Banco Davivienda S.A.
and Subsidiaries

Consolidated Financial Statements for the year ended on December 31. 2018

Contents

(FREE TRANSLATION OF THE REPORT PREVIOUSLY ISSUED IN SPANISH)
STATUTORY AUDITOR'S REPORT

To the Shareholders
Banco Davivienda S.A.:

I have audited the consolidated financial statements of Banco Davivienda S.A. and its Subsidiaries (the Bank). which comprise the consolidated statement of financial position at December 31. 2018 and the consolidated statements of income. other comprehensive income. changes in equity and cash flows for the year then ended and their respective notes that include the summary of significant accounting policies and other explanatory notes.

Management's responsibility regarding the consolidated financial statements

Management is responsible for the fair preparation and presentation of these consolidated financial statements in accordance with Accounting and Financial Reporting Standards accepted in Colombia. This responsibility includes: designing. implementing and maintaining the internal control relevant to the preparation and presentation of consolidated financial statements that are free from material misstatement. whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Statutory Auditor's responsibility

My responsibility is to express an opinion on the consolidated financial statements based on my audit. I obtained the necessary information and carried out my audit in accordance with International Standards on Auditing accepted in Colombia. Such standards require that I comply with ethical requirements and plan and perform the audit to obtain a reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment. including the assessment of the risk of material misstatement in the consolidated financial statements. In making this risk assessment. the statutory auditor considers internal control relevant to the preparation and presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management. as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained provides a reasonable basis for my opinion expressed

Opinion

In my opinion. the above mentioned consolidated financial statements. taken accurately from books and attached to this report. present fairly. in all material respects. the Bank's consolidated financial position at December 31. 2018. the consolidated results of its operations. and its consolidated cash flows for the year then ended. in conformity with Accounting and Financial Reporting Standards accepted in Colombia. applied on a consistent basis with previous year. except for the application of IFRS 9. which entered into force from January 1. 2018.

Other matters

The consolidated financial statements at and for the year ended December 31. 2017 are presented exclusively for comparison purposes and were audited by another public accountant. member of KPMG S.A.S.. who in his report dated February 13. 2018. expressed an unqualified opinion thereon.

Gustavo Adolfo Roa Camargo
Statutory Auditor of Banco Davivienda S.A.
Registration 90879 - T
Member of KPMG S.A.S.

February 13. 2019

CERTIFICATION OF CONSOLIDATED FINANCIAL STATEMENTS

RESPONSIBILITY FOR FINANCIAL INFORMATION

We. the undersigned Legal Representative and Chief Accountant of Banco Davivienda S.A. in compliance with the terms established in Articles 46 and 47 of Law 964/ 2005 and in accordance with the terms required in the Accounting and Financial Reporting Standards accepted in Colombia. certify the following:

We certify that the Financial Statements for the period January 1 to December 31. 2018. do not contain any defects. inaccuracies or errors that prevent the Company from knowing the true situation of assets and liabilities or the operations of Banco Davivienda S.A. and Subsidiaries. in accordance with the provisions of Article 46 of Law 964 of 2005.

In accordance with the terms of the Accounting and Financial Information Standards accepted in Colombia and taking account of the matters referred to in the Conceptual Framework. the information and statements included in the Financial Statements have been duly verified and obtained from the accounting records. prepared in accordance with the framework of standards mentioned.

Banco Davivienda S.A. and Subsidiaries have adequate systems of disclosure and control of financial information. for which the corresponding procedures have been designed to ensure that it is presented in an appropriate form. whose operational capacity is verified by the Audit and Financial Management.

Likewise. we report that there have been no significant deficiencies presented in the design and operation of internal controls that would have prevented the Bank and Subsidiaries recording. processing. summarizing or adequately presenting their financial information. Management controls have been applied to prevent the risk of fraud in processes that might affect the quality of financial information or changes in their evaluation methodology.

The Financial Statements record the assets and liabilities existing at the closing date. and they represent probable future rights and obligations. respectively. The transactions of the period were recorded and all economic facts have been recognized and correctly classified. described and disclosed. All elements have been recognized for the appropriate amounts. and classified. described and faithfully disclosed. taking into account the aspects referred to in the Conceptual Framework and in accordance with the Accounting and Financial Reporting Standards accepted in Colombia.

The statements contained therein have been previously verified in accordance with the regulations and they have been faithfully taken from the books in accordance with Article 37 of Law 222/1995. The Bank and Subsidiaries have adequate procedures for the control and disclosure of financial information and their operation has been verified. in accordance with the terms of Article 46 of Law 964/ 2005.

Bogotá. February 9. 2019

Juan Carlos Hernández Núñez	Carmen Anilsa Cifuentes Barrera
Legal Representative	Chief Accountant T.P. 35089-T

Banco Davivienda S. A. and Subsidiaries
Condensed Consolidated Statement of Financial Position
(Millions of Colombian pesos (COP))

	Note	December 31. 2018	December 31. 2017
ASSETS			
Cash	13.1	9,523,601	7,889,381
Interbank and overnight funds	13.2	412,943	1,446,439
Investments measured at fair value	13.3	9,178,226	9,066,267
Derivatives	13.4	433,722	335,602
Loans Portfolio and financial leases operations. net	13.5	84,111,916	75,910,005
Accounts receivable. net	13.6	1,516,140	1,080,142
Assets held for sale	13.7	61,288	123,130
Investments measured at amortized cost. net	13.3	1,824,536	1,523,501
Investments in associates	13.8	89,443	82,740
Other investments	13.9	384,607	368,531
Property and equipment. net	13.10	801,230	732,372
Investment property	13.11	73,815	35,376
Goodwill	13.13	1,635,185	1,634,882
Intangibles assets	13.14	171,901	169,452
Other assets. net	13.15	505,385	373,468
Total Assets		110,723,938	100,771,288
LIABILITIES			
Deposits	13.17	68,399,164	63,310,594
Saving accounts		26,510,302	23,961,123
Checking accounts		9,459,163	9,084,050
Time deposit		31,118,034	29,328,063
Other deposits		1,311,665	937,358
Interbank and overnight funds	13.18	3,786,541	1,349,895
Derivatives	13.4	513,143	356,734
Credits from banks or other obligations	13.19	12,495,235	9,686,332
Debt instruments issued	13.20	10,685,827	12,008,969
Accounts payable	13.21	1,382,383	1,142,769
Employee benefits	13.22	215,078	190,613
Current tax liabilities		61,731	65,510
Deferred tax liabilities	13.23	905,779	1,086,861
Technical reserves	13.24	205,582	180,451
Other non-financial liabilities and estimated liabilities	13.25	663,579	508,694
Total Liabilities		99,314,042	89,887,422
EQUITY			
Capital and reserves (1)	13.26	8,624,778	7,841,759
Unrealized gains or losses (OCI)		1,128,942	1,650,921
Adjustments in the first time adoption	13.26	167,918	23,335
Profit attributable to the owners		1,390,100	1,275,266
Total equity due to holders of Bank equity instruments		11,311,738	10,791,281
Non-controlling interests	13.27	98,158	92,585
Total equity		11,409,896	10,883,866
TOTAL LIABILITIES AND EQUITY		110,723,938	100,771,288

(1) Includes share placement premium

See the notes accompanying the consolidated financial statements

Banco Davivienda S. A. and Subsidiaries
Consolidated Statement of Income
(Millions of Colombian pesos (COP))

Years ended on December 31	Note	2018	2017
Interest income		9,509,642	9,338,016
Interest on loans		8,861,571	8,666,780
Investments in securities and valuation. net	14.1	547,457	592,843
Interbank and overnight funds. repos. simultaneous operations		100,614	78,393
Interest expense		3,558,156	3,843,802
Deposits and time deposits		2,285,100	2,611,615
Current accounts		30,965	29,289
Savings accounts		596,396	865,218
Time deposits		1,657,739	1,717,108
Credits from banks or other financial obligations		480,229	382,655
Debt instruments issued		713,042	722,014
Other interest		79,785	127,518
Net interest income		**5,951,486**	**5,494,214**
Impairment of financial assets. net		2,074,742	1,975,362
Impairment of financial assets. net		2,550,692	2,311,779
Refound of financial assets. net		475,950	336,417
Net financial margin		**3,876,744**	**3,518,852**
Insurance transactions income. net	14.2	100,075	89,649
Commissions and service income. net	14.2	1,169,755	1,114,608
Result of investments in associates and joint operations. net		7,597	4,350
Operational expeditures:		3,413,889	3,190,350
Staff expeditures	14.3	1,439,503	1,358,562
Administrative and operational	14.4	1,854,542	1,721,403
Amortizactions and depreciation		119,844	110,385
Profit on exchanges. net		190,057	105,970
Derivatives. net		(44,619)	(1,554)
Dividends Received		18,975	7,262
Other income and (expense). net	14.5	(28,422)	39,189
Operational margin		**1,876,273**	**1,687,976**
Current income tax and supplementary		362,654	411,843
Deferred income tax and supplementary		115,118	(6,848)
Profit attributable to the owners of the controlling company		**1,390,100**	**1,275,266**
Profit attributable to non-controlling interest		8,401	7,715
Profit for the year		**1,398,501**	**1,282,981**
Profit per share in pesos (1)		3,096	2,841

(1) Calculated as: profit for the year / average shares outstanding

See the notes accompanying the consolidated financial statements

Banco Davivienda S. A. and Subsidiaries
Consolidated Statement of Other Comprehensive Income
(Millions of Colombian pesos (COP))

Years ended on December 31	**2018**	**2017**
Profit attributable to the owners of the controlling interest	**1,390,100**	**1,275,266**
Profit attributable to non-controlling interests	**8,401**	**7,715**
Components of other comprehensive income that will not be reclassified to the Profit for the period. net of taxes:		
Financial instruments with changes in other comprehensive income	(11,396)	(3,828)
Long-term employee benefits	4,872	26,865
Total other comprehensive income that will be reclassified to the income of the period. net of taxes:	**(6,524)**	**23,037**
Components of the other comprehensive income that will be reclassified to the result of the period. net of taxes:		
Surplus associated equity method	436	262
Effect First application IFRS 9	(768,020)	-
Impairment of loan portfolio for consolidated financial statement income	171,510	3,858
Exchange difference on translation	80,619	(13,599)
Total other comprehensive income that will be reclassified to income period. net of taxes	**(515,455)**	**(9,479)**
Total other comprehensive income. net of taxes	**(521,979)**	**13,558**
Total Comprehensive Result	**876,522**	**1,296,539**

Comprehensive income attributable to the holders of the controlling interest	870,805	1,295,906
Comprehensive income attributable to holders of non-controlling interests	5,717	633
Total Comprehensive Result	**876,522**	**1,296,539**

See the notes accompanying the consolidated financial statements

Banco Davivienda S. A. and Subsidiaries
Consolidated Statement of changes in equity
(Millions of Colombian pesos (COP))

Por el año que terminó el 31 de December de 2018

Years ended on 2018 and 2017	CAPITAL Y RESERVAS						RESULTADOS ACUMULADOS				
	Capital	**Share premium**	**Legal reserve**	**Other reserves**	**First-time adoption effects**	**Unrealized gain (OCI)**	**Profit previous years**	**Profit or loss**	**Total equity owners of the parent company**	**Non-controlling interests**	**Total shareholders´ equity**
Balance at December 31. 2016	76,784	4,676,804	1,246,895	520,010	77,518	1,637,363	-	1,717,968	9,953,342	91,705	10,045,047
Profit transfer							1,717,968	(1,717,968)	-	(3,808)	(3,808)
Tax on Wealth				(21,841)					(21,841)		(21,841)
Dividends distribution									-		-
Payment of dividends per share at a rate $950 pesos per share over 451.670.413 subscribed and pay. Apr.05 y Sep.21 de 2017							(429,087)		(429,087)		(429,087)
Reserve transactions:									-		-
Legal reserve			688,638				(688,638)		-	687	687
Other reserve for future capitalization or increase to reserves				192,896			(192,896)		-		-
Other reserve				224,986			(224,986)		-	(3,207)	(3,207)
Capitalization of reserve. commitment for 2015 profits			475,000	(475,000)					-		-
Liberation of occasional reserve for a valuation of investments at market value - decree 2336/95. to increase legal reserve			10,802	(10,802)					-		-
To have profits of exercises of previous years realized in the period 2016. to increase Legal Reserve			236,587				(236,587)		-		-
Realizations First-time application of IFRS					(54,183)		54,183		-	90	90
Equity method surplus. investments in associates						262			262		262
Exchange difference on conversion of subsidiaries outside Colombia						(13,599)			(13,599)	(597)	(14,196)
Financial instruments through OCI						(3,828)	19,561		15,733		15,733
Long-term employee benefits						26,865			26,865		26,865
Loan impairment for consolidated financial statements						3,858	(19,518)		(15,660)		(15,660)
Yearly earnings								1,275,266	1,275,266	7,715	1,282,981
Balance at December 31. 2017	76,784	4,676,804	2,657,922	430,249	23,335	1,650,921	-	1,275,266	10,791,281	92,585	10,883,866
Balance at December 31. 2017	76,784	4,676,804	2,657,922	430,249	23,335	1,650,921	-	1,275,266	10,791,281	92,585	10,883,866
Profit transfer							1,275,266	(1,275,266)	-	(7,214)	(7,214)
Effect application IFRS 9					167,239	(768,020)	(215,860)		(816,641)	(413)	(817,054)
Dividend distribution									-		-
Dividends declared in cash at a ratio of $800 pesos per share over 451.670.413 subscribed and paid. Apr 04 and Sep 19 2018.							(361,336)		(361,336)		(361,336)
Reserve transactions:									-		-
Legal Reserve			95,225				(95,225)		-	641	641
Occasional Reserve to increase legal reserve profits 2016.			192,800	(192,800)					-		-
Legal Reserve				208,701			(208,701)		-	(1,299)	(1,299)
Capitalization of reserve. commitment for 2017 profits			443,387				(443,387)		-		-
			276,068	(276,068)					-		-
To have profits of exercises of previous years realized in the period 2017. to increase Legal Reserve			35,706				(35,706)		-		-
First time IFRS applications					(22,656)		22,656		-	(259)	(259)
Equity participation method associates						436			436		436
Exchange difference on conversion of subsidiaries outside Colombia						80,619			80,619	5,822	86,441
Financial instruments through Other Comprehensive Income						(11,396)			(11,396)	(106)	(11,502)
Long-Term Employee Benefits						4,872			4,872		4,872
Loan impairment for Consolidated financial Statements						171,510	62,293		233,803		233,803
Yearly earnings								1,390,100	1,390,100	8,401	1,398,501
Balance as of December 31. 2018	76,784	4,676,804	3,701,108	170,082	167,918	1,128,942	-	1,390,100	11,311,738	98,158	11,409,896

The accompanying notes form an integral part of these Consolidated Financial Statements.

Banco Davivienda S. A. and Subsidiaries
Consolidated Statements of Cash Flows
(Millions of Colombian pesos (COP))

Years ended on December 31	Note	2018	2017
Cash flows from operating activities:			
Profit for the period		1,398,501	1,282,981
Reconciliation between profit for the period and net cash generated (used in) operating activities			
Impairment of investments. net		11,738	2,702
Impairment of loans and financial leasing operations. net	13.5.4	2,334,842	2,145,330
Impairment of accounts receivable. net	13.6	38,029	26,187
Impairment (recoveries) of assets held for sale. net	13.7	739	(5)
Impairment of property and equipment and investment property. net		2,079	915
Impairment of other assets. net		89,723	42,234
Provision for severance		49,115	48,402
Provision for other non-financial liabilities and accruals. net	13.25	212,352	79,966
Depreciation		85,916	77,079
Amortizations		33,928	33,306
Exchange difference. net		(104,956)	(113,872)
(Profit) on sale of investments. net		(32,731)	(31,980)
(Profit) on equity method. associates		(8,431)	(4,724)
(Valuation) on investments. net		(514,726)	(560,863)
Valuation loss on derivatives and spot operations. net		44,619	1,554
(Profit) on sale of loans and leasing assets. net		(5,771)	(14,411)
(Profit) on sale of property and equipment. net	13.10	(16,579)	(31,574)
(Profit) on sale of assets held for sale	13.7	(8,663)	(736)
(Profit) on sale of investment property	13.11	(1,625)	(4,945)
Provision for income tax		477,770	404,995
Changes in operating assets and liabilities			
(Increase) in money market and similar operations		(11,712)	74,027
(Increase) in acceptances. spot operations and derivatives		(142,739)	(96,068)
(Decrease) Increase in investments measure at fair value		358,612	(1,249,998)
(Increase) in loans and financial leasing operations		(19,377,373)	(15,909,927)
Proceeds of the sale of loans		337,279	725,252
(Increase) Decrease in accounts receivable		(474,027)	265,664
Decrease (Increase) in assets held for sale	13.7	39,048	(56,196)
Sale of assets held for sale		30,717	26,155
(Increase) in other assets		(185,665)	(3,901)
Increase in deposits and demand accounts		9,799,830	5,816,154
(Increase) Decrease in ordinary interbank funds		175,079	(172,112)
Decrease (Increase) in accounts payable		(184,899)	291,308
Increase (Decrease) in employment obligations		27,865	(1,606)
Increase in liability derivatives		156,409	115,652
Increase in insurance technical reserves		25,131	10,989
Wealth tax		-	(21,841)
Increase in accruals and provisions		16,965	30,025
(Decrease) Increase in other liabilities		(86,145)	(37,794)
Income tax paid		(238,120)	(517,397)
Interest received		8,690,750	8,476,205
Interest paid		(2,469,589)	(2,767,556)
Payment of severance		(47,643)	(45,860)
Net cash provided (used) in operating activities		**525,642**	**(1,666,284)**

Banco Davivienda S. A. and Subsidiaries
Consolidated Statements of Cash Flows (continued)
(Millions of Colombian pesos (COP))

Years ended on December 31	Note	2018	2017
Cash flows from investment activities:			
Dividends received		29,081	13,299
(Increase) in investments measured at amortized cost		(200,200)	(39,976)
(Increase) in investments in associates and other companies		(54,388)	(32,647)
(Decrease) Repurchase of shares. non-controlling interest		(2,828)	(6,834)
Increase in property and equipment		(207,740)	23,625
Proceeds of sale of property and equipment	13.10	67,802	31,212
(Increase) Decrease in investment properties	13.11	(44,923)	19,453
Proceeds of sale of investment properties	13.11	7,781	6,425
Net cash(used) provided by investment activities		**(405,415)**	**14,557**
Cash flows from financing activities:			
(Decrease) in financial debt	13.19	(242,116)	(31,339)
New loans in financial debt	13.19	12,384,496	6,663,315
Debt repayments		(10,542,046)	(6,019,469)
Increase (Decrease) in debt instruments	13.20	137,174	(11,304)
Issues of debt instruments	13.20	803,114	3,402,854
Redemptions of debt instruments issued		(2,234,258)	(954,735)
Payment of cash dividends		(361,336)	(428,951)
Net cash (used in) provided by financing activities		**(54,972)**	**2,620,371**
Net (Decrease) increase in cash and cash equivalents		65,255	968,644
Effect of exchange difference on cash and cash equivalents		523,756	52,758
Cash and cash equivalents at the beginning of the year		9,314,900	8,293,498
Cash and cash equivalents at the end of the year (*)		**9,903,911**	**9,314,900**

(*) Includes cash equivalents at under 90 days in money market and similar asset operations for $380.310 at December 31. 2018 and $1.425.519 at December 31. 2017.

See the notes accompanying the consolidated financial statements

(Millions of Colombian pesos (COP))

1. Reporting Entity

Banco Davivienda S.A. is a private entity which has its registered offices in Bogotá D.C. at Avenida El Dorado 68C-61. It was incorporated Deed 3892 of October 16. 1972. at Notary 14 Its operating license was granted on June 10. 1997 (Resolution 562 of the Financial Superintendency (“SFC”) . The Articles expire on December 30. 2065 (Deed 7811 April 27. 2018) but may be extended or terminated before that date. The Bank and its Subsidiaries (“the Bank”) form part of Grupo Bolivar and its business is to engage in all operations permitted to commercial banks by local regulations.

The following is the number of employees and offices held by the Bank at each reporting period:

(unaudited)

	December 31. 2018		December 31. 2017	
	No. of Employees	No. of Offices	No. of Employees	No. of Offices
Banco Davivienda S.A.	12,513	570	12,590	584
Banco Davivienda Miami International Bank Branch	41	1	40	1
Subsidiaries in Colombia				
Fiduciaria Davivienda S.A.	209	1	210	1
Corredores Davivienda S.A. (1)	380	6	365	6
Cobranzas Sigma S.A.	10	1	10	1
	599	8	585	8
Subsidiaries outside Colombia				
Grupo del Istmo S.A. (2)	991	32	952	32
Inversiones Financieras Davivienda S.A. (3)	1,767	57	1,775	57
Banco Davivienda Honduras S.A.	1,131	47	1,141	55
Seguros Bolívar Honduras S.A.	153	4	155	4
Banco Davivienda Panamá S.A. (4)	161	6	158	6
Banco Davivienda Internacional S.A	1	-	1	-
	4,204	146	4,188	155
	17,357	725	17,397	747

(1) The holding company of: Corredores Davivienda Panamá S.A.

(2) The holding company of: Corporación Davivienda Costa Rica S.A.. Banco Davivienda Costa Rica S.A.. Davivienda Puesto de Bolsa Costa Rica S.A.. Davivienda Corredora de Seguros Costa Rica S.A.. Davivienda Leasing Costa Rica S.A.. y Davivienda Seguros Costa Rica.

(3) The holding company of: Banco Davivienda Salvadoreño S.A.. Davivienda Servicios. S.A. de C.V.. Seguros Comerciales Bolívar S.A.. Valores Davivienda El Salvador S.A.

(4) The holding company of: Torre Davivienda Sucursal. S.A.. Torre Davivienda Piso 12. S.A.. Torre Davivienda Piso 13. S.A.. Torre Davivienda Piso 14. S.A.. Torre Davivienda Piso 15. S.A.. Torre Davivienda Piso 16. S.A.. Torre Davivienda Piso 17. S.A.. Torre Davivienda Piso 18. S.A.

2. Significant Facts

At 31 de December de 2018. the following significant events were recorded in the Bank's operations affecting the Consolidated Financial Statements.

Dividends declared

On March 14. 2018 the Annual General Meeting approved payment of a dividend of $800 (pesos) per share for a total of $361.336. 50% of this dividend was paid on April 4. 2018 and the balance on September 19. 2018. For further details of distribution see Note 13.26.

Bond issues

Three local ordinary unsecured bond issues were made. for a total of $452.870. on November 15. 2018.

In El Salvador. an ordinary bond issue for US$25 million ($81.244) was made on June 29.

In Costa Rica there were four ordinary bond issues for a total of ₡50 million ($269.000)

See Note 13.20 for details.

Mobilization of Assets

During 2018. the Bank engaged in sale-and-leaseback operations for $52.137. for a net profit of $16.362 of which $15.546 were profit on sale and $816 were tax recoveries. Net adjustments of $17.477 related to first-time adoption of IFRS for accumulated valuation gains. and $5.864 related to deferred tax.

The effect of exchange rates

At December 31. 2018 the Market Reference Rate (TRM) was US$1=$3.249.75. a devaluation of $265.75 compared to the TRM at December 31. 2017 ($2.984). This Increased profit by $190.057. The figures most affected were cash (up $523.756). loans (up $764.474). deposits and demand accounts increased $81.342 and financial debt $1.208.569. Ordinary bonds were reduced by $90.618.

The effect of conversion on equity was a net increase of $27.862. due to a fall of $11.889 in the balance of equity investments. but a rise in the re-expression of subordinated bonds. for $132.875; and a rise of financial debt. for $37.225.

3. Basis of preparation

a. Declaration of compliance with the Financial Reporting Standards Accepted in Colombia.

The financial statements have been prepared in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (NCIF). established in Law 1314 of 2009. regulated by the Single Regulatory Decree 2420 of 2017. modified by Decrees 2496/ 2015. 2131/ 2016. 2170/2017 and 2487/2018 and the instructions of the Colombian Superintendency of Finance (“SFC”). in accordance with the provisions of Decrees 1851/ 2013 and 2267/2014 and the SFC Circulars 034/2014 and 036/2014. The NCIF are based on the International Financial Reporting Standards (IFRS). together with its interpretations. issued by the International Accounting Standards Board (IASB); The basic standards correspond to those translated into Spanish and issued by the IASB for the first half of 2016; the following items are excepted from NCIF:

Items	Normative	Exception
Treatment of the loan portfolio and its impairment	Decree 1851 of 2013 SFC External Circular 036 of 2014.	The consolidated financial statements present the impairment of the loan portfolio in accordance with the Accounting Norms and Financial Reporting accepted in Colombia (NCIF) and the difference between the impairment loss recognized under NCIF and the provisions calculated under the standards established by the SFC with the expected loss methodology is reflected in the Other Comprehensive Income in the terms defined in Circular 36 of December 2014 and Circular 37 of October 2017.
Wealth	Law 1739 of December 2014.	It allows the annual accrual Wealth Tax with the option to recognize it against equity reserves

Colombian law requires the Bank to prepare consolidated and separate financial statements. which are presented by the Board of Directors to the Annual General Meeting to approve or reject them. The consolidated financial statements are those in which assets. liabilities. equity. income. expenses. and cash flows of the Bank and its Subsidiaries are presented as if they were a single economic entity. which are submitted to the General Meeting in order to report on the performance of the management of the parent and Subsidiaries. The separate financial statements are those in which the investments in Subsidiaries are accounted for using the equity method. These financial statements are presented to the General Meeting so that - depending on their approval or rejection – the Meeting can decide on the distribution of dividends and other appropriations.

For legal purposes in Colombia. the principal financial statements are the Separate Financial Statements.

b. Going Concern

The preparation of the consolidated financial statements was made on the basis of a “going concern”; it was determined that there is no uncertainty about facts. events or conditions that may give rise to significant doubt about the possibility that the Bank entities continue to operate normally. The judgments by which the entities included in the Consolidated Financial Statements were determined to be business in progress. relate to the evaluation of the current financial situation. its current intentions. the results of operations and access to Financial resources in the financial market. where also considered was the impact of such factors on future operations and no situation was identified that would make it impossible for the Bank to operate as a going concern.

c. Accrual accounting

The Bank uses accrual accounting to prepare its financial statements. except for cash flow information. The Bank therefore recognizes accounting items as assets. liabilities. equity. income and expense. when they meet the definitions and criteria established by the conceptual framework of IFRS adopted in Colombia.

d. Materiality

The Bank´s management determined the relative importance of the figures to present in consolidated financial statements according to their function or nature. In other words. if a specific item lacks relative importance. it is grouped with other items. since IFRS do not require the Bank to make specific disclosures of items that lack relative importance.

e. Uniformity of presentation

The Bank's management will maintain the presentation and classification of the items disclosed in the consolidated financial statements from one period to another. unless a review of activities of significant importance to the presentation of the consolidated financial statements is presented or when it becomes clear that another presentation or other classification will be more appropriate. taking into account the criteria defined according to the Bank's policies at the time.

Disclosures in relation to the criteria and estimates used for the recognition of asset and liability components of the Bank. appear in the note related to accounting policies. When required for proper understanding of the accounts. the importance of the use of these estimates and hypotheses that affect the amounts presented in the separate financial statements will be set out in the explanatory notes for each component that requires a separate description for value judgments applied in the presentation of the separate financial statements.

Uniform accounting NCIF-based policies have been used in preparing consolidated financial statements under NCIF except for changes introduced as of January 1. 2018 in relation to policies for other income due to the application of IFRS15 – Revenues from Customer Contracts – and IFRS 9 – Financial Instruments. See Note 7 for a description of the impact of the application of these new standards.

f. Presentation of the consolidated financial statements

i. Statement of Financial Position

The statement is presented by showing the different accounts of assets and liabilities arranged according to their liquidity. considering that. for a financial institution. this form of presentation provides more relevant reliable information. Consequently. the development of each of the financial assets and liabilities are disclosed in an amount expected to be recovered or canceled within twelve months and after twelve months.

ii. Statement of Income and Other Comprehensive Income

They are presented separately in two statements as permitted by IAS 1 "Presentation of Financial Statements". Also. the income statement is presented by the nature of income and expenses because it is a presentation that provides more reliable and relevant information for financial institutions.

iii. Statement of Cash Flows

The statement is presented by the indirect method. Interest income and expenses are presented as operating activities. dividends received as investment activities and dividends paid as financing activities.

4. Main Accounting Policies

4.1 Basis of Measurement

The consolidated financial statements were prepared based on a historic cost basis. except for the following financial instruments measured at their fair values at the end of each period. as explained in the accounting policies included below:

Rubric	Measurement Base
Derivatives financial instruments	Fair Value
Financial instruments at fair value with changes in Results and in Other Comprehensive Income	Fair Value
Long-term employee benefits.	Actuarial calculation

i. Historical Cost

Historic cost generally is based on the fair value of the consideration given in exchange for goods and services.

ii. Fair Value

Fair value is defined as the price that would be received upon sale of an asset or price that would be paid to transfer a liability in an ordinary transaction between participants in the market at the valuation date regardless of whether that price is observable or estimated directly using another valuation technique. When estimating the fair value of an asset or a liability. the Bank considers the characteristics of the asset or liability; whether the participants of the market would consider these characteristics at the moment of setting the price of the asset or liability on the date of measurement. The fair value for purposes of measurement and/or disclosure of the consolidated financial statements is determined in this way. with the exceptions of leasing operations covered by IAS 17. and valuations that have some similarities with fair value. but are not a fair value. such as the “value in use” of IAS 36.

4.2 Functional currency. currency of presentation

The consolidated financial statements have been prepared and presented in Colombian pesos to comply to the functional currency of the Bank and comply with the instructions in SFC External Circular 38/2013.

The items included in the consolidated financial statements are expressed in the currency of the primary economic sphere where the Bank operates (Colombian peso – COP). The financial statements are presented in “Colombian pesos” which is the functional currency of the Bank and the reporting currency. All information is presented in millions of pesos and has been rounded to the nearest unit.

4.3 Transactions in foreign currency

In preparing the financial statements of each individual entity included in the Bank's consolidated financial statement. transactions in a currency other than the functional currency of the Bank (foreign currency) are recognized using the exchange rates prevailing at the dates of the transaction. At the end of each period. monetary items denominated in foreign currency are converted at the exchange rates prevailing at that date. Non-monetary items are measured at historical cost in foreign currency are not reconverted.

Exchange differences in monetary entries are recognized in the income statement for the period. except when:

• They are exchange differences arising from transactions related to currency risk hedges (see Note 4.9 related to the hedge accounting policies).

The presentation of the consolidated financial statements contains the Bank´s foreign currency assets and liabilities expressed in Colombian pesos using the exchange rates prevailing at the end of the period. Income and expense items are converted at the average exchange rates in effect for the period. unless they fluctuate significantly during the period. in which case the exchange rates are used at the date the transactions are made and the equity at historical cost. Differences in exchange rates. if any. are recognized in OCI and accumulated in equity (attributed to non-controlling interests when appropriate).

In the sale of a foreign operation (i.e.. sale of all of the Bank's participation in a foreign operation. or a provision involving a loss of control in the subsidiary that includes a foreign operation. partial loss of joint control over a controlled entity jointly involving a foreign operation. partial of which the retained interest becomes a financial instrument. All differences in accumulated exchange rate in capital related to that operation attributable to the Bank are reclassified to Results.

The conversion rates applied at the close of December 31. 2018 and 2017 are $3.249.75 and $2.984.00 per US$1 respectively.

4.4 Bases for consolidation of financial statements

The consolidated financial statements include the assets. liabilities. results and cash flows of the Bank and its Subsidiaries. and are prepared using standard accounting policies for transactions or events in similar circumstances. Intercompany balances and transactions and any unrealized income or expense are eliminated in the consolidation process. Unrealized gains arising from transactions with companies whose investment is recognized under the equity method are eliminated in proportion to the invested interest. Unrealized losses are eliminated in the same way as unrealized gains.

The Bank controls an entity when: a) there are existing rights that give the current capacity to direct the significant activities of the investee that significantly affect the returns of the same. b) it has the rights over and / or is exposed to the variable returns of the investee and c) It has the authority to use power over the investee to influence the returns of the same.

Subsidiaries

The Bank exercises indirect control over the companies in which the subsidiaries consolidate other entities. All consolidated entities are subsidiaries.

Subsidiaries are entities controlled by the Bank. An entity is controlled by the Bank when it exercises power over the investee. is exposed. or is entitled to variable returns from its involvement in the investee and has the ability to influence those returns through its power over the investee. Generally. the control exercise is aligned with the risks or returns absorbed from the Subsidiaries. On the other hand. the Subsidiaries are consolidated from the date control is obtained to the date when it ceases.

For each year. the Bank evaluates investments in which it has a stake of less than 50%. to establishing whether there is control and. therefore. an obligation to consolidate these entities. taking into account the following elements: a) Substantial changes in the interest of the Bank. purchases or sales of its shares in the period; b) contractual changes in management; c) additional activities in the year such as providing liquidity. transactions not originally contemplated; and d) changes in the evaluated financing structure of the Bank.

All intercompany balances. transactions and cash flows have been eliminated in consolidation.

When the Bank loses control of a subsidiary. the gain or loss in the disposal is calculated as the difference between (i) the sum of the fair value of the consideration received and the fair value of any interest retained and (ii) the previous book value of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interest.

Amounts previously recognized in OCI related to the subsidiary are recorded in the same manner as if the relevant assets or liabilities are available (i.e.. they are reclassified to results or transferred directly to other equity account entries as is specified/allowed by the applicable IFRS). The fair value of any investment retained in the subsidiary at the date the control is lost is considered as the fair value for the initial recognition under IFRS 9 or. if applicable. the cost of the initial recognition of an investment in an associate or joint operation.

For the equity investments. a significant and prolonged reduction in fair value at a level below cost is considered as an impairment.

The Bank's consolidated financial statements as of December 31. 2018 and 2017. include the following subsidiaries.

Subsidiaries in Colombia

Fiduciaria Davivienda S.A.

A private incorporation on December 14. 1992 (Deed No. 7940. Notary 18. Bogotá). authorized by the SFC by Resolution 5413 of December 30. 1992 with a valid operating permit expiring in December 14 . 2043. with registered offices of in Bogota.

On December 13. 2012. Fiduciaria Davivienda S.A. and Fiduciaria Cafetera S.A.. Subsidiaries of Banco Davivienda. were merged. and made Fiduciaria Davivienda S.A. one of the leading companies in the Trust sector. The company complements its offer of value to the customers with a wide portfolio of products in Investment Funds and Structured Trusts. backed by the knowledge and the experience of its staff.

Corredores Davivienda S.A. – Comisionista de Bolsa

This private securities brokerage was incorporated on December 5. 1980 by Deed 6710 of Notary 1. Bogotá D.C. Its registered offices are in Bogota D.C. and the SFC authorized it to operate in Resolution No. 061 of March 9. 1981; its Articles expire on December 31. 2030.

On February 24. 2011. the Subsidiary Corredores Asociados Panamá SA. a stick corporation. was incorporated as a Panamanian incorporation. registered as No. 719028 with the document 1880528 of the Business Section of the Public Registry of Securities Brokers. National Securities Commission Resolution No. 235-11 of July 5. 2011.

On February 28. 2013. a purchase agreement was made for 100% of the shares of Corredores Asociados. valued at $ 120.000 between Banco Davivienda. Fiduciaria Davivienda and Sociedades Bolívar. where the Bank acquired 94.89%. This purchase was authorized by the SFC on May 16. 2013 and was formalized on December 25. 2013.

Through Resolution No. 2247 of December 19. 2014. the SFC raised no objection to carry out the merger between the two brokerage firms: Corredores Asociados S.A.. and Davivalores S.A.

On January 2. 2017 Davivalores S.A. ceased to exist. and joined with Corredores Asociados S.A.. through a merger with Corredores Davivienda S.A

Cobranzas Sigma S.A.

Cobranzas Sigma S.A.S.. is a private entity incorporated by a Single Private Shareholders Document on December 3. 2010. entered on December 9. 2010 under No. 01412815 of Book IX. It has its registered offices in Bogotá. D.C.; the articles of the company do not expire. but may be dissolved at any time. On October 31. 2018 the company became a stock corporation.

The Board of Directors of Leasing Bolivar. in Minute No.435 of August 27. 2017 unanimously authorized the Company's President and granted him powers to execute the purchase agreement for the shares of the company SIGMA S.A.S.. - a company whose business is collection of leasing debts. through the courts and otherwise - in the terms of a valuation conducted by the firm Estructuras Financieras S.A.S. Likewise. the Board of Directors unanimously requested the Management to convene an Extraordinary General Meeting for December 23. 2017. vote on the approval of the merger commitment or agreement and the terms of exchange between Banco Davivienda and Leasing Bolívar.

On December 23. 2015. the General Shareholders' Meeting approved the merger between Banco Davivienda S.A.. and Leasing Bolívar S.A.. Financing Company.

As of January 4. 2018. with the merger between Leasing Bolivar S.A. and Banco Davivienda S.A. approved by the SFC. in Resolution 1667 of December 02. 2017. Sigma became a subsidiary of Banco Davivienda S.A.

Subsidiaries outside Colombia

Financial Investments Davivienda S.A. - El Salvador

On June 25. 2003. the SFC authorized the firm Inversiones Financieras Bancosal. S.A. to be incorporated as the controlling company for the sole purpose of managing the financial conglomerate of Banco Davivienda Salvadoreño. which is composed of the following companies: Inversiones Financieras Davivienda. S.A.. the controlling company with exclusive control. Banco Davivienda Salvadoreño. S.A. And its subsidiaries: Almacenadora Davivienda El Salvador. S.A.. Valores Davivienda El Salvador. S.A. de C.V. and Seguros Comerciales Bolívar. S.A.. Seguros de Personas Bolívar. S.A. and Davivienda Servicios S.A. de C.V.

Inversiones Financieras Davivienda S.A. has as its sole purpose the investment in the share capital of Salvadoran companies or companies incorporated abroad. engaged in financial intermediation or with the complementary purpose to effect the banking and financial businesses permitted by the laws of the Republic of El Salvador. with the approval of the SFC.

Banco Particular de El Salvador was incorporated on January 5. 1885 and Davivienda Seguros was incorporated on March 6. 1958 and the company of Davivienda Vida Seguros. S. A. Seguros de Personas was incorporated on July 13. 2000.

On November 30. 2012 Banco Davivienda Colombia acquired the Subsidiary Inversiones Financieras Davivienda El Salvador.

There is a Representative Office in Guatemala which began operations in May 2014

Banco Davivienda Honduras S.A.

This bank was incorporated in Tegucigalpa through Public Instrument No. 12 of March 31. 1948. to trade as Banco la Capitalizadora Hondureña S.A.

During 2004. the Bank became a subsidiary of Primer Banco del Istmo. S.A. (BANISTMO). a Panamanian financial group; and in July 2006. HSBC purchased 99.98% of the shares.

In February 2007. the bank's name changed was approved from Banco El Ahorro Hondureño S.A. to Banco HSBC Honduras. S.A. (Deed No. 265 of May 9. 2007. effective as of July 23. 2007).

On December 7. 2012. Banco Davivienda Colombia acquired the subsidiary Banco HSBC Honduras SA. (Deed 198). and the company name was changed to "Banco DAVIVIENDA Honduras SA. Reg. No. 63.147. Entry No. 16.077 in the Business Register (Registro de Comerciantes Sociales del Registro de la Propiedad Mercantil. Centro Asociado).

Grupo del Istmo Costa Rica S.A.

On November 23. 2012 Banco Davivienda Colombia acquired Grupo del Istmo Costa Rica.

Grupo del Istmo was organized as a Costa Rican stock corporation; it is principally a holding company. with registered offices in San José. Costa Rica.

As of December 31. 2014. Grupo del Istmo (Costa Rica). S.A. became the holder of 99.92% of the shares of Corporación Davivienda (Costa Rica). S.A.. formerly Corporación HSBC (Costa Rica). S.A.. an entity authorized as a Financial Group by the National Council for the Supervision of the Financial System (CONASSIF). since April 15. 1999. through Article 23 of Act 86-993.

The Financial Group is integrated. as of December 31. 2014. by Corporación Davivienda (Costa Rica). S.A. which holds 100% of the shares of the following companies registered in San José. Costa Rica:

- Banco Davivienda (Costa Rica). S.A. (formerly Banco HSBC (Costa Rica). S.A.
- Davivienda Puesto de Bolsa (Costa Rica). S.A. (formerly HSBC Puesto de Bolsa (Costa Rica). S.A.) (Valores)
- Davivienda Corredora de Seguros Costa Rica S.A. (formerly Davivienda Sociedad Agencia de Seguros (Costa Rica) S.A.

In March 2015 Grupo del Istmo acquired the Leasing company GDICR. Limited Liability Company for 1 million colones and Corporación Davivienda (Costa Rica) acquired the shareholding held by Grupo Istmo of the business leasing subsidiary GDICR.. changing the name of the leasing company to "Davivienda Leasing Costa Rica SA". and capitalizing it with ₡270 million (approximately US$ 0.5 million).

In October 2015 Grupo del Istmo (Costa Rica) S.A. made a capital contribution to Corporación Davivienda (Costa Rica). with the proceeds of a US$ 6.1 million loan received from Banco Davivienda Panama (General License). so that it could in turn acquire Riesgos e Inversiones Bolívar Internacional S.A.. a company registered in Panama City. with 51% of the common and nominative shares of the company Seguros Bolívar Aseguradora Mixta S.A.

Seguros Bolívar Honduras S.A.

This company was incorporated in Deed No. 21 of January 17. 1917. and was certified by public deed of November 11. 1987. as a corporation of indefinite duration. registered in Tegucigalpa. Honduras.

During 2005. the controlling interest in the insurance company. First Banco del Istmo. S.A. (BANISTMO). sold the shares of Seguros Bolívar Honduras S.A to another of its Panamanian subsidiary companies. HSBC Seguros (Panama). S.A. Afterwards in July 2006. the Board of Directors of HSBC Seguros (Panama) S.A. deal signed with with HSBC Asia Holdings. in which it sold 99.98% of the Parent´s shares.

Also during 2005. the Parent of the insurance company. sold the shares of Seguros El Ahorro Hondureño. S.A. (Now Seguros Bolívar Honduras. S.A.) to another of its Panamanian subsidiaries: HSBC Seguros (Panama). S.A. (formerly Compañía Nacional de Seguros. S.A. (CONASE). which became the owner that consolidates the financial statements of the Subsidiary.

In February 2007. it was approved to change the company name "Seguros El Ahorro Hondureño S.A." to "Seguros HSBC Honduras S.A." (Seguros HSBC. S.A) and increase the capital to 3.468.000 shares.

In 2009. HSBC Seguros Panamá. S.A. passed to the ownership of HSBC Bank (Panama) S.A. On January 24. 2012. HSBC Bank (Panama) S.A. entered into the agreement to buy 88.64% of the shares of Seguros HSBC Honduras SA. with Banco Davivienda SA. an operation concluded on December 7. 2012. by an EGM Resolution of May 17. 2012 and Resolution No. 502-11 / 2012 of the Banco Central de Honduras; the company was authorized to change its name to Seguros Bolívar Honduras. S.A.

The main business of the company is the acceptance of risk to cover indemnities for losses suffered by the assets or equity of the Parent. known as damage and loss insurance. including accident contracts.

Banco Davivienda Panamá S.A.

Banco Davivienda (Panama) S.A. (the "Bank". in this section). before Bancafé (Panama) S.A.. was incorporated on December 13. 1966 under the laws of the Republic of Panama. and started operations under a General Banking License from the National Banking Commission. now “Superintendency of Banks of Panama” (the "Panamanian Superintendency"). which allows it to engage in banking transactions in Panama and abroad. On May 3. 1988. through Resolution No. 34-88. that entity also granted the Bank an international license. By Resolution No. S.B.P. 0067 of June 29. 2011. the Panamanian Superintendency authorized the transfer and consolidation of the activities held under the International License. under the umbrella of the General License. Therefore. this resolution supersedes Resolution No. 34-88.

Banking operations in the Republic of Panama are regulated and supervised by the Panamanian Superintendency. in accordance with Decree Law 9 of February 26. 1998 and other regulations. The registered offices are in Panama City.

On February 16. 2007 Banco Davivienda Colombia acquired the Subsidiary Bancafé Panama and currently owns 100% of the shares.

On November 19. 2012 Bancafé Panama changed its name and logo to become Banco Davivienda Panama.

Banco Davivienda Panama adopted international financial reporting standards and presented its opening financial statement and its first comparative statement in December 2014.

In 2018 Banco Davivienda (Panamá) S.A: acquired Torre Davivienda Sucursal S.A. Torre Davivienda piso 12 S.A.. Torre Davivienda piso 13 S.A.. Torre Davivienda piso 14 S.A:. Torre Davivienda piso 15 S.A.. Torre Davivienda piso 16 S.A.. Torre Davivienda piso 17 S.A. and Torre Davivienda piso 18 S.A:.for US$94.516.

Licencia Internacional

On June 3. 2015 Banco Davivienda (Panama) SA was split to form the new subsidiary Davivienda Internacional S.A. (Panama). with a capital of US$ 10.000.000. consisting of 10.000 shares at US$ 1.000 each. This new entity is 100% owned by Banco Davivienda Colombia. as a result the new paid capital of Banco Davivienda (Panama) S.A. was in US$ 19.100.000.

With SFC-Colombia authorization (files 2014035808.-010-000 of May 29. 2014 and file 2014088027-015-000 of October 20. 2014 the Panamanian Superintendency issued Resolution SBP-0106-2015 to permit the following book entries in the spin-off process:

Assets were transferred for US$ 109.117 compound for US$ 84.054 of loan portfolio and US$ 25.063 for investment in bonds and deposits for US$ 109.117. The process of spin-off will culminate in 2018.

Product of the split part of the capital reserve of US$ 1.3 million was transferred from the equity to constitute the dynamic reserve.

The following is a breakdown of the assets. liabilities. equity and profitability of the Bank and the companies included in consolidation without homologation. elimination and homogenization to NCIF- Accounting and Financial Reporting Standards accepted in Colombia.

