2 Our Operational Environment

Economic Research Team Banco de Bogotá.
Best Economic Research Area of Colombia in Macroeconomic Aggregates 2016 and 2017, by real sector companies vote.
AIE Awards granted by the Colombian Stock Exchange and the Portafolio newspaper, with the support of Fedesarrollo.

Our extensive experience and sound performance in the financial sector has strengthened over time, allowing us to sustain prominent participation in the markets where we operate.

2. Our Operational Environment

International context

Throughout 2017, international markets operated under a favorable context in terms of global economic activity, albeit with several outbreaks of political noise. In general, a positive tone prevailed that allowed the main US stock indexes to surpass historical highs on several occasions. The VIX Index, the main benchmark for global risk aversion, remained at low levels, and during 2017 there were no critical episodes such as those recorded the previous year (concerns over Chinese growth, Brexit, Trump's victory in the US elections, among others).

Possibly the most notable aspect of 2017 was the recovery of global economic activity. If in previous years slower GDP growth prevailed, optimism was then the norm. The United States grew at levels above its potential, and the Eurozone enjoyed its best growth since 2007. In emerging countries, Russia and Brazil left behind the recession, while China and India grew at rates of over 6%. Another example can be found in the International Monetary Fund. The IMF repeatedly revised its global growth forecasts, which is a rare event compared to recent years.

Precisely because of the improvement in the economy, the main central banks continued with the monetary policy normalization process. In the context of favorable growth, the US Federal Reserve (Fed) increased the interest rate three times and initiated an asset reduction program. The United Kingdom also increased its interest rate. For its part, the Eurozone announced a slower rate of asset purchases starting in 2018, from EUR 60,000 million to EUR 30,000 million per month.

Meanwhile, it should be noted that political events continued to affect markets, but not to the same extent as in 2016. The presidential elections in France generated risk aversion given the prospect of a M. Le Pen victory and the scenario of exiting the monetary union, which vanished upon the triumph of E. Macron. No less important, in the second half of the year the main source of uncertainty in global politics was North Korea. Both its actions for the development and implementation of a nuclear weapon and the escalation of rhetoric with the United States generated risk aversion, leading to the lowest rate of the year for 10-year Treasuries, given their status as a safe-haven asset (2.04 %). Finally, the year closed with discussions on tax reform in the US Congress. The measures were aimed at a reduction in corporate, and to a lesser extent, household income taxes. Although this is favorable given the developments in trading activity and share prices, in the coming years it will represent an increase both in the fiscal deficit and in public debt.

In 2018, the main central banks around the world are expected to continue adjusting their monetary policy. Under new Fed Chair J. Powell there could be three interest rate hikes during the year, ultimately placing it within the 2.00% - 2.25% range. Recent information suggests that the risks tip the balance towards a steeper course. If the risks of higher inflation materialize, this might lead to four rate increases. Recent wage trends, high oil prices and the adjustment in inflation expectations are some of the factors behind the change in outlook. The Fed has also pointed out that in the event of any downside surprises on inflation that would imply straying from the long-term objective (2%), adjustments may also be made to rate increases. In the case of the Eurozone, no action is expected to be taken in connection with the reference rate. But adjustments in asset purchasing are set to continue. A final reduction in asset purchasing will likely be announced in September 2018, which would conclude the program. The next step in the normalization process would then be to increase rates in 2019.

Global growth continues to quicken, ***and it is occurring simultaneously in both developed and emerging economies.***

Colombia

In 2017 the economy grew at an annual rate of 1.8%, slightly above expectations, but below the previous year's figure of 2.0%. This shows that the economy continues to adjust to the oil price shock that began in mid-2014, and to the shock of the VAT increase in 2017. However, performance in the second half of the year, with growth of 1.9%, suggests that the economic slowdown may have bottomed out in the first half of the year, when an increase of 1.6% was recorded. In any case, the recovery of the economy still looks modest.

In the breakdown by industry, trends worth noting include the good performance of agriculture (4.9%), which gained momentum thanks to the normalization of weather patterns; financial services and others (3.8%), with solid growth in financial intermediation (6.7%); and social services (3.4%), led by public administration (4.2%) given the increase in spending enabled by the tax reform. However, the contribution of these industries was partly offset by the contraction of mining and oil (-3.5%), associated with the drop in production of the latter (-3.6%); manufacturing (-1.0%), given the slowdown in refining and the weakness of the rest of the sector; and construction (-0.7%), as a result of the widespread decline in building activity (-10%).

Meanwhile, the labor market continued to reflect the lack of economic growth, with unemployment averaging 9.4% in 2017, 0.2 pp up on 2016 and the second year running in which this indicator has worsened. As our Economic Research (ER) unit has pointed out, unemployment will increase as long as economic growth remains below 2.0%-2.5%, which implies that low hiring rates will continue in 2018, and may only improve towards the end of the year.

For 2018, the outlook for the economy looks better, supported by the international context in combination with local factors that also appear favorable. In particular, on the external front, the quickening growth of Colombia's trading partners looks set to help non-traditional export industries, while the increase in the price of oil will not only stimulate greater investment and production, but will also create positive linkages with other activities.

At the local level, the enactment of the infrastructure law will help to normalize the scheduling of several projects related to the so-called fourth generation (4G), which will give a boost to civil engineering activity. The lower interest rates will support investment and consumption, while reduced pessimism among employers and households also looks likely to strengthen performance on this front. In turn, the gains in household purchasing power, with lower inflation and wage increases in excess thereof, are conducive to a recovery in consumption.

The economy bottomed out in the first half of 2017 and ***has since been set on a path of modest recovery.***

As indicated earlier, the outlook for 2018 is one of continued recovery, with a forecast growth rate of 2.5%, as part of a trend towards long-term growth ranging between 3.0% and 3.5%.

