/MANGA	V- OTHER ACTIVITIES	3	173
	Restructured	B/MANGA	W- EMPLOYEES AND RENTIERS	22	387
		Total B/MANGA		52	\$2,064
	Restructured	BARRANQUILLA	I- MFR OF MACHINERY, MOTORS, ACCESSORIES FOR VEHICLES ETC.	1	4
	Restructured	BARRANQUILLA	M- COMMERCE	5	289
	Restructured	BARRANQUILLA	O- FREIGHT AND PASSENGER TRANSPORT & SIMILAR	1	146
	Restructured	BARRANQUILLA	V- OTHER ACTIVITIES	2	62
	Restructured	BARRANQUILLA	W- EMPLOYEES AND RENTIERS	319	5,173
		Total BARRANQUILLA		328	\$5,674
	Restructured	BOGOTA	D- TEXTILES, LEATHER AND SHOES	2	14
	Restructured	BOGOTA	F- MFR OIL PRODUCTS, FERTILIZERS, CHEMICALS, PLASTICS AND RUBBER	1	9
	Restructured	BOGOTA	I- MFR OF MACHINERY, MOTORS, ACCESSORIES FOR VEHICLES ETC.	2	60
	Restructured	BOGOTA	K- CIVIL WORKS AND CONSTRUCTION	1	12
	Restructured	BOGOTA	L- NEW AND USED VEHICLES AND SPARES	1	172
	Restructured	BOGOTA	M- COMMERCE	17	811
	Restructured	BOGOTA	O- FREIGHT AND PASSENGER TRANSPORT & SIMILAR	5	125
	Restructured	BOGOTA	P- TELECOMMUNICATIONS SERVICES	1	46
	Restructured	BOGOTA	Q- ACTIVIDADES DE INTERMEDIACION FINANCIERA	3	123
	Restructured	BOGOTA	R- PUBLIC ADMINISTRATION	1	3
	Restructured	BOGOTA	S- SOCIAL SECURITY, HEALTH	3	96
	Restructured	BOGOTA	T- EDUCATION	2	28
	Restructured	BOGOTA	V- OTHER ACTIVITIES	42	1,029
	Restructured	BOGOTA	W- EMPLOYEES AND RENTIERS	1,561	26,319
		Total BOGOTA		1,642	\$28,848
	Restructured	BUCARAMANGA	W- EMPLOYEES AND RENTIERS	137	2,131
		Total BUCARAMANGA		137	\$2,131
	Restructured	CALI	A- AGRICULTURE, HUNTING & FISHING	2	129
	Restructured	CALI	L- NEW AND USED VEHICLES AND SPARES	2	80
	Restructured	CALI	M- COMMERCE	2	73
	Restructured	CALI	U- CULTURE, LEISURE AND SPORTS	1	14
	Restructured	CALI	V- OTHER ACTIVITIES	4	90
	Restructured	CALI	W- EMPLOYEES AND RENTIERS	321	4,281
		Total CALI		332	\$4,667
	Restructured	CARTAGENA	O- FREIGHT AND PASSENGER TRANSPORT & SIMILAR	1	23
	Restructured	CARTAGENA	W- EMPLOYEES AND RENTIERS	226	3,910
		Total CARTAGENA		227	\$3,934
	Restructured	CUCUTA	W- EMPLOYEES AND RENTIERS	20	521
		Total CUCUTA		20	\$521
	Restructured	IBAGUE	W- EMPLOYEES AND RENTIERS	34	663
		Total IBAGUE		34	\$663
	Restructured	MANIZALES	D- TEXTILES, LEATHER AND SHOES	1	73
	Restructured	MANIZALES	V- OTHER ACTIVITIES	2	80
	Restructured	MANIZALES	W- EMPLOYEES AND RENTIERS	83	979
		Total MANIZALES		86	\$1,133
	Restructured	MEDELLIN	A- AGRICULTURE, HUNTING & FISHING	4	750
	Restructured	MEDELLIN	D- TEXTILES, LEATHER AND SHOES	1	8
	Restructured	MEDELLIN	L- NEW AND USED VEHICLES AND SPARES	1	59
	Restructured	MEDELLIN	M- COMMERCE	4	348
	Restructured	MEDELLIN	N- HOTELES Y RESTAURANTES	1	110
	Restructured	MEDELLIN	O- FREIGHT AND PASSENGER TRANSPORT & SIMILAR	1	163
	Restructured	MEDELLIN	P- TELECOMMUNICATIONS SERVICES	1	4
	Restructured	MEDELLIN	S- SOCIAL SECURITY, HEALTH	1	38
	Restructured	MEDELLIN	T- EDUCATION	1	12
	Restructured	MEDELLIN	V- OTHER ACTIVITIES	9	206
	Restructured	MEDELLIN	W- EMPLOYEES AND RENTIERS	341	4,961
		Total MEDELLIN		365	\$6,659
	Restructured	MONTERIA	W- EMPLOYEES AND RENTIERS	63	974
		Total MONTERIA		63	\$974
	Restructured	NEIVA	W- EMPLOYEES AND RENTIERS	3	73
		Total NEIVA		3	\$73
	Restructured	PASTO	D- TEXTILES, LEATHER AND SHOES	1	13

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BANCO GNB SUDAMERIS S.A.  
Notes to the Financial Statements

CLASS	RISK	City	DESCRIPTION IN NOTES	No Ops	CAPITAL
	Restructured	PASTO	M- COMMERCE	3	62
	Restructured	PASTO	O- FREIGHT AND PASSENGER TRANSPORT & SIMILAR	2	130
	Restructured	PASTO	W- EMPLOYEES AND RENTIERS	24	276
		Total PASTO		30	\$481
	Restructured	PEREIRA	A- AGRICULTURE, HUNTING & FISHING	2	141
	Restructured	PEREIRA	M- COMMERCE	4	219
	Restructured	PEREIRA	Q- FINANCIAL SECTOR	1	2
	Restructured	PEREIRA	V- OTHER ACTIVITIES	2	47
	Restructured	PEREIRA	W- EMPLOYEES AND RENTIERS	83	1,046
		Total PEREIRA		92	\$1,455
	Restructured	POPAYAN	W- EMPLOYEES AND RENTIERS	42	571
		Total POPAYAN		42	\$571
	Restructured	TUNJA	W- EMPLOYEES AND RENTIERS	25	430
		Total TUNJA		25	\$430
	Restructured	VILLAVICENCIO	W- EMPLOYEES AND RENTIERS	22	497
		Total VILLAVICENCIO		22	\$497
Total Consumer Home mortgage	Total Restructured			3,532	61,419
	Restructured	CARTAGENA	V- OTHER ACTIVITIES	1	0
		Total CARTAGENA		1	0
Total Home mortgage	Total Restructured			1	0
GRAND TOTAL				3,618	152,924

December 31, 2013

Commercial, secured	Capital	Interest	Other items	Total	Collateral	Allowance		
						Capital	Interest & other	Total
A – Normal	\$ 1,807,454	12,661	6	1,820,121	1,569,659	12,214	257	12,471
B – Acceptable	19,546	257	0	19,803	29,559	546	9	555
C – Appreciable	10,476	135	0	10,611	8,417	844	115	959
D – Significant	7,214	174	0	7,388	8,473	1,643	168	1,811
E - Unrecoverable	<u>43,397</u>	<u>53</u>	<u>0</u>	<u>43,450</u>	<u>1,029</u>	<u>2,809</u>	<u>53</u>	<u>2,862</u>
Sub total	\$ 1,888,087	13,280	6	1,901,373	1,617,137	18,056	602	18,658
<b>Commercial Unsecured</b>								
A – Normal	\$ 1,823,754	36,132	11,877	1,871,763	0	47,698	432	48,130
B – Acceptable	19,029	455	0	19,484	0	4,698	27	4,725
C – Appreciable	9,212	22	9	9,243	0	2,216	2	2,218
D – Significant	155	85	467	707	0	15,320	13	15,333
E - Unrecoverable	<u>5,457</u>	<u>101</u>	<u>39</u>	<u>5,597</u>	<u>0</u>	<u>20,349</u>	<u>10</u>	<u>20,359</u>
Sub total	\$ 1,857,607	36,795	12,392	1,906,794	0	90,281	484	90,765
<b>Consumer Secured</b>								
A – Normal	\$ 15,699	374	5	16,078	32,455	242	8	250
B – Acceptable	10,806	1	0	10,807	187	5	0	5
C – Appreciable	28	1	0	29	114	5	0	5
D – Significant	32	1	1	34	138	18	2	20
E - Unrecoverable	<u>30</u>	<u>1</u>	<u>1</u>	<u>32</u>	<u>19</u>	<u>12</u>	<u>2</u>	<u>14</u>
Sub total	\$ 26,595	378	7	26,980	32,913	282	12	294
<b>Consumer Unsecured</b>								
A – Normal	3,967,289	21,341	2,481	3,991,111	0	90,197	532	90,729
B – Acceptable	13,483	274	106	13,863	0	3,969	40	4,009
C – Appreciable	11,855	202	192	12,249	0	11,901	172	12,073
D – Significant	59,064	1,918	950	61,932	0	43,054	2,470	45,524
E - Unrecoverable	<u>5,138</u>	<u>261</u>	<u>46</u>	<u>5,445</u>	<u>0</u>	<u>12,656</u>	<u>119</u>	<u>12,775</u>

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BANCO GNB SUDAMERIS S.A.  
Notes to the Financial Statements

Sub total	\$ 4,056,829	23,996	3,775	4,084,600	0	161,777	3,333	165,110
<b>Home mortgage</b>								
A – Normal	517,808	2,512	1	520,321	11,499	10,307	1	10,308
B – Acceptable	807	1	0	808	262	660	0	660
C – Appreciable	5	0	0	5	47	133	0	133
D – Significant	4	0	0	4	140	344	0	344
E - Unrecoverable	<u>920</u>	<u>1</u>	<u>0</u>	<u>921</u>	<u>148</u>	<u>301</u>	<u>0</u>	<u>301</u>
	\$ 519,544	2,514	1	522,059	12,096	11,745	1	11,746
<b>General provision</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23</u>	<u>0</u>	<u>23</u>
	<u>\$ 519,544</u>	<u>2,514</u>	<u>1</u>	<u>522,059</u>	<u>12,096</u>	<u>11,768</u>	<u>1</u>	<u>11,769</u>
<b>Grand Total</b>	<u>\$ 8,348,662</u>	<u>76,963</u>	<u>16,181</u>	<u>8,441,806</u>	<u>1,662,146</u>	<u>282,164</u>	<u>4,432</u>	<u>286,596</u>

