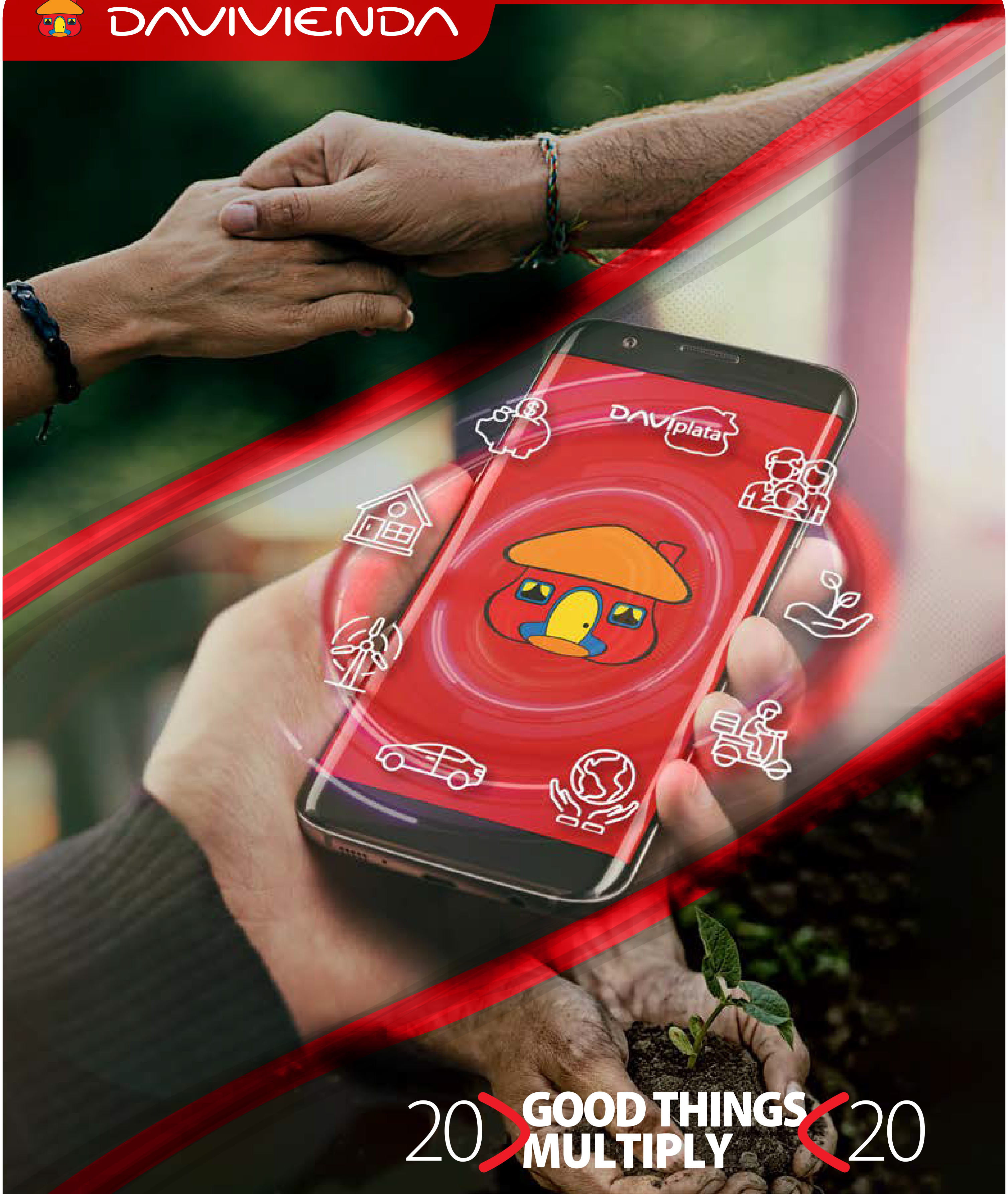
DAVIVIENDA



BANCO DAVIVIENDA S.A. CONSOLIDATED FINANCIAL STATEMENTS

Banco Davivienda S.A.

Banco Davivienda S.A. and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON DECEMBER 31st, 2020

DAVIVIENDA

Content

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

To the Shareholders
Banco Davivienda S.A.:

Opinion

I have audited the consolidated financial statements of Banco Davivienda S.A. and its Subsidiaries (the Group), which comprise the consolidated statement of financial position at December 31, 2020 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 significant accounting policies and other explanatory notes.