As to prices, in the second half of the year inflation continued to move towards the target and, in fact, between June and September the indicator was within the range of 2% to 4%. However, as a result of the low base of comparison compared to 2016, at the end of the year inflation temporarily strayed from the target range, closing with a year-end annual rate of 4.09%. Looking beyond the failure to meet the inflation target for the third year in a row, it is important to highlight the sharp reversal in the upward pressure on food prices (exerted by the El Niño phenomenon), as well as the reduction in tradables inflation thanks to a more stable foreign exchange rate. However, the basic measurements of inflation, those that exclude volatile components and which are preferred by the central bank, displayed indexation issues throughout the year, as well as upward pressure caused by the VAT increase, which ultimately kept rates at high levels and above the target range.

For 2018, ER expects inflation to continue moving towards the midpoint of the target range, with a specific estimate of 3.3% for the end of the year. The biggest decrease in inflation is expected to come in the first months of the year, with better performance in the basic inflation measures attributable to a drop-off in the VAT effect and the indexation issues.

Specifically, in the context of lower inflation and slow economic growth, Banco de la República (the Central Bank of Colombia, BR for the original in Spanish) deepened the expansionary monetary policy cycle initiated in December 2016. With rate reductions of 275 bp during 2017, at the end of the year the reference rate closed at 4.75%. In January 2018 the BR cut the interest rate by an additional -25 bp to 4.50%; this could well be the last cut, according to a BR press release. Any future monetary policy adjustments would be in response to unexpected changes in inflation, as growth results look set to continue displaying a modest economic recovery.

As to the external sector, the continued closing of the current account gap is noteworthy, with a deficit that continued to decline. The current account deficit decreased from -4.3% of GDP in 2016 to -3.3% of GDP in 2017, to a total of -US$ 10,400 million. This reduction was mainly due to the improvement of the trade balance, with the growth in exports (16%) outstripping that of imports (2%), and an improvement in the terms of trade (prices of exports in relation to those of imports).

The less pressing need to finance the current account deficit led to a reduction in the capital and financial accounts. In 2017, this decline was mainly explained by the lower balances of foreign investment portfolios, as a result of the slowdown in TES purchases by foreign investors as well as debt-related capital outflows, associated with early loan repayments. For 2018, ER expects the current account deficit to continue decreasing, with an estimate for the full year of -3.2% of GDP.

The vulnerability of Colombia's external accounts has been and has prompted greater foreign exchange rate stability.

Specifically, the correction of the external imbalance supported a revaluation of the foreign exchange rate. In 2017, the trading price averaged COP 2,951, equivalent to annual revaluation of 3%. In general, its behavior was relatively stable, with fluctuations between COP 2,830 and COP 3,107, compared with much greater volatility in 2016 (between COP 2,817 and COP 3,455). In the external context, global monetary policy expectations, the approval of the United States tax reform, the geopolitical risks, and the more favorable outlook for the oil market were the main determinants of foreign exchange rates.

In January and February 2018, the closing market exchange rate (TRM, for the original in Spanish) was COP 2,835 and COP 2,868, respectively. For 2018, ER forecasts an average foreign exchange rate of COP 2,950, as a result of the upward pressure associated with the higher Fed interest rate, partly offset by higher oil prices. In the local context, although the central scenario envisages continued correction of external accounts, the uncertainty arising from the presidential elections could place upward pressure on the foreign exchange rate. For the moment, the risk that mitigates this forecast is a better-than-expected oil price, which reached up to US$ 70 per barrel in the case of Brent.

Lastly, recent actions of the credit risk agencies should be mentioned. First, at the end of 2017 Standard and Poor's (S&P) announced a downgrade in the sovereign rating from BBB to BBB-, placing it one step above investment grade, with a stable outlook. Moody's followed in early 2018 and, despite leaving the Baa2 rating (equivalent to BBB) unchanged, it reduced its outlook from stable to negative. The two rating agencies based their actions on the deteriorating fiscal outlook, given the possible need to change the Fiscal Rule, especially by 2019, which will require a -0.9 pp adjustment in the fiscal deficit to -2.2% of GDP. Along similar lines, in late 2017 Fitch assigned the best sovereign rating to Colombia, placing it at BBB with a stable outlook.

Given the limited room for fiscal policy maneuvering, due to the difficulty of presenting a new tax reform bill, and the inflexibility regarding cuts in public spending, a change to the Rule seems to be the central scenario. This outcome could be avoided if the oil price increases above expectations, which would give the government additional revenues for 2019, thereby reducing the need for further fiscal adjustments.

Economic Environment in Central America

Economic activity

The annual performance as at November 2017, measured by the Monthly Economic Activity Index (IMAE, for the Spanish original), displayed sound dynamism in all Central American countries.

Honduras is the best performing country, with annual growth of 5.2%, supported by an increase in the agriculture, livestock, forestry and fishing industry, and particularly in the production of coffee, oil palm, tubers and fruit and vegetables; followed by electricity and water; mines and quarrying; financial intermediation (due to revenues from interest, credit card commissions, trust management fees, remittances, and transfers), insurance and pension funds.

It is followed by Panama, which achieved an annual increase of 4.7% compared to the same month of 2016, driven by the growth in commercial activity, mainly owing to the increase in local wholesale trade; in transportation and communication services, underpinned by the dynamic performance of the Panama Canal and the National Port System; and in the telecommunications and international air passenger transport category.

Nicaragua is ranked in third place, with an annual increase of 3.7% as at November 2017, largely spurred by the fishing and fish farming industries, given strong shrimp production; agriculture, due to increased coffee, corn, sugarcane, sorghum, soybean and peanut production; transportation, on account of rising demand for land and air cargo services; communications, hotels and restaurants because of an upturn in tourism; and financial intermediation and related services due to higher loan placements (in the commercial and consumer sectors) as well as higher deposits.