Restructurings	Classification	Capital	Interest	Other items	Total	Collateral	Allowance Capital	Allowance Interest & other	Other allowances	Total Allowances
Law 550/ 1999	A-Normal	\$ 20,510	140	0	20,650	1,260	243	140	0	383
Law 550/ 1999	B-Acceptable	176	0	0	176	104	20	0	0	20
Law 550/ 1999	C-Appreciable	14,411	70	0	14,481	4,290	1,803	70	0	1,873
Law 550/ 1999	D-Significant	935	49	0	984	692	774	49	0	824
Law 550/ 1999	E-Unrecoverable	<u>5,296</u>	<u>2</u>	<u>0</u>	<u>5,298</u>	<u>0</u>	<u>5,296</u>	<u>2</u>	<u>0</u>	<u>5,297</u>
<b>Total Law 550/ 1999</b>		<b>41,328</b>	<b>261</b>	<b>0</b>	<b>41,589</b>	<b>6,346</b>	<b>8,136</b>	<b>261</b>	<b>0</b>	<b>8,397</b>
Law 617/ 2000	A-Normal	<u>11,048</u>	<u>143</u>	<u>0</u>	<u>11,190</u>	<u>11,048</u>	<u>51</u>	<u>1</u>	<u>0</u>	<u>52</u>
<b>Total Law 617/ 2000</b>		<b>11,048</b>	<b>143</b>	<b>0</b>	<b>11,190</b>	<b>11,048</b>	<b>51</b>	<b>1</b>	<b>0</b>	<b>52</b>
Restructured	A-Normal	40,371	150	22	40,543	414	1,224	6	0	1,230
Restructured	B-Acceptable	23,576	170	21	23,767	4,035	3,771	41	1	3,813
Restructured	C-Appreciable	8,315	93	40	8,448	65	2,041	59	4	2,104
Restructured	D-Significant	7,985	157	46	8,188	17	5,233	158	16	5,407
Restructured	E-Unrecoverable	<u>2,953</u>	<u>54</u>	<u>0</u>	<u>3,007</u>	<u>721</u>	<u>2,953</u>	<u>54</u>	<u>0</u>	<u>3,007</u>
<b>Total Restructured</b>		<b>83,200</b>	<b>624</b>	<b>129</b>	<b>83,953</b>	<b>5,251</b>	<b>15,222</b>	<b>318</b>	<b>21</b>	<b>15,561</b>
<b>Grand Total</b>		<b>\$135,576</b>	<b>1,028</b>	<b>129</b>	<b>136,732</b>	<b>22,645</b>	<b>23,409</b>	<b>580</b>	<b>21</b>	<b>24,010</b>

The detail of restructured loans at December 31, 2013 is as follows:

PORTFOLIO	RISK	CITY	SECTOR	No Ops	CAPITAL
Commercial	Law 550/ 1995	Barranquilla	C- Food, beverages, tobacco, concentrates	1	2
	Law 550/ 1995	Barranquilla	F- Oil by products, fertilizers, chemicals, plastics, rubber	1	<u>925</u>
		<b>Total BARRANQUILLA</b>		<b>2</b>	<b>\$ 927</b>
	Law 550/ 1995	Bogotá	A- Agriculture, hunting fishing	4	1,125
	Law 550/ 1995	Bogotá	C- Food, beverages, tobacco, concentrates	1	225
	Law 550/ 1995	Bogotá	D- Textiles, leather and shoes	2	6,915
	Law 550/ 1995	Bogotá	I- Mfr machinery equipment, motors and accessories for vehicles and other industries	1	104
	Law 550/ 1995	Bogotá	M- Commerce	1	9
	Law 550/ 1995	Bogotá	O- Freight and passenger transport etc.	1	10
	Law 550/ 1995	Bogotá	P- Services de telecommunication	1	2,963
	Law 550/ 1995	Bogotá	U- Leisure, sports and culture organizations and associations,	1	<u>1,260</u>
		<b>Total BOGOTA</b>		<b>12</b>	<b>\$ 12,611</b>
	Law 550/ 1995	Cali	C- Food, beverages, tobacco, concentrates	1	189
	Law 550/ 1995	Cali	G- Mfr of pharmaceuticals and medical chemicals,	1	1,003
	Law 550/ 1995	Cali	M- Commerce	1	<u>56</u>
		<b>Total CALI</b>		<b>3</b>	<b>\$ 1,248</b>
	Law 550/ 1995	Cartagena	F- Oil by products, fertilizers, chemicals, plastics, rubber	2	<u>538</u>
		<b>Total CARTAGENA</b>		<b>2</b>	<b>\$ 538</b>
	Law 550/ 1995	Manizales	R- Public administration	1	<u>19,250</u>
		<b>Total MANIZALES</b>		<b>1</b>	<b>\$ 19,250</b>
Law 550/ 1995	Medellin	C- Food, beverages, tobacco, concentrates	1	72	
Law 550/ 1995	Medellin	H- Mfr of mineral and metal products	1	6,128	
Law 550/ 1995	Medellin	I- Machinery, motors, vehicle accessories etc.	1	154	
Law 550/ 1995	Medellin	K- Civil Works and construction	5	<u>400</u>	

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BANCO GNB SUDAMERIS S.A.  
Notes to the Financial Statements

PORTFOLIO	RISK	CITY	SECTOR	No Ops	CAPITAL
		<b>Total MEDELLIN</b>		<b>8</b>	<b>6,754</b>
	<b>Total Law/ 1995</b>			<b>28</b>	<b>\$ 41,328</b>
	Law 617/ 2000	Cali	R- Public administration	14	11,048
		<b>Total CALI</b>		<b>14</b>	<b>11,048</b>
	<b>Total Law 617/ 2000</b>			<b>14</b>	<b>\$ 11,048</b>
	Restructured	Barranquilla	J- Production and distribution of Electricity, gas and water	1	790
		<b>Total BARRANQUILLA</b>		<b>1</b>	<b>\$ 790</b>
	Restructured	Bogotá	A- Agriculture, hunting fishing	1	47
	Restructured	Bogotá	D- Textiles, leather and shoes	1	1,918
	Restructured	Bogotá	F- Oil by products, fertilizers, chemicals, plastics, rubber	1	881
	Restructured	Bogotá	M- Commerce	2	1,245
	Restructured	Bogotá	T- Education	1	985
		<b>Total BOGOTA</b>		<b>6</b>	<b>\$ 5,076</b>
	Restructured	Bucaramanga	I- Machinery, motors, vehicle accessories etc.	1	3,182
	Restructured	Bucaramanga	M- Commerce	2	56
		<b>Total BUCARAMANGA</b>		<b>3</b>	<b>\$ 3,238</b>
	Restructured	Cali	J- Electricity, gas , water	1	2,809
	Restructured	Cali	L- New and used car trade, spares and maintenance	1	4,467
		<b>Total CALI</b>		<b>2</b>	<b>\$ 7,276</b>
	Restructured	Cartagena	F- Oil by products, fertilizers, chemicals, plastics, rubber	1	171
	Restructured	Cartagena	K- Construction and civil works	1	280
		<b>Total CARTAGENA</b>		<b>2</b>	<b>\$ 451</b>
	Restructured	Medellin	C- Food, beverages, tobacco, concentrates	1	15
		<b>Total MEDELLIN</b>		<b>1</b>	<b>15</b>
	Restructured	Paraguay		1	3,021
		<b>Total PARAGUAY</b>		<b>1</b>	<b>3,021</b>
	Restructured	Peru		1	11,865
		<b>Total PERU</b>		<b>1</b>	<b>11,865</b>
	<b>Total Restructured</b>			<b>17</b>	<b>\$ 31,732</b>
<b>Total Commercial</b>				<b>59</b>	<b>\$ 84,108</b>
<b>Consumer</b>	Restructured	Armenia	W- Employees and rentiers	27	539
		<b>Total ARMENIA</b>		<b>27</b>	<b>\$ 539</b>
	Restructured	Barranquilla	W- Employees and rentiers	272	4,252
		<b>Total BARRANQUILLA</b>		<b>272</b>	<b>\$ 4,252</b>
	Restructured	Bogotá	H- Mining and metals products mfr	1	16
	Restructured	Bogotá	M- Commerce	1	16
	Restructured	Bogotá	O- Freight and passenger transport etc.	4	23
	Restructured	Bogotá	R- Public administration	1	4
	Restructured	Bogotá	V- Other activities	5	23
	Restructured	Bogotá	W- Employees and rentiers	1,575	\$ 26,864
		<b>Total BOGOTA</b>		<b>1,587</b>	<b>\$ 26,946</b>
	Restructured	Bucaramanga	W- Employees and rentiers	144	2,085
		<b>Total BUCARAMANGA</b>		<b>144</b>	<b>\$ 2,085</b>
	Restructured	Buenaventura	W- Employees and rentiers	2	42
		<b>Total BUENAVENTURA</b>		<b>2</b>	<b>\$ 42</b>
	Restructured	Cali	A- Agriculture, hunting fishing	1	30
	Restructured	Cali	W- Employees and rentiers	255	3,615
		<b>Total CALI</b>		<b>256</b>	<b>\$ 3,645</b>
	Restructured	Cartagena	S- Social security and health	1	8
	Restructured	Cartagena	W- Employees and rentiers	234	3,759
		<b>Total CARTAGENA</b>		<b>235</b>	<b>\$ 3,767</b>
	Restructured	Cucuta	W- Employees and rentiers	14	355
		<b>Total CUCUTA</b>		<b>14</b>	<b>\$ 355</b>
	Restructured	Ibague	W- Employees and rentiers	38	894
		<b>Total IBAGUE</b>		<b>38</b>	<b>\$ 894</b>
	Restructured	Manizales	A- Agriculture, hunting fishing	1	5
	Restructured	Manizales	W- Employees and rentiers	80	814
	Restructured	Medellin	K- Construction and civil works	1	6
	Restructured	Medellin	M- Commerce	1	0
	Restructured	Medellin	V- Other activities	1	9
	Restructured	Medellin	W- Employees and rentiers	327	4,049
		<b>Total MEDELLIN</b>		<b>330</b>	<b>\$ 4,064</b>
	Restructured	Monteria	W- Employees and rentiers	68	1,167
		<b>Total MONTERIA</b>		<b>68</b>	<b>\$ 1,167</b>
	Restructured	Neiva	W- Employees and rentiers	1	26
		<b>Total NEIVA</b>		<b>1</b>	<b>\$ 26</b>
	Restructured	Pasto	W- Employees and rentiers	11	241
		<b>Total PASTO</b>		<b>11</b>	<b>\$ 241</b>