	December 31. 2018			
	Assets	Liabilities	Equity	Profit (Loss)
Banco Davivienda S.A. (Controlling Company) Excluded	86,049,167	75,705,051	10,344,116	1,194,882
Grupo del Istmo Costa Rica S.A. (*)	9,904,132	8,981,847	922,284	82,686
Inversiones Financiera Davivienda S.A. (*)	8,578,026	7,566,861	1,011,165	81,694
Banco Davivienda Honduras S.A	3,693,345	3,268,653	424,692	34,772
Seguros Bolívar Honduras S.A.	277,206	170,939	106,267	21,925
Banco Davivienda Panamá S.A.	4,228,813	3,701,774	527,039	27,117
Davivienda Internacional Panamá S.A.	568,260	375,975	192,285	5,633
Corredores Davivienda S.A. (*)	230,711	139,354	91,357	15,878
Cobranzas Sigma S.A.	1,580	383	1,197	911
Fiduciaria Davivienda S.A.	251,036	30,511	220,526	43,543
Total	113,782,276	99,941,348	13,840,928	1,509,041

	December 31. 2017			
	Assets	Liabilities	Equity	Profit (Loss)
Banco Davivienda S.A. (Controlling Company) Excluded	78,491,880	68,947,167	9,544,715	1,108,467
Grupo del Istmo Costa Rica S.A. (*)	8,728,470	7,892,560	835,910	49,449
Inversiones Financiera Davivienda S.A. (*)	7,545,147	6,657,816	887,330	75,850
Banco Davivienda Honduras S.A	3,079,827	2,697,854	381,973	27,635
Seguros Bolívar Honduras S.A.	251,528	154,828	96,700	15,897
Banco Davivienda Panamá S.A.	3,873,998	3,399,541	474,456	23,826
Davivienda Internacional Panamá S.A. (*)	471,628	300,460	171,167	7,705
Corredores Asociados Colombia S.A. (*)	229,274	149,007	80,267	12,898
Cobranzas Sigma S.A.	1,519	575	944	658
Fiduciaria Davivienda S.A.	230,977	25,331	205,647	41,723
Total	102,904,248	90,225,139	12,679,109	1,364,108

(*)Sub-consolidated

To date. there are no contractual restrictions on the use of assets and liquidation of the Bank's liabilities except the cash reserve requirement. for the protection of customer deposits.

4.5 Homogenization of accounting policies

The Bank homogenizes accounting practices for transactions and other events which. being similar. have occurred in similar circumstances.

December 31. 2018

Item	Davivienda	Subsidiaries in Colombia	Subsidiaries outside Colombia	Total Consolidated
Profit - separate	1,194,882	60,332	253,827	1,509,041
Homogenizations	189,446	(1,857)	28,902	216,491
Loan impairment	308,570	-	39,302	347,872
Financial revenues from loans	73,888	-	(1,271)	72,617
Valuation of investments	(8)	-	(117)	(125)
Derecognition of dividends	(51,438)	-	-	(51,438)
Recognition equity method	(4,134)	(1,857)	643	(5,348)
Deferred tax	(107,969)	-	(9,359)	(117,328)
Other	(29,463)	-	(296)	(29,759)
Homogenized profit	1,384,328	58,475	282,729	1,725,532
Eliminations	(366,901)	40,315	(444)	(327,030)
Consolidated profit	1,017,427	98,790	282,285	1,398,502

December 31. 2017

Item	Davivienda	Subsidiaries in Colombia	Subsidiaries outside Colombia	Total Consolidated
Profit - separate	1,108,467	55,280	200,361	1,364,108
Homogenizations	152,594	(2,407)	5,933	156,120
Loan impairment	8,004	-	13,896	21,900
Financial revenues from loans	198,028	-	9,094	207,122
Valuation of investments	15,728	-	(15,829)	(101)
Derecognition of dividends	(17,134)	-	-	(17,134)
Recognition equity method	(16,434)	(2,407)	-	(18,841)
Deferred tax	(37,602)	-	8,342	(29,260)
Other	2,004	-	(9,570)	(7,566)
Homogenized profit	1,261,061	52,873	206,294	1,520,228
Eliminations	(268,492)	29,477	1,768	(237,247)
Consolidated profit	992,569	82,350	208,062	1,282,981

4.6 Cash and Cash Equivalents

Cash and equivalents of cash include available balances maintained with central banks. correspondents and highly-liquid financial instruments. with original maturities of three months or less. subject to little significant risk and used by the Bank to manage its short-term commitments. The Bank defines as ´low significant risk´ those financial instruments that depend on broad. deep markets. about which there is total certainty and facility for their valuation; and with a minimum credit risk. shown in the ratings that support a strength in the capacity of the issuer or counterparty to settle its obligations.

Cash equivalents measured at a fair value or at the amortized cost of the financial instruments that meet conditions to be so in each case.

4.7 Interbank and overnight funds

Interbank and overnight funds include the operations of purchase and sale of interbank funds. repos. simultaneous operations and the temporary transfer of securities operations.

Engagement in repos. simultaneous operations and temporary transfers of securities are recorded in the Statement of Financial Position as an obligation or a right according to the appropriate position. These operations are considered guaranteed forms of financing and are recognized initially at a fair value. the amount of cash being disbursed and received. respectively. The disbursing party takes possession of the securities that serve as a guarantee for the financing. and they have a value of the amount of capital lent. or higher.

For repos. the initial amount can be calculated with a discount on the market price of securities object of the transaction; it can be established that over the term of the transaction. the initial securities delivered can be substituted for others and restrictions can be imposed on the mobility of the securities involved in the operation.

In the case of simultaneous operations. a discount may not be established on the initial amount market price of the securities. nor may it be arranged that securities initially delivered can be replaced by others during the life of the operation. and restrictions cannot be placed on the mobility of the securities of the operation.

The securities received under reverse repurchase agreements and securities delivered under repurchase agreements are not derecognized in the financial situation statement. since the risks and benefits of the financial asset cannot be transferred.

The yield of repo or simultaneous operations and interbank interest are recorded in the Income Statement.

Interbank operations maturing at 90 days or less are considered as cash equivalents for cash flow presentation.

4.8 Financial Instruments

Financial assets and liabilities are recognized when the Bank becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially measured at fair value. Transaction costs directly attributable to liabilities are deducted from the fair value of financial liabilities at initial recognition. Transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are recognized immediately in the Income Statement.

4.8.1 Financial Assets

The Bank has classified its financial assets at amortized cost or fair value according to the business model defined to manage the risks and benefits as well as the characteristics of contractual cash flows of financial assets.

The characteristics of cash flows show whether the instrument is held to obtain contractual cash flows. or for sale. or for both.

<u>Evaluation of the business model</u>

The evaluation of the business model implies an evaluation of the Bank´s routine operations and the role of one or another financial asset in its business objectives. The analysis of the instruments is made in aggregate form (area. sub-area). which is then extended downwards to an individual evaluation for a portfolio. product or business line where needed. generating the possibility of holding “sub-portfolios”. each corresponding to a different business model.

<u>Evaluation of characteristics of contractual cash flows. SPPI Test.</u>

The Bank determines whether a financial asset satisfies the conditions as a Solely Payment of Principal and Interest security. in order to evaluate the characteristics of contractual cash flows.

Bank established two business models for the management of the investment portfolio: i) structural management: investments whose objective is associated with financial intermediation. management of market risks of the balance sheet and the need to count on a backing of liquid assets in the process of financial intermediation; and ii) negotiation management: investments whose purpose is to maximize the profits generated by the Treasury by means of the purchase and sale of financial instruments.

All of the purchases and sales of financial assets completed in the usual manner are recognized and eliminated based on the negotiation date. The purchases and sales made on a regular basis are those purchases or sales of financial assets that require the delivery of the assets within the time period established by regulations or custom in the market.

4.8.1.1 Financial assets at amortized cost

The Bank holds financial instruments measured at amortized cost when its intention is to maintain them in order to collect contractual cash flows. and the contractual terms of asset give rise on specific dates to cash flows that are solely payments of principal and interest on the outstanding principal and the Bank has the ability to hold them until maturity.

Financial assets are recognized at amortized net cost of impairment provisions; Interest income is recognized by the effective interest method and is recorded as interest income.

Investments measured at amortized cost are evaluated in each period to determine whether there is evidence of impairment. and impairment losses are charged to the Income Statement.

Reclassifications of financial instruments are made only if Bank's business model changes.

Financial assets at fair value through profit or loss

Financial assets that are purchased for the purpose of selling or repurchasing in the short term are held for trading. The Bank manages these investments and takes decisions to buy and sell decisions based on their fair values in accordance with risk management or investment strategy. These assets are recognized at fair value on the date of the trade. and subsequent changes in fair value and gains or losses on sale are recorded in the Income Statement.

Financial assets at fair value through profit or loss

Financial assets that are designated at fair value through OCI are recognized at fair value on the trading date. Changes in fair value are recorded in OCI; interest is recognized in the Income Statement when earned. and the profit or loss on sale is calculated on the cost and recognized in net income by profit (loss) in Other Income.

Certain equity investments complementary to the Bank's business are recognized at fair value through OCI. taking the irrevocable decision to classify them in this category and are recognized at fair value plus any transaction costs on the date of the trade. Changes in the equity securities are recorded in OCI.

Impairment of financial instruments at amortized cost and fair value through OCI - Investments

The impairment of these investments is recognized as follows

- If the credit risk of the investment has significantly increased since its initial recognition. it is recognized for the amount less the expected credit loss over the life of the asset; or

- If the credit risk on the investment has not significantly increased since initial recognition. it is recognized for an amount net of expected credit loss for the next 12 months.

The Bank reviews these investments at least annually or semiannually. depending on the type of company concerned. and reviews individual or sector situations that could impact the creditworthiness of the counterparts.

For debt investments. the impairment of credit risk rating is considered to be objective evidence of impairment. There are other factors in assessing impairment. including financial position. the principal indicators of the issuer. significant and continuing losses of the issuer or contractual default. including non-payment of interest or defaults on loan covenants.

4.8.1.2 De-recognition of financial assets

The accounting treatment of financial assets transfers depends on the extent to which the risks and benefits associated with the transferred assets are transferred to third parties.

• The Bank ceases to recognize a financial asset only when the contractual rights expire on the cash flows of the financial asset or when all the risks and rewards of ownership of the financial asset are transferred substantially. For example. the unconditional sale of financial assets. the sale of financial assets with a promise to repurchase them at fair value to the date of repurchase. the securitization of assets in which the transferor does not retain subordinated financing or grant any credit enhancement to new holders and other similar cases.

• Upon de-recognition of a financial asset in its totality. the difference between the book value and the sum of the consideration received and because of the receiving and the cumulative gain or losses recognized in Other Comprehensive Income and retained earnings. they are recognized in results.

• If the Bank neither transfers nor retains all the substantial risks and rewards of ownership and continues keeping control of the transferred asset. the Bank will recognize its interest in the asset and the liability associated with the amounts that it would have to pay. for example. sales of financial assets with the promise of repurchasing them at a fixed price or the sale price plus interest.

If this is the case. the following elements are recognized:

a) An associated financial liability. which is recognized in an amount equal to the consideration received and is subsequently measured at its amortized cost unless it meets the requirements for classification in other financial liabilities at fair value through profit or loss.

b) The income from the transferred financial asset not de-recognized and expenses of the new financial liability remain uncompensated.

If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset. the Bank continues to recognize the financial asset and also recognizes a collateral loan for funds received. For example. securitization of assets in which the transferor retains a subordinated debt or other type of credit enhancement for a portion of the asset transferred.

4.8.1.3 Loan Portfolio

The loan portfolio consists of assets with fixed or determinable payments and which the Bank does not intend to sell in the short term and are not quoted in an active market. The loans are registered at amortized cost. net of impairment provisions. penalties and unearned income. including paid interest. costs and origination fees. syndicated loans commissions and unamortized discounts or premiums when the conditions are met.

Interest income is recognized by the effective interest method. Costs and origination commissions are considered to adjust the interest rate of the loan and recognized in interest income over the term of the loan.

Commissions are recognized by the effective interest rate method during the term of the credit or as commission income when there are no disbursements as contractually agreed.

Ministry of Finance Decrees 1143/2009. 1190/2012. 0701/2013. 2480/2014 and 161/2014. create the "conditioned hedging" mechanism to help home-buyers. The Bank implements the procedures for the implementation of this mechanism in the disbursements of housing loans and in residential leasing contracts for new housing. The Government has hedged of interest on loans granted from July 2012. up to a general preset. The Bank offered its customers an additional incentive for and after installment 85 up for up to a maximum of the next eight years and will take up the amount that the Government had been paying. provided that the customer keeps up with his obligations. To fulfill this obligation. a provision was estimated based on a model that considers the real performance of the loans. which must be adjusted to the extent that the Bank provides hedging.

Mortgage Leasing

The property included in this type of operations is owned by the Bank and is insured for fire and earthquake.

Mortgage Leasing corresponds to the financed value of real property of housing delivered to the user on lease and use. in exchange for payment of a regular lease payment. during the agreed term. Upon expiry of that time. the property is restored to its owner or transferred to the lessee. if he decides to exercise the purchase option and pays it.

Restructured Loans

A restructured loan is a business transaction designed to change initial the conditions so that the debtor will be able to service the loan properly. For these purposes. novations are considered to be restructurings. Loan modifications that do not correspond to customer payment problems are not considered restructured. Before restructuring a loan it should be reasonably established that the debt will be repaid under the new conditions.

Portfolio Purchases

Purchases are initially recognized at acquisition cost equal to their fair value. considering any discount or premium adjustment on purchases.

Insolvency regime: Law 1116 of 2006

The insolvency regime seeks to protect credit and secure the recovery and conservation of a business as a unit of economic exploitation and source of employment. by the means of reorganization and formal liquidation. always applying the criterion of added value.

Impairment Provisions (Policy effective since January 1. 2018)

The Bank aims to guarantee its customers´ money by making prudent provisions against loan losses.

A loan or group of loans. measured at amortized cost. are considered to be impaired if there is a significant increased in credit risk and this event has an impact that can be reliably calculated on the estimated future cash flows of the financial asset.

This implies that the impairment must be consistent with the model for expected losses defined for the portfolio; that impairment be generated by the effect of significant increases in loan credit risk; and that the calculation of the amount of the impairment can be estimated as an effect of the decline in value of expected loan flows in comparison to contractual flows.

Indicators of impairment. may include - but are not limited to - one or more of the following events: a) significant financial difficulty of the borrower or issuer. b) default or delinquency by a borrower. c) restructuring of the loan. d) indications that a borrower or issuer will go into bankruptcy. e) disappearance of an active market for an instrument. f) other observable data relating to a block of assets such as adverse changes in the payment status of the borrowers or issuers in the bank. or economic conditions that correlate with defaults on the Bank's assets.

Significant loans measured at amortized cost presenting impairment are assessed individually and those that remain significant but have no impairment are collectively evaluated for any signs of impairment that they may have incurred but have not yet been identified. Loans measured at amortized cost that are not individually significant are collectively assessed looking for impairment. by grouping them according to similar risk characteristics.

The model of individual impairment evaluation takes into account the expected flows affected by factors such as arrears presented. the antiquity of these arrears. exposure of the loan. the associated guarantees and the costs incurred to collect against collateral.

Further. the evaluation model of collective impairment considers the customer´s historical record of payments at the cutoff date. allowing the construction of transition matrixes from which the existence of significant impairment in the obligations of the portfolio could be objectively determined. The collective impairment model also considers credit exposure and potential recoveries of impaired loans.

If the conditions of a financial asset at amortized cost are re-negotiated or otherwise modified due to financial difficulties of the borrower or issuer. the impairment should be measured if there is a significant increase in credit risk. making a comparison between:

- The risk of default on the date of the event. based on contractual or renegotiated terms; and
- The risk of default at the time of original recognition. based on original contractual conditions.

The size of impairment represents the management's best estimate for the impairment of loans including off-balance sheet exposures at year-end. Provisions for loans are presented as a deduction from loans at the time of presentation of assets in the consolidated financial statements.

Loan impairment levels increase with new provisions and are reduced by write-offs or sales. The specific conditions of the model for expected losses are detained in Note 11 – Credit Risk – Impairment Model

Impairment (policy applied up to December 31. 2017)

Loans or a Group of loans measured at amortized cost. are considered to be impaired if there is objective evidence of deterioration in credit quality after initial recognition (loss event) and if the event has an impact on future flows estimated for the financial asset. which can be reliably estimated.

This means that general provisions most be consistent with losses incurred; that provisions are generated by sustainable evidence of impairment and the calculation of amount provided is estimated as an effect of the fall in value of expected loan flows in comparison to contracted flows.

Write-offs

A loan is derecognized when there is no chance of recovery. and extensive recovery efforts have been made or legal action have been taken. Consumer loans not backed by mortgage and/or guarantee are derecognized when exhaustive efforts of recovery have been made. Commercial. consumer and home-mortgage loans and residential leases are derecognized when the maximum days´ past due is exceeded. as set in each country.

Particular write-offs under the parameters defined by the Bank as authorized by the Board may also be applied.

A write-off does not relieve Bank´s management from continuing in its efforts to collect in some appropriate manner.

4.8.1.4 Loan Portfolio Sales

This is a process whereby financial assets held by the Bank are 100% transferred with all the rights and risks or derivatives thereof to a third party as a firm sale and the consideration received can be money or other property. The assets being sold are removed from the consolidated financial statements for their net value on books on the trade date and the difference between the book value and the value received is recorded as a profit or loss for the year. registered according to valuation studies issued by experts.

The Bank has management contracts for securitized portfolios where is uses computer applications to control the operations of a third-party loan portfolio on commission.

Loans that are derecognized and then sold are recorded at fair value and the profit or loss is recognized against profit or loss.

The Bank has management contracts for securitized portfolios where is uses computer applications to control the operations of a third-party loan portfolio on commission.

4.8.1.5 Derivative financial instruments

Derivatives are financial instruments that generate value from changes in interest rates. exchange rates. lending spreads. commodity prices. stock prices. or other financial or non-financial metrics. The Bank's derivatives portfolio is made up of contracts on interest rates. exchange rates and debt securities. The Bank uses derivatives for trading purposes and risk management purposes associated with the balance sheet structure and they are recognized at fair value in the Statement of Financial Position In addition. the charge for credit risk is recognized using the CVA and DVA calculation for each counterparty engaged in this type of contract. The CVA is the Counterparty risk. which is expressed as a negative adjustment to fair value. DVA is the Davivienda risk to the counterparty. which implies a positive adjustment to the fair value of the contract.

Notional amounts of derivatives are not recognized as assets or liabilities. as they represent the face value of the contract to which a rate or price is applied to determine the cash flow for which it will be changed in terms of the contract. The notional amount does not represent the potential gain or loss associated with market risk or the risk indicator associated with the derivative.

Derivatives held for purposes of risk management are recognized at fair value in the Statement of Financial Position. and changes in fair value are recognized in Results along with changes in the fair value of the hedged item that are attributable to risk coverage. on the same OCI income line as the hedge entry.

<u>Derivatives held for trading purposes</u>

Trading profit can be generated in three ways: i) by distribution. understood as the Treasury's intermediation between professional markets. and offshore. institutional and real sector customers; ii) by the own position activity. by which positions are taken for short periods of time to take advantage of the trends of valuation or devaluation of financial assets and derivative instruments and; (iii) the arbitrage activity. which allows. through the combination of financial assets and derivative instruments. to generate financial margins without incurring market risks.

Realized or unrealized derivatives trading profits are recognized in the income statement as revenue associated with the business model of trading.

<u>Derivatives held for risk management</u>

The derivatives held for risk management care those which the Bank trades in order to hedge market. interest rate or foreign currency risks which are part of its traditional banking business operations. If derivatives are held to manage risks and also meet the requirements of hedge accounting. they are recorded with the requirements of hedge accounting. Certain derivatives that are held for hedging purposes. and do not meet hedging requirements are recognized as derivatives to manage risks and their changes in fair value are recognized in the income statement.

Embedded derivatives

The derivatives embedded in other financial instruments or other contracts (host contracts) are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and when such contracts are not recorded at fair value through profit or loss.

4.9 Hedge accounting

The Bank designates certain instruments as hedging instruments. They include derivatives and non-derivatives with respect to foreign currency risk. as either fair value hedges. cash flow hedges or hedges of net investment in a foreign operation.

For the consolidated financial statements the requirements of Chapter 6 of IFRS 9 apply to hedges in force at the transition date. that is. January 1. 2018. After that date all the criteria for hedge accounting in IFRS9 v. 2014 will apply to new hedging operations. The consolidated financial statements at December 31. 2017 applied the hedge accounting requirements in IAS 39 (replaced by IFRS 9) were applied.

At the beginning of the hedge. the Bank documents the relationship between the hedging instrument and the hedged item. as well as the objectives of the risk management and its management strategy to undertake various hedging transactions. Additionally. at the beginning of the hedge and on a continuous basis. the Bank documents whether the hedging instrument is highly effective in offsetting the exposure to changes in fair value or changes in the cash flows of the portion hedged.

• Fair value hedges

The changes in fair value of derivatives that are designated and qualify as fair value hedges are recognized immediately in the results. along with any changes in fair value of the hedged asset or liability that are attributable to the hedged risk. The change in fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the income statement in the item related to the hedged item.

Hedge accounting is terminated when the Bank revokes the hedging relationship. when the hedging instrument expires or is sold. terminated. or exercised. or no longer meets the criteria for hedge accounting. The fair value adjustment of the book value of the hedged item arising from the hedged risk is amortized against income from that date.

See Note 13.4 for details of the fair value of instruments used for hedging.

• Cash flow hedges

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognized in Other Comprehensive Income and accumulated under the rubric of hedged cash flows reserve. Profit or loss related to the ineffective portion of the hedging instrument. is immediately recognized in income. and is included under Other Income and Expenses.

The amounts previously recognized in Other Comprehensive Income and accumulated in equity. are reclassified to the Income Statement in the periods in which the hedged item is recognized in income. in the same area of the recognized hedged item. However. when a forecasted transaction that is hedged produces the recognition of a non-financial asset or liability. the gains or losses previously accumulated in equity are transferred and included in the initial valuation of the cost of the non-financial asset or liability.

Hedge accounting is discontinued when the Bank revokes the hedging relationship. when the hedging instrument expires or is sold. terminated. or exercised. or no longer meets the criteria for hedge accounting. Any cumulative profit or loss on the hedging instrument that has been recognized in equity remains in equity until the forecasted transaction is eventually recognized in the income statement. When the forecasted transaction hedged is no longer expected to occur. the cumulative gain or loss in equity is recognized immediately in the Income Statement.

• Hedges of net changes in investment in a foreign operation

Hedges of a net investment in a foreign operation are recorded in a similar way to cash flow hedges. Any profit or loss on the hedging instrument relating to the effective portion of the hedge is recognized in Other Comprehensive Income and accumulated in the foreign currency translation reserve operations. The profit or loss related to the ineffective portion is recognized in the Inco me Statement.

Profit or loss on the hedging instrument relating to the effective portion of the accumulated hedge in the translation reserve of foreign currencies are reclassified to income in the sale of the foreign operation.

The Bank has a strategy of partial (successive) hedging. in order to maintain the rate coverage of change of net investment abroad by replacing the non-derivate liability in dollars at maturity given that there is no expectation of selling these investments in the short term.

4.10 Assets held for sale

Assets are classified as held for sale when their present conditions allow their sale and it is highly probable that their sale happens in the following year and from the second year they are categorized as Other Assets. For the sale to be probable. the Bank's management is required to make sales plans and start an active marketing program to ensure their sale.

Assets classified as held for sale are recorded at the lower of cost and fair value less sale costs. In this classification they are no longer depreciated or amortized. and subsequent changes in their fair value less sales costs are carried to the Income Statement.

<u>Sales Plan</u>

The following are the sales plans established for assets held for sale:

- Goods available. once written off legally and administratively by the areas of collection. are received by the Bank and are delivered to the sales channels (real estate. specialized individuals and suppliers of vehicles) with which the Bank works. to start the process of marketing. Further sales channels also use other media such as newspapers. own websites. regional TV. etc.
- In the case of assets that are difficult to sell - so categorized when they have already been held for more than twelve months for property or more than three months for vehicles without receiving any offer since the offer opened. Specific action plans are carried out for that sale. with greater emphasis on those that have served this time. analyzing each case and creating strategies to achieve their sale.
- Regarding the prices. the general policy is determined by a commercial appraisal (not more than six months old for property and three months old for private vehicles). salability of the goods and physical conditions and market conditions among others. of the property or vehicle in the specific areas. amongst others.
- Business monitoring is performed monthly. in order to verify the efforts of sales channels to meet the times set in the marketing of goods. generating commitments between the parties aimed at finding effective sale solutions.

4.11 Joint operations

Joint operations are those entities in which the Bank has joint control over its activities. established by contractual agreements and requiring unanimous consent for decisions related to financial and operational policies. In the joint operations. assets. liabilities. revenues and expenses related to the participation in the multiparty operation of each of the joint operations are calculated and in joint operations the participation as an investment using the equity method is recognized.

The Bank participates in joint operations related to the financial retail business. through a business collaboration agreement where each party makes contributions that will remain within the agreement owned by each contributing party receiving a percentage of participation of the profits.

4.12 Property and equipment

Land and buildings. computer equipment. furniture and fixtures and other equipment are recognized at cost. less depreciation and impairment provisions. The cost includes expenses directly attributable to the acquisition of the asset. Land is not depreciated and profits or losses on sale of assets are recorded in other income or expenses in the Income Statement.

The costs of replacing a portion of the property and equipment are recorded as an increased value of the asset if they meet the requirements for being recorded in this way. and the maintenance and remodeling costs of own assets that do not extend the useful life of the asset are recorded as expenses in the Income Statement. Significant remodeling expenses of rented offices are amortized over the term of the agreement.

The carrying amount of an item in the books for Property and Equipment will be derecognized upon disposal; or when no future economic benefits are expected to be derived from their use or disposal.

Transfers are made where there is a change of use of property and equipment and control of the asset is not lost.

Depreciation

Depreciation is calculated using the straight-line method. on the cost of the assets less its residual value. Land is not subject to depreciation. Depreciation is charged to income. calculated based on the following useful lives:

Category	**Useful life (in years)**	**Residual value**
Buildings	30 - 100	10% Acquisition Value
Vehicles	3 – 5	20% Acquisition Value
Furniture and fixtures	3 – 10	up to 5%
Computer equipment and other equipment	3 – 20	up to 5%

The useful lives and residual values are reviewed every year and adjusted when necessary.

4.13 Investment properties

An investment property is classified as real property that is not used by the Bank and which is maintained for income and / or capital gains.

Investment properties are initially valued at acquisition cost. including costs incurred in the transaction. After initial recognition. investment property is valued under the cost model set forth in the property and equipment policy.

An investment property is derecognized upon disposal or when it is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising from the derecognizing of the property (calculated as the difference between the net disposal income and the carrying value of the asset) is included in the income statement in the period in which the property is derecognized.

Investment properties are recognized as assets only when it is probable that future economic benefits that are associated with such investment property will flow to the Bank and the cost of the investment property can be measured accurately.

When the use of a property changes to investment property. this is measured at fair value and reclassified as investment property. The difference that arises between the carrying book value and fair value is recognized in income. According to the IAS 40. when the entity uses the cost model. transfers between investment property. facilities occupied by owner and inventories do not change the carrying amount in the ledgers. or the cost of such properties for measurement purposes or disclosure.

4.14 Investment in associates

Associates are those entities in which the Bank has significant influence. but does not have complete or joint control over the financial and operating policies or it owns more than 20% but less than 50% of the business. Investments in associates and joint operations are initially recognized at cost including any transaction costs and increase or decrease by the equity method to recognize participation in income and changes in equity and any decrease to reflect provisions for impairment in the value of the investment. The changes in investment are recognized in income and equity in Other Comprehensive Income. and thereafter the existence of impairment evidence is assessed applying the requirements of IAS 36. Dividends from associates are recognized in income for the period when there is the right to receive them.

When the Bank's share in the losses of an associated entity or a joint operation of the Bank exceeds the Bank's participation in the associate or joint operation (which includes long-term interests that. in substance. form part of the net investment of the Bank in the associate or joint operation). the Bank ceases to recognize its share of losses. Additional losses are always recognized if the Bank has undertaken any legal or constructive obligation or has made payments on behalf of the associate or joint operation.

The equity method is estimated based on the financial statements homogenized to the controlling company's policies.

In the acquisition of the investment in an associate or joint operation. the excess of acquisition cost over the Bank's share in the net fair value of identifiable assets and liabilities on the investment is recognized as capital gain. which is included in the book value of the investment. Any excess in the Bank's participation in the net fair value of identifiable assets and liabilities in the acquisition cost of the investment after reassessment is recognized immediately in income in the period in which the investment was acquired.

When necessary. the Bank tests impairment of the total book value of the investment in an associate or joint operation (including capital gain) in accordance with NIC 36 (IAS 36) Impairment of Assets as a single asset. by comparing its recoverable amount (the higher of value in use and fair value minus sale cost) against its book value. Any recognized impairment loss forms part of the book value of the investment. Any reversal of such an impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Bank discontinues the use of the equity method from the date the investment ceases to be an associate or a joint operation. or when the investment is classified as held for sale. When the Bank maintains an interest in the associate or joint operation. the investment retained is measured at the fair value at that date and is regarded as its fair value at the initial recognition in accordance with IAS 39 and the difference between the book value of the associate or joint operation at the date the equity method was discontinued and the attributable fair value is included in determining the profit or loss on disposal of the associate or joint operation. Additionally. the profit or loss previously recognized in OCI by that associate or joint operation is reclassified to the Income Statement.

The Bank continues to use the equity method when an investment in an associate becomes an investment in a joint business or an investment in a joint operation becomes an investment in an associate. There is no re-valuation to fair value of such changes in the participation.

When the Bank reduces its ownership interest in an associate or a joint operation but continues to use the equity method. the Bank reclassifies to income the ratio of the profit or loss that had been previously recognized in Other Comprehensive Income in relation to the reduction of its investment share if that profit or loss had been reclassified to the income statement on the disposal of related assets or liabilities.

If the Bank conducts transactions with its associate or joint operation. the profit or loss resulting from such transactions with the associate or joint operation is recognized in the separate financial statements of the Bank only to the extent of participation in the associate or joint operation that is not related to the Bank.

The Bank determines that it has significant influence over the following investments:

• Colombian entities: Multiactivos. Redeban and Titularizadora de Colombia
• Indirect investments in Salvador: Sersaprosa. Serfinsa and ACH
• Indirect investments in Honduras: Zip Amarateca and Bancajero BANET

Joint operations are those entities in which the Bank has joint control over their activities. established by contractual agreement and requiring unanimous consent for determining the financial and operating policies. In joint operations assets. liabilities. income and expenses relating to participation in the joint operation are accounted for. from each of the joint operators in joint operations participation is recognized as an investment. applying the equity method.

The Bank engages in joint operations related to retail financial business through a business partnership agreement where each party makes contributions that remain within the agreement in part owned by each contributor receiving a percentage of participation on profits and other operations performed by the affiliate in Colombia Fiduciaria Davivienda S. A. Through contracts of consortium agreements. each entity has a percentage interest in consortia of structured Trust. These agreements are signed with other trust businesses for the purposes of participating in public tenders to run and develop a service delivery activity together.

4.15 Business combinations

Business acquisitions are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value. which is calculated as the sum of the fair values of the assets transferred by the entity minus the liabilities incurred by the entity with the previous owners of the acquired company and equity securities issued by the entity in exchange for control over the company. Costs related to the acquisition are generally recognized in the income statement as they happen.

At the acquisition date. the identifiable assets acquired and liabilities assumed are recognized at fair value except for:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefits. which are recognized and measured in accordance with IAS 12 -Income Taxes- and IAS 19 -Employee Benefits- respectively;
- Liabilities or equity instruments related to payment agreements based on shares of the acquired company or payment arrangements based on the Bank's shares held to replace payment agreements based on shares of the acquired company that are measured in accordance with IFRS 2 -Share-based payments- at the date of acquisition; and
- • Assets (or a group of assets for disposal) that are classified as held for sale in accordance with IFRS 5 - Non- current Assets Held for Sale and Discontinued Operations - which are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred. the amount of any non-controlling interest in the acquire. and the fair value of the previous shareholding of the acquirer in the acquire (if any) on net values of identifiable acquired assets and liabilities assumed at the acquisition date. If after a revaluation the net of amounts of identifiable acquired assets and liabilities assumed at the acquisition date exceeds the sum of the consideration transferred. the amount of any non-controlling interest in the acquire and the fair value of the previous shareholding of the acquirer in the acquire (if any). the excess is recognized immediately in the consolidated income statement as a gain from a bargain purchase price.

Non-controlling interests in the form of shareholdings that give their holders a proportional share of the net assets of the entity in the event of liquidation may be initially measured either at fair value or at the value of the proportionate share of the non-controlling participation in the recognized amounts of the identifiable net assets of the acquired company. The measurement basis option is made on each transaction. Other types of non-controlling participations are measured at fair value or. when applicable. based on the specification by another IFRS.

When the consideration transferred by the entity in a business combination includes assets or liabilities resulting from a contingent consideration arrangement. the contingent consideration is measured at fair value at the acquisition date and is included as part of the consideration transferred in a combination of businesses. Changes in the fair value of the contingent consideration that qualify as adjustments of the measurement period are adjusted retrospectively with the corresponding adjustments against goodwill. The adjustments of the measurement period are adjustments that arise from additional information obtained during the 'measurement period' (which may not be more than one year from the acquisition date) about facts and circumstances that existed at the date of acquisition.

The accounting treatment for changes in fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. A contingent consideration that is classified as capital is not measured again in future report dates and its subsequent settlement is accounted for within capital. Contingent consideration that is classified as an asset or liability is measured another time at future report dates in accordance to IAS 39. or IAS 37 - Provisions. Contingent Liabilities and Contingent Assets - as appropriate. recognizing the corresponding profit or loss in the Income Statement.

When a business combination is achieved in stages. the entity's previous shareholding in the acquired company is recognized at fair value at the acquisition date and the resulting profit or loss. if any. is recognized in the income statement. Amounts arising from interests in the company acquired prior to the acquisition date that have been previously recognized in Other Comprehensive Income are reclassified to the Income Statement when this treatment is appropriate and if the interest is eliminated.

If the initial accounting treatment of a business combination is incomplete at the end of the reporting period in which the combination occurs. the Entity reports provisional amounts for items whose accounting is incomplete. These provisional amounts are adjusted during the measurement period (see above) or additional assets or liabilities are recognized to reflect the new information obtained on the facts and circumstances that existed at the date of acquisition and that. had they been known. would have affected the amounts recognized at that date.

<u>Combinations subject to common control</u>

Combinations of companies under common control are accounted for using the book value approach. recognizing all identifiable assets. liabilities and contingent liabilities acquired at the incorporation for the amount recognized in the accounts of the absorbed company.

In addition. identifiable assets acquired and liabilities assumed must be recognized and measured and the date of acquisition shall be the date of registration with the competent authority. This date shall be deemed to correspond to that in which control of the subsidiary is acquired and which is normally referenced by the registration of the public deed of merger before the Chamber of Commerce.

There will be no recognition of intangible assets such as goodwill in this type of transaction and costs related to the merger processes will be recognized in the income statement of the period.

4.16 Investments in other companies

Certain equity investments are recognized at fair value with changes in equity. taking the final decision to classify them in this category.

Regulations for banks only permit investment in technical service businesses to support the operation of banks in entities where it does not have control. joint control or significant influence. which are recognized at the beginning. After this recognition they are measured at fair value minus any impairment identified at the end of each reporting period. Dividends received are recognized in the income statement unless they arise from profit of periods prior to the acquisition. in which case they are deducted from the permitted investment.

4.17 Intangible assets

The Bank records an intangible asset once it has identified: the existence of control. the separability of the asset and the fact that it is expected to generate a future economic benefit. For recognition it is essential that the intangible asset complies with all the features described above. The initial measurement of intangible assets depends on the way the Bank obtains the asset. An intangible asset can be obtained through the following ways: by the acquisition separately. as part of a business combination. or internally generated by the Bank.

The intangible asset acquired in a separate transaction is measured as the sum of the purchase price. including import duties and taxes not reimbursable on the acquisition. after deducting discounts and rebates. and the costs directly attributable to preparing the asset for the use provided. In business combinations. the value of the corresponding cost is the fair value at the acquisition date. For internally generated intangible assets. all disbursements in the research phase are recognized in expenditures along with all those incurred in the development phase to create. produce and prepare the asset for it to operate as intended are capitalized.

Subsequent disbursements are capitalized only when they increase the future economic benefits. incorporated into a specific asset related to those disbursements. All other disbursements including those made to generate goodwill and trademarks internally. are recognized in profit or loss when they accrue.

The Bank assesses whether the useful life of an intangible asset is finite or indefinite. An intangible asset with a finite useful life is amortized. unlike one with an indefinite useful life. In the subsequent recognition. intangible assets with indefinite useful life are amortized on a straight-line over their estimated useful life.

Intangible assets acquired separately. which generally corresponds to software licenses or software. are amortized over an estimated useful life of 1 - 11 years. Maintenance or support costs are charged to profit or loss.

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal.

4.18 Impairment of tangible and intangible assets excluding goodwill

At the end of each period. the Bank reviews the carrying amounts in the ledgers of its tangible and intangible assets to determine whether there are indications that these assets have undergone an impairment loss. If any such indication exists. the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset. the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent distribution base can be identified. corporate assets are also assigned to the cash-generating individual units. or otherwise. they are assigned to the smaller Bank of cash-generating units for which a reasonable and consistent distribution base could be identified.

Intangible assets with an indefinite lifespan or not yet available for use. are subject to testing for purposes of impairment at least annually. and whenever there is a sign that the asset may be impaired.

The recoverable amount is the higher between the fair value minus the cost to sell and the value in use. In assessing value in use. flows of estimated future cash flows are discounted to their present value using a discount rate before tax that reflects the current market assessment regarding the value of money over time and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If it is estimated that the recoverable amount of an asset (or cash-generating unit) is less than its book value. the book value of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized at once in income.

Later. when an impairment loss is reversed. the carrying amount of the asset in the books (or cash-generating unit) is increased to the revised estimated value of its recoverable amount. in such manner that the adjusted carrying amount in books does not exceed the carrying amount that would have been determined if an impairment loss would have not been recognized for the asset (or cash-generating unit) in prior years. The reversal of an impairment loss is recognized immediately in the Income Statement.

4.19 Goodwill

Goodwill represents the surplus price paid over the fair value of assets and liabilities acquired in a business combination. Goodwill is initially registered at fair value and subsequently updated by decreasing its value because of impairment losses.

Goodwill represents the future economic benefits arising from the business combinations that are not individually identified and can be recognized separately. It is assigned to a cash-generating unit or a group of cash generating units if economic benefit from the synergies of the business combination is expected.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or when there is an indication of impairment. The test compares the carrying amount of the asset. including goodwill. with the amount recoverable on it. If the carrying amount exceeds the recoverable amount. the Bank will immediately recognize the impairment loss in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

The impairment loss is allocated to reduce the carrying amount of the assets of the asset in the following order: first. the carrying amount of any goodwill allocated to the cash generating unit is reduced; and then to the other assets of the unit pro rata on the basis of the carrying amount in ledgers of each asset in the cash generating unit.

4.20 Other non- financial assets

There are assets for which it is not possible to find similar recognition and measurement criteria that enable them to be classified into categories or available financial assets groups; they will be classified in the category of other non-financial assets. among them are. art and culture goods. prepaid expenses. foreclosed assets with restrictions on sale. Receivables other than loans and financial leases. among others.

They are measured at cost and are subject to impairment assessment using a matrix based on the risk of default. with an impact on the Income Statement.

4.21 Leases

The amounts payable by lessees under financial leases are recognized as receivables (loan portfolio) for the amount of the loan made to the customer. Income from financial leases is distributed in the accounting periods to reflect a constant periodic rate of return on the net investment of the Bank with respect to leases.

The Bank´s Statement of Financial Position records assets subject to operating leases in accordance with the nature of the asset. Costs incurred in obtaining lease income. including depreciation of the asset. are recognized as expenses. Lease income is recognized on a straight-line basis over the term of the lease. Depreciation and impairment of leased assets is calculated in accordance with policies for similar assets.

4.22 Financial Liabilities

An instrument is classified as a financial debt when it contains a contractual obligation to transfer cash or other financial assets where it is considered that it will or may be settled in a variable number of its own equity instruments.

Financial liabilities are classified as financial liabilities at fair value through profit or loss or as other financial liabilities.

<u>Financial debt at fair value through profit or loss</u>

Financial debt is classified at fair value through profit or loss when the liability is (i) held for trading or (ii) designated at fair value through profit or loss.

A financial liability is classified as held for trading if:

- It is acquired principally for the purpose of rebuying it in the near future; or
- It forms part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of taking short-term profits; or
- It is a derivative that is not designated as a hedging instrument and meets the conditions to be cash.

Financial liabilities at fair value through profit or loss are recorded at fair value. recognizing any gain or loss arising from re-measurement in the income statement. The net gain or loss recognized in the income statement includes any interest earned from the financial liability and it is recorded under the heading of 'other income and expenses' in the consolidated income statement. The fair value is determined as described in Note 9.

<u>Other financial liabilities</u>

Other financial debt. (including loans. bonds and accounts payable). is subsequently measured at amortized cost using the effective interest rate method.

The effective interest rate method is an approach of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated cash flows over the expected life of the financial liability or (when appropriate) in a shorter period with the net carrying amount of the financial debt on initial recognition.

Financial debt instruments that include deposits. issued debt instruments and financings are recognized on the trading date and are carried at amortized cost more or less the accumulated amortization calculated with the method of the effective interest rate.

Subordinated debt and bonds are recorded at transaction value and are subsequently recorded at amortized cost. paid interests are recorded using the method of effective interest rate. and the issue costs are recognized and are recorded as an interest expense.

They also include rediscount operations. corresponding to credit programs that the Colombian government has established to promote the development of specific sectors of the economy. including foreign trade. agriculture. tourism. housing construction and other industries.

Derecognition of financial debt

The Bank derecognizes financial debt if. and only if. the Bank´s obligations are satisfied. canceled or have expired. The difference between the carrying amount of the derecognized financial debt and the consideration paid and payable is recognized in the Income Statements.

4.23 Insurance

Premiums for single premium businesses are recognized as income when received. This is the date on which the policy takes effect. For regular premium contracts. receivables are recognized on the date payments are due. Premiums are shown before deduction of commission. When policies expire because premiums are not received. all premium income accrued but not been collected up to that date is considered to have expired. net of expenses and offset against premiums.

Claims for losses are recognized as an expense when incurred and reflect the cost of all claims arising during the year.

Tests on the adequacy of liabilities are held for insurance portfolios on the basis of estimated future claims. costs. premiums earned and proportionate investment income. For long-term contracts. if actual experience regarding investment yields. mortality. morbidity. terminations or expenses indicates that liabilities for existing contracts. together with the present value of future gross premiums. will not be enough to cover the present value of future benefits and to recover deferred policy acquisition costs. then. a deficiency in the premium is recognized.

Costs directly attributable to the acquisition of incremental insurance and investment business are deferred to the extent that they are expected to be recoverable from future income margins on these contracts.

These costs are amortized systematically over a period not exceeding the one in which it is expected they will be recovered from these future margins.

The current risk reserve represents the portion of the premiums written from the policies in force and from the policies with future validity. discounting the expenses of issuance. corresponding to the time not taken from the risk. These premiums are recorded as income and are considered a reserve in liabilities.

This reserve is established on the date of issue of the policy and will be calculated as the result of multiplying the premium issued. net of issuance expenses. Notwithstanding of the form of payment of the insurance. the reserve is calculated based on its term.

For individual life insurance. a mathematical reserve should be set up with an amount that represents the difference between the actuarial present value of future obligations of the insurer and the actuarial present value of future payments by the insured to the calculation date.

The reserve for reported losses corresponds to the amount of money that the entity must allocate to meet payments of claims incurred once they and the costs associated with them have been reported. The reserve of claims incurred but not reported is an estimate of the amount of resources that the entity must allocate to meet future claims payments that have already occurred at the date of calculation of this reserve but have not yet been notified or for which there is not enough information.

Catastrophic loss reserves are not recognized in the consolidated financial statements because there is no accurate past event that can predict the occurrence of losses.

4.24 Income tax

Strategy and tax policy

Based on the analysis and interpretation of the applicable tax regulations. the Bank and Subsidiaries maintain adequate and timely compliance to a range of tax obligations. identifying opportunities for improvement and optimizing resources for payment of taxes.

Updating. analysis and ongoing research of the regulations allow for the planning. implementation and effective decision-making and risk management in tax matters.

Current taxes

The current tax is the amount to be paid or recovered for the income tax. which is calculated based on the tax law sin force at the date of the Statement of Financial Position. Management regularly evaluates the position assumed in tax returns. regarding situations in which the tax laws are subject to interpretation and. if necessary. set up provisions on the amounts that it expects will have to be paid to the tax authorities.

Current tax is recognized in Results for the period. except for those items recognized in the equity section or Other Comprehensive Income.

Deferred taxes

Deferred tax is recognized in the income statement for the period. except for items that are recognized as equity or Other Comprehensive Income. Deferred tax liabilities are the amounts to be paid in the future for income tax related to taxable temporary differences. whereas deferred tax assets are the amounts to be recovered as income tax due to the existence of deductible timing differences. nettable negative tax bases or deductions pending application. Temporary difference is defined as the difference between the carrying amount of the assets and liabilities and their tax base.

For buildings classified in property and equipment. and investment property. the applicable rate for the calculation of deferred tax corresponds to the approach of use of property. except in cases that are classified as held for sale. in which the rate used is the ordinary statutory rate; and for land. the applicable rate is the windfall profit rate if the asset has been owned for more than two years.

Recognition of timing differences

Deferred tax liabilities arising from taxable timing differences are recognized in all cases provided that:

They arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the date of the transaction does not affect the accounting result or the taxable income;

They correspond to differences associated with investments in subsidiaries. associates and joint operations on which we have the capacity to control the moment of their reversal and it is not probable that their reversion will occur in the foreseeable future.

Recognition of deductible timing differences

Deferred tax assets arising from deductible temporary differences are recognized provided that:

They correspond to timing differences associated with investments in subsidiaries. associates and joint operations to the extent that the timing differences will be reversed in the foreseeable future. and are expected to generate positive future tax gains to compensate for differences;

Tax planning opportunities are only considered in the evaluation of the recovery of deferred tax assets. if the Group intends to adopt them or is likely that it will adopt them.

Measurement

Deferred tax assets and liabilities are measured using the tax rates that apply in the periods in which it is expected to realize the asset or settle the liabilities. based on the regulations approved or are about to be approved. and once considered the tax consequences that will arise from the way in which the Bank expects to recover assets or liquidate liabilities.