In my opinion, the above mentioned consolidated financial statements, attached to this report, present fairly, in all material aspects, the consolidated financial position of the Group at December 31, 2020, 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 the previous year.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) accepted in Colombia. My responsibilities under those standards are further described in the "Statutory Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code), included in the Information Assurance Standards accepted in Colombia together with the ethical requirements established in Colombia that are relevant to my audit of the consolidated financial statements and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code mentioned.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated financial statements of the current period. These matters were addressed in the context of my audit of the consolidated financial statements as a whole and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

KPMG S.A.S.
Nit. 860.000.846-4

KPMG

Assessment of the Loan Portfolio Impairment under IFRS 9 (see notes 5.7.1.3 and 13.5.2 to the consolidated financial statements)	
The key audit matter	**How our audit approached this matter**
The Group periodically reviews the credit risk exposure of its loan portfolio. Such determination is one of the most significant and complex estimates in the preparation of the accompanying consolidated financial statements, due to the high degree of judgment involved in the development of the models to determine impairment based on an expected loss approach required in the IFRS 9. The value of the loan portfolio and its respective impairment as of December 31, 2020 is $106.674.756 million and $6.394.699 million, respectively. I considered the evaluation of the loan portfolio impairment as a key audit matter, because it involves a significant measurement complexity that required judgment, knowledge and experience in the industry, especially with regard to (1) the evaluation of the methodologies used, including the methodology to estimate the loss due to non-compliance; (2) the probability of loss given default and its key factors and assumptions; (3) the qualification of loans and qualitative factors that are incorporated into the variables of the internal models, which include impacts due to the COVID-19 pandemic, established by the Group; and (4) the estimated impairment calculations due to credit risk of the entire loan portfolio.	My audit procedures to assess the sufficiency of credit risk impairment included, among others, the following: • Involvement of professionals with experience and knowledge in credit risk assessment and information technology, to evaluate certain internal controls related to the Group's process for determining the loan portfolio impairment. This included controls related to (1) validation of the models that determine the probability of loss, severity and exposure at the time of default; (2) the Group's monitoring on the determination of portfolio impairment; (3) information technology controls on the input data for the models that determine credits impairment, as well as related calculations; (4) the evaluation to identify if there was a significant change in credit risk; and (5) the evaluation of macroeconomic variables and the weighted scenarios used in the models for determining the loan portfolio impairment; and (6) the verification of controls related to the evaluation of commercial credits analyzed individually and write-offs. • Professionals with knowledge in credit risk assessment and information technology assisted me to (1) evaluate the methodologies and key data used to determine the probability of loss, the severity and exposure in case of default, and the parameters produced by the models; (2) evaluate the macroeconomic variables and the weighted probability scenarios used in the internal models including the consideration of alternative

Assessment of the Loan Portfolio Impairment under IFRS 9 (see notes 5.7.1.3 and 13.5.2 to the consolidated financial statements)	
The key audit matter	**How our audit approached this matter**
	data for certain variables; (3) recalculation of the expected loss model and its related data; and (4) evaluate the qualitative adjustments applied to the model.

Other matters

The consolidated financial statements at and for the year ended December 31, 2019 are presented exclusively for comparison purposes, were audited by me and in my report dated February 21, 2020 I expressed an unqualified opinion thereon.

Other information

Management is responsible for the other information. The other information is comprised by the content of the annual report related to: "President's letter, results of our management, financial results and administrative aspects appendix," but does not include the consolidated financial statements nor my corresponding audit report.

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In relation to my audit of the consolidated financial statements, my responsibility is to read the other information and, in doing so, considering if there is a material incongruency between that information and the consolidated financial statements or my knowledge obtained in the audit, or if in any way, there appears to be a material misstatement.

If, based on the work I have performed, I conclude that there is a material misstatement in that other information, I am required to communicate this fact. I have nothing to communicate in this sense.

Responsibilities of Management and those in charge with the Group's governance for 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 that management considers necessary for the preparation of consolidated financial statements 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern and for using the going concern accounting basis unless management either intends to liquidate the Group or to cease operations, or has no other realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Statutory Auditor's responsibilities for the audit of the consolidated financial statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements, considered as a whole, are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement, when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the users' economic decisions made on the basis of these consolidated financial statements.
As part of an audit conducted in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the annulment or override of internal control.

- Obtain an understanding of internal control relevant for the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriate use of the going concern hypothesis by management and, based on the audit evidence obtained, whether or not a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my statutory auditor's report to the related disclosure in the consolidated financial statements or, if such disclosure is inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate to those charged with the Group's governance regarding, among other matters, the planned scope and timing for the audit, as well as significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a confirmation that I have complied with relevant ethical requirements regarding independence and that I have communicated to them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most importance in the audit of the consolidated financial statements of the current period and, therefore, are the key audit matters. I describe these matters in my statutory auditor's report unless the law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pedro Ángel Preciado Villarraga
Statutory Auditor of Banco Davivienda S.A.
Registration 30723 – T
Member of KPMG S.A.S.

February 24, 2021

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

RESPONSIBILITY FOR FINANCIAL REPORTING

The undersigned, in their capacity as Legal Representative and Accountant of Banco Davivienda S.A., pursuant to the provisions set forth in Sections 46 and 47 of Law 964 of 2005 and in accordance with the Accounting and Financial Reporting Standards accepted in Colombia, hereby:

Certify that the Consolidated Financial Statements for the period running from January 1 to December 31, 2020, have no defects, inaccuracies or errors that would prevent knowing the true financial position or operations of Banco Davivienda S.A. and its Subsidiaries, pursuant to the provisions of Article 46 of Law 964 of 2005.

