Banco Agrario de Colombia S.A.

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	BBB
Short-Term IDR	F2
Support Rating	2
Support Rating Floor	BBB
Viability Rating	bb

Local Currency

Long-Term IDR	BBB+
Short-Term IDR	F2

Sovereign Risk

Foreign-Currency Long-Term IDR	BBB
Local-Currency Long-Term IDR	BBB+

Outlooks

Foreign-Currency Long-Term IDR	Stable
Local-Currency Long-Term	Stable
Sovereign Foreign-Currency Long-Term IDR	Stable
Sovereign Local-Currency Long-Term IDR	Stable

Financial Data

Banco Agrario de Colombia

	6/30/14	12/31/13
Total assets (USDm)	11,163	9,987
Total assets (COPbn)	20,999	19,201
Total equity (COPBn)	1,698	1,734
Operating profit (COPbn)	322	366
Published net income (COPbn)	247	236
Operating ROAA (%)	3.21	1.95
Operating ROAE (%)	39.01	21.02
Internal capital generation (%)	29.39	13.63
Fitch core capital/ weighted risks (%)	15.69	17.20
Regulatory capital ratio (%)	12.09	13.25

Related Research

Colombia (December 2014)

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Key Rating Drivers

Strong Support from Colombia: Banco Agrario de Colombia's ratings reflect the potential support of the Republic of Colombia. In Fitch Ratings' view, the Colombian government has the ability and willingness to provide timely and sufficient support to the bank, if needed. The ability to support the bank is reflected in the Republic of Colombia's ratings. Fitch believes that the willingness of the sovereign to provide support is strong given that the bank plays an important role in the development of the government's agricultural policy.

Consistent Profitability: Banco Agrario de Colombia 's viability rating (VR) is based on its strong profitability. The bank's adequate margins, low financing costs and moderate operating costs result in a consistent financial performance. Historically, bank's profitability has been above the banking system average, although it was affected by higher loan loss reserves during 2013. Fitch expects the bank's return on average assets (ROAA) to remain at about 3%, underpinned by sound loan portfolio growth and recurring income from the investment portfolio.

Weak Asset Quality: Banco Agrario de Colombia's VR also reflects its weak loan quality, reflected in a high number of nonperforming loans (NPLs) and considerable amount of restructured loans. The banks's NPLs (i.e. overdue greater than 30 days) ratio reached 8.75% at June 2014 (7.54% at 90 days overdue), a level that compares unfavorably with that of its peers. The combined ratio of NPLs plus restructured loans would almost double that of NPLs.

Sound Capitalization: The bank shows a sound capital base (entirely Tier I), which is not encumbered by goodwill or fixed assets. The relatively rapid loan growth resulted in a decline of capital ratios; however, bank's Fitch core capital ratio remains sound (15.7% at June 2014) and above those of its local and international peers. In Fitch's view, continued high profitability and moderate pay-out dividend should support capital growth going forward.

Sound Funding Structure: In terms of funding and liquidity risk, Fitch considers Banco Agrario de Colombia's funding to be diversified, in contrast to that shown by other development banks in Latin America with a similar business model. Funding for the bank comes from a balanced mix of its low-cost and diversified deposits and from financial resources from state agencies or government funds. The bank benefits from the exclusive management of judicial deposits, which have low funding cost (23.8% of the bank's total funding as of June 2014). Liquidity risk is carefully controlled.

Risk of Political Influence: Being an integral part of the government and a key economic policy tool, the bank cannot be completely exempt from political influence.

Rating Sensitivities

Sovereign Considerations: As a state-owned development bank, the bank's creditworthiness and ratings are directly linked to those of the Republic of Colombia. As such, bank's ratings should move in line with those of the sovereign.

Improved Asset Quality: The bank's VR could be upgraded if the bank improves and sustains an NPL ratio below 6% and considerably reduces its level of restructured loans. In turn, the VR could be negatively affected if the bank fails to sustain its recent improvements in profitability metrics and/or if its Fitch core capital ratios consistently fall below 14%.

Operating Environment

Positive Operating Environment Support Healthy Growth

Despite experiencing slower growth in 2012–2013, Colombia's economy continues to be among the most dynamic in Latin America. Fitch estimates that the economy will grow in real terms by 4.7% in 2014, compared with 4.3% in 2013, and will grow above 4.5% per annum for the next three years. Accordingly, unemployment has declined consistently over the past few years while revenue per capita has increased, underpinning local consumption. In addition, Colombia's has a track record of controlled inflation, with consumer prices increasing by only 2.0% in 2013. Fitch forecasts the inflation rate will end up close to the central bank's target of 3%.

The positive economic environment and relatively low banking penetration have contributed to sustained growth in credit. In particular, the gains in employment have helped drive the growth in mortgage and consumer lending. Private credit growth slowed in 2013 to 9.3% from 17.2% the year prior. However, this is primarily related to the regulator's increase in reserve requirements, a decision intended to improve the long-term stability of the financial system and improve its loss-absorbing capacity. The economic environment is poised to remain positive for Colombian banks, fostering healthy growth and limiting the risk of asset deterioration.

Banking System Concentrated but Performing Well

Despite high rates of growth, banking penetration continues to be relatively low. Private credit was 50.2% of GDP at YE13, moderately below the average for 'BBB' rated countries. The financial sector is also characterized by adequate levels of solvency and liquidity, high asset quality and reserve coverage ratios that well exceed 100% of impaired loans.