At the balance sheet date. the Bank and its subsidiaries revise the carrying value of deferred tax assets. and this is reduced to the extent that sufficient taxable income is no longer likely to be available to allow full or partial use of the deferred tax asset.

Wealth tax

Article 1 of Law 1739 of 23 December 2014 creates a special Wealth Tax. to come into force from January 1. 2015. The tax will be temporary. applying only to 2015. 2016 and 2017. Payment is due on January 1 of each year.

The Bank recorded the Wealth Tax as a charge to equity reserves. without affecting annual profits. as permitted by Article 10 of Law 1739 of 2014.

4.25 Provisions

Provisions are recognized when the Bank has a present obligation (whether legal or assumed) as a result of a past event. and it is likely that the Bank has to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period in question. taking account of the risks and uncertainties surrounding the obligation. When a provision is valued using cash flows estimated to settle the present obligation. the carrying value represents the present value of those cash flows.

When it is expected that some or all of the economic benefits required to settle a provision may be recovered by a third party. an account receivable is recognized as an asset if it is virtually certain that the payment and the amount of the account receivable can be reliably valued.

Litigation

The disputes analyzed are those with a probability of a decision against the Bank. which should be recognized at fair value. recognizing the likely value of the judgment and the estimated date of the decision. The estimated cash flows are discounted at the Bank´s funding rate.

When the probability of occurrence of the event indicates that litigation is likely. it is provisioned 100%.

Possible disputes are disclosed.

The Bank has provisions covered by guarantee contracts made in acquisitions of other companies. which are disclosed in Note 13.25.

4.26 Bank Guarantees

A bank guarantee is a document issued by the Bank to ensure compliance with all or part of one or more obligations. contracted by the customer in favor of third parties. In the event of default by a customer. the Bank will respond to the third party by paying the sum of money agreed in the document. and an obligation is generated in the name of the customer for the amount paid. within a period agreed upon with the customer. initially recognized at the guaranteed value and subsequently as the greater of the amount of the correction of expected losses and the value initially recognized. less income within the scope of IFRS15.

4.27 Netting of financial instruments in the Statement of Financial Position.

Financial assets and liabilities are netted and the net amount is reported in the consolidated statement of financial position when there is a legal right to net the amounts recognized and there is an intention of the Bank to liquidate them on a net basis or to realize the asset and settle the liability simultaneously. As of December 31. 2018 and 2017. the Bank was not subject to any such netting.

4.28 Equity

Capital

The Bank classifies capital instruments as equity instruments in accordance with the substance and characteristics thereof. An equity instrument is any contract that records a residual interest in the Bank's assets after deducting all of its liabilities. Capital instruments issued by the Bank are recognized for the funds received. net of direct issue costs and any tax effect.

Ordinary shares

Ordinary shares are classified as equity when there is no contractual obligation to transfer cash or another financial asset. Dividend payments are recognized as a deduction from equity.

Shares with minimum preferential dividend

The shares with minimum preferential dividend are classified as equity when they have no contractual obligation to transfer cash or another financial asset. The payment of the Minimum Preferential Dividend will be made with the frequency and manner determined by the General Meeting. The Minimum Preferential Dividend may not be accumulated.

Share premium

The share placement premium corresponds to the difference between the par value and the price effectively paid for the share.

Reserves

i) Mandatory (“Legal”) Reserve - Banks in Colombia must establish a legal reserve of 10% of the net profits of each year until reaching 50% of subscribed capital. The reserve may be reduced to less than 50% of the subscribed capital. in order to cover losses in excess of undistributed profits. The legal reserve cannot be used to pay dividends or to assume expenses or losses during the time that the Bank has undistributed profits. The Bank has set a legal reserve that is higher than policy parameters and has exceeded 8 times the established value of subscribed and paid capital.

ii) Statutory and voluntary reserves – It includes the following reservations that must be approved by the General Meeting.

- Reserve for valuation of investments at market prices. Decree 2336 of 1995
- Reserve for Wealth Tax
- Reserve available to the General Meeting for future distributions of profits
- Others

The Bank may make commitments to capitalize reserves available to the General Meeting. in order to meet solvency requirements.

Other Comprehensive Income - OCI

This statement includes income and expenses items not recognized in the Income Statement. such as unrealized gains on debt securities valued as equity. the effective portion of gains and losses on hedging instruments of net investment abroad and the effect of the deferred tax of items recognized in the OCI.

According to the provisions of SFC Circular 036 of 2014. the difference between the models of loss incurred of loan portfolio under NCIF and the models of expected loss recognized in the Separate (individual) Financial Statements of domestic subsidiaries and those outside Colombia according to SFC regulations. are recognized in OCI.

Earnings per share

Basic earnings per common share are calculated by dividing the controlling interest into the weighted average numbers of ordinary shares outstanding during the year. See note 13.26.

4.29 Recognition of income and expenses

Income is recognized when the amount of revenue and associated costs can be measured reliably. with the probability that the economic benefits associated with the transaction will be realized and the degree of completion of the transaction is reliably measured.

The most significant criteria used by the Bank to recognize its income and expenses are summarized below:

Interest and similar income and expense

Interest and similar income and expense are generally recognized as accrued using the effective interest method.

Operating income is recognized when performance obligations owed to the customer have been satisfied in exchange for a sum of money reflecting the consideration agreed in contract to which there is an entitlement. Operating income is considered to be so earned after completing the following five stages:

- Stage 1: Identification of the contract(s) with the customer. A contract is an agreement between two or more parties that creates enforceable rights and obligations
- Stage 2. Identification of performance obligations under the contract. Performance obligation arise from customer contracts to transfer an asset or render a service (or a group of goods and services)
- Stage 3. Determination of the transaction price. The transaction price is the amount of the consideration in a contract to which a party expects to be entitled in exchange for then transfer of goods or services

committed to the customer (performance obligations).

- Stage 4. Assignment of the transaction price among the performance obligations under the contract. The transaction price or contract price (Stage 3) needs to be distributed over the performance obligations identified in State 2.
- Stage 5. Recognition of the revenues when or to the extent that a performance obligation is satisfied. The recognition of revenues is made when performance obligations to customers have been satisfied.

Commissions from banking services are recognized when earned.

Credit card commissions or other income. including commissions from credit or debit card exchanges and quarterly or annual handling fees. are recognized was and hen earned. except that quarterly fees that are recognized monthly. exchange commissions are recorded net of the estimated points that are paid when purchases are made.

Loan commissions. whether for limit commitments. restructuring or syndicated loans. are recognized when the payment is made.

Commissions for investment management services include the commissions for asset management. investment banking. custody and securities trading and are recognized in each period when the service is provided.

Dividends are recognized as income when the right to receive them is established and in the case of dividends of the Subsidiaries. they are recorded as a reduction in the value of the investment. and for non-controlled entities and associates they are recognized in results on the date when the Bank is entitled to collect them.

Income received on the sale of goods is recognized when the five stages for recognition of operating income have been completed. i.e. when the performance obligations related to the transfer of goods have been satisfied.

4.30 Operating segments

An operating segment is a component of the Bank that conducts business from which it can earn revenues and incur expenses. whose operating results are regularly reviewed by the Strategic Committee headed by the Bank's President (MITDO - the senior decision-maker). who decides on the resources to be allocated to the segment. and assesses its performance in relation to which different financial information is available.

5. Use of estimates and judgments

In the preparation of these consolidated financial statements. the Bank's management provided criteria. judgments and estimates. according to the understanding and applicability of the regulatory and technical framework for the preparation of financial information. and the instructions issued by the SFC. Various different types of estimates and assumptions were used in the application of accounting policies. Management made these value judgments. on the analysis of assumptions based articulately on historical experience and factors considered relevant in determining the carrying value of certain assets and liabilities that are in fact not readily apparent. and that therefore required an additional effort for analysis and interpretation. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on a regular basis. Changes to accounting estimates are recognized in the period in which the change is made and future periods if the change affects both the current period and subsequent periods.

5.1 Critical judgments in applying accounting policies

Critical judgments are presented below. apart from those involving estimates. made by the administration during the process of implementation of the Bank's accounting policies. which have a significant effect on the consolidated financial statements.

Assessment of significant influence

The Bank determined that it has significant influence in entities disclosed in Note 13.8 and represents its investment by the equity participation method. and further verifies whether there have been purchases. sales ort increases in the percentage interest held in investments that affect a holding of more than 20% and less than 50%.

Key sources of uncertainty in estimates

The following are the key assumptions concerning the future and other crucial sources of uncertainty estimation at the end of the period that have a significant risk of producing important adjustments to the carrying amounts of assets and liabilities within the next year:

Fair value measurements and valuation processes

Financial assets and liabilities traded in active markets are recognized in the Statement of Financial Position at their fair value and are valued at market prices.

An active market is one in which transactions for assets or liabilities are conducted with sufficient frequency and volume to provide pricing information on an ongoing basis.

In Colombia the SFC has authorized official Price Providers and the Bank uses the price information published daily by PIPCO to assess the investment portfolio and derivatives. in compliance with the provisions of SFC Circular 034/ 2014 indicating the use of information supplied by Price Providers in accordance with the instructions provided in the SFC Basic Legal Circular Part 3. Title IV. Chapter IV - Price Providers.

Derivatives are recognized in the Consolidated Statement of Financial Position at fair value at each reporting date. Additionally. the fair value of certain financial instruments is disclosed - mainly loans and long-term debt - although they do not involve a risk of adjustment to book values. The above is described in Note 13.4.

The fair values described are estimated using valuation techniques that include observable and unobservable data in a market. The main assumptions used in the valuation are described in the related notes. Management believes that the valuation techniques and assumptions selected are appropriate for determining fair values.

Impairment of goodwill

The determination of impairment in goodwill requires a calculation of the value of the use of the cash-generating units to which it is assigned. The calculation of the value in use requires the Bank to determine future cash flows that the cash generating units are expected to obtain and set an appropriate discount rate to calculate their present value (see Note 13.13).

The Bank makes this valuation with an external. independent and specialized consultant who is approved by the SFC.

Useful life. residual values and methods of depreciation for long-life assets

As described in Note 4.12.. the Bank regularly reviews the useful lives. residual values and methods of depreciation for long-life assets. including Property and Equipment. and Intangible Assets. Valuations are performed by technical experts. In the case of intangibles. an individual decision is made as to whether the life is for a definite or indefinite time. During the periods presented. there were no changes of these estimates.

Impairment of fixed assets

After reviewing fixed assets for signs of impairment. the Bank calculates the recoverable amount for the asset. in order to determine some impairment loss has been incurred.

Income tax

The Bank assesses the performance over time of deferred income tax assets. which represents income tax recoverable through future deductions from taxable profits. They are recorded in the Consolidated Statement of Financial Position. Deferred tax assets are recoverable to the extent that the realization of the related tax benefits is likely. At December 31. 2018. and December 31. 2017 the Bank estimates that the items of the deferred income tax assets will be recoverable according to its estimates of the future taxable profits. Deferred tax liabilities recorded as taxable differences in the calculation of deferred taxes. will reflect the values to be paid for income tax in future periods. Please see Note 13.23.

Provisions and contingencies

A contingency requires to be classified in conformity to a reliable estimate according to the probability of occurrence of a fact or an event. Unless the possibility of any disbursement of funds is remote. the Bank needs to disclose. for each class of contingent liabilities. at the end of the reporting period. a brief description of the nature of the contingent liability. When there is a probability of an inflow of economic benefits. the Bank shall disclose a brief description of the nature of the contingent assets at the end of the reporting period and. where feasible. an estimate of their financial effect. Estimates regarding contingencies are based on the criteria adopted under NCIF. as follows:

The classification of a contingency establishes the manner in which provisions should be recognized. Bank provisions are determined based on the probability established by the Legal Area for each event. fact or legal process.

Probability of the result	**Provision / contingent liability**
Probable	Recognize and Disclose
Possible	Disclose
Remota	Neither recognize nor disclose

Impairment of loans

The Bank regularly reviews its loan portfolio for impairment and to determine the amount of such impairment. to analyze its reasonableness and record it under profit and losses in the statement of the period.

Loan s are classified into three stages. and each stage carries a certain level of impairment. Stage 1 consists of “Normal” risk; Stage 2. a significant increase in risk; and Stage 3 is default. The criteria for classification in each of the Stages is disclosed in Note 11 – Credit Risk.

Impairment of investments

At each close the Bank reviews the investment portfolio valued at amortized cost or fair value through OCI. to see whether there is objective evidence of impairment as a result of one or more events which have taken place since the beginning of the period (a ”loss event”) and whether the loss event(s) have had an impact on expected cash flows that can be reliably forecast.

Customer loyalty programs

The Bank operates a loyalty program where customers earn points for purchases made through credit cards. which entitles them to redeem points for prizes in accordance with the policies and the prize plan in force on the date of redemption. The points for prizes are recognized as a separately identifiable component of the initial sales transaction by allocating the fair value of the consideration received between the prize points and other components of the sale so that loyalty points are initially recognized as deferred income at fair value; they are subsequently recognized as income when the points are redeemed by the customer.

Employee Benefits

Short term benefits

Short-term employee benefits are those that the Bank expects to pay out in full before the twelve months following the end of the annual reporting period. such as wages and salaries. annual leave. sick leave. severance pay and interest on severance pay. among others. When an employee has rendered service to the Bank during the accounting period. the amount will be recognized (undiscounted) of short-term benefits to be paid for such services as a liability (accumulated or accrued expenditure) and as an expense.

The contractual or implied obligation of the Bank is limited to the recognition of the amount that has been agreed with the employee. and the calculation is based on a reliable estimate of the amounts payable. Spending is generated based only on the occurrence of the consideration since the services provided by employees do not increase the amount of benefits.

Long Term benefits

Long-term benefits are all benefits to employees other than short-term benefits. post-employment benefits and termination benefits. These benefits correspond to the extralegal premium for seniority and preferential interest rate for home-purchasing loans.

The recognition and measurement of the extralegal premium by seniority is done in the same way as the defined contribution benefits. applying a simplified method of accounting and recognizing all the changes in the carrying amount in the ledgers of the assets for long-term benefits in the results of the period.

Post-employment benefits

These benefits are different from the termination benefits and short-term benefits. and are paid after the employee completes the period of employment.

Defined-contribution plans are those in which the Bank makes predetermined contributions to a separate entity (a fund) and has no legal or implied obligation to make additional contributions. Included in this classification are the benefits of a supplementary pension plan.

In the defined-benefit plans. the Bank provides health insurance benefits for pensioners. being determined based on the present value of the estimated future payments that must be made to the employees. supported by actuarial studies. using the projected credit unit method. in which the benefits are distributed between the periods in which the payment obligation arises as the employees render the services. Changes in the liabilities related to the cost of the service and the net interest (financial cost) are recognized in results. and changes in the new actuarial measures are recorded in OCI.

Subsidized rate benefit

The subsidized rate benefit for home purchase loans under Bank policy definited is provided for depending on the cover given.

Dismantling costs

Annually the Bank estimates dismantling costs of withdrawal and reconditioning of rented property. arising from obligations under contract for the installation of items for the use of rented assets.

6. Seasonality

The activities of the Bank and Subsidiaries are not subject to no cyclical or seasonal components and these Notes therefore do not include any specific breakdown at December 31. 2018.

7. Changes in accounting policy

The following is the impact of IFRS9- Financial Instruments -in the revised 2014 version. and IFRS 15 - Revenues from Customer Contracts applicable as from January 1. 2018.

7.1 First application of IFRS 9 – Financial Instruments- IASB revised version 2014

In July 2014 IASB issued a final version of the IFRS 9 -Financial Instruments - replacing IAS 39.
Changes in accounting practice arising from the adoption of IFRS 9 applied from January 1. 2018 forward. The Bank analyzed the situation and concluded that it would implement the exception that allows comparative information from previous periods to be left without re-expression with regard to changes of classification and measurement (including impairment). Differences between the book values of assets and liabilities arising from the adoption of IFRS 9 are recognized in accumulated profit and reserves at January 1. 2018.

The most significant impact on the consolidated financial statements arising from IFRS 9 is the calculation of impairment. The new rules contain an important change of method for the calculation of loss estimates. from incurred losses to expected losses; further. there is a new adjustment factor for predictions of future economic conditions.

The implementation of IFRS 9 has caused the introduction of significant changes in processes. technological infrastructure and internal controls.

The impact of the application of the new standard is shown in Notes 13.3.3 – Concentration of Credit Risk- 13.5.5 – Reconciliation of Loan Impairment – Movement of Provisions; and 7.1.2.4 – Reconciliation of Impairment dues to the change of model to expected losses.

7.1.1 Significant changes to accounting practices

The Bank adopted IFRS9 (v. July 2014) as from January 1. 2018. including:

- The fair value through OCI as a new classification and subsequent measurement applicable to financial assets in debt securities meeting SPPI criteria in relation to IFRS9 (v. 2013);

- New requirements for value impairment relating to the accounting of expected losses. formerly applying the requirements of IFRS 9 (v. 2013) (based on the model of incurred losses and now using expected
- For these consolidated financial statements. the requirements of Chapter 6 of IFRS 9 apply to hedging operations on the transition date. Subsequent to that date. all hedging criteria of IFRS 9 apply to new hedging operations.

Significant changes in accounting policy related to financial instruments and adjustments to items previously appearing in the financial statements are as follows:

Classification and measurement-financial assets

On initial application. the Bank evaluated the business model used to manage each group of financial assets. identifying whether they are to be managed in a model designed to obtain cash flows through to maturity. The model is deigned to obtain contractual cash flows and/or to sell the instruments; or whether they are managed by another model.

The book value of these instruments depends on the business model and the PSSI Test. All instruments which provide revenue only from payments of principal and interest and are classified as held to maturity. or held to maturity and sale are measured at amortized cost and fair value through OCIK. Otherwise. they are booked at fair value through profit or loss.

Policies related to the classification of financial instruments are described in Note 4.8.1.

Prior to the introduction of IFRS9 the Bank had never designated financial instruments as measured at fair value through profit or loss. in order to eliminate or reduce an asymmetry in the accounts. AT the transition date these instruments were held without designation at fair value through profit or loss.

Irrevocable designations in equities not held for trading as subsequently measured at fair value through OCI remained unchanged.

Impairment of Financial Assets

IFRS 9 (rev. 2014) replaces the incurred loss model applied up to December 31. 2017 for the model of “expected loan losses”. The new model of impairment applies to financial assets measured at amortized cost and investments in debt securities at fair value through OCI. The Bank has decided that the application of IFRS9 impairment requirements should apply as of January 1. 2018. and this gives rise to an adjustment to impairment. as explained in Note 7.1.2.4.

Hedge accounting

The Bank had an option to adopt Chapter 6 of IFRS 9 or to continue to use standards of IAS39. It decided to adopt IFRS 329 for all hedging operation effective January 1. 2019.

The Bank considered the following major differences between the alternatives:

- IFRS 9 eliminates the option to dismantle hedging voluntarily. allowing it only when the risk hedged ceases to exist or the entity changes the policy for risk management or the economic relationship of the hedge ceases to exist.
- IFRS 9 introduces the option to rebalance hedging that becomes ineffective for a period. Rebalancing means that the portion or amount hedged or the hedging instruments can be increased or decreased.
- IFRS 9 eliminates the effective range of 80-125% and leaves it to be defined as a function of risk management policy.

7.1.2 Transition

7.1.2.1 Classification of financial assets and liabilities.

The table below reconciles financial asset and liability balances based on classification at December 31. 2018.

		Fair value through OCI				
	Fair value through OCI	Debt	Equity	Amortized cost	Impairment	Total
Financial assets						
Cash	-	-	-	9,523,601	-	9,523,601
Interbank and overnight operations	412,943	-	-	-	-	412,943
Investments	5,103,080	4,071,062	4,084	1,828,493	(3,957)	11,002,762
Derivatives	433,722	-	-	-	-	433,722
Loans and financial leases	-	-	-	87,821,593	(3,709,677)	84,111,916
Accounts receivable	-	-	-	1,571,077	(54,937)	1,516,140
Investments in other companies	-	-	384,607	-	-	384,607
Financial liabilities						
Deposits and demand accounts	-	-	-	68,399,164	-	68,399,164
Interbank and overnight operations	3,786,541	-	-	-	-	3,786,541
Derivatives	513,143	-	-	-	-	513,143
Bank borrowings and other financial debt	-	-	-	12,495,235	-	12,495,235
Debt issued	-	-	-	10,685,827	-	10,685,827
Accounts payable	-	-	-	1,382,383	-	1,382,383

7.1.2.2 Classification of financial assets and liabilities on the date of initial application of IFRS

The following is the classification of financial asset and liability balances at December 31. 2017 measured as required by IFRS9 v. 2013 and the new balances applying IFRS 9 v. 2014 at January 1. 2018:

	Note	Original IFRS9 v.2013 classification at December 31. 2017	IFRS v. 2013 carrying value at December 31. 2017	New IFRS 9 v. 2014 classification January 1. 2018	Carrying value IFRS 9 v. 2014 January 1. 2018
Financial assets					
Cash	13.1	Amortized cost	7,889,381	Amortized cost	7,889,381
Interbank and overnight operations	13.2	Fair value through profit or loss	1,446,439	Fair value through profit or loss	1,446,439
Investments	13.3		10,597,069		10,597,069
		Fair value through profit or loss		Fair value through profit or loss	5,067,171
Investments at fair value through profit or less		Fair value through profit or loss	9,054,668	Fair value through OCI	3,585,472
		Fair value through profit or loss		Amortized cost	403,392
		Amortized cost		Fair value through profit or loss	65,173
Investments at amortized cost		Amortized cost	1,530,802	Fair value through OCI	237,584
		Amortized cost		Amortized cost	1,232,661
	13.3		(7,301)		(5,368)
Investments at fair value though OCI		Fair value through OCI	11,599	Fair value through OCI	5,616
Derivatives	13.4	Fair value through profit or loss	335,602	Fair value through profit or loss	335,602
Loans and financial leases	13.5	Amortized cost	78,219,574	Amortized cost	78,219,574
Loan impairment			(2,309,569)		(3,077,589)
Accounts receivable	13.6	Amortized cost	1,117,920	Amortized cost	1,117,920
Receivables impairment			(37,778)		(46,672)
Investments in other companies	13.9	Fair value through OCI	368,531	Fair value through OCI	368,531
Financial liabilities					
Deposits and demand accounts	13.17	Amortized cost	63,310,594	Amortized cost	63,310,594
Interbank and overnight operations	13.18	Fair value through profit or loss	1,349,895	Fair value through profit or loss	1,349,895
Derivatives	13.4	Fair value through profit or loss	356,734	Fair value through profit or loss	356,734
Bank borrowings and other financial debt	13.19	Amortized cost	9,686,332	Amortized cost	9,686,332
Debt issued	13.20	Amortized cost	12,008,969	Amortized cost	12,008,969
Accounts payable	13.21	Amortized cost	1,142,769	Amortized cost	1,142,769

7.1.2.3 Reconciliation of the carrying value due to first adoption of IFRS 9 (v. June 2014)

The following is the reconciliation of the carrying value of financial assets and liabilities measured by IFRS 9 v. 2013 at December 31. 2017 and carrying value under IFRS 9 v. 2014 at January 1. 2018:

Financial assets	IFRS 9 v. 2013 at December 31. 2017	Reclassification adjustments	Measurement adjustments	Impairment at January 1. 2018	IFRS 9 v. 2014 January 1. 2018
Amortized cost					
Cash	7,889,381	-	-	-	7,889,381
Investments	1,530,802	105,251	-	-	1,636,053
Impairment of investments	(7,301)	-	-	1,933	(5,368)
Loans and financial leases	78,219,574	-	-	-	78,219,574
Loan impairment	(2,309,569)	-	-	(768,020)	(3,077,589)
Accounts receivable	1,117,920	-	-	-	1,117,920
Receivables impairment	(37,778)	-	-	(8,894)	(46,672)
Fair value through profit or loss					
Interbank and overnight operations	1,446,439	-	-	-	1,446,439
Investments	9,054,668	(3,922,324)	-	-	5,132,344
Derivatives	335,602	-	-	-	335,602
Fair value through OCI					
Investments	11,599	3,817,073	-	-	3,828,672
Investments in other companies	368,531	-	-	-	368,531
Financial liabilities					
Amortized cost					
Deposits and demand accounts	63,310,594	-	-	-	63,310,594
Bank borrowings and other financial debt	9,686,332	-	-	-	9,686,332
Debt issued	12,008,969	-	-	-	12,008,969
Accounts payable	1,142,769	-	-	-	1,142,769
Fair value through profit or loss					
Interbank and overnight operations	1,349,895	-	-	-	1,349,895
Derivatives	356,734	-	-	-	356,734

7.1.2.4 Reconciliation of impairment due to change of model to expected losses:

The following is the reconciliation of impairment at the close of 2017 using the “incurred. loss” model under IFRS 9 v. 2013 and the impairment using IFRS 9 v. 2014 at January 1. 2018. The changes are due mainly to the re-measurement of credit risk in the loans portfolio. leasing operations and credit limits. reclassification of investments in debt instruments. formerly through fair value and now through OCI. and debt instruments at amortized cost and fair value through OCI using the method of expected losses under IFRS 9.

The adjustment of impairment due to the change of model to expected losses under IFRS 9 v. 2014 is as

	IFRS 9 v. 2013 at December 31. 2017	Reclassification adjustments	Measurement adjustments	IFRS 9 v. 2014 January 1. 2018
Financial assets				
Investments measure at amortized cost	(7,301)	-	1,933	(5,368)
Loans and financial leases	(2,309,569)	-	(768,020)	(3,077,589)
Accounts receivable	(37,778)	-	(8,894)	(46,672)
	(2,354,648)	-	(774,981)	(3,129,629)

7.1.2.5 Effects on equity

The following is the effect on equity:

	Impact of IFRS 9 v. 2014
First time adoption	1,674,255
Impairment of investments	1,933
Loan impairment	(768,020)
Receivables impairment	(8,894)
Provision for deferred tax	222,821
Balance at January 1. 2018	1,122,095

The effect of first aspplicatio0n of IFRS 9 v. 2014. with the change of model for loan impairment brought an adjustment to deferred tax payable of $222.821: $167.239. related to previous years. and was charged to equity; and the balance of $55.582 was due to the dismantling of EFSA and retained profits.

7.2 First application of IFRS 15

In July 2014. IASB issued IFRS 15 "Revenues from Contacts with Customers ". which replaces a number of previous standards in particular IAS 11-Construction Contracts - and IAS 18-Revenues from Ordinary Activities-. This new standard requires that revenues from ordi0nary activities of customers other than those originating in financial instruments and leasing contracts. should be recognized with specific rules for recording under IFRS 15. it is established that revenues will be recognized in such a way as to reflect the transfer of control of goods and services committed to customers in exchange for an amount that expresses the consideration to which the Bank expects to be entitled. Under this new premise. the Bank recognizes revenues from ordinary activities other than financial items such as banking service commission and the sale of goods and services for different purposes through the application of the following stages:

- Identification of the contract;
- Identification of performance obligations under the contract
- Determination of the price of the transaction
- Allocation of the price of the transaction between performance obligations
- Recognition of revenues to the extent that the Bank satisfies its customers in each performance obligation

The main items that underwent change with IFRS 15 are:

Management commissions. A review was made of the frequency and timing of accruals. to ensure that there was alignment with compliance with performance obligations identified for savings and checking accounts. and credit cards.

Guarantees and endorsements. A review was made of the timing of revenue accruals associated with guarantee and endorsement commissions. to secure alignment with performance obligations over time associated with these types of contract.

Contracts for the collaboration with and use of networks. There was a review of performance obligations over time associated with this contract.

Other commissions and review within the scope of IFRS 15: in general. the scope of the Bank´s implementation required a review of the contracts that could be considered to relate to commissions and income from the sale of goods.

Then impact of IFRS 15 had no material effect on the timing or amount of the recognition of operating income. In accordance with the practical options for application of the standard. the Bank did not re-express information related to contracts that ended prior to the first application date.

8. New standards issued but not yet in force

In line with Decree 2496 of December 2015. Decree 2170 of December 2017 and Decree 2483 of December 2018. the following regulations are applicable from 2019 onwards. The impact of this regulations is being evaluated by the Bank´s management.

Standars applicable from January 1. 2019.

IFRS 16 – Leases

The Bank must adopted IFRS 16 - Leases - as of January 1. 2018. An evaluation has been made to estimated the impact of initial application on the financial statements. as described below. The real impact may be different for the following reasons:

- The Bank has not completed tests and assessments of controls of new applications; and
- The new accounting policies are subject to change until the first financial statements including the date of the initial application are presented.

IFRS 16 introduces a uniform accounting model for leases on the Statement of Financial Position. The lessee recognizes the right use to use. which represents his right to use the underlying asset. and a liability for the lease payments. representing his obligation to make payments. The standard defines exemptions from recognition of short-term leases and rentals of low-value items. The accounting for the lessor continues to be similar to the current regulations. that is. the lessor continues to classify these payments as financial or operating items.

Leases in which the Bank is lessee

The Bank has established an initial assessment of the potential impact on then financial statements. but ha jot completed the details of its assessment. The real impact upon first application will depend on future economic circumstances. the development of the Bank´s leasing business. the evaluation as to whether options to renew leases are exercised. and the extent of which lessees opt to use practical alternatives and exemptions from recognition. The following are the principal differences between IAS 17 and IFRS 16:

IAS 17	IFRS 16
The Bank recognized the operating lease expense on a straight-line basis over the term of the lease. and the assets and liabilities were recognized only to the extent of which the timing difference is arises between real payments of rent and the expense recognized.	The Bank will recognize new assets and liabilities principally as operating leases. The nature of the expenses related to leases will change because IFRS 16 replaces the lease expense with a depreciation charge for the right of use of assets and interest expenses on liabilities for leases.

At December 31. 2018 future minimum lease payments of the Bank under a non-cancellable contract for operating leases totals approximately $1.586.453. This figure does not include the discount that the Bank expects from additional rentals.

No significant impact is expected for financial leasing operations.

Transition

The Bank plans to apply IFRS 16 on January 1. 2019 using the modified retrospective approach. The cumulative effect of the adoption of what IFRS 16 will therefore be recognized as an adjustment to the opening balance of retained profits at January 1. 2017. with no re-expression of comparative information.

The Bank will apply IFRS 16 to all contracts current and made prior to January 1. 2019 and identified as leases under IFRS 17 and IFRIC 4.

IAS 12 - Income Tax

This change refers to paragraphs on the recognition of the consequences of dividends on income tax as defined in IFRS9. when a dividend liability is recognized. The consequences of dividends will be recognized in income tax in results for the period. in OCI or in equity. depending on where these transactions or past events were previously recognized.

IAS 23-Loan Costs

This change affects paragraphs related to loan costs which should be excluded were applicable to loans specifically agreed to finance a suitable asset until substantially all the activities necessary for that asset to commence its expected use or sale have been completed.

IAS 28-Investments in Associates and Joint operations

This change establishes the option for an entity to measure an investment in associates or joint operation at fair value through profit or loss.

IAS 40-Investment Properties

This change modifies a paragraph referring to transfers from or to investment properties. only where there is a change of use of an asset.

IFRS 9 -Financial Instruments

Characteristics of prepayment negative offset. This clarifies that the financial assets that contain the characteristics of prepayment with negative offset can now be measured at amortized cost or fair value through OCI. if they meet the other requirements of IFRS 9 as relevant.

IFRS 3- Business Combinations and IFRS 11 - Joint operations

When an entity obtains a controllable business which was formerly a joint operation. the requirements for a business combination made in stages will apply. When a party that participates in a joint operation without having joint control obtains that control of the joint operation which constitutes a business. it would not be necessary to make a new measurement of the interest previously held.

IFRS 12-Disclosures of interests in other entities

The change clarifies the scope of the standard referring to subsidiaries. joint operations and associates which are classified as non-current assets held for sale. or within a group for disposal.

IFRIC 22 - Foreign Currency Transactions and Advance Considerations

This is a new interpretation which clarifies when a foreign currency transaction should be recognized as a non-financial asset or liability arising from the payment or collection of an advance consideration before the entity recognizes the assets. expense or related the related asset expense or income.

The impact of these standards is in the process of evaluation by Bank management. The preliminary investigation suggests that there is no material impact.

9. Fair Value Measurement

In accordance with IFRS 13. fair value is the price received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Such a transaction would take place on the main market. In its absence. it would be the "most advantageous" market. For this reason. the Bank carries out the valuation taking into account the market in which the transaction would normally be conducted with the most available information.

The Bank values the financial assets and liabilities traded in an active market with information available and sufficient at the valuation date. such as derivatives and debt and equity securities. through the price information published by the official price provider (PIP SA.). whose methodologies are endorsed by the SFC and which centralizes market information. In this way. the Bank uses the prices and curves published by the supplier and allocates them according to the instrument to be valued.

For those instruments that do not have an active market. the Bank develops methodologies that use market information. peer bank prices and in some cases. unobservable data. Methodologies seek to maximize the use of observable data. to arrive at the closest approximation closer to an exit price of assets and liabilities that do not have large markets.

IFRS 13 establishes the following hierarchy for the measurement of fair value:

> Level 1: Prices quoted in active markets for assets or liabilities identical to those that the entity can access at the measurement date.
> Level 2: Variables other than quoted prices at level 1. observable for the asset or liability. directly or indirectly.
> Level 3: Unobservable variables for the asset or liability

The Bank classifies the financial assets and liabilities in each of these hierarchies based on the evaluation of the input data used to obtain the fair value. For these purposes the Bank is subject to observable variables based on criteria such as the availability of prices in markets. its regular publication and updating. the reliability and possibility of verification. and its publication by independent sources participating in the markets.

Measurements of fair value on a recurring basis

Below are the assets and liabilities measured on a recurring basis at fair value by type of instrument. indicating the corresponding hierarchy for December 31. 2018 and 2017.

	Fair value December 31. 2018	Level 1	Level 2	Level 3
Assets				
Investments in debt issued and guaranteed	9,051,166	6,608,659	1,835,360	607,147
in Colombian pesos	6,223,689	5,577,056	354,150	292,483
Colombian Government	4,362,664	4,347,186	15,478	-
Financial entities	1,474,709	1,183,199	291,510	-
Real sector	47,474	312	47,162	-
Other	338,842	46,359	-	292,483
Foreign currency	2,827,477	1,031,603	1,481,210	314,664
Colombian Government	126,592	126,592	-	-
Other governments	1,823,079	561,241	1,060,073	201,765
Financial entities	733,096	234,543	385,654	112,899
Real sector	144,710	109,227	35,483	-
Equity investments (1)	511,667	459,122	37,724	14,821
through profit or loss	122,977	85,253	37,724	-
through OCI	388,690	373,869	-	14,821
Trading derivatives (2)	433,692	-	433,692	-
Currency forwards	201,445	-	201,445	-
Securities forwards	119	-	119	-
Interest rate swaps	174,064	-	174,064	-
Currency swaps	34,218	-	34,218	-
Other	23,846	-	23,846	-
Total assets	9,996,525	7,067,781	2,306,776	621,968
Liabilities				
Trading derivatives (2)	507,580	-	507,580	-
Currency forwards	198,168	-	198,168	-
Securities forwards	3,264	-	3,264	-
Rate swaps	188,957	-	188,957	-
Currency swaps	68,155	-	68,155	-
Other	49,036	-	49,036	-
Hedging derivatives	5,506	-	5,506	-
Interest rate swaps	5,506	-	5,506	-
Total liabilities	513,086	-	513,086	-

(1) Includes investments in other companies

(2) Does not include spot operations

	Fair value	Level		
	December 31. 2017	1	2	3
Assets				
Investments in instruments issued and guarantee	8,960,707	6,094,491	1,939,397	926,821
in pesos	6,407,402	5,280,189	400,697	726,517
Colombian government	3,535,632	3,515,255	20,378	-
Financial entities	2,014,113	1,666,834	347,279	-
Real sector	33,040	-	33,040	-
Other	824,617	98,100	-	726,517
Foreign currency	2,553,305	814,302	1,538,700	200,304
Colomvian government	169,183	169,183	-	-
Other governments	1,511,374	65,825	1,257,192	188,357
Financial entities	493,183	306,813	174,424	11,947
Real sector	365,110	258,026	107,084	-
Other	14,455	14,455	-	-
Equity investments	391,522	389,471	-	2,052
through profit or loss	26,625	26,625	-	-
through OCI	364,897	362,846	-	2,052
Trading derivatives (2)	335,536	-	335,536	-
Currency forwards	82,758	-	82,758	-
Securities forwards	225	-	225	-
Interest rate swaps	216,823	-	216,823	-
Currency swaps	13,899	-	13,899	-
Other	21,831	-	21,831	-
Total assets	9,687,765	6,483,962	2,274,933	928,873
Liabilities				
Trading derivatives (2)	354,407	-	354,407	-
Currency forwards	91,764	-	91,764	-
Securities forwards	1,086	-	1,086	-
Interest rate swaps	229,828	-	229,828	-
Currency swaps	13,841	-	13,841	-
Other	17,888	-	17,888	-
Hedging derivatives	2,228	-	2,228	-
Interst rate swaps	2,228	-	2,228	-
Total liabilities	356,635	-	356,635	-

The following is the movement of financial instruments at fair value in Level 3:

	December 31. 2017	Total profit (loss) in profit or loss	OCI	Reclassifica tions	Purchases	Settlements	December 31. 2018
Assets							
Investments in debt issued and guaranteed	926,821	(53,352)	-	(414,047)	181,931	(34,206)	607,147
In pesos	726,517	32,866	-	(414,047)	5,965	(58,818)	292,483
Financial entities	-	-	-	-	-	-	-
Other	726,517	32,866	-	(414,047)	5,965	(58,818)	292,483
Foreign currency	200,304	(86,218)	-	-	175,966	24,612	314,664
Other governments	188,357	(74,271)	-	-	63,067	24,612	201,765
Financial entities	11,947	(11,947)	-	-	112,899	-	112,899
Equity investments	4,504	-	(3,410)	-	13,727	-	14,821
Through OCI (*)	4,504	-	(3,410)	-	13,727	-	14,821
Total assets	931,325	(53,352)	(3,410)	(414,047)	195,658	(34,206)	621,968

(*) Opening balance updated to December 31. 2017 Level 3 by the inclusion of equity interest in other companies

	December 31. 2016	Total profit (loss) in profit or loss	OCI	Reclassifications	Purchases	Settlements	December 31. 2017
Assets							
Investments in debt issued and guaranteed	1,185,658	30,757	-	(2,324)	383,860	(671,130)	926,821
In pesos	718,340	30,757	-	(2,324)	183,556	(203,812)	726,517
Financial entities	3,016	(16)	-	-	-	(3,000)	-
Other	715,324	30,773	-	(2,324)	183,556	(200,812)	726,517
Foreign currency	467,318	-	-	-	200,304	(467,318)	200,304
Other governments	467,318	-	-	-	188,357	(467,318)	188,357
Financial entities	-	-	-	-	11,947	-	11,947
Equity investments	1,570	-	482	-	-	-	2,052
Through OCI (*)	1,570	-	482	-	-	-	2,052
Total assets	1,187,228	30,757	482	(2,324)	383,860	(671,130)	928,873

For the determination of the levels of the fair value hierarchy. an evaluation is made of the methodologies used by the official price provider and the expert judgment of the treasury areas. who are aware of the markets. the inputs and the approximations used for the estimation of fair values.

Applicable methods for the valuation of investments in debt securities and equity securities:

• Market prices: this methodology is applied to assets and liabilities that have sufficiently large markets. in which the volume and number of transactions are sufficient to establish an exit price for each braided reference. This methodology. equivalent to a hierarchy level 1. is generally used for investments in sovereign debt securities. financial institutions and corporate debt in local and international markets.

• Margins and reference curves: methodology applied to assets and liabilities for which market variables are used as reference curves and spreads or margins with respect to recent quotations of the asset or liability in question or similar. This methodology. equivalent to a hierarchy Level 2. is generally used for investments in debt securities of financial institutions and corporate debt in the local market of low recurring issuers and with low amounts in circulation. Also under this methodology are credit securities and securitizations of senior mortgage portfolio.

• Other methods: For the assets to which the official price provider does not report prices based on the methodologies previously described. the Bank uses approximations to estimate a reasonable value by maximizing the use of observable data. These methods. which are located in a Hierarchy level 3. are generally based on the use of an internal rate of return obtained from the primary market of the instrument. the last observed prices and the use of reference curves. In the hierarchy level 3 are investments in securitizations of the subordinated mortgage portfolio and the residual rights resulting there from. For this type of asset there is no secondary market from which indications of a fair exchange price can be obtained. constituting the best price referring to the transaction generated at the time of the issuance of each instrument. The valuation of these instruments. which is based on the discounted cash flow approach. has as its main variable the internal rate of return implicit in the purchase value. If this variable changes by 1%. maintaining the other contingent factors would affect the fair value by an amount equivalent to 2.8% of the book value.

Similarly. at this level are located the investments in government short-term debt securities in which the investment portfolio of the Central American Subsidiaries has a position. In particular. these are securities issued by the government of Honduras and El Salvador. which generally have maturities close to one year. not having secondary markets. and where the best reference of an exit price is the one generated by the transaction made at the time of issue. Similar to the securitizations previously described. the valuation is based on the discounted cash flow method whose main variable is the internal rate of return implicit in the purchase value. If this variable changes by 1%. keeping the remaining constant factors would affect the fair value by an amount equivalent to 1.1 % of book value.

For equity instruments not listed in an active market and reference information is not available in the market. standardized models and techniques are used in the financial sector. Investments in subsidiaries are recorded at fair value through cost of acquisition. Other equity investments in which there is no control or significant influence are recognized at acquisition cost due to the absence of market prices and are investments that financial institutions in Colombia require to operate in accordance with the local regulation. Additionally. evaluating the cost-benefit ratio of making recurring valuation models does not justify the financial effect of these investments in the statement of financial position.

Methods applicable for the valuation of derivative financial instruments:

• Over The Counter (OTC) derivatives: these instruments are valued using the discounted cash flow approach. in which. based on the inputs published by the provider of the prices of domestic foreign and implicit interest rate curves. and exchange rates future flows are projected and discounted of each contract based on the underlying one in question. The portfolio of these instruments. classified at fair value level 2. consists of interest rate and foreign exchange swaps. forwards on currencies and bonds. and European currency options.

• Standardized derivative financial instruments: these instruments are valued based on prices published by the designated official provider. Some of these contracts are deep enough to form a price under the market approach. and others are based on a discounted cash flow approach in which prices are taken of the underlying and interest rate curves of the market. The portfolio of these instruments is made up of futures on currency. on debt securities and on interest rates. Since for these instruments we have incoming inputs from level 1 and 2. the Bank classifies fair value based on the lowest level. in this case. level 2.

For the period from December 31. 2018 to December 31. 2017. there were no transfers between fair value levels.

Measurements of fair value of instruments measured at amortized cost

The Bank's assets and liabilities at fair value and their book values are as follows:

	December 31. 2018				
	Fair value	Level 1	Level 2	Level 3	Carrying value
Assets					
Loans. net	85,997,502	-	-	85,997,502	84,111,916
Investments at amortized cost. net	1,823,996	408,153	1,023,560	392,283	1,824,536
Total financial assets	**87,821,498**	**408,153**	**1,023,560**	**86,389,785**	**85,936,451**
Liabilities					
Term deposits	31,186,443	-	31,186,443	-	31,118,034
Debt issued	11,094,689	10,058,981	-	1,035,708	10,685,827
Bank borrowings and other financial debt	12,429,808	-	-	12,429,808	12,495,235
Total liabilities	**54,710,940**	**10,058,981**	**31,186,443**	**13,465,516**	**54,299,096**

	Fair value	December 31. 2017 Level 1	2	3	Carrying value
Assets					
Loans. net	76,296,020	-	-	76,461,368	75,910,005
Investments at amortized cost. net	1,527,266	174,825	836,402	516,039	1,523,501
Total financial assets	**77,988,634**	**174,825**	**836,402**	**76,977,407**	**77,433,506**

Liabilities					
Term deposits	29,208,202	-	29,208,202	-	29,328,063
Debt issued	12,338,349	11,506,357	-	831,992	12,008,969
Bank borrowings and other financial debt	9,711,760	-	-	9,711,760	9,686,332
Total liabilities	**51,258,311**	**11,506,357**	**29,208,202**	**10,543,752**	**51,023,364**

10. Operating Segments

The Bank determines the presentation of its business operating segments based on how information is organized and received. These segments are components of the Bank engaged in financial and banking activities. which generate income and incur expenses. and which ensure a surrender of effective accounts. for an optimal measurement of their results. assets and liabilities. which are regularly evaluated and verified by the Strategic Committee. headed by the President of the Bank (MITDO - Maximum Operational Decision Maker). for correct decision-making. the appropriate allocation of resources and the respective evaluation of their performance. Taking into account this organization. the operating segments for the Bank were determined considering:

a) Activities of natural persons and legal entities. which are reported separately at the level of assets. liabilities. income and expenses
b) the results that are examined periodically by the MITDO
c) The relationship with which differentiated financial information is available.

The operating segments are components of the Parent. and they include the results of the countries where Davivienda is present. so that its results are classified and presented in the segments established by the Bank:

1. Personal Banking

This segment contains all the products and services that are offered to individuals. Davivienda offers a high variety of products and services focused on meeting the needs of its customers. including investment. financing and savings products.

2. Business

This segment includes the offer of products and services aimed at legal entities. offers financial and transactional solutions in local and foreign currency and financing. savings and investment products in order to meet the needs of these types of customers in different sectors of the economy.

3. Differentiated Financial Information ALM

The Differentiated Financial Information segment ALM. Asset and Liability Management corresponds to segments of assets. liabilities. income and treasury expenses of 10% or more of the assets. which are presented in an aggregate manner. as well as to the management of the mismatch and liability. and any effect of re-expression by change. either by position of the Treasury Book or the Bank Book. Therefore the result of this segment reflects not only the result of a line of business but reflects corporate decisions about the management of issues and

financing of the bank. Even so. when managing liquidity resources. the Bank has a follow-up by the management. as the other segments. Taking this into account we present the main dynamics

4. International

This segment corresponds to the Bank's International operation; therefore. it includes the financial information of the Subsidiaries outside Colombia. located in: Panama. Costa Rica. El Salvador and Honduras. These subsidiaries derive their income from a variety of products and financial services offered in each country. products which are based on an effective offer of integral value for its multi-Latin customers. with a focus on quality and service.