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BANCO GNB SUDAMERIS S.A.  
Notes to the Financial Statements

PORTFOLIO	RISK	CITY	SECTOR	No Ops	CAPITAL
	Restructured	Pereira	W- Employees and renters	86	1,126
		<b>Total PEREIRA</b>		<b>86</b>	<b>\$ 1,126</b>
	Restructured	Popayan	V- Other activities	1	10
	Restructured	Popayan	W- Employees and renters	45	567
		<b>Total POPAYAN</b>		<b>46</b>	<b>577</b>
	Restructured	Tunja	W- Employees and renters	21	377
		<b>Total TUNJA</b>		<b>21</b>	<b>\$ 377</b>
	Restructured	Villavicencio	W- Employees and renters	21	546
		<b>Total VILLAVICENCIO</b>		<b>21</b>	<b>\$546</b>
<b>Total Consumer</b>	<b>Total Restructured</b>			<b>3,240</b>	<b>\$ 51,468</b>
<b>Grand Total</b>				<b>3,299</b>	<b>\$135,576</b>

Gross loans by geographical zone at December 31, 2014 and 2013, by cities are as follows:

Country	Zone	2014	2013
Colombia	Armenia	33,337	30,710
	Bucaramanga	214,608	198,996
	Barranquilla	405,084	371,414
	Bogotá	3,389,323	3,249,796
	Buenaventura	6,788	1,345
	Cali	524,818	471,560
	Cartagena	224,291	204,034
	Cucuta	30,536	23,118
	Ibague	81,071	55,429
	Manizales	149,218	141,352
	Medellin	655,791	506,249
	Monteria	44,420	38,972
	Neiva	6,694	4,771
	Pasto	27,557	25,657
	Pereira	108,500	100,846
	Popayan	72,735	48,173
	Santa Marta	55,086	56,627
	Tunja	61,756	57,499
	Villavicencio	<u>30,749</u>	<u>24,036</u>
		<b><u>6,122,362</u></b>	<b><u>5,610,584</u></b>
Peru		\$ <u>1,565</u>	<u>0</u>
Paraguay		\$ <u>37,407</u>	<u>0</u>
Total Banco GNB Sudameris S. A., Parent		\$ <u>6,161,334</u>	<u>5,610,584</u>
Total Banco GNB Peru S. A.		\$ 2,142,623	<u>0</u>
Total Banco GNB Paraguay S. A.		\$ 1,073,793	<u>0</u>
<b>Grand Total</b>		<b><u>9,377,750</u></b>	<b><u>5,610,584</u></b>

Gross loans by economic sector at December 31, 2014 and 2013 are the following:

SECTOR	2014		2013	
	Amount	%	Amount	%
A- AGRICULTURE, HUNTING AND FISHING	789,615	7.24%	\$ 137,137	2%
B- EXTRACTIVE INDUSTRY	19,125	0.18%	9,230	0%

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BANCO GNB SUDAMERIS S.A.  
Notes to the Financial Statements

C- FOOD, BEVERAGES, TOBACCO, CONCENTRATES	278,617	2.56%	104,957	2%
D- TEXTILES, LEATHER AND SHOES	126,934	1.16%	98,009	2%
E- TIMBER, CARDBOARD, PAPER, PACKAGING, PRINTING	675,260	6.19%	42,801	1%
F- OIL BY PRODUCTS, FERTILIZERS, CHEMICALS, PLASTICS AND RUBBER	231,970	2.13%	97,289	1%
G- PHARMACEUTICALS AND MEDICINES	49,943	0.46%	41,677	0%
H- MINERAL AND METAL PRODUCTS	151,775	1.39%	131,811	2%
I- MACHINERY, MOTORS, VEHICLE ACCESSORIES ETC	82,635	0.77%	45,875	1%
J- ELECTRICITY , GAS AND WATER PRODUCTION & DISTRIBUTION	170,551	1.56%	178,537	2%
K- CONSTRUCTION AND CIVIL WORKS	672,532	6.17%	372,937	4%
L- NEW AND USED CAR TRADE, SPARES AND MAINTENANCE	172,433	1.58%	50,288	1%
M- COMMERCE	914,471	8.39%	291,394	3%
N- HOTELS AND RESTAURANTS	30,052	0.28%	26,958	0%
O- FREIGHT AND PASSENGER TRANSPORT ETC	354,027	3.25%	204,113	2%
P- TELECOMMUNICATIONS SERVICES	37,791	0.35%	7,953	0%
Q- FINANCIAL INTERMEDIATION	492,900	4.52%	115,998	1%
R- PUBLIC ADMINISTRATION	74,035	0.68%	73,162	1%
S- SOCIAL SECURITY AND HEALTH	223,704	2.05%	195,340	2%
T- EDUCATION	235,765	2.16%	167,500	2%
U- LEISURE, CULTURE AND SPORTS	339,249	3.11%	26,105	0%
V- OTHER ACTIVITIES	1,092,542	10.02%	3,137,601	38%
W- EMPLOYEES AND RENTERS	3,490,373	33.80%	2,791,990	33%
TOTAL	<b>\$ 10,706,305</b>	<b>100.00%</b>	<b>\$ 8,348,662</b>	<b>100%</b>

The following is the detail of loans by monetary unit:

	<u>2014</u>			<u>2013</u>		
	<u>Local Currency</u>	<u>Foreign Currency</u>	<u>Total</u>	<u>Local Currency</u>	<u>Foreign Currency</u>	<u>Total</u>
<b>Secured</b>						
Commercial	\$ 893,829	401,436	1,295,265	891,655	304,164	1,195,819
Consumer	39,770	0	39,770	11,553	0	11,553
Home mortgage	<u>21,000</u>	<u>0</u>	<u>21,000</u>	<u>2,288</u>	<u>0</u>	<u>2,288</u>
Total	954,599	401,436	1,356,035	905,496	304,164	1,209,660
<b>Unsecured</b>						
Commercial	1,693,097	742,157	2,435,254	1,629,421	228,187	1,857,608
Consumer	2,999,564	0	2,999,564	2,662,825	0	2,662,825
Home mortgage	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>4,692,661</u>	<u>742,157</u>	<u>5,434,818</u>	4,292,246	<u>228,187</u>	<u>4,520,433</u>

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BANCO GNB SUDAMERIS S.A.  
Notes to the Financial Statements

Total Banco GNB Sudameris S.A., (Parent)	\$	<u>5,647,260</u>	<u>1,143,593</u>	<u>6,790,853</u>	<u>5,197,742</u>	<u>532,351</u>	<u>5,730,093</u>
Total Banco GNB Peru S.A.		<u>1,739,780</u>	<u>846,689</u>	<u>2,586,469</u>	<u>1,187,659</u>	<u>630,211</u>	<u>1,817,870</u>
Total Banco GNB Paraguay S.A.		<u>714,452</u>	<u>614,531</u>	<u>1,328,983</u>	<u>471,597</u>	<u>329,102</u>	<u>800,699</u>
Grand Total	\$	<u>8,295,692</u>	<u>2,604,813</u>	<u>10,706,305</u>	<u>6,856,998</u>	<u>1,491,664</u>	<u>8,348,662</u>

**Loan purchases**

At December 31, 2014 and 2013 loan purchases were as follows:

	<u>2014</u>	<u>2013</u>
1. CrediValores - Crediservicios S.A.S.	\$ 3,484	107,480
2. Oringar Soluciones S.A.S.	40,322	76,738
3. Activos y Finanzas S.A.	38,740	41,546
4. Lagobo Distribuciones S.A. L.G.B. S.A.	13,261	23,513
5. Sumas y Soluciones S.A.S.	6,638	23,252
6. Estrategias en Valores S.A. ESTRAVAL	6,049	11,877
7. Comercializadora e Inversiones Textileros S.A.S - COINVERTEX	226	6,448
8. El Cedro Cooperativa Multiactiva	898	4,250
9. Solución Kapital S.A.	0	2,691
10. Casa Nacional del Profesor S.A. CANAPRO	0	2,668
11. Coordinadora de Servicios Financieros Ltda. "COOSERFIN"	1,297	2,327
12. Cooperativa de Trabajo Asociado de Servicios y Representaciones Integrales "Coopserin"	427	1,793
13. Innova Gestión de Negocios S.A.S.	243	1,340
14. Gestiones Financieras S.A.	698	1,170
15. Cooperativa Multiactiva de Militares Técnicos en Retiro y Personal Civil Coopdemil Ltda.	213	899
16. Cooperativa Multiactiva Nacer Coopnacer	0	718
17. Cooperativa Nacional de Ventas y Comercio Coonavenco Ltda.	0	552
18. Cooperativa Integral Bonanza	256	451
19. Sociedad Cooperativa de Servicios PIMAR	145	366
20. Procol de Colombia S.A.	0	280
21. Bayport Fimsa S.A.S	0	117
Total	<u>\$112,897</u>	<u>310,476</u>

These purchases are made with recourse to the seller, usually at a Premium (except some purchases with Coopserin and Canapro, which are made at a discount), amortized over the term of the Notes. The Parent administers the portfolio. If a loan matures, or as agreed with each seller, if a loan falls into arrears the Agreements Operations Coordinator processes a replacement with a new loan on similar conditions.

**1. CREDIVALORES-CREDISERVICIOS S.A.S.**

Loan purchases with recourse under notes against payroll-deduction operations at DTF (quarterly in advance) + 8 points.