The system is relatively concentrated as three banks account for over 50% of the system's total assets (total of 23 banks). However, in spite of concentration, competition is strong and poised to intensify as smaller players consolidate and seek to challenge the market leaders. Colombia's capital markets have also grown rapidly and are among the largest in the region with very active institutional investors and a variety of issuers. The depth of the financial system is moderate when compared to the region's leading markets but has been improving and should further develop as the integrated regional market with Peru, Chile and Mexico consolidates.

Within this operating environment, Colombian banks' performance remained solid for the six months ended June 2014 as key credit metrics have consistently improved since the onset of the global financial crisis in late 2008. Based on aggregate data through June 2014, loan growth continued at a sustained albeit slower pace compared to 2010−2011, and loan portfolios grew at a yearly pace of about 15% at June 2014. Asset quality has declined slightly as newer loan portfolios mature; on aggregate, the ratio of impaired loans to gross loans increased to 3.1% at June 2014 (2.8% at YE13), while reserve coverage of impaired loans decreased to 1.4x at June 2014 from roughly 2.2.x at YE13. Furthermore, Fitch notes that the Colombian system's asset quality ratios are particularly strong, as local regulatory requirements for impaired loans are stricter than in other markets, especially for consumer loans, which face more conservative policies to protect asset quality and reduce economic vulnerability.

Related Criteria

Global Financial Institutions Rating Criteria (January 2014)

Company Profile

Prime Instrument to Promote Colombia's Agricultural Sector

Banco Agrario de Colombia is the Colombian government's prime instrument to promote the consistent and sustainable development of the agricultural sector. The bank was created in 1999 as a result of a failed institution (Caja Agraria) that the government saved during the economic crisis. The bank is wholly owned by the Colombian government and controlled by the

Ministry of Finance and by the Ministry of Agriculture. The bank's objective is to finance, in principal, but not exclusively, rural, agricultural, cattle breeding, fish farming, forestry, and agro-industrial activities, among others. By law, at least 70% of the bank's loan portfolio should be directed to finance agriculturally related activities.

Showing the importance of the bank, Banco Agrario de Colombia plays a significant role in the development of government agricultural policy and is the only public bank that serves customers that range from small local/regional to medium producers; commercial banks deal with larger producers. The bank is Colombia's main development tool for the agricultural sector as the largest individual source of financing for the sector (about 48% of the total). As of June 2014, the bank ranked as the ninth bank measured by loans and seventh by deposits and offers services through 743 branches, roughly 6,300 banking correspondents and 652 ATMs. The bank has a presence in 94.3% of the country and reaches remote areas of Colombia.

The company operates through a straightforward banking model. Banco Agrario de Colombia has one subsidiary, an entity that provides trustee services in general, in which the bank has a 93.7% equity stake with a book value of COP29.4 billion. Also, the bank has a small participation in FINAGRO (Fondo para el Financiamiento del Sector Agropecuario), which provides funding to financial institutions including Banco Agrario de Colombia.

By mandate of the government, the bank has exclusivity in handling judicial deposits (24% of the bank's total funding). In Fitch's opinion, this gives the bank a competitive advantage in its funding structure as it results in a diversified and low-cost deposit base. In the future, the bank does not anticipate changes that may affect the stability of this funding source.

The bank's core products include: agricultural products (72% of the bank's total loans) that include funding needs for working capital or investment at every stage of the production chain; corporate and commercial banking (25% of total loans); and consumer banking products (3% of total loans) that include financing needs for individuals not related to the agricultural sector. This primarily consists of payroll loans and microcredits. The bank also provides technical assistance and specialized training services.

A significant part of the bank's profits comes from its investment portfolio, representing approximately 50% of total assets. This is because the bank was founded with a very large liability that had to be paid by the government, so the bank opened an account and gradually the amortizations were transferred to the investment portfolio.

Management

Banco Agrario de Colombia has a highly experienced management team that has successfully steered the company through its 15-year existence. In that time, the company has demonstrated discipline in growing their core products. It has succeeded in satisfying credit demand in the rural sector, obtained satisfactory performance despite the risks inherent in the agricultural sector, such as adverse weather conditions and producers strikes, and expanded its presence nationally.

The bank's management structure benefits from the company's straightforward banking business model. All loan origination is done in house, and relies on a standardized business model for all offices. The stability and ample knowledge of the rural sector of the company's front, middle and back offices are key elements of the bank's ability to maintain its pace of growth and asset quality. However, challenges remain in dealing with events related to its niche market and public nature.

Banco Agrario de Colombia's board of directors has nine members, four of them appointed for a five-year term by the president of Colombia and theanotherfive members should be independent and are appointed for a two-year term. Directors are usually renewed with each presidential election, thus aligning the board's view and policies with those of the government. This is similar to what is done in other countries in the region and illustrates the public nature of the bank and the fact that the government is its ultimate owner.

The bank is supervised by several regulating agencies including the Colombian Central Bank, the Superintendence of Banks, and the Ministry of Agriculture, among others. The bank has organized five committees (audit, human resources, risk, corporate governance and credit) to oversee the bank's operations.