Results by segment

January – December de 2018

Income statement	Personal	Business	Differentiated financial information - ALM	International (**)	Homogenized and eliminated	Total Bank. consolidated
Interest income	4,615,637	2,612,954	485,316	1,726,515	69,220	9,509,642
Interest expense	(330,219)	(1,521,195)	(1,005,205)	(721,361)	19,824	(3,558,156)
net FTP (*)	(1,109,782)	593,455	516,327	-	-	-
Impairment of Loans and Accounts Receivable net	(1,413,309)	(759,598)	(4,222)	(234,017)	336,404	(2,074,742)
Net financial margin	**1,762,327**	**925,616**	**(7,784)**	**771,137**	**425,448**	**3,876,744**
Commissions .services and insurance income. net	553,855	182,318	277,061	312,353	(55,757)	1,269,830
Result of investments in associates. net	-	-	7,597	-	-	7,597
Dividends	-	-	18,975	-	-	18,975
Operating expenses	(1,593,061)	(727,023)	(390,689)	(776,858)	73,742	(3,413,889)
Exchange and Derivatives. net	-	-	90,047	51,112	4,279	145,438
Other income and expenses. net	(10,939)	27,266	13,654	22,445	(80,848)	(28,422)
Operating margin	712,182	408,177	8,861	380,189	366,864	1,876,273
Income taxes	**(92,621)**	**(148,262)**	**(15,145)**	**(105,410)**	**(116,334)**	**(477,772)**
Net profit	**619,561**	**259,915**	**(6,284)**	**274,779**	**250,530**	**1,398,501**

At 31 de December de 2018

Assets	34,686,601	32,013,132	19,832,762	24,877,735	(686,292)	110,723,938
Liabilities	14,096,905	35,122,169	26,667,747	21,958,046	1,469,175	99,314,042

Results by segment
January - December 2017 (***)

Income statement	Personal	Business	Differentiated financial information - ALM	International (**)	Homogenized and eliminated	Total Bank. consolidated
Interest income	4,283,583	2,746,334	549,119	1,535,912	223,068	9,338,016
Interest expense	(353,452)	(1,861,053)	(1,010,622)	(635,133)	16,458	(3,843,802)
net FTP (*)	(1,096,015)	567,580	528,435	-	-	-
Impairment of Loans and Accounts Receivable net	(1,311,013)	(464,891)	(1,243)	(186,168)	(12,047)	(1,975,362)
Net financial margin	**1,523,103**	**987,970**	**65,689**	**714,611**	**227,479**	**3,518,852**
Commissions .services and insurance income. net	541,437	204,589	239,655	255,196	(36,620)	1,204,257
Result of investments in associates. net	-	-	4,350	-	-	4,350
Dividends	-	-	7,262	-	-	7,262
Operating expenses	(1,499,640)	(665,461)	(351,240)	(738,047)	64,038	(3,190,350)
Exchange and Derivatives. net	-	-	67,836	31,523	5,057	104,416
Other income and expenses. net	(35,827)	12,393	89,943	6,785	(34,105)	39,189
Operating margin	**529,073**	**539,491**	**123,495**	**270,068**	**225,849**	**1,687,976**
Income taxes	(52,443)	(201,042)	(50,342)	(71,304)	(29,864)	(404,995)
Net profit	**476,630**	**338,449**	**73,153**	**198,764**	**195,985**	**1,282,981**

At 31 de December de 2017

Assets	31,276,464	28,985,966	18,686,234	23,944,542	(2,121,918)	100,771,288
Liabilities	13,010,859	33,491,128	22,619,237	21,099,514	(333,316)	89,887,422

(*) Net FTP: Refers to the costs of transferring resources between segments. which are allocated systematically and consistently and managed within the entity.
**International: Results of the international subsidiaries without eliminations and homogenizations.
(***) During 2018 methods used to calculate funds transfer prices were changed based on adjustments to best practices. To make the results comparable. methods were applied historically. There are therefore differences with figures presented for December 2017nin previous reports. There is also an annual review of customer segmentation and new classifications are made where necessary. which in turn causes changes in business units.
(1) Asset and liability management

Personal Banking

Accumulated profit at December 2018 in the personal banking segment totaled $619.561. up 30% on the accumulated results at December 2017. This was mainly due to the increase in interest income of 76.8%. This segment accounted for 44.3% of the Bank´s total profit (2017. 37.2%)

The net financial margin of the personal banking segment in December 2018 was 15.7% ($239.224 million) higher than in 2017. due mainly in turn to interest income (up $332.054 million) with a 13.81% rise on the home mortgage business. 11.7% in fixed consumer lending and 9.37% rise in payroll installment consumer business.

Loan impairment offset this rise in margin. rising 7.8% compared to 2017. most importantly in residential leasing (up 190.11%) with loan rollovers in residential and VIS+. Fixed consumer provisions rose 20.6%.

Home mortgage impairment came mainly from residential and VIS accounts in segments where loan limits were close to the maximum percentages and terms permitted.

Service income rose 2.3% or $12.417 million. The main increases were in payments (up 5.36% and payroll installment accounts (up 25.14%).

Finally. operating expenses rose 6.2% or %$93.421 million compared to 2017. Here. The most significant increases were in deposit-taking (8.9%). mostly in support expenses – which increased across the Bank due to leases for the new phase of asset mobilization. tax items. especially Bank Transaction Tax and deposit insurance. Transaction costs increased significantly with the introduction of digital strategies with extra expenses such a biometric authentication. cloud services and transaction monitoring engines. Fixed Consumer rose 71.6% from selling expenses related to the number of products disbursed (sold) with the mobile credit initiative.

Business Banking

The results of the Net Profit of the business banking segment decreased by 23.2%. equivalent to $ 78.535 million for December 2018. The segment's profits in relation to the Bank's total profit represented 18.6%.

The net financial margin for this segment to December 2018 was 6.3% ($62.356 million) down on the total for 2017. as a result of a decline of 4.9% ($133.381 million) in interest income compared to 2017. This was due to an increase in non-performing loans (a decline of 180bp). in addition to the general fall in market rates. The Construction sector grew 8.31% (30.029 million).

Interest expense largely compensated for the reduction in income. down 18.3% ($339.857 million). Income was lower in all banks. but the main variation took place in Corporate Banking. down 19.23% ($337.038 million) compared to 2017. after a re-composition of deposit-taking by type of cost in which low-cost items increased 160bp.

Loan Provisions increased 63.4% ($294.707 million). affecting the segment´s financial margin. The main change came from Corporate Banking. where provisions rose 87.87% ($204.854 million) given that commercial lending risks were affected by the general slowdown in the economy. and further. by the effect of tax reforms on some sectors. The indicator for non-performing loans (classed C. D. E) rose 178 bp year-on-year. Corporate Banking was the worst affected due to specific exposure among customers with complicated financial situations in Transport. Engineering and Civil Works. Loans increased 178bp. in particular 75% of Commercial business was at optimum risk levels; and 19% with significant impairment. This was due specifically to corporate Engineering and Civil Works business. The coverage indicator was stable over the year.

Revenues from commissions and services declined 10.9%. principally in corporate banking with a decline of 15.15%. mainly in transaction income. notable ACH ATM commissions.

Operating expenses grew 9.3% ($61.562 million) mainly due to increases in corporate Banking expenses de 9.39%. in turn due to support expense rises of 16.31% and deposit insurance (up 9.63%). SME banking grew 9.57% mainly in overhead (up 19.3%) and support expenses (23.65%). Lease costs rose with the new phase of asset mobilization. particularly in tax and specifically Bank Transaction Tax and Deposit Insurance (up 5.7%) both items caused by the number of product disbursed (vehicles) which doubled due to the mobile credit initiative.

Differentiated Financial Information - ALM

The net profit for this unit fell 108.6% from 2017 - $79.434 million – with a final loss of $6.283 million.

The net financial margin for the segment fell 111.8%. mainly due to a decline in revenues of 11.6% ($63.802 million) and a rise of 239% ($2.979 million) in impairment mainly due to an increase of $3.000 in international banking from recoveries made in 2017.

Operating expenses grew 11.2% ($39.449 million) mainly because of the initiative for asset mobilization and higher tax expense – especially Bank Transaction Tax – and deposit insurance. directly related to the deposit-taking business.

Finally. other income and expenses declined 84.8% ($76.288 million).

International Operations

Net profit of the segment grew 38.2% ($76.015 million) compared to 2017. accounting for 19.6% of the Bank´s profits.

The net financial margin increased 7.9%: interest income was up 12.4% ($190.603 million) and interest expense increased 13.6% ($86. 227 million). Provisions increased 25.7% ($47.848 million). partly offsetting the improvement in the segment´s net financial margin.

Commission and services revenues grew 22.4% ($57.157 million). offsetting the growth in operating expenses which rose 5.3% ($38.811 million).

11. Risk Management

The Bank's comprehensive risk management is based on a governance structure aimed at achieving the strategic objectives. based on risk management. administration and control. supporting the growth of business and the use of opportunities. On this basis. the efforts of the management towards the fulfillment of the strategy and the control of the associated risks are focused.

The organization's corporate risk model has been designed and built on the principles of enterprise risk management defined in the Enterprise Risk Management document published in 2004 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and later documents such as COSO Internal Control - Integrated Framework published in 2014.

The Bank's comprehensive risk management is governed by the principles and policies of the Bolivar Business Group. under the autonomy of each company in its risk management and being responsible of the control environment of the same.

Principles and Policies

- Risk management must be in line with the nature and activity of the business. We only act in business that we understand and that does not affect economic stability or reputation.
- The Bank has sector/regional specialties in its business. Any investment in new sectors or regions must be approved by the Board of the Holding Company and/or subsidiaries. and particular characteristics and regulatory considerations will be analyzed.
- For new businesses that do not fit adequately with the Risk Philosophy and the defined risk appetite. the only instance that can authorize them is the Board of Directors of each Company and from the Holding Company.
- The fulfillment of growth objectives must not lead the Bank to overexposures that generate present and

future losses outside of the risk levels of the organization.
- The Bank will maintain sufficient liquidity levels on an ongoing basis.
- The Bank will manage levels of economic capital appropriate to their risk levels and growth prospects.
- The risk management system is supported by checks and balances guaranteed by the independence between the business. operational and risk areas.
- Risk management. regulatory compliance and internal policies are the responsibility of the company's three lines of defense. in its order: business. commercial and operational areas. in the second instance. risk areas and. lastly. internal audit.
- The risks that may affect the achievement of key corporate goals and strategies and that significantly impact the Organization as a whole are managed centrally. Risk management that because of its nature is best managed at the process and / or area level is done in a decentralized way because its effect is particular to each process. without this modifying the organization's ability to successfully implement its strategies.
- The strength developed in the knowledge. understanding and quantification of the risks. as well as the characteristics of each business. define the levels of risk of Grupo Bolivar. Boldness in decisions will depend on that understanding.
- Human resources policies must include career plans to include technical and specialized knowledge fit for each position. key positions must be identified and efforts made to train up successors in each position with the competences and experience required.
- Remuneration systems must be aligned to strategic objectives of the companies and their appetites for risk and there must be policies and procedures that allow conflicts of interest that may arise in decision making to be identified and managed.
- The structure of the organization and the design of processes must respond to the development of the business. operating capacity and risk management.
- Key areas and important processes must have specific follow-up to risk management to ensure the ongoing stability of the Bank.
- There must be a robust system of processes to support the range of business needs and solid base of management of business needs and risk management specific to the organization.
- The customer service model must secure clarity promptness and transparency in information and communications. offering simple. friendly and reliable experiences and effective attention to requests. complaints and claims.
- Relevant action should be taken to strengthen the culture of risk and compliance. Every member of staff must know and apply the framework of risk management and clearly and accurately define types of activity and risks associated with their functions.

General Framework

The process of the Bank’s comprehensive risk management is aligned to comprehensive risk management of Grupo Bolivar. The Bank's risk management involves the analysis of current and planned positions as well as defining limits for them. Similarly it requires an assessment of the implications of all risks and making decisions aimed at modifying the limits if they are not in line with the general risk philosophy.

Risk management should be conducted from two angles: (1) “top-down”. in order to ensure its integrity. its consistency and interrelationship of the various risks; and (2) “bottom-up.” through the development of management and control schemes of each and every one in order to ensure their effectiveness and depth as well as where it clearly defines the governance model of each risk. the relevance and strength of each definition of limits for these positions. and procedures to follow in the event of breaches.

The application of the risk management model is implemented within a clear framework of segregation of functions in order to achieve a timely identification of risks. defining three lines of defense that involve all areas of the Organization (1) Business Lines. Operations and Commercial. (2) Risk Areas; and (3) Audit.

The macro processes or lines of the most representative business lines in the strategy. or those that generate higher risk exposures. must be accompanied by specialized risk areas responsible for determining the effectiveness of risk management. including the operational ones.

Risk areas are responsible for promoting and protecting the right control scheme of each risk through monitoring how these are managed in different areas. the effectiveness of controls and levels risks. always ensuring that they are within the risk levels defined by Grupo Bolivar.

Structure of Government

A set of principles has been defined and risk policies that clearly define the Bank's risk levels. while establishing authority levels and the responsible ones that must perform the risk management. Based on the risk approach. the Board of Directors is the senior organ of management and control of the risk management. which in turn is supported on a Corporate Risk Committee the body that incorporates in its assessment and control all of the risk aspects identified in the organization.

Risk management is run through the Vice President of Risk and Financial Control and the Risk Investment Vice President who reports to the Corporate Risk Committee of the Bank. This is a Board committee with two active members.

Board of Directors

The Directors. as principal managers of corporate governance. make it their duty to be property acquainted with risks associated with the Bank´s products and segments. and they include experts in finance and risks.

The Directors are the source of authority. guidance and oversight to senior management all come from the Board of Directors; therefore they have the experience and knowledge about the activities. objectives and structure of the respective entity.

The Board is the body responsible for risk issues. and its duties include. for example:

• Evaluation. approval and oversight of the management of corporate risks in the Bank
• Approval of the appetite and risk tolerance of the institution and the general corporate risk scheme.
• Assurance that the risk management is aligned to the strategy and objectives of the Bank.

Audit Committee

• Supervision of the activities of the internal and external audit in the evaluation of the methodology and implementation of the Bank's risk management model.
• Follow-up of recommendations arising from the control processes. and instructions of the Audit Committee and the Board. or equivalent authority.
• Evaluation of methods used to implement the Bank´s risk management ensuring compliance with recommendations for each risk. identifying weaknesses and making recommendations where appropriate.

Corporate Risk Committee

• Evaluation of harmonious functioning of the various risk management systems and a comprehensive risk profile of the organization.
• Ensure that risk levels in the organization are within established appetites for risk and have adequate levels of capital required.
• Make proposals for the framework for appetite for risk for Board approval.

Management Risk Model

Banco Davivienda's risk management is done according to operations management: Banco Davivienda Colombia and Banco Davivienda Subsidiaries outside Colombia. defined internally and is aligned to the overall risk management and compliance strategy.

Banco Davivienda Colombia

The Risk Division evaluates and manages all aspects of Credit Risk with specialized Departments for each banking segment- Personal Credit Risk. SME Credit Risk and Corporate and Business Credit Risk.

For the Personal Banking segment. the Personal Banking Credit Risk Department is responsible for the evaluation. administration and collection of all credit lines. Approval is based on a pyramid structure of authority levels. There are also credit committees for collegiate decision. Each credit product has approval scores set on the basis of internal historical records to evaluate the customer´s variables. payment record and indebtedness to the financial system. the product and collateral. Methods have also been developed to segment loans into homogeneous groups and use that allocate the individual risk levels. The Personal Banking Risk Department manages and monitors a range of banking products to manage each king of business: payments. consumer and home mortgage.

The Corporate Credit Division Vice-Presidency manages credit risk in the SME and Corporate segment.. and is responsible for analyzing credit applications. tracking current obligations. assigning risk categories and arranging for recoveries where needed. The SME Credit Risk Department manages and monitors credit risk for the subsegments – asset products. agro-.sector."MiPymes" (micro/SME lending) and medium range pending.

The Corporate Credit Division is also responsible for granting credit facilities to Colombian and foreign companies whose economic activity is framed within the norms and conditions established by both the Superintendent of Corporations and the Bank; the intention is to achieve this objective through a thorough analysis of the creditworthiness of companies. the macroeconomic and microeconomic conditions in which it operates; the culture. strategy. policies. procedures and the various quantitative and qualitative risks and the size and importance of the economic sector in which it operates. are all examined and its culture. strategy. policies and procedures and a whole range of quantitative and qualitative factors. The Corporate Risk Division monitors related risks and oversees compliance with covenants with debtors. securing available collateral. and the concentration of the portfolio in terms of economic sectors and geographical regions.

Finally. the Risk Investment Division of Grupo Bolivar manages market and liquidity risk. defining methods of calculation and suggesting policies and controls for risks. all within current regulatory parameters.

The Board receives support from the Financial Risks Committee and the Investment and Unit Fund Risk Committees where appropriate with the responsibility for evaluating and authorizing operations and alternatives for investments in Treasury in each company. The Board has delegated the ALM Management Committee or similar to define. follow up and control general ALM policy (market risk in the balance sheet). and policies for liquidity risk management.

The Risk Division is also responsible for managing operating risk with the design. implementation and maintenance of strategies. policies and procedures required for information security management and the definition and guidelines and policies for operating risk management in the Bank and Subsidiaries in Colombia. through the Operating Risk Division and Transaction Risk Department.

Banco Davivienda and Subsidiaries outside Colombia

The risk management function outside Colombia is evaluated and monitored by the Parent to secure defined exposure limits and implement risk management policies supported by the Corporate Risk Committee and endorsed by the Board.

The International Credit Division is responsible for Corporate and Business Banking and the Personal Banking business of subsidiaries outside Colombia. It is therefore responsible for the evaluation. administration and collection of credit lines. As in Colombia. approvals are structured in a pyramid of authority levels locally with a Regional Unit and a Unit of the Corporate Credit Committee in Colombia where collegiate decisions are taken.

The products of Personal Banking use approval scores for customer variables. with their historical record and indebtedness to the financial sector. the products and collateral.

The International Credit Risk Division maintains oversight of the perspective of the business and coordinates efforts of all subsidiaries through the Credit Risk areas of each country. with appreciations of the particular features of each market.

In Davivienda Internacional. market and liquidity a manage model which is different from that applied in other Grupo Bolivar companies. because in this case the model of governance has been defined to include faculties for the Subsidiaries. a Grupo of authority level which a different and use some different processes and methods. The Board of each Subsidiary is the senior level in the organization. responsible for the overall management of financial risks in each individual balance sheet. Therefore. each Board is responsible for defining and approving the appetite for market risk and policies and instructions on liquidity risk in each currency. or consolidated by company. supported by approvals from the foreign currency ALM Committee from Colombia. Each Subsidiary outside Colombia has and ALM Committee. and is responsible for the approval of risk limits at the level of the business and strategy follow-up.

Finally. operating risk management is the responsibility of the international operation division. which must also secure the integrity of business processes and the ability to keep services available to customers and shareholders. following Board guidelines. for transparency in the management of the business.

Risk Management Systems

Credit Risk

Credit risk is defined as the possibility that a borrower or counterparty fails to meet its obligations under the agreed terms. negatively affecting the value of the Bank’s portfolio.

The object of credit risk management is to maximize the Bank's profitability. in line with the desired risk levels. This aim is achieved by maintaining the expected loss levels within acceptable parameters. without ignoring other phenomena of uncertainty which could affect portfolio performance.

Banco Davivienda is exposed to credit risk in its lending operations (funding for consumer credit and home mortgages. working capital for business) and its treasury operations (money market. investment portfolio management. derivatives. and currency trading). There are three sub general processes in the implementation of the general process of credit risk management:

Monitoring and Management of the Credit Portfolio: The monitoring process and portfolio management have as their main objective the monitoring of the composition and quality of the portfolio. detecting concentrations. relevant segments. risk factors and articulating their management with the control and monitoring process of the credit risk. In this process. adjustments to business rules and credit policies according to the desired risk level for the product or strategy are proposed. Potential loan losses are monitored and analyzed. Strategies and effectiveness of collection efforts and their effect on the mitigation of loan losses are analyzed. amongst other things.

Credit Risk Methodologies and Models. this process involves the study. design. development and implementation of methodologies. models and tools for proper management of credit risk. and sensitization of portfolios to changes in economic scenarios.

Credit Risk Monitoring and Control the main purpose of the control process and the monitoring of credit risk is to ensure compliance and proper implementation of the definitions established by the Board and the Risk Committees. The controls and monitoring are put in place. implemented and coordinated with the Credit Cycle units in the context of actions required to prevent deviations from the strategy defined by the Bank.

Organizational Structure for Credit Risk Management

The Bank manages credit risk for Colombia from the Risk Division. whose internal structure is has been strengthened with the creation of the Credit Risk Department. which has specific units to attend top Corporate and Business Banking. SME Banking and personal Banking. There are two transverse areas: Credit Risk Models and Methods and Risk Information and Management. In Central America. Credit Risk is managed by a Regional Unit that reports to the Risk Committees of each banking segment.

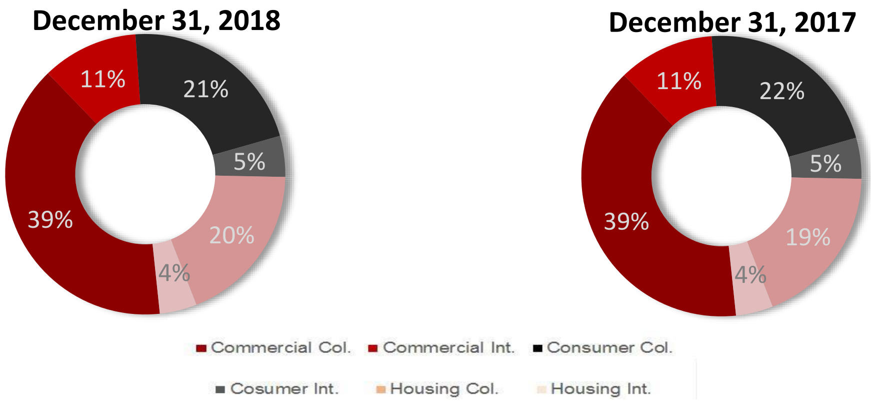
The Board. defines. creates and establishes the structure of the Credit Risk Committees for personal Banking. SME and corporate Banking (CRC). the Credit Risk Collections Committee (CRCC) and the Portfolio Rating Committee (CC) as specialized bodies and coordination issues regarding credit risk management. The Board authorizes the CRC. CRCC and CC to be the only collegiate bodies with attribution to recommend policies and authorization rules and / or provisions relating to the management of credit risk. portfolio recovery and portfolio rating under the government process established and with the sole purpose of materializing the policies established by the Board.

The Credit Risk Management Procedure Manual (MARC) represents the navigation chart for the Credit Risk Management System. describing our culture. policies. methods. rules and general procedures. It is the instrument. for the recording. and orderly and systematic transmission of information to the organization in this area.

Credit risk exposure - Portfolio Composition

The Bank's portfolio. both in Davivienda Colombia and Davivienda International. is distributed in: Consumer. Home mortgage and Commercial. The first two relate to loans granted to individuals to finance consumer needs (free investment and unsecured. revolving credit. promissory note. car and credit card) and housing (Social Interest- Traditional VIS. VIS and Residential Leasing) respectively and the commercial portfolio corresponds to loans to finance corporate and business needs.

At December 31. 2018. the portfolio has a value of $87.821.593 million; Davivienda-Colombia contributes 79% and Davivienda Internacional 21%. distributed as follows:



As of January 1. 2018. loans have been classified in 3 Stages or states: “Stage 1” is Normal Risk.”Stage 2” marks a significant increase in the level of risk; and “Stage 3” covers accounts in default. The criteria of definition of the three states is described in the section on impairment at the end of this Note.

At the close of 2018 Banco Davivienda's loan portfolio grew by 12.3% compared to the end of December 2017. Davivienda Colombia. grew by an average of 11.4%. wand the Subsidiaries outside Colombia grew 15.8% (in peso terms). The distribution of loans by stages and segment (commercial. consumer and home mortgage) and the growth of each was as follows:

$ Million

	December 31. 2018				December 31. 2017	Variation		
Business model	Stage 1	Stage 2	Stage 3	Total		$	%	% Part
Davivienda Colombia	**57,720,191**	**8,753,413**	**3,106,978**	**69,580,582**	**62,472,513**	**7,108,069**	**11.4%**	**79.2%**
Commercial	25,740,362	6,484,546	2,287,766	34,512,674	30,854,186	3,658,488	11.9%	39.3%
Consumer	16,099,017	1,461,245	419,217	17,979,479	16,973,917	1,005,562	5.9%	20.5%
Home mortgage	15,880,812	807,622	399,995	17,088,429	14,644,410	2,444,019	16.7%	19.5%
Subsidiaries outside Colombia	**17,003,821**	**814,545**	**422,645**	**18,241,011**	**15,747,061**	**2,493,950**	**15.8%**	**20.8%**
Commercial	9,467,743	357,003	215,091	10,039,837	8,687,747	1,352,090	15.6%	11.4%
Consumer	3,870,917	331,306	124,335	4,326,558	3,695,619	630,939	17.1%	4.9%
Home mortgage	3,665,161	126,236	83,219	3,874,616	3,363,695	510,921	15.2%	4.4%
TOTAL	**74,724,012**	**9,567,958**	**3,529,623**	**87,821,593**	**78,219,574**	**9,602,019**	**12.3%**	**100%**

An analysis of results in percentage terms shows that 83% pf Colombian loans are in Stage 1. 12.6% in Stage 2 and only 4.5% in Stage 3. 75% of commercial loans are at an optimum level of risk. 19% have significant impairment: this situation is due specifically to some exposure in engineering and civil works in Corporate Banking. Consumer loans are 90% optimum and 8% impaired; and home-mortgage are 93%; and 2% of consumer loans and 3% of home mortgage loans are in Stage 3.

Business model	**Stage 1**	**Stage 2**	**Stage 3**
Davivienda Colombia	**82.95%**	**12.58%**	**4.47%**
Commercial	74.58%	18.79%	6.63%
Consumer	89.54%	8.13%	2.33%
Home mortgage	92.93%	4.73%	2.34%
Subsidiarias Internacionales	**93.22%**	**4.47%**	**2.32%**
Commercial	94.30%	3.56%	2.14%
Consumer	89.47%	7.66%	2.87%
Home mortgage	94.59%	3.26%	2.15%
TOTAL	**85.09%**	**10.89%**	**4.02%**

In Davivienda Internacional. 93% of loans are optimum (Stage 1). 4.5% in Stage 2 and 2% in Stage 3.

The following is the detail by country and segment:

Country	Commercial	Consumer	Home mortgage	Total
Costa Rica	**3,682,469**	**1,039,712**	**1,801,719**	**6,523,900**
Stage 1	3,516,237	945,380	1,725,121	6,186,738
Stage 2	119,403	65,586	43,198	228,187
Stage 3	46,829	28,746	33,400	108,975
Salvadoreño	**2,816,765**	**2,257,253**	**1,010,803**	**6,084,821**
Stage 1	2,657,625	1,990,997	937,197	5,585,819
Stage 2	72,508	201,934	44,249	318,691
Stage 3	86,632	64,322	29,357	180,311
Honduras	**1,182,894**	**919,944**	**758,609**	**2,861,447**
Stage 1	1,103,147	829,031	713,457	2,645,635
Stage 2	73,287	60,809	32,257	166,353
Stage 3	6,460	30,104	12,895	49,459
Panamá	**2,357,710**	**109,649**	**303,485**	**2,770,844**
Stage 1	2,190,734	105,509	289,386	2,585,629
Stage 2	91,806	2,977	6,532	101,315
Stage 3	75,170	1,163	7,567	83,900
Total general	**10,039,838**	**4,326,558**	**3,874,616**	**18,241,012**

For further details of loans see section 13.5.1 (Loans and financial leasing by mode). 13.5.6 (Loans by currency). 13.5.7 (loans by economic sector) and 13.5.9 (loams and financial leasing by type of collateral).

Exposure to Credit Risk

The investment portfolio is mainly concentrated in sovereign debt securities of countries where Davivienda operates. given that the main mandate is to establish a liquidity reserve. The portfolio is therefore concentrated in assets with a low credit risk and high liquidity. There are also positions in corporate debt securities. mostly of well-known issuers who are regularly in the market. with high credit ratings. and mortgage portfolio securitizations. In terms of participation for December 2018. 57% corresponds to sovereign debt. mostly Colombian. followed by corporate debt with 36% and finally securitizations. accounting for 7%. The composition of the portfolio reflects conservative and adequate credit risk management. in accordance with the policies defined by the Bank's management.

Consolidated credit risk exposure includes the loans of Davivienda Colombia and its International Subsidiaries' credit portfolio and their treasury operations. Subject to counterparty credit risk. The following table comparative exposure is observed separating the carrying amount of financial assets secured by some form of collateral that depends on the nature of the product and / or the counterparty and unsecured loans.

Exposición Riesgo de Crédito

Assets	December 31. 2018 Collateral	December 31. 2018 No collateral	December 31. 2017 Collateral	December 31. 2017 No collateral
Debt at fair value	3,048	9,481,840	13,381	9,282,930
Colombian government	-	4,489,256	-	3,704,816
Other gov ernments	-	1,823,079	-	1,511,374
Financial entities	-	2,207,805	-	2,507,296
Real sector	-	192,184	-	398,151
Other gov ernments	-	338,842	-	839,072
Derivatives	3,048	430,674	13,381	322,221
Debt at amortized cost	-	1,828,493	-	1,530,802
Debt investments	-	1,828,493	-	1,530,802
Loans	46,994,887	40,826,706	41,889,407	36,330,167
Commercial	23,045,416	21,507,095	20,945,413	18,596,520
Consumer	2,986,426	19,319,611	2,935,889	17,733,647
Home mortgage	20,963,045	-	18,008,105	-
Total financial assets with credit risk	46,997,935	52,137,039	41,902,788	47,143,899
Credit risk off-balance-sheet	9,059,149	19,589,247	14,013,479	8,007,192
Credit limits	9,059,149	19,589,247	14,013,479	8,007,192
Total maximum exposure to credit risk	**56,057,084**	**71,726,286**	**55,916,267**	**55,151,091**

As a matter of Bank policy. the approvals process requires the offer of collateral in order to mitigate credit risk exposure. as a function of the nature of the product. the term of the loan. the financial and equity structure of the counterparty. the risks associated with the sector. the exposure of the debtor with the Bank. and other factors.

In its assessment of the value of the collateral value and the timing of the valuation. the Bank takes into account the particular characteristics of the assets covered by the operation. which determine whether the main component of the appraisal is the market price. the valuation indices calculated by Government agencies and / or the criteria of experts when deemed necessary.

At year-end 2018. el 54% of the portfolio exposure is backed by a guarantee: The commercial portfolio has collaterals like mortgages. liens. cash collaterals. escrows. guarantees granted by the National Guarantee Fund (FNG) and the Agricultural Guarantee Fund (FAG) among others. covering 52% of the exposure.

Consumer loans are mostly unsecured. except for vehicle loan pledges. free-use personal loans with mortgage guarantees (13% of consumer exposure). In particular. unsecured consumer include payroll installment loans with guaranteed collection. The balance of payroll installment loans represents about 39% of unsecured consumer loans.

Finally. home mortgages are fully backed by a mortgage (or. in the case of residential leasing. are assets owned by the Bank) and the credit risk exposure can always be mitigated by this form of security.

For further details please see Note 13.5.9 (Loans and financial leasing by type of collateral.

Derivatives and loans are covered by 100% of collateral.

Measurement of Impairment Reserves

The Bank seeks to ensure that the expected flows of credit and investment activity meet the expected requirements of the funds raised. prudently make reserves to cover its lending risks. Also. it is important for the Bank to guarantee the stability and consistency of the reserves with loan losses incurred. and it has therefore developed models in line with international standards (IFRS 9) in order to manage and mitigate the risks efficiently.

As of January 1. 2018 the Bank adopted IFRS 9 to calculate losses. changing the focus from “incurred losses” (as it formerly did under IAS 39 up to December 2017) to the measurement of “expected losses" (IFRS9).. With this new focus. the Bank developed models that discriminate the mass portfolios (Personal Banking. SME). and non-mass portfolios (Corporate and Business). and incorporate traditional components of the measurement of expected loss: probability of default (PD). loss given default (LGD). and exposure on default (ED). There is also a contingency included in expected loss. and a model for probability of activation (PA) was developed for this.

Additionally. regulations underline the need to reflect current and future conditions of the customer. Therefore. there is the incorporation of "forward-looking" effects. which include macroeconomic effects in estimates. For this reason. the calculation of expected loss is made in the context of different macroeconomics and scenarios. within which may or may not arise to produce a loss "(...) The purpose of estimating expected loan losses is not to estimate the worst scenario. nor to estimate the best. Instead. an estimate of expected credit loan losses will always reflect the possibility that there may or may not be a loan loss" (B. 5.5. 51).

In some segments of lending in Costa Rica and Panama. the Colombian parameters were used because there is insufficient historical information available to create a stable parameter over time which would provide an adequate reflection of the risk in these portfolios. In Costa Rica. a study was made to determine Colombia has the economy most similar to those of the other Central American countries. For this reason. parameters were used for Consumer and Business. In Panama. due to products such as vehicles and home mortgage being relatively new. there is little history or material information to make a stable model. and therefore it was decided to use Colombian parameters.

The following are the principal components of the methods used by the Bank to estimate the expected losses under IFRS 9. and the criteria used to classify loans between Stage 1-Normal risk. Stage 2 - Significant increase in risk; and Stage 3 - Default:

Classification criteria for loans in Stage 1. without significant increase in risk

In general. it is considered that a loan does not offer significant increase in risk when payment habits are remain good (arrears of less than 30 days). and that contractual conditions have not been changed since initial recognition. There are certain conditions of alert which are mentioned for the following stage. and reclassification then takes place.

Criteria for classification of loans in Stage II - Significant increase in risk

In general. it is considered that a loan risk increases significantly when one of the following features appears as a function of this type of loan.

Consumer. It is considered that a loan has a significant increase in risk when more than 30 days in arrears. Further. for some portfolios. the Bank applies criteria such as increased use of revolving credit. variation in the risk level of the customer. and payroll instalment loans where collection fails.

Home mortgage. Customers in arrears more than 60 days. and those who are in default of other modes of loan.

Commercial. Arrears of 30 days and particularly criteria of debtors as a function of whether there has been a change of collateral. changes in the conditions of loans. or particular situations.

Criteria for classification in Stage 3-definition of default.

It is considered that there is default in a segment as of the first limit of arrears in which the probability of recovering of the loan is less than 50%. Further. for individually-significant loans. the account is taken of other factors to consider a loan to be in default. such as litigation. and the follow-up to internal ratings. For each segment of each portfolio and for each country. the study is made of the resulting parameter in the context of a possible or presumed default in 90 days arrears. This parameter is maintained in most mass and non-mass portfolios. except for loans secured against mortgage collateral.

Probability of default

This is the estimated probability that default will occur within 12 months of the life of the debt. counting from the date of analysis. The standard defines that this probability will be used to calculate expected losses solely for healthy loans which show no evidence of impairment (Stage I). These are defined in the standard as "expected loan losses within 12 months" and are part of the expected losses during the lifetime of loans: they represent a lack of cash throughout that life if there is default within 12 months after the occurrence (or less. if the expected life of the financial instrument is shorter than 12 months)" (Definition of default. B5.5.43).

For mass portfolios such as Consumer. Home Mortgage and SME. the calculation is made of the probability of default using non-parametric estimates of the survival curve adjusted for payment. seeking to predict the probability that a loan will reach default in the next 12 months of observation. The study is made of a default parameter for each homogeneous segment of loans. and survival curves are constructed for loans with different terms of arrears. to make an adequate estimate of the level of risk for each segment.

For non-mass portfolios. including Corporate. Business and Construction. the Tasche & Pluto (2005) method is used. because these portfolios have a very low level of default.

Where obligations or customers show a significant increase in the level of risk. the calculation of the probability of default is made for the remaining life of the loan.

The Lifetime-PD is the estimated probability that default will occur throughout the remaining life of the instrument. considering. as the standard does. that "the maximum period over which expected credit loan losses must be measured is the maximum contractual period over which the entity is exposed to credit risk". (Definition of default. B5.5.38).

Mass portfolios and non-mass portfolios are exposed to the analysis described for the probability of default at 12 months. but considering the available credit record. and making the survival analysis.

Loss given default (LGD)

Loss given default (ODD) is the percentage exposure expected for a loss should default occur on a financial instrument.

The loss is defined as (1- the percentage of recovery of exposure at the time of default). the latter being the sum of expected flows from the operation discounted at the effective interest rate on the date of analysis. In order to estimate LGD to be assigned to a normal loan operation today. an estimate is made of the historic loss observed for each operation that has given rise to default treatment.

For loans with collateral. collateral is taken into account for the calculation of loss. and recovery flows are discounted to the value of net exposure of net present value of the recovery under the collateral.

Exposure on default

The PD and LGD in each loan is multiplied by the estimated exposure on default.

As part of the Bank´s methods. the exposure on instalment loans is reduced with the natural reduction caused by repayments over time. and the possibility that for each type of loan. exposure may be open to special reductions through prepayment.

For revolving loans. the calculation is made of the Credit Conversion Factors in order to predict an increase in the use of credit limits up to the time of default.

Forward Looking

IFRS 9 emphasizes the need to reflect current and future conditions of the customer. Therefore. it requires the incorporation of "forward looking" effects. including macroeconomic effects in estimates. For this reason. the calculation of expected losses made in the context of different macroeconomic scenarios. which may or may not bring give rise to a loss. "(...) the purpose of estimating expected loan losses is not to estimate the worst scenario. nor to estimate the best. Instead. an estimate of expected credit loan losses will always reflect the possibility that there may or may not be a loan loss". The consideration of "forward-looking" models allows an evaluation to be made of different loss scenarios. mitigating potential bias and subjective judgment. (Probable Weighted Result (B. 5.5. 41).

The consideration of "forward-looking" models allows evaluation of different loss scenarios. mitigating potential bias and subjective judgment. (Probable weighted result B5.5.41).

In order to adjust to include forward-looking factors. a multiple linear regression model is estimated to explain probability of default at 12 months. as observed historically. through macroeconomic variables. This regression considers all the projected variables. the changes. and drag from 1 to 18. and a first model (Lasso) is used to make a preliminary selection of variables. and subsequently correlated variables are eliminated and finally. all possible combinations of remaining variables are considered to make some model. selecting the best for the projection (statistical criteria and economic factors)

Central America

The probability of default in the subsidiaries outside Colombia was sensitized by the macroeconomic conditions of their own economies. and with dominant economic indicators. The panorama of economies developed was based on U.S. Federal Reserve forecasts. It is expected that the pace of growth will not exceed 4% per year on average.; in the short term. price levels for to stay within the same range. and finally the level of government risk in the short term will undergo small increases. Based on the foregoing. the principal future record of countries in Central America will be as follows:

Honduras: economic slowdown. slight increase in price levels. and mitigation of growth of loan portfolios in the financial system.

El Salvador: economic slowdown. growth in consumer portfolios and impairment in commercial loans.

Panama: stable economic growth. and no sharp movements in prices.

Colombia

In the exercise for Colombia. account was only taken of local macroeconomic variables. In general. it is expected that there will be slow economic growth. with positive rates of unemployment. reduction in annual inflation and in the market reference rate (TRM); a mild increase in placement rates and deposit taking rates; the financial system will grow moderately. but with better quality.

After applying the criteria described in the models for estimates of loan impairment by stages. we obtain the following results:

Millones de Pesos COP

Business model	December 31. 2018				December 31. 2017 (*)		
	Stage 1	Stage 2	Stage 3	Total	Balance	Impairment (provision)	% Impairment provision /Balance
Davivienda Colombia	**646,020**	**850,009**	**1,746,443**	**3,242,472**	**62,472,512**	**1,995,489**	**3.2%**
Commercial	160,347	396,752	1,241,728	1,798,827	30,854,187	1,109,770	3.6%
Consumer	458,524	412,643	324,283	1,195,450	16,973,916	811,002	4.8%
Home mortgage	27,149	40,614	180,432	248,195	14,644,409	74,717	0.5%
Subsidiarias Internacionales	**172,182**	**83,469**	**211,554**	**467,205**	**15,747,062**	**314,080**	**2.0%**
Commercial	46,610	19,535	86,511	152,656	8,687,746	112,122	1.3%
Consumer	113,422	57,095	82,643	253,160	3,695,620	177,580	4.8%
Home mortgage	12,150	6,839	42,400	61,389	3,363,696	24,378	0.7%
TOTAL	**818,202**	**933,478**	**1,957,997**	**3,709,677**	**78,219,574**	**2,309,569**	**3.0%**

(*) Loss incurred impairment IFRS 9 v.2013

The effect of the change of model from incurred losses to expected losses in the loan portfolio was reflected in the cost of $768.020 at January 1. 2018. The new level of losses. taking account of this higher level of provisions. corresponds to 3.9% of total loans at December 2017. instead of 3% shown in the above table. December 31. 2018 total loan impairment in the Bank was $3.7 billion. or 4.2% of total loans. This meant an increase of 120 bp to build the level of the close of the previous year (under IAS 39). or30 bp with regard to the new measurement using expected losses. after the change of models on January 1. 2018.

For the subsidiaries outside Colombia. impairment totaled $467. 206 auto .6% of the total empowerment of the bank. at the close of 2018. and Colombia closed with $3.2242.472.

The breakdown of the proportion of impairment in terms of the balances by Stage class of loan can be seen in the following chart:

Millones de Pesos COP

Business model	Stage 1	Stage 2	Stage 3	Total
Davivienda Colombia	**1.12%**	**9.71%**	**56.21%**	**4.66%**
Commercial	0.62%	6.12%	54.28%	5.21%
Consumer	2.85%	28.24%	77.35%	6.65%
Home mortgage	0.17%	5.03%	45.11%	1.45%
Subsidiaries outside Colombi	**1.01%**	**10.25%**	**50.05%**	**2.56%**
Commercial	0.49%	5.47%	40.22%	1.52%
Consumer	2.93%	17.23%	66.47%	5.85%
Home mortgage	0.33%	5.42%	50.95%	1.58%
TOTAL	**1.09%**	**9.76%**	**55.47%**	**4.22%**

Impact of individually-significant customers.

As part of the process of quantification of loan provisions under IFRS 9 there are customers who have increased their level of risk and the materiality of exposure. and need to be analyzed individually in order to understand the expectation of recovery through analysis of expected net cash flows of the recovery process with collateral where applicable.

The most important customers generating an impact on impairment in 2018 were in the corporate portfolio. in Colombia. and in sectors involved in infrastructure. transport and energy projects. bringing an increase of 114% in impairment. from $382.171 to $815.945 at the end in 2017 and 2018 respectively.

See Note 13.5.3 (separate financial statements). for further details of individually-assessed loans.

Impairment of restructured-renegotiated loans

Total impairment of restructured loans during 2018 was $786.714. including persons 672. 786 in Delhi under Colombia and $113.929 in the subsidiaries outside Colombia. as shown in the table below. The rules for re-structuring or modifying loans follow the regulations in each country. Structuring affected 14.4% of impairment during the year. the St. including Colombia (15.7%) and subsidiaries outside Colombia. 4.1%.

	Impairment	% impairment
Subsidiaries outside Colombia	113,929	4.1%
Davivienda	672,786	15.7%
Total	786,714	14.4%

Risk management in derivatives

The operation of derivative financial instruments and products structured in Banco Davivienda's Treasury is part of the scheme of risk policies based on the following minimum guidelines:

• Authorized market or product.
• Counterparty limits and authorized credit. admissible collateral mechanisms in credit risk mitigation. concentration of credit exposure by the counterparty and / or sector. and overall credit exposure of the company.
• Conclusion of framework contracts and / or ISDA considering in due diligence an analysis if clauses related to credit risk mitigation. early termination and breach.
• Counterparts authorized. even for cases where a central counterparty risk clearing house is involved.

Market Risk and Liquidity Risk

Management of Market and Liquidity Risk

The Investment Risk Division is the instance to which the Board of Directors of each company delegates the responsibility for the assessment of existing risks. the identification of new ones. and the definition of calculation methodologies. policy suggestions. and control of risks of all kinds.

The Administration and Risk Management in the companies owned by Grupo Bolívar is conducted through a strategy for synergy between the companies. consolidating a Market and Liquidity Risk Department for all of the companies. in order to optimize technological and human resources. The Market and Liquidity Risk Department accountable to the Vice-President of Investment Risk of Grupo Bolívar. following the guidelines of the Vice-President for Risk and Financial Control and of the Corporate Risk Committee.

For this purpose it has been established that the Financial Risk Committee (FRC) of Grupo Empresarial

Bolivar. the Assets and Liabilities Management Committee (C-ALM) or his substitute. the Assets and Liabilities Foreign Currency Management Committee (C-ALM ME). the Market Risk Committee. and the Board of Directors of each entity in the Group are the bodies responsible for defining institutional policies regarding exposure to various financial risks. in line with the financial structure and operation of each of the entities. as well as its strategy and corporate objectives.

Further. the Financial Risk Management Manual for Grupo Empresarial Bolivar (MARF) consolidates management and financial risk aspects as well as management and treasury liquidity in Group companies; and it is the document that establishes the management system required.

The companies thus have a robust structure designed and implemented for risk exposure limits. helping them to be able to control the portfolios and the activities undertaken in managing them m. They are defined for each company. among others. to set limits in investments and counterparty portfolios. operator limits. value at risk. sensitivity. duration. term. and various early warnings to monitor and control the operation.

The Board delegates to CRF and to the Investment and Risk of Mutual Funds Committees as appropriate. the responsibility to evaluate and authorize the various operating alternatives and investments between the Treasuries of each of the Companies. and the C-ALM. or its successor. the definition. monitoring and control of general policies for the managing of assets and liabilities (market risk of the Balance Sheet structure). as well as the management policies for liquidity risk.

Market Risk

Market risk management requires the identification. measurement. monitoring and control of the risks arising from fluctuations in interest rates. exchange rates. prices. indicators and other risk factors.

The strategic principles applied by Davivienda’s market managers are:

→Consistency between expected return and level of exposure tolerated.
→Market share in markets and products on which it has deep knowledge and management tools.
→Strategy segmentation and risk profiles for each business model.
→Consolidated and individual levels of management.

The Bank is a market player through its investment portfolio in the money market and the foreign exchange market. The managed portfolios are composed of a range of assets that diversify sources of income and assumed risks. which are part of a series of limits and early warnings seeking to maintain the risk profile of the balance sheet and risk-reward ratio.