Under the terms established by the Accounting and Financial Reporting Standards accepted in Colombia and based on the items listed in the Conceptual Framework, the information and assertions included in the Consolidated Financial Statements have been duly verified and obtained from accounting records, prepared in accordance with such standards.

Banco Davivienda S.A. and its Subsidiaries maintain adequate systems for disclosing and overseeing financial information. Accordingly, appropriate procedures were developed to ensure that such information is properly reported. These procedures are verified by Audit and the Financial Management.

Furthermore, we hereby report that there is no evidence of significant failures in the design and operation of internal controls that would have prevented the Bank and its Subsidiaries from adequately recording, processing, summarizing or reporting consolidated financial information. Management controls have been applied to prevent the risk of fraud in processes affecting the quality of the consolidated financial information, and to detect changes in its evaluation methodology.

The Consolidated Financial Statements include assets, liabilities and shareholders' equity as of the reporting date and reflect expected future rights and obligations, respectively.Transactions made throughout the period involving the entity and its subsidiaries were recorded and financial facts were accurately stated, classified, described and disclosed, observing the items listed in the Conceptual Framework and in accordance with Accounting and Financial Reporting Standards accepted in Colombia.

Assertions made in the Financial Statements were previously verified as required by regulations. These assertions are truthfully based on the books, in accordance with Article 37 of Law 222 of 1995. The Bank and its Subsidiaries maintain adequate control and disclosure procedures for financial information. The operation of these procedures was verified in accordance with the provisions of Article 46 of Law 964 of 2005.

Bogotá, February 12, 2021

Juan Carlos Hernández Núñez	**Carmen Anilsa Cifuentes Barrera**
Legal Representative	Certified Public Accountant 35089-T

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

As of December 31:	Note	2020	2019
Assets			
Cash	13.1	10,260,758	9,744,167
Interbank and overnight funds	13.2	1,695,345	723,602
Investments measured at fair value	13.3	11,722,977	9,540,832
Derivatives	13.4	1,410,469	511,214
Loans portfolio and financial leases operations, net	13.5	100,280,057	93,256,035
Accounts receivable, net	13.6	1,473,369	854,551
Taxes receivable		573,940	364,361
Assets held for sale, net	13.7	91,371	88,163
Investments measured at amortized cost, net	13.3	3,837,400	2,173,054
Investments in associates	13.8	100,390	93,420
Other companies	13.9	454,501	388,447
Property and equipment, net	13.10	1,677,091	1,733,538
Investment property, net	13.11	126,476	112,900
Goodwill	13.13	1,635,185	1,635,185
Intangible assets, net	13.14	208,979	190,416
Other assets, net	13.15	865,057	812,138
Total Assets		**136,413,365**	**122,222,023**
LIABILITIES			
Deposits	13.17	88,526,231	76,732,084
Saving accounts		39,959,495	30,243,837
Checking accounts		13,016,044	10,391,313
Time deposits		33,739,238	34,804,550
Other deposits		1,811,454	1,292,384
Interbank and overnight funds	13.18	1,936,230	1,759,721
Derivatives	13.4	1,640,252	617,820
Credits from banks or other obligations	13.19	14,418,748	13,564,888
Debt instruments issued	13.20	12,535,392	12,398,883
Accounts payable	13.21	1,589,854	1,316,109
Employee benefits	13.22	293,702	253,118
Current tax liabilities		62,653	172,610
Deferred tax liabilities, net		788,720	889,625
Technical reserves	13.23	277,511	217,595
Other non-financial liabilities and estimated liabilities	13.24	1,624,071	1,648,671
Total Liabilities		**123,693,364**	**109,571,124**
EQUITY			
Capital and reserves (1)		10,331,144	9,289,322
Adjustments in the first-time adoption		136,517	138,527
Other comprehensive income		1,727,550	1,625,800
Profits attributable to the owners of controlling company		394,848	1,470,627
Total equity of owners of controlling company		**12,590,059**	**12,524,276**
Non-controlling interests		**129,942**	**126,623**
Total equity		**12,720,001**	**12,650,899**
TOTAL LIABILITIES AND EQUITY		**136,413,365**	**122,222,023**

(1) Includes share placement premium.

