

## THREADS OF THOUGHT

It is the work of women to arrange, imagine, recall and join each thread carefully but in a forceful manner. A mochila or traditional bag exists for the purpose of entering time and space and remaining there, patient, resistant, just like the tree that accompanies the dry hours in the desert. "Concentrate! Let your voice be the sound of fabric in movement, let your hands as they skim over the rough cloth offer tangible evidence that your thoughts flow with the weft," says the mother to the girl when she makes her first mochila: "Give it everything you have, because this object is like a womb, a nest for the spirit; do not neglect the lines, let every color be a gift to Pulowi, the first woman, let the figure be like a dance that lifts you up into the winds of Juya, the fruitful rain. Each mochila, my child, is an offering to the altar of Maleiea, our creator". Making this mochila represents life for this girl who is just beginning to learn this ancestral feminine art: her hands shall leave a mark on the collective memory; but they shall also mean dying a little since every mochila takes away a little bit of the weaver's spirit. That is why, knowing how to look at this fabric and to respect and listen to it, takes us back to an ancient image, not just that which existed in the mind of the girl who made it but of an entire tribe who emigrated from the Amazon jungle and settled in the desert land of what we call today the Guajira.

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<b>Country:</b>	Colombia
<b>Region:</b>	Guajira
<b>Native tribe:</b>	Wayúu
<b>Population:</b>	Approximately 200,000
<b>Fabric:</b>	Mochila

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## Management Report

# 02

Treading the path towards growth, based on our strategic goal of **creating added value and inspiring trust**, implies having to grapple with the uncertainty surrounding us and turning the dizzying dynamics of global change into opportunities. This idea could well express part of Grupo SURA's purpose and the experience had in 2016.

G4-26

Right from the beginning of last year, the World Economic Forum set the global development and business agenda, raising the enormous challenges and opportunities posed by the so-called Fourth Industrial Revolution, a concept that now crosscuts any strategic analysis carried out in terms of the business environment and which in our case has translated into a greater commitment to innovation and the digital transformation of our business.

2016 was a year of expansion for Grupo SURA, as a business group, as we continued to extend our presence in a number of countries with new employees, new clients, and more importantly new opportunities. This growth was mainly due to our trend /risk management and insurance subsidiary, Suramericana, having completed the acquisition of the Latin American companies that formerly belonged to the RSA Insurance Group, which allowed it to make its debut on new markets and expand its regional presence and capabilities.

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2016 was a year of expansion for Grupo SURA, as it consolidated its presence in new markets with new employees, new clients, and more importantly new opportunities.

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At year-end 2016, our core investments established a presence in 11 countries in Latin America, with 59,000 employees serving 44 million customers. Having made our mark on the region, we are now committed more than ever to developing this part of the world, especially since our countries share historical and cultural ties, as well as common purposes of securing greater growth, better living standards and a sustainable future.

This level of expansion, as we have mentioned in the past, not only has diversified our geographic risk and allowed us to provide our SURA clients with a pan-regional coverage, but also has represented an important growth opportunity, since Latin America is still showing low penetrations levels with the pension and banking industries standing at 2.6% and 49.3% respectively of the regional GDP.<sup>1</sup>

1. Source: OECD, IMF, Swiss Re Sigma Report. 2015.

At the same time, looking back on 2016 we saw a business environment marked by the uncertainty caused by unexpected events in the political and democratic arenas in different parts of the world, particularly those experienced in most Latin American countries that in turn produced institutional crises, changes in government and, not in a few cases, a general sense of social malaise that needs to be addressed, especially in the face of the risks posed by populism. This, in addition to the expectations reigning not only in Latin America but throughout the world with the policies of the new United States government and their possible impact.

Colombia also was a focus of global attention with the Government's peace negotiations with the FARC guerrillas, in the midst of much political tension. Now in the post-conflict stage, the country faces major challenges, especially in terms of strengthening its institutions to make sure that the State reaches every corner of Colombia, and that investment flourishes in order to create virtuous cycles of development. This is where the private sector plays a fundamental role.

From the macroeconomic standpoint, 2016 was a sluggish year, according to financial analysts. The IMF's figures - which were still estimates at the time this report was drawn up - point to a 3.1% growth for the global GDP. In the case of Latin America, these spoke to a drop of -0.7%, completing two consecutive years of a declining GDP.

Nevertheless, this year, the IMF is estimating a growth of 1.6% for the region, driven by a recovery in commodity prices and better prospects for Argentina and Brazil, both countries where SURA is present.

As for the capital markets, our stocks performed well compared to the previous year, with our ordinary shares (GRUPOSURA) ending the year at COP 38,200 (+ 7.0%), while our preferred shares (PFGRUPSURA) closed at COP 37,000 (+ 6.3%). The local stock index, COLCAP, also did well showing a year-on-year increase of 17.16%. Average daily trades for our stocks in 2016 came to approximately COP 14,000 million, and we continue to be one of the most traded shares on the Colombian market.

