OPENING REMARKS

RESULTS SUMMARY
(Slide 2)

JUAN CARLOS MORA: Good morning everyone. It is a pleasure to be here with you today to comment on the performance of the bank during the fourth quarter as well as the year in general.

I want to start by highlighting the solid results of the bank on a consolidated basis during 2016. The net profit of 2.8 trillion represented an increase of 14% as compared to the previous year. Several reasons explain the good results.

The strong operational performance of Bancolombia during the year, and in particular, our intermediation business, was reflected in the net interest income. After provisions, it grew by 25%, driven by several factors: higher interest rates on loans with a focus on maintaining funding costs at low levels and this led to NIM expansion coupled with volume growth in the local operation. This trend confirms our previous conference calls expectations, and was in line with our forecast from the beginning of the year.

Provision charges were mainly attributable to some segments and vintages of consumer and SMEs loans, although we had some cases of corporate clients that defaulted and therefore required additional reserves. Nevertheless, the growth in NII was able to absorb this higher cost of credit, which was in line with our guidance for the year of 1.8%.

On the fee front, we continued seeing a sustained growth trend, result of the higher volumes of transactions and new products that we have promoted over the last years. Cards and insurance distribution remained the top contributors to our fee revenues.

Of course, we will continue our efforts in the efficiency front as one of the keys to achieving better ROEs in the coming years. For the year 2016, the cost to income ratio was 51%, lower than the 54.6% of 2015. In particular, we are spearheading initiatives in digital transformation along with developing channels that allow us to deliver our products and perform transactions in a more efficient way. During 2016, we saw progress in this front achieving the goals set at the beginning of the year; the combined effect of higher revenues and a strict cost controls were instrumental to achieving these goals.

On the tax front, we experienced volatility due to several reasons that we will elaborate on in a few minutes. In this front we managed to minimize the tax burden for the corporation and despite increasing statutory rates, we ended the year with an effective tax rate of 30%.

Finally, as we have said during the year, we have been able to build up capital organically. This was the result of retained earnings and a more efficient allocation and distribution of assets. The 9.02% Tier 1 at the end of the year was 151 basis points above the level that we had one year ago. Additionally, we expect to retain a significant portion of 2016 earnings, which will enhance our capital position even further. We feel...
very comfortable with this level of capital because it is above the range that we have defined to operate the bank.

2016 was a year full of macroeconomic challenges. The GDP growth in Colombia in 2016 was slow and coupled with high inflation levels. The Colombian central bank acted promptly at the beginning of the year to curb inflation and finally, in the last quarter we started to see a change in the inflation trend. After a period of interest rate hikes in the first half of the year, the Bank cut rates by 25 basis points in December to 7.5%. In 2017, we should expect additional cuts as a result of the convergence of inflation towards the target range.

The economy saw a positive trend in the trade front as the deficit was reduced and the current account deficit went from a 6% to 4.5% at the end of the year.

Looking forward into 2017, we will focus our efforts on the following:

1) Profitable growth, selecting the best risk-adjusted returns. The main goal is to maximize Net Interest Income while keeping the past due loans and provision charges as low as possible.
2) Focus on our international operations, through efficiency improvements and fee generation.
3) Innovation and digital transformation in order to expand our capillarity and capacity to distribute products in a more efficient way.
4) Funding the bank at the lowest cost, with the goal of mitigating the decline in Net Interest Margin.
5) Continue seeking efficiency gains by improving the distribution channels, the branch network and the productivity of the bank’s infrastructure.
6) Maintain profitability at levels of 14% ROE.

Having said this, I would like to continue with the presentation of Bancolombia’s financial results for the fourth quarter of 2016. Now, I will turn the presentation over to our Chief Economist Juan Pablo Espinosa, who will elaborate on the main economic topics, Juan Pablo.

JUAN PABLO ESPINOSA: Thank you Juan Carlos. Now, I will ask you to go to slide number three (3) in the presentation.

Slide 3

As we have said in previous calls, 2016 was a challenging year for Latin America. During the past year some of the major economies in the region were affected by global headwinds and local problems. As a result, aggregate GDP contracted by an estimate of 0.7% last year. However, in 2017 economic conditions will gradually improve so the region is expected to grow at an estimated rate of 1.2%.

In the case of Colombia, after experiencing one of the most severe external shocks of the past decades due to the fall in oil prices, during the second half of 2016 the economy bottomed and managed to adjust its widening deficits and to moderate the acceleration of prices.