See the notes attached to the consolidated financial statements

JUAN CARLOS HERNÁNDEZ NÚÑEZ
Legal Representative

CARMEN ANILSA CIFUENTES BARRERA
Chief Accountant
TP. No. 35089-T

PEDRO ÁNGEL PRECIADO VILLARRAGA
Statutory Auditor of Banco Davivienda S.A.
TP. No. 30723-T
Member of KPMG S.A.S.
(See my report of February 24, 2021)

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

Years ended December 31:	**Note**	**2020**	**2019**
Interest income		11,447,584	10,725,258
Interest on loans		10,519,171	9,794,578
Investments and valuation, net	14.1	840,800	812,126
Interbank and overnight funds, repos, simultaneous operations		87,613	118,554
Interest expenses		3,880,614	4,031,456
Deposits and time deposits		2,338,270	2,495,673
Checking accounts		24,897	31,158
Saving accounts		803,769	787,819
Time deposits		1,509,604	1,676,696
Credits from banks or other financial obligations		558,465	571,027
Debt instruments issued		831,247	792,204
Other interest		152,632	172,552
Gross Financial Margin		**7,566,970**	**6,693,802**
Impairment of financial assets, net		4,199,642	2,434,414
Impairment of financial assets		6,327,937	3,883,479
Reduction of financial assets		(2,128,295)	(1,449,065)
Net Financial Margin		**3,367,328**	**4,259,388**
Insurance transactions income, net	14.2	120,636	109,225
Commissions and service income, net	14.2	1,129,578	1,197,514
Result of investment in associates and joint operations, net		2,963	9,458
Operating expenditures	14.3	4,139,050	3,729,883
Staff expenditures		1,608,231	1,544,063
Overhead		2,218,433	1,903,269
Amortizations and depreciation		312,386	282,551
(Loss) or profit on exchanges, net		(439,184)	196,799
Derivatives, net		464,665	(129,986)
Dividends received		18,995	22,510
Other income and (expenses), net	14.4	(49,769)	(7,845)
Operating Margin		**476,162**	**1,927,180**
Income tax and supplementary	14.5	179,197	387,373
Deferred income tax and supplementary	14.5	(111,067)	55,952
Profit for the year		**408,032**	**1,483,855**
Profit attributable to the owners of the controlling company		394,848	1,470,627
Profit attributable to non-controlling interest		13,184	13,228
Profit per share in COP (1)	13.25	903	3,285

(1) Calculated as follows: profit for the year divided by the weighted average number of shares outstanding.

See the note attached to the consolidated financial statements

JUAN CARLOS HERNÁNDEZ NÚÑEZ
Legal Representative

CARMEN ANILSA CIFUENTES BARRERA
Chief Accountant
TP. No. 35089-T

PEDRO ÁNGEL PRECIADO VILLARRAGA
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(See my report of February 24, 2021)

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

Years ended December 31:	**2020**	**2019**
Profit attributable to the owners of the controlling interest	394,848	1,470,627
Profit attributable to non-controlling interest	13,184	13,228
Profit for the year	**408,032**	**1,483,855**
Components of other comprehensive income that will not be reclassified to the profit for the period, net of taxes (1)		
Financial instruments with changes in other comprehensive income	60,965	92,937
Long-term employee benefits	(1,320)	(9,875)
Impairment of loan portfolio for consolidated financial statement income (2)	31,860	356,313
Total of other comprehensive income that will not be reclassified to the profit for the period, net of deferred taxes	**91,505**	**439,375**
Components of other comprehensive income that will be reclassified to the profit for the period, net of deferred taxes		
Equity method from investments in associates - OCI	(3,481)	(1,340)
Exchange difference on translation	13,726	58,823
Total other comprehensive income that will be reclassified to the profit for the period, net of taxes	**10,245**	**57,483**
Total other comprehensive income, net of taxes	**101,750**	**496,858**
Total Comprehensive result	**509,782**	**1,980,713**
Comprehensive income attributable to the holders of the controlling interest	507,038	1,974,223
Comprehensive income attributable to the holders of the non-controlling interest	2,744	6,490

(1) Note 14.6 discloses taxes related to each item of other comprehensive income.
(2) Required by the Financial Superintendence of Colombia

See the note attached to the consolidated financial statements

JUAN CARLOS HERNÁNDEZ NÚÑEZ
Legal Representative

CARMEN ANILSA CIFUENTES BARRERA
Chief Accountant
TP. No. 35089-T

PEDRO ÁNGEL PRECIADO VILLARRAGA
Statutory Auditor of Banco Davivienda S.A.
TP. No. 30723-T
Member of KPMG S.A.S.
(See my report of February 24, 2021)