Operations with **CREDIVALORES** must comply with the following requirements:

- Repayment in a minimum of 12 and a maximum of 72 installments
- Loans must be classed "A"

Overdue accounts must be replaced by loans of the same amount or more

**2. ORIGINAR SOLUCIONES S.A.S.**

Loan purchases with recourse under notes against payroll-deduction operations of the Navy, Casur, army, air force, social security, retirement fund, teachers etc. at DTF (quarterly in advance) + 10 points.

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BANCO GNB SUDAMERIS S.A.  
**Notes to the Financial Statements**

Operations must comply with the following requirements:

- Repayment in a minimum of 12 and a maximum of 60 installments
- Loans must be classed "A"

Overdue accounts must be replaced by loans of the same amount or more

### **3. ACTIVOS Y FINANZAS S. A.**

Personal loans under payroll-deducted installments for entities such as the tax authority DIAN and the Colombian army, classed "A" Normal at a rate of DTF (quarterly in advance) + 11 points.

Operations purchased from Activos y Finanzas must have minimum repayment term remaining, 12 installments.

If a loan falls into arrears it must be replaced by another or other loan(s) for the same value or higher.

### **4. LAGOBO DISTRIBUCIONES S.A. L.G.B. S.A.**

The company generates payroll installment loans for the police, army, pension fund, ISS etc. at DTF (quarterly in advance) + 9 pts.

Operations must satisfy the following conditions:

- Minimum 12 installments.
- Loans must be classed "A"
- Payment to the Bank is made by "**SOCIEDAD COOPERATIVA DE MILITARES RETIRADOS SOCOMIR**"
- Members of the Justice System cooperative **JURISCOOP**
- Average operation size \$1.0

If operations fall into arrears they must be replaced by others for the same of a higher value

### **5. SUMAS Y SOLUCIONES S.A.S.**

Assignment of loans under notes against payroll-deduction operations of the Ministry of Defense, the Army, the Navy, the Air Force, FOPEP, INPEC, CREMIL, etc. at DTF (quarterly in advance) + 10 points.

Operations with **SUMAS Y SOLUCIONES** must meet the following requirements:

- Minimum repayment term: 12 installments.
- Loans must be classed "A"

Overdue accounts must be replaced by loans of the same amount or more

### **6. ESTRATEGIAS EN VALORES S.A. ESTRAVAL**

A purchase of loans classed "A" Normal at DTF + 12 points

Operations received from Estraval must satisfy the following characteristics:

- Minimum repayment term 12 monthly installments.

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BANCO GNB SUDAMERIS S.A.  
**Notes to the Financial Statements**

- Minimum capital balance \$1.0, maximum \$100.0.
- Approved: 2 grace periods

If an operation falls into arrears, it must be replaced by instruments for another or other operation(s) for the same value or higher.

#### **7. COMERCIALIZADORA E INVERSIONES TEXTILEROS S.A.S.- COINVERTEX**

Offers the assignment of COOPITEX and COOPFUR cooperative loans from commercial operations, formed by payroll installment repayment at DTF (quarterly in advance) + 10 points

Operations must meet the following specifications:

- Minimum 12 installments
- Loans purchased must be classified A

If an operation is past-due it must be replaced by another debt for the same or a higher amount.

#### **8. EL CEDRO COOPERATIVA MULTIACTIVA**

Loan purchases with recourse under notes against payroll-deduction operations of the Navy, Casur, the Army, the Air Force, Social Security, Pension Fund, at DTF (quarterly in advance) + 10 points.

Operations with **EL CEDRO** must meet the following requirements:

- Minimum repayment 12 installments, maximum 60 installments
- Loans must be classed "A"
- Capital balances between \$1.0 and \$50.0

If operations fall into arrears they must be replaced by others for the same of a higher value.

#### **9. SOLUCIÓN KAPITAL S.A.**

Loan purchased with recourse under notes against payroll-deduction operations of Caribbean Regional Departmental Education Funds such as Guajira, Sucre and Bolívar, collected through Bank accounts, at a purchase rate of DTF quarterly in advance + 9 pts.

Operations with **SOLUCION KAPITAL** must meet the following requirements:

- Minimum repayment term 12 installments, maximum 72 installments
- Loans must be classed "A"

If operations fall into arrears they must be replaced by others for the same of a higher value

#### **10. CASA NACIONAL DEL PROFESOR S. A. CANAPRO**

The cooperative is a private law non-profit multiactive entity with limited liability. The number of associates and the equity are variable and unlimited. The cooperative is governed by the universal principles and values of cooperativism and Colombian law. The cooperative was instituted in 1958, and was recognized by the Ministry of Labor and Social Security by Resolution 01710 of November 17, 1958. The instrument signed is a portfolio purchase agreement. The Bank and the seller of the loans are at risk.

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BANCO GNB SUDAMERIS S.A.  
**Notes to the Financial Statements**

The loans are classed "A" and the rate is DTF quarterly in advance + 9 points monthly in arrears. Other terms:

- Minimum term 12 installments, maximum 60 installments.
- Minimum amount \$1.0 and maximum \$200.0.
- Loans purchased must be rated "A"

Overdue operations must be replaced by debt securities for the same or greater value.

**11. COORDINADORA DE SERVICIOS FINANCIEROS LTDA. "COOSERFIN"**

The company generates payroll installment loans for the army, navy, air force, FOPEP, National Police, Cagen, Caja de Retiro, ISS, Casur etc. at DTF (quarterly in advance) + 10 pts

Operations for COOSERFIN must meet the following conditions:

- Minimum 12 installments.
- Loans must be classed "A"

If operations fall into arrears they must be replaced by others for the same of a higher value

Loans overdue more than 90 days are resold.

**12. COOPERATIVA DE TRABAJO ASOCIADO DE SERVICIOS Y REPRESENTACIONES INTEGRALES "COOPSERIN"**

Personal loans made by COOPSERIN and received by the Bank, on the payroll-deduction installment system for the Ministry of Defense, Navy, Army, Air Force and Police. The operations are generated from oral health services provided by the Oral Express Clinic at DTF (quarterly in advance) + 11 points.

Loans have the following features:

- Minimum repayment period, 12 months
- Loans must be rated "A"

Accounts in arrears must be replaced by other loans of the same or higher value

Resale of accounts in arrears for more than 90 days.

**13. INNOVA GESTIÓN DE NEGOCIOS S.A.S.**

This company offers the assignment of loans of Cooperativa UNISERCOOP who generate commercial loans for payroll installment operations of ISS, Ministry of Defense, National Police and others; in the Departments of Antioquia, Atlántico, Cundinamarca, Huila, Magdalena, Risaralda, Tolima and Valle. The rate is DTF quarterly in advance + 11 pts.

Operations must comply with the following requirements:

- Repayment in a minimum of 12 installments
- Loans must be classed "A"

Overdue accounts must be replaced by loans of the same amount or more

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**14. GESTIONES FINANCIERAS S.A.**

This company offers the assignment of loans of Cooperativa de Conductores del Ministerio de Defensa COOPECONMIN and Asistencia Familiar Cooperativa ASFAMICOOP, which generate commercial operations from payroll installment loans of the Police, Defense Ministry, INPEC, Office of the Governor of Valle, Cagen, Fopep, amongst others, and Cooperativa Habitat, Coopimar, Coosercoop, Sumas y Soluciones, at a purchase rate of DTF (quarterly in advance) + 11 pts.

Operations must comply with the following requirements:

- Repayment in a minimum of 12 installments
- Loans must be classed "A"

Overdue accounts must be replaced by loans of the same amount or more

**15. COOPERATIVA MULTIACTIVA DE MILITARES TÉCNICOS EN RETIRO Y PERSONAL CIVIL COOPDEMIL LTDA.**

The company generates payroll loans for the Army, Navy, Air Force, Fopep, National Police, Cagen, Retirement Fund, ISS, Casur etc at DTF (quarterly in advance) + 10 pts.

Operations for **COOPDEMIL LTDA** must satisfy the following conditions:

Minimum 12 installments.

If operations fall into arrears, the companies must replace them for other instruments for the same or higher amounts.

Loans overdue more than 90 days are resold.  
Average amount per operation \$2.0, classed "A".

**16. COOPERATIVA MULTIACTIVA NACER COOPNACER**

Generates payroll installment loans for the army, navy, airforce, National Police, Metrosalud, Pension Fund, ISS, Casur and 10 other public sector funds at DTF (quarterly in advance) + 10 pts.

Operations must meet the following conditions:

- Minimum 12 installments.
- Loans must be classed "A"

The excess limit has been approved, and is managed as a separate line. It is on the same conditions as the main line.

If an operation falls into arrears it must be replaced by another for the same or a higher amount.

**17. COOPERATIVA NACIONAL DE VENTAS Y COMERCIO COONAVENCO LTDA.**

This is an offer to assign loans derived from commercial operations in payroll installment credit for the Navy, Casur, Air Force, ISS, Police Pension Fund, Metrosalud and another 15 public sector funds. The operations are loans to members of CONVANENCO expressed in notes endorsed to the Bank.

The rate agreed with COOVANENCO is DTF (quarterly in advance) + 10 points.

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BANCO GNB SUDAMERIS S.A.  
**Notes to the Financial Statements**

- Minimum 12 installments
- Loans purchased must be rated "A"

The excess limit has been approved, and is managed as an independent line.

Overdue operations must be replaced by debt securities for the same or greater value.

#### **18. COOPERATIVA INTEGRAL BONANZA**

Loan purchases with recourse against notes for payroll—deduction operations of Fopep, Previsora, Caprecom, Social Security, Police, Ministry of Defense, Ferrocarriles and Departmental Education Funds at DTF (quarterly in advance) + 10 points.

Operations with **COOBONANZA** must meet the following requirements:

- Repayment minimum 12 months, maximum 60 months
- Loans must be classed "A"
- Capital balances of between \$1.0 and \$50.0

If operations fall into arrears they must be replaced by others for the same of a higher value

#### **19. SOCIEDAD COOPERATIVA DE SERVICIOS PIMAR**

Loans purchased with recourse, against payroll-deduction operations of Fopep, Previsora, Caprecom, Social Security, Police, Ministry of Defence, , Ferrocarriles and Departmental Education Funds at DTF (quarterly in advance) + 10 points.