In terms of growth, we foresee a modest recovery in 4Q16. Our growth forecast for this period is 1.7%, 0.5 pps higher than previous quarter’s print.

Regarding prices, 12-month inflation has receded from its peak of 9% in August to 5.75% in December 2016. This correction reflects the fact that the supply shocks such as El Niño phenomenon and the pass-through of depreciation to consumer prices have dissipated.
A key development at the end of 2016 was that Congress approved the tax reform. It will generate additional revenues that will allow the Central Government to meet its deficit targets for the following years. Furthermore, it contains several elements that will stimulate private investment over the medium term.

For 2017 we foresee more constructive macroeconomic conditions. The economy will benefit from more favorable terms of trade, a gradual rebound in real income and a better performance of key sectors such as mining, agriculture and utilities. As a result, we forecast that GDP will expand by 2.3% this year. However, this forecast implies that the economy will still expend below potential.

On the other hand, after accelerating in the short term we expect inflation to keep adjusting downwards as demand pressures will remain absent. However, the increase in the general VAT rate and persistence of high inflation readings make it highly likely that inflation will close this year above the target range. Our point forecast for December 2016 is 4.3%.

In terms of monetary policy, inflation prospects point to less contractionary conditions going forward. After some pauses in the next few months, we expect the Central bank to cut its reference rate to 6.25% by the end of the year.

Finally, we forecast that, thanks to the rebound in exports, the current account deficit will increase from 4.5% to 4% of GDP, which implies less external vulnerability. Accordingly, the USDCOP would fluctuate this year between $2,900 and $3,000.

[JUAN PABLO ESPINOSA: After this overview of the economic environment, let me turn the presentation to Jose Humberto Acosta, who will discuss the Bank’s results.]

JOSE: Thank you, Juan Pablo.

I would like to start the presentation of the 2016 results, mentioning three topics that impacted the financial evolution of the bank:

1. First, we completed the sale process of our stake in Tuya, the consumer credit unit that we run with Exito. Since the sale announcement, we stopped consolidating it and started treating that operation as discontinued. With the completion of the transaction, we totally eliminated the contribution of Tuya and recorded a one-off gain of 161 billion COP, product of the valuation of our remaining stake in Tuya. From now on, our stake in Tuya will be reflected in the equity method den dividends line, as a result, the economics of this joint venture remain unchanged in terms of income generation for both companies, Exito and Bancolombia.

2. Second, we also completed the integration of Leasing Bancolombia and Bancolombia S.A. With this transaction, assets and liabilities of Leasing Bancolombia were transferred to Bancolombia and therefore, on a consolidated level, we had some minor re-classifications of loans. Other than a simplification of the legal structure of the group, there was no material impact in the consolidated financials.

3. Third, the tax line presented volatility during the year, mainly explained by these factors:
   1) The FX variations, in particular during the first quarter.
   2) In the last quarter of the year, we had a significant reversal of income taxes due to the utilization of fiscal credits.
   3) Finally, at the end of the year, a new tax reform was approved by the Colombian congress. The main goal of this reform is to balance the tax burden between corporations and individuals and permit the fiscal sustainability of the government. The year-end Bancolombia’s financial statements reflect the impacts on differed taxes due to lower statutory rates in the coming years. The effective tax rate for 2016 was 30% and we forecast that it will be 34% in 2017.
Slide 4

On slide 4, we see the evolution of assets and their composition.

Today, peso denominated loans represent 62% of the total portfolio of Bancolombia while dollar denominated represents 38%. The COP appreciated 4.7% over the last twelve months and depreciated 4.2% against the USD during the fourth quarter.

Total assets grew 2% YoY, impacted by the general appreciation of the peso during the year.

Loan portfolio growth was primarily driven by mortgages and consumer loans which continue to exhibit sustained growth around 10% for the year. However, growth has stalled to some extent due to the year-end uncertainty regarding the tax reform and uptick in inflation in 2017.

In the consumer loans, we executed our strategy to target high income individuals and segments with low indebtedness levels, while avoiding the riskier segments of the population. The main input for our scoring models is the track record of the client along with the payment capacity.

In relation to the dollar denominated portfolio, is important to highlight that volume of dollar loans in Colombia declined during the year. In the meantime Central America posted a moderate growth in loans, which offset the decline in Colombia.