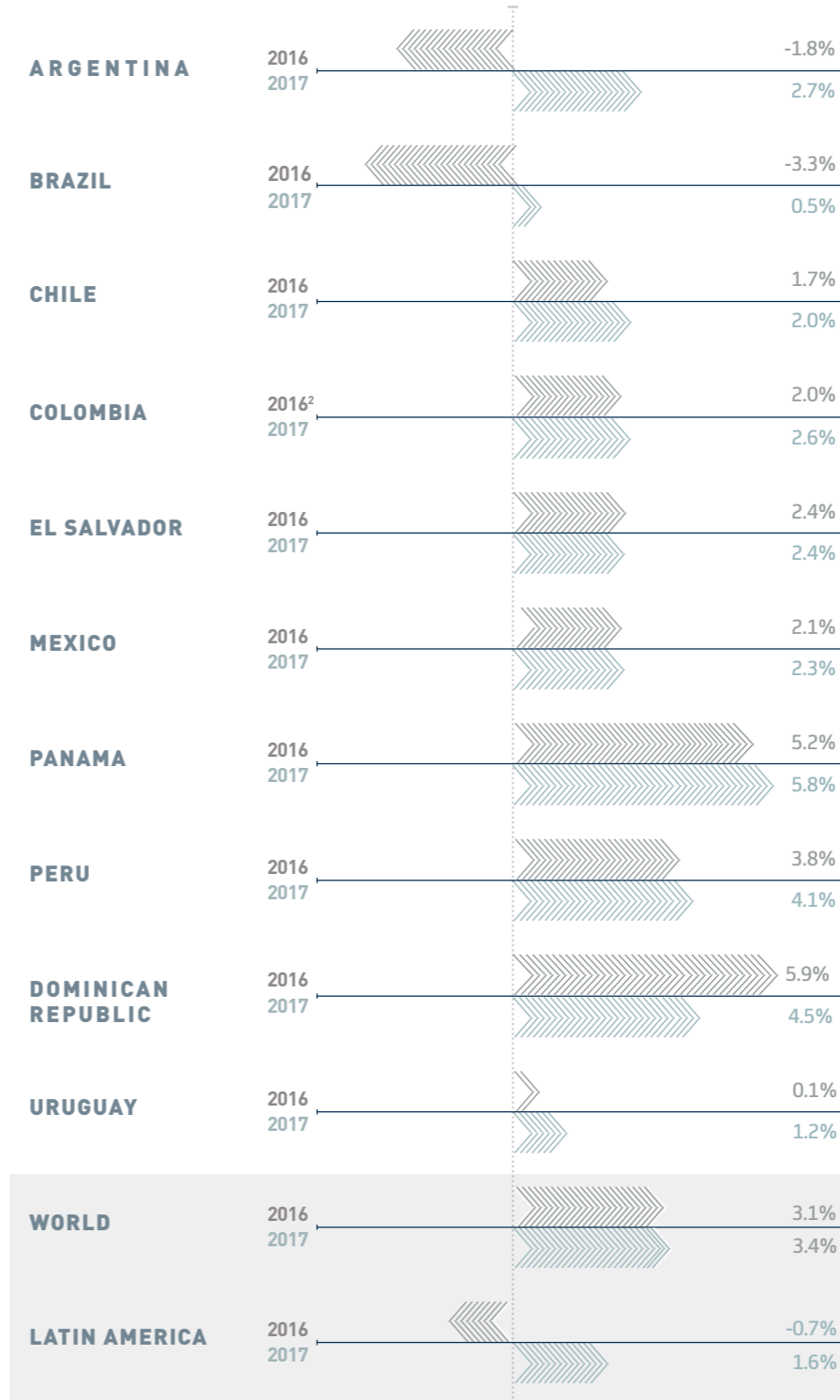
## BUSINESS ENVIRONMENT AND THE MARKETS »

### CLOSING PRICE 2016

Ordinary shares  
-GRUPOSURA-  
(+7.0%) ▲  
COP 38,200

Preferred shares  
-PFGRUPSURA-  
(+6.3%) ▲  
COP 37,000

## «IMF'S ESTIMATED YEAR-ON-YEAR GROWTH (2016 - 2017)»



## GLOBAL GDP GROWTH FOR 2016

# 3.1%

For 2017, the estimated GDP growth comes to 3.1%.

## GRUPO SURA'S SHAREHOLDER BASE FOR 2016

# 14,379

## 1,472

of whom hold  
both ordinary  
and preferred  
shares

## INTERNATIONAL FUNDS THAT ARE SHAREHOLDERS

# 853

% Share of Total:

▲ 21.8%

## IN 2016, GRUPO SURA WAS ADMITTED TO 2 NEW LISTINGS

- » FTSE4Good Emerging Markets
- » Oekom research AG

Grupo SURA's market capitalization came to COP 21.85 billion (USD 7.28 billion), representing 7.02% of the total market cap figure for the entire Colombian stock market.

The Company ended the year with 14,379 shareholders, 1,472 of whom own both types of shares. The increase in the share held by international funds in the Company's total remains particularly noteworthy - especially given the volatility affecting the Latin American markets. Today, we have 853 of these funds as shareholders, and these have raised their ownership interests from 20.5% to 21.8%.