Given the nature of the business and the markets that the Bank accesses to. the bank book and the treasury book are exposed to interest rate and exchange rate risks. and to risks of change in the price of shares and investment funds.

Business Model and Portfolio Structure

Since market risk management starts from the recognition of defined business models for managing the investment portfolio. Davivienda has instituted two major management practices: i) structural management: investments associated with financial intermediation. market risk management of the balance sheet and the need support in the form of liquid assets in the financial intermediation process; and ii) trading management: investments for which its purpose is to maximize Treasury profits by buying and selling financial instruments.

From these business models. fields of action to manage them are established through limits. alerts and risk policies that reflect the appetite for and tolerance of risk. the depth of the market. and the objectives of each business line.

The gross investment portfolio. at December 2018 was at $11.006.719 million according to the business models stated:

$ Million			Variation	
Business model	**December 31. 2018**	**December 31. 2017**	**$**	**%**
Trading	2,120,712	1,221,757	898,955	74%
Structural	8,886,007	9,375,312	(489,305)	-5%
Liquidity reserve	7,217,898	7,717,403	(499,505)	-6%
Balance-sheet management	1,668,109	1,657,909	10,200	1%
Total	**11,006,719**	**10,597,069**	**409,650**	**4%**

The most significant amount of investments corresponds to the reserve to meet liquidity demands; secondly. investments with the purpose of risk management of the balance sheet. and finally the trading portfolio.

The accounting classification rules for investments are associated with the business models with which the portfolios are managed. At December 2018. the gross portfolios were classified as follows;

$ Million			Variation	
Accounting classification	**December 31. 2018**	**December 31. 2017**	**$**	**%**
Fair value through profit or loss	5,103,080	9,054,668	(3,951,588)	-44%
Fair value through OCI	4,075,146	11,599	4,063,547	100%
Amortized cost	1,828,493	1,530,802	297,691	19%
Total	**11,006,719**	**10,597,069**	**409,650**	**4%**

Most of the investments are classified at fair value. since the liquidity reserve and trading portfolios. given the nature of eventual sale at market prices must reflect the settlement or fair value. The liquidity reserve. most of the investment portfolio. is adjusted to reflect balance-sheet growth so that the risk profile tolerated by the Bank and Subsidiaries is preserved. The trading portfolio varies in terms of size as a function of market conditions and expectations the date of analysis. In relation to December 31. 2018. there is portfolio growth of 4%. explained by the trading position in Colombia and in the light of expectations of the central bank´s monetary policy.

At the level of operating subsidiaries and jurisdiction. the investment portfolio is explained in most part by the operation in Colombia. followed by Costa Rica EL Salvador and Panama.

$ Million			Variation	
Country	**December 31. 2018**	**December 31. 2017**	**$**	**%**
Colombia	7,613,437	7,339,685	273,753	4%
Costa Rica	1,392,585	1,240,778	151,971	12%
El Salvador	757,932	800,018	(89,416)	-11%
Panama	707,095	651,831	410,067	63%
Honduras	315,905	364,887	(18,499)	-5%
USA	219,765	199,870	19,895	10%
Total	**11,006,719**	**10,597,069**	**409,650**	**4%**

Measurement of Market Risk

The measurement of market risk quantifies the potential loss due to changes in risk factors that affect the valuation of expected results. This requires the definition of parameters and tools for measurement. together with the generation of reports. analysis. and regular assessments by senior management and risk taking areas.

The market risk management system allows the Bank to identify. measure and control the risk to which the positions of the balance sheet are exposed. based on the principles of the business model. For this. there is a scheme of limits that serves the purpose of each business unit. The trading portfolios. which are composed of debt instruments and derivatives. have an action framework defined by measures of Value at Risk. maximum positions and sensitivity measures (Rho. Delta. Vega. among others). Meanwhile. portfolios that follow a set structure consist of debt instruments following a long-term vision which can be complemented with derivatives in order to reduce the sensitivity of the portfolios to adverse movements in interest rates.

In addition to the standard model required by the SFC. Davivienda has adopted to manage market risk sensitivity. positions. durations and deadline measures. and value at risk measures (VaR).

Risk of changes in exchange rates

We use the standard measurement model. control and management of market risk. defined by the SFC. focusing on consumption and capital allocation. This methodology starts from the mapping of the asset and liability positions of the investment portfolio subject to changes in interest rates in certain areas and bands starting from the duration of each instrument. It also includes the net exposure to exchange rates of the Treasury and Bank Books.

The process of Backtesting is design to validate the VaR model and its capacity to make predictions in relation to the real evolution of income/loss in invest portfolios. This performance test is based on Kupiek (1995). and generates statistical measure of confidence for a significant number of observations (255 data). Also. clean and dirty test of the model at portfolio level. asset class and product. taken each week and each month.

The standard model for VaR in the investment portfolio in the consolidated balance sheet at December 31. 2018 and 2017 produce the following result:

Maximum. minimum and average VaR ($ millions):

	December 31. 2018			
	Minimum	**Average**	**Maximum**	**Latest**
Interest rate	173,779	193,433	215,028	173,779
Exchange rate	112,318	141,696	176,269	176,269
Shares	2,125	3,259	3,890	3,130
Unit funds	10,893	11,989	16,890	16,890
VaR	299,115	350,377	412,077	370,068

	December 31. 2017			
	Minimum	**Average**	**Maximum**	**Latest**
Interest rate	171,274	192,503	210,078	210,078
Exchange rate	57,886	77,709	120,955	120,955
Shares	2,194	2,915	3,274	3,123
Unit funds	9,760	10,687	11,357	10,349
VaR	242,194	283,814	344,505	344,505

As a complement to management under normal conditions. there is a measurement of stress scenarios. mainly used to quantify techniques which relationships between variables and historic scenarios. to establish worst cases; the intention is to evaluated how volatilities generated and valuation losses acquiring in the scenarios can impact the portfolio and so. quantify for state of crisis. Statistical tools are used for this and the worst case is applied to the current situation on the portfolio.

Among the quantities techniques. to estimated stress have been implemented. One is VaR-stress. which represent the extreme maximum expected loss. in historical terms (stress scenarios) and represents the VaR high stress for a given time using EWMA volatilities and correlations.

The second tecnique. is a sensitivity analysis. bases on dishigtest valuation losses. recordered throughout a local and international financial crisis. with impact on portfolios for the diferent risk factors.

Risk of changes in exchange rates

Davivienda uses a standard is model to measure. control and manage market risk as a defined by SFC. focused on the allocation and consumption of capital. The method is based on a mapping of asset and liability products in the investment portfolio. subject to interest rate variations in certain zones and banks based on the life of each instrument- It also takes account of net exposure to exchange rate in the Treasury Book and the Bank Book.

Subsidiaries and are managed by hedging strategies that seek to reduce the sensitivity of the income statement and of the equity. The hedges are defined in terms of the depth of market instruments for each currency and on the basis of a prospective analysis of economies and the juncture of the market.

The exchange position in the balance sheet is managed in the context of Colombian Central Bank regulations. which impose certain restrictions depending on the assets of the entity. and maximum long and short currency positions.

The most significant balance sheet positions in foreign currency are in U.S. dollars. followed by the positions of the Central American currencies. as detailed below.

	December 31. 2018		December 31. 2017	
	Currency balanc	**Peso balance**	**Currency balanc**	**peso balance**
US dollar	(15)	(47,858)	(75)	(224,244)
Lempira	2,893	386,241	2,666	337,298
Colón	103,721	557,849	85,384	449,699
Other*	(1)	(2,358)	(9)	(27,100)
Total	106,599	893,874	-	535,653

(*) figures in “Currency Balance” are in US$.

The estimated effect of the increase of1% in The US$/COP exchange rate. other rates being unchanged with respect to rates at December 31. 2018 would be $4.996.79 million approximately and at December 31. 2018. $5.627.52 million.

Effect of interest rates on balance-sheet structure:

The Bank´s financial assets and liabilities are exposed to fluctuations in rates and market prices. Variations of this kind have a direct effect on the financial margin and results. Methods are therefore used to sensitize financial instruments to rate changes and there is follow-up of marching of assets and liabilities. their durations and reprising.

The table below shows the sensitivity of interest-earning assets and interest-bearing liabilities. At December 31. 2018 an increase or decrease of 50bp in interest rates would have caused an increase or decrease of $2.008 in the Income Statement. At December 31. 2017. sensitivity would have been $27.187 million. It should be remembered that there was a re-estimate at December 2017 in the absence on an IFRS. pending its introduction in 2018.

	December 31. 2018				
	Quarterly average	Income/expense	Average rate	Impact Δ50 pb	
				Increase	Decrease
Interest-earning assets					
Money market funds	988,486	36,325	3.7%	4,942	(4,942)
Local currency	729,031	26,969	3.7%	3,645	(3,645)
Foreign currency	259,455	9,355	3.6%	1,297	(1,297)
Investments at fair value through profit or loss and through OCI	8,329,791	342,384	4.1%	5,994	(5,994)
Local currency	5,642,591	225,474	4.0%	(2,977)	2,977
Foreign currency	2,687,200	116,910	4.4%	8,971	(8,971)
Investments at fair value through profit or loss	4,485,777	160,898	3.6%	(13,226)	13,226
Local currency	4,124,269	140,313	3.4%	(10,569)	10,569
Foreign currency	361,508	20,584	5.7%	(2,658)	2,658
Investments at fair value through OCI	3,844,014	181,486	4.7%	19,220	(19,220)
Local currency	1,518,322	85,160	5.6%	7,592	(7,592)
Foreign currency	2,325,692	96,326	4.1%	11,628	(11,628)
Investments at Amortized cost	1,744,397	112,573	6.5%	8,722	(8,722)
Local currency	1,250,626	76,463	6.1%	6,253	(6,253)
Foreign currency	493,771	36,110	7.3%	2,469	(2,469)
Credit portfolio	82,874,187	8,893,081	10.7%	285,904	(285,904)
Local currency	61,506,878	7,097,401	11.5%	192,151	(192,151)
Foreign currency	21,367,309	1,795,680	8.4%	93,753	(93,753)
Total assets in Local currency	**69,129,126**	**7,426,307**	**10.7%**	**199,072**	**(199,072)**
Total assets in foreign currency	**24,807,735**	**1,958,055**	**7.9%**	**106,490**	**(106,490)**
Total interest-earning assets	**93,936,861**	**9,384,362**	**10.0%**	**305,562**	**(305,562)**
Interest-bearing liabilities					
Public deposits	65,212,253	2,285,100	3.5%	214,855	(214,855)
Local currency	48,859,744	1,834,852	3.8%	167,493	(167,493)
Foreign currency	16,352,510	450,249	2.8%	47,362	(47,362)
Bonds	10,114,517	713,042	7.0%	27,216	(27,216)
Local currency	7,769,288	566,043	7.3%	27,216	(27,216)
Foreign currency	2,345,228	146,999	6.3%	-	-
Money-market	2,067,399	66,410	3.2%	10,337	(10,337)
Local currency	1,832,685	55,631	3.0%	9,163	(9,163)
Foreign currency	234,714	10,780	4.6%	1,174	(1,174)
Financial sector debt	11,032,527	480,229	4.4%	55,163	(55,163)
Local currency	2,162,880	120,006	5.5%	10,814	(10,814)
Foreign currency	8,869,647	360,223	4.1%	44,348	(44,348)
Liabilities in local currency	**60,624,598**	**2,576,531**	**4.2%**	**214,686**	**(214,686)**
Liabilities in Foreign currency	**27,802,098**	**968,251**	**3.5%**	**92,884**	**(92,884)**
Total Interest-bearing liabilities	**88,426,696**	**3,544,782**	**4.0%**	**307,570**	**(307,570)**
Total financial assets financieros. net. subject to interest rate risk	**5,510,165**	**5,839,581**		**(2,008)**	**2,008**
Local currency	8,504,528	4,849,776		(15,614)	15,614
Foreign currency	(2,994,364)	989,805		13,606	(13,606)

	December 31. 2017				
	Quarterly average	Income/expense	Average rate	Impact Δ50 pb	
				Increase	Decrease
Interest-earning assets					
Money market funds	1,009,807	46,322	4.6%	5,049	(5,049)
Local currency	856,232	38,426	4.5%	4,281	(4,281)
Foreign currency	153,575	7,897	5.1%	768	(768)
Investments at fair value through profit or loss and through OCI	8,047,588	303,103	3.4%	(27,071)	27,071
Local currency	5,732,900	247,426	3.9%	(14,242)	14,242
Foreign currency	2,314,689	55,676	2.2%	(12,829)	12,829
Investments at fair value through profit or loss	8,047,588	303,103	0.0%	(27,071)	27,071
Local currency	5,732,900	247,426	4.3%	(14,242)	14,242
Foreign currency	2,314,689	55,676	2.4%	(12,829)	12,829
Investments at Amortized cost	1,539,415	141,208	9.2%	7,697	(7,697)
Local currency	885,721	97,371	11.0%	4,429	(4,429)
Foreign currency	653,694	43,837	6.7%	3,268	(3,268)
Credit portfolio	76,362,633	8,687,809	11.4%	278,464	(278,464)
Local currency	55,874,740	7,040,842	12.6%	182,900	(182,900)
Foreign currency	20,487,892	1,646,967	8.0%	95,565	(95,565)
Total assets in Local currency	**63,349,594**	**7,424,066**	**11.7%**	**177,367**	**(177,367)**
Total assets in foreign currency	**23,609,850**	**1,754,377**	**7.4%**	**86,772**	**(86,772)**
Total interest-earning assets	**86,959,444**	**9,178,442**	**10.5%**	**264,139**	**(264,139)**
Interest-bearing liabilities					
Public deposits	61,803,085	2,605,689	4.2%	206,881	(206,881)
Local currency	45,691,002	2,183,661	4.8%	160,488	(160,488)
Foreign currency	16,112,084	422,028	2.6%	46,392	(46,392)
Bonds	10,882,622	727,939	6.7%	28,972	(28,972)
Local currency	7,171,079	553,544	7.7%	28,972	(28,972)
Foreign currency	3,711,543	174,396	4.7%	-	-
Money-market	2,202,541	105,441	4.8%	11,013	(11,013)
Local currency	1,943,679	95,410	4.9%	9,718	(9,718)
Foreign currency	258,862	10,031	3.9%	1,294	(1,294)
Financial sector debt	8,892,062	382,655	4.3%	44,460	(44,460)
Local currency	1,806,897	124,538	6.9%	9,034	(9,034)
Foreign currency	7,085,165	258,117	3.6%	35,426	(35,426)
Liabilities in local currency	**56,612,656**	**2,957,153**	**5.2%**	**208,213**	**(208,213)**
Liabilities in Foreign currency	**27,167,654**	**864,571**	**3.2%**	**83,113**	**(83,113)**
Total Interest-bearing liabilities	**83,780,311**	**3,821,724**	**4.6%**	**291,326**	**(291,326)**
Total financial assets financieros. net. subject to interest rate risk	**3,179,133**	**5,325,977**		**(27,187)**	**27,187**
Local currency	6,736,937	4,440,570		(30,846)	30,846
Foreign currency	(3,557,804)	885,407		3,660	(3,660)

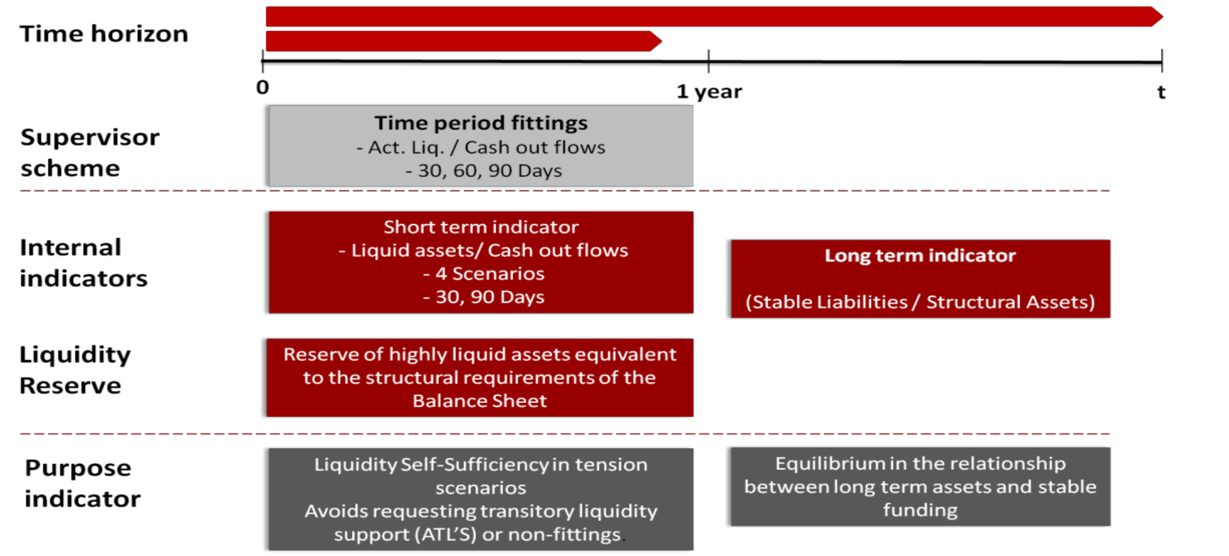
Liquidity Risk

Liquidity risk materializes when a business is unable being unable to comply fully. promptly and efficiently with current and future expected and unexpected cash flows. without affecting the normal course of operations or its financial condition. This contingency (funding liquidity risk) is becomes evident when there are insufficient liquid assets available and / or the business is forced to assume unusually high funding costs. In turn. the ability to take on or break off from financial positions at market prices is limited either because the market is not deep enough or because drastic changes occur in rates and prices (market liquidity risk). Similarly. for businesses funded through deposits. liquidity risk includes the ability to generate a structure of stable long-term funding to maintain illiquid assets. in line with the business strategy. and able to serve unanticipated stress situations.

are:

→ Permanent availability of high quality liquid assets. according to the balance sheet structure and appetite for risk.
→ Davivienda's balance sheet and that of each Subsidiaries should be self-sufficient in a liquidity crisis.
→ The availability of liquid assets should not be overestimated; that is. 1we must constantly assess the level of liquidity of the assets that are part of the reserves and anticipate changes.
→ Mitigate reputational risk. using own resources to be able to address adverse situations without compromising compliance with regulations and reduce the likelihood of requiring temporary support from State entities.

The risk management scheme. which complements the Supervisors´ standard models. must also comply with these principles. The Treasury manages a number of short and long term indicators. limits and alerts. The areas responsible for the balance sheet structure also regularly review the situation. as follows:



For short-time analysis. the methodologies used to estimate liquidity risk consist of calculating the cash flows of the assets. liabilities and off-balance-sheet positions in different time-bands. as a way to monitor immediate liquidity problems. For long-term management. the methodologies focus on the analysis of funding sources. its composition at the segment and product's level. and the characterization of assets and liabilities that are not definitely of a permanent nature.

It is Bank policy to hold a required minimum size portfolio invested in highly liquid assets so that a crisis can be addressed in a moderate scenario. without resorting to temporary Central Bank liquidity support. The size of the portfolio or the liquidity reserve is determined based on an estimate of withdrawal volumes. in a stress situation. affecting the volatile components of individual and institutional depositors. This leads to an estimate of the liquidity reserve to be incorporated prospectively into the funding strategy in the Bank's growth plan. in order to guarantee sufficient liquidity assets in accordance with the balance sheet structure and the desired risk profile.

Further. the assets in the liquidity reserve must have minimum characteristics: they must be eligible as collateral for Central Banks. and they must have low credit and market risks and be quoted in broad and widely- recognized markets. Additionally. these assets must be free of any contractual commitment. and must not have been previously pledged as collateral for market liability operations or otherwise.

Notes 13.17. 13.19 and 13.20 present the contractual maturity of the liabilities of the balance sheet as of December 31. 2018 and December 31. 2017.

The contractual capital and interest flows of financial liabilities are shown below. as of December 31. 2018 and December 31. 2017. in the Consolidated Balance Sheet.

Flows of financial liabilities as of December 31. 2018	Flows of financial liabilities as of December 31. 2018	More than one month and no more than three months	More than three months and not more than one	More than one year and no more than five years	More than five years	Total
Certificates of Term Deposit	3,623,983	7,138,891	14,589,572	7,098,956	53,806	32,505,208
Savings and current accounts (*)	36,338,168	-	-	-	-	36,338,168
Bonds	81,386	89,384	1,312,384	8,069,304	4,304,203	13,856,661
Loans Entities	1,021,518	1,954,624	4,474,649	3,330,228	2,746,089	13,527,108
Total Financial Liabilities	41,065,055	9,182,899	20,376,605	18,498,488	7,104,098	96,227,145

Flows of financial liabilities as of December 31. 2017	Flows of financial liabilities as of December 31. 2018	More than one month and no more than three months	More than three months and not more than one	More than one year and no more than five years	More than five years	Total
Certificates of Term Deposit	3,045,206	5,874,872	11,649,619	8,365,979	59,937	28,995,613
Savings and current accounts (*)	33,516,256	-	-	-	-	33,516,256
Bonds	1,587,392	599,886	730,839	7,780,264	4,745,779	15,444,160
Loans Entities	297,378	1,676,566	2,297,477	2,763,645	1,644,541	8,679,607
Total Financial Liabilities	38,446,232	8,151,324	14,677,935	18,909,888	6,450,257	86,635,636

(*) Savings and checking accounts are classified in the band up to one month taking into account that they are demand deposits. although this does not imply that their maturity is in that time band.

Internal Control System (SCI)

The Bank and Subsidiaries permanently review and updates its controls. taking into account the regulatory changes. the environment. new products and services. the processes. it also considers the materialization of events to determine the causes of events and draw up action plans to mitigate risks.

The policies and guidelines developed for each of the elements of the Internal Control System (SCI). contribute to achievement of business objectives.

During 2018. the Organizational Culture. which is part of the Control Environment. continued to be strengthened; awareness-raising in relation to the importance of risk management and internal control. We continued to strengthen controls. with the participation of lines of defense.

The Bank complies with the legal requirements established in External Circular 029 of 2014 (Part I / Title I / Chapter IV - Internal Control System) of the SFC. formerly Circular 038 of 2009.

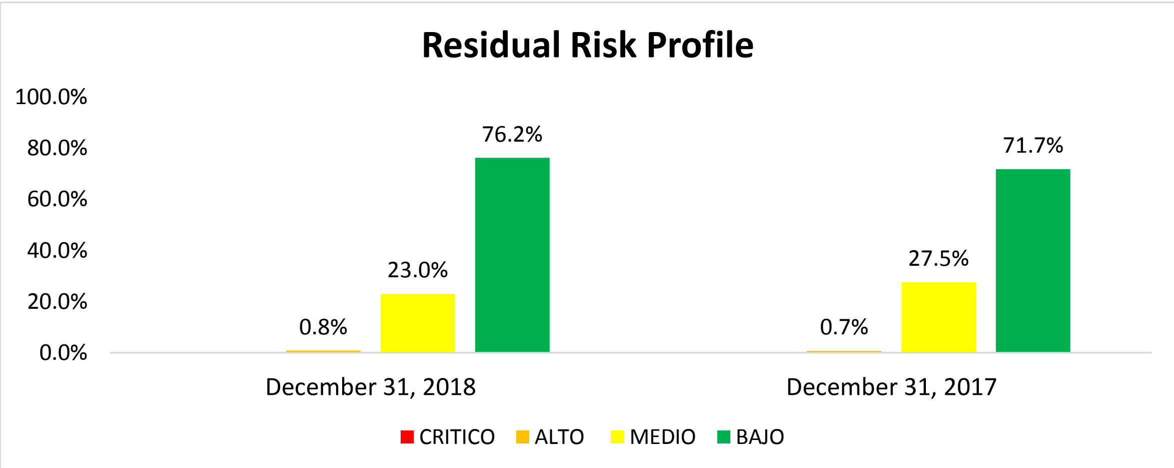
Financial Costumer Service System (SAC)

Customers and other financial consumers are of the essence of the Bank and its Subsidiaries in Colombia and outside. led us to develop an inter-institutional strategy to secure that the integration of our higher purpose. “enrich life with integrity”. is assimilated within them through trustworthy. friendly and simple relationships. by anticipating their needs and expectations and dealing with inquiries and disagreements promptly and efficiently.

As fundamental components of the customer service strategy we have developed the following topics:

1. Know the customer’s satisfaction levels and take the required action.
2. Ensure that all staff members have sufficient knowledge of the service model. through constant training.
3. Strengthen the various communication channels to reach financial consumers faster and more effectively.

Development of this strategic plan has allowed us. to keep SAC risks duly regulated in compliance with policies and the regulatory framework. as can be observed in the following comparative charts up to December 31. 2018 and up to December 2017:



SAC	December 31. 2018						December 31. 2017					
	Risks					Controls	Risks					Controls
Entities	Low	Mid	High	Critical	Total		Low	Mid	High	Critical	Total	
Banco Davivienda	427	116	5	-	548	1,421	471	139	6	-	616	1,660
National Subsidiaries (Fidudavivienda. Davivienda Corredores)	130	52	1	-	183	714	135	94	1	-	230	582
Total	**557**	**168**	**6**	**-**	**731**	**2,135**	**606**	**233**	**7**	**-**	**846**	**2,242**

This model helps the Bank and its Subsidiaries in Colombia to comply with SFC requirements regarding financial customer services detailed in Law 1328/2009 and SFC Circular 015 de 2010.

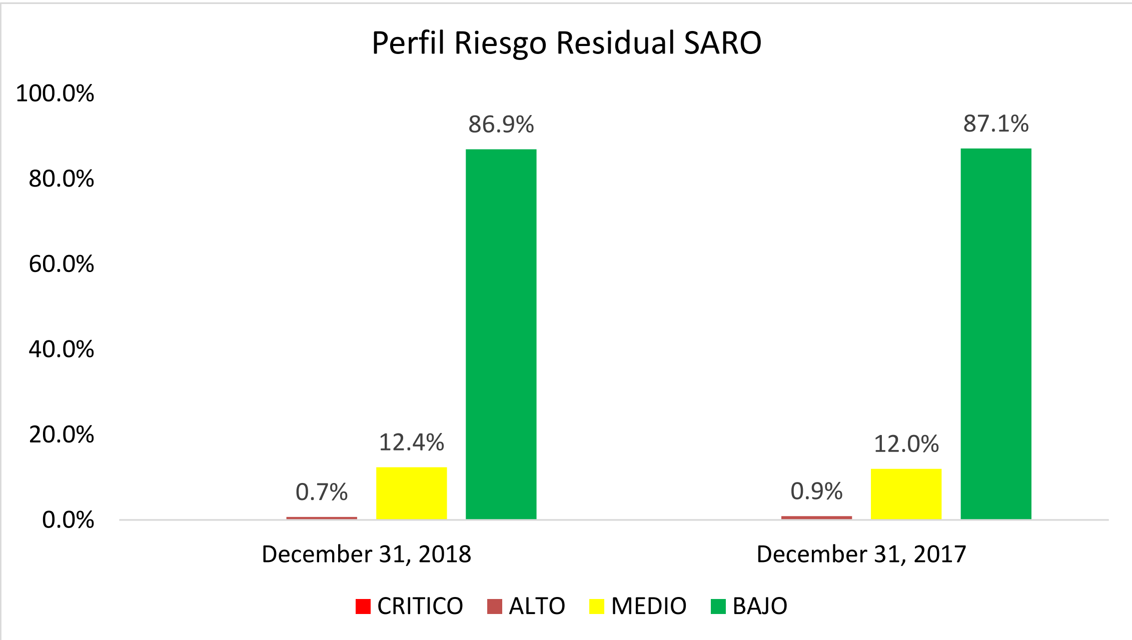
Operating risk management system (SARO)

During 2018 the Bank and Subsidiaries in Colombia and outside Colombia developed a process of alignment and synergy for the model of management of operating risk and the various activities in it. The aim is to ensure that important relevant risks of the various business lines are duly controlled and monitored especially in regard to the following:

- Operating risks that affect the Bank's revenue and expenses
- Operating risks in both operational and financial processes
- Risk of fraud. information security and business continuity.

Accordingly and as part of the operating risk management strategy we have been integrating our technological structure as fundamental basis for maintaining the security of information and documentation and the application of models that contribute to the orientation of a strategy for risk management and control.

We have followed the operating risk policies approved by the Board and required by the Regulator in each country. and we have achieved adequate levels of operating risk management. as can be seen in the consolidated risk profile. comparative up to December 31 2018 and December 31 2017:



SARO	December 31. 2018							December 31. 2017						
		Risks							Risks					
Entities	Processes	Low	Medium	High	Critical	Total	Controls	Processes	Low	Medium	High	Critical	Total	Controls
Banco Davivienda Colombia	186	1268	253	8	-	1529	4073	170	1343	283	12	-	1638	4137
Filiales Nacionales	69	274	101	1	-	376	1343	71	234	137	2	-	373	1218
Banco Davivienda Internacional	184	1698	107	17	-	1822	3918	183	1810	46	21	-	1877	4121
Total	**439**	**3240**	**461**	**26**	**-**	**3727**	**9334**	**424**	**3387**	**466**	**35**	**-**	**3888**	**9476**

Money-Laundering and Financing of Terrorism Risk Management System (SARLAFT)

The Bank has adopted and implemented a money laundering and terrorism financing control compliance program (AML-FT). based on the management of risk events. It consolidates information. implements a robust technological platform. uses data mining technology. knowledge of the customer and his financial operations. risk profiles for different risk factors. design and implementation of mitigating controls. defining and managing risk segments and risk characteristics of customers. products. distribution channels and jurisdictions. The system generates alerts. and prompts the analysis and follow-up of unusual transactions.

reporting any suspect operations to the authorities; in order to avoid being used to give the appearance of legality to the proceeds of illegal activities and/or to finance terrorist activities. All this is also in compliance with SFC Basic Legal Circular 029/ 2014.

As a foundation of the Anti-Corruption Program. the Bank and Subsidiaries have adopted a commitment to zero-tolerance to any event of corruption: policies have been produced to prohibit direct or indirect bribery of any kind through officers. staff. customers. suppliers and other stakeholders and those who regulated conflicts of interest arising with public servants or private individuals. The Program has procedures and controls to secure compliance with the defined policies.

The Bank´s statutory Compliance Officer provide quarterly reports for the Board covering the following. amongst other points:

Pronouncements of the SFC. visits and inspections

The SFC made no on-the-spot visit to Banco Davivienda during 2018.

Internal audit. Internal Audit issued its annual report in October with an evaluation of SARLAFT stages and elements. The Unit verified that internal and external regulations were being satisfactorily implemented with policies. procedures and alignment with strategic objectives. The conclusion was satisfactory.

Statutory Audit. A quarterly report was received in relation to developments to implement SFC and other supervisory instructions for SARLAFT controls. The results were satisfactory and action plans for opportunities for improvement were developed on schedule.

Optimization of Technological Tools
A quarterly progress report was produced for the Board on technological projects designed to optimize the administration of the Compliance Program
Projects
Development of the implementation of SFC Circular 17 (Changes to Official Reports) began. The new reports will come into effect in the second half of 2019.

Quality. Cover and Updates Indicators.
A monthly evaluation was made of indicators. cover and Updates. which are in an ongoing process of optimization. The Compliance Officer and the Board are responsible for monitoring it.

Follow up of operations
A monitoring process of customers operations was implemented reports was generating for the ministry of finance special unit UIAF.

Disciplinary Scheme
No internal administrative disciplinary sanctions were ordered for breaches of SARLAFT.

Reports to the Authorities
Requirements of the Supervisor and other authorities were discharged promptly.

Results of corrective measures ordered by the Board
Board recommendations were dealt with at quarterly meeting.

Updates to the Compliance Manual.
The Compliance Manual was updated for the optimization of policies and procedures and to include new regulations. in particular SFC Circular 5/2018 and SFC Circular 8/2018.

Training
The annual training plan was designed. approved and implemented including the annual retraining in SARLAFT. certification of the reading of the Compliance Manual. Certification of reading of the Code of Ethics and induction for new staff.

Risk Management
The Board made quarterly follow-ups of the progress and evolution of risk factors and customer segmentation and their risk classifications. The classifications were stable over the year and within the category “LOW” the Board was kept informed of administration of risk events and the effectiveness of controls.

FATCA
Banco Davivienda has designed. approved and implemented an organizational culture. policies. Controls and procedures to comply with FATCA requirements and the OECD system CRS.

The FATCA/CRS Fiscal Transparency Program was designed. Approved and implemented to cover documentation. technological infrastructure. monitoring and correction of faults. Mandatory reports under the Fiscal Transparency Law were sent to DIAN/IRS when due.

Compliance Committee
The Compliance Committee acts as a support unit for the Board. It meets quarterly and is responsible for the implementation. supervision and follow-up of the Bank´s compliance program. In 2018 it made pronouncements on the follow-up and progress of the program. with an opinion. tasks and commitments to benefit improvements in SARLAFT activities.

Organizational Structure
The Compliance Officer and his Deputy were duly sworn in by the SFC.

<u>Sistema de Administración de Riesgo de Fraude (SARFRA)</u>

Fraud risk. defined as any illegal act using deceit. concealment. or betrayal of trust. aimed at the appropriation of funds. goods. services and/or individual advantages or benefits[1]. has been managed by the Davivienda bank through the Fraud Risk Management System (SARFRA) in harmony with the regulatory framework of the Operating Risk Management System (SARO).

Actions performed in SARFRA cover each step of the fraud management cycle (prevention. detection. mitigation. analysis. government. investigation. court action and dissuasion) creating controls. policies and reports of activities and expenses incurred due to fraud. evaluated against the Bank´s budget projections; these expenses reports are implicit in the management of operating risk and presented to the Fraud Risk Committee which makes decisions that protect the organization. it’s customers. shareholders and others interested in efforts to maintain a balance between the level of fraud to be prevented and impact on customers and the business.

In 2018 the strategy made progress in the protection of digital products incorporating on-line response and analytical reports to provide effective reaction to possible attempts at fraud. Robust methods of authentication were introduced. such as biometric fingerprinting to engage and create new customer products. In physical channels. work was done on new methods and statistical models to identify fraudulent patterns and new modes of fraud. giving priority to customer experiences. In Central America. the Bank worked on the alignment of strategies for prevention and mitigation of fraud by implementing analytical models in available tools and ongoing follow-up of compliance with current policies.

The working plan for 2019 is based on continuity of the fraud strategy for digital products with the implementation of tools for prevention. mitigation and management of fraud and the strengthening of analytical resources of the Bank and Subsidiaries in Colombia and in other countries.

Reference: [1]investigation document – the best anti-fraud practices – AMV

Environmental and Social Risk Management System (SARAS)

The Environmental and Social Risk Management System SARAS allows the Bank to identify. classify. evaluate and control environmental and social risks associated to the individual projects and activities financed.

The SARAS methodology takes into account the environmental and local labor norms and covers aspects such as pollution prevention. biodiversity protection. climate change and human rights.

In the application of policies established regarding amounts. terms and sensitive sectors for the Bank in Colombia. in 2018. 269 loans in the Corporate. Construction and Business segments were evaluated through SARAS. for a total amount of $6.000.000 million pesos. The system has also been used to accompany and dimension the structuring and approval of loans for the fourth generation national infrastructure projects (4G). It is also applied in evaluations of the Bank´s strategic suppliers.

In Central American Subsidiaries. SARAS has been applied to the characteristics of projects and activities to be financed in Business Banking. in harmony with local regulations.

Information security: cybersecurity

During 2018 the Bank´s Department of Information Security focused efforts to the refinement of management and policies. and the alignment with digital strategies. That Department officially formed a cybersecurity Committee and the Cybersecurity strategy at regional level.

Technological actions were taken to update facilities and processes and maintain the comprehensive approach to security and cybersecurity. increasing the capacity to prevent and detect threats promptly and to respond to and recover from possible cyberattacks. The most important projects were:

• Planning and initiation of a broader scope and new services in the Security Operations Center to detect insecure actions. threats. cyberattacks and to take prompt action is response to security events.
• Design of a programs and a plan for the protection of information assets and the implementation of tools to prevent information leaks.
• Design of a model of fraud risk. and model for authentication and verification and the self-service module that forms part of the fraud management cycle.
• Running of specialized security tests (against ethical hacking and intrusion) to evaluation the security position in technological infrastructure.
• The project to implement the Orquestador tool was initiated to secure transactions through the incorporation of enrolment and authentication factors.
• Development of the process of identity management and access to applications.

In terms of culture. a permanent training and sensitization plan was put into operation using different communications channels for bank staff and third parties. creating awareness and commitment for the protection of information and the mitigation of associated risks.

In matters of regulatory and legal compliance the Bank has complied with security measures required by SFC Circulars on information security: Circular 41 of October 17. 2012. Circular 029/2014 and Circular 7 of June 5. 2018 on cybersecurity. The SWIFT-SCP program was also applied and plans have been implemented and approved to copy with Law 1581 on personal data protection. The Information Security area has conducted internal monitoring of follow-.up to identify the degree of compliance and possible risks associated with compliance

The Bank also continues to research market trends. new threats tools and control mechanism to mitigate risk and maintain acceptable levels of risk for the business. and as a result. support the delivery of products and services with appropriated levels of security for our customers.

12. Netting of Financial Assets and Liabilities – Consolidated

A financial asset and a financial liability may be the object of netting. and may be disclosed a such in the Statement of Financial Position when there is a current. legally valid right to offset recognized amounts and there is the intention. in the normal course of business. to settle the net amount.

In this context. the following is the detail of financial instruments subject to offset at December 31. 2018 and December 31. 2017 and the impact of Master Netting Agreements and the remittance of collateral.

December 31. 2018				Amounts not netted in the Statement of Financial Position			
	Gross financial assets recognized	Gross financial liabilities recognized and netted in the Statement of Financial Position	Net financial assets presented in the Statement of Financial Position	Impact of Master Netting Aggrements	Cash collateral	Debt collateral	Net amount
Assets							
Money market							
	412,943	-	412,943	-	-	244,617	168,326
Derivatives							
	433,691	-	433,691	332,372	16,835	-	84,484
Total assets	846,634	-	846,634	332,372	16,835	244,617	252,810
Liabilities							
Money market							
	3,786,541	-	3,786,541	-	-	3,912,539	(125,998)
Derivatives							
	513,087	-	513,087	332,004	52,600	-	128,483
Total liabilities	4,299,628	-	4,299,628	332,004	52,600	3,912,539	2,485

December 31. 2017				Importes no compensados en el estado de situación financiera			
	Gross financial assets recognized	Gross financial liabilities recognized and netted in the Statement of Financial Position	Net financial assets presented in the Statement of Financial Position	Impact of Master Netting Aggrements	Cash collateral	Debt collateral	Net amount
Assets							
Money market	1,446,438	-	1,446,438	-	-	1,177,625	268,813
Derivatives	335,535	-	335,535	283,519	28,368	-	23,648
Total assets	1,781,973	-	1,781,973	283,519	28,368	1,177,625	292,461
Liabilities							
Money market	1,300,536	-	1,300,536	-	-	1,335,015	(34,479)
Derivatives	356,635	-	356,635	283,513	19,672	-	53,450
Total liabilities	1,657,171	-	1,657,171	283,513	19,672	1,335,015	18,971

The column “Impact of the Master Netting Agreement” details amounts associated with netting arrangements generally applied in situations where credit risk events arise. These amounts are not included in the Statement of Financial Position because they do not meet the criterion of simultaneous settlement of an asset and a liability or because the netting rights are conditional on default by the counterparty.

The columns for cash collateral and debt securities show amounts received. delivered or pledged in relation to money-market operations.

13. Specific Items of the Consolidated Financial Situation Statements

13.1 Cash

The detail of cash is as follows:

	December 31. 2018	December 31. 2017
Local currency		
Cash and banks	3,486,476	2,780,606
Clearing and transit	80,928	29,850
	3,567,404	2,810,456
Foreign currency		
Cash and banks	5,915,717	5,016,953
Clearing and transit	40,480	61,972
	5,956,197	5,078,925
	9,523,601	7,889,381

The local currency balances in cash and central banks are part of the mandatory cash reserve to be held against customer deposits. These deposits are non-interest-earning.

The following are restricted cash balances:

	December 31. 2018		December 31. 2017	
	Requirement (*)	Held (*)	Requirement (*)	Held (*)
Colombia	3,415,465	3,437,412	3,389,598	4,196,469
Subsidiaries outside Colombia	2,773,176	3,419,495	2,018,306	2,545,306

(*) Corresponds to the average balances of mandatory cash reserves for the period.

In addition according with current regulation. the Miami branch must maintain a cash reserve in the Federal Reserve Bank. The average amount was approximately of US$4 million. y US$12 (*) million for December de 2018 y December de 2017. respectively.

(*) 2017 information is updated for comparison purposes.

Credit Quality

Detailed bellow is the credit quality determined by independent rating agents. from principal financial institutions where the bank holds cash:

	December 31. 2018	December 31. 2017
Sovereign/Central Bank guarantee	1,791,920	1,202,232
Investment grade	7,731,681	6,687,149
Total	9,523,601	7,889,381

13.2 Interbank and overnight funds

The details of interbank and overnight funds is the following

December 31. 2018			Date (*)		
	US$	Rate	Initial	Final	Amount
Foreign currency					
Interbank funds (*)	USD 55	2.55% - 6.52%	06/09/2018	30/08/2019	178,267
Brokers	USD 4	5.00% - 6.00%	17/12/2018	07/01/2019	13,022
Repos	USD 1	5.00% - 6.00%	27/11/2018	25/01/2019	2,272
Local currency					
Simultaneous					
Brokers		4.35% - 5.00%	11/12/2018	17/01/2019	31,675
Other		0.00% - 9.00%	18/10/2018	22/02/2019	187,707
					412,943

(*) Include interbank funds with maturity greater than 90 days $32.633.

December 31. 2017			Date (*)		
	US$	Rate	Initial	Final	Amount
Foreign currency					
Interbank funds	USD 36	1.18% - 4.71%	28/12/2017	04/01/2018	120,197
Brokers	USD 2	4.28% - 4.58%	19/12/2017	11/01/2018	5,968
Repos	USD 1	2.00% - 3.38%	29/12/2017	02/01/2018	1,741
Local currency					
Simultaneous					
Brokers		4.00% - 5.80%	07/12/2017	30/01/2018	64,399
Other		4.00% - 8.90%	15/11/2017	20/02/2018	1,098,355
Unit funds		4.75% - 4.80%	26/12/2017	04/01/2018	66,732
Interbank funds -					
Commercial and investment banks		4.52% - 4.55%	26/12/2017	02/01/2018	89,047
					1,446,439

(*) Date format dd/mm/yyyy

The following is the detail of the credit qualities of money market and related operations:

	December 31. 2018	December 31. 2017
Investment grade	412,943	1,446,439
	412,943	1,446,439

13.3 Investments measured at a fair value and amortized cost. net

13.3.1 Investments by classification and issuer

The following is the detail of the classification of financial instruments of investment by issuer and impairment:

	December 31. 2018	December 31. 2017
Investments at fair value through profit or loss		
Colombian government	2,964,323	3,704,815
Financial entities	1,535,673	2,105,795
Banks outside Colombia	87,454	476,293
Other governments	53,871	1,511,374
Multilaterals	28,693	14,455
Corporate	140,469	417,319
Securitizations	292,597	824,617
	5,103,080	9,054,668
Investments at amortized cost		
Financial entities	875,347	840,284
Banks outside Colombia	240,345	409,250
Other governments	33,904	85,585
Corporate	286,617	191,899
Securitizations	392,280	3,784
	1,828,493	1,530,802
Impairment (Provision)	(3,957)	(7,301)
	1,824,536	1,523,501
Investments at fair value through OCI (*)		
Colombian government	1,524,933	-
Financial entities	84,537	1,114
Banks outside Colombia	528,861	1
Other governments	54,599	-
Multilaterals	1,769,208	-
Corporate	66,763	10,484
Securitizations	46,245	-
	4,075,146	11,599
	11,002,762	10,589,768

(*) a new category for debt investments IFRS9 v. 2014 as of January 1. 2018

Debt and equity investments at fair value are not subject to legal or economic restrictions. pledges or embargoes. nor any limits in their ownership.

13.3.2 Investments by classification and type

The detail of financial instruments by type is as follows:

	December 31. 2018	December 31. 2017
Investments at fair value through profit or loss		
Shares/other equities	122,977	26,624
Private debt - bonds	341,184	985,841
Public debt - Colombian bonds other than TES	82,252	189,561
International funds. unit funds. pension funds and trusts	1,184,721	1,726,884
TDs	136,935	292,738
Foreign public debt - bonds	53,871	1,496,264
Mortgage securities and securitizations	292,597	821,501
TES Colombia	2,888,543	3,515,255
	5,103,080	9,054,668
Investments at amortized cost		
Private debt - bonds	1,250,748	1,340,889
TDs	151,561	104,597
Foeign public debt bonds	33,904	85,316
Mortgage securities and securitizations	392,280	-
	1,828,493	1,530,802
Impairment (provision)	(3,957)	(7,301)
	1,824,536	1,523,501
Investments aat fair value through OCI (*)		
Shares/other equities	4,084	11,599
Private debt - bonds	314,228	-
Public debt - Colombian bonds other than TES	94,633	-
Foreign public debt	383,160	-
Foreign public debt bonds	1,773,251	-
Mortgage securities and securitizations	46,245	-
TES Colombia	1,458,643	-
Other debt paper	902	-
	4,075,146	11,599
Total	11,002,762	10,589,768

(*) a new category for debt investments IFRS9 v. 2014 as of January 1. 2018

13.3.3 Concentration of credit risk

The following is the investment portfolio by risk rating:

	Stage 1 Expected credit losses. next 12 months	Total
Investments at amortized cost		
AAA	74,724	74,724
AA	41,533	41,533
A	144,441	144,441
BBB	1,061,648	1,061,648
BB	231,044	231,044
B	274,249	274,249
CCC	854	854
	1,828,493	1,828,493
Impairment	(3,957)	(3,957)
Balance at December 31 2018	1,824,536	1,824,536
Investments at fair value through OCI - Debt		
AAA	78,722	78,722
A	218,452	218,452
BBB	1,842,022	1,842,022
BB	19,630	19,630
B	1,887,256	1,887,256
CCC	24,980	24,980
Balance at December 31 2018	4,071,062	4,071,062
Investments at fair value through OCI - equities		4,084
Investments at fair value through profit or loss		5,103,080
Balance at December 31 2018		11,002,762

At the close of 2018 there are no loans in Stage 2 or Stage 3.