Being an integral part of the government and a key economic policy tool, the bank cannot be completely exempt from political influence. For instance, it has established clear policies on managing conflicts of interest and maintaining high levels of corporate transparency. In Fitch's opinion, the bank's corporate governance is sound for a state-owned entity.

In order to respond to a changing environment and increasingly competitive market, Banco Agrario de Colombia's 2014–2018 strategic plan reflects a focus on strengthening its market share in the agricultural segment by expanding sales channels and using existing products. The bank has no plans to expand services or move to new markets. Specifically, the bank estimates a loan portfolio growth of approximately 12.6% by the end of 2015 and 8.8% in customer deposits, mainly longer-term.

In Fitch's view, the bank has demonstrated a good record of execution on their objectives despite adverse events that affected its performance in 2013. The bank has focused on building its core strengths, which include: its ample geographical coverage; being concentrated in a sector that requires a high level of expertise and knowledge; and being a public entity that benefits from a diversified and low-cost funding base.

Risk Appetite

Appropriate Risk Controls

The origination and credit approval process is standardized for each product, with clear eligibility criteria, a robust credit analysis, and credit scoring based on a comprehensive knowledge of the client and its production project. For rural customers, the bank has 200 specialized officers conducting field work; these officers visit and view the activities of its customers, thus facilitating the origination and collection of loans.

Credit approval is reached by consensus, including people from both credit/risk management and the business line. A proactive collection process helps minimize credit losses, but the bank is vulnerable to risks inherent to the agricultural segment. The board's risk committee is in charge of establishing all risk policies and delegates its credit authority to two credit committees (Comite Diectivo Nacional de Credito and Comite de la Vicepresidencia de Credito y Cartera), which approves loans and is in charge of asset standardization, qualification and charge-offs of the loan portfolio, among other things. In addition, the bank employs a statistical model of expected losses (defined by the regulator) to calculate provisions.

The bank's primary risk is the credit risk in its loan portfolio. However, such risk is partially mitigated by collateral provided by the government through a guarantee fund (Fondo Agrario de Garantias, FAG), which guarantees a portion of the credit losses depending on the perception of the risk on each client (coverage range of 50%–100%). In addition, another part of the obligation is covered by collateral such as mortgages or land.

In terms of operational risk, Colombian banks are not required to allocate part of their capital to operational risk; however, the bank has a system of operational risk that allows the identification, control and monitoring of operational risks, but it is unable to estimate the possible expected losses arising for this source of risk. In terms of legal issues, the bank recorded COP296.8 billion of legal contingencies, or equivalent to 18% of the bank's equity, some of them appropriately reserved. The bank believes that roughly 75% of these legal issues are highly likely to be won, but in Fitch's opinion these issues represent an important source of risk for the entity.

Moderate Growth in a Risky Segment

Banco Agrario de Colombia is growing in line with the system average. Bank growth has averaged 14% in the past five years, and the bank has gradually diversified its credit products to remain in line with its internal limit (70% of its portfolio should be focused on agriculture). In general terms, the target of the bank is to increase the credit portfolio more than their portfolio of securities portfolio.

Some of the bank's future growth is expected to come from an increase in consumer banking through payroll loans generated by third parties, using the link that the bank has with various state entities. In Fitch's opinion the expected growth in payroll loans is an additional source of risk for the bank, as it is a business line that has no history and involves significant operational challenges. To partially mitigate this risk, the bank has defined limits by employer, where 15% of bank's equity cannot be concentrated in a single one.

Controlled Market Risk

Banco Agrario de Colombia faces market risk primarily in its investment portfolio, but in Fitch's opinion this source of risk is controlled carefully by the bank. Its conservative investment policies on its securities portfolio result in very low losses and recurring earnings. Historically, the investment portfolio has been 90%–95% of securities with risk linked to the Colombian sovereign, while approximately 80% has been maturity securities, primarily at fixed rate. Also, the bank, with the objective of diversifying its revenue base, uses derivative financial instruments, which are plain vanilla operations and in Fitch's opinion are carefully handled.

To control and monitor the market risk associated with the investment portfolio, the bank follows an internal model centered on the methodology established by the local banking regulator that is based on the calculus of the value at risk (VaR). The bank estimates the VaR for each of its portfolios with specific limits, 95% of confidence level and a holding period of one day. For the six months ended June 2014, the average total VaR was COP 57 billion, or 4.5% of the bank's regulatory capital (YE13: 7.0%); in Fitch's view this is an acceptable level.

In turn, the market risk associated with the bank's loan portfolio is low since the term, interest rate and currency conditions of bank's loan portfolio are well matched with its respective funding sources. As of June 2014, foreign currency denominated loans represented a low level of 0.7% of the bank's total gross loans. Bank's other earning assets include loans and advances to banks that are very liquid.

Financial Profile

Asset Quality

High Impaired Loan Ratios in a Risky Sector

Asset Quality

(%)

	1H14	2013	2012	2011
Growth Of Gross Loans	4.97	17.95	12.86	9.49
Impaired Loans /Gross Loans	8.75	8.27	7.03	6.24
Reserves For Impaired Loans/Impaired Loans	144.40	150.32	160.71	182.10
Impaired Loans Less Reserves For Impaired Loans/Equity	(22.85)	(22.84)	(19.37)	(25.90)
Loan Impairment Charges/Average Gross Loans	1.81	3.81	2.49	3.79

Source: Fitch, with data provided by Banco Agrario de Colombia.