### SUSTAINABLE MANAGEMENT »

One of the global references used by investors to analyze and decide on where to invest is precisely the Dow Jones Sustainability World Index (DJSI), to which Grupo SURA was admitted for the sixth consecutive year, being the only Latin American company from the diversified financial services and capital markets to do so. This was made possible due to the continuous improvement of the different practices evaluated, producing an overall score of 83 out of a maximum 100, which was higher than for the previous year.

This index assesses the overall performance of leading companies around the world with regard to the different aspects and practices

relating to international sustainability standards. With the score obtained in 2017, Grupo SURA was included in the Sustainability Yearbook, as one of the companies with the highest scores (in our case the second highest on a global level in our particular sector). Here it is worthwhile noting the level of performance shown by Grupo SURA and its subsidiaries, Suramericana and SURA Asset Management, in aspects such as risk and crisis management, anti-crime policies and measures, climate change strategy and human talent management, especially in the area of occupational health and safety.

As in prior years, the Bancolombia Group, Argos Group, Cementos Argos and Grupo Nutresa were also admitted to the DJSI, these forming part of Grupo SURA's investment portfolio.

Likewise, we recently announced our listing on the FTSE4 Good Emerging Markets Index, which measures the performance of publicly traded companies throughout the world, from the environmental, social and governance (ESG) standpoints. We also began to be covered for the first time by Oekom Research AG, a recognized global rating agency in the area of sustainable investment. With regard to the latter, the Company obtained a "prime" score placing us within the Top 3 of the Financial / MultiSector Holdings category, together with another 54 companies on a global level.

## DOW JONES WORLD SUSTAINABILITY INDEX

# 2016

Grupo SURA was  
included for the sixth  
consecutive year.

**OUR GOALS »** The strategic goals of Grupo SURA, as an organization whose business and investment focus is on providing its financial and insurance services, continues - as we mentioned at the beginning - is to create added value and build trust with regard to all of our stakeholder groups. Our Road Map to 2020 provides the framework for our strategic planning, defining the guidelines for both our growth and support structure, while maintaining a clear focus on sustainable development.

In addition to further strengthening the relationship dynamics between the companies that make up the SURA Business Group, and as a key factor for identifying and harnessing the existing **synergies** and achieving an adequate coordination among these companies, significant progress was made last year with the projects and initiatives embarked upon in several relevant aspects of the Group's strategy.

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**Our priority is to maximize our regional presence, driving our knowledge and capabilities to extend our organic growth with a special focus on our operating efficiency and innovation**

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One of these fronts has to do with the **aforementioned expansion** of Suramericana's offering, which, in addition to strengthening our portfolio and complementing our range of insurance and financial services in Latin America, has become a priority for maximizing our regional presence, driving

our knowledge and capabilities to extend our organic growth with a special focus on our operating efficiency and innovation.

In particular, the fact that today Grupo SURA's two main subsidiaries share a presence in countries such as Mexico, Chile and Uruguay, represents a new window of opportunity. Our challenge is to take advantage of the market positioning that each one has achieved, identifying possible efficiencies, enhancing our brand positioning to leverage our business and, perhaps more importantly, developing the ability to offer our clients a more complete range of products and services.

The Company made significant effort in terms of innovation and new lines of business - which are key issues from a long-term standpoint. This included creating a new specialized department dedicated to

identifying opportunities and managing our growing investments, so as to be able to leverage the industries to which we belong, by deploying new, innovative models.

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**A new corporate venture program-called Grupo SURA Ventures- has been drawn up in partnership with the investment management firm, Veronorte**

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Here, we have started a new corporate venture program-called Grupo SURA Ventures- drawn up in partnership with the investment management firm Veronorte. With this we have begun to explore more advanced ecosystems such as those of Mexico, Argentina and the United States (Silicon Valley), for the purpose of extending the Group's business prospects going forward.

On the other hand, in terms of **corporate governance**, one of the highlights last year was having formally introduced 145 out of the entire 148 recommendations issued by the Colombian Superintendency of Finance, as part of its new Country Code policy. Likewise, we have been furthering the guidelines governing the boards of directors of our subsidiaries, through which we are articulating essential decision-making criteria amongst these companies.

As for our human **talent management**, we are aware that today our interculturality, that is to say, the interaction of staff from different cultural backgrounds, is one of our greatest assets, and we are using this for skill-building purposes as well as for identifying the best human talent and reinforcing our organizational culture, this as part of our comprehensive regional business approach.

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**INTER-CULTURALITY**

is one of our greatest assets. Through our comprehensive regional business approach we are focusing on skill-building so as to be able to identify high potential talent and reinforce our organizational culture

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The Group's strategy in this regard has enabled us to prepare ourselves for a seamless handling of our succession program, in addressing the turnover common to all organizations, thanks to projects such as HPT (High Potential Talent) with which we are identifying and encouraging managerial talent in each of our companies. Indeed in 2016, there were changes at CEO level in several of Grupo SURA's core investments, as was the case with SURA Asset Management, Bancolombia and Protección. All of the new Chief Executive Officers of these companies are dedicated to building upon the achievements so far produced.

In the case of Suramericana, this implied making changes to the Company's corporate structure for the purpose of meeting the challenges with its newly expanded regional presence.