	December 31. 2017		
Long-term rating	Amount	% share.	Impairment (provision)
AAA	1,419,808	13%	(3,374)
AA+	147,356	1%	(272)
AA	44,716	0%	(200)
AA-	80,762	1%	(3)
A+	53,198	1%	(33)
A	21,219	0%	-
A-	77,689	1%	(71)
BBB+	421,681	4%	(1)
BBB	98,091	1%	-
BBB-	565,146	5%	(298)
BB+	13,783	0%	-
BB	92,897	1%	-
B+	7,954	0%	-
B	1,437	0%	(8)
Equities (shares)	38,223	0%	-
Sovereign	5,342,728	50%	(2,925)
Unlisted	2,046,155	19%	(116)
	10,472,843	99%	(7,301)
Short-term rating			
1	105,149	1%	-
2	19,077	0%	-
	124,226	1%	-
	10,597,069	100%	(7,301)

13.3.4 Currency classification

The following is the classification of financial investments by currency:

	December 31. 2018	December 31. 2017
Peso	5,898,252	5,874,930
USD	2,832,737	2,682,741
Colones	299,711	273,189
UVR	1,706,272	1,456,281
Lempiras	258,605	292,307
CAD	11,142	17,621
Total	11,006,719	10,597,069
Impairment	(3,957)	(7,301)
Total Investments	11,002,762	10,589,768

13.3.5 Classification by maturity

The following is the detail is the classification of investment maturities (shares not included):

December 31. 2018

	0-1 year	1-5 years	5-10 years	Over 10 years	Total
Investments at fair value through profit or loss	2,101,721	1,711,202	957,427	209,753	4,980,103
Investments at fair value through OCI	2,503,871	1,500,077	66,819	295	4,071,062
Investments at amortized cost	1,087,690	93,978	327,932	318,893	1,828,493
Total	5,693,282	3,305,257	1,352,178	528,941	10,879,658

December 31. 2017

	0-1 year	1-5 years	5-10 years	Over 10 years	Total
Investments at fair value through profit or loss	5,074,820	2,830,683	725,514	397,027	9,028,044
Investments at amortized cost	1,312,361	113,823	104,618	-	1,530,802
Total	6,387,181	2,944,506	830,132	397,027	10,558,846

13.3.6 Reconciliation of Impairment of investments

The following is the detail of impairment of financial investments:

	Stage 1 Expected credit losses next 12 months	Total
Investments at amortized cost		
Opening balance January 1. 2018	7,301	7,301
Impairment	11,738	11,738
Movement in portfolio OCI	(15,082)	(15,082)
Closing balance. impairment at December 31. 2018	3,957	3,957

13.3.7 Credit quality

The following is the detail of credit quality of investments measured at fair value and amortized cost.

December 31. 2018	Fair value		
	Debt	Equities	Amortized cost
Credit quality			
Investment grade	2,424,085	-	1,322,346
Sovereign/Central Bank issues/guarantees	6,314,366	-	-
Speculation grade	309,079	-	506,144
Not rated/not available	3,636	127,060	3
	9,051,166	127,060	1,828,493

December 31. 2017	Fair value		
Credit quality	Debt	Equities	Amortized cost
Investment grade			
Sovereign/Central Bank issues/guarantees	1,938,399	-	1,115,494
Speculation grade	5,218,556	-	124,172
Not rated/not available	24,487	-	91,584
	1,846,602	38,223	199,552
	9,028,044	38,223	1,530,802

13.4 Derivatives

The following is the summary of Bank acceptances spot operations and derivatives:

December 31. 2018

	Assets		Liabilities		
Product	Notional amount	Fair value	Notional amount	Fair value	Total
Spot operations	25,921	29	28,433	57	(28)
Options	2,084,557	23,846	1,962,133	49,036	(25,190)
Futures	4,313,062	-	-	-	-
Swaps	11,090,696	208,283	12,210,484	262,618	(54,335)
Forwards	13,206,460	201,564	10,001,563	201,432	132
	30,720,696	433,722	24,202,613	513,143	(79,421)

December 31. 2017

	Assets		Liabilities		
Product	Notional amount	Fair value	Notional amount	Fair value	Total
Spot operations	41,782	67	62,269	99	(32)
Options	1,337,431	21,831	1,373,317	17,888	3,943
Futures	3,157,738	-	-	-	-
Swaps	15,382,156	230,722	16,910,722	245,897	(15,175)
Forwards	7,156,561	82,982	8,299,112	92,850	(9,868)
	27,075,668	335,602	26,645,420	356,734	(21,132)

The result of speculative derivatives is the following:

December 31. 2018

		Forwards	Futures	Swaps	Options	Total
Currency purchases	Right	8,350,548	2,304,426	480,069	-	11,135,043
	Obligation	8,149,123	2,304,426	445,850	-	10,899,399
Currency sales	Right	8,632,694	1,444,424	661,466	-	10,738,584
	Obligation	8,830,842	1,444,424	729,620	-	11,004,886
Securities purchases	Right	53,091	111	-	-	53,202
	Obligation	52,980	111	-	-	53,091
Securities sales	Right	1,293,469	3,257	-	-	1,296,726
	Obligation	1,296,725	3,257	-	-	1,299,982
Interest rate swaps	Right	-	-	2,741,124	-	2,741,124
	Obligation	-	-	2,761,524	-	2,761,524
Call options	Purchase	-	-	-	17,522	17,522
	Sale	-	-	-	(47,886)	(47,886)
Put options	Purchase	-	-	-	6,324	6,324
	Sale	-	-	-	(1,150)	(1,150)
Total Rights		18,329,802	3,752,218	3,882,659	-	25,964,679
Total Obligations		18,329,670	3,752,218	3,936,994	-	26,018,882
Total net		132	-	(54,335)	(25,190)	(79,393)

December 31. 2017

		Forwards	Futures	Swaps	Options	Total
Currency purchases	Right	7,243,451	1,816,320	776,994	-	9,836,765
	Obligation	7,310,419	1,816,320	771,817	-	9,898,556
Currency sales	Right	7,505,097	1,592,871	804,578	-	9,902,546
	Obligation	7,447,135	1,592,871	809,697	-	9,849,703
Securities purchases	Right	26,727	40,920	-	-	67,647
	Obligation	26,580	40,920	-	-	67,500
Securities sales	Right	680,529	147,249	-	-	827,778
	Obligation	681,538	147,249	-	-	828,787
Interest rate swaps	Right	-	-	3,053,785	-	3,053,785
	Obligation	-	-	3,069,018	-	3,069,018
Call options	Purchase	-	-	-	778	778
	Sale	-	-	-	(16,649)	(16,649)
Put options	Purchase	-	-	-	21,052	21,052
	Sale	-	-	-	(1,238)	(1,238)
Total Rights		15,455,804	3,597,360	4,635,357	-	23,688,521
Total Obligations		15,465,672	3,597,360	4,650,532	-	23,713,564
Total net		(9,868)	-	(15,175)	3,943	(21,100)

The following is the detail of credit quality provided by independent rating agents. of the principal counterparties in derivate assets and liabilities.

	Derivatives		
December 31. 2018	Options	Swaps	Forwards
Credit quality			
Investment grade	21,730	204,226	170,681
Not listed/not available	2,116	4,057	30,883
	23,846	208,283	201,564

	Derivatives		
December 31. 2017	Options	Swaps	Forwards
Credit quality			
Investment grade	21,576	230,439	63,120
Not listed/not available	255	283	19,862
	21,831	230,722	82,982

The following is the detail of the maturity period of derivatives:

December 31. 2018

	Under 1 year	1-5 years	5-10 years	Total
Spot operations	(28)	-	-	(28)
Options	(25,190)	-	-	(25,190)
Swaps	(47,904)	(1,993)	(3,761)	(54,335)
Forwards	1,718	(1,586)	-	132
	(71,404)	(3,579)	(3,761)	(79,421)

December 31. 2017

	Under 1 year	1-5 years	5-10 years	Total
Spot operations	(32)	-	-	(32)
Options	3,943	-	-	3,943
Swaps	1,933	(15,450)	(1,657)	(15,175)
Forwards	(10,723)	856	-	(9,868)
	(4,880)	(14,594)	(1,657)	(21,132)

13.5 Loans and financial leases operations. net

13.5.1 Loans and financial leases by mode

The following is the detail of loans and financial leases by mode:

	December 31. 2018	December 31. 2017
Commercial		
Corporative and construction	29,806,755	26,745,986
Other commercial	10,804,268	9,027,048
Financial leasing	2,735,239	2,279,930
Credit card	476,630	446,890
Vehicles	496,089	767,837
Overdrafts	174,990	170,987
	44,493,971	39,438,678
Consumer loans (1)		
Credit card	5,085,712	4,717,956
Other consumer	14,544,313	13,354,217
Vehicles	2,579,216	2,519,809
Overdraft	30,137	33,436
Financial leasing	66,659	44,118
	22,306,037	20,669,536
Home mortgage (2)		
Home mortgage	12,164,808	10,530,506
Residential leasing	8,798,237	7,477,599
	20,963,045	18,008,105
Microcredit		
Microcredit	58,246	102,695
Financial leasing	294	560
	58,540	103,255
Gross loans	87,821,593	78,219,574
Less: Impairment	(3,709,677)	(2,309,569)
	84,111,916	75,910,005

(1) Includes employee portfolio $90.585 at December 2018 and $83.989 in December 2017

(2) Includes employee portfolio $259.899 at December 2018 and $353.791 in December 2017

13.5.2 Loans by concentration of risk and collateral

The following is the detail of concentration of loan credit risk:

December 31. 2018

	Expected loan loss. next 12 months	Loan losses expected over the life of the assets	Expected loan loss over the life of the assets. with objective evidence of impairment	Total
Commercial				
Category A - Normal	32,067,777	4,667,351	72,807	36,807,935
Category B - Acceptable	466,241	787,288	115,390	1,368,919
Category C - Appreciable	191,714	993,921	358,740	1,544,375
Category D - Significant	2,571	176,974	1,181,996	1,361,541
Category E - Uncollectible	1,652	43,629	630,681	675,962
	32,729,955	6,669,163	2,359,614	41,758,732
Impairment	(180,279)	(406,229)	(1,270,016)	(1,856,524)
Commercial loans - net	32,549,676	6,262,934	1,089,598	39,902,208
Consumer				
Category A - Normal	19,403,554	678,393	-	20,081,947
Category B - Acceptable	253,189	418,962	-	672,151
Category C - Appreciable	120,661	291,602	6,953	419,216
Category D - Significant	96,128	320,913	385,039	802,080
Category E - Uncollectible	34,140	80,052	149,792	263,984
	19,907,672	1,789,922	541,784	22,239,378
Impairment	(573,784)	(469,754)	(402,532)	(1,446,070)
Consumer loans net	19,333,888	1,320,168	139,252	20,793,308
Home mortgage				
Category A - Normal	11,145,797	115,671	-	11,261,468
Category B - Acceptable	116,037	235,574	-	351,611
Category C - Appreciable	8,503	78,302	70,327	157,132
Category D - Significant	8,691	159,435	83,590	251,716
Category E - Uncollectible	5,401	5,151	132,329	142,881
	11,284,429	594,133	286,246	12,164,808
Impairment	(24,802)	(33,048)	(131,018)	(188,868)
Home mortgage loans net	11,259,627	561,085	155,228	11,975,940
Microcredit				
Category A - Normal	45,175	731	-	45,906
Category B - Acceptable	333	2,567	-	2,900
Category C - Appreciable	40	1,731	-	1,771
Category D - Significant	10	2,158	56	2,224
Category E - Uncollectible	15	2,074	3,356	5,445
	45,573	9,261	3,412	58,246
Impairment	(679)	(2,214)	(2,022)	(4,915)
Microcredit loans net	44,894	7,047	1,390	53,331
	63,188,085	8,151,234	1,385,468	72,724,787

Concentration of credit risk financial leasing

Following is the loan portfolio by risk rating:

December 31. 2018

	Expected loan loss. next 12 months	Loan losses expected over the life of the assets	Expected loan loss over the life of the assets. with objective evidence of impairment	Total
Commercial				
Category A - Normal	2,316,206	45,745	347	2,362,298
Category B - Acceptable	92,722	53,528	650	146,900
Category C - Appreciable	20,553	22,572	19,327	62,452
Category D - Significant	2,297	36,175	68,459	106,931
Category E - Uncollectible	580	5,104	50,974	56,658
	2,432,358	163,124	139,757	2,735,239
Impairment	(14,166)	(12,571)	(63,263)	(90,000)
Commercial loans net	2,418,192	150,553	76,494	2,645,239
Consumer				
Category A - Normal	61,945	-	-	61,945
Category B - Acceptable	177	883	-	1,060
Category C - Appreciable	60	966	-	1,026
Category D - Significant	18	623	722	1,363
Category E - Uncollectible	62	157	1,046	1,265
	62,262	2,629	1,768	66,659
Impairment	(642)	(519)	(1,379)	(2,540)
Consumer loans net	61,620	2,110	389	64,119
Home mortgage				
Category A - Normal	8,258,070	50,952	-	8,309,022
Category B - Acceptable	2,370	205,640	-	208,010
Category C - Appreciable	68	20,046	72,527	92,641
Category D - Significant	993	62,141	61,706	124,840
Category E - Uncollectible	42	947	62,735	63,724
	8,261,543	339,726	196,968	8,798,237
Impairment	(12,873)	(14,235)	(93,608)	(120,716)
Home mortgage loans net	8,248,670	325,491	103,360	8,677,521
Microcredit				
Category A - Normal	220	-	-	220
Category E - Uncollectible	-	-	74	74
	220	-	74	294
Impairment	(4)	-	(40)	(44)
Microcredit loans . net	216	-	34	250
	10,728,698	478,154	180,277	11,387,129

	December 31. 2017
Commercial	
Category A - Normal	33,162,863
Category B - Acceptable	1,452,695
Category C - Appreciable	1,412,941
Category D - Significant	888,769
Category E - Uncollectible	241,480
	37,158,748
Consumer	
Category A - Normal	18,526,254
Category B - Acceptable	716,361
Category C - Appreciable	426,560
Category D - Significant	650,462
Category E - Uncollectible	305,781
	20,625,418
Home mortgage	
Category A - Normal	9,831,865
Category B - Acceptable	334,377
Category C - Appreciable	134,335
Category D - Significant	142,898
Category E - Uncollectible	87,031
	10,530,506
Microcredit	
Category A - Normal	87,807
Category B - Acceptable	4,469
Category C - Appreciable	2,205
Category D - Significant	1,602
Category E - Uncollectible	6,612
	102,695
	68,417,367

Financial leasing by risk level

	December 31. 2017
Commercial	
Category A - Normal	1,958,368
Category B - Acceptable	150,580
Category C - Appreciable	43,552
Category D - Significant	66,777
Category E - Uncollectible	60,653
	2,279,930
Consumer	
Category A - Normal	40,539
Category B - Acceptable	349
Category C - Appreciable	513
Category D - Significant	452
Category E - Uncollectible	2,265
	44,118
Home mortgage	
Category A - Normal	7,092,687
Category B - Acceptable	196,149
Category C - Appreciable	74,683
Category D - Significant	65,037
Category E - Uncollectible	49,043
	7,477,599
Microcredito	
Category A - Normal	475
Category B - Acceptable	38
Category D - Significant	10
Category E - Uncollectible	37
	560
	9,802,207
Provision	(2,309,569)
Total Loans net	75,910,005

13.5.3 Loans by individual classification

The following is the detail of loans classified individually:

December 31. 2018	0-30 days	31-90 days	Over 90 days	Gross amount recorded	Collateral	Provision made
No impairment recorded						
Commercial	83,773	2,506	46,222	132,501	135,441	-
Home mortgage and Residential	-	-	-	-	-	2
	83,773	2,506	46,222	132,501	135,441	2
Impairment recorded						
Commercial	6,030,797	78,746	1,422,904	7,532,447	4,571,699	1,355,807
	6,114,570	81,252	1,469,126	7,664,948	4,707,140	1,355,809

December 31. 2017	0-30 days	31-90 days	Over 90 days	Gross amount recorded	Collateral	Provision made
No impairment recorded						
Commercial	44,019	-	83,447	127,466	73,298	-
Consumer	-	-	2,900	2,900	12,017	-
Home mortgage and Residential	-	-	5,921	5,921	18,327	-
	44,019	-	92,268	136,287	103,642	-
Impairment recorded						
Commercial	19,158,062	229,672	445,400	19,833,134	11,247,072	781,061
Consumer	826	145	8,423	9,394	10,615	3,592
Home mortgage and Residentia	10,760	9,255	61,233	81,248	168,269	17,748
	19,169,648	239,072	515,056	19,923,776	11,425,956	802,401
	19,213,667	239,072	607,324	20,060,063	11,529,598	802,401

13.5.4 Reconciliation of impairment of loans and leases

The table below reconciles the impairment for expected losses by type of financial instrument:

	Stage 1	Stage 2	Stage 3	
	Loss expected in next 12 months	Loss expected over the life of the assets	Loss expected over the life of the assets with impairment	Total
Commercial				
Opening balance at January 1. 2018	232,618	602,799	669,660	1,505,077
Transfers to loan expected losses in the next 12 months	(64,204)	68,359	208,601	212,756
Transfers to loan losses expected over the life of the assets (no impairment)	1,245	(235,673)	298,710	64,282
Transfers to loan losses expected over the life of the assets (impaired)	88	1,412	241,093	242,593
Impairment of financial instruments	87,214	168,394	146,240	401,848
Recovery of Impairment	(55,949)	(180,125)	(68,583)	(304,657)
Loans written off	-	-	(191,263)	(191,263)
Re-expression of loans in foreign currency	3,912	1,889	10,087	15,888
Net reconciliation. provision against Commercial loans	204,924	427,055	1,314,545	1,946,524
Consumer				
Opening balance at January 1. 2018	545,078	414,688	406,925	1,366,691
Transfers to loan expected losses in the next 12 months	3,525	131,104	209,223	343,852
Transfers to loan losses expected over the life of the assets (no impairment)	23,669	(76,540)	70,391	17,520
Transfers to loan losses expected over the life of the assets (impaired)	496	2,270	989,408	992,174
Impairment of financial instruments	235,573	273,931	86,497	596,001
Recovery of Impairment	(141,699)	(59,034)	(23,719)	(224,452)
Loans written off	-	-	(1,661,329)	(1,661,329)
Re-expression of loans in foreign currency	10,368	6,190	1,595	18,153
Net reconciliation. provision against Consumer loans	677,010	692,609	78,991	1,448,610

	Stage 1	Stage 2	Stage 3	
	Loss expected in next 12 months	Loss expected over the life of the assets	Loss expected over the life of the assets with impairment	Total
Home mortgage				
Opening balance. January 1. 2018	14,509	46,476	149,489	210,474
Transfers to loan expected losses in the next 12 months	13,121	25,314	34,932	73,367
Transfers to loan losses expected over the life of the assets (no impairment)	2,324	(24,577)	59,913	37,660
Transfers to loan losses expected over the life of the assets (impaired)	136	1,730	54,829	56,695
Impairment of financial instruments	8,390	2,540	(90)	10,840
Recovery of Impairment	(2,315)	(3,882)	(25,020)	(31,217)
Loans written off	-	-	(50,883)	(50,883)
Re-expression of loans in foreign currency	1,554	512	582	2,648
Net reconciliation. provision against Home Mortgage loans	37,719	48,113	223,752	309,584
Microcredit				
Opening balance. January 1. 2018	1,180	2,591	3,772	7,543
Transfers to loan expected losses in the next 12 months	(346)	1,329	1,039	2,022
Transfers to loan losses expected over the life of the assets (no impairment)	59	(1,275)	552	(664)
Transfers to loan losses expected over the life of the assets (impaired)	-	246	1,391	1,637
Impairment of financial instruments	13	6	22	41
Recovery of Impairment	(214)	(240)	(208)	(662)
Loans written off	-	-	(4,958)	(4,958)
Re-expression of loans in foreign currency	692	2,657	1,610	4,959
Net reconciliation. provision against Microcredit				
Balance at December 31 2018				3,709,677

13.5.5 Loans and financial leases by maturity

The following is the detail of loans by maturity:

December 31. 2018

Modes	0-1 year	1-5 years	5-10 years	over 10 years	Total
Commercial	13,915,749	15,566,364	11,147,476	3,864,382	44,493,971
Consumer	454,697	15,095,037	6,341,207	415,096	22,306,037
Home mortgage	42,643	432,086	3,447,892	17,040,424	20,963,045
Microcredit	7,936	50,515	89	-	58,540
	14,421,025	31,144,002	20,936,664	21,319,902	87,821,593

December 31. 2017

Modes	0-1 year	1-5 years	5-10 years	over 10 years	Total
Commercial	11,710,620	14,596,314	10,810,939	2,320,805	39,438,678
Consumer	389,516	14,474,167	5,340,281	465,572	20,669,536
Home mortgage	34,520	366,064	2,616,790	14,990,731	18,008,105
Microcredit	7,134	91,936	4,185	-	103,255
	12,141,790	29,528,481	18,772,195	17,777,108	78,219,574

13.5.6 Loans by currency

The following is the detail of loans and leases by monetary unit:

	December 31. 2018			December 31. 2017		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
Commercial	26,659,717	15,099,015	41,758,732	23,673,583	13,485,165	37,158,748
Consumer	17,874,480	4,364,898	22,239,378	16,867,958	3,757,460	20,625,418
Home mortgage y Leasing housin	17,088,428	3,874,617	20,963,045	14,644,410	3,363,695	18,008,105
Microcredit	58,246	-	58,246	102,695	-	102,695
Financial leasing	2,683,741	118,451	2,802,192	2,248,299	76,309	2,324,608
	64,364,612	23,456,981	87,821,593	57,536,945	20,682,629	78,219,574

13.5.7 Loans by economic sector

The following is the detail of loans and leases by economic sector:

Economic sectors	December 31. 2018	December 31. 2017
Agriculture. cattle-farming. forestry and fishing	2,156,926	2,121,909
Mines and quarries	201,261	428,696
Manufacturing industry	7,143,273	6,058,582
Supplies of electricity. gas. steam and airconditioning	3,461,217	3,685,349
Water suppliers. wastewater removal. waste management and decontamination	163,704	121,781
Construction	7,141,396	5,367,639
Wholesale and retail trade ; repair of automobiles and motorcycles	7,417,599	6,935,802
Transport and storage	3,291,798	3,266,586
Accommodation and meals services	484,815	466,610
Information and communications	781,499	987,860
Finance and insurance	3,307,986	2,512,255
Real property activities	2,201,914	2,519,200
Professional. scientific snd technical activities	1,219,780	1,014,115
Administrative and support services	1,431,597	875,299
Public administration and defense; docial security and mandatory affiliation plans	1,312,566	501,330
Teaching	410,990	446,860
Healthcare and social assistance	824,916	751,769
Artistic activities. entertainment and recreation	152,067	147,233
Oher service activities	335,431	560,194
Household activities as employer	27,660	15,226
Extraterritorial organizations and bodies	4,476	5,624
Salaried individuals	43,826,663	39,106,723
Rentiers (individuals)	522,059	322,932
	87,821,593	78,219,574

13.5.8 Loans and leases by geographic zone

The following is the detail of loans and leases by geographic zone.

December 31. 2018

	Commercial	Consumer	Home mortgage	Microcredit	Total
Bogotá	14,043,114	8,552,067	4,931,962	43,926	27,571,069
Antioquia	6,794,531	3,236,244	1,008,517	5,498	11,044,790
Northeast	5,882,034	3,709,679	1,463,593	8,131	11,063,437
Southwest	3,762,393	2,460,814	886,120	691	7,110,018
Miami	1,306,951	2,338	-	-	1,309,289
Costa Rica	3,613,958	992,950	1,801,719	-	6,408,627
Honduras	1,182,894	919,945	758,609	-	2,861,448
Panamá	2,356,092	108,089	303,485	-	2,767,666
El Salvador	2,816,765	2,257,252	1,010,803	-	6,084,820
	41,758,732	22,239,378	12,164,808	58,246	76,221,164

December 31. 2017

	Commercial	Consumer	Home mortgage	Microcredit	Total
Bogotá	13,184,090	8,079,157	4,525,575	79,658	25,868,480
Antioquia	6,081,025	3,110,127	789,594	9,586	9,990,332
Northeast	4,894,283	3,542,858	1,170,479	12,526	9,620,146
Southwest	3,274,916	2,218,911	681,163	925	6,175,915
Miami	1,089,854	1,886	-	-	1,091,740
Costa Rica	3,196,178	883,676	1,560,609	-	5,640,463
Honduras	918,221	725,681	664,113	-	2,308,015
Panamá	2,062,909	96,541	226,756	-	2,386,206
El Salvador	2,457,272	1,966,581	912,217	-	5,336,070
	37,158,748	20,625,418	10,530,506	102,695	68,417,367

Financial leases by geographic zone

December 31. 2018

	Commercial	Consumer	Home mortgage	Microcredit	Total
Bogotá	1,940,718	14,299	4,057,364	260	6,012,641
Antioquia	333,934	1,867	1,890,868	34	2,226,703
Northeast	231,976	1,293	1,792,976	-	2,026,245
Southwest	158,482	878	1,057,029	-	1,216,389
Costa Rica	68,511	46,762	-	-	115,273
Panamá	1,618	1,560	-	-	3,178
	2,735,239	66,659	8,798,237	294	11,600,429

December 31. 2017

	Commercial	Consumer	Home mortgage	Microcredit	Total
Bogotá	1,584,707	17,265	3,578,427	515	5,180,914
Northeast	293,734	2,121	1,569,433	45	1,865,333
Southwest	336,777	1,591	1,475,686	-	1,814,054
Suroccidente	11,544	-	854,053	-	865,597
Costa Rica	50,180	21,989	-	-	72,169
Panamá	2,988	1,152	-	-	4,140
	2,279,930	44,118	7,477,599	560	9,802,207

13.5.9 Loans and leases by type of collateral

The following is the detail of loans by type of collateral:

December 31. 2018

	Commercial	Consumer	Home mortgage and residential leasing	Microcredit	Financial leasing	Total
No collateral	21,506,878	19,319,611	-	217	-	40,826,706
Guaranteed by other banks	173,176	-	-	-	-	173,176
Home mortgages	355,542	359,580	20,668,036	-	-	21,383,158
Other real property	8,263,936	343,692	289,000	-	1,748,808	10,645,436
Equity investments	497,890	-	-	-	-	497,890
Cash deposits	462,609	223,472	94	-	3,178	689,353
Other assets	10,498,701	1,993,023	5,915	58,029	1,050,206	13,605,874
	41,758,732	22,239,378	20,963,045	58,246	2,802,192	87,821,593

December 31. 2017

	Commercial	Consumer	Home mortgage and residential leasing	Microcredit	Financial leasing	Total
No collateral	18,592,922	17,733,647	-	3,598	-	36,330,167
Guaranteed by other banks	203,228	-	-	-	-	203,228
Home mortgages	475,991	358,340	17,814,099	-	-	18,648,430
Other real property	6,969,841	426,852	193,867	-	1,397,868	8,988,428
Equity investments	647,954	-	-	-	-	647,954
Cash deposits	337,523	104,898	-	-	-	442,421
Other assets	9,931,289	2,001,681	139	99,097	926,740	12,958,946
	37,158,748	20,625,418	18,008,105	102,695	2,324,608	78,219,574

13.5.10 Maturity of leases

The following is the detail of maturities of financial leases:

December 31. 2018

	0-1 year	1-5 years	over 5 years	Total
Gross investment in financial leasing	2,122,164	7,580,586	12,733,388	22,436,138
Unearned financial income from financial leasing - interest	1,587,720	4,321,906	5,690,803	11,600,429
Total minimum financial lease-payments receivable at present value	534,444	3,258,680	7,042,585	10,835,709

December 31. 2017

	0-1 año	1-5 años	Más de 5 años	Total
Gross investment in financial leasing	1,855,780	6,401,376	10,778,712	19,035,868
Unearned financial income from financial leasing - interest	1,395,833	3,508,488	4,897,886	9,802,207
Total minimum financial lease-payments receivable at present value	459,947	2,892,888	5,880,826	9,233,661

(*) Presentation updated for December of 2017 for comparative purposes.

13.5.11 Loans to shareholders and staff

Loans to shareholders and home-purchase mortgages to employees are made at special rates:

	December 31. 2018	December 31. 2017
Shareholders (*)	321	97
Employees	450,484	437,780
Consumer	90,585	83,989
Home mortgage	264,627	262,718
Residential leasing	95,272	91,073
	450,805	437,877

(*) Shareholders holding more than 5% of shares

In compliance with IFRS 9 and IAS 19. the Bank includes the special rates charged to staff for home-purchase loans in the loan portfolio and the payroll expense of $10.410 million at December 2018 and $9.668 in December 2017.

13.5.12 Sales of loans

The following is the detail of sales of loans:

December 31. 2018

Titularizadora Colombiana S.A.

Month of operation	No.	Rate	Capital	Interest	Other	Total	Profit	Sale proceeds	Provisions recovered
Feburary	2,504	7.10%	157,884	985	189	159,058	3,930	163,732	3,176
July	2,421	3.40%	90,990	382	130	91,503	1,841	92,894	1,824
	4,925		248,874	1,367	319	250,561	5,771	256,626	5,000

December 31. 2017

Titularizadora Colombiana S.A.

Month of operation	No.	Rate	Capital	Interest	Other	Total	Profit	Sale proceeds	Provisions recoverd
March	3,278	8.20%	205,792	984	228	207,004	2,675	210,173	4,179
June	1,834	7.00%	175,999	864	168	177,031	3,536	181,175	3,549
October	4,554	3.50%	183,930	911	297	185,138	5,666	191,164	3,745
November	1,699	7.10%	105,789	594	136	106,519	2,534	109,307	2,135
	11,365		671,510	3,353	829	675,692	14,411	691,819	13,608

13.5.13 Sales of written-off loans

The following is the detail of loans written off:

December 31. 2018

Banco Davivienda Colombia

Month of operation	No. of loans	Capital	Interest	Other	Total	Sale proceeds
April	48,502	403,962	13,603	60,779	478,343	22,083
June	23,790	266,158	6,958	21,822	294,937	17,670
August	449	1,411	54	23	1,488	85
September	11,422	86,978	2,816	13,598	103,392	4,535
October	483	1,347	57	39	1,443	278
November	64,204	498,749	19,523	58,724	576,996	20,876
December	26,240	145,830	8,968	6,987	161,785	7,154
December	386	1,056	34	25	1,501	254
	175,476	1,405,491	52,013	161,997	1,619,885	72,935

Panamá

Month of operation	No. of loans	Capital	Interest	Other	Total	Sale proceeds
June	3	13	-	-	13	9
	3	13	-	-	13	9

El Salvador

Month of operation	No. of loans	Capital	Interest	Other	Total	Sale proceeds
March	49	216	42	-	258	56
June	81	603	106	-	709	107
September	135	852	161	-	1,013	187
October	14	88	17	-	105	19
November	43	195	35	-	230	35
December	39	226	39	-	265	48
	361	2,180	400	-	2,580	452

Costa Rica

Month of operation	No. of loans	Capital	Interest	Other	Total	Sale proceeds
August	2,644	35,479	5,142	409	41,030	2,872
August	3,184	34,883	-	-	34,883	2,442
December	2,980	37,065	-	-	37,065	1,934
	8,808	107,427	5,142	409	112,978	7,248

Honduras

Month of operation	No. of loans	Capital	Interest	Other	Total	Sale proceeds
December	18,702	113,796	-	-	113,796	3,342
	18,702	113,796	-	-	113,796	3,342

December 31. 2017

Banco Davivienda Colombia

Month of operation	No. of loans	Capital	Interest	Other	Total	Sale proceeds
February	44	1,087	15	1,271	2,373	282
April	9,740	61,017	2,204	10,371	73,594	4,332
July	40,135	274,541	9,725	24,538	308,804	13,876
November	2,666	5,847	688	556	7,091	234
November	31,870	235,684	7,445	15,963	259,089	13,578
	84,455	578,176	20,077	52,699	650,951	32,302

El Salvador

Month of operation	No. of loans	Capital	Interest	Other	Total	Sale proceeds
January	80	404	70	-	474	104
February	102	471	145	-	616	92
March	206	851	370	-	1,221	150
April	59	268	45	-	313	59
May	165	919	395	-	1,314	148
June	28	326	41	-	367	59
July	62	425	72	-	497	87
August	133	757	134	-	891	143
September	66	383	62	-	445	82
October	206	780	292	-	1,072	125
November	52	307	48	-	355	53
December	43	164	37	-	201	29
	1,202	6,055	1,711	-	7,766	1,131

13.5.14 Loan farm-ins and farm-outs

At December 31. 2018 and 2017 there were no loan farm-ins.

The detail of farm-outs is as follows:

At December 31. 2018 and 2017 the balances of farm-outs with Miami was $582.209 million and $251.632 million respectively. corresponding to loans in which the Miami branch participated in the funding structure and the loans are recorded in proportion: This type of transaction therefore does not have any effect on the Income Statement.

	December 31. 2018	December 31. 2017
No. of loans	40	10
Capital	582,209	251,632
Interest	4,324	3,802
Total	586,533	255,434

At December 31. 2018 the balance of loans sold to the Panamanian Subsidiary by Miami Branch was US$57.3 million ($186.219 million).

13.6 Accounts receivable. net

The following is the detail of accounts receivable

	December 31. 2018	December 31. 2017
Advances to contractors and suppliers	383,726	226,686
Taxes	265,144	145,914
Transfer to ICETEX - abandoned accounts	183,900	163,436
Loans and cards	151,758	57,133
Payment for account of borrowing customers	116,063	103,826
Premiums receivable	83,117	66,524
Deposits	62,201	32,294
Sundry debtors	44,742	26,664
Overheads in leasing	42,798	6,809
Payments for customer account	32,930	22,060
Colombian treasury	20,920	19,797
Commissions and fees	18,552	20,390
Reinsurers outside Colombia	17,885	16,941
Banco de la República - rate cover	13,500	12,018
Parent. Subsidiaries. related parties. associates	8,491	4,405
Interest receivable - TIPS	6,749	15,201
Interest	6,480	3,626
Sale of fixed assets	5,129	60,039
Technical reserves - reinsurers	4,400	4,152
Insurance	3,392	6,421
Employees	2,349	2,350
Settlement of forwards	1,606	2,124
Joint operations	1,224	1,489
Insurance claims	473	886
Other	93,548	96,735
Accounts receivable	1,571,077	1,117,920
Impairment (Provision)	(54,937)	(37,778)
Accounts receivable. net	1,516,140	1,080,142

The following is the detail of accounts receivable by maturity periods

December 31. 2018

	up to 1 year	1-5 years	over 5 years	Total
Advances to contractors and suppliers	382,671	1,055	-	383,726
Taxes	265,144	-	-	265,144
Transfer to ICETEX - abandoned accounts	183,900	-	-	183,900
Loans and cards	151,758	-	-	151,758
Payment for accountof borrowing customers	101,608	14,347	108	116,063
Premiums receivable	83,102	15	-	83,117
Deposits	58,070	2,076	2,055	62,201
Sundry debtors	44,742	-	-	44,742
Overheads in leasing	42,798	-	-	42,798
Payments for customer account	28,082	4,848	-	32,930
Colombian treasury	20,920	-	-	20,920
Commissions and fees	17,469	1,055	28	18,552
Reinsurers outside Colombia	108	17,777	-	17,885
Banco de la República - rate cover	13,500	-	-	13,500
Parent. Subsidiaries. related parties. associates	8,491	-	-	8,491
Interest receivable - TIPS	6,749	-	-	6,749
Interest	6,480	-	-	6,480
Sale of fixed assets	5,129	-	-	5,129
Technical reserves - reinsurers	4,400	-	-	4,400
Insurance	3,392	-	-	3,392
Employees	357	283	1,709	2,349
Settlement of forwards	1,606	-	-	1,606
Joint operations	1,224	-	-	1,224
Insurance claims	473	-	-	473
Other	(22,114)	39,662	76,000	93,548
Accounts receivable	1,410,059	81,118	79,900	1,571,077
Impairment (Provision)	(20,613)	(12,120)	(22,204)	(54,937)
Accounts receivable. net	1,389,446	68,998	57,696	1,516,140

December 31. 2017

	up to 1 year	1-5 years	over 5 years	Total
Advances to contractors and suppliers	188,484	38,202	-	226,686
Taxes	163,436	-	-	163,436
Transfer to ICETEX - abandoned accounts	145,474	440	-	145,914
Loans and cards	103,826	-	-	103,826
Payment for accountof borrowing customers	66,512	12	-	66,524
Premiums receivable	60,039	-	-	60,039
Deposits	57,133	-	-	57,133
Sundry debtors	26,256	4,215	1,823	32,294
Overheads in leasing	26,664	-	-	26,664
Payments for customer account	18,640	3,420	-	22,060
Colombian treasury	19,787	593	10	20,390
Commissions and fees	19,797	-	-	19,797
Reinsurers outside Colombia	243	16,698	-	16,941
Banco de la República - rate cover	15,201	-	-	15,201
Parent. Subsidiaries. related parties. associates	12,018	-	-	12,018
Interest receivable - TIPS	6,809	-	-	6,809
Interest	6,421	-	-	6,421
Sale of fixed assets	4,405	-	-	4,405
Technical reserves - reinsurers	4,152	-	-	4,152
Insurance	3,621	-	5	3,626
Employees	1,746	604	-	2,350
Settlement of forwards	2,124	-	-	2,124
Joint operations	1,489	-	-	1,489
Insurance claims	886	-	-	886
Other	69,928	24,299	2,508	96,735
Accounts receivable	1,025,091	88,483	4,346	1,117,920
Impairment (Provision)	(31,615)	(5,988)	(175)	(37,778)
Accounts receivable. net	993,476	82,495	4,171	1,080,142

The bank evaluates the behavior of other accounts receivable during each reported period. in order to minimize the credit risk it is exposed to. and applies an estimated provision based on the seniority of these items as protection to risk exposure.

The following is the movement of accounts receivable:

	December 31. 2018	December 31. 2017
Opening balance	37,778	33,313
Expected olosses recorded	8,894	-
Plus		
Impairment expensed	32,798	18,474
Impairment charged to sundry expenses	7,954	9,959
Reclassifications	-	234
Less:		
Recovery of impairment	(2,723)	(2,242)
Accounts written off	(23,356)	(12,691)
Recovery of sundry impairment	-	(5)
Recovery of other accounts receivable	(2,656)	(9,434)
Re-expression	(3,752)	170
Closing balance	54,937	37,778

13.7 Assets held for sale

The following is the detail of assets held for sale:

	December 31. 2018	December 31. 2017
For Home purchases		
Voluntary surrender	12,381	6,999
Court award	2,524	1,475
Total for home purchase	14,905	8,474
Other than home purchase		
Voluntary surrender	7,427	29,888
Court award	-	3,322
Total Other than Home Mortgage	7,427	33,210
Movable assets		
Vehicles	930	741
Rights	224	37,616
Total other than Home Mortgage	1,154	38,357
Assets restored from leasing contracts		
Machinery and equipment	135	174
Vehicles	1,704	1,908
Real property	2,093	19,243
Real property - Residential leasing	23,887	21,764
Total assets restored from leasing contracts	27,819	43,089
Real property	10,755	-
Total other than Home Mortgage	10,755	-
Subtotal	62,060	123,130
Provision (Impairment)	(772)	-
Total	61,288	123,130

The following is the detail of the movement of assets held for sale:

December 31. 2018

	For Home Mortgage	Other than Home Mortgage	Restored from residential leasing contracts	Total
Cost				
Opening balance	8,474	71,567	43,089	123,130
Additions (received)	18,894	9,072	34,154	72,875
Withdrawn (sales)	(5,519)	(3,444)	(13,092)	(22,055)
Transfers	(6,975)	(68,614)	(36,332)	(111,921)
Re-expression	31	-	-	31
Closing balance	14,905	8,581	27,819	62,060
Impairment				
Opening balance	-	-	-	-
Additions (received	(105)	(114)	(197)	(416)
Wit	-	-	-	(356)
Withdrawn (sales)	(105)	(114)	(197)	(772)

December 31. 2017

	For Home Mortgage	Other than Home Mortgage	Restored from residential leasing contracts	Total
Cost				
Opening balance	8,908	48,292	37,260	94,460
Additions (received)	7,849	41,566	45,305	94,720
Withdrawn (sales)	(1,913)	(5,371)	(18,871)	(26,155)
Transfers	(6,368)	(12,922)	(20,606)	(39,896)
Re-expression	(2)	2	1	1
Closing balance	8,474	71,567	43,089	123,130
Impairment				
Opening balance	(10)	(1,727)	(375)	(2,112)
Additions (received	-	-	-	-
Wit	5		-	5
Withdrawn (sales)	5	1,727	375	2,107
Provisión (Impairment)	-	-	-	-

Presented below in detail the assets held for sale in accordance to the length of time on the market:

	December 31. 2018	December 31. 2017
Up to 1 year	60,379	77,988
1-3 years	1,681	45,142
Total	62,060	123,130

During this time period the bank has executed different strategies assets held for at December 31:

	December 31. 2018		December 31. 2017	
	Quantity	Value	Quantity	Value
Sale price	196	22,055	172	26,155
Total Sales	196	22,055	172	26,155
Profit on sales		2,059		630
Amortization of deferred profit		1,641		1,702
Ptofit on sale of assets not in use		6,661		3,120
Total sales profit		10,361		5,452
Loss on sale of foreclosed assets		500		3,013
Loss on sales. previous periods (residential leasing)		1,199		-
Profit (Loss) on foreclosed assets		8,662		2,439

The movement of the provision for assets held for sale is as follows:

	December 31. 2018	December 31. 2017
Opening balance	-	2,112
Plus:		
Provision expensed	739	-
Re-expression	33	(2,117)
Less:		
Provisions recovered	-	5
Closing balance	772	-

13.8 Investments in associates

The following is the detail of investments in associates.

December 31. 2018

Name	% interest	Equity	Acquisition cost	Equity method	Adjusted cost
Titularizadora Colombiana S.A.	26.85%	59,855	40,643	(4,517)	36,126
Redeban Multicolor S.A.	26.04%	15,792	18,816	8,419	27,235
Sersaprosa S.A.	25.00%	8,786	2,312	8,119	10,431
Serfinsa S.A.	41.03%	4,292	1,474	1,806	3,280
ACH de El Salvador S.A	25.00%	1,541	385	828	1,214
Zip Amarateca	37.85%	8,606	3,258	3,846	7,104
Bancajero BANET	34.81%	2,673	930	3,080	4,010
		101,546	67,818	21,582	89,400
Investments in Joint operations					
CCA Rentaliquida					43
Total					89,443

December 31. 2017

Name	% interest	Equity	Acquisition cost	Equity method	Adjusted cost
Titularizadora Colombiana S.A.	26.85%	131,534	41,851	(5,158)	32,357
Redeban Multicolor S.A.	26.04%	91,980	21,785	(399)	26,686
Sersaprosa S.A.	25.00%	8,786	2,312	6,751	9,063
Serfinsa S.A.	41.03%	4,292	1,474	1,787	3,261
ACH de El Salvador S.A	25.00%	1,541	385	596	981
Zip Amarateca	37.85%	8,606	3,258	3,412	6,669
Bancajero BANET	34.81%	2,673	930	2,775	3,705
		249,412	71,995	9,764	82,722
Investments in Joint operations					
CCA Rentacafé					18
Total					82,740

The following is the value of the asset. liability and homogenized equity based on the calculation of the equity participation method:

December 31. 2018

Interest		Total assets	Total liabilities	Total equity	(Profit/Loss)
Titularizadora Colombiana S.A.	26.85%	151,447	16,911	134,536	14,923
Redeban Multicolor S.A.	26.04%	199,395	94,799	104,596	15,469
ZipAmarateca	37.85%	20,198	1,431	18,766	2,040
Bancajero BANET	34.81%	13,750	2,230	11,520	2,146
Servicio Salvadoreño De Protección. S.A. De C.V.-Sersaprosa	25.00%	58,756	17,032	41,724	2,043
ACH de El Salvador. S.A. de C.V.-Sersaprosa	25.00%	5,259	405	4,854	529
Servicios Financieros. S.A. de C.V.-Serfinsa	41.03%	25,881	17,887	7,994	(602)
		474,686	150,695	323,990	36,548

December 31. 2017

Interest		Total assets	Total liabilities	Total equity	(Profit/Loss)
Titularizadora Colombiana S.A.	26.85%	614,032	487,073	126,959	8,161
Redeban Multicolor S.A.	26.04%	175,358	79,535	95,823	9,725
Grupo Empresarial Richnestt. S.A.S.	48.94%	-	-	-	-
ZipAmarateca	37.85%	20,229	2,611	17,618	1,866
Bancajero BANET	34.81%	12,628	1,984	10,644	1,592
Servicio Salvadoreño De Protección. S.A. De C.V.-Sersaprosa	25.00%	48,313	12,062	36,251	1,591
ACH de El Salvador. S.A. de C.V.-Sersaprosa	25.00%	4,312	389	3,923	636
Servicios Financieros. S.A. de C.V.-Serfinsa	41.03%	18,357	10,409	7,948	200
		893,229	594,063	299,166	23,771

13.9 Investments in other companies

The following is the detail of investments in other companies:

Name	% share	December 31. 2018	December 31. 2017
Inversiones a valor razonable con cambios en el ORI			
CrediBanco	15.55%	125,040	123,325
Finagro	12.67%	131,646	130,588
Bolsa De Valores De Colombia	6.78%	48,210	51,912
Ach Colombia S.A.	18.42%	46,230	42,731
Corabastos	3.39%	1,156	12,784
Cámara De Riesgo Central De Co	5.48%	3,053	2,996
Cámara Comp Div Colombia S.A.	8.31%	3,339	2,143
Tecnibanca S.A. - Servibanca S.A.	0.94%	1,083	1,056
Corporación Andina De Fomento	0.00%	16,351	986
Almacafe	0.01%	10	10
Bio D	7.12%	8,489	-
		384,607	368,531

13.10 Property and equipment

The following is the detail of property and equipment:

	Land	Buildings & improvements	IT equipment	Furniture & fittings	Vehicles	Property and equipment in joint operations	Total
December 31. 2017							
Cost	200,452	394,243	229,984	418,142	21,721	1	1,264,543
Additions							
Purchases	11,680	56,287	40,315	18,636	4,493	-	131,411
Acquisition of other compánies	5,670	64,656	-	-	-	-	70,326
Withdrawals							
Sales	(16,231)	(32,864)	(11,874)	(3,846)	(2,526)	-	(67,341)
Derecognition of assets recorded at cost	-	(124)	(3,144)	(1,614)	(240)	-	(5,122)
Re-expression	8,026	14,090	8,419	5,733	473	-	36,741
Transfers	(10,406)	3,692	(10,483)	24,798	-	-	7,601
Impairment	-	(2,079)	-	-	-	-	(2,079)
December 31. 2018	199,191	497,901	253,217	461,849	23,921	1	1,436,080
Accumulated depreciation							
December 31. 2017	-	(118,331)	(181,662)	(222,108)	(10,069)	(1)	(532,171)
Cost							
Purchases	-	(573)	-	-	-	-	(573)
Withdrawals							
Sales	-	1,530	8,773	3,859	1,957	-	16,119
Deerecognition of assets recorded at cost	-	124	3,097	1,553	238	-	5,012
Accumulated movement of depreciation	-	(11,067)	(41,803)	(28,945)	(3,765)	-	(85,580)
Re-expression	-	(6,074)	(6,596)	(4,360)	(268)	-	(17,298)
Transfers	-	(11,535)	7,031	(15,906)	51	-	(20,359)
December 31. 2018	-	(145,926)	(211,160)	(265,907)	(11,856)	(1)	(634,850)
Carrying value							
December 31. 2018	199,191	351,975	42,057	195,942	12,065	-	801,230

	Land	Buildings & improvements	IT equipment	Furniture & fittings	Vehicles	Property and equipment in joint operations	Total
December 31. 2016							
Cost	243,048	450,308	240,570	372,295	22,454	1	1,328,676
Additions							
Purchases	2,499	20,973	25,420	49,338	3,310	-	101,540
Withdrawals							
Sales	(39,198)	(63,446)	(10,285)	(11,706)	(3,643)	-	(128,278)
Derecognition of assets recorded at cost	(4,788)	(5,656)	(760)	(6,147)	(259)	-	(17,610)
Donations	-	-	(49)	(38)	-	-	(87)
Re-expression	(562)	(2,164)	(2,124)	(1,347)	(141)	-	(6,338)
Transfers	(547)	(4,857)	(22,788)	15,747	-	-	(12,445)
Impairment	-	(915)	-	-	-	-	(915)
December 31. 2017	200,452	394,243	229,984	418,142	21,721	1	1,264,543
Depreciación acumulada:							
December 31. 2016	-	(108,388)	(182,190)	(194,606)	(9,862)	(1)	(495,047)
Cost							
Purchases	-	(2,175)	-	(379)	-	-	(2,554)
Withdrawals							
Sales	-	3,021	8,842	10,827	2,817	-	25,507
Derecognition of assets recorded at cost	-	2,090	3	1,672	74	-	3,839
Donations	-	-	48	37	-	-	85
Depreciation for the period expensed	-	(11,643)	(32,629)	(28,748)	(3,671)	-	(76,691)
Re-expression	-	2,815	3,342	3,024	532	-	9,713
Transfers	-	(4,051)	20,922	(13,935)	41	-	2,977
December 31. 2017	-	(118,331)	(181,662)	(222,108)	(10,069)	(1)	(532,171)
Carrying value							
December 31. 2017	200,452	275,912	48,322	196,034	11,652	-	732,372

The following are the proceeds of sale of property and equipment:

December 31. 2018

	Quantity	Book value	Proceeds of sale (*)	Profit	Loss
Real property	61	(47,565)	65,291	20,703	(2,978)
IT equipment	5,698	(2,642)	1,669	518	(1,484)
Furniture and fittings	3,048	(446)	249	221	(416)
Vehicles	37	(570)	594	33	(19)
	8,844	(51,224)	67,802	21,474	(4,896)

December 31. 2017

	Quantity	Book value	Proceeds of sale (*)	Profit	Loss
Real property	225	(99,623)	131,432	38,120	(6,818)
IT equipment	3,360	(1,443)	1,674	141	(30)
Furniture and fittings	4,447	(879)	779	152	(76)
Vehicles	45	(827)	893	111	(27)
	8,077	(102,772)	134,778	38,526	(6,951)

(*) Part of the proceeds of a from property sales was received from a unit funds. for $37.722 for properties sold at December 31. 2018 and recorded as a receivable for $103.566 20% $111.035 payment was received in cash; and an account receivable was registered for $509.799 in relation to properties sold at December 31. 2017.