Banco Agrario de Colombia's credit risk is clearly concentrated in a riskier than average industry but is somewhat mitigated by its strategy of diversification by geography, product and stage of production, which is financed. In addition, the secured structure of a significant proportion of its lending helps to minimize credit losses. However, the bank's asset quality showed a considerable deterioration from December 2010 to December 2013 as a result of typical risks associated with the agricultural sector.

Among the issues that have affected the bank's asset quality are: adverse climate conditions, mainly rain, flooding and frost; the reduction in price of various commodities; several agricultural strikes that mainly affected crops like coffee, potatoes, cocoa, rice, onions, palm and milk; the enactment of the 1694 FONSA (Fondo Nacional de Solidaridad Agropecuaria) Act that created an expectation of debt forgiveness that had a negative impact on the payment behavior of the bank's borrowers; and the default of one of its major borrowers.

Accordingly, bank's NPLs (overdue more than 30 days) ratio reached 8.75% at June 2014 (7.54% at 90 days overdue), a level that unfavorably compares with that of its closest peers. The combined ratio of NPLs plus restructured loans would almost double that of NPLs; for the six months ended June 2014 NPLs plus restructured loans accounted for 16.7% of total gross loans, and if we consider chargeoffs this level increased to roughly 17.0%. At the same date, 80% of total gross loans were classified at the lowest risk level under the regulatory scale.

In general, to remedy the negative impacts on asset quality, the bank is strengthening its collection processes; specifically, the bank will take advantage of the law enacted by the government in February 2014 that allows the purchase of the impaired loan portfolio by FONSA. The bank expects to sell impaired loans for approximately COP371 billion by the end of 2014 or early 2015, which would result in a significant reduction of the bank's NPLs ratio (pro forma NPL ratio of 6.0%).

Loan loss reserves (LLRs) have historically covered past-due loans adequately (reserve coverage reached 1.4x at June 2014). Given the bank's growth, sound profitability, overall positive economic environment and reasonable capital base, LLRs are deemed adequate.

Obligor concentrations are moderate. As of June 2014, the 20 largest credit exposures by economic group accounted for 14% of total loans, equivalent to 0.79x of the bank's total equity. Bank's major NPLs were mainly extended to associations of agricultural producers and represented 0.10x of the bank's equity; the largest borrower represented 2% of the total loan portfolio.

In Fitch's opinion, the bank's asset quality will remain under pressure due to the turbulent nature of the agricultural sector, the greater maturity of the consumer lending portfolios and relative higher obligor concentrations. As such, Fitch expects that Banco Agrario de Colombia will continue to enhance its loan loss reserves and maintain its good levels of collateral.

Earnings and Profitability

Consistent Profitability

Profitability

(%)	1H14	2013	2012	2011
Net Interest Income/Average Earning Assets	3.55	3.86	3.87	3.77
Non-Interest Expense/Gross Revenues	46.09	50.55	44.62	43.14
Loans and Securities Impairment Charges/Pre-Impairment Operating Profit	22.69	48.34	20.56	35.64
Operating Profit/Average Total Assets	3.21	1.95	3.82	3.20
Operating Profit/Risk-Weighted Assets	6.14	3.73	7.33	5.92
Net Income/Average Equity	30.00	13.59	32.67	30.15

Source: Fitch, with data provided by Banco Agrario de Colombia.

The bank's constant asset growth, adequate margins, low financing costs, moderate operating costs and significant profits from their investment portfolio result in consistent financial performance. Historically, Banco Agrario de Colombia's financial performance has been better than that of the banking system, although it was affected by higher LLR during 2013. Fitch expects bank's profitability to remain at about 3.0% of average assets as a result of continued growth of the loan portfolio, expected extraordinary profits from the sale of loans, recurring income derived from the investment portfolio and the positive operating environment.

Banco Agrario de Colombia's income structure does not depend on lending activity because is well balanced between interest income on loans (50% of total gross profits), trading income (35% of total) and traditional banking fees; however, Fitch believes that in times of economic volatility, bank's trading income may suffer a substantial decline, jeopardizing the financial performance of the entity. The bank aims to gradually reduce its dependence on brokerage revenues through increased credit activity, so it faces the challenge of containing asset quality deterioration.

Operating expenses (growth up to 10% annualized at June 2014) grew at a slower pace than profits, resulting in favorable efficiency ratios in respect to the bank's closest peers, despite having a vast infrastructure. Bank's operating expenses are driven by personnel expenses, which make up about 40% of total expenses. The bank does not expect a significant increase in operating costs, and Fitch believes efficiency ratios will be maintained at appropriate levels for the foreseeable future.

As of June 2014, loan impairment charges grew on par with the loan portfolio and consumed an average of 23% of pre-impairment operating profit Between December 2012 and December 2013, Banco Agrario de Colombia registered one of the highest peaks in the level of loan impairment charges as a result of the substantial deterioration of the loan portfolio. Fitch expects that the level of provisions will continue to grow due to the riskier than average industry that the bank serves, as well as the higher participation in consumer loans.

Capitalization and Leverage

Adequate Capital Ratios but Descending

Capitalization

(%)

	1H14	2013	2012	2011
Fitch Core Capital/Weighted Risk	15.69	17.20	18.87	15.84
Fitch Eligible Capital/Weighted Risk	15.69	17.20	18.87	15.84
Tangible Common Equity/Tangible Assets	8.08	11.11	13.54	13.35
Total Regulatory Capital Ratio	12.09	13.25	14.64	14.30
Internal Capital Generation	29.39	13.63	28.54	27.23

Source: Fitch, with data provided by Banco Agrario de Colombia.