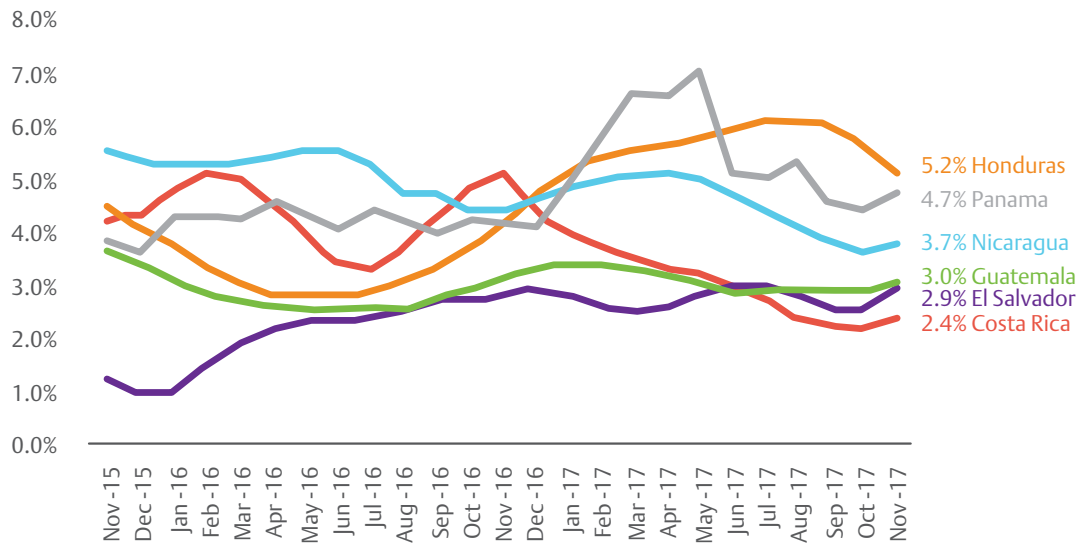
Guatemala posted annual growth of 3.0% as at the same month, buoyed by well-performing wholesale and retail trade; private services; manufacturing; and agriculture, livestock, hunting, forestry and fishing. On the other hand, the industries with the lowest growth rates are public administration and defense, which represented 5.9% of GDP; and mining and quarrying, which accounted for 1.4% of GDP.

In turn, El Salvador posted 2.9%, supported by the growth in construction; mining and quarrying; banks, insurance and other financial institutions; commerce; restaurants and hotels; real estate and services provided to companies. These industries benefited from the boost to private consumption given by real wage increases in the formal sector of the economy, family remittances received between January and November 2017, and personal credit.

Finally, Costa Rica's growth rate of 2.4% was the most modest in the region, affected by the downturn in the construction sector (in residential and non-residential projects) and the slow progress of projects already underway.

Conversely, the activities that contributed the most to the increase were information and communications, given increased provision of programming, IT consulting and software editing services, transportation and storage (mainly through services linked to foreign trade and public road passenger transport); professional, scientific, technical, administrative and support services, such as research and development, advertising and market research; rental of tangible and intangible non-financial assets; and financial and insurance activities.

Monthly Economic Activity Index (MEAI)



Inflation

The entire region has been subject to accelerating inflation, sparked by adjustments in the prices of household goods and services, associated with international fuel price dynamics (gas, electricity, etc.). However, rates remain at single digits.

As at December 2017, Panama had year-on-year inflation of 0.5%; there, unlike the rest of the region, the negative change in the category of food and non-alcoholic beverages (which has the highest weighting in the CPI) stands out. Education (3.5%) and health (2.3%) were the areas that grew the most over the year.

El Salvador follows, with an inflation rate of 2.0%; this reflects a slight year-to-date increase, mainly due to the increase in international oil prices, including electricity, propane gas and gasoline, as well as that of some food products (mainly fruit and vegetable prices).

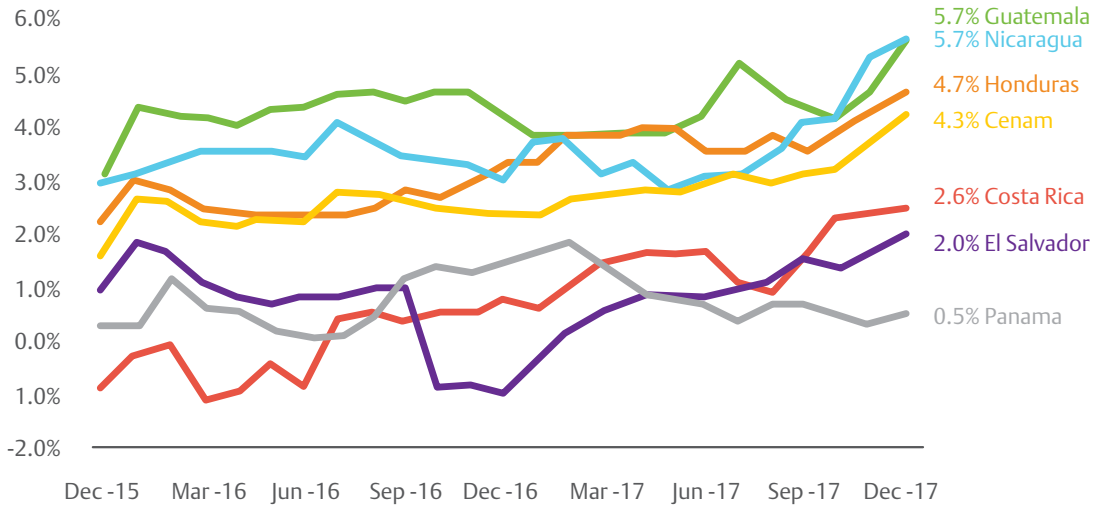
For its part, Costa Rica recorded year-on-year inflation of 2.6% at December 2017, as measured by the consumer price index; this was attributable to the increase in the price of oil and the rise in the exchange rate, which especially affected the categories of transportation; health; education; alcoholic beverages and cigarettes; and food and non-alcoholic beverages.

Honduras posted a year-on-year inflation rate of 4.7%, explained by increases in the prices of personal care items, education services, alcoholic beverages, tobacco and narcotics, housing, water, electricity, gas and other fuels and healthcare.