In terms of **reputation and brand strength** - another of Grupo SURA's strategic pillars - we are identifying new challenges and opportunities in terms of our brand positioning, especially since our subsidiaries are sharing a presence in several countries and the SURA brand is reaching new markets such as Argentina and Brazil, which in turn is strengthening our multi-latina brand, which is at the same time is a differentiating factor in the insurance and financial service industry.

Renewing our visual system as part of our regional expansion, reviewing guidelines, roles, responsibilities and levels of governance; and identifying synergies for brand positioning purposes are just some of the more important aspects of the branding and reputation building initiatives taken in 2016, in support of our business. At year-end 2016, the results of the surveys carried out in the different countries where the Group's main subsidiaries share a presence, show the SURA brand commanding a total recall of 51.4% in Mexico, 60.4% in Chile and 70.7% in Uruguay.

Finally, as part of this review of the main aspects of our strategy, we have the **strengthening of our financial position**, in which the articulated efforts of the companies that make up our Business Group, are critical in guaranteeing a sound capital structure.

The most recent assessment of our performance carried out last year was on the part of Fitch Ratings last February, as a result of which Grupo SURA continues with its international investment grade with a BBB rating for which this credit ratings agency issued a stable outlook. In the corresponding report, in which our AAA rating was upheld for our local ordinary bonds, Fitch made special mention of the quality of the Group's asset portfolio, their diversification and the stable flow of dividends received, as well as the its current levels of interest coverage and liquidity.

Among the key factors taken into account for issuing these ratings, were the Group's growth strategy as well as the acquisitions carried

Total Brand  
Recall for 2016

60.4%  
Chile

51.4% Mexico

70.7% Uruguay

3. Source: Brand Tracking - GFK market research firm

out. With regard to the increased stake in SURA Asset Management and the expansion of Suramericana's business, "Fitch considers these acquisitions to be a strategic plus for Grupo SURA, in being able to consolidate its share of the fund management business as well as expand its insurance business to other Latin American countries where the Group already has a presence with its other lines of business".

## FINANCIAL » RESULTS

Our market reports for 2016 showed a positive level of performance for Grupo SURA, especially the operating results obtained with its insurance and asset management business, as well as higher returns on its investments and a lower tax rate. Key year-end figures included the following:

### CONSOLIDATED REVENUES »



Grupo SURA's consolidated assets totaled COP 18.97 billion (USD 6.22 billion) for an increase of 36.2%. This mainly corresponding to written premiums rising by 49.7% for a total of COP 12.68 billion (USD 4.16 billion). This includes the results obtained from the former RSA operations as of the date Suramericana took over. Likewise, commission income amounted to COP 2.18 billion (USD 715.85 million), for an increase of 11.9%.

Consolidated expense ended up at COP 16.87 billion (USD 5.53 billion), which was 40.1% higher than the previous year, this as a result of having taking over the new acquisitions within the region and the associated extra costs and expense.

### CONSOLIDATED NET INCOME »

COP 1.67  
billion  
(USD 547.91 million)

FOR AN INCREASE OF ▲ 26.3%

Consequently, consolidated net income came to COP 1, 67 billion (USD 547.91 million), for an increase of 26.3%.

On the other hand, Grupo SURA's consolidated assets rose by 22.1% to COP 67.82 billion (USD 22.60 billion). This increase is due to having strengthened the Group's portfolio, thanks to the organic and inorganic growth secured in 2016. Equity attributable to its shareholders stood at COP 22.66 billion (USD 7.55 billion), showing a drop of 0.8%, this due to the accounting effects of having acquired an additional stake in SURA Asset Management.

## CONSOLIDATED ASSETS

**COP 67.82**  
BILLION

(USD 22.60 billion)

for an increase of  
**22.1%**

## CONSOLIDATED LIABILITIES

**COP 42.42** BILLION

(USD 14.14 billion)

▲ 43.9%

## SHAREHOLDERS' EQUITY

**COP 22.66** BILLION

(USD 7.55 billion)

▼ 0.8%

GRUPO SURA PLACED AN  
ISSUE OF INTERNATIONAL  
BONDS WORTH

**USD 550** MILLION

with a bid to cover

**ratio of 5.3**

Consolidated liabilities amounted to COP 42.42 billion (USD 14.14 billion), for a growth of 43.9%, largely due to the amount of technical reserves and accounts payable on the part of the newly acquired companies in Latin America for a total of COP 5.8 billion (USD 1.94 billion). Another important aspect of our financial performance was the increase in the Group's consolidated financial liabilities which reached COP 9.74 billion (USD 3.25 billion) having increased by COP 3.5 billion (USD 1.16 billion), mainly due to the international and local bonds issued by Grupo SURA and Suramericana, respectively.

It is important to note that net income as recorded on Grupo SURA's separate financial statements reached COP 835,481 million (USD 273.84 million). This was used to determine shareholder dividends since these correspond exclusively to the Group as parent company. Net income rose by 15.4%, thanks to a 19.9% increase in revenues offset by higher commission and interest expense incurred with the Group's expansion last year.