Banco Agrario de Colombia shows an adequate capital base and is entirely Tier I, and it is not encumbered by goodwill or fixed assets. The relatively rapid growth of loans and a regulatory change in 2012 that resulted in more stringent capitalization rules have resulted in a decline of capital ratios. Bank's Fitch core capital ratio has declined from an average of 17% of risk weighted assets from 2010–2013 to 15.7% at June 2014. Bank's tangible equity to tangible assets is also descending, and the relatively lower level compared with its closest peers is due to the ample treasury assets that the bank has within their balance sheet.

The bank's regulatory capital ratio of 12% is well above the 9% required by local regulation. Given the growth plan Banco Agrario de Colombia has devised, capital ratios are expected to further decline in the medium term but not beyond 12%, a limit defined by management. In line with the above, the dividends payment will also be subject to such a limit. For the past three years, the bank has capitalized an average of 47% of their earnings. In Fitch's view, a continued profitability should underpin capital growth going forward since the bank has never needed additional capital infusions.

Funding and Liquidity

Sound Funding Structure and Low Liquidity Risk

Funding

(%)

	1H14	2013	2012	2011
Loans/ Customer Deposits	121.28	130.43	125.14	120.54
Interbank Assets/Interbank Liabilities	3.09	5.09	0.11	0.98
Customer Deposits/Total Funding (Excluding Derivatives)	44.69	43.07	40.87	41.31

Source: Fitch, with data provided Banco Agrario de Colombia.

In Fitch's opinion, Banco Agrario de Colombia's funding is clearly diversified, a different feature to that shown by other development banks in Latin America. Funding for Banco Agrario de Colombia comes from a balanced mix of its low-cost and diversified deposits (45% of total funding that includes mostly savings accounts and current deposits), judicial deposits (24% of total liabilities), and financial resources from state agencies or government funds (30% of total), mainly FINAGRO.

Depositor concentration is slightly higher than that of the larger domestic banks but is better than banks that have a similar business model. Bank's top 20 depositors are comprised mostly of governmental customers (municipalities and departments), accounting for roughly 16% of total customer deposits at June 2014.

Banco Agrario de Colombia benefits from the exclusive management of judicial deposits, which have a low funding cost. In addition, the bank benefits from low-cost funding from FINAGRO, which also provides a proper matching of maturities with the agricultural loan portfolio. Plans for future funding include improving the bank's liquidity profile by further lowering the proportion of short- term funding. To this end, the bank plans to tap capital markets.

Liquidity risk is carefully controlled. Historically, the bank has had good liquidity levels; on average, the bank has had sufficient cash on hand to cover 20% of their short-term deposits. The bank maintains an adequate gap between assets and liabilities because almost all rural loans are funded by FINAGRO; 70%–75% of its loan portfolio has a term maturity greater than five years.

Liquidity is monitored through a liquidity risk index (IRL in Spanish) for seven, 30 and 90 days, as well as stress scenarios. The index has consistently shown adequate liquidity, and the bank is able to cope with unexpected cash outflows thanks to its liquidity at hand. The stressed IRL for the six months end June 2014 was far below the internal alerts.

Support

Banco Agrario de Colombia's ratings reflect the potential support from the Republic of Colombia, whose ratings were affirmed by Fitch to 'BBB/BBB+'; for further details on Fitch's latest action on Colombia's sovereign ratings, see the press release "Fitch Affirms Colombia's FC IDR at 'BBB'; Outlook Stable," dated November 2014, available on Fitch's website at www.fitchratings.com.

In Fitch's opinion, Banco Agrario de Colombia is an integral and key part of the government's economic policy toward the agricultural sector. Hence, support from the government should be forthcoming, if needed, which underpins the fact that Banco Agrario de Colombia's IDRs are aligned to the sovereign's.

The ability of support is reflected in the Republic of Colombia's ratings and underpins the bank's support rating of '2' and support rating floor of 'BBB'.

Banco Agrario de Colombia S.A.