Operations must meet the following conditions:

- Minimum repayment term 12 months, maximum 60 months
- Loans must be classed "A"
- Capital balances between \$1.0 and \$50.0

If operations fall into arrears they must be replaced by others for the same of a higher value

#### **20. PROCOL DE COLOMBIA S.A.**

Loan purchased with recourse under notes against payroll-deduction operations of Caribbean Regional Departmental Education Funds such as Guajira, Sucre and Bolívar, collected through Bank accounts, at DTF (quarterly in advance ) + 10 points.

Operations with **PROCOL DE COLOMBIA** must meet the following requirements:

- Minimum repayment term 12 installments, maximum 72 installments
- Loans must be classed "A"

If operations fall into arrears they must be replaced by others for the same of a higher value

#### **21. BAYPORT FIMSA S.A.S.**

Offers the assignment of its loans generated by commercial operations with payroll installment loans of codes of the Police, DIAN, Fiduprevisora, Prosecution Service, prison service INPEC, Municipal

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**Notes to the Financial Statements**

Departments, Comptrollers Offices and social security Colpensiones, amongst others. DTF quarterly in advance + 9 points

Loans must meet the following requirements:

- Mini mum 12 installments
- Loans must be classed A

If operations fall into arrears they must be replaced by others for the same of a higher value

**Sale of loans to Burnside Investment S.A.**

In order to recover some funds from past-due, fully provided accounts, the Parent regularly sells them – especially consumer accounts – which for 2014 and 2013 totaled at \$15,080 and \$19,560, respectively.

**Loans written off**

The following is the detail of loans written off at December 31, 2014 and 2013:

	2014				2013			
	Capital	Interest	Other	Total	Capital	Interest	Other	Total
Commercial	\$ 11,980	325	48	12,352	1,502	97	34	1,633
Consumer	<u>43,688</u>	<u>1,432</u>	<u>453</u>	<u>45,573</u>	<u>24,311</u>	<u>862</u>	<u>465</u>	<u>25,638</u>
Total general	<u>\$ 55,668</u>	<u>1,756</u>	<u>501</u>	<u>57,925</u>	<u>25,813</u>	<u>959</u>	<u>499</u>	<u>27,271</u>

**Loan allowances**

The movement of allowances against loan principal by mode of credit is the following:

	Commercial	Consumer	Home mortgage	Total
Balance at December 31, 2013	\$ 109,304	161,271	11,566	282,141
Plus: allowance expensed	68,988	121,852	1,394	192,234
Less: written off	(12,352)	(45,573)	0	(57,925)
Recovery of allowances	(27,168)	(55,937)	(2,518)	(85,623)
Movement, condoned, reclassified	<u>10,264</u>	<u>8,125</u>	<u>11,768</u>	<u>30,157</u>
Balance at December 31, 2014	<u>\$ 149,036</u>	<u>189,738</u>	<u>22,210</u>	<u>360,984</u>
	Commercial	Consumer	Home mortgage	Total
Balance at December 31, 2012	\$ 52,614	113,383	35	166,032
Plus: allowance expensed	67,005	108,353	7,357	182,715
Less: written off	(1,633)	(25,638)	0	(27,271)
Recovery of allowances	(31,501)	(56,283)	(1,996)	(89,780)
Movement, condoned, reclassified	<u>22,819</u>	<u>21,456</u>	<u>6,193</u>	<u>50,468</u>
Balance at December 31, 2013	<u>\$ 109,304</u>	<u>161,271</u>	<u>11,589</u>	<u>282,164</u>

(1) Includes general allowance for home mortgage loans

**General allowance against loans**

	2014	2013
Opening balance	\$ 23	22
Plus : General provision for home mortgage loans	<u>7,733</u>	<u>1</u>
Closing balance	<u>\$ 7,756</u>	<u>23</u>

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**(8) Bankers' Acceptances and Derivatives**

At December 31, 2014 and 2013, the detail of bankers' acceptances, spot operations and derivatives is the following:

	<u>2014</u>	<u>2013</u>
<b>Bankers' acceptances in Term</b>	\$ 4,823	8,527
<b>Spot operations</b>		
Currency sale rights (peso /dollar)	575	0
Currency sale obligations (peso/dollar)	(573)	0
	\$ 2	0
<b>Forwards</b>		
Currency purchase rights	32,343	28,185
Currency sale rights	68,729	46,294
Currency purchase obligations	(27,162)	(23,807)
Currency sale obligations	(1,477)	(13,902)
	\$ 72,433	36,770
<b>Speculative Swaps</b>		
Interest rates – rights	2,793	584
Interest rates – obligations	(2,782)	(582)
	\$ 11	2
	\$ <u>77,269</u>	<u>45,299</u>

At December 31, 2014 and 2013, there were no legal or financial restrictions or charges on derivatives.

Currency forwards with customers are made subject to a study by the credit areas of the Parent and Subsidiaries and a high proportion of them are covered with a financial sector counterpart.

**(9) Accounts Receivable**

At December 31, 2014 and 2013 the detail of Interest - other receivables is the following:

	<u>2014</u>	<u>2013</u>
<b>Interest</b>		
Money market operations	\$ 10	7
<b>Loans</b>	103,468	76,963
<b>Commissions</b>	1,339	370
<b>Payments for account of clients</b>	10,724	4,162
<b>Sale commitments (1)</b>	35,887	0
<b>Other:</b>		
Dividends and other financial yields	23	2,323
Advances to contractors and suppliers	798	385
Staff advances	263	220
Cash shortages	15	3
Insurance claims	8,726	0
Receivables from ISS - Colpensiones (2)	4,781	5,965
Sundry	13,474	10,694
	\$ <u>28,080</u>	<u>19,590</u>

- (1) Corresponds to a payment made to Gulfstream Aerospace Corporation, on September 29, 2014 as a first remittance of US\$15 million for the purchase of a Gulfstream G650 ®, for a total of US\$ 64.5 million. According to the conditions of sale there will be other payments, as follows: 3 payments of US\$7 million each, on January 15, April 15 and July 15, 2016; US\$10 million on October 15, 2016 and a final payment of US\$18.5 million against delivery.
- (2) Corresponds to the payment of discounts made by ISS-Colpensiones in September 2014 to Banco GNB Sudameris borrowers through payroll installment operations.
- (3) Corresponds to insurance claims on losses (clients deceased)

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**Notes to the Financial Statements**

The following is the movement of the allowance against Accounts Receivable:

	<u>2014</u>	<u>2013</u>
Opening balance	\$ 4,431	4,882
Plus: allowance expensed: Individual procyclical	3,976	4,296
Individual countercyclical	438	304
Less: Recovery of allowances	(1,457)	(2,032)
Written off, reclassified and condoned	(390)	(3,019)
Closing balance	\$ <u>6,998</u>	<u>4,431</u>

**(10) Foreclosed assets and restored assets**

**Foreclosed Assets**

The detail of foreclosed assets at December 31, 2014 and 2013 is the following:

	<u>2014</u>	<u>2013</u>
Real property	\$ 20,162	13,256
Movable assets	<u>3,597</u>	<u>3,733</u>
Adjusted cost	23,759	16,989
Less allowance	<u>(14,012)</u>	<u>(8,958)</u>
	\$ <u>9,747</u>	<u>8,031</u>

**Leasing assets restored**

The detail of leasing assets restored at December 31, 2014 and 2013 is the following:

	<u>2014</u>	<u>2013</u>
Machinery and equipment	\$ 555	1,333
Less Allowance	<u>(54)</u>	<u>(337)</u>
	\$ <u>501</u>	<u>996</u>

**Assets not used in the business**

The value of assets not used in the business at December 31, 2014 and 2013 is \$18 and \$15, respectively.

The detail of foreclosed and restored assets and assets not used in the business is as follows:

<u>December 31, 2014</u>	<u>Under 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>Over 5 years</u>	<u>Total</u>	<u>Allowance</u>
Real property	\$ 0	9,559	212	10,391	20,162	(10,932)
Movable assets	0	748	153	2,966	3,597	(3,080)
Assets not used in the business	0	0	0	555	555	(54)
Assets restored	<u>0</u>	<u>0</u>	<u>0</u>	<u>18</u>	<u>18</u>	<u>0</u>
	\$ <u>0</u>	<u>10,307</u>	<u>365</u>	<u>18,525</u>	<u>24,332</u>	<u>14,066</u>

  

<u>December 31, 2013</u>	<u>&lt; 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>Over 5 years</u>	<u>Total</u>	<u>Allowance</u>
Real property	\$ 9,176	557	0	3,523	13,256	6,140
Movable assets	737	11	153	2,832	3,733	2,818
Assets not used in the business	0	0	0	15	15	0
Assets restored	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,333</u>	<u>1,333</u>	<u>337</u>
	\$ 9,913	568	153	7,703	18,337	9,295

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BANCO GNB SUDAMERIS S.A.  
**Notes to the Financial Statements**

At December 31, 2014 and 2013, foreclosed assets represented 0.11% of the assets of the Parent and Subsidiaries.

Given this very small proportion, the effect on results is insignificant. The management of the Bank and Subsidiaries has made arrangements to sell these assets within the times provided for in regulations.

The movement of the allowance against foreclosed assets is the following:

	<u>2014</u>	<u>2013</u>
Opening balance	\$ 9,295	8,295
Plus:		
Allowance expensed	4,422	2,998
Less:		
Recoveries	(41)	(1,125)
Reclassifications	<u>390</u>	<u>(873)</u>
Closing balance	\$ <u>14,066</u>	<u>9,295</u>

**(11) Property and equipment**

The net cost of Property and Equipment in use at December 31, 2014 and 2013 is:

	<u>2014</u>	<u>2013</u>
Land (1)	\$ 10,276	13,157
Construction in progress: Edificio Banco GNB Sudameris, Bogotá, (1)	0	19,188
Buildings (1)	63,975	84,876
Equipment, furniture and fittings (2)	57,510	40,708
Computer equipment (2)	134,514	122,116
Vehicles (2)	2,516	2,179
Accumulated depreciation (2)	<u>(165,535)</u>	<u>(139,128)</u>
	\$ <u>103,256</u>	<u>143,096</u>

- (1) The variation is due to the sale of Edificio El Nogal at Cra 7 No. 75-86 Bogotá on December 30, 2014 (Deed 8926 Notary 13 Bogotá) Banco GNB Sudameris as seller and Servitrust GNB Sudameris - Patrimonio Autónomo Edificio calle 75 el Nogal (as purchaser), for \$130,000.