On the financial site, it is also worthwhile mentioning the issue of international bonds that Grupo SURA placed during the first half of 2016, for a total value of USD 550 million, which obtained a bid to cover ratio of 5.3. This issue provided the funds required for the Group's continued expansion, as was the case with the acquisition of RSA's operations in Latin America and a 7.3% increase in Grupo SURA's stake in SURA Asset Management, having acquired the stake previously held by General Atlantic.

G4-13

## SUBSIDIARIES AND » STRATEGIC INVESTMENTS

## CLIENTS IN LATIN AMERICA

**18.7** million

Also, one of the more significant events subsequent to the end of the reporting period was the issue of ordinary bonds and commercial papers placed on the local market in February 2017, for a total of COP 1.3 billion (USD 433.23 million). This included a local placement of bonds worth COP 550,000 million (USD 183.29 million), that obtained a bid to cover of 2.4.

## SURA ASSET MANAGEMENT

SURA Asset Management, which serves 18.7 million clients in the Latin American pension, savings and investment industry, obtained a level of operating income in line with its business plans, for which a growth of 6.5% was recorded.

Total revenues for this Company came to COP 5.94 billion (USD 1.95 billion), having risen by 12.2%. One of the driving factors for this account were retained premiums totaling COP 2.85 billion (USD 932.95 million), for an increase 12.4%, as well as commission income rising by 4.8% to COP 1.89 billion (USD 617.85 million).

It should be noted that while net operating revenues from the various countries rose by 7.8%, the GDP for those countries where SURA Asset Management is present rose by an average of 2.2%. Also, despite the economic challenges faced throughout the region, the wage base for the mandatory pension business rose by 3.7% compared to 2015.

Total expenses came to COP 5.02 billion (USD 1.64 billion), including increases of 8.3% in administrative expense and 10.8% in total expense. In this regard, the Company has a program in place to drive greater efficiencies in the mandatory pension segment as well as a growth in the voluntary savings segment. Consequently, SURA Asset Management posted a consolidated net income of COP 617,108 million (USD 202,27 million), for a growth of 22.8%. At year-end 2016, assets under management reached

4. Source: Operating revenues + total insurance margin.

**SURA ASSET MANAGEMENT**

COP 339 billion (USD 112.97 billion). This included an 8.6% increase for the mandatory pension business and another 20.2% increase for the voluntary savings funds.

**NET INCOME »**

**COP 617,108 million**  
(USD 202.27 million)

▲ 22.8%

**CONSOLIDATED ASSETS »**

**COP 339 billion**  
(USD 112.97 billion)

The Company's consolidated EBITDA amounted to COP 1.27 billion (USD 416.87 million), for a year-on-year increase of 1.4%. Here, Chile accounted for 32.3% of this growth, trailed by Mexico with 33.6%, Peru with 28.2%, Uruguay with a 3.5 % and Colombia 8.1% (the latter corresponding to the revenues obtained via the equity method from Proteccion, which in turn includes Crecer in El Salvador).

From the strategic standpoint, SURA Asset Management continues to make progress with building a sound regional platform, leveraged by a multi-product offering and a client-centric sales force.

Key initiatives have also been taken as part of its overall strategy designed to develop efficient technological distribution channels, thereby expanding its market penetration capabilities. In this sense, initial steps were taken in 2016 towards more technological mobile services, so as to enhance our client experience, and drive the efficiency and productivity of our client care staff. Mexico is where the most progress has been made in this area, with the digital tools and channels underpinning its services and sales, this including the Single Service Dossier, the Identity Dossier and the Biometric Authentication Tool for Workers.

**SURAMERICANA**

For its part, Suramericana, which belongs to the trend / risk management and insurance industry, successfully completed during the first half of 2016 the acquisition of RSA's operations in Latin America- as explained above, thus strengthening its portfolio and the competitive position it enjoys throughout the region. Today, Suramericana serves more than 14.6 million clients, with the help of approximately 15,000 employees and 23,000 sales staff (including agencies, brokers and promoters).

Taking advantage of the synergies existing with other SURA companies in the different countries and bringing to bear its knowledge, experience and capabilities, with the backing of a shared brand, are just part of the challenges facing the Company's Senior Management.

In terms of its financial results, Suramericana's total revenues amounted to COP 11.78 billion (USD 3.86 billion), for an increase of 53.7%, due to its continued inorganic growth, as well as the favorable business dynamics in both Colombia and Central America.

Written premiums rose by 66.0%, while commission income recorded an increase of 95.2%. Revenues from services rendered grew by 20.2%, and returns from its financial portfolios increased by 82.7%. This last item was driven by the increase with the CPI in Colombia, to which a large part of Suramericana's investment portfolio is linked.

Suramericana's expansion has entailed, as mentioned before, having to strengthen its structure especially on a corporate level, so as to be able to provide a comprehensive handling of its regional business. This new structure was the main cause of the 58.6% increase in expense. Another contributing factor was the debt incurred to finance the acquisition of the new companies abroad along with the non-recurring expense relating to assimilating these new companies within the Organization.

Consequently, Suramericana posted a net income of COP 401,659 million (USD 131.65 million), for an increase of 17.0%. Here Colombia did particularly well with its life insurance companies continuing to spearhead the results obtained, along with other segments such as health care for which the growth in net income came to 39.5%.