	30 Jun 2014			31 Dec 2013		31 Dec 2012		31 Dec 2011	
	6 Mos - Interim USDm Not Disclosed	6 Mos - Interim COPbn Not Disclosed	As % of Earning Assets	Year End COPbn Not Disclosed	As % of Earning Assets	Year End COPbn Not Disclosed	As % of Earning Assets	Year End COPbn Not Disclosed	As % of Earning Assets
Income Statement									
1. Interest Income on Loans	252.7	475.4	5.07	929.6	5.32	831.3	5.12	684.6	4.64
2. Other Interest Income	3.4	6.4	0.07	15.2	0.09	4.6	0.03	5.5	0.04
3. Dividend Income	12.9	24.2	0.26	13.4	0.08	5.7	0.04	14.2	0.10
4. Gross Interest and Dividend Income	269.0	506.0	5.39	958.2	5.48	841.6	5.18	704.3	4.77
5. Interest Expense on Customer Deposits	33.2	62.5	0.67	98.8	0.57	78.0	0.48	70.9	0.48
6. Other Interest Expense	44.2	83.1	0.89	182.3	1.04	209.7	1.29	125.2	0.85
7. Total Interest Expense	77.4	145.6	1.55	281.1	1.61	287.7	1.77	196.1	1.33
8. Net Interest Income	191.6	360.4	3.84	677.1	3.87	553.9	3.41	508.2	3.44
9. Net Gains (Losses) on Trading and Derivatives	8.8	16.6	0.18	15.0	0.09	157.5	0.97	104.9	0.71
10. Net Gains (Losses) on Other Securities	151.3	284.7	3.03	487.8	2.79	502.9	3.10	447.3	3.03
11. Net Gains (Losses) on Assets at FV through Income Statement	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
12. Net Insurance Income	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
13. Net Fees and Commissions	61.1	115.0	1.23	249.7	1.43	294.2	1.81	291.5	1.98
14. Other Operating Income	(2.6)	(4.9)	(0.05)	1.0	0.01	0.3	0.00	0.1	0.00
15. Total Non-Interest Operating Income	218.7	411.4	4.38	753.5	4.31	954.9	5.88	843.8	5.72
16. Personnel Expenses	67.9	127.7	1.36	259.9	1.49	227.3	1.40	194.9	1.32
17. Other Operating Expenses	121.2	228.0	2.43	463.2	2.65	446.0	2.75	388.3	2.63
18. Total Non-Interest Expenses	189.1	355.7	3.79	723.1	4.14	673.3	4.15	583.2	3.95
19. Equity-accounted Profit/ Loss - Operating	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
20. Pre-Impairment Operating Profit	221.2	416.1	4.44	707.5	4.05	835.5	5.14	768.8	5.21
21. Loan Impairment Charge	46.4	87.2	0.93	333.1	1.90	185.3	1.14	257.6	1.75
22. Securities and Other Credit Impairment Charges	3.8	7.2	0.08	8.9	0.05	(13.5)	(0.08)	16.4	0.11
23. Operating Profit	171.0	321.7	3.43	365.5	2.09	663.7	4.09	494.8	3.35
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	—	N.A.	—	N.A.	—	n.a.	—
25. Non-recurring Income	18.0	33.8	0.36	60.1	0.34	64.6	0.40	41.2	0.28
26. Non-recurring Expense	5.0	9.4	0.10	33.0	0.19	29.1	0.18	22.5	0.15
27. Change in Fair Value of Own Debt	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
28. Other Non-operating Income and Expenses	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
29. Pre-tax Profit	184.0	346.1	3.69	392.6	2.25	699.2	4.30	513.5	3.48
30. Tax expense	52.5	98.7	1.05	156.3	0.89	192.2	1.18	128.8	0.87
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	—	N.A.	—	N.A.	—	N.A.	—
32. Net Income	131.5	247.4	2.64	236.3	1.35	507.0	3.12	384.7	2.61
33. Change in Value of AFS Investments	N.A.	N.A.	—	0.0	0.00	0.0	0.00	(1.7)	(0.01)
34. Revaluation of Fixed Assets	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
35. Currency Translation Differences	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
36. Remaining OCI Gains/(losses)	N.A.	N.A.	—	(3.7)	(0.02)	23.5	0.14	1.2	0.01
37. Fitch Comprehensive Income	131.5	247.4	2.64	232.6	1.33	530.5	3.27	384.2	2.60
38. Memo: Profit Allocation to Non-controlling Interests	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
39. Memo: Net Income after Allocation to Non-controlling Interests	131.5	247.4	2.64	236.3	1.35	507.0	3.12	384.7	2.61
40. Memo: Common Dividends Relating to the Period	N.A.	N.A.	—	N.A.	—	275.0	1.69	166.6	1.13
41. Memo: Preferred Dividends Related to the Period	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Exchange rate		USD1 = COP1881.19000		USD1 = COP1922.56000		USD1 = COP1771.54000		USD1 = COP1942.70000	