Moving on to investments, the average yield to maturity for the investment portfolio is 6.5% and duration remains low at 17.3 months. The bank continues to prioritize liquidity and secure funding while maintaining a structural portfolio that limits exposure to higher volatility instruments.

We continue to see opportunities in sectors such as manufacturing, tourism, agribusiness and infrastructure. Many of these sectors have been positively impacted by the weak peso. That is why we believe in our growth forecast of 8 to 10% for 2017 for our total loan book. We will still focus our growth in the less risky products as we want to maintain a very healthy balance sheet.

Slide 5

Now on slide 5, we present the snapshot of the credit quality at the end of the year.

Credit quality improved slightly with PDLs to total loans dropping to 3.3%. Also, the coverage ratio grew to 126% due to higher provision charges.

Some loans that were delinquent have continued to deteriorate to some extent, however, new originations have been less risky and we have had fewer issues with these. Commercial, consumer and mortgages on the 90 day standard show similar credit metrics to the prior quarter, and indication that indeed our guidance was accurate that 3Q16 marked the worst part in the credit cycle.

Having said this, we do acknowledge that the infrastructure sector has had some noise with specific cases relating to Odebrecht and its project Ruta del Sol Tramo 2. Currently, we are assessing the outcome of the changes in the contract and working closely with the National Infrastructure Agency to restructure the operation. Our main goal is to secure the money that we have lent to the project and receive it back in the designated schedule.

We are paying special attention to new originations of corporate and infrastructure loans, setting up high underwriting standards, and defining our risk criteria with a conservative approach.
The most important part of the balance sheet, regarding credit quality and coverage, is the fact that Bancolombia has today a 190% coverage ratio. We are comfortable with 90-day coverage ratios above 150% because that guarantees that the bank has enough cushion to absorb any potential default of a client.

Slide 6

Slide number 6 shows the provision charges, which were 2.7 trillion pesos for the year and 772 billion during the quarter. Provisions for 2016 were 63% higher than in 2015, but still within our risk appetite; and the cost of risk for the year was at 1.8%, which was in line with our expectations.

As we shared with you in our previous conference call, the cost of risk for the year was higher than in 2015 due to deterioration in consumer and SME loans, and some particular issues with corporate clients.

The provisions made during the quarter were specifically designated to cover the vintages that have deteriorated or run-off toward higher levels of delinquency.

New Past Due Loans was COP 347 billion, down from 892 billion in the last quarter, which shows an improvement in quality trends. Our strategy right now is to be more selective with the clients that meet our risk reward criteria and set more stringent underwriting standards, aiming for keeping the cost of risk under control.

We forecast cost of risk in 2017 will be similar to 2016, that is 1.7 to 1.9%.

Slide 7

Moving on to slide number 7, we see the evolution of net interest income (NII) and funding costs along with funding performance.

As we have seen throughout the year, NII growth has been possible through the combined effort on two fronts: first, optimizing the funding terms and structure in order to keep costs as low as possible and second, pricing loans at higher spreads. NII grew 34% year over year and 28% in 4Q16 compared to the quarter of 4Q15, as we were able to maintain margins at 6%, while keeping total funding costs very stable throughout the last quarter of the year. In December the Central Bank lowered rates by 25 basis points, which we believe is the first step in gradually easing the monetary cycle. We forecast rates can end 2017 at 6.25% as long as inflation is not impacted by any significant external factors during the year.

As shown in the graph on the bottom right, while the DTF rate increased 164 basis points during the past year, the funding cost increased only increased by 97 basis points. This dynamic caused NII growth. Similarly, the Central Bank increased rates by 175 basis points during 2016 to respond to factors including the transportation protests in July, the El Niño season effects and pass through effects of exchange rates as well.

During 2016 we have focused our efforts not only on keeping the funding cost as low as possible, but also on increasing the average time to maturity of the stock of liabilities, in particular time deposits and Long Term Debt. The outcome of this strategy has been the stability in the lending NIM that we saw in the fourth quarter even with the reduction in the repo rate.

Moving onwards to 2017, we believe we can sustain NIMs during the first half of the year and forecast that volumes could grow better than expected if the economy were to pick up in the second half of the year. We remain cautious with regard to liquidity management and believe once again our competitive advantage in funding rings true as we continue to have the lowest funding cost in the Colombian banking space. Remember our savings and checking accounts represent over 40% of the total funding structure which places us in a unique position in the system.