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

Years ended December 31, 2019 and 2020	Capital and reserves					Retained earnings					
	Capital	Share premium	Legal reserve	Other reserves	Adjustments in the first-time adoption	Other comprehensive income	Profit previous periods	Profit or loss	Total equity owners of the parent company	Non-controlling interests	Total equity
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
Profit transfer							1,390,100	(1,390,100)	-	(5,372)	(5,372)
Adjustments in the first time adoption of IFRS 16 January 1, 2019							2,448		2,448		2,448
Dividends distribution:											
Dividends declared in cash at a ratio of, $840 pesos per share over 451,670,413 subscribed and paid. Apr.3 and Sep.18 2019				(599)			(378,804)		(379,403)		(379,403)
Reserve transactions:											
Other reserves				110,471			(110,471)		-	13,487	13,487
Capitalization of legal reserve to meet commitment made by the AGM on March 2018			509,220				(509,220)		-	639	639
Release of other reserves, to increase legal reserve			258,162	(258,162)					-		-
Disposal of profits from previous years realized in 2017, to increase legal reserve			45,452				(45,452)		-		-
Other comprehensive income, net of income tax						496,858	(377,992)		118,866	6,490	125,356
Realizations first-time adoption of IFRS					(29,391)		29,391		-	(7)	(7)
Net profit								1,470,627	1,470,627	13,228	1,483,855
Balance as of December 31, 2019	**76,784**	**4,676,804**	**4,513,942**	**21,792**	**138,527**	**1,625,800**	**-**	**1,470,627**	**12,524,276**	**126,623**	**12,650,899**
Profit Transfer							1,470,627	(1,470,627)	-	(13,623)	(13,623)
Dividend Distribution:											
Dividends decreed in cash at a ratio of $926 per share over 451,670,413, shares subscribed and paid. Mar 26 and Sep 23, 2020.							(418,247)		(418,247)		(418,247)
Reserve transactions:											
Capitalization of legal reserve to meet commitment made by the AGM on March 2019			460,671				(460,671)		-		-
Other reserves				540,562			(540,562)		-	240	240
Release of other reserves, to increase legal reserve			338,125	(338,125)					-		-
Disposal of profits from previous years realized in 2019, to increase legal reserve			40,589				(40,589)		-	774	774
Other comprehensive income, net of income tax						101,750	(12,568)		89,182	2,744	91,926
Realizations first-time adoption of IFRS					(2,010)		2,010		-		-
Net profit								394,848	394,848	13,184	408,032
Balance as for December 31, 2020	**76,784**	**4,676,804**	**5,353,327**	**224,229**	**136,517**	**1,727,550**	**-**	**394,848**	**12,590,059**	**129,942**	**12,720,001**

See the note attached to the consolidated financial statements

JUAN CARLOS HERNÁNDEZ NÚÑEZ
Legal Representative

CARMEN ANILSA CIFUENTES BARRERA
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Banco Davivienda S.A. and Subsidiaries
Consolidated Statement of Cash Flows
(Millions of Colombian pesos (COP))

Years ended December 31:	**Note**	**2020**	**2019**
Cash flows from operating activities:			
Profit for the period		**408,032**	**1,483,855**
Reconciliation between profit for the period and net cash generated (used in) operating activities			
Impairment (recoveries) of investments, net	13.3.6	5,413	(2,080)
Impairment of loans and financial leasing operations, net	13.5.4	4,384,316	2,742,696
Impairment of accounts receivable, net	13.6	66,860	56,295
Impairment of assets held for sale, net	13.7	9,918	608
Impairment of property and equipment and investment property, net	13.10	603	599
Impairment of other assets, net	13.15	62,913	51,236
Provision for severance payments		53,717	55,396
Provision for other non-financial liabilities and estimated liabilities, net		466,278	385,806
Net interest income		(6,726,171)	(5,881,675)
Depreciation		255,792	241,959
Amortizations		56,594	40,592
Exchange difference, net		757,503	120,476
(Profit) on sale of investments, net		(76,910)	(42,112)
(Profit) on equity method associates, net		(3,608)	(10,069)
Net gain on investments		(763,889)	(770,015)
Valuation of derivatives and spot operations, net		(464,665)	129,986
Profit on sale of loans and leasing assets, net		-	(12,125)
Loss (profit) on sale of property and equipment, net	13.10.2	768	(793)
Profit on sale of assets held for sale	13.7	(677)	(3,392)
Loss on sale of investment property	13.11.3	(1,437)	(1,417)
Provision for income tax	14.5	68,130	443,325
		(1,440,520)	(970,849)
Changes in operating assets and liabilities:			
Money market lending and similar operations		(643)	32,633
Derivative financial instruments		587,841	(102,801)
Investments measured at fair value		(1,377,402)	299,883
Loans portfolio and financial leases operations		(10,114,805)	(12,936,447)
Accounts receivable		(879,548)	(23,369)
Other assets		(173,098)	(104,141)
Deposits		11,815,078	7,754,443
Ordinary interbank funds		176,510	(2,026,821)
Accounts payable		314,516	(175,360)
Employment benefits		36,169	23,930
Technical reserves		59,917	12,013
Accruals and provisions		74,281	181,194
Other liabilities		(537,550)	(505,178)
Cash (used) from operating activities		(1,459,254)	(8,540,870)
Proceeds of the sale of loans		26,320	948,454
Sale of assets held for sale		30,516	36,529
Income tax paid		(252,688)	(239,496)
Interest received		9,244,939	9,909,984
Interest paid		(3,959,683)	(3,293,360)
Payment of severance		(50,622)	(51,161)
Net cash provided by (used in) operating activities		**3,579,528**	**(1,229,920)**