Nicaragua's year-on-year inflation of 5.7% was largely explained by a rise in the price of food and non-alcoholic beverages, housing, water, electricity, gas and other fuels and transportation.

Along with Nicaragua, Guatemala is the country with highest inflation, at a rate of 5.7% as at December 2017; this was driven by the increase in food prices, especially of tomatoes and other legumes and vegetables given the harsh rainy season that year; the increase in external demand, which restricted supplies to the domestic market; the deterioration of the country's road network and imports of Mexican origin, which entered at higher prices.

Annual variation Consumer Price Index



Cenam: Central America

Exchange Rates

At the regional level, almost all countries displayed a trend towards depreciating currencies; the Costa Rican Colon depreciated by 3.3% by the end of 2017 due to higher demand for foreign currency, associated with the preference of economic agents for dollar-denominated financial instruments, given a decrease in the interest rate on Colon-denominated savings. To stave off further fluctuations, the Central Bank of Costa Rica (BCCR) took the following measures: a credit for US$ 1,000 million from the Latin American Reserve Fund (FLAR, for the original in Spanish) to support the balance of payments; an

increase in the monetary policy rate; US$ 1,000 million in reserve assets allotted to exchange rate inter-day intervention; and opening of deposits denominated in foreign currency for supervised financial intermediaries.

The devaluation rate of the Nicaraguan Cordoba was 5.0% (in line with its crawling peg[3] mini-devaluation system of 5% per year); the Honduran Lempira devalued by 0.4%; while the Guatemalan Quetzal was the only currency to appreciate by 2.4% over this same period, chiefly explained by the upward trend in foreign currency inflows from family remittances (10.9% of GDP in 2017); the reduction in the value of imports (such as fuels); the contraction of public spending; and the rise in the value of exports. Thus, excess supply was created in the foreign currency market, pushing the exchange rate down.

Country	Inflation	International Monetary Reserves US$ Billions	Exchange Rate	IMAE
	Dec-17	Dec-17	Dec-17	Nov-17
Costa Rica	2.6%	7,150	566.4	2.4%
El Salvador	2.0%	3,273	1.0	2.9%
Guatemala	5.7%	11,770	7.3	3.0%
Honduras	4.7%	4,690	23.6	5.2%
Nicaragua	5.7%	2,716	30.8	3.7%
Panama	0.5%	3,510	1.0	4.7%

Source: Central Banks, National Institute of Statistics and Census in Panama, SEMCA.

Public Finance

In Costa Rica, the fiscal deficit stood at 6.2% of GDP as at December 2017 (a rise of 0.9 pp), in line with Central Bank projections. In this context, total debt reached 63.1% of GDP (a year-on-year increase of around 1.4 pp), due to the failure to reach a fiscal agreement prior to the election year. The international reserves of the Central Bank of Costa Rica posted a balance at December 2017 of US$ 7,150 million, down by US$ 424 million on the balance of 2016, as a result of stabilization operations in the foreign exchange market. However, the Issuer still has ample room for maneuver in monetary and exchange policy terms.

In Panama, total government debt was US$ 23,375 million as at December 2017, equivalent to year-on-year growth of 8.2%, largely due to heavy investment in public infrastructure (construction of Line 2 of the Metro, urban renewal in Colón, construction of the third bridge over the Canal, upgrades to the national road network, etc.). The central government's fiscal deficit as at September 2017 was US 1,430 million, equivalent to 2.4% of GDP. Nevertheless, the most important figure in Panama's economy is the behavior of Foreign Direct Investment, which reached US $3,962.1 million at the close of September 2017, equivalent to 8.7% of GDP, the highest amount in the Central American region. The current account posted a deficit of US 3,369.9 million as at September, equivalent to a 44.6% increase compared to the same period the previous year.

In the case of Guatemala, the fiscal deficit stood at 1.3% of GDP at the close of 2017, impacted by lower tax revenues as a result of an unfavorable macroeconomic environment, coupled with stable public spending. On the other hand, the Ministry of Public Finance predicted a current account surplus of close to 2.1% of GDP at the end of 2017, (0.6 pp higher than the same period of 2016), resulting from an estimated increase of 15.5% in revenue from family remittances. Finally, foreign direct investment amounted to US$ 864.6 million in September, allotted to the manufacturing, commerce, electricity, banking and insurance industries. Net international reserves totaled US$ 11,770 million (almost 29% of GDP) as at year end.

El Salvador had accumulated debt equivalent to 67.3% of GDP as at November 2017 (a balance of US$ 18,320 million, according to Banco de Reserva's data) and a year-end fiscal deficit of around 2.8%. At the close of December, the Central Bank's net international reserves displayed an annual increase of 12.0%, reaching a balance of US$ 3,273 million. During the first half, El Salvador underwent a period of political instability that affected the government's financing

3 System of progressive and controlled currency devaluation implemented by the monetary authorities of a country, in the search to adjust the exchange rate to inflation and interest differentials.

needs, leading to a downgrade in its credit ratings. Finally, the country's main political parties came to an agreement that allowed the government to restructure the terms of its debt through private pension funds and the approval of a pension reform, thereby optimizing public financing needs for the next three years.

By the end of 2017 Nicaragua's fiscal deficit had risen to close to 0.9% of GDP, largely on the back of higher capital spending and spending on municipal elections, according to Central Bank figures. As at June, the public debt displayed a downward trend, at 44.6% of GDP (down by 0.2 pp compared to the close of 2016). International reserves in the last month of the year totaled US$ 2,716 million (an annual increase of 13.8%).

Honduras reported public sector debt of 47.8% of GDP in 2017, which represents annual growth of 11.9%, resulting primarily from a 16.9% increase in external debt and a fiscal deficit of close to 3.2%. Meanwhile, the Central Bank's monetary reserves stood at US$ 4,690 million, giving it significant room for maneuver in its economic policy.