Restrictions on ownership of property and equipment

There are no restrictions on ownership for any of the reported periods

13.11 Investment properties

The following is the movement of investment properties

Cost	December 31. 2018	December 31. 2017
Opening balance	36,487	55,082
Additions		
Transfers	45,215	(2,962)
Withdrawals		
Sales	(6,473)	(15,606)
Re-expression	75	(27)
Closing balance	75,304	36,487
Accumulated depreciation		
Opening balance	(1,111)	(1,734)
Withdrawals		
Sales	316	625
Accumulated movement of depreciation	(336)	(388)
Re-expression	(4)	(36)
Transfers	(354)	421
Closing balance	(1,489)	(1,111)
	73,815	35,376
Carrying value	73,815	35,376

Below is the product of the sale of investment properties.

December 31. 2018

	Quantity	Book value	Proceeds of sale (*)	Profit	Loss
Investment prorperties	5	6,157	7,781	3,217	(1,593)
	-	6,157	7,781	3,217	(1,593)

December 31. 2017

	Quantity	Book value	Proceeds of sale (*)	Profit	Loss
Investment properties	23	14,330	19,253	5,571	(647)
Foreclosed assets	1	651	672	21	-
	24	14,981	19,925	5,592	(647)

(*) Of the investment properties sold. no account receivable was recorded for December 31. 2018; As of December 31. 2017. account

The results recognized in the consolidated result statement for the management of investment properties up to December 31. 2018 and 2017 was:

	December 31. 2018	December 31. 2017
Rental income	1,557	2,309
Direct operating expenses from investment properties that generate rental income	(10)	(236)
Direct operating expenses on investment properties that do not earn rental income.	(1,036)	(955)
net	511	1,118

The fair value of investment properties up to the closing date December 31. 2018 was $70.576 ($55.863 in 2017).

Restrictions on ownership of investment properties

There are no restrictions on ownership of investment properties for any of the reported periods.

13.12 Leases

Operating leases are mainly related to rentals on land and buildings for up to 20 years. All of them are for more than 5 years and contain rent-review clauses every 5 years. There is no purchase option for land rented upon the expiry of the contract.

	December 31. 2018	December 31. 2017
up to 1 year	212,601	155,252
1-5 years	684,691	559,115
over 5 years	646,091	691,860
	1,543,383	1,406,227

The following is the expense on leases:

	December 31. 2018	December 31. 2017
Operating lease expenses	210,666	166,111
	210,666	166,111

13.13 Goodwill

The following is the detail Detailed below are the bank's acquisitions in the purchase of Granbanco. Central America and Corredores Asociados:

Name of the acquired	Date of acquisition	% Participation
Granbanco	February 2007	99.06%
Grupo del Istmo Costa Rica	November 2012	100.00%
Inv. Financ. El Salvador	November 2012	95.95%
Banco y Seguros Honduras	December 2012	Bank 94% - insurance 89%
Corredores Asociados	September 2013	94.90%

The following in detail of goodwill generated by the purchase of Granbanco. Central America and Corredores.

	December 31. 2018	December 31. 2017
Granbanco	1,084,549	1,084,549
Central America	473,362	473,362
Corredores Asociados	77,275	76,972
	1,635,185	1,634,882

Granbanco purchase

The purchase of Granbanco on February 16. 2007. gave origin to goodwill worth $1.372.458. The table below shows the main items of goodwill:

The definition and assessment of the business lines take into account the possible synergies that may arise: the total value of the goodwill assigned to six (business lines with value at market price and based on the figures to the closing date up to December 31 2006 for Davivienda and January 31. 2007 for Granbanco. as Consumer. Comnmercial. SME and Subsidiaries (Panamá and Fiducafé).

The general criteria to define the aforementioned business lines were: proper business line characteristics. (placement rate average. and average balance per Customer/product. customer profiles. portfolio growth. and allocation of expenses); feasibility of independent valuation and international accounting regulations. The determination of income and balances of each business line were determined; assets were defined. and 5-year projections made.

The assessment of business lines was carried out using the dividend flow methodology. with a discount at the expense of the shareholder; which according to experts is the most appropriate method to valuate financial institutions and it is also widely used by top rank investment banks. Said method consists on projecting the flow of dividends available during 10 years plus a terminal value and discounting an appropriate rate. For Fidudavienda. cash flows and a terminal value were used to draw up a free cash statements for the entity.

For impairment testing purposes. the capital gain was assigned to the following:

Business line	Interest	Goodwill	Accumulated amortization	IFRS balance
Consumer	21.3%	292,103	61,276	230,827
Commercial	43.8%	600,872	126,049	474,823
SME	6.9%	95,195	19,970	75,225
Credit card	16.2%	222,395	46,653	175,742
Home mortgage	11.2%	153,150	32,127	121,023
Subsidiaries	0.6%	8,743	1,834	6,909
	100.0%	1,372,458	287,909	1,084,549

An independent impairment test took place on October 31 2018. by external consultants discounted at first-level investment cost “assessment and consulting. results showed that none of the business lines generated impairment loss.

The principal suppositions for the projection of impairment text were as follows:

	2019	2020	2021	2022	2023
Placement rate (%)	12.33%	12.40%	12.48%	12.46%	12.51%
Deposit-taking rate (%)	1.90%	1.26%	1.27%	1.28%	1.30%
Growth in operating income	4.54%	5.64%	6.24%	5.94%	5.53%
Growth in other operating expenses (CPI)	3.07%	3.60%	3.16%	3.77%	3.67%
Inflation	2.90%	3.10%	2.70%	3.50%	3.30%
GSP annual growth	4.10%	4.10%	4.10%	4.10%	4.10%

The discount rate used to determine the capital cost generated by the source of income is subject to the average weighted cost of the capital in market value of all income sources in the bank’s capital structure estimated on 15%. upon executing a sensitivity analysis on use value and impairment analysis on each of the UGEs identified for capital gain vs the discount; it shows that a superior risk assigned to the discount rate won’t generate impairment on any of the mayor UGE.

Purchase of HSBC in Central America

The purchase operation HSBC in Central America was carried out between November 23 and December 7. 2012 and generated a capital gain of $473.362. assigned to the following business lines:

Business lines	Purchase US$	Cost $	Capital gain
Banks	767	916,556	459,161
Insurance	34	52,591	14,201
	801	969,147	473,362

An impairment test took place on October 31 2018. Results showed that none of the business lines generated impairment loss

The following are the main assumptions used in impairment testing:

Banks	2019	2020	2021	2022	2023
Placement rate (interest)	13.91%	13.87%	13.84%	13.84%	13.84%
Deposit taking rate (interest)	4.55%	4.55%	4.55%	4.55%	4.55%
Growth in operating income	8.95%	7.99%	8.42%	8.80%	8.69%
Growth in other operating expenses	-0.28%	7.94%	9.46%	9.81%	10.00%
Inflation	4.00%	3.67%	3.67%	3.67%	3.67%
GDP annual growth	7.34%	7.43%	7.49%	7.58%	7.64%

Insurance	2019	2020	2021	2022	2023
Growth in other operating expenses	25.80%	25.80%	25.80%	25.80%	25.80%
Inflation	4.00%	3.67%	3.67%	3.67%	3.67%
GDP annual growth	7.34%	7.43%	7.49%	7.58%	7.64%

Purchase of Corredores Asociados

On February 28. 2013 a contract made to buy 100% of the firm Corredores Asociados and a capital gain was constituted for a value of $73.336 and Fiduciaria Davivienda for $3.636.

Business line	Acquirer	Cost $	Capital gains
Corredores Davivienda	Banco Davivienda	70,732	73,336
	Fiduciaria Davivienda	-	3,939
		70,732	77,275

An impairment test took place on October 31. 2018. by external consultants. The results showed that none of the business lines generated impairment loss.

The following are the e main assumptions used in the impairment loss testing:

	2019	2020	2021	2022	2023
Average growth in loans	46.00%	15.00%	13.50%	12.10%	10.00%
Increase in operating income	11.60%	11.60%	11.60%	11.60%	11.60%
Growth in other operating expenses	11.00%	11.00%	11.00%	11.00%	11.00%

For tax purposes the Bank has applied Article 143 of the Tax Code. which establishes that the termination for amortization investments shall be carried out on a period of five years or more. and it is in fact being amortized over 7 years for Granbanco. and 5 years for Corredores y Asociados; utilizing the straight-line method. which was simply calculated by dividing the total by the number of months proposed.

The difference resulting from book amortization and tax amortization is recorded as deferred tax payable.

13.14 Intangibles

The following in the movement of intangibles:

December 31. 2018

Item	Licenses	Programs. Application etc	Total
Opening balance	99,561	69,891	169,452
Acquisitions	21,921	21,871	43,792
Accumulated amortizations	(15,269)	(18,659)	(33,928)
Reclassifications	4,223	(4,223)	-
Re-expression	1,145	1,088	2,233
Derecognition	(6,365)	(3,283)	(9,648)
Closing balance	105,216	66,685	171,901

December 31. 2017

Item	Licenses	Programs. Application etc	Total
Opening balance	60,559	75,349	135,908
Acquisitions	43,738	24,568	68,306
Accumulated amortizations	(13,351)	(19,955)	(33,306)
Reclassifications	(669)	646	(23)
Re-expression	3	(1,436)	(1,433)
Closing balance	90,280	79,172	169,452

There are no commitments to buy. no restrictions on ownership and no pledges to back debt servicing.

13.15 Other non-financial assets. net

The following is the detail of other non-financial assets:

	December 31. 2018	December 31. 2017
Foreclosed assets	436,371	307,214
Prepaid expenses	136,821	133,660
Deferred páyment letters of credit	94,281	35,451
Deferred tax	29,144	12,509
Works of art	3,030	2,887
Trust rights	8,314	7,639
Assets pending activation	9,338	8,211
Advances on projects	9,847	2,874
Other	3,159	3,262
Impairment	(224,920)	(140,239)
	505,385	373,468

The following is the detail of impairment

	December 31. 2018	December 31. 2017
Opening balance	140,239	92,943
plus:		
Provision	127,450	76,952
Less:		
Recoveries	(37,727)	(34,719)
Adjustment to provisions	(9,452)	10,197
Re-expression	4,410	(5,134)
Closing balance	224,920	140,239

13.16 Joint operations

The following is the summary of joint operations:

		December 31. 2018		December 31. 2017	
	% interest	Assets	Liabilities	Assets	Liabilities
Retail business	50.00%	83,471	-	73,848	-
Fidufosyga	9.86%	77	1,439	71	543
FPB 2013	50.00%	-	-	6	-
Pensac 2012	50.00%	2	-	2	-
Pensac 2015	50.00%	-	-	1	-
Pensac 2017	50.00%	28	1	71	9
Pensac 2018	50.00%	99	33	-	-
Fonpet	20.00%	-	-	-	-
CCP Fonpet 2012	39.10%	1,341	104	1,610	84
Cali Mio	44.00%	6	2	6	2
		85,024	1,579	75,615	638

Assets in joint operations include:

	December 31. 2018	December 31. 2017
En pesos colombianos		
Cash and cash equivalents	287	245
Deposits and investments in debt securities	43	19
Loans and accounts receivable	84,692	75,334
Other joint venture activities	2	17
Total assets	85,024	75,615

Liabilities in joint operations include:

	December 31. 2018	December 31. 2017
Accounts payable	82	48
Other liabilities	59	48
Other provisions	1,438	542
Total liabilities	1,579	638

The following is the movement of joint operations.

	December 31. 2018	December 31. 2017
Opening balance	74,977	50,129
Fai value of assets and liabilities acquired	8,467	24,848
Closing balance	83,444	74,977

13.17 Deposits and demand accounts

The following is the detail of deposits and demand accounts:

	December 31. 2018		December 31. 2017	
	Balance	Interest paid	Balance	Interest paid
Interest-bearing liabilities				
Checking accounts	4,549,181	74,493	4,292,979	62,854
Savings accounts	26,418,741	520,080	23,845,726	784,144
Term deposits	31,118,034	1,190,658	29,328,063	1,062,560
Total interest -bearing liabilities	62,085,956	1,785,231	57,466,768	1,909,558
Non-interest-bearing liabilities				
Checking accounts	4,909,982	-	4,791,071	-
Savings accounts	91,561	-	115,397	-
Demand accounts for services	693,943	-	589,465	-
Electronic deposits	116,638	-	86,330	-
Other (*)	501,084	-	261,563	-
Total non-interest-bearing liabilities	6,313,208	-	5,843,826	-
	68,399,164	1,785,231	63,310,594	1,909,558

(*) Other: banks and correspondents – special deposits – collection services – affiliate establishments – canceled accounts

Local currency	December 31. 2018		December 31. 2017	
Deposits and demand accounts	Capital	% Implicit Rate	Capital	% Implicit Rate
Checking accounts	5,144,058	0.67%	4,505,512	1.75%
Savings	22,374,336	2.15%	20,068,095	3.61%
Term Deposits	21,555,279	5.80%	21,077,323	6.68%
Demand accounts for service	539,205		439,159	
Electronic deposits	116,638		86,330	
Other (*)	454,382		216,840	
	50,183,898		46,393,259	
Foreign currency				
Deposits and demand accounts				
Checking accounts	4,315,105	0.68%	4,578,538	0.63%
Savings	4,135,966	0.51%	3,893,028	0.72%
Term deposits	9,562,755	2.60%	8,250,740	1.34%
Demand accounts for services	154,738		150,306	
Other (*)	46,702		44,723	
	18,215,266		16,917,335	
	68,399,164		63,310,594	

(*) Other: banks and correspondents – special deposits – collection services – affiliate establishments – canceled accounts

The following is the maturity of deposits:

December 31. 2018

	under 1 year	1-5 years	5-10 years	over 10 years	Total
Checking accounts	9,459,163	-	-	-	9,459,163
Savings	26,497,223	13,079	-	-	26,510,302
Term deposits	23,587,849	7,471,830	55,060	3,295	31,118,034
Demand accounts for services	693,943	-	-	-	693,943
Electronic deposits	116,638	-	-	-	116,638
Other	501,084	-	-	-	501,084
	60,855,900	7,484,909	55,060	3,295	68,399,164

December 31. 2017

	under 1 year	1-5 years	5-10 years	over 10 years	Total
Checking accounts	9,084,050	-	-	-	9,084,050
Savings	23,949,267	11,856	-	-	23,961,123
Term deposits	20,120,641	9,141,179	62,856	3,387	29,328,063
Demand accounts for services	589,465	-	-	-	589,465
Electronic deposits	86,330	-	-	-	86,330
Other	255,817	5,746	-	-	261,563
	54,085,570	9,158,781	62,856	3,387	63,310,594

13.18 Interbank and overnight funds

Below is the detail interbank and overnight liability operations:

December 31. 2018	Rate	Date (*) Initial	Date (*) Final	Amount
Foreign currency				
Interbank liability operations				
Banks	3.13%	13/12/2018	14/01/2019	60,900
Local currency				
Interbank liability operations				
Banks	4.10%	28/12/2018	02/01/2019	180,082
Simultaneous				
Sociedad Comisionista de Bolsa	4.00% - 4.20%	28/12/2018	02/01/2019	2,270
Banks	4.00% - 5.00%	21/12/2018	02/01/2019	31,150
Other	4.00% - 8.00%	18/10/2018	12/03/2019	2,521,903
Liability repos	4.30% - 6.00%	28/12/2018	02/01/2019	954,777
Commitments under short positions				35,459
				3,786,541

December 31. 2017	Rate	Date (*) Initial	Date (*) Final	Amount
Foreign currency				
Interbank liability operations				
Banks	0.50% - 5.75%	27/12/2017	02/01/2018	161,791
Real sector	0.16%	22/12/2017	02/01/2018	15,102
Simultaneous	0.60%	29/12/2017	02/01/2018	1,194

Local currency				
Interbank liability operations				
Banks	4.54%	27/12/2017	02/01/2018	5,003
Simultaneous				
Sociedad Comisionista de Bolsa	4.75% - 5.50%	26/12/2017	04/01/2018	25,422
Investments banks	4.75%	27/12/2017	02/01/2018	6,869
Commercial banks	4.55% - 5.50%	26/12/2017	04/01/2018	45,076
Other	4.00% - 7.00%	15/11/2017	20/02/2018	1,040,079
Commitments from short positions	4.00% - 4.75%	26/12/2017	02/01/2018	49,359
				1,349,895

(*) Date format: dd/mm/yyyy

13.19 Bank borrowings and other financial debt

The following is the detail of bank borrowings

December 31. 2018	Currency	Range of interest rates	Range of years of maturity	Balance
				9,686,332
New loans	Pesos	0.30% - 13.04%	2018 - 2030	959,510
	US$	1.65% - 7.00%	2018 - 2032	11,362,602
	Colones	5.00% - 6.00%	2018 - 2019	29,248
	Lempiras	6.64%- 12.50%	2018 - 2048	33,801
Payments in the period	Pesos	0.30% - 12.50%	2018 - 2030	(872,288)
	US$	1.65% - 8.00%	2011 - 2034	(9,639,853)
	Colones	0% - 7.20%	2016 - 2021	(29,905)
Other movements				
Interest payable				144,986
Re-expression				830,824
Other				(12,953)
Cost of financial debt pending amortization				2,931
				12,495,235

December 31. 2017	Currency	Range of interest rates	Range of years of maturity	Balance
				8,913,954
New loans	Pesos	1.70% - 7.96%	2022 - 2025	683,230
	US$	0.5% - 6.34%	2016 - 2030	5,938,074
	Lempiras	6.64% - 12.5%	2016 - 2046	42,011
Payments in the period	Pesos	1.70% - 9.34%	2017 - 2030	(540,557)
	US$	0.35% - 11%	2014 - 2029	(5,476,777)
	Colones	0% - 6.50%	2016 - 2021	(2,054)
	Lempiras	6.64% - 12.5%	2016 - 2046	(81)
Other movements				
Integration of Leasing Bolívar				
Interest payable				134,175
Re-expression				(65,407)
Other				59,764
				9,686,332

At December 31. 2018 the Bank had complied with covenants made on long-term debt.

The detail of the Bank´s financial obligations is indicated below:

Entities in Colombia:	December 31. 2018	December 31. 2017
Local currency:		
Financial debt	2,162,609	1,991,274
Foreign currency:		
Banks outside Colombia	5,063,520	3,311,947
Other financial debt	621,814	360,283
Entities outside Colombia	4,647,292	4,022,828
	12,495,235	9,686,332

The maturity of the financial obligations is indicated below:

December 31. 2018

	under 1 year	1-5 years	5-10 years	over 10 years	Total
Local currency					
Bancoldex	74,590	411,507	43,409	-	529,506
Finagro	11,037	108,851	56,958	3,854	180,700
Findeter	7,162	128,720	1,031,283	285,238	1,452,403
Foreign currency					
Bancoldex	94,037	29,811	75,036	22	198,906
Findeter	288	-	63,708	77,089	141,085
Banks outside Colombia	6,422,257	1,394,689	991,751	1,183,938	9,992,635
Entities outside Clombia	6,419,808	1,249,124	991,751	1,183,938	9,844,621
Other financial debt	2,449	145,565	-	-	148,014
	6,609,371	2,073,578	2,262,145	1,550,141	12,495,235

December 31. 2017

	under 1 year	1-5 years	5-10 years	over 10 years	Total
Local currency					
Bancoldex	34,569	283,658	46,820	-	365,047
Finagro	12,056	93,944	78,317	8,177	192,494
Findeter	14,217	199,570	895,604	324,343	1,433,734
Foreign currency					
Bancoldex	4,682	25,757	132,658	-	163,097
Findeter	59,071	-	137,731	383	197,185
Banks and entities outside Colombia	4,395,368	1,500,767	997,197	441,443	7,334,775
	4,519,963	2,103,696	2,288,327	774,346	9,686,332

13.20 Long-term debt issued

Then following is the detail of debt or equity issues:

December 31. 2018	Date	Amount issued	Term (months)	Yield	Maturity	Balance
Opening balance						12,008,969
Bonds issued in Colombia						
New issues						
CPI	15/11/2018	365,845	96 - 120	IPC + 1.00% - 3. 67%	15/11/2026 - 27/07/2023	365,845
IBR	15/11/2018	87,025	36	IBR + 1.09%	15/11/2021	87,025
Redemptions						(2,015,423)
Other movements						
Variation TRM						44,238
Variation UVR						4,949
Interest						(13,581)
Amortized cost						12,956
Bonds issued by Subsidiaries outside Colombia						
New issues						
Colones	24/07/2018 - 24/10/2018	50,000	12 - 18	8.42% - 9.13%	22/10/2020 - 23/04/2020	269,000
US$	6/29/2018	74,305	24	4.75%	29/06/2020	81,244
Redemptions						(218,835)
Other movements						
Amortized cost						49,763
Interest						7,360
Re-expression						2,317
Closing balance						10,685,827

December 31. 2017

	Date	Amount of issue	Term. (months)	Yield	Maturity	Balance
Opening balance						9,586,702
Bonds issued in Colombia						
New issues						
CPI	07/06/2017 - 29/03/2017	542,732	84 - 120	IPC + 3.13 - IPC + 3.83	07/06/2024 - 07/06/2027	542,732
IBR	25/04/2017	433,000	120	IBR + 2.13	25/04/2027	433,000
Fixed Rate	29/03/2017 - 24/10/2017	2,024,111	36 - 84	TF 6.48% - TF 7.5%	07/06/2020 - 29/03/2024	2,024,111
Redemptions						(857,889)
Other movements						
Variation TRM						(15,281)
Variation UVR						5,925
Interest						(1,861)
Cost pending amortization						(14,628)
Bonds issued by Subsidiaries outside Colombia						
New issues						
Colones	24/03/2017 - 30/11/2017	215,016	72 - 105	0.00%	24/03/2020 - 22/03/2021	215,016
US$	20/07/2017	8,955	12	0.00%	20/07/2018	8,955
US$	2017-2017	60	30	5.10% - 5.15%	2019 - 2019	179,040
Redemptions						(96,845)
Other movements						
Cost pending amortization						12,405
Interest payable						108
Re-expression						(10,239)
Other						(2,281)
Closing balance						12,008,969

Then following is the detail of debt or equity issues:

Issue type	Date	Amount	Term (months)	Yield	Maturity	December 31. 2018 Book value	December 31. 2017 Book value
Unsecured subordinated bonds							
CPI	25/04/2012 - 29/03/2017	1,358,655	96 - 180	CPI+3.83% - CPI+4.56%	25/04/2022 - 25/04/2027	1,358,655	1,358,655
UVR	24/02/2010	111,503	120	UVR+5.50%	24/02/2020	155,617	198,947
Fixed rate	29/03/2017	198,947	84	TF 7.40%	29/03/2024	198,947	150,669
Interest						17,937	11,624
In US$							
International bonds						1,624,875	1,492,000
Interest						45,396	41,684
					Total Bonos Subordinados	3,401,427	3,253,579
Ordinary unsecured bonds							
CPI	10/03/2011 - 15/11/2018	3,286,668	60-180	CPI+2.84% - CPI+4.50%	15/05/2019-27/07/2028	3,652,513	3,521,953
IBR	25/04/2017 - 15/11/2018	433,000	36 - 120	IBR + 2.13%	15/11/2021-25/04/2027	520,025	433,000
Fixed rate	27/07/2016 - 24/10/2017	2,047,549	36 - 60	TF + 6.48% - TF + 8.64%	27/07/2019-24/10/2022	2,047,549	2,426,305
Interest						58,908	61,993
In US$							
Debt bonds	29/01/2013	889,920	60	TF 2.95%	29/01/2018	-	1,492,000
Interest						-	18,539
					Total Bonos ordinarios	6,278,995	7,953,790
					Costo amortizado	(15,044)	(28,000)
					Total Bonos	9,665,378	11,179,369

Subsidiaries outside Colombia
Ordinary unsecured bonds

	Date	Amount	Term (months)	Yield	Maturity	December 31. 2018 Book value	December 31. 2017 Book value
Colones							
International bonds	24/03/2017 - 24/10/2018	488,504	12 - 43	7.50% - 9.13%	22/10/2019 - 16/03/2021	488,504	294,066
Interest						9,012	4,311
Amortized cost						202	41
In US$							
International bonds	30/05/2013 - 21/04/2017	190	24 - 84	4.00% - 6.00%	30/05/2018 - 29/12/2022	519,949	605,765
Interest						4,660	(73,006)
Amortized cost						(2,177)	21
						-	(2,281)
Lempiras							
International bonds	01/01/2002	3,059	180	0.055-0.15%	31/12/2017	299	683
						1,020,449	829,600
						10,685,827	12,008,969

The following are the bonds per monetary unit:

	December 31. 2018	December 31. 2017
In Colombia		
Local currency	7,842,444	7,993,580
Foreign currency	1,666,485	3,035,388
UVR	156,449	150,400
	9,665,378	11,179,368
Outside Colombia		
Foreign currency		
US$	522,432	530,499
Colones	497,718	298,419
Lempiras	299	683
	1,020,449	829,601
	10,685,827	12,008,969

The following are bonds by maturity

	December 31. 2018	December 31. 2017
Under 1 year	750,119	2,138,804
1-5 years	6,248,649	5,989,380
5-10 years	3,687,059	3,447,057
over 10 years	-	433,728
	10,685,827	12,008,969

The following are the redemptions made:

December 31. 2018

Date	Issue type	Term	Rate	Maturity	Amount
12/02/2015	Ordinary	36	TF 5.94%	12/02/2018	378,756
10/03/2011	Ordinary	84	CPI+3.88%	10/03/2018	76,055
10/03/2011	Ordinary	90	CPI+3.99%	10/09/2018	159,230
29/01/2013	Ordinary	60	TF 2.95%	29/01/2018	1,401,382
					2,015,423

December 31. 2017

Date	Issue type	Term	Rate	Maturity	Amount
24/02/2010	Subordinated	84	CPI+5.25	24/02/2017	138,497
15/05/2014	Ordinary	36	IBR+1.29	15/05/2017	255,686
07/10/2010	Ordinary	36	CPI+3.63	07/10/2017	196,050
09/10/2014	Ordinary	36	IBR+1.25	09/10/2017	90,235
10/11/2015	Ordinary	36	IBR + 2.05	10/11/2017	177,421
					857,889

The following are the redemptions made

Subsidiary	Issue type	December 31. 2018	December 31. 2017
Banco Costa Rica	Standardized	120,920	68,560
Banco El Salvador	Standardized	81,244	26,020
Banco Honduras	Mortgage certificates	422	2,265
		202,586	96,845

Redemptions Banco Costa Rica

December 31. 2018

Date	Issue type	Term	Rate	Maturity	Amount
20/07/2015	Standardized	24	4.78%	20/07/2018	30,504
20/07/2017	Standardized	24	3.80%	20/07/2018	9,107
23/02/2016	Standardized	24	6.63%	23/02/2018	53,935
20/07/2015	Standardized	24	8.53%	20/07/2018	27,374
					120,920

December 31. 2017

Date	Issue type	Term	Rate	Maturity	Amount
20/07/2015	Standardized	60	7.99%	20/07/2017	27,318
04/07/2016	Standardized	30	5.71%	04/07/2017	10,836
20/07/2015	Standardized	60	4.02%	20/07/2017	30,406
					68,560

Redemptions Banco El Salvador

December 31. 2018

Date	Issue type	Term	Rate	Maturity	Amount
30/05/2013	Bono Estandarizado	1826	4.00%	30/05/2018	81,244
28/11/2013	Bono Estandarizado	1826	5.00%	28/11/2018	10,562
25/02/2014	Bono Estandarizado	1737	5.00%	28/11/2018	5,687

December 31. 2017

Date	Issue type	Term	Rate	Maturity	Amount
21/03/2012	International	1826	4.25%	21/03/2017	12,443
28/03/2012	International	1819	4.25%	21/03/2017	8,952
05/07/2012	International	1720	4.25%	21/03/2017	149
30/11/2012	International	1572	4.25%	21/03/2017	895
24/04/2013	International	1427	4.25%	21/03/2017	597
30/04/2013	International	1421	4.25%	21/03/2017	2,984
30/04/2013	International	1421	4.25%	21/03/2017	26,020

Redemptions Banco Honduras

December 31. 2018

Date	Issue type	Term	Rate	Maturity	Amount
13/12/1984	Mortgage certificates	15 años	15%	14/06/2017	312
06/01/1959	Mortgage certificates	15 años	15%	24/07/2017	4
25/12/2011	Mortgage certificates	15 años	15%	04/09/2017	27
06/08/2014	Mortgage certificates	15 años	15%	26/10/2017	9
28/11/1939	Mortgage certificates	15 años	15%	05/11/2017	7
13/09/2013	Mortgage certificates	15 años	15%	15/11/2017	27
24/09/1932	Mortgage certificates	15 años	15%	23/11/2017	7
06/08/2014	Mortgage certificates	15 años	15%	26/10/2017	9
19/10/2001	Mortgage certificates	15 años	15%	19/10/2016	7
08/11/2002	Mortgage certificates	15 años	15%	08/11/2017	13
					422

December 31. 2017

Date	Issue type	Term	Rate	Maturity	Amount
03/03/2002	Mortgage certificates	15 años	15%	03/03/2017	13
01/04/2002	Mortgage certificates	15 años	15%	01/04/2017	63
11/04/2002	Mortgage certificates	15 años	15%	11/04/2017	15
23/04/2002	Mortgage certificates	15 años	15%	23/04/2017	5
30/04/2002	Mortgage certificates	15 años	15%	30/04/2017	8
02/05/2002	Mortgage certificates	15 años	15%	02/05/2017	13
18/05/2002	Mortgage certificates	15 años	15%	18/05/2017	6
21/05/2002	Mortgage certificates	15 años	15%	21/05/2017	9
22/05/2002	Mortgage certificates	15 años	15%	22/05/2017	5
23/05/2002	Mortgage certificates	15 años	15%	23/05/2017	6
24/05/2002	Mortgage certificates	15 años	15%	24/05/2017	22
01/06/2002	Mortgage certificates	15 años	15%	01/06/2017	13
03/06/2002	Mortgage certificates	15 años	15%	03/06/2017	86
04/06/2002	Mortgage certificates	15 años	15%	04/06/2017	63
05/06/2002	Mortgage certificates	15 años	15%	05/06/2017	19
10/06/2002	Mortgage certificates	15 años	15%	10/06/2017	114
15/06/2002	Mortgage certificates	15 años	15%	15/06/2017	48
25/06/2002	Mortgage certificates	15 años	15%	25/06/2017	126
01/07/2002	Mortgage certificates	15 años	15%	01/07/2017	65
04/07/2002	Mortgage certificates	15 años	15%	04/07/2017	6
09/07/2002	Mortgage certificates	15 años	15%	09/07/2017	1
19/07/2002	Mortgage certificates	15 años	15%	19/07/2017	16
20/07/2002	Mortgage certificates	15 años	15%	20/07/2017	51
23/07/2002	Mortgage certificates	15 años	15%	23/07/2017	5
24/07/2002	Mortgage certificates	15 años	6%	24/07/2017	4
25/07/2002	Mortgage certificates	15 años	15%	25/07/2017	19
27/07/2002	Mortgage certificates	15 años	15%	27/07/2017	13
31/07/2002	Mortgage certificates	15 años	15%	31/07/2017	14
05/08/2002	Mortgage certificates	15 años	15%	05/08/2017	712
06/08/2002	Mortgage certificates	15 años	15%	06/08/2017	13
10/08/2002	Mortgage certificates	15 años	15%	10/08/2017	1
12/08/2002	Mortgage certificates	15 años	6%	12/08/2017	25
14/08/2002	Mortgage certificates	15 años	15%	14/08/2017	3
20/08/2002	Mortgage certificates	15 años	15%	20/08/2017	126
03/09/2002	Mortgage certificates	15 años	6%	03/09/2017	13
04/09/2002	Mortgage certificates	15 años	15%	04/09/2017	25
05/09/2002	Mortgage certificates	15 años	15%	05/09/2017	11
20/09/2002	Mortgage certificates	15 años	15%	20/09/2017	152
26/09/2002	Mortgage certificates	15 años	15%	26/09/2017	3
07/10/2002	Mortgage certificates	15 años	6%	07/10/2017	34
10/10/2002	Mortgage certificates	15 años	6%	10/10/2017	126
11/10/2002	Mortgage certificates	15 años	6%	11/10/2017	126
26/10/2002	Mortgage certificates	15 años	6%	26/10/2017	9
04/11/2002	Mortgage certificates	15 años	6%	04/11/2017	16
14/11/2002	Mortgage certificates	15 años	6%	14/11/2017	11
15/11/2002	Mortgage certificates	15 años	6%	15/11/2017	25
23/11/2002	Mortgage certificates	15 años	6%	23/11/2017	6
					2,265

Hedging liabilities

The bank opted to manage hedge accounting by designating liabilities for US$ 500 million as coverage instruments of net investments overseas of Central American subsidiaries (hedged item) starting January 1. 2015. considering the intentions expressed by management of covering the type of exchange risk associated with such investment. Up to December 31 2018. management tests have shown that this cover is effective.

During 2018 the Bank renewed debt designated as hedging for US$146 million to cover the net investment in subsidiaries outside Colombia and to eliminate the accounting mismatch between the income statement and equity produced by the re-expression of currency items between investments and loans.

Banco Daviviend Salvadoreño issued fixed-rate debt for US$150 million to reduce the sensitivity of the financial margin to changes in interest rates. A statement of fair-value cover was made to reduce the repricing gap between debt issues and balance sheet assets. The debt issue of US$150 million was declared to be a hedging item and swaps were contracted to receive fixed-rate flows and pay LIBOR as cover. This strategy obtained a synthetic floating rate (LIBOR+Spread) liability to match the reprising on the balance sheet assets. At December 31. 2018 the efficiency indicator shows a high level of effectiveness. because the nominal conditions of the debt issued converge with the swap contracts. and thus serve their purpose of converting a fixed-rate instrument into a floating-rate instrument.

Evaluation of coverage of net investments outside Colombia

The Davivienda Bank Book contains investments outside Colombia that make the Bank sensitive to exchange rates Bank. This affects two highly important variables: (i) economic value. being the aggregate of the Income Statement and OCI and (ii) capital ratios.

The Bank´s strategy is designed to protect economic value in situations where the Colombian peso revalues. And reduces sensitivity of capital ratios in times of devaluation. This combined strategy means that long positions have to be held in foreign currencies for certain ranges of the exchange rate to match losses of economic value and maintain the sensitivity of capital rations within ranges set for the appetite for risk.

Another important point concerns the strategy in the range of currencies that might affect the Bank Book. The Lempira. Colon and American dollar. The .markets in Costa Roca and Honduras are not deep. and there is no easy availability of hedging instruments. either due to high cost or simply. there is no offer. Hedge accounting therefore focuses on the protection of the risk of the dollar-peso rate.

The following are the hedged items for equity investments of Davivienda in subsidiaries in Cost Rica. Honduras. El Salvador and Panama and their related hedges.

	Costa Rica	Honduras	El Salvador	Panamá	Total
Hedge ratio	66%	72%	78%	66%	71%
Position. hedged portion					910
Value of equity investment. cuurency of origin	136,355	3,751	308	222	
Value of equity investment US$	226	154	308	222	910
Position of hedging instruments					646
Bonds in US$	148	111	241	-	500
Correspondent loans in USD	-	-	-	146	146

Effective ness of hedges

The hedges refer to one currency rate where the component hedged in the item hedged relates only to the COP-USD rate and there is a direct and inverse relationship between the primary item and the hedging item. since bother are proportionately sensitive the movements of COP-USD rate.

Backtesting for the effectiveness of hedging.. based on the dollar offset method which compares changes in value for the hedge items with changes of value in the hedging item over the period. gives a 100% result for

2017 and 2018.

As indicated in Note 7.1.1. the Bank opted to apply IFRS9 v. 2014 for current hedging and new operations after the application date. There is no effect on the measurement of effectiveness of hedging.

Both the hedged portion and the hedging item remained the same and effectiveness was 100% for both 2018 and 2017.

13.21 Accounts payable

The following is the detail of accounts payable:

	December 31. 2018	December 31. 2017
Suppliers and services	723,570	515,258
Employment withholdings and contributions	147,142	130,103
Deposit insurance	68,682	62,369
Taxes	61,731	65,510
Commissions and fees	5,808	8,599
Purchase commitments	8,051	10,056
FOGAFIN	30,261	14,299
Bank transaction tax	27,738	20,618
Settlement of third -party forwards	24,355	7,086
Current account reinsurers outside Colombia	20,334	22,641
Checks pending presentation	21,275	19,030
Creditor disbursements pending	20,242	27,006
Creditor Bonos de Seguridad	18,926	19,562
Parent. Subsidiaries. related parties	16,749	17,038
Franchises	14,475	10,733
Insurance	7,588	6,354
Owed to the State Law	6,775	12,111
Credit cards	4,894	4,706
Dividends and surpluses	4,818	4,208
Balance available. VISA Prepayment	4,509	5,409
Creditor. Corredores Asociados (*)	-	25,915
Sundry	144,460	134,158
	1,382,383	1,142,769

(*) The balance due on the purchase of Corredores Davivienda SA was paid in September 2018

As of June 2018 the Bank decided to show Employee benefits liabilities separately from other accounts payable. The figures for 2017 were adjusted to provide a comparative presentation.

13.22 Employee Benefits

The following is the detail of employee benefits:

	December 31. 2018	December 31. 2017
Short-term benefits	143,897	127,398
Long-term benefits	38,820	35,930
Post-employment benefits	32,361	27,285
Pension funds	18,514	14,339
Pensioner health plan	13,847	12,946
	215,078	190,613

Employee Benefits

The Bank offers the following long-term benefits:

a. Home loans are given to staff members with a minimum 2 years of seniority. with a preferential variable interest rate which is only available during the labor relationship period. meaning that. in case of severance the benefit is immediately lost. For the aforementioned 2 funds have constituted with a maximum cap established by the administration and updated periodically. The estimate amount of benefits are interest rate vs. current market rate by the date of loan origination. this difference in rates is the sum of present values and is recognized as the statement of financial position.

b. With the signing of the collective agreement 2017-2018. a special bonus was granted to employees for seniority. equivalent to 15 days of salary upon completing five years of employment and 30 days of salary upon completing 10 years and for every following subsequent five-year term.

Post-employment benefits are as follows:

Defined contribution plan

Contribution made by the bank equivalent to the same value defined by the staff member with a limit of up to 5% of salary. applicable to staff members that are 10 years or less away from retirement pension. with no compromise to make any payments on said date. These are accounted for with the contributed values with charges on results and do not require actuarial assumptions due to these being in a fund where the bank does not assume any actuarial or investment risk.

Defined benefits plan

Healthcare policy for pensioners and their spouse are recognized through actuarial calculations with changes in OCI.

Below in detail employee benefits:

	December 31. 2018	December 31. 2017
Present value of obligations for employee benefits	13,847	12,946

Movement of defined obligations for employee benefits

	December 31. 2018	December 31. 2017
Defined benefit obligations	12,946	47,266
Cost of current services	782	4,050
Interest cost	928	3,237
Re-measurrments	(403)	(41,337)
Adjustments related to experience	1,996	(31,190)
Actuarial (gains) losses due to changes in demographic assumptions	-	(7,204)
Actualrial (gains) losses due to changes in financial assumptions	(2,399)	(2,943)
Benefits paid under the plan	(405)	(270)
Effect of exchange rate movements	-	-
Obligations for defined benefits at December 31	13,847	12,946

Actuarial assumptions

The following are the principal actuarial assumptions up to the closing date (weighted average):

	December 31. 2018	December 31. 2017
Discount rate up to December 31	7.88%	7.25%
Future salary increments	1.75%	3.50%
Inflation	3.50%	3.50%

After the pension age has been reached. it is supposed that those who access this benefit will pass away in accordance to the mortality chart for renters (2008) in SFC Resolution 1555/ 2010.

Sensitivity analysis

Obligations for defined benefits and the cost of services in the current period were calculated using the projected credit unit method. The following is a sensitivity analysis of defined-benefit liabilities for the various financial and actuarial variables.

Discount rate

	Current value of defined benefits	Weighted average duration of defined benefit obligations (in years)	Supuestos
Discount rate -50 bp	15,079	11.18%	7.75%
Discount rate +50 bp	12,944	11.38%	8.75%

Medical trends

	Medical service rate	Assumption
Medical service rate -50 bp	15,045	5%
Medical service rate -50 bp	12,978	6%

Payments of expected future benefits

It is estimated that the payment of expected future benefits. reflecting future service. will be:

Year	Defined benefits
2019	389
2020	430
2021	486
2022	545
2023	604
2024 a 2028	5,532

13.23 Income tax

Components of the income tax expense:

	December 31. 2018	December 31. 2017
Income tax	387,580	438,294
Tax discounts	(26,234)	(27,942)
Expense (Recovery) previous periods	1,308	1,492
Total current taxes	362,654	411,844
Deferred tax	115,118	(6,848)
Total income tax	477,772	404,995

Law 1819/2916 set the standard rate of income tax in Colombia at 34% for 2017 and 2018. with a surcharge of 6% in 2017 and 4% in 2018.

The rate is 30% in Cost Rica and El Salvador. 25% in Panama for income earned in the country.

Reconciliation of the effective tax rate:

The following is the detail of the reconciliation of tax rates at current levels and tax effectively reported in the Income Statement.

	December 31. 2018	Effective rate	December 31. 2017	Effective rate
Profit before tax	**1,876,273**		**1,687,976**	
Tax at flat rate 2018 (37%) - 2017 (40%)	694,221	37%	675,189	40%
Tax discounts	(26,234)		(27,942)	
Non-allowable expenses and fiscal income	147,481		241,733	
Fiscal deductions and non-taxable income	(224,349)		(309,734)	
Exempted income	(196,853)		(186,134)	
Adjustment for timing differences	115,118		44,270	
Special gross income	6,494		6,968	
Capital gains tax	2,402		5,480	
Adjustment in Subsidiaries (1)	(41,816)		(46,327)	
Expenses of previous period	1,308		1,492	
Total income tax expense	477,772	25%	404,995	24%

(1) The adjustment for rates in the subsidiaries relates to the difference been calculations at 37% (the rate applicable to the Parent in Colombia) and average national rates in the other countries

Deferred taxes

Differences between asset and liability bases for IFRS purposes and base figures used for tax calculations gives rise to timing differences that produce deferred tax accounts calculated and recorded at December 31. 2018 and 2017. taking account of current rates for the years in which the differences arise.