Banco GNB Sudameris S.A., as proceeds of the sale made a profit of \$59,166.

The trustor, Kentas Investment Limited (a BVI company), ordered the owner to lease Edificio el Nogal to Banco GNB Sudameris S.A., for \$1,980 per month.

- (2) Includes assets and accumulated depreciation arising from the merger with Banco GNB Colombia S.A.

At December 31, 2014 and 2013, there are insurance policies to cover theft, fire, earthquake, riot, civil commotion, explosion, volcanic eruption, power failure, loss or damage to premises and vehicles.

Real property values are supported by valuations made in the last three years.

Depreciation expensed at December 31, 2014 and 2013 was \$14,292 and \$22,950 respectively.

There are no mortgages or other charges on ownership of these assets and they have not been delivered on pledge.

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BANCO GNB SUDAMERIS S.A.  
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**(12) Other Assets**

The detail of other assets at December 31, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Club shares	\$ 380	380
Prepaid expenses and deferred charges	118,533	125,921
Excess of cost of investment over book value (1)	131,520	0
Intangibles – Goodwill (1)	34,196	137,347
Other		
Staff loans (2)	47,183	21,491
Deposits	7,901	7,951
Deferred payment letters of credit	0	2,064
Works of art and culture	1,358	1,251
Trust rights	18,987	9,261
Overages in advances and withholdings	28,437	2,301
Sundry	80,025	81,048
	<u>\$ 468,520</u>	<u>389,015</u>

- (1) Goodwill from the purchase of Servivalores GNB Sudameris S.A., Nacional de Valores S.A. and Banco GNB Colombia S.A., in Colombia, and Banco GNB Peru S.A. and Banco GNB Paraguay S.A. outside Colombia, is amortized in monthly installments. For the Banks outside Colombia goodwill is reclassified upon consolidation as "Excess cost of the investment over book value".

**GOOD WILL**  
Amortizations at December 31, 2014

**SERVIVALORES GNB SUDAMERIS S.A. (1)**

Date	Amount	Amortization in Months	Amortized to 2014		Pending amortization	
			Months	Amount	Months	Amount
29/04/2008	\$ 1,886	120	80	1,257	40	\$ 629

**NACIONAL DE VALORES S.A. (2)**

Date	Amount	Amortization in Months	Amortized to 2014		Pending amortization	
			Months	Amount	Months	Amount
28/06/2010	\$ 1,654	72	54	1,241	18	\$ 413
15/06/2011	360	61	43	253	18	107
<b>Total</b>	<b>\$ 2,014</b>			<b>1,494</b>		<b>\$ 520</b>

**BANCO GNB COLOMBIA S.A. (3)**

Date	Amount	Amortization in Months	Amortized to 2014		Pending amortization	
			Months	Amount	Months	Amount
21/02/2014	\$ 16,237	240	10	480	230	\$ 15,757

**BANCO GNB PERU S.A. (4)**

Date	US\$	Pending amortization in US\$		Pending amortization in Millions of \$		Amortized in Millions of \$		X-rate at 31 Dec 14
		Months	Amount	Months	Amount	Months	Amount	
04/10/2013	USD67,158,973	228	USD 63,801,024	228	152,641	12	15,806	\$2,392.46

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BANCO GNB SUDAMERIS S.A.  
Notes to the Financial Statements

**BANCO GNB PARAGUAY S.A. (5)**

Date	US\$	Pending amortization in US\$		Pending amortization in Millions of \$		Amortized in Millions of \$		X-rate at 31 Dec 14
		Months	Amount	Months	Amount	Months	Amount	
31/03/2014	USD 1,433,995	228	USD1,362,282	228	3,259	12	158	\$2,392.46

- (1) For the purchase of Servivalores GNB Sudameris S.A., in April 2008, there was goodwill of \$1,886, amortized in 120 monthly installments; \$629 remains to be amortized.
- (2) For the purchase of Nacional de Valores S.A. Comisionista de Bolsa in June 2010 (now merged with Servivalores GNB Sudameris S.A.), there was goodwill of \$1,654 on 51,440 shares purchased from the previous owner, Sara Clemencia Mantilla. On June 15, 2011, goodwill was increased \$360 to a total of \$2,014, for the purchase of shares that remained in the hands of the former holder; this is being amortized in 72 monthly installments, and the balance pending is now \$520.
- (3) Goodwill for r \$16,237, from \$203,967 paid over and above the book value of HSBC Colombia S.A. on February 21, 2014, for \$186,746.
- (4) Goodwill of US\$ 67,158,973, from the purchase of HSBC Bank Peru S.A. (now Banco GNB Peru S.A.); the purchase Price was US\$210.454.034, and the book value of HSBC Bank Peru S.A.'s equity on October 4, 2013 was US\$ 143.295.061.
- (5) Goodwill of US\$ 1.433.995, from the purchase of HSBC Bank Paraguay S.A. (now Banco GNB Paraguay S.A.); the acquisition price was US\$68,089,613 and the book value of the equity at November 30, 2013 was US\$ 66,655,618.

**GOODWILL  
Amortizations at December 31, 2013**

**SERVIVALORES GNB SUDAMERIS S.A.**

Date	Amount	Months amortization	Amortized 2013		Pending amortization	
			Months	Amount	Months	Amount
29/04/2008	\$ 1,886	120	68	1,069	52	\$ 817

**NACIONAL DE VALORES S.A.**

Date	Amount	Amortization en Months	Amortized 2013		Pending amortization	
			Months	Amount	Months	Amount
28/06/2010	\$ 1,654	72	42	965	30	\$ 689
15/06/2011	360	61	31	183	30	177
<b>Total</b>	<b>\$ 2,014</b>			<b>1,148</b>		<b>\$ 866</b>

**BANCO GNB PERU S.A.**

Date	Amount USD	Pending amortization in US\$		Pending amortization in Millions of \$		TRM at 31 Dec 2013
		Months	Amount	Months	Amount	
04/10/2013	USD 70,407,370	240	USD 70,407,370	240	\$ 135,664	\$1,926.83

The investments in Banco GNB Peru S.A. and Banco GNB Paraguay S.A. are affected by the excess of investment cost over book value as follows:

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**BANCO GNB SUDAMERIS S.A.**  
**Notes to the Financial Statements**

<u>Investment</u>	<u>Excess</u>	<u>Amortized</u>	<u>Balance pending amortization</u>
Banco GNB Peru S.A.	\$ 14,261	28,852	\$ 115,409
Banco GNB Paraguay S.A.	20,139	4,028	16,111
		Total	\$ 131,520

The detail of Other Assets at December 31, 2014 and 2013 is the following:

	<u>2014</u>	<u>2013</u>
Staff loans (1)	\$ 47,183	21,491
Deposits	7,901	7,951
Deferred payment letters of credit	0	2,064
Works of art and culture	1,358	1,251
Trust rights	18,987	9,261
Overages in advances and withholdings	28,437	2,301
Sundry	<u>80,025</u>	<u>81,048</u>
	<u>\$ 183,891</u>	<u>125,367</u>

(1) Includes staff loans in Banco GNB Colombia S.A. product of the merger

**(13) Deposits and demand accounts**

At December 31, 2014 and 2013 the detail of Deposits and Demand Accounts is the following:

	<u>2014</u>	<u>2013</u>
<b>Term Deposits</b>		
	\$	
Under 6 months	3,805,458	1,689,084
6-12 months	1,421,315	907,978
12-18 months	901,929	793,865
Over 18 months	<u>1,368,701</u>	<u>765,640</u>
	\$	
	<u>7,497,403</u>	<u>4,156,567</u>
<b>Other</b>		
Banks and Correspondents	\$ 24,607	7,129
Special deposits	119,143	92,111
Demand accounts for banking services	<u>75,601</u>	<u>45,174</u>
	<u>\$ 219,351</u>	<u>144,414</u>

At December 31, 2014 and 2013, the mandatory cash reserve held was calculated as follows on local currency deposits:

<u>Account</u>	
Current accounts	11.0%
Special deposits	11.0%
Demand accounts for banking services	11.0%
Bank transaction tax	11.0%
Checks drawn and pending collection	11.0%
Collections	11.0%
Other sundry payables	11.0%
Cancelled accounts	11.0%
Savings accounts	11.0%
TDs at less than 18 months	4.5%
TDs at 18 months and more	0.0%

**(14) Money market liability positions**

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BANCO GNB SUDAMERIS S.A.  
**Notes to the Financial Statements**

At December 31, 2014 and 2013, the detail of money market and similar liability positions is the following:

	<u>2014</u>	<u>2013</u>
Funds purchased	\$ 82,024	54,056
Closed repo transfer commitments	2,240,541	982,176
Simultaneous operation transfer commitments	50,083	44,780
Simultaneous operation short position commitments	<u>0</u>	<u>199,696</u>
	<u>\$ 2,372,648</u>	<u>1,280,708</u>

**(15) Bankers' Acceptances and Derivatives**

The following is the detail at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
<b>Bankers' acceptances in term</b>	\$ 4,823	8,527
<b>Speculative forwards</b>		
Peso dollar purchase rights	22	(12,515)
Peso dollar sale rights	(43,187)	(20,816)
Peso dollar purchase obligations	0	12,812
Peso dollar sale obligations	<u>48,668</u>	<u>21,102</u>
	\$ 5,503	583
<b>Speculative futures</b>	\$ 29,873	37,279
<b>Speculative swaps</b>		
	<u>10</u>	<u>6</u>
	<u>\$ 40,209</u>	<u>46,395</u>

According to Chapter XVIII of Superintendency Circular 100, derivatives that produce a fair price of exchange unfavorable to the Bank and Subsidiaries should be recorded as a liability, separating the right and the obligation.

If the fair price is favorable to the Bank and Subsidiaries, the two items should be recorded separately as an asset.