Colombian Financial System

The Colombian economy displayed moderate growth in 2017, ending the year at 1.8%. Indeed, the annual evolution of GDP in 2017 pointed to weakening domestic demand, mainly in the manufacturing, commerce, mining and construction industries. However, financial and insurance institutions remained among the activities with highest growth during the year, posting an annual increase of 3.8%.

As a consequence of the prevailing economic trend in 2017, the banking system growth rate of loans and gross financial leases slowed to 6.1%, 1.5 percentage points below that of December 2016. The financial system has remained stable, maintaining positive growth across all lines of credit, particularly in the consumer and the mortgages loans and residential leasing portfolios, which grew by 9.1% and 11.2%, respectively.

For its part, the performance of the loan portfolio quality indicator was primarily the result of the winding up of the company Electricaribe, which meant the reclassification of its loans from current to past due, in addition to a similar effect of the Ruta del Sol II project. Indeed, the system closed 2017 with an indicator of 4.3%, higher by 1.2 percentage points compared to 2016. For its part, the coverage indicator stood at 134.4%, evidencing adequate risk management in the system, with sufficient capacity to cover the past due loan portfolio.

As to deposits, the financial system posted 6.7% growth over the previous year, which meant an increase of COP 23.4 trillion, driven by checking accounts, 4.5% (COP 2.3 trillion), savings accounts, 8.4% (COP 13.0 trillion) and term deposit certificates, 5.7% (COP 7.8 trillion).

Our share in the Colombian Banking System

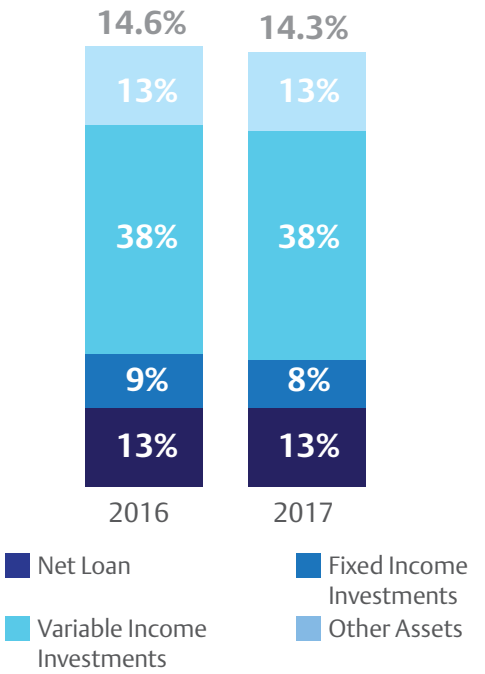
At the close of 2017, our share of the Colombian Banking System's assets stood at 14.3%. Our share of gross loans and leases, commercial, consumer, and mortgage portfolios was 12.8%, 16.9%, 9.1% and 5.3%, respectively. Meanwhile, fixed income and variable-income securities investments stood at 7.9% and 38.5%, respectively.

In addition, the Bank's share of total system deposits was 14.0%, with checking accounts representing the greatest contribution (23.3%), followed by savings accounts (13.4%) and CDs (11.8%).

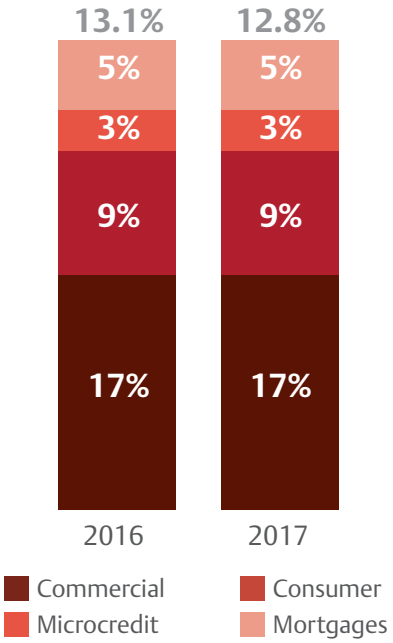
Finally, the Bank's equity comprised 22.0% of the system, and its net income accounted for 25.3%.