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

	Note	2020	2019
Cash flows from investing activities:			
Dividends received		22,390	27,371
(Increase) in investments measured at amortized cost		(1,633,702)	(196,801)
(Increase) Decrease in investments in associates and other companies		(34,322)	66,477
(Decrease) Increase in repurchase of shares; non-controlling interest		(9,862)	15,237
Acquisition of property and equipment		(174,134)	(118,569)
Proceeds of sale of property and equipment		3,342	11,014
Proceeds of sale of investment property		4,687	5,630
Net cash (used in) investing activities		**(1,821,601)**	**(189,641)**
Cash flows from financing activities:			
Proceeds from new loans in financial debt	13.19	11,911,000	11,766,838
Debt repayment	13.19	(11,798,565)	(10,798,107)
Issues of debt instruments	13.20	1,714,371	2,468,971
Redemptions of debt instruments issued	13.20	(1,494,102)	(827,451)
Payment of lease liabilities		(121,773)	(187,854)
Payment of cash dividends		(417,192)	(379,421)
Net cash (used in) provided by financing activities		**(206.261)**	**2,042,976**
Net increase in cash and cash equivalents		1,551,666	623,415
Effect of exchange difference on cash and cash equivalents		(63,975)	(59,558)
Cash and cash equivalents at the beginning of the year		10,467,769	9,903,912
Cash and cash equivalents at the end of the year (*)		**11,955,460**	**10,467,769**

(*) Includes cash equivalents at under 90 days in money market and similar asset operations for $1,694,702 at December 2020 and $723,602 at December 2019.

See the note attached to the consolidated financial statements

JUAN CARLOS HERNÁNDEZ NÚÑEZ
Legal Representative

CARMEN ANILSA CIFUENTES BARRERA
Chief Accountant
TP. No. 35089-T

PEDRO ÁNGEL PRECIADO VILLARRAGA
Statutory Auditor of Banco Davivienda S.A.
TP. No. 30723-T
Member of KPMG S.A.S.
(See my report of February 24, 2021)

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 16th, 1972, at Notary 14 Its operating license was granted on June 10th, 1997 (Resolution 562 of the Financial Superintendence (“SFC”). The Articles expire on December 30th, 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 the Grupo Bolivar, located at Avenida El Dorado 68 B-31 Piso 10, and its business is to engage in all operations permitted to commercial banks by local regulations.

2. Significant events

At December 31st, 2020, the following significant events were recorded in the Bank's operations affecting the Consolidated Financial Statements.

<u>Dividends decreed</u>

On March 17, 2020, the Annual General Meeting of Banco Davivienda S.A. approved payment of a dividend of $926 (COP) per share, amounting to $418,247, thereby distributing 31.8% of profits. 50% of this dividend was paid on March 26, 2020 and the remaining 50% on September 23, 2020. Decisions made by the Annual General Meeting on profit distribution are further explained in Note 13.25.

<u>Exchange rate effect</u>

As of December 31, 2020, the Market Exchange Rate (TRM) was 1 USD = COP 3,432.50. The COP devaluation of 155.36 compared to TRM recorded on December 2019, which was 3,277.14. This variation caused a net expense on profits amounting to $439,184.

3. Other matters of interest - COVID-19

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak as a pandemic. On March 17, 2020, the National Government of Colombia, under Decree 417, declared a State of Economic, Social and Ecological Emergency in response to the pandemic, announcing certain measures to mitigate the adverse effects of the pandemic on the social and economic sector.

Likewise, on March 17 and 30, 2020, the Financial Superintendence of Colombia issued Circulars 007 and 014, respectively, granting deferrals and/or grace periods for customers who were 60 days or less in arrears as of the end of February, without affecting their credit rating and thus alleviating the financial burden of debtors economically affected by the Coronavirus (COVID-19). These measures were intended to mitigate the impact caused by the economic juncture and contributed to stabilize the financial flow of our clients, ensuring the provision of financial services across the country and easing certain requirements to allow entities to focus on the implementation of the business continuity and contingency plan. Similarly, for foreign subsidiaries, executive orders/circulars were issued allowing regulated banks to offer their customers financial relief on their payments by deferring them. The conditions for applying to such relief and the number of payments varied in each country, but deferrals where grants across a large portion of our portfolio. On June 30, the Financial Superintendence of Colombia issued External Circular 022 of 2020, whereby guidelines were established for credit institutions to implement the Debtor Assistance Program (Programa de Acompañamiento a Deudores - PAD) and other provisions regarding credit risk management. Accordingly, since August 1, 2020, the Bank started to contact its debtors whose income was affected by the crisis, along with communication and customer service strategies. On December 30, 2020, the Financial Superintendence issued External Circular 039 to extend PAD until June 2021, to continue supporting debtors that remain impacted.

(Millions of Colombian pesos (COP))

These measures and significant impacts on the Consolidated Financial Statements resulting from the health emergency are mainly reflected in the provisions for portfolio impairment and are disclosed in note 11.4.2, as well as in the updating of changes in the fair value measurement of the investment portfolio in note 9 and the corporate management of market and liquidity risks in note 11.4.4.