The optimal handling of its reserves continues to be one of the Company's strategic premises. Here, liabilities corresponding to its insurance reserves increased by COP 5.32 billion (USD 1.77 billion), that is to say, 65.5% more than for 2015, with consolidated reserves reaching COP 13.43 billion (USD 4.48 billion).

**SURAMERICANA**

More than  
**14.6**  
MILLION CLIENTS

**15,000**  
EMPLOYEES

**23,000**  
SALES STAFF

**NET INCOME »**

**COP 401,659 MILLION**  
(USD 131.65 million)

▲ 17%



# 72 years

of consolidating a business model that today allows Suramericana to offer a complete portfolio of insurance and trend /risk management solutions

It should be noted that, as part of the efforts to finance its inorganic growth, in addition to the contributions made by Grupo SURA and Munich Re in their capacity as shareholders of Suramericana, during the first half of 2016, an issue of ordinary bonds worth COP 1 billion USD 333.25 million) was placed on the Colombian market, producing a bid-to-cover ratio of 2.2.

Throughout its 72 year history, Suramericana has been consolidating a business model that has enabled the Company to provide a complete portfolio of insurance solutions and to help its clients to anticipate the main risks to which they are exposed, identifying current trends and acting in a timely manner so as to remain relevant with a value added range of products and services designed to further the well-being, competitiveness and sustainability of its clients.

The highlights of the Company's strategy include initiatives such as the launch of the SURA Geoscience journal, the first of its kind in the region, that explains in a simple but technically accurate way, the different variables and phenomena of nature, from the standpoint of handling risk and taking advantage of the opportunities to be had, so as to raise awareness regarding the impact of natural phenomena on business management.

Another welcome addition has been the WeSURA initiative, which is a collaborative insurance with a disruptive business model based on trust. This is a community-based offering allowing family members and friends to join up in virtual communities to protect their personal assets.

Suramericana is making much progress with its client retention programs and omnipresence, in addition to being a multi-solution company, with a risk exposure that has increasingly become more geographically diversified.

## BANCOLOMBIA

GROWTH IN NET INTEREST INCOME »

34.1%

GROWTH IN NET INCOME »

COP 2.86 billion  
(USD 937.4 million)

13.8%

### Grupo Bancolombia

For Grupo Bancolombia, 2016 was a year of growth for its main financial indicators: net interest income rose by 34.1%, due to a higher loan portfolio, which increased by 3.4%, along with a better interest margin totaling 6.0%.

Commissions also grew by 16.4%, thanks to a higher volume of banking transactions, credit card use and insurance distribution volumes.

In terms of the Bank's efficiency, the results obtained were equally positive, showing an improvement of 3.6 percentage points, with the overall indicator standing at 51%, mainly due to interest and commission income coupled with greater efforts to rein in expense.

All of the above produced a consolidated net income of COP 2.86 billion (USD 937.4 million), for a year-on-year increase of 13.8%.

Today, Bancolombia serves more than 11 million clients in Colombia and Central America and continues with its all-out focus on its digital transformation strategy, with growth initiatives like Nequi, a corporate startup dedicated to changing the way people handle their money through intuitive digital solutions, with a user-friendly language, free access and a creative business model. This application, which already has 41,000 users and has been downloaded 170,000 times, is being positioned as a pioneering point of reference for native digital banking in Colombia.

BANCOLOMBIA:  
ISSUE OF GREEN BONDS

COP 350,000  
MILLION  
(USD 116.6 million)

for financing projects that help fight climate change

## GROWING INVESTMENTS

### ARUS

#### TOTAL REVENUES »

**COP 208,236**  
MILLION

(USD 68.25 million)

#### EBITDA»

**COP 23,263**  
MILLION

(USD 7.62 million)



Another highlight is the growth obtained with non-banking correspondents, which is an alternative channel that facilitates the Bank's expansion and market penetration. In 2016, this channel matched the number of transactions carried out at the Bank's "bricks and mortar" branches, which demonstrates its strength and potential in continuing to reach out to the segments of the population who before had no access to financial services.

Also, among the many projects carried out by the Bank, was the issue of "green" bonds at the end of 2016, as part of its commitment to environmental sustainability. These ordinary bonds, issued and placed on the local market totaling COP 350,000 million (USD 116.6 million), provided the funds for financing projects to help fight climate change, involving renewable energy and sustainable construction.

Finally, Bancolombia continues with the process of strengthening its operating model among its Central American subsidiaries in Central America, especially those recently acquired, to which it has been transferring the successful experience it has enjoyed in Colombia thus improving profit margins.

### GROWING INVESTMENTS

Besides the aforementioned core "strategic" investments Grupo SURA's portfolio also includes what it calls industrial investments, namely Grupo Argos and Grupo Nutresa, which are growing investments.

This latter segment of growing investments consists of companies that supplement the Group's strategic focus since they offer growth potential going forward, as well as possible synergies with regard to the skills and knowledge required to leverage the Group's different lines of business.