Market Share in Colombia

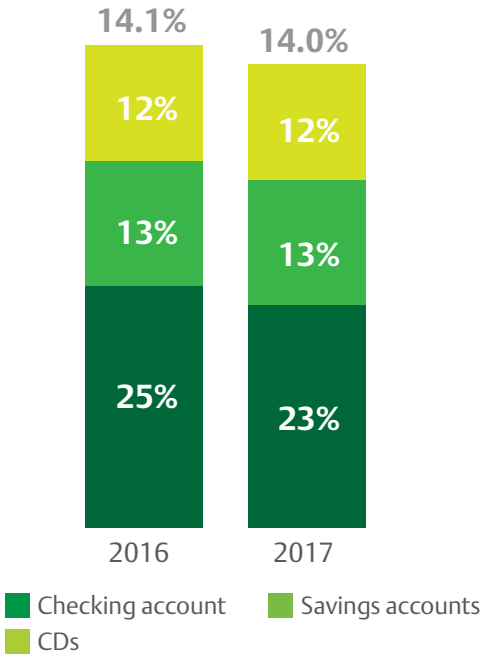
Assets



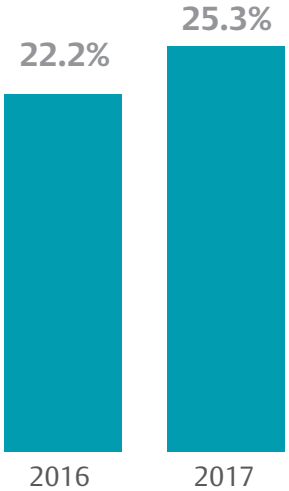
Gross Loans and Leases



Deposits*



Profit



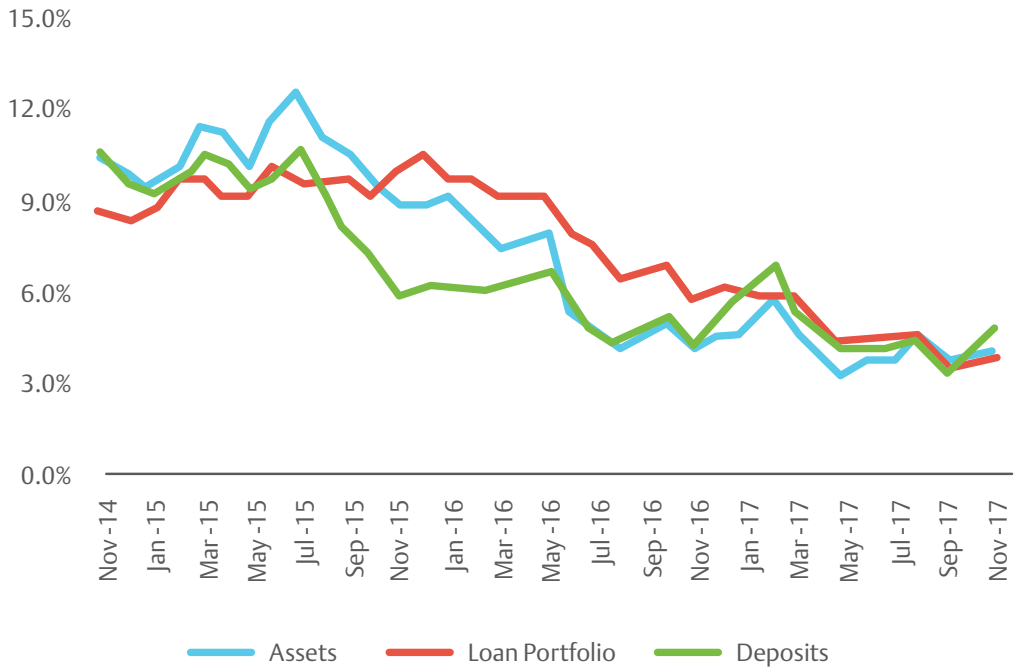
*Includes other deposits
Net Income 2016, does not include COP 2,208 billion from extraordinary income generated in June, 2016 for Corficolombiana deconsolidation.

Central American Banking System

The Central American financial system shows positive performance as at November 2017, stabilizing in the second half, following the contraction that took place in 2015. System assets grew at an annual rate of 4.1%, largely explained by the 3.7% increase in the net loan portfolio, outstripping economic growth in most countries. The main factors behind this growth include a strong market in Nicaragua, with consistently high growth rates and the government's increasing openness to private investment, as well as a highly dynamic construction sector in Panama in view of the major infrastructure works in progress in that country.

As for deposits, these increased by 4.7% over the same period, given the greater liquidity of the Northern Triangle's financial systems resulting from an increase in the flow of remittances from the United States and a greater volume of exports.

Central American Banking System: year-on-year Growth Rates

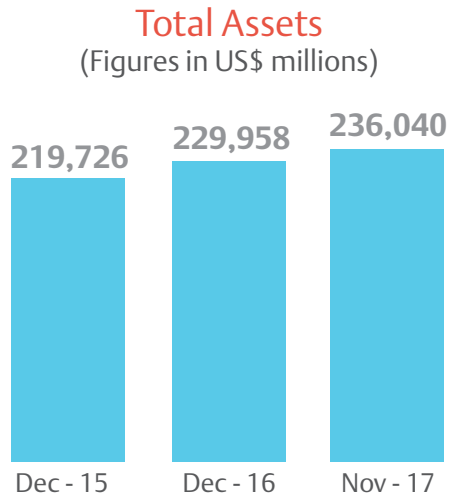


Source: Data obtained from the superintendencies of each country. All "financial groups" in Guatemala are included, as well as those banks that do not belong to a financial group. Panama considers banks with a general license, the total loan book and total deposits.

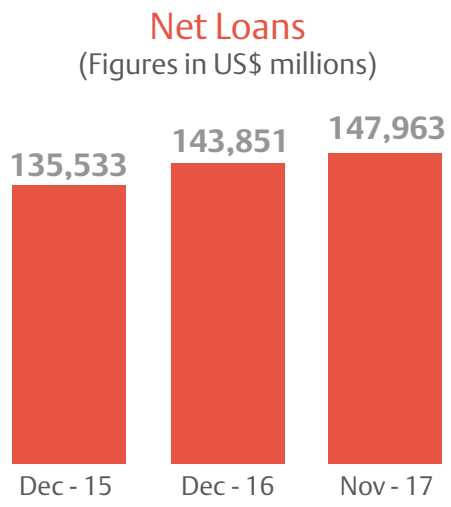
Central American Banking System by country						
Nov-17	Assets		Net Loan Portfolio		Deposits	
Millions of Dollars	US$	YoY Variation	US$	YoY Variation	US$	YoY Variation
Guatemala	45,402	8.1%	24,942	5.0%	32,068	8.1%
Honduras	20,773	5.2%	11,263	9.6%	12,614	13.4%
El Salvador	17,518	5.2%	11,588	4.0%	11,797	10.1%
Nicaragua	7,738	10.0%	5,026	8.4%	5,214	5.3%
Costa Rica	46,669	5.5%	29,640	3.6%	30,207	7.1%
Panama	97,940	1.2%	65,503	2.0%	72,220	0.1%
Total	236,040	4.1%	147,963	3.7%	164,119	4.7%

Source: Data obtained from the superintendencies of each country. All "financial groups" in Guatemala are included, as well as those banks that do not belong to a financial group. Panama considers banks with a general license, the total loan book and total deposits.

At the country level, Nicaragua stands out as having the highest growth in assets, with an annual increase of 10.0% at November 2017, due especially to the performance of the loan portfolio; followed by Guatemala, whose 8.1% is based on the growth of investments, mainly in the form of securities issued by Banco de Guatemala. It is followed by Costa Rica's 5.5%, and Honduras and El Salvador, both with 5.2%, higher than the overall growth of the Central American system. Panama is in last place with an increase of 1.2%.