4. Basis of preparation

a) Statement of compliance with accounting and 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 2015, modified by Decrees 2496/2015, 2131/2016, 2170/2017, 2487/2018 and 2270/ 2019 and the instructions of the Colombian Superintendence of Finance ("SFC"), in accordance with the provisions of Decrees 1851/2013 and 2267 /2014 and the SFC Circulars Letters 034/2014. 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 2018; 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 (OCI) in the terms defined in Circular 36 of December 2014 and Circular 37 of October 2015.

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 for approval or rejection. 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 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 financial statements were prepared on a going concern basis. The current juncture caused by the COVID 19 crisis, lockdowns, and social distancing measures, as well as the increase in the exchange rate and the drop in oil prices will have an impact on local and global economic activity. Even in a recovery scenario, an atmosphere of uncertainty lingers as to the magnitude of these impacts on the macroeconomic environment and therefore on the environment in which the Bank will be operating. In response, the Bank implemented an action plan in line with the measures adopted by the National Government, to allow its uninterrupted operation, implementing measures to alleviate the financial burden of its clients, ensuring the health of its employees and monitoring its liquidity and profitability. The Bank will continue monitoring macroeconomic conditions and analyzing potential scenarios, which depend largely on the duration of lockdowns and social distancing measures, and the way in which economic recovery unfolds at the global and local levels. Despite these external impacts, the Bank's operation is conceived as an ongoing business, sustainable and designed for the long term. The latter is grounded in the current financial standing of the Bank, its current intentions, the results of its operations and access to financial resources in the financial market, where the impact of such factors on future operations was also considered. We did not identify any situation 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) 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 if it becomes clear that another presentation or other classification will be more appropriate, considering 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 consolidated 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 consolidated financial statements.

These consolidated financial statements were prepared in accordance with uniform accounting policies under NCIF.

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.

5. Main Accounting Policies

5.1. 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” contemplated by IAS 36. See note 9.

5.2. Functional currency. Currency of presentation

The consolidated financial statements have been prepared and presented in Colombian pesos to comply with 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 pesos - 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.

5.3. 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 5.8 related to hedge accounting policies).

For the purpose of presenting the consolidated financial statements, the Bank's foreign currency assets and liabilities are expressed in Colombian pesos, using the exchange rates prevailing at the end of the period. Income and expenditure items are converted to the period's current average exchange rates unless the average rate for each period is inadequate. in this case, exchange rates as of the date on which transactions are made and historical cost equity are used. Exchange rate differences that arise, if any, are recognized in the other integral results and are accumulated in the equity (attributed to non-controlling holdings where appropriate). The Bank performs a sensitivity analysis of exchange rates to in order to assess significant fluctuations, see note 11 Corporate Risk Management.

In the sale of a foreign operation (i.e., sale of all 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 31,2020 and 2019 are $3,432.50 and $3,277.14 per USD $1 respectively.

5.4. Basis 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 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. In addition, 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, considering 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 carrying 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, 2020 and 2019, include the following subsidiaries.

Subsidiaries in Colombia

Fiduciaria Davivienda S.A.

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

Fiduciaria Davivienda S.A. is positioned as one of the leading companies in the trust business. Fiduciaria Davivienda S.A. adds a broad portfolio of products in Investment Funds and Structured Trust, backed by the knowledge and experience of its officers.

Corredores Davivienda S.A. – Comisionista de Bolsa

This private securities broker was incorporated on December 5, 1980 per Public Instrument 6710 issued at Notary 1 Bogotá D.C. Its registered offices are in Bogota D.C., and the SFC authorized it to operate per Resolution No. 061 dated March 9, 1981; its Articles expire on December 31, 2030.

On February 24, 2011, the subsidiary Corredores Asociados Panamá S.A., a corporation, was formed under the laws of the Republic of Panama, registered with file No. 719028, document 1880528 of the Mercantile Section of the Public Registry, obtaining a Securities Brokerage Firm License under Resolution No. 235-11 of the National Securities Commission dated 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 16th, 2013 and was formalized on December 25, 2013.

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 31st,2018 the company became a stock corporation.

The Board of Directors of Leasing Bolivar, in Minute No. 435 of August 27, 2015 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 of 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 Management to convene an Extraordinary General Meeting of Shareholders to be held on September 23, 2015, vote on the approval of the merger commitment or agreement and the terms of exchange between Banco Davivienda S.A. and Leasing Bolívar S.A.

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 2, 2017, Sigma became a subsidiary of Banco Davivienda S.A.

Corporación Financiera Davivienda S.A.

Private organization incorporated under Public Instrument No. 16904 of September 9th, 2019 issued in the 29th Notary of the Circuit of Bogotá D.C., and authorized by the Financial Superintendence of Colombia per Resolution 1168 dated September 2nd, 2019, authorized per Resolution 1631 dated December 3rd, 2019 and registered in the Chamber of Commerce with a capital of $55,000. The Bank acquired a 90% stake, Banco Davivienda Internacional Panamá 9.99% and other companies of the Bolivar Group have a minority interest.