Slide 8
Turning the page to Slide number 8, we show the Net Interest Margin.

The year 2016 was very good for NIM evolution as it expanded 90 basis points. The main reason for this expansion was the higher rates on new originations as well as the repricing of existing variable rate loans, coupled with relatively stable cost of funding.

During 4Q16, we saw a small reduction in the reported Net Interest Margin that ended at 6%, 20 basis points below last quarter’s, explained by a compression in investments net interest margin. Let’s remember that securities represent 7% of total assets.

In the lending business, we saw stability of NIMs as we continued to make disbursements at competitive spreads in the marketplace.

For 2017, we see challenges in the NIM and NII front, as we forecast interest rate cuts in Colombia in the first months of the year. Nevertheless, the NIM from USD loans should benefit from potential hikes from the FED, which could come as early as next March.

We are focusing our efforts in keeping the deposits at low cost as possible, in particular: savings accounts as a vehicle for our clients to keep their money within Bancolombia’s pipeline; current accounts which benefit from our transactional capacity and CDs as a mechanism to provide stability of funds and enhance the maturity profile.

Slide 9

The evolution of fees is presented on slide number 9. This is a front where we continue making progress, as can be seen in recent results.

During the fourth quarter total fees increased by 5.4% and they grew 16.0% as compared to the fourth quarter of 2015.

The main services and products that led the fee growth, were banking and ATM services as well as debit and credit cards fees. We are experiencing sustained growth in cards and usage in Colombia, due to rising income of individuals and also the promotion of plastic as a method of payment.

We continued to see more credit and debit cards transactions, as a result of our commitment to promote the use of electronic methods for in-store transactions. The number of credit cards grew 5% during the year and the billing grew 14%. In addition, we’re tapping into new business segments when it comes to promoting and introducing numerous benefits and customer rewards initiatives.

Today, Bancolombia has a 24% market share of the system billing and 17% of the number of cards outstanding in the Colombia.

Banking services and asset management were also a major contributor for fee growth during the quarter.

In addition, we saw a sustained performance of insurance distribution fees, which generated 98 billion COP during 4Q16, and grew 29% year over year.

Fees represented 17% of 4Q16 operating income, which is a good share since these are transactions that do not require a significant amount of capital compared to lending.

These fee initiatives are not limited to Colombia, and we are focusing on steadily growing the credit card segments in El Salvador, Guatemala and Panama. We highlight the relevance of the JV with Lifemiles which we have marketed in all our geographies and that provides an interesting avenue for growth and to increase banking penetration in the region.
Finally, we forecast a fee growth of 10% to 12% in 2017.

Slide 10

Now, moving to slide 10, we present the evolution of expenses, which grew 18% during the year. It is necessary to mention here, that the consolidation of Banco Agromercantil in Guatemala, contributed with 7% of this annual increase, and the FX variation contributed with 3%. Therefore, the organic growth in expenses for the whole year was 8%, which was in line with our forecast.

The cost to income ratio in 2016 was 51%, below the 54.6% of 2015. This decline was mainly explained by the good revenue performance and strict cost control initiatives. Our target is to maintain this number under 50% for the year in the short term.

Operating expenses consist primarily of personnel expenses and administrative expenses which have been kept under control in their respective currencies.

As we stated last quarter, Bancolombia is committed to developing lower cost channels, based on technological innovation and optimal customer segmentation, as we strive to grow expenses in line with nominal GDP.

This strategy related to digital innovation looks to not only control and lower expenses but also to create better pricing strategies, commercial synergies, and allow sales teams to deliver better service and products in an efficient and revenue boosting manner.

Our guidance for 2017 is an increase of expenses by 6 to 8% on an organic level, which we believe will be key in obtaining strong profitability levels.

Slide 11

Moving on to slide 11, we see the evolution of capital position of Bancolombia.

The Tier 1 ended at 9.02%, 452 basis points above the regulatory minimum of 4.5%. This is a very good ratio and most importantly, the continuous growth in the metric leads us to reaffirm the fact that we are in a period of capital accumulation. If we consider a dividend pay-out of one third and appropriate the remaining portion of the earnings, we estimate that in March 2017, we could see a Tier 1 ratio close to 10%.

Nevertheless, as we have shared with you in the past calls, the capital levels that Bancolombia present today are optimal for the business plan that we have designed, in particular, we identify four factors to support our thesis:

As we have said before, we look to operate the bank at an optimal Tier 1 ranging from 8 to 9%.