**(16) Bank Borrowings and other Financial Obligations**

Bank borrowings and other financial obligations include long-and short-term maturities. The details are the following at December 31, 2014 and 2013:

	<u>December 31, 2014</u>			<u>Total</u>
	<u>Short Term</u> <u>&lt; 1 year</u>	<u>Medium Term</u> <u>1 - 3 years</u>	<u>Long Term</u> <u>Over 3 years</u>	
Banco de Comercio Exterior, Bancoldex S.A.	\$ 7,219	38,110	131,029	176,358
FINAGRO	166	500	0	666
Findeter	0	1,812	460,761	462,573
Lenders outside Colombia	490,766	23,898	153,780	668,444
Colombian Treasury	<u>0</u>	<u>0</u>	<u>1,539</u>	<u>1,539</u>
	<u>\$ 498,151</u>	<u>64,320</u>	<u>747,109</u>	<u>1,309,580</u>

<u>December 31, 2013</u>		
Short Term	Medium Term	Long Term

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BANCO GNB SUDAMERIS S.A.  
**Notes to the Financial Statements**

	<u>&lt; 1 year</u>	<u>1 - 3 years</u>	<u>Over 3 years</u>	<u>Total</u>
Banco de la República	\$ 0	0	127	127
Banco de Comercio Exterior, Bancoldex S.A.	4,986	30,556	181,674	217,216
FINAGRO	1,263	1,216	0	2,479
Findeter	0	2,144	564,213	566,357
Lenders outside Colombia	87,461	0	0	87,461
Colombian Treasury	<u>0</u>	<u>0</u>	<u>1,863</u>	<u>1,863</u>
	<u>\$ 93,710</u>	<u>33,916</u>	<u>747,877</u>	<u>875,503</u>

These domestic loans to the Colombian companies are covered by notes and the foreign debt is in the form of credit lines.

The interest cost expensed at December 31, 2014 and 2013 is:

	<u>2014</u>	<u>2013</u>
Banco de Comercio Exterior, Bancoldex S.A.	\$ 6,886	6,827
Finagro	2,029	738
Findeter	39,281	40,636
Lenders outside Colombia	<u>3,591</u>	<u>4,127</u>
	<u>\$ 51,787</u>	<u>52,328</u>

**(17) Accounts Payable – Other**

At December 31, 2014 and 2013, the detail of Accounts Payable- Other is the following:

	<u>2014</u>	<u>2013</u>
Turnover tax	\$ 47	24
Sales tax	917	669
Bank transaction tax	1,561	2,177
Wealth tax	1,533	10,053
Suppliers	21,833	15,705
Payroll withholdings and contributions	9,969	7,099
Checks drawn and pending presentation	2,506	1,533
Collection s effected (1)	7,198	3,129
Dividends and other capital surpluses	5,654	3,082
Ascredibanco	8,896	7,068
Payments under mass agreements	6,124	6,959
Payables, redemption of Bonos de Paz	3,177	3,249
Payment agreement with ISS	45	45
Investments Banco GNB Peru S.A.	0	170,987
Investments Banco GNB Paraguay S.A.	0	31,026
Sundry	<u>20,046</u>	<u>8,739</u>
	<u>\$ 89,506</u>	<u>271,544</u>

(1) Collections include official tax receipts, import taxes, property tax, wealth tax and others.

**(18) Long term debt**

At December 31, 2014 and 2013 the Bank had subordinated bonds outstanding for USD250,000,000, equivalent to \$648,115 and \$481,708. The details are:

Amount Authorized by the Board	USD350,000,000
Issue Date	30-Jul-12
Offer Amount	USD 250,000,000
Term (months)	120

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**BANCO GNB SUDAMERIS S.A.**  
**Notes to the Financial Statements**

Maturity	30-Jul-22
Effective rate	7.5% p.a.
Interest paid	Half-yearly in arrears
Book value at December 31, 2013	\$598,115

These bonds have a ten-year maturity.

Amount Authorized by the Board	USD100,000,000
Issue Date	30-Nov-05
Offer Amount	USD 100,000,000
Term (months)	120
Maturity	30-Nov-15
Effective rate	5.25% p.a.
Interest paid	Half-yearly in arrears
Book value at December 31, 2014	\$50,000

The bonds have a ten-year maturity.

**Ordinary bonds**

At December 31, 2014 and 2013 the Bank had ordinary bonds outstanding for US\$300,000,000 equivalent to \$717,738 and \$578,049.

Amount Authorized by the Board	USD500,000,000
Issue Date	02-May-13
Offer Amount	USD 300,000,000
Term (months)	60
Maturity	02-May-18
Effective rate	3,875% p.a.
Interest paid	Half-yearly in arrears
Book value at December 31, 2014	\$717,738

Amount Authorized by the Board	USD500,000,000
Issue Date	02-May-13
Offer Amount	USD 300,000,000
Term (months)	60
Maturity	02-May-18
Effective rate	3.875% p.a.
Interest paid	Half-yearly in arrears
Book value at December 31, 2013	\$578,049

The bonds have a five-year maturity.

**(19) Pensions**

The calculation is made using the method of past fractioned income under Article 112 of the Tax Code, and the rules of Decree 2783 of September 20, 2001 with reference to tax considerations, and the terms of Resolution 1555/2010 (the Colombian Mortality Table – Renters - RV08).

The actuarial calculation fat December 31, 2014 was \$21,109 against which the Parent has a provision of \$18,596 or 88.11%, Under Decree 4565 of December 7, 2010 the actuarial calculation must be fully provided for in 2029, and the remaining percentage (11.89%) will be spread evenly over the remaining periods.

The Bank presented its actuarial calculation for 2014 for \$21,109 to the Superintendency, which subsequently approved it in Letter N° 2014108361-003-000, of December 9, 2014.

The following is the movement of the pensions account at December 31, 2014 and 2013

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BANCO GNB SUDAMERIS S.A.  
**Notes to the Financial Statements**

	<u>Actuarial calculation</u>	<u>Pensions pending amortization</u>	<u>Balance</u>
Balance at December 31, 2013	\$ 17,757	(2,252)	15,505
Balance at December 31, 2013 of Banco GNB Colombia S.A.	3,983	0	3,983
Actuarial adjustment 2013	1,432	(2,320)	(888)
Payments made in 2014	(2,062)	0	(2,062)
Amortizations in 2014	<u>0</u>	<u>2,063</u>	<u>2,063</u>
Balance at December 31, 2014	<u>\$ 21,109</u>	<u>(2,509)</u>	<u>18,599</u>

	<u>Actuarial calculation</u>	<u>Pensions pending amortization</u>	<u>Balance</u>
Balance at December 31, 2012	\$ 18,465	(2,487)	15,978
Actuarial adjustment 2012	1,251	(1,724)	(473)
Payments made in 2013	(1,959)	0	(1,959)
Amortizations in 2013	<u>0</u>	<u>1,959</u>	<u>1,959</u>
Balance at December 31, 2013	<u>\$ 17,757</u>	<u>(2,252)</u>	<u>15,505</u>

**(20) Other Liabilities**

The detail of Other Liabilities is as follows

	<u>2014</u>	<u>2013</u>
Deferred income (capitalized interest)	\$ 3,825	925
Deferred payment letters of credit	0	2,064
Deferred income tax	1,678	1,574
Cancelled accounts	4,973	923
Consortia and temporary unions	112	109
Other	<u>25,188</u>	<u>24,435</u>
	<u>\$ 35,776</u>	<u>30,030</u>

**(21) Estimated Liabilities and Provisions**

At December 31, 2014 and 2013, the detail of Estimated Liabilities and Provisions is the following:

	<u>2014</u>	<u>2013</u>
Employment liabilities	\$ 2,298	1,148
Taxes	<u>7,401</u>	<u>13,082</u>
<b>Other:</b>		
Contributions	15,853	171
Fines, litigation and claims	9,944	5,172
Provision for public services	509	458
Pension bond contingencies	2,810	552
Provision for accrued unpaid expenses	<u>20,827</u>	<u>22,344</u>
	<u>\$ 49,943</u>	<u>28,697</u>
Minority interest	<u>10,822</u>	<u>9,918</u>
	<u>\$ 70,464</u>	<u>52,845</u>

**(22) Capital**

At December 31, 2014 and 2013, the authorized capital of the Parent is as follows:

	<u>2014</u>	<u>2013</u>
Authorized	75,000	75,000

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**Notes to the Financial Statements**

Subscribed and paid	66,020	66,015
No. of paid shares at \$400 (pesos) par value each	165,049,441	165,037,234
No. of shares pending subscription	22,450,559	22,462,766

**(23) Legal (Mandatory) Reserve**

All financial institutions must allocate 10% of annual net profits to this reserve until it reaches 50% of subscribed capital. It may be reduced to less than that level when profits exceeding undistributed profits need to be absorbed.

The following is the detail of the Reserve at December 31, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Appropriation of net profit	\$ 504,114	404,366
Additional capital - Share premium	469,433	465,809
	\$ <u>973,547</u>	<u>870,175</u>

**(24) Contingent Accounts**

At December 31, 2014 and 2013, the detail of Contingent Accounts is the following:

	<u>2014</u>	<u>2013</u>
Creditor		
Creditor per contra	\$ 710	0
Securities received under repos and simultaneous operations	2,853,629	823,100
Bank guarantees	1,078,319	716,272
Letters of credit	59,144	52,639
Loans approved and not disbursed	172,516	206,797
Credits opened	498,272	199,978
Third party counterpart limits for derivatives	33,573	3,890
Other tax contingencies	<u>53,264</u>	<u>37,210</u>
	\$ <u>4,749,427</u>	<u>2,039,886</u>
Debtors:		
Debtors per contra	163,905	0
Securities delivered for repos and simultaneous operations	2,355,609	1,074,012
Loan interest	<u>16,114</u>	<u>8,765</u>
	\$ <u>2,535,628</u>	<u>1,082,777</u>

**(25) Memorandum Accounts**

At December 31, 2014 and 2013, the detail of Memorandum Accounts is the following:

	<u>2014</u>	<u>2013</u>
Debtor:		
Assets and securities delivered in custody	\$ 5,567,704	4,870,675
Assets and securities delivered in guarantee	10,367	10,589
Remittances and other outward collections	304	159
Assets written off	1,047,279	555,540
Property and equipment fully depreciated	100,857	82,826
Direct credit lines	337,253	87
Asset inflation adjustment	19,247	14,278
Fiscal value of assets	15,335,213	11,650,178
Receivables on trading investments in debt securities	143,021	226,002
New agricultural loans	8,605	10,419
Investments held to maturity	2,301,153	1,650,457
Trading investments in debt securities	810,583	2,950,592
Investments in debt securities available for sale	2,282,127	580,329
Other	<u>19,450,306</u>	<u>13,887,886</u>
	\$ <u>47,414,019</u>	<u>36,490,017</u>