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	30 Jun 2014			31 Dec 2013		31 Dec 2012		31 Dec 2011	
	6 Mos - Interim USDm	6 Mos - Interim COPbn	As % of Assets	Year End COPbn	As % of Assets	Year End COPbn	As % of Assets	Year End COPbn	As % of Assets
Balance Sheet									
Assets									
A. Loans									
1. Residential Mortgage Loans	20.6	38.8	0.18	40.1	0.21	44.2	0.24	49.3	0.30
2. Other Mortgage Loans	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
3. Other Consumer/ Retail Loans	192.6	362.4	1.73	281.7	1.47	215.2	1.18	211.6	1.30
4. Corporate & Commercial Loans	2,406.3	4,526.8	21.56	4,320.8	22.50	3,844.4	21.13	3,845.2	23.54
5. Other Loans	2,687.6	5,055.9	24.08	4,868.9	25.36	3,960.5	21.77	3,039.1	18.60
6. Less: Reserves for Impaired Loans	670.6	1,261.5	6.01	1,182.9	6.16	910.9	5.01	811.6	4.97
7. Net Loans	4,636.6	8,722.4	41.54	8,328.6	43.38	7,153.4	39.31	6,333.6	38.77
8. Gross Loans	5,307.2	9,983.9	47.54	9,511.5	49.54	8,064.3	44.32	7,145.2	43.74
9. Memo: Impaired Loans included above	464.4	873.6	4.16	786.9	4.10	566.8	3.12	445.7	2.73
10. Memo: Loans at Fair Value included above	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
B. Other Earning Assets									
1. Loans and Advances to Banks	90.5	170.2	0.81	276.8	1.44	6.0	0.03	46.0	0.28
2. Reverse Repos and Cash Collateral	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
3. Trading Securities and at FV through Income	792.7	1,491.2	7.10	1,398.6	7.28	1,595.5	8.77	1,904.3	11.66
4. Derivatives	0.5	0.9	0.00	0.4	0.00	0.0	0.00	0.0	0.00
5. Available for Sale Securities	77.9	146.6	0.70	122.7	0.64	115.9	0.64	110.0	0.67
6. Held to Maturity Securities	4,474.3	8,417.1	40.08	7,375.5	38.41	7,385.3	40.59	6,387.8	39.10
7. Equity Investments in Associates	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
8. Other Securities	(15.4)	(28.9)	(0.14)	(17.0)	(0.09)	(13.4)	(0.07)	(28.6)	(0.18)
9. Total Securities	5,330.1	10,026.9	47.75	8,880.2	46.25	9,083.3	49.92	8,373.5	51.26
10. Memo: Government Securities included Above	5,057.0	9,513.1	45.30	8,485.0	44.19	8,582.9	47.17	8,035.3	49.19
11. Memo: Total Securities Pledged	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
12. Investments in Property	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
13. Insurance Assets	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
14. Other Earning Assets	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
15. Total Earning Assets	10,057.2	18,919.5	90.10	17,485.6	91.07	16,242.7	89.27	14,753.1	90.31
C. Non-Earning Assets									
1. Cash and Due From Banks	806.9	1,517.9	7.23	1,239.4	6.45	1,371.4	7.54	1,058.3	6.48
2. Memo: Mandatory Reserves included above	C	N.A.	—	N.A.	—	N.A.	—	N.A.	—
3. Foreclosed Real Estate	4.1	7.7	0.04	9.6	0.05	2.4	0.01	1.1	0.01
4. Fixed Assets	75.3	141.6	0.67	148.3	0.77	149.0	0.82	123.5	0.76
5. Goodwill	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
6. Other Intangibles	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
7. Current Tax Assets	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
8. Deferred Tax Assets	21.1	39.7	0.19	49.5	0.26	68.1	0.37	89.6	0.55
9. Discontinued Operations	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
10. Other Assets	198.3	373.0	1.78	268.8	1.40	362.2	1.99	310.4	1.90
11. Total Assets	11,162.8	20,999.4	100.00	19,201.2	100.00	18,195.8	100.00	16,336.0	100.00
Exchange rate		USD1 = COP1881.19000		USD1 = COP1922.56000		USD1 = COP1771.54000		USD1 = COP1942.70000	

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	30 Jun 2014			31 Dec 2013		31 Dec 2012		31 Dec 2011	
	6 Mos - Interim USDm	6 Mos - Interim COPbn	As % of Assets	Year End COPbn	As % of Assets	Year End COPbn	As % of Assets	Year End COPbn	As % of Assets
Balance Sheet									
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Customer Deposits - Current	1,089.6	2,049.8	9.76	1,956.1	10.19	1,978.4	10.87	1,363.1	8.34
2. Customer Deposits - Savings	2,718.3	5,113.6	24.35	4,666.5	24.30	4,078.6	22.42	4,156.6	25.44
3. Customer Deposits - Term	568.0	1,068.6	5.09	669.7	3.49	387.3	2.13	407.9	2.50
4. Total Customer Deposits	4,376.0	8,232.0	39.20	7,292.3	37.98	6,444.3	35.42	5,927.6	36.29
5. Deposits from Banks	2,927.5	5,507.2	26.23	5,439.3	28.33	5,220.9	28.69	4,697.0	28.75
6. Repos and Cash Collateral	44.0	82.7	0.39	0.0	0.00	313.2	1.72	127.5	0.78
7. Other Deposits and Short-term Borrowings	2,444.8	4,599.1	21.90	4,198.9	21.87	3,787.9	20.82	3,595.9	22.01
8. Total Deposits, Money Market and Short-term Funding	9,792.2	18,421.0	87.72	16,930.5	88.17	15,766.3	86.65	14,348.0	87.83
9. Senior Debt Maturing after 1 Year	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
10. Subordinated Borrowing	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
11. Other Funding	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
12. Total Long Term Funding	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
13. Derivatives	0.1	0.1	0.00	0.0	0.00	0.0	0.00	0.0	0.00
14. Trading Liabilities	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
15. Total Funding	9,792.3	18,421.1	87.72	16,930.5	88.17	15,766.3	86.65	14,348.0	87.83
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
2. Credit impairment reserves	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
3. Reserves for Pensions and Other	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
4. Current Tax Liabilities	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
5. Deferred Tax Liabilities	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
6. Other Deferred Liabilities	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
7. Discontinued Operations	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
8. Insurance Liabilities	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
9. Other Liabilities	468.2	880.7	4.19	536.6	2.79	653.0	3.59	575.4	3.52
10. Total Liabilities	10,260.4	19,301.8	91.92	17,467.1	90.97	16,419.3	90.24	14,923.4	91.35
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
2. Pref. Shares and Hybrid Capital accounted for as Equity	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
G. Equity									
1. Common Equity	857.3	1,612.8	7.68	1,643.8	8.56	1,682.5	9.25	1,342.1	8.22
2. Non-controlling Interest	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
3. Securities Revaluation Reserves	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
4. Foreign Exchange Revaluation Reserves	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
5. Fixed Asset Revaluations and Other Accumulated OCI	45.1	84.8	0.40	90.3	0.47	94.0	0.52	70.5	0.43
6. Total Equity	902.4	1,697.6	8.08	1,734.1	9.03	1,776.5	9.76	1,412.6	8.65
7. Total Liabilities and Equity	11,162.8	20,999.4	100.00	19,201.2	100.00	18,195.8	100.00	16,336.0	100.00
8. Memo: Fitch Core Capital	881.3	1,657.9	7.89	1,684.6	8.77	1,708.4	9.39	1,323.0	8.10
9. Memo: Fitch Eligible Capital	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Exchange rate		USD1 = COP1881.19000		USD1 = COP1922.56000		USD1 = COP1771.54000		USD1 = COP1942.70000	