Regarding the net loan portfolio, Honduras is the country with the best performance, with annual growth of 9.6% as at November 2017; this was promoted by a strong double-digit surge in the commerce and service sectors, which jointly make up close to 30% of the loan portfolio. Nicaragua follows with 8.4%, whereby commercial and consumer loans together account for approximately 50% of the loan portfolio; Guatemala at 5.0%, concentrated in the business and consumer segments; and El Salvador with 4.0%, driven by the consumer, commercial and manufacturing categories. Costa Rica and Panama, with growth rates of 3.6% and 2.0%, respectively, were below the overall system's growth.

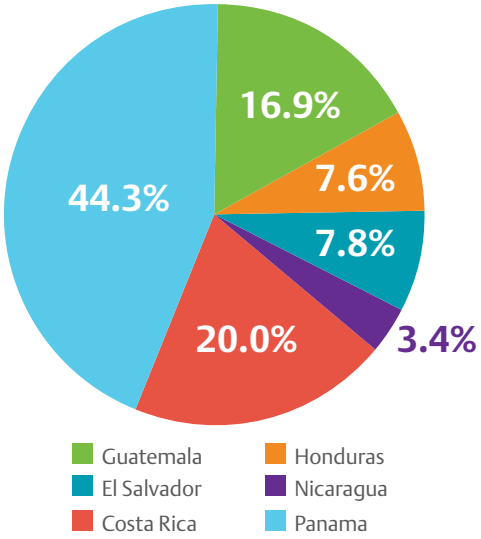


The past-due loan portfolio of the Central American banking systems was below 2.4%, which attests to low risk levels in the region. Honduras stands out in this regard, having reduced its past due loan portfolio by 43 basis points in 2017. On the other hand, in Costa Rica the past-due loan portfolio increased over the same period, affected by the closing down of operations at Banco Estatal Crédito Agrícola de Cartago (Bancrédito). In the case of Guatemala, the past due loan portfolio has maintained an upward trend since late 2015, attributable especially to the impact of lower economic growth on the population's income and loan growth.

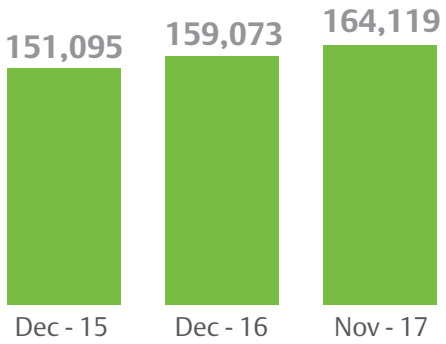
The countries with the greatest share in the region's total net portfolio continue to be Panama, Costa Rica and Guatemala, with 44.3%, 20.0% and 16.9%, respectively. In Panama, the growth of the portfolio is mainly explained by construction activity, especially in terms of commercial and residential projects and mortgages, buoyed by low interest rates and favorable terms; and personal consumption, mainly credit cards and vehicle loans. For its part, Costa Rica fared well in consumer loans and in real estate construction, purchase and repair; while in the case of Guatemala, it was the commercial and consumer portfolios that performed best.

Regarding deposits, Honduras's annual increase of 13.4% in savings as at November 2017 stands out, and is explained by a considerable increase in remittances and an upturn in exports; El Salvador follows with 10.1%, reflecting greater market dynamism propelled by remittances, given the uncertainty created by new US immigration policies, and the entry of US$ 600 million in Eurobonds into the economy; in third place is Guatemala, with 8.1%, where local currency certificates of deposit are prominent; Costa Rica with 7.1%, based on certificates of deposit; Nicaragua with 5.3%, largely due to savings deposits from households; and finally, Panama, with 0.1% growth.

Central American Net Loan Portfolio, share by country



Deposits
(Figures in US$ millions)