Here, it is worthwhile mentioning the BPO firm, Arus (formerly Enlace Operativo - Compuredes), which posted total revenues of COP 208,236 million (USD 68.25 million) and an EBITDA of COP 23.263 million (USD 7.62 million). Consequently, its EBITDA margin reached 11.2%, having made good progress with its overall profitability. It also changed the

## HÁBITAT began to redefine its strategic approach with regard to its future expansion over the next 10 years

name of its brand thus strengthening its competitive position as a key partner for its corporate clients with regard to technology, information and knowledge.

As for Habitat, a firm dedicated to providing assisted living facilities for the elderly, after consolidating its first headquarters in La Estrella, Antioquia, it began to redefine its strategy to continue expanding over the next 10 years. Thus, it began the construction work for its new facilities which shall make this firm the first of its kind in multi-institutional homes for the elderly in Medellín.

### SOCIAL OUTREACH » PROGRAMS

#### Fundación SURA

##### INVESTMENTS MADE IN 2016 »

**COP 16,786**  
MILLION  
(USD 5.59 million)

##### INVESTMENTS MADE OVER THE LAST TEN YEARS »

**COP 110,000**  
MILLION  
(USD 36.66 million)

**45 years**  
of dedicated efforts

For Grupo SURA and its subsidiaries, participating in social development initiatives is a key component of its corporate responsibility, along with developing sustainable practices, and contributing to public-policy making, as it relates to the business and institutional environment, thus encouraging development in various parts of the country and in different markets.

Here, in the field of social development, the SURA Foundation, which celebrated its 45th anniversary in 2016, invested a total of COP 16.786 million (USD 5.59 million), thereby reaching COP 110,000 million (USD 36.66 million) over the last 10 years and is working in partnership with over 600 organizations. This investment is mainly channeled towards financing educational projects, encouraging cultural activities and strengthening institutions. The SURA Foundation is actively present in Colombia, El Salvador, the Dominican Republic and Panama, and in 2017 is shall be formally extending its presence to Chile and Mexico.

One of the more important initiatives today on the part of the SURA Foundation, is the Felix and Susana program aimed at promoting peaceful coexistence through skill-building for teachers so as to prevent and identify abuse and violence, with the help of the corresponding classroom activities, while at the same time encouraging care and respect as facilitators for more protective environments.

» AT YEAR-END 2016

**FÉLIX Y SUSANA**

program benefited

**82,350**

School children

**2,800**

Teachers

**221**

Schools

At year-end 2016, this program had benefited more than 82,350 children and 2,800 teachers in a total of 221 schools in Colombia, with El Salvador and the Dominican Republic next on the agenda.

Another highlight is the memory and creativity program called, Empresa Indígena (Indigenous Enterprise) aimed at improving the living conditions of the indigenous communities, through strengthening social enterprise partnerships. This project, besides assessing and strengthening creative expressions and handicraft skills has raised greater awareness of our ancestral roots. The SURA Foundation invested a total of COP 1,060 million (USD 353.250) in this initiative benefiting a total of 11 Colombian ethnic groups.

Finally, we have our own volunteer corps that over the last 5 years, has attracted more than 15,000 of our employees and their family members, who have devoted their time, talent and knowledge to serving the community in various activities. Our volunteer corps has also generously left its mark having ratcheted up more than 52,000 hours of community service.

## LEGAL ASPECTS » AND CONTROL ARCHITECTURE

Grupo SURA's Internal Corporate Auditing Department, in compliance with relevant international standards and practices, presented Senior Management and the Auditing and Finance Committee, its annual work plan, which covers issues relating to the Group's corporate governance, risk management and internal controls. Throughout the year, this Department issued recommendations regarding the reinforcement of the Group's Internal Control System and resolving the control weaknesses detected, which in no way represent material weaknesses. This allowed for action plans to be put into place and which are being managed as the Organization's first line of defense.

It is important to note that Grupo SURA's control architecture is based on the recommendations made by the Colombian Government as part of its new Country Code policy, and the architecture itself complies with Coso 2013 5. In 2016, the maturity level of the Group's Internal Control System was evaluated and found to be in keeping with that required by the Sarbanes-Oxley Act (SOX).

5. Source: Coso 2013: International Internal Control Framework defined by Committee of Sponsoring Organizations of the Treadway Commission

The design and implementation of control and risk matrices were structured and tested in the case of all those key processes that could have an impact on the Company's financial reporting. With this exercise we continued to improve the structuring of self-managed, self-monitored activities.

The Company also has information systems that are separately evaluated and offer reasonable assurance regarding the proper processing and reporting of financial information. The Group's Risk Management Department has a strategic risk mapping function in place as well as system monitoring guidelines for both the Company and its subsidiaries, as defined in the Risk Management Policy Framework, the Risk Management Manual and the Fraud Policy Framework.

Furthermore, we have continued to work on harnessing our synergies, performing activities such as cross-cutting audits carried out by our subsidiaries and subsequently socialized by our Corporate Auditors' Committee. Likewise, situations that need to be monitored due to the possibility of these affecting the Group's internal control system or financial statements have been submitted by our subsidiary auditing committees to that of the parent company. This has allowed us to obtain a consolidated overview of our internal controls and the degree to which these are exposed to risk with regard to the consolidated financial reporting of the SURA Business Group.