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	30 Jun 2014 6 Mos - Interim	31 Dec 2013 Year End	31 Dec 2012 Year End	31 Dec 2011 Year End
Summary Analytics				
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	9.78	10.62	11.15	10.07
2. Interest Expense on Customer Deposits/ Average Customer Deposits	1.58	1.41	1.24	1.23
3. Interest Income/ Average Earning Assets	5.59	5.67	5.23	4.94
4. Interest Expense/ Average Interest-bearing Liabilities	1.65	1.74	1.89	1.44
5. Net Interest Income/ Average Earning Assets	3.98	4.00	3.44	3.56
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	3.02	2.03	2.29	1.76
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	3.98	4.00	3.44	3.56
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	53.30	52.67	63.29	62.41
2. Non-Interest Expense/ Gross Revenues	46.09	50.55	44.62	43.14
3. Non-Interest Expense/ Average Assets	3.55	3.86	3.87	3.77
4. Pre-impairment Op. Profit/ Average Equity	50.45	40.68	53.83	60.26
5. Pre-impairment Op. Profit/ Average Total Assets	4.15	3.78	4.81	4.97
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	22.69	48.34	20.56	35.64
7. Operating Profit/ Average Equity	39.01	21.02	42.76	38.78
8. Operating Profit/ Average Total Assets	3.21	1.95	3.82	3.20
9. Taxes/ Pre-tax Profit	28.52	39.81	27.49	25.08
10. Pre-Impairment Operating Profit / Risk Weighted Assets	7.94	7.22	9.23	9.21
11. Operating Profit / Risk Weighted Assets	6.14	3.73	7.33	5.92
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	30.00	13.59	32.67	30.15
2. Net Income/ Average Total Assets	2.47	1.26	2.92	2.49
3. Fitch Comprehensive Income/ Average Total Equity	30.00	13.37	34.18	30.11
4. Fitch Comprehensive Income/ Average Total Assets	2.47	1.24	3.05	2.48
5. Net Income/ Av. Total Assets plus Av. Managed Securitized Assets	N.A.	N.A.	N.A.	N.A.
6. Net Income/ Risk Weighted Assets	4.72	2.41	5.60	4.61
7. Fitch Comprehensive Income/ Risk Weighted Assets	4.72	2.37	5.86	4.60
D. Capitalization				
1. Fitch Core Capital/ Risk Weighted Assets	15.69	17.20	18.87	15.84
2. Fitch Eligible Capital/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
3. Tangible Common Equity/ Tangible Assets	8.08	9.03	9.76	8.65
4. Tier 1 Regulatory Capital Ratio	10.29	11.11	13.54	13.35
5. Total Regulatory Capital Ratio	12.09	13.25	14.64	14.30
6. Core Tier 1 Regulatory Capital Ratio	N.A.	N.A.	N.A.	N.A.
7. Equity/ Total Assets	8.08	9.03	9.76	8.65
8. Cash Dividends Paid & Declared/ Net Income	N.A.	N.A.	54.24	43.31
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	N.A.	N.A.	51.84	43.36
10. Cash Dividends & Share Repurchase/Net Income	N.A.	N.A.	N.A.	N.A.
11. Internal Capital Generation	29.39	13.63	13.06	15.44
E. Loan Quality				
1. Growth of Total Assets	9.37	5.53	11.38	11.43
2. Growth of Gross Loans	4.97	17.95	12.86	9.49
3. Impaired Loans/ Gross Loans	8.75	8.27	7.03	6.24
4. Reserves for Impaired Loans/ Gross Loans	12.64	12.44	11.30	11.36
5. Reserves for Impaired Loans/ Impaired Loans	144.40	150.32	160.71	182.10
7. Impaired Loans less Reserves for Impaired Loans/ Equity	(22.85)	(22.84)	(19.37)	(25.90)
8. Loan Impairment Charges/ Average Gross Loans	1.81	3.81	2.49	3.79
9. Net Charge-offs/ Average Gross Loans	0.63	0.85	1.31	0.53
10. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	8.82	8.37	7.06	6.25
F. Funding				
1. Loans/ Customer Deposits	121.28	130.43	125.14	120.54
2. Interbank Assets/ Interbank Liabilities	3.09	5.09	0.11	0.98
3. Customer Deposits/ Total Funding (excluding derivatives)	44.69	43.07	40.87	41.31

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.