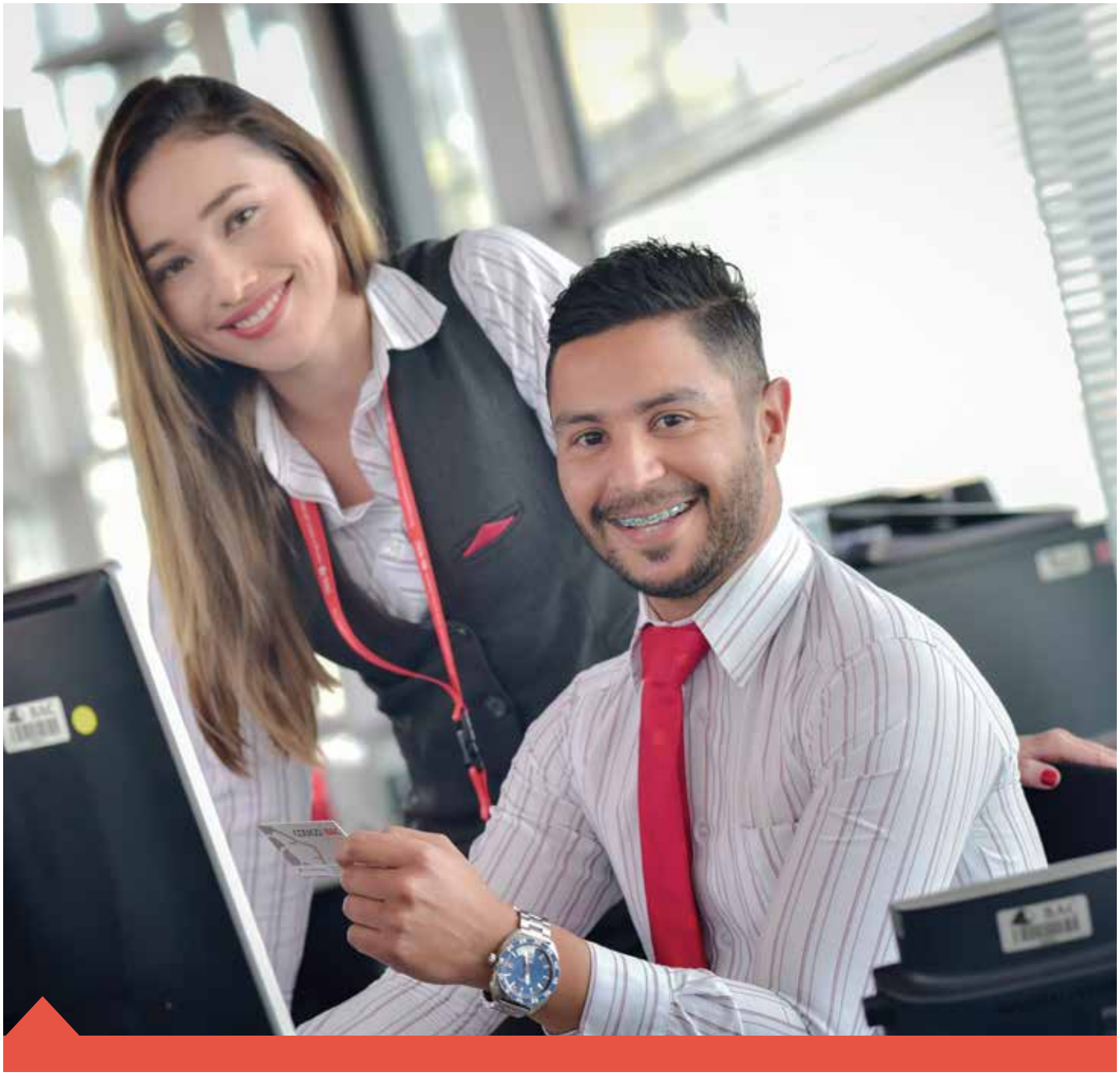


In terms of market share, BAC Credomatic has a significant presence in all the countries where it operates. It should be noted that in Nicaragua and Honduras, the group has the largest market share in all major general ledger categories, including assets, net loan portfolio, deposits and net income.

The bank's market share and ranking in each country is presented below:

BAC's Market share by country, November 2017

(Figures in US$ millions)



These results have translated into steady growth, positioning it as the main bank in the region, measured by assets, with an 8.9% market share (according to the September results, the latest information available).

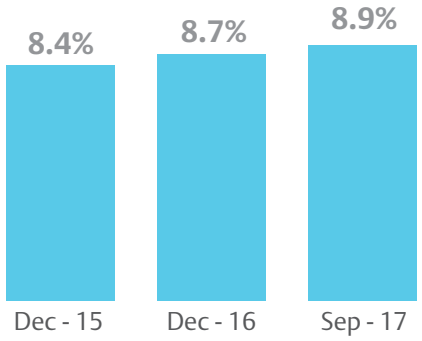
Regarding the loan portfolio, BAC Credomatic increased most markedly in highly profitable products such as credit card and personal loans, while effectively integrating operations in Central America to allow us to operate as a single bank, facilitating the management of relationships with transnational clients. This allowed it to remain in first place in net portfolio placement, with a 10.0% share as at September 2017.

Regarding deposits, the group has undertaken significant efforts to increase this category in its funding mix, which resulted in a relevant position in the system, with an 8.7% market share.

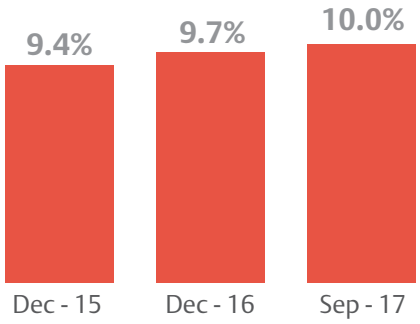
Profits are on an upward trend, which enabled the group to consistently increase market share at the regional level. By September 2017, BAC Credomatic already accounted for 12.7% of the financial system's total profits.

BAC's Regional Market Share

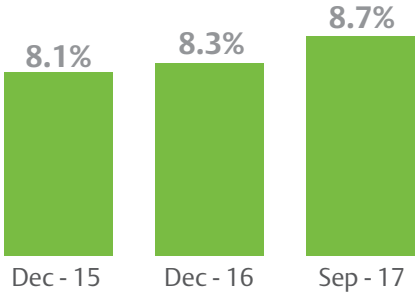
Total Assets



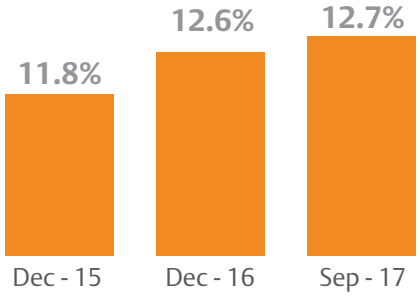
Net Loans



Deposits



Profits



María Carolina Martínez Cuadros, BGA Hotel manager. SME Banking Client.

A Woman with Entrepreneurial Vision

María Carolina Martínez Cuadros, a woman whose dream was to keep the family tradition in the hotel business alive, decided to face off a tough economic crisis by setting herself a challenge: to revive this family project while adding to the selection of hotels in the "Ciudad Bonita".

The first thing she did was look for a property on which to build a hotel. Then, in need of financing to acquire it, she turned to Banco de Bogotá to request a loan. The result was the Hotel Bucaramanga Plaza, which started out with 42 rooms and now has 100.

María Carolina notes that following this first loan her credit capacity improved, prompting the financial institution to grant her a new loan to open the BGA Hotel, which employs 30 people and has 56 rooms for its guests.

"Given our good results at the BGA Hotel, a project that has been my greatest pride and passion, in the medium term we will build another hotel tower in Bucaramanga, and we hope to begin a new hotel project in Barranquilla," said the businesswoman.

This is how Banco de Bogotá supports and accompanies small and medium-sized entrepreneurs across the country, who boost Colombia's economy through their productive projects.

"Banco de Bogotá supports and accompanies small and medium-sized entrepreneurs across the country, who boost Colombia's economy through their productive projects."