For the Tier 2 ratio, we ended 4Q16 with 4.2% for a total BIS ratio of 13.3%, above the regulatory threshold of 9%.

Slide 12

Slide number 12 shows the ROA and ROE of the bank.

The ROE for the quarter was 22.1% and ROA was 2.3%. This solid ROE is explained by an excellent growth in NII during the year, coupled with a focus on efficiency and fee generation.

The ROE for 2016 was 14.5%, which marks an improvement over last year and demonstrates the performance based success of our business throughout the year. The effective tax rate for the year was
30% which added to high provisions is a downside for overall profitability. Nevertheless, We are pleased with the number and expect to continue on an upward trend.

We expect to continue growing net income, although at a moderate pace, while maintaining solid solvency indicators for the rest of the year and improving profitability.

Our estimated ROE for 2017 rests at 13% to 14%, while the medium term target continues to sit at 16%.

RECAP AND FINAL MESSAGE

1) NII generation was solid throughout the year, a combined effect of better margins and higher volumes.
2) Fee generation was above our forecasts, which proves once again that the bank has a diversified and strong client base that allows us to continue to grow transactions.
3) Our efficiency level of 51% is proof of our commitment to control and tighten expenses as well as the strength of our business franchise demonstrated by revenue growth.
4) The provisioning level has grown due to several macroeconomic and credit cycle factors, but it is important to mention that cost of risk ended the year in line with our guidance of 1.8%.
5) Despite the volatile tax rates on a quarter to quarter basis, the effective tax rate for the year was 30%, better than initially estimated.
6) Capital accumulation continues to solidify our capital position, with a Tier 1 above 9% and that will most likely move closer to 10% after the appropriation of a portion of earnings next March.

After presenting these slides and discussing our fourth quarter results, I would like to invite our audience to ask any questions you might have and we’ll gladly take it from there.

Questions And Answers

Operator
Thank you. We will now begin the question-and-answer session.

First question
Tito Labarta, Analyst Deutsche Bank.
Hi, good morning. Thanks for the call. Couple of questions. I guess first on expenses. We did see a big pick up in expenses in the quarter, I think those additional maybe bonus is paid given the high ROE for the quarter, but that was partially due to the negative tax rate. So I want to understand, will there be more recurring level of expenses going forward? I know you mentioned for the year if you strip out Banco Agromercantil deal and the appreciation of the currency, it would be around 8%. Is that the kind of growth that we should expect going forward or could be even maybe below that given the additional bonuses paid in the quarter?
And then the second question I guess is on the tax rate. I understand with the tax reform -- the tax rates coming down, but it'll just still be pretty high in 2017, I think around 40% or maybe just below that. So what would be an effective tax rate that we should expect, I guess for this year and next year and do you think it will come down to that 32% in 2019? So if you could give some more color on that. Thank you.

Jose Humberto Acosta Martin, Chief Financial Officer
Thank you, Tito. Yes, we are expecting for this year 2017, an increase of expenses at around 8%. As you mentioned, that's correct. The pickup of expensive in the fourth quarter was explained by those factors that you mentioned. Again, the guideline will be 8% for 2017 and we don’t expect any major change on the expenses front. Second, the effective tax rate, yes, it was 30% for 2016, we expect 35 -- at around 35% for 2017 and maybe the same level for 2018.

Second question
Thiago Batista, Analyst Itau BBA
Yeah. Hi, guys. Thanks for the completely presentation. I still have one question on loan growth. During the presentation, you already mentioned most of the indication -- most of the guidance for the main lines of the business in '17, but you didn't mention anything about the loan growth. Could you share with us your loan growth expectation for this year, divided by the main segments of the bank?

Jose Humberto Acosta Martin, Chief Financial Officer
Thank you. Thiago. Yes, the loan growth that we are expecting for 2017 will be around 7% to 8%. In our geographies, the upper side of that range will be the Colombian operation maybe reaching the level of 9% and on the lower side of the range, will be our operation in Banco Agromercantil that, that will be between 3% to 4%. In corporate loans, we expect a growth of 9%, in consumer and SMEs, we are expecting a long growth in Colombia operation at around 10%.