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BANCO GNB SUDAMERIS S.A.  
**Notes to the Financial Statements**

Creditor:		
Assets and securities received in custody	\$ 120,265	91,741
Assets and securities received in guarantee of future loans	1,203,186	704,046
Assets and securities received as admissible collateral	7,464,218	5,349,382
Assets and securities received as non-admissible collateral	3,706,469	2,357,091
Inward collections	92,147	44,765
Recovery of assets written off	25,394	0
Equity inflation adjustment	25,742	21,276
Capitalization of equity revaluation	24,669	16,138
Yields on trading investments in debt securities	212,857	216,509
Fiscal value of equity	1,380,883	935,714
Classification of loans by category and type of collateral	10,816,815	8,428,456
Control of co-debtors	2,031,262	1,697,391
Control of valuations	4,103,314	3,179,430
Reference: agreements	11,522,964	12,787,313
Other	<u>24,139,445</u>	<u>6,485,194</u>
	<u>\$66,869,630</u>	<u>42,314,446</u>

**Trust Memorandum Accounts**

	<u>2014</u>	<u>2013</u>
Unit funds	\$ 615,240	203,732
Property trusts	11,679	11,800
Management trusts	909,526	378,216
Other trusts	1,516,708	558,307
Memorandum Accounts Fiduciaria Servivalores GNB Sudameris S.A.	<u>519,214</u>	<u>390,516</u>
	<u>\$ 3,572,367</u>	<u>1,542,571</u>

**(26) Income tax and Equity Tax (CREE)**

Colombian tax regulations do not allow the consolidation of income tax filings and therefore the losses of one subsidiary may not be offset against the profits of another. Under Law 1607/2012 the tax rate for 2014 is 25%. With Law 1739/2014 the equity tax CREE will be 9% with a surcharge of 5% for 2015, 6% for 2016, 8% for 2017 and 9% for 2018.

**(27) Transactions with Related Parties**

“Related parties” are those related to major shareholders, directors and companies in which the Bank holds more than 10% of the shares or there are economic, administrative or financial interests; and companies in which shareholders or directors have an interest of more than 10%.

At the close of December 31, 2014, shareholder loans were as follows:

Nit	Name	Op. No.	Currency	US\$ balance	X-rate (pesos)	Amount \$000.000	Due	Rate	Collateral
830137184	GLENOAKS INVESTMENTS S.A.	436	USD	10,000,000	2,392.46	23,924	20150715	Libor + 5.90	SBLC GNB Sudameris Bank S.A. Panamá for US\$ 36,000,000
830137184	GLENOAKS INVESTMENTS S.A.	438	USD	62,000,000	2,392.46	148,332	20150721	Libor + 5.90	
					Sub total	<b>172,257</b>			

**Operations with Directors and Legal Representatives**

Directors' fees were paid for \$71 and \$64 at December 31, 2014 and 2013, respectively.

At December 31, 2014 and 2013, the Directors for the purposes of the disclosures in this Note were the individuals registered with the Superintendency as such prior to those dates.

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**Notes to the Financial Statements**

**(28) Operating income and expenses – Exchange differences**

Other Operating Income at December 31, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Operating income from exchange difference	\$ 759,446	3,930,464
Operating expense from exchange difference	<u>742,200</u>	<u>3,924,311</u>
	\$ <u>17,246</u>	<u>2,781</u>

The variation in income and expenses due to Exchange differences is the result of quite strong fluctuations in currency-dollar rates and a high currency-trading volume.

The Subsidiaries outside Colombia recorded a net gain from re-expression of \$9,811; the Colombian subsidiaries reported a gain of \$7,435. The details of the foreign subsidiaries are:

	<u>Banco GNB Peru S.A.</u>	<u>Banco GNB Paraguay S.A.</u>	<u>Total</u>
Operating income from exchange difference	\$ 9,636	390,405	400,041
Operating expense from exchange difference	<u>(4,692)</u>	<u>(385,538)</u>	<u>(390,230)</u>
	\$ <u>4,944</u>	<u>4,867</u>	<u>9,811</u>

**(29) Other Operating Income and Expenses**

The following is the detail at December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating risk recoveries	\$ 7	64
Cables, postage and telephones	298	279
Checkbook sales	1,640	1,622
Income difference under insurance agreements	13,814	13,091
Other	<u>18,317</u>	<u>14,863</u>
	\$ <u>34,076</u>	<u>29,919</u>

The following is the detail of Other Operating Expenses at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Bank transaction tax	\$ 12,330	10,653
Turnover tax, property tax, registration tax, stamp tax, vehicle tax, surcharges, etc.	17,081	13,345
Rent	26,349	21,912
Contributions and affiliations	17,065	15,494
Insurance	31,849	30,617
Maintenance and repairs	18,115	19,895
Office remodeling	1,065	4,411
Sundry		
Cleaning and security	8,121	8,531
Temporary services	18,541	18,104
Advertising	8,810	8,510
Public relations	42	52
Public services	16,705	15,349
Travel	712	676
Transport	10,339	12,730
Stationery	3,953	3,834
Donations	256	252
Data processing	2,686	2,854
Legal costs	235	334
Inquiries	621	725
Cash in transit handling	172	205

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**Notes to the Financial Statements**

Sundry	<u>24,223</u>	<u>39,266</u>
	<u>\$ 229,270</u>	<u>227,749</u>

**(30) Non-operating income and expenses**

The following is the detail of non-operating income at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
<b>Non-operating income</b>		
Profit on sale of property and equipment (1)	\$ 59,166	\$20,249
Profit on sale of foreclosed assets	178	7
Rent	441	944
<b>Recoveries</b>		
Loans written off	6,206	6,310
Allowances against foreclosed assets	41	1,125
Other provisions	880	352
Other recoveries	5,545	1,592
Fogafin return	<u>4,370</u>	<u>4,073</u>
Other	<u>9,862</u>	<u>13,380</u>
	<u>\$ 86,689</u>	<u>48,032</u>
<b>Non-operating expenses</b>		
Loss on sale of foreclosed assets	\$ 72	8
Loss on sale of property and equipment	1	18
Operating losses	287	1,805
Fines and litigation	51	511
Minority interest	952	1,223
Sundry – local currency (2)	<u>94,561</u>	<u>191</u>
	<u>\$ 95,924</u>	<u>3,756</u>

(1) At the close of December 31, 2014 the profit on sale of property and equipment came from the sale of the EL Nogal building (See Note 11).

At December 31, 2013 the profit on sale of property and equipment was \$20,249 with the sale of the premises and office 201 at Cra 11 No. 04 A-09, office 31901 and garages at Cra 7 No. 71-52 and office 301 and garages at Calle 57 No. 7-35.

(2) Includes registration for \$55,230 with the elimination of the investment registered by Banco GNB Sudameris S.A. in Banco GNB Colombia S.A. against the equity of the bank absorbed on the date of the merger due to the effect of the loss on valuation of the investment from the moment of control to the time of the merger.

This also includes \$32,880 of amortization of the excess of cost of the investment of the subsidiaries outside Colombia (Banco GNB Peru S.A. and Banco GNB Paraguay S.A.) over book value.

**(31) Statutory Controls**

During the year ended on December 31, 2014 the Bank complied with requirements for cash reserves, own positions, capital adequacy, mandatory investments; it paid FOGAFIN deposit insurance premiums and levies imposed by supervisory authorities; and national and municipal taxes payable on operations.

**(32) Reclassifications**

At December 31, 2014 and 2013 some accounts have been reclassified for presentation purposes

**(33) Significant developments**

Acquisition process of HSBC Colombia, Peru and Paraguay.

The Banco GNB Sudameris S.A. signed a share purchase agreement on May 11, 2012 with HSBC Latinamerican Holdings (UK) Ltd. and others to acquire all the shares of HSBC Bank Peru S.A., HSBC Bank Paraguay S.A. and HSBC Colombia S.A.

The Parent created a Senior Management team to develop and execute the integration process.

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The Colombian Superintendency authorized the Bank to acquire 100% of the HSBC Banks in Peru, Paraguay and Uruguay and the Bank obtained authorizations to formalize the acquisitions in Peru and Paraguay. The process of acquisition of HSBC Uruguay was terminated by the parties to the Contract of Sale.

Action was also taken with the Superintendency to obtain authorization for the purchase of HSBC Colombia S.A., and this was given on December 23, 2013 in Resolution 2334/2013.

On February 21, 2014 the Bank acquired control of the 99.9% and 4.6807% of the shares of HSBC Colombia S.A., and HSBC Fiduciaria S.A. respectively and on that date the former changed its name to Banco GNB Colombia S.A. and the latter to Fiduciaria GNB S.A. (94.9471% of the shares of Fiduciaria GNB belong to Banco GNB Colombia S.A) and became Banco GNB Sudameris as Parent of the corporate entities acquired. Once Banco GNB Colombia S.A. and Fiduciaria GNB S.A., were included some officers of Banco GNB Sudameris were appointed to support the Bank's management and institutional policies were issued as required to ensure that the new entity functioned correctly.

Procedures were also set in train and requirements were met to obtain Superintendency authorization for the merger by absorption of Banco GNB Sudameris (absorbing) with Banco GNB Colombia (absorbed). The Superintendency gave its approval on September 26, 2014.

In parallel, legal, technical and operating action was taken to integrate these entities. This process was successfully completed on October 10, 2014 when appropriate quality indicators were achieved for risks, efficiency and profitability which the bank had maintained prior to the merger.

The strategy defined for the merger consisted of maintaining the operating infrastructure of Banco GNB Sudameris S.A., adjusted for new products and the introduction of new processes.

As a result of this, as of October 10, 2014 a post-merger stabilization period began in order to secure the normal functioning of Banco GNB Sudameris. The process was completed on December 31, 2014.

**(34) Post-closing events**

There were no events in Banco GNB Sudameris between the close at December 31, 2014 and March 4, 2015.

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