	December 31. 2017	Effect on results	Effect on conversion	Effect on OCI	December 31. 2018
Deferred tax assets					
Fixed-yield investments	712	865	(576)	436	1,437
Variable yield investments	264	-	-	-	264
Turnover tax	11,193	-	-	-	11,193
Deferred tax assets	(1,658)	2,849	75	26	1,292
Provisions	67,788	(736)	309	5,380	72,741
Property and equipment. investment property	189	(2,827)	(355)	-	(2,993)
Loans	12,340	650	4,654	16,242	33,886
Foreclosed assets	66	(6,739)	(890)	-	(7,563)
Other	(81,483)	(2,578)	(125)	29	(84,157)
Derivatives	3,098	(49)	(5)	-	3,044
Total assets	12,509	(8,565)	3,087	22,113	29,144
Liability deferred taxes					
Fixed-yield investments	1,166	(7,973)	539	(5,400)	(11,668)
Variable yield investments	34,426	(24,614)	-	(1,074)	8,738
Loans	470,386	124,783	588	(209,894)	385,863
Foreclosed assets	30,797	(11,952)	41	-	18,886
Derivatives	(4,015)	20,306	-	-	16,291
Social benefit estimates	1,780	(1,791)	(32)	-	(43)
Deferred income	4,152	3,299	28	-	7,479
Property and equipment. investment properties	52,515	5,355	(16)	-	57,854
Goodwill	464,760	30,871	-	27	495,658
Residual rights	58,219	15,090	-	-	73,309
Other	32,040	981	(29)	166	33,158
Provisions	(59,365)	(47,802)	(160)	(72,419)	(179,746)
Total Liabilities	1,086,861	106,553	959	(288,594)	905,779
Deferred tax. net	1,074,352	115,118	(2,128)	(310,707)	876,635

	December 31. 2016	Effect on results	Effect on conversion	Effect on OCI	December 31. 2017
Deferred tax assets					
Fixed yield investments	505	208	-	(1)	712
Variable yield investments	264	-	-	-	264
Turnover tax	10,399	(89)	883	-	11,193
Deferred assets	400	490	-	(2,548)	(1,658)
Provisiones	62,723	5,068	-	(3)	67,788
Propety and equipment and investment property	74	28	87	-	189
Loans	(795)	13,043	-	92	12,340
Foreclosed assets	67	(1)	-	-	66
Other	14,106	(96,426)	970	(133)	(81,483)
Derivatives	3,066	32	-	-	3,098
Total assets	90,809	(77,647)	1,940	(2,593)	12,509

Deferred tax liabilities					
Variable yeld investments	40,188	(5,762)	-	-	34,426
Fixed-yield investments	1,202	334	(398)	28	1,166
Loans	477,991	(7,552)	-	(53)	470,386
Foreclosed assets	30,247	394	-	156	30,797
Derivatives	-	(4,015)	-	-	(4,015)
Estimated benefits	1,951	(152)	-	(19)	1,780
Deferred income	-	4,169	-	(17)	4,152
Property. equipment and investment property	79,170	(25,450)	-	(1,205)	52,515
Goodwill	449,763	14,997	-	-	464,760
Residual rights	55,857	2,362	-	-	58,219
Other	26,614	(7,969)	13,378	17	32,040
Provisions	103	(55,851)	(3,487)	(130)	(59,365)
Total Liabilities	1,163,086	(84,495)	9,493	(1,223)	1,086,861
Deferred tax. net	1,072,277	(6,848)	7,553	1,370	1,074,352

Effect of current and deferred taxes on components of OCI in the equity section.

	December 31. 2017	Movement of OCI component	Current tax	Deferred tax	December 31. 2018
Impairment of loans for the purposes on the consolidated financial statements	1,192,366	(596,509)	-	-	595,857
Conversion adjustment	250,459	25,726	8	2,128	278,321
Exchange difference on hedge on net investment outside Colombia(2)	117,629	52,755	-	1	170,385
Financial instruments at fair value	103,549	(13,566)	-	1,510	91,493
Financial instruments by equity method	-	271	-	-	271
Adjustments for first application of IFRS	23,334	(81,552)	-	226,136	167,918
Other equity movements. net	(2,801)	(77,798)	-	83,060	2,461
Equity method surplus	(10,280)	436	-	-	(9,844)
	1,674,256	(690,237)	8	312,835	1,296,862

	December 31. 2016	Movement of OCI component	Current tax	Deferred tax	December 31. 2017
Impairment of loans for the purposes of the consolidated financial statements	1,188,509	3,857	-	-	1,192,366
Conversion adjustment	572,891	(321,062)	-	(1,370)	250,459
Exchange difference on hedge on net investment outside Colombia(2)	(191,205)	308,834	-	-	117,629
Financial instruments at fair value	106,297	(3,146)	-	398	103,549
Adjustments for first application of IFRS	77,517	(54,270)	-	87	23,334
Other equity movements	(28,586)	33,823	-	(8,038)	(2,801)
Equity method surplus	(10,542)	262	-	-	(10,280)
	1,714,881	(31,702)	-	(8,923)	1,674,256

(1) Regulations require that adjustments for exchange differences in foreign currencies only have a tax effect when an investment is disposed of or liquidated. There is therefore a difference on which no deferred tax is recognized under the exception to IAS12. because the Bank has control of the investment and does not expect the exchange difference to revert in the near future.

(2) Under Law 1819/2016. re-.expression of other assets and liabilities in foreign currency only takes effect in sale or liquidation. The resulting timing differences are therefore recorded in deferred tax.

Uncertainties in relation to open tax positions

An analysis was made of tax positions in the Statement of Financial Position at December 31. 2018 for filings open to review. No events or situations were identified that would cause uncertainties associated with a difference between those positions and the tax authorities.

Deferred taxes in subsidiaries. associates and joint operations

In the application of paragraph 39 of IAS 12. the Bank recognizes deferred taxes on investments in associates on distributable and taxable accumulated profits for 2017 and 2018 in respect of the timing difference between book entries and the related fiscal cost. of 1.794.228 in 2018 and $1.414.915 in 2017. No deferred tax is recognized to the extent that the moment of reversion of these differences can be controlled and is not expected to occur in the foreseeable future.

Wealth Tax

Law 1739 of December 23. 2014 (Art. 1) created a special Wealth Tax to be paid as of January 1. 2015 and again on January 1. 2016. and 2017. The Bank charges the tax to equity reserves with no effect on the Income Statement. as permitted by Article 10 of Law 1739/2014.

13.24 Technical Reserves

The following is the detail of technical reserves

	December 31. 2018	December 31. 2017
Reserve for a risks pending settlement	21,489	20,441
Reserve for losses incurred but no reported	6,247	5,319
Technical and mathematical reserve	177,846	154,691
To defer premium income	63,839	52,714
Provision	46,775	40,420
For catastrophic Loss	-	-
Oher	67,232	61,557
	205,582	180,451

December 31. 2018

	Mathematical reserve	Current risk reserve	Reported risk reserve	Unreported risks reserve	Total
Opening balance	77,798	76,894	20,441	5,318	180,451
Re-expression	4,629	3,440	2,358	533	10,960
Obligations to insured	-	-	(2,732)	344	(2,388)
Losses. benefits and settlement expenses	1,651	4,422	-	-	6,073
Release of indemnity reserve	(14)	9,026	1,422	52	10,486
Establishment of reserve	101	38,361	20,244	1,313	60,019
Release of reserve	(115)	(29,335)	(18,822)	(1,261)	(49,533)
Closing balance	84,064	93,782	21,489	6,247	205,582

December 31. 2017

	Mathematical reserve	Current risk reserve	Reported risk reserve	Unreported risks reserve	Total
Opening balance	76,952	69,340	17,650	5,520	169,462
Re-expression	(687)	(615)	1,151	342	191
Obligations to insured	-	-	-	(211)	(211)
Losses. benefits and settlement expenses	1,524	2,205	2,377	-	6,106
Release of indemnity reserve	9	5,964	(737)	(333)	4,903
Establishment of reserve	128	58,216	13,511	865	72,720
Release of reserve	(119)	(52,252)	(14,248)	(1,198)	(67,817)
Closing balance	77,798	76,894	20,441	5,318	180,451

The following is the reserve movement.

	December 31. 2018	December 31. 2017
Opening balance	180,451	169,462
Plus:		
Reserve - Established	73,926	56,825
Re-expression	7,299	(1,027)
Less:		
Recoveries - released	(56,094)	(44,809)
Closing balance	205,582	180,451

13.25 Other accruals and liabilities

The following is the detail of other liabilities and accruals:

Item	December 31. 2018	December 31. 2017
Other provisions (1)	167,401	153,320
Litigation. indemnities and claims	19,801	25,329
In joint operations	1,438	542
Subtotal	188,640	179,191
Income received in advance	149,714	122,182
Deferred-payment letters of credit	94,281	35,451
Part-payments pending alocation	125,280	98,389
Deferred credits	4,370	4,199
Maintenance and repairs	2,448	2,701
Overages	68,871	42,665
Sundry	29,975	23,916
Total other non-financial liabilities and accruals	663,579	508,694

1) The most important provisions are for Banco de la Republica due to differences in mortgage loan rates covered by the Bank for the 8 extra years. totaling $34.309 and provisions for employment liabilities for $19.237. and a total of $53.547.

The following is the other liabilieties movement.

	December 31. 2018	December 31. 2017
Opening balance	153,320	120,515
Plus		
Provision	528,845	465,452
Re-expression	3,771	(1,469)
Less:		
Derecognitions	(206,909)	(44,208)
Recoveries	(311,626)	(386,970)
Closing balance	167,401	153,320

The following is the detail of funds outflows to cover other provisions:

December 31. 2018	1 year	1-3 years	3-5 years	5-10 years	Total
Provision for FRECH premium	5,113	9,321	10,645	9,231	34,310
Taxes	67,338	-	-	-	67,338
Accruals	9,610	-	3,472	-	13,082
Overhead	1,285	-	-	-	1,285
Loan provisions	5,358	-	-	-	5,358
Accounts payable to suppliers	6,077	1,231	-	-	7,308
Human resources	27,742	-	-	-	27,742
Cards	5,508	13	-	-	5,521
Creditors and services	1,907	-	-	-	1,907
Points program	3,462	88	-	-	3,550
	133,400	10,653	14,117	9,231	167,401

December 31. 2018	1 year	1-3 years	3-5 years	5-10 years	Total
Provision for FRECH premium	11,163	8,669	11,325	15,419	46,576
Taxes	22,094	18,232	-	-	40,326
Accruals	30,803	-	-	-	30,803
Overhead	12,262	55	-	-	12,317
Loan provisions	7,221	-	-	-	7,221
Accounts payable to suppliers	2,466	-	-	4,002	6,468
Human resources	2,753	60	19	708	3,540
Cards	2,036	-	-	-	2,036
Creditors and services	1,721	158	-	-	1,879
Points program	1,603	-	-	-	1,603
Programa Puntos	551	-	-	-	551
	94,673	27,174	11,344	20,129	153,320

2) Litigation. indemnities. claims.

The following is the movement of the provision corresponding to litigation. compensation and claims:

	December 31. 2018	December 31. 2017
Opening balance	25,329	26,718
Plus		
Provisión	6,145	13,988
Re-expression	3,485	411
Less:		
Derecognition	(4,146)	(3,283)
Recoveries	(11,012)	(12,505)
Closing balance	19,801	25,329

The following is a summary of litigation:

	December 31. 2018			December 31. 2017		
	No. Cases	Amount of provision	Amount of claim	No. Cases	Amount of provision	Amount of claim
Covered by FOGAFIN guarantee (2)	22	10,262	6,252	37	10,905	10,832
Tax cases	-	-	-	1	200	200
Labor cases	22	3,797	3,556	29	5,799	5,721
Civil cases	163	5,742	5,483	160	7,713	6,885
Consorcio Fidufosyga 2005	-	-	-	11	712	11,576
	207	19,801	15,291	238	25,329	35,214

Estimated outflows due to conclusion of cases are as follows:

December 31. 2018	1 year	1 -3 years	3 - 5 years	over 10 years	Total
Covered by FOGAFIN guarantee (2)	-	10,262	-	-	10,262
Labor cases	1,954	1,827	17	-	3,798
Civil cases	1,809	3,399	288	245	5,741
	3,763	15,488	305	245	19,801

December 31. 2017

	1 year	1 -3 years	3 - 5 years	over 10 years	Total
Covered by FOGAFIN guarantee (2)	-	10,906	-	-	10,906
Tax cases	200	-	-	-	200
Labor cases	1,916	3,876	7	-	5,799
Civil cases	2,341	4,262	344	765	7,712
Consorcio Fidufosyga 2005	712	-	-	-	712
	5,169	19,044	351	765	25,329

(2) Granbanco. Fiduciaria Cafetera and Bancafé Panama cases and Bancafe International Corporation (now Davivienda Internacional) current at January 31. 2007 but served after February 16. 20007 and up to February 16. 2010. still current and expressly guaranteed by FOGAFIN.

Civil. administrative and special cases covered by the FOGAFIN contract carry provisions for 15% since the guarantee covers contingencies as rated and only for civil. special and employment cases.

Criminal

The bank has been cited as a third party with civil liability party. in terms of Colombian law. and therefore possibly liable for damages caused by the conduct of the person convicted. According to the legal analysis. the allocation the assignation of responsibility may or may not be made.

Ordinary. civil. special. administrative disputes and employment

These types of case generate a liabilities contingent liability for the Bank regardless of the proceedings in question. in general terms due to its possible civil liability in contract or in civil liability. and likewise on the occasion of fines or sanctions imposed by the competent authorities. Each of these cases has classification and a provision. if necessary.

The following are cases which generate the greatest economic impact:

Bank

Popular actions and group actions are judicial proceedings created for the protection of rights belonging to a plural number of people. While popular actions are designed for prevention. cessation and restoration of collective rights. group actions seek reparation for damages generated due to offences against homogeneous individual rights. The risk in these cases has been considered the remote. however. the nature of the rights in dispute and the plurality of the plaintiffs make these cases important for the Bank.

Cases for the extinct UPAC system

Alberto Botero-Castro started a popular action against Davivienda because he considers that the Bank over-invoiced the State for relief under Law 546/1999 in favor of UPAC debtors. He therefore asks that the excess amounts be repaid to the National Treasury. In the process. there was a first instance decision in favor of the Bank. confirmed in the second instance. Therefore. the proceedings did not generate the because there are no further remedies available.

The National UPAC-UVR Users Association Committee. together with other individuals. brought a popular action against Banco Davivienda S. A. And other financial entities to have their claims for re-liquidation. with regard to the irregular relief afforded to mortgage setters under Law 546/1999. They also requested an order for the entities sued to return the TES so far not returned to the public purse. despite the legal reasons for doing so having been satisfied. The process is before the administrative tribunal of Cundinamarca. and is pending its final decision for the preliminary exceptions made by the Bank. The amount was not determined in the claims. and the contingency is classed as remote. Davivienda was disengaged from the section in a decision of December 4. 2018. and an appeal on this decision is pending judgement.

Mrs. Clara Cecilia Murcia and others brought a group action in Administrative Court 5. Bogota. against courts that did not follow terms of Law 546/1999 on the termination of mortgage enforcement cases. Among the petitions. there was one for an order for these courts to terminate these matters. The Bank was involved because at one time it had presented enforcement claims. The case is in the evidential stage. the contingency is classed as remote.

Cases related to other Bank activities

In the Bogotá Chamber of Commerce there is an arbitration case. which the company Lotes y Proyectos S.A.S. and other individuals and corporate entities brought against Davivienda. They claim that the actions of Davivienda in negotiations. and in the making of a commitment contract for a plot of land caused them damages worth $ 6.000. The arbitration proceedings had a decision favorable to them. The contingency has been classed as remote. The claimants resorted to the special recourse for Review of the arbitration decision. and this is pending admission..

In the Superintendency of Corporations. Mr. Carlos Consuegra claims against the company Vandux de Colombia S. A. and a number of financial entities including Davivienda. for the revocation of payment of a Bancoldex loan owed by Vandux. and made during a time of suspicion of fraudulent proceedings in the reorganization of that company. The case is pending the instruction hearing. and judgement. The contingency is calculated as $ 3.500. and the risk is classed as possible.

Fiduciaria Davivienda S.A.

Plaintiff: Carlos A. Gomez
Defendant. Fiduciaria Davivienda. Banco Davivienda.
Amount of the claim: The plaintiff argues "Unity of enterprise". and recalculation of his dismissal without cause. for $165

Current status: Pending cassation decision

Opinion of counsel: there is a decision against the defendants. but the amount was less than that initially requested by the plaintiff. at $50 indexed by the results of the first-instance proceedings.

Amount provided: $224

Approximate date of decision: December 30. 2019

Cases of subsidiaries in Central America

As a result of negotiations by the Bank with HSBC Holdings plc to acquire HSBC Costa Rica. Grupo del Istmo (Costa Rica) S. A.. HSBC El Salvador. Inversiones Financieras HSBC S.A.. HSBC Honduras. Banco HSBC Honduras S.A. and Honduras Seguros Holdco.. purchases made between November 23 and December 7. 2012. this report needs to record cases which may generate a contingent liability for the Bank. as follows:

According to the contract signed with HSBC. it was decided that certain cases were classed as "excluded litigation". which. if lost. would be paid for by HSBC. as follows:

Honduras

Type of case: indemnity of the damages. classed as: remote
Plaintiff: Green Development Corporation S. A. (GDC)
Defendant: Banco HSBC Honduras S. A. And Banco Lafise. S. A.
Amount of claim: US$ 159. 810.071.39
Current status: the decision in the first and second instances was unfavorable to Banco Davivienda and another local bank. On August 4. 2014 each bank presented a plea for cassation before the Supreme Court of Justice. and that was admitted on August 25. 2015. In January 2016. the Supreme Court of Justice was changed. and entirely replaced. and the Civil dDvision took responsibility for the study of the case. pending decision. According to Davivienda´s Counsel. there are serious reasons to believe that the decisions of the first and second instance have vices which should lead the Supreme Court to declare nullity and issue a new decision. In the event that the banks are convicted. counsel considers that given the Bank´s guarantees. the impact will not be material.

Case brought by Gaylord Wilfried Quiñones Zelaya against the Bank. for an amount in excess of US$810.000. The called issued an unfavorable decision on February 25. 2016. The appeal. lodged on June 10. 2016. was also decided against the Bank. On July 22. 2016 The Bank applied for cassation. On August 4. 2016. the judge declared the case "dismissed". and "provisional enforcement of the judgement". requested by the plaintiff. together with costs. Current status. A decision on cassation is awaited. Classification: remote.

Case against management. Criminal complaint for "continued fraud" by Avanti Inversiones Hoteles S.A. de C.V. (Jesus Faud Hasbun Touche). against Alvaro Morales-Patino (legal representative of Banco Davivienda Honduras. S.A.). For an amount in excess of US$ 137 million. The complaint was extended to include Jorge Alvarado (former CEO of Banco BGA. now Banco Davivienda). On April 25. 2017 a hearing was held to examine the proceedings. On July on June 9. 3017 there was a continuation hearing. and proposal of exceptions. On June 14. 2017 in a decision was issued ordering that Alvaro Morales and Jorge Alvarado to be superseded. Current situation: cases in the second instance. with both parties appealing. The decision is awaited. Classification: remote

El Salvador

Type of process: Summary civil claim. and liquidation of damages
Plaintiff: Soc Ing José Antonio Salaverria y Co.
Defendant: Banco HSBC Salvadoreño. S. A.
Amount: US$ 22.727.764. 32.

Current status☹Ref 34-SM-09. Civil Court 5. now Civil Court 1). on November 29. 2016 a document was lodged with final pleadings. asking for a decision that the claims were "inept". and that the Bank be acquitted.

Type of case: summary civil judgement for claims and liquidation of damages
Plaintiff: Soc Ing José Antonio Salaverria y Co.
Defendant: Banco HSBC Salvadoreño. S. A.
Amount: US$ 22.727.764. 32.

Current status: (reference 35-SM-09. Civil Court 1 On April 5. 2016 the court admitted a request for revocation issued by the Bank. and suspended its order to take testimony ordered for 9:30 AM on April 6. 2016. the court testimony from plaintiff.

Consumers defender. A claim for protection by the President of the Office of the Consumers Defender. against a decision which left a resolution fining the Bank without effect. the fine being for a surcharge for a loan prepayment. The bank is not the defendant. as at a third party beneficiary. On January 6. 2017 the Constitutional Court issued a decision in the action for protection declaring that there is room for protection of due to impairment of the right of ownership attached to consumers. The Disciplinary Tribunal of the Office of the Consumers Defender ordered repayment of the amounts charged for prepayment. and fined the Bank US$453.099.60. On July 25. 2017 the fine was paid. Current status. Within the period for compliance given by the Disciplinary Tribunal for the Consumers Defender. by June 20. 2018 the Bank had returned funds for 76.41% of beneficiaries. for amounts representing 95.31% of the total.

Enforcement proceedings initiated by Creaciones Popeye against the Bank. for an amount in excess of US$ 41 million. On February 24. 2017 there was evidence hearing in which the court acquitted the Bank. dismissing all claims of the plaintiff. On July 10. 2017. an appeal hearing was held in which the plaintiff was told that there was no room for the appeal presented. and he was ordered to pay the costs of process. The Civil Division admitted a cassation application. The application argued that the decision had impaired fundamental rights. The Bank contested. discrediting the alleged impairment. and defending the legality of yet its actions in the first instance and on appeal. Current situation: no change

Case brought by Ijasal y Cia SA de CV against the bank for damages (breach of contract). for an amount exceeding US$ 22 million. On November 1. 2017 it judgement was issued in which (a) the demand was declared to be inept; (b) it was declared that there was "no room" for the exception of ineptitude of the claim due to an erroneous configuration of the necessary litisconsortium. and (c) there was no order play costs of process against the plaintiff. On November 16. 2017. the Bank presented an "Explanation". and the plaintiff presented an appeal. We await a decision. On February 7. 2018 the Bank presented a document to state that it was a party to the appeal made by the plaintiff. Current situation: both parties have presented claims. the appeals decision is taken is pending.

Case for the declaration and recognition of damages brought by José Emilio Marcos Kalil Ghattas Dahbura against the Bank. for US$ 2.7 million. The Bank contested the claim once November 17. 2017 and the case awaits the preliminary hearing. The argument was that no damage has been caused. and there is a clear lack of legitimation foreign action. On March 13. 2018 a decision was served in which the judge referred the files to the claimant for the latter to make a pronouncement on the lack of substance claimed the Bank. Current situation: the judge has called for a hearing to show there was lack of substance. on July 11. 2018.

<u>Costa Rica</u>

Claim for income tax expenses rejected in relation to non-taxable income-2011

A case for some US$3.582.833.72. pending decision. The administrative claim and incident for monitoring presented on December 8. 2016 are pending. Current situation. A request for revocation was lodged. with appeal in subsidiary. against the decision so far issued.

Case for proportionality of taxes corresponding to 1999-2005. On July 9. 2014 a payment was made under protest of approximately US$9.529.823. The case is still pending decision in the administrative and judicial courts. 1). Administrative: pending solution of an appeal against the rejection of an incident formality presented against the liquidation for tax debts. 2). Judicial: on June 19. 2017 hearing was for new facts. presented by the Bank. in particular informing a payment made under protest in 2014. The summons to a to oral debate is awaited. which point the substance of the matter will be discussed. The sentence has been suspended until the Constitution Division of the Supreme Court of Justice has resolved points relating to a process for harmful action. Current status: no change

Request for annulment of the deeds establishing an escrow for property given guarantee. awarded by the Bank (under a loan made to SilvercatIinvestments Inc). The amount of the claim is in excess of US$ 21 million. Preliminary exceptions were presented and claims were contested. A decision on the preliminary exceptions was decided for the arbitration in favor of the bank. The claim was declared to be without foundation. Current status: the plaintiff appealed

Labor case brought by a former employee. alleging discriminatory dismissal. He says that he was dismissed due to his age. and requests really in statement. and payment of past salaries due. Claims have no certain estimated value. Current status: oral hearing to be held on July 9. 2018.

Two employment cases. from former employees of a company contracted by outsourcing. Claims are for an amount that cannot be estimated. The claims were contested. Pending a summons to hearing for evidence. Current situation: no change.

13.26 Equity

Comprises all the items and amounts that represent the contributions or rights of shareholders for the subscribed capital. appropriate reserves of earnings of previous exercises by mandate of the assembly with the objective of complying legal. statutory dispositions or specific goals the surplus and dividends that have decreed in shares as their placement premiums.

Share capital

Up to December 31. 2018 and December 31. 2017. the bank's authorized capital raises to $77.350 and to $72.800 represented by 455.000.000 shares. with a nominal value of $170 (Pesos) per share).

The share and paid capital from December 2018 and 2017 raises to: $76.784 y $ 71.074

The capital authorized. shared and paid. is represented in the following shares and other data of equity to the closing year:

	December 31. 2018	December 31. 2017
Ordinary shares subscribed and paid	343,676,929	343,676,929
Preferential shares subscribed and paid	107,993,484	107,993,484
Total share circulation	451,670,413	451,670,413
Nominal value to the date	170	170
Equity value	10,344,116	9,544,715
Intrinsic value (in pesos)	22,901.91	21,132.03

The banks shares are nominative. and can be: a) ordinary b) preference c) non-voting with preferential dividend; the latter may not represent more than (50%) of the shared capital.

The shares with preferential dividends will give their owners the right to receive a minimum preferential dividend corresponding to cero point five percent (0.5%) six-monthly over the price of subscription for the first emission of the program. this amounts to (COP 80.65) that will be paid by decision of the assembly in a preferential manner corresponding to ordinary shares. Minimum preferential dividends are non-cumulative and not guaranteed.

The payment of minimum preferential dividends will be done within the time and way determined by the general assembly of shareholders. in Colombian Pesos. to date Davivienda´s accounting period is annual.

If distributable earnings are enough to pay both ordinary and preferential shareholders a dividend equal or superior to the minimum preferential dividend. earnings shall be distributed. in proportion. between ordinary and preferential shareholders in accordance to decisions made by the Annual General Meeting (AGM).

Share placement premium:

Values for share placing have been accounted by the largest amounts obtained over share nominal values and by capitalization of occasional reserves obtained in the distribution of previous earnings with increment of nominal value. determined by the AGM.

The following is the detail of share premium:

	December 31. 2018	December 31. 2017
Share placement premium:		
By ordinary share premium	2,902,187	2,902,187
By preferential share premium	1,774,617	1,774,617
	4,676,804	4,676,804

Reserves

nominal value of the share and by the capitalization of occasional reserves obtained in the distribution of profits from previous years with an increase in nominal value. determined by the decisions of the General meeting of shareholders.

The following were the equity items:

	December 31. 2018	December 31. 2017
Reserva legal:		
By appropriation of earnings	3,701,108	2,657,922
Reservas estatutarias y ocasionales:		
At the disposal of the board of directors	75,456	54,354
At the disposal of AGM	66,104	375,758
Future capitalization	28,385	-
Tax regulations	137	137
	170,082	430,249

First time adoption of IFRS

Below is the movement of first time adoption of IFRS:

	December 31. 2018	December 31. 2017
Opening balance	23,335	77,518
Valuation gains on use of fixed assets	(18,932)	(73,461)
Valuation gain on investments	(6,414)	-
Deferred tax IFRS 9	167,520	-
Other	2,409	19,278
Closing balance	167,918	23,335

Earnings per share

Earnings per share up to December 31 2018 and 2017 were %$3.096 and $2.841 based on earnings per cut on each period divided by the weighted average of outstanding shares.

In the AGM held March 14. 2018. the following decisions were approved:

Distribution of profit

The AGM approved result distribution for the closing year 2017 for $1.108.467 as follows:

a) Increase mandatory reserve by $62.106 (million) of taxed and un-taxed earnings for the year.

b) Payment of dividends in cash for $361.336 (million). at $800 (pesos) per share payable 50% by value of $400 per share on April 4 and 50% at $400 on September 19. 2018.

c) Increase reserves at the disposal of shareholders by $241.728 (million).

d) Increase mandatory reserve by AGM decision on March 22. 2017. by $443.387 (million).

Other decisions:

a) Release $192.800 of voluntary reserve by AGM commitment of March 22. 2017ing up the non-taxable reserve at the assembly's disposition for payment of dividends in shares worth to increase mandatory reserve.

b) To increase mandatory reserve $35.706 of previous years´ profits. 2017

c) Release $276.068. being the total of the voluntary reserve at the disposal of the AGM. to increase mandatory reserve.

d) To make an irrevocable commitment to increase mandatory reserve after 2018 with 40% of current profits up to 10% of the Bank´s computable capital.

Capital management

Banco Davivienda defines its capital as the level of own funds that could have to be used to face a loss scenario created by the materialization of financial risks. The Bank has instituted as policy to maintain sufficient solvency levels that allow it to achieve its different activities with enough capital according to the assumed risks. watching over the sustainability of the entity in long term.

To best serve the purpose stated above. the Bank abides by Colombian regulations which define the standards for calculating the required capital of financial entities. According to Articles 2.1.1.1.2 and 2.1.1.1.3 of Decree 2555/2010. amended by Decree 1771/2012 and Decree 1648/2014. the minimum level of total solvency is 9% and the reason of basic solvency must exceed 4.5%.

Computable capital corresponds to the addition of Tier 1 basic capital and Tier 2 capital (net of items in Decree 2555/ 2010. Percentages given by SFC regulations are applied to risk-weighted assets - market risk is also included in compliance with that methodology.

Thus. the Bank attends adequately to asset requirements both individual and consolidated under the guidelines of the Colombian superintendence presented below up to December 31. 2017 and December 31. 2018.

$ Millions

Technical equity calculations	December 31. 2018	December 31. 2017	variation Dec 18-Dec 17
Technical equity	11,794,760	**11,144,428**	**650,332**
Tier 1	7,886,852	6,814,180	1,072,672
Deductions from Tier 1	(929,913)	(924,070)	(5,843)
Tier 2	3,907,908	4,330,248	(422,340)
Market VaR	370,068	344,505	25,563
Risk - Weighted assets	94,724,021	86,513,194	8,210,827
Total ratio ≥ 9%	**11.93%**	**12.34%**	**-0.41%**
Basic ratio ≥ 4.5%	**7.98%**	**7.54%**	**0.44%**

Capital levels are monitored permanently with the aim of identifying possible changes in the current solvency relations and take corrective action opportunely. Likewise for strategic planning effects. in the budgetary and business projection processes. the bank relies on tools that allow it to measure future capital levels. and to establish required action that guarantees compliance of solvency levels necessary to develop set strategies.

Finally. in August 2018 Decree 1477 amended Decree 2555/2010 in matters related to minimum capital requirements of credit establishments.

The most important changes was the inclusion of an additional 1.5% to the ratio and a “cushion” of a further 1%. raising the total minimum requirements from 9% to 11.5%. .. A new adequacy indicator was added – “Leverage ratio” – with a basic minimum of 3%.

The new Decree also established risk-weighted assets (RWA) based on asset credit ratings. collateral and types of exposure allowing a reduction of density of RWA ; it also updated the definition of Tier 1 and Tier 2 capital.

SFC will be publishing regulations for the Decree in May 2019 with the new definitions. and credit establishments will be required to report ratios as of February 2020 applying them. New minimum capital levels will then have to be met within the next 4 years.

13.27 Non-controlling interest

These interests arise from net assets (equity) and from the result of subsidiaries. attributable to shareholders other than those in the group of consolidated entities group.

December 31. 2018

	Equity	% Minority interest	Minority interest
Fiduciaria Davivienda S.A.	220,284	5.30%	11,671
Corredores Davivienda S.A	78,766	4.30%	3,391
Cobranzas Sigma S.A	1,197	6.00%	72
Inversiones Financieras Davivienda S.A.	553,392	3.88%	21,461
Banco Davivienda Salvadoreño S.A.	969,894	1.76%	17,064
Seguros Bolívar Honduras S.A.	117,732	9.94%	11,705
Corporación Davivienda S.A.	470,686	0.03%	130
Aseguradora Mixta S. A.	39,751	49.00%	19,478
			98,158

December 31. 2017

	Equity	% Minority interest	Minority interest
Fiduciaria Davivienda S.A.	205,550	5.30%	10,892
Corredores Davivienda S.A	73,729	4.30%	3,174
Inversiones Financieras Davivienda S.A.	552,151	3.88%	21,412
Banco Davivienda Salvadoreño S.A.	872,952	1.76%	15,358
Banco Davivienda Honduras S.A.	400,758	3.19%	12,784
Seguros Bolívar Honduras S.A.	104,278	9.94%	10,367
Corporación Davivienda S.A.	493,579	0.03%	157
Aseguradora Mixta S. A.	37,634	49.00%	18,441
			92,585

14. Specific items of the consolidated Statement of Income

14.1 Investments and valuation. net

The following is the detail of investment revenues:

	December 31. 2018	December 31. 2017
Debt instruments		
Profit	419,408	457,238
Losses	77,025	154,137
Valuation of investments at a reasonable value	342,383	303,101
Profit	115,055	141,980
Profit	2,482	771
Valuation of investments at amortized cost	112,573	141,209
	454,956	444,310
Equity instruments		
Profit	97,914	160,683
Losses	38,144	44,130
Equity instruments valuation. net	59,770	116,553
Profit	46,823	49,600
Losses	14,092	17,620
Investment sales. net	32,731	31,980
	547,457	592,843

14.2 Commissions and services. net

The following is a detail of commissions and services:

	December 31. 2018	December 31. 2017
Insurance income	330,048	279,912
Insurance overhead	229,973	190,263
	100,075	89,649
Revenue commissions and services	1,506,387	1,401,744
Expenses for commissions and services	336,632	287,136
	1,169,755	1,114,608
	1,269,830	1,204,257

The main items in these commissions originate from these operations: Transactional

14.3 Staff expenses

The following is the detail of personnel expenses:

	December 31. 2018	December 31. 2017
Salaries and benefits	1,052,306	1,008,606
Incentives	135,351	150,490
Employee benefits	251,846	199,466
	1,439,503	1,358,562

14.4 Overhead

The following is the detail of overhead

	December 31. 2018	December 31. 2017
Maintenance and remodeling	196,164	181,596
Cleaning and security services	57,113	57,783
Advertising and public relations	136,901	131,188
Insurance	70,836	67,628
Contributions and other	87,163	94,889
Rent	210,666	184,767
Electronic data processing	76,812	64,981
Fees	262,681	248,077
Transport	113,941	111,220
Taxes	238,120	208,346
Deposit insurance	144,748	130,466
Other	259,397	240,462
	1,854,542	1,721,403

14.5 14.5 Other revenue and expenses. net

The following are other revenue and expenses net

	December 31. 2018	December 31. 2017
Other operating revenue		
Operating risk recoveries	12,902	21,641
Property sales	35,053	49,549
Impairment losses recovered	37,728	36,960
Other revenue	78,369	77,351
	164,052	185,501
Other operating expenses		
Operating risk losses	26,933	38,384
Property sales	13,075	10,850
Impairment losses reversion	136,142	86,911
Other expenses	16,324	10,167
	192,474	146,312
	(28,422)	39,189

15. Related parties

The Bank may perform operations. agreements or contracts with related parties it being understood that any such operations will be carried out at fair value. and attending to the following criteria:

- Market conditions and fees existing in the sector where the operation takes place
- The activity of involved parties.
- Growth perspective of each respective business.

The following are considered related parties:

1. Group companies:

Controller: Grupo Bolívar

Subsidiaries: Fiduciaria Davivienda. Corredores Davivienda. Cobranzas Sigma. Banco Davivienda Panamá. Banco Davivienda Panamá Licencia Internacional. Rojo Holding. Torre Davivienda sucursal. Torre Davivienda piso 12;Torre Davivienda piso 13. Torre Davivienda piso 14.Torre Davivienda piso 15.Torre Davivienda piso 16. Torre Davivienda piso 17.Torre Davivienda piso 18. Corredores Panamá. Banco Davivienda Honduras. Seguros Honduras. Grupo del Istmo Costa Rica. Davivienda Seguros Costa Rica. Banco Davivienda Costa Rica. Corporación Davivienda Costa Rica. Davivienda Sociedad Agencia de Seguros. Davivienda Leasing Costa Rica. Banco Davivienda El Salvador. Davivienda Puesto de Bolsa. Inversiones Financieras Davivienda El Salvador. Davivienda Servicios El Salvador. Seguros Comerciales Bolívar El Salvador. Valores Davivienda El Salvador.

Companies in Grupo Empresarial Bolívar: Capitalizadora Bolívar. Compañía de Seguros Bolívar. Seguros Comerciales Bolívar. Investigaciones y Cobranzas el Libertador. Multinversiones Bolívar. Asistencia Bolívar. Riesgo e Inversiones Bolívar. Construcción y Desarrollo Bolívar. Inversora Bolívar. Ediciones Gamma. Promociones y Cobranzas Beta. Constructora Bolívar Bogotá. Constructora Bolívar Cali. CB inmobiliaria. CB Hoteles y Resorts. Prevención Técnica. Riesgo e Inversiones Bolívar Internacional. Delta Internacional Holding. Agencia de Seguros el Libertador. Sentido Empresarial. Sentido Empresarial Internacional. Richnestt. Negocios e Inversiones Bolívar. Sociedades Bolívar. Inversora Anagrama. Inversiones Financieras Bolívar.

2. Associated companies: Redeban. Titularizadora. Sersaprosa. Serfinsa. ACH El Salvador. Zip Amarateca. Bancajero Banet.

3. Key management personnel: Directors and Strategic Committee (President and Executive Vice-Presidents).

4. Other: shareholders between 5% and 10%: Inversiones Cusezar e Inversiones Meggido; ACH. Finagro and Credibanco. companies where the Bank has more than10% interest.

The Bank has office network agreements with Leasing Bolívar. Fiduciaria Davivienda y Corredores Davivienda; rental contracts of immovable properties with Promociones y Cobranzas Beta. Ediciones Gamma and Seguros Comerciales Bolívar; commercial agreements with Asistencia Bolívar; collection management contracts with Cobranzas Beta y Cobranzas Sigma; management and gatewasy support agreements with Davivienda Empresarial Multilatina between Banco Davivienda el Salvador with Banco Davivienda Colombia. Banco Davivienda Costa Rica and Banco Davivienda Panamá.

There are also agreements for placement and collection of insurance policies with Compañías Seguros Bolívar. and Seguros Comerciales Bolívar.

Every single operation was carried out at market prices; capture rates are between 0.1% and 6.72% and placement rates are found between 0.01% and 29.08% including home loans to key personnel with rates UVR and UVR+2%; agreed as employee benefits.

Up to closing date December 2018 no loans exist with interest rate. terms. warranties and other conditions different to those agreed with third parties to loans granted related parties.

Up to the closing date December 2018 there are no portfolio operations with shareholders whose participation is less than 10% of the bank's social capital. or more than 5% of computable capital.

The Bank is required to make and maintain obligatory investments in securities issued by the agricultural sector financing fund such as TDA. for $889.129; for Class A issued at 4% quarterly in arrears; and for class B 2% nominal quarterly in arrears; these are not market rates.

The Bank also engaged in discount operations with Finagro. which are detailed below:

Rediscount operations	December 31. 2018	December 31. 2017
Small warranty rediscount	130,579	153,585
Rediscount interest payable	1,261	1,690
Rediscount interest expenses	8,429	9,629

These operations correspond to the agricultural sector portfolio at preferential rates.

The following is the detail of transactions with related parties:

December 31. 2018

	Group companies			Associated companies	Key personnel (1)	Other	Total
	Controller	subsidiaries	Other				
Asset (2)	**-**	**232,345**	**159,271**	**41,879**	**4,998**	**707**	**439,200**
Cash	-	168,017	-	-	-	-	168,017
Financial investments	-	60,559	-	-	-	-	60,559
Loans and financial leasing operations	-	-	137,145	2,485	4,983	-	144,613
Accounts receivable	-	3,769	8,286	39,197	15	707	51,974
Other assets	-	-	13,840	197	-	-	14,037
Liabilities (3)	**284,869**	**29,138**	**238,747**	**57,054**	**1,372**	**319,533**	**930,713**
Financial debt	284,869	28,764	221,926	28,612	1,330	299,083	864,584
Accounts payable	-	374	16,782	28,442	42	20,450	66,090
Other	-	-	39	-	-	-	39

Profit	**6**	**97,933**	**165,490**	**101,315**	**350**	**105,466**	**470,560**
Commissions	**3**	33	148,211	99,791	5	91,014	339,057
Interest	-	3,015	12,361	108	342	-	15,826
Dividends	-	51,438	-	-	-	14,371	65,809
Other	3	43,447	4,918	1,416	3	81	49,868
Expenses	**8,968**	**5,549**	**55,167**	**74,499**	**255**	**85,598**	**230,036**
Commissions	-	1,365	158	70,292	-	72,197	144,012
Other	8,968	4,184	55,009	4,207	255	13,401	86,024

(1) According to IAS 24 key management personnel means individuals with the authority and responsibility to plan. direct and control entity activities directly or indirectly: members of the strategic committee and Bank Directors.

Includes all transactions with key management personnel. except for the employee benefits detailed ahead.

(2) Assets: the most significant operations with parts related in the assets include home loans with labor benefits. placement rate to UVR o UVR+2.0% approved by Directors with term to 15 years. secured and consumer loans at a maximum market rate of 29.08%

Working capital loans. construction and corporate loans and credit cards for group companies are made at rates between 0.01% and 28.62%.

(3) Liabilities: the most significant transactions in liabilities were: with group companies´ current accounts with rates of 0% and 4.05%. savings accounts with interest rate between 0% and 4.05% and TDs at 2.1% - 6.72%. With Other Shareholders savings accounts with interest rates of 4.05% for shareholders with an equity interest of less than 10% but 5% or more of the Bank's capital; and checking accounts with rates of 0% and savings accounts with interest rate of 3.7% of shareholders with an interest of over 10% in the Bank's capital.

December de 2017 -December de 2018

	Group companies						
	Controller	subsidiaries	Other	Group companies	Key personnel (1)	Other	Total
Revenues	**(5)**	**43,715**	**15,919**	**4,768**	**(139)**	**20,387**	**84,645**
Commissions	(4)	14	12,911	9,170	(1)	10,809	32,899
Interest	-	3,015	2,545	30	(58)	-	5,532
Dividends	-	38,639	-	(4,335)	-	9,670	43,974
Other	(1)	2,047	463	(97)	(80)	(92)	2,240
Expenses	**3,626**	**(4,382)**	**(308)**	**9,548**	**(36)**	**1,453**	**9,901**
Commissions	-	(51)	158	9,607	-	4,720	14,434
Otros	3,626	(4,331)	(466)	(59)	(36)	(3,267)	(4,533)

December 31. 2017

	Group companies Controller	Group companies subsidiaries	Other	Group companies	Key personnel (1)	Other	Total
Asset (2)	**-**	**277,083**	**178,105**	**5,593**	**5,522**	**23,609**	**489,912**
Cash	-	272,994	-	-	-	-	272,994
Investments	-	-	-	-	-	-	-
Loans and financial leasing	-	-	140,762	64	5,502	-	146,328
Accounts receivable	-	4,090	25,709	5,332	19	23,609	58,760
Other assets	-	-	11,633	197	-	-	11,830
Liabilities (3)	**198,198**	**56,792**	**172,521**	**45,202**	**2,499**	**291,297**	**766,509**
Financial debt	198,198	55,136	155,540	15,923	2,457	264,380	691,633
Derivatives	-	1,185	-	-	-	-	1,185
Accounts payable	-	471	16,968	29,279	42	26,917	73,677
Other	-	-	13	-	-	-	13
Profit	**11**	**54,218**	**149,571**	**96,547**	**489**	**85,079**	**385,916**
Commissions	7	19	135,300	90,621	6	80,205	306,158
Interest	-	-	9,816	78	400	-	10,295
Dividends	-	12,799	-	4,335	-	4,701	21,836
Other	4	41,400	4,455	1,513	83	173	47,627
Expenses	**5,342**	**9,931**	**55,475**	**64,951**	**291**	**84,145**	**220,136**
Commissions	-	1,416	-	60,685	-	67,477	129,578
Other	5,342	8,515	55,475	4,266	291	16,668	90,558

(1) According to IAS 24 key management personnel means individuals with the authority and responsibility to plan. direct and control entity activities directly or indirectly: members of the Strategic Committee and the Bank's Directors.

Includes all transactions with key management personnel. except for the employee benefits detailed ahead.

(2) Assets: the most significant asset operations with related parties include home loans at special employment benefit rates. placement rate to UVR o UVR+2.0% approved by Directors at a term of 15 years with admissible collateral; and consumer loans at market rate maximum 32.92%.

Work capital loans. construction credit and corporative credits and credit cards for group companies with rates between 0.01% and 32.92%.

(3) Liabilities: the most significant transactions in liabilities were: with group society's current accounts with rates of 0%. - 8.3%; savings accounts with interest rate between 0% and 8.5% and TDs at 0.5% and 7.3%. with Other Shareholders. savings accounts with interest rates of 6% for those with an interest of less than 10% and 5% or more of the Bank's capital; and checking accounts with rates of 0% and savings accounts with interest rate of 7.5% of shareholders with an interest participation of 10% or more of the bank's capital.

Transactions with key management personel are as follows:

	December 31. 2018		December 31. 2017	
	Maximum	Closing Balance	Maximum	Closing Balance
Mortgage and other secured loans	682	2,523	744	3,050
Credit cards	60	298	60	251
Other loans	1,644	2,162	240	706
	2,386	4,983	1,044	4,007

Key management personnel compensations:

Remuneration of key management personnel is comprised of:

	December 31. 2018	December 31. 2017
Item		
Short term benefits	5,555	5,118
Salaries	1,128	1,579
	6,683	6,697

On 2018 payments made to members of management that have authority and responsibility to plan. direct and control Bank activities rise to $6.600 million pesos.

There were no decisions of importance taken or not taken by Banco Davivienda by influence or on behalf of Grupo Bolívar S.A.. nor decisions of importance taken or not taken by Grupo Bolívar S.A. on behalf of Davivienda.

16. Subsequent events

There are no post-closing events to report

17. Approval of the consolidated financial statements

The consolidated financial statements and related Notes were approved by the Board and Legal Representative. on February 12. 2019 to be presented for the approval of the Annual General Meeting which may approve or amend them.