Third question
Alonso Garcia, Analyst Credit Suisse
Good morning, everyone and thanks for taking my question. I would like to touch base again on net interest margin, considering the lower Central Bank rate you are anticipating. And also in terms of the kind of the mix you’re expecting for loan growth in terms of segments and currency, what is your forecast for the net interest margin this year and what kind of margin on that securities is embedded in that forecast? Thank you.

Jose Humberto Acosta Martin, Chief Financial Officer
Okay, Alonso. Basically, the NIM that we are expecting for the treasury business, you notices it's very complex to talk about it, but we are expecting maintaining our NIM based on the assumption that the sovereign papers will be at a level of 7% and the funding costs at a level of 6%, we are expecting a NIM of at around 1%.

Regarding the NIM for 2017, what will happen in Colombia that would have slightly a compression of the NIM because interest rates will go down. So we will expect a compression of the NIM of 10 bps. As I -- we mentioned on the speech previous, in the US dollar lending, we will be expecting an increase of the NIM because of the interest rate and the assets sensitive condition that we have in our internal operation. Basically what we are doing right now is to promoting the increase of the loan portfolio in consumer and SME segments meanwhile, the corporate loans remain at a level of 7%. So you'll see in the next coming years maybe at a slight change on the composition of the loan portfolio, taking advantage of the momentum of the economy. So our efforts in Colombia operation would be focused on reconditioning this business as well as in Banistmo operation in Panama.

Fourth question
Ernesto Gabilondo, Analyst Bank of America
Hi. Good morning and thanks for taking my call. Two questions from my side. One is, given the new tax reform, it's likely to affecting the BID loans, what are you expecting for the consumer loan growth and for the cost of risk? Do you expect to create additional provisions related to electricaribe? And can you share with us Bancolombia’s exposure in both cases?

My second question is about the tax reform. I just want to know if this has excluded the wealth tax. And I would like to know how much do you expect it, this could strengthen the capital ratio? Thank you.

Jose Humberto Acosta Martin, Chief Financial Officer
Thanks, Ernesto. The tax reform no doubt that will impact in the consumer segment, at least for the first half of the year. That's the reason why we are expecting and we are telling you that our guidance of cost of credit will be 1.8% to 2%, assuming some deterioration at the consumer front. But we believe that the second half of the year, the number will be much better in terms of that.

Regarding corporate loans, yes, we have been doing our provisions regarding some specific cases, and again, that 2% that we are telling you about cost of risk is including additional provisions that probably we have to do in the corporate segment. Regarding the wealth tax, that will be the final and in the first quarter, you'll see the final quote of wealth tax, but we don't foresee any other tax regarding corporate tax for 2018 neither in '19.

Fifth question
Maria Barriga, Analyst Davivienda Corredores
Hello. Thank you very much for taking the results. I had one question regarding El Salvador’s operation, which is the rating agencies have taken negative actions against the country’s rating. So I was wondering if, a further rating could impact your operations there or unchain an impairment? Thank you.

Jose Humberto Acosta Martin, Chief Financial Officer
Thank you. Regarding our Salvadorian operation, we are focusing there in profitability, as I mentioned previously, the loan growth will be very, very low at a level of 2% or 3%. The only impact that we received from the current situation in Salvador that was the evaluation of our securities portfolio that we have in Salvadorian bonds in Salvador.
But if you double check the numbers of Salvador, the return on equity remains at a level, on a very stable level. We don't foresee any specific concern regarding liquidity. We -- the last two years, we have been working diversifying the funding structure, you see product and we went to the market two years ago with the bond issuance.
So at the end of the day, the operation remains stable and we are trying to focus to maintain the book in a very healthy way and you see that the level of provisions there it is very high and they level of past due is under control.

Sixth question
Diego Rosas, Analyst Porvenir
Hi. Thank you very much for taking my questions. I have two doubts that I will be glad that you would help me to solve. My first question is regarding your operation in Central America. Can you tell us more about how is the operation going there? And my second question is regarding asset quality. Do you have any concerns about Bogota massive transport companies and the small and medium enterprises here in Colombia?

Jose Humberto Acosta Martin, Chief Financial Officer
Okay. The operations in Central America, the growth there is still low. We are there promoting the products, we are replicating our experience here in Colombia with services focusing on retail and individuals trying to implement products, technology. So we see a huge potential of upside on the retail business. On the corporate business, we are taking advantage in Panama, for example, the loan growth there is, it's positive. So at the end of the day, the next two, three years we will focused there on efficiency and trying to improving the operation, basically helping with the loan growth.
Regarding the asset quality and the -- both the names that you raised, we have right now the enough level of provisions and this is a very -- we are monitoring every month the situation as again, the 2% will reflect our idea about how we will increase the provisions for 2017.