At year end, neither Grupo SURA nor its internal or external governing bodies detected any material deficiencies with regard to its internal control

system that could jeopardize the Organization's effectiveness. Nevertheless, recommendations were issued by the Group's Statutory Auditing firm and its Internal Auditing staff which have been adopted by Senior Management so as to continue strengthening the system. These recommendations were duly monitored by the Auditing and Finance Committee so as to be able to adopt any action plans that were needed, while opportunistically reporting to the Board of Directors any situation detected in this regard.

With regard to legal issues, Grupo SURA hereby states that it has faithfully complied with all applicable. Intellectual property and copyright legislation. Also the use of products such as the software the Company employs for its normal day-to-day running is in keeping with all applicable intellectual property and copyright legislation and its brands have been duly registered with the corresponding authorities.

The Company possesses sufficient evidence on which to base these statements in the form of satisfactory findings from internal systems audits, software development and licensing agreements, purchasing or transferring copyright royalties as well as resolutions issued by the Colombian Superintendency for Industry and Commerce confirming our trade mark registrations, amongst others

Furthermore, and in keeping with that stipulated in Law 1676 of 2013, the Company hereby states that it did not obstruct the free flow of invoices issued by sellers or suppliers.

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**Our commitment is to contribute with knowledge and experience to the improvement and strengthening of the financial industry and social protection system**

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**CHALLENGES »**

While we continued to tread a path to growth in 2016, the challenges ahead for both our business environment and our industry, are no less significant. Our purpose here is to turn these challenges into opportunities.

Global geopolitical and economic dynamics continue to create market uncertainty. This is especially the case of Latin America, with its two main economies facing their own particular challenges with Mexico paying close attention to the measures adopted by the new US government and how they could affect this country, while Brazil could well set itself on a path to growth. In any event, one of the greatest challenges facing Latin America today is the pressing need to strengthen our institutions, which are so often burdened by corruption and populism.

We have seen how in various sectors, changes in the ground rules and a certain degree of legal uncertainty have become one of the largest stumbling blocks to investment, hindering the virtuous circle that would otherwise exist. This had lead to new economic and social policies that are not feasible in the long term given their unsustainable nature, and this in turn erodes economies and a country's capacity to attend to the needs of its population.

This is a matter of utmost importance for the private sector in general and particularly for organizations like ours who belong to the financial industry and the region's social protection systems. So we are deeply committed to providing our knowledge and experience for the good of the country by listening carefully to the concerns of our people and taking a genuine interest in being socially- useful companies, since only this shall ensure our ongoing sustainability.

We are convinced of the need for more collaboration rather than confrontation between the public and private sectors, as part of institutional respect and transparency so that policy-making in our countries is both optimal and responds the current needs. As a private company, we are fully aware that we can provide added value to our clients, the industries to which we belong and to countries and institutions in general.

We know that a key factor is being able to extend the scope of the benefits provided by a sound and socially responsible financial system is to educate the people in this regard. So we shall continue to focus our efforts on providing financial education which in turn shall drive our organic growth and more importantly encourage community and market development.

In these times of conjuncture and change, we need to strengthen our abilities, keep a close eye on what is happening around us and adapt to the new situation. In this regard, we are making much progress with setting up an observatory that shall allow us to extend our knowledge, analyze the latest trends and events and identify opportunities as they arise.

Also, our ongoing efficiency and insertion into the ecosystems of innovation, with technology as an enabling factor, come high on our strategic agenda, especially in terms of our digital transformation. One of our main goals is to develop new and more efficient channels so as to be able to respond to the new ways of engaging with and supplying people with our products and services, which in turn shall be used to reach out to all those segments of the population who have had no previous access to financial services.

Similarly, we must rise to the challenge of building an organizational culture that encourages creativity and innovation, where we can blend our experience and sound performance with disruptive thinking and swift intervention, which is so necessary for responding to what is required from us in today's environment.

Our efforts in 2017 shall also be aimed at maximizing and capitalizing on the regional presence we have

built up so far and which has become one of our greatest strengths. Here is where our efficiency, the harnessing of greater synergies, taking advantage of a more extensive client base and capitalizing on our capabilities in general have become fundamental premises for us today.

Finally, upon reviewing the achievements obtained in 2016 and the challenges to be faced this year, we would like to acknowledge and express our gratitude to the SURA staff throughout Latin America as well as to our shareholders, investors and the millions of clients who have trusted us with their own development and growth, our suppliers, who have been important allies in fulfilling our mission; as well as other stakeholder groups with whom we work every day.

We hope you will all accompany us as we continue on our way in Latin America, a region that represents, now more than ever, a sense of purpose and a vital commitment for our Organization. We aim to continue creating added value and inspiring trust so as to ensure the region's growth and development, as well as to remain relevant over the long term.

Thank you all very much

**Luis Fernando Alarcón**

Chairman of the Board of Directors

**Jaime Bermúdez**

Vice-chairman of the Board of Directors

**Sergio Michelsen**

**Carlos Antonio Espinosa**

**Alejandro Piedrahita**

**Carlos Ignacio Gallego**

**Jorge Mario Velásquez**

**David Bojanini**

Chief Executive Officer

Grupo SURA