Juan Carlos Mora Uribe, Chief Executive Officer
This is Juan Mora. We are also working very closely with the authorities of Bogota and also with the operators of the massive transport system to work out the solution for the -- of the system. And as Jose Humberto mentioned, meanwhile we have enough reserves to cover the risks while we are in the process of solving the situation.

Seventh question
Neha Agarwala, Analyst HSBC
Hi. I have a question on the deferred tax assets. Have you seen or do you expect to see any impact from the revision in the tax rate on your deferred tax assets? And should that affect your effective tax rate in the coming years in anyway? Thank you so much.

Jose Humberto Acosta Martin, Chief Financial Officer
Thank you, Neha. Yes, our tax rate you see was 30% in '16, we expect 35%, 36% in '17. And we will expect a kind of same level for 2018. The tax reform, you'll never know what will happen in the medium term grounds, so our expectation is to maintain almost the same level for 2017 and 2018 again, 35% to 37%.

Eighth question
Edgar Romero, Analyst BBVA
Hi, good morning. Thanks for the call. I have two questions. The first one is, how much can we expect Bancolombia to provision in Ruta del Sol to -- during the first quarter of 2017. And the second one is, how much does Bancolombia have committed in financial closings in for 4G projects, just to expect the how much the Bank will cash during 2017? Thanks.

Juan Carlos Mora Uribe, Chief Executive Officer
Edgar, thank you for your question. Regarding Ruta del Sol those we are ahead on provisions of what the law requires. So we are very comfortable with the level of provisions that we have right now and we don’t expect during the first quarter any change from that. And we also expect that the situation is going to evolve in a way that we can find a solution on that project, that is going to help the continuity of the 4G project in Colombia.
So we are very optimistic and as a matter fact there are news today about how that situation is going to be solved and as a matter of fact, we don’t see any additional provisions. Regarding our commitments on the 4G projects, I just want to say first that 4G and infrastructure projects are very important for Colombia for the development of Columbia and we as Bancolombia and also as a financial system, had committed to promote the development of the projects. And I think that should be the case going forward.
In the case of Bancolombia, so far we have commitments around COP5 billion. And those commitments are going to be completed in the next four to five years. And as we mentioned during our speech, we will keep analyzing any project on how they are going to develop in the future, but we are optimistic that the way that Ruta del Sol is going to be solved, is going to mark the track, for the development of future projects on 4G.

Ninth question
Sebastian Gallego, Analyst Credicorp Capital
Hi. Good morning, everyone. Thanks for the presentation. I have two questions. The first one is regarding efficiency in Central America operation. Could you share with us current level of efficiency in each of the operations, where you have a bank and also could you share with us the target for each operation in terms of cost to income ratio? And the second question from my side is also on asset quality. I know you mentioned your guidance of 1.8% to 2% in cost of credit, but could you share a low case scenario for this year? Thank you.

Jose Humberto Acosta Martin, Chief Financial Officer
Sebastian, yes. In terms of efficiency, we have a very mature operations in Suvalor for example, which the level is below 50% of efficiency, but we have as you know very well our -- if I may say brand new operation in Banistmo. We have to implement new systems. We have to implement new procedures. So the level of efficiency there is still very high level.
So in both cases and in Banco Agromercantil, the idea is in Guatemala and Panama try to reduce that level. And that will be a very long run, so we have to do it at a renewed target of two to three years to take a level of the three operations at least at a level of 50% to 55% efficiency level, that's the idea in terms of the international operations, along with the growth and increasing the NII.
Regarding asset quality, we have a scenario, a positive scenario, assuming that some of the corporate case will grow in a better position that the cost of credit will be again, the range will be 1.8% to 2% but could be 1.7% in a very optimistic scenario.

Juan Carlos Mora Uribe, Chief Executive Officer
We would like to thank you for attending this conference call and your interest on Bancolombia’s results. We expect 2017 to be a year in which we continue to consolidate our operations in Central America to continue the trend on gaining efficiencies and looking for ROEs in the line that we mentioned. Again, thank you very much for your interest in Bancolombia and we hope to see you soon and expecting to be with you on the first quarter ’17 results. Thank you very much.