Subsidiaries outside Colombia

Inversiones Financieras 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;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 Salvadorean 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 30th, 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 31st, 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. (Public Instrument No.265 dated May 9th, 2007, effective as of July 23, 2007).

On December 7th, 2012, Banco Davivienda Colombia acquired the subsidiary Banco HSBC Honduras S.A. (Deed 198), and the company name was changed to "Banco DAVIVIENDA Honduras S.A. 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 on 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 HSBC Asia Holdings, in which it sold 99.98% of the Parent´s shares.

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 24th, 2012. HSBC Bank (Panama) S.A. entered into the agreement to buy 88.64% of the shares of Seguros HSBC Honduras S.A., with Banco Davivienda S.A., an operation concluded on December 7th, 2012, by an EGM Resolution of May 17th, 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 sections), 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 “Superintendence of Banks of Panama” (the “Panamanian Superintendence"), 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 Superintendence 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 Superintendence, 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.

(Millions of Colombian pesos (COP))

Banco Davivienda Panama adopted the International Financial Reporting Standards and presented its opening financial statement and its first comparative statement in December 2014.

On March 13, 2018, Superintendence of Banks of Panama (the "Panamanian Superintendence" authorize the constitution by resolution No. 3.488. Inversiones Rojo Holding S.A., subsidiary of Banco Davivienda.

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. The acquisitions were business combinations under common control. Banco Davivienda (Panamá) S.A., measured the assets acquired and liabilities assumed using the carrying value in the financial statements of each entity (carrying value accounting). There were not impact on the consolidated financial statements because the transaction was at Banco Davivienda (Panamá) S.A. level and the effects were eliminated during the consolidation process.

Licencia Internacional

On June 3, 2015 Banco Davivienda (Panama) S.A., 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 29th, 2014 and file 2014088027-015000 of October 20th, 2014 the Panamanian Superintendence 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 was culminating in 2016.
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 the consolidation without elimination and adjustments to NCIF- Accounting and Financial Reporting Standards accepted in Colombia.

	December 31, 2020			
	Assets	Liabilities	Equity	Profit (Loss)
Banco Davivienda S.A. (parent) excluded	106,532,321	95,176,454	11,355,867	223,809
Grupo del Istmo Costa Rica S.A. (*)	12,625,575	10,569,513	2,056,062	99,547
Inversiones Financiera Davivienda S.A. (*)	10,703,022	9,144,268	1,558,754	59,804
Banco Davivienda Honduras S.A.	4,705,792	4,202,357	503,435	24,809
Seguros Bolívar Honduras S.A.	338,042	237,881	100,161	14,539
Banco Davivienda Panamá S.A. (*)	4,388,775	3,757,339	631,436	13,623
Davivienda Internacional Panamá S.A.	555,731	335,784	219,947	7,325
Corredores Davivienda S.A. (*)	854,294	715,144	139,150	17,453
Cobranzas Sigma S.A.	1,091	340	751	601
Fiduciaria Davivienda S.A.	292,430	40,576	251,854	60,688
Corporación Financiera Davivienda S.A. (*)	81,210	4,516	76,694	(202)
Total	141,078,283	124,184,172	16,894,111	521,996

(Millions of Colombian pesos (COP))

	December 31, 2019			
	Assets	Liabilities	Equity	Profit (Loss)
Banco Davivienda S.A. (parent) excluded	94,882,120	83,416,461	11,465,659	1,316,203
Grupo del Istmo Costa Rica S.A. (*)	11,632,190	9,544,399	2,087,791	59,020
Inversiones Financiera Davivienda S.A. (*)	10,022,413	8,349,776	1,672,637	92,580
Banco Davivienda Honduras S.A.	4,155,295	3,696,976	458,319	45,514
Seguros Bolívar Honduras S.A.	287,330	173,379	113,951	21,527
Banco Davivienda Panamá S.A. (*)	4,824,599	4,248,431	576,168	32,408
Davivienda Internacional Panamá S.A.	576,770	373,028	203,742	9,546
Corredores Davivienda S.A. (*)	322,360	200,237	122,123	28,584
Cobranzas Sigma S.A.	2,111	556	1,555	1,178
Fiduciaria Davivienda S.A.	283,067	36,887	246,180	61,497
Corporación Financiera Davivienda S.A. (*)	55,514	150	55,364	364
Total	127,043,769	110,040,280	17,003,489	1,668,421

(*) 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. The financial information of all subsidiaries is presented on a consistent basis of accounting in accordance with NCIF.

5.5. Cash and Cash Equivalents

Cash and equivalents 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. As of December 31, 2020, and 2019 cash equivalents are financial instruments that have a maturity between 1 and 90 days, and are included as part of Interbank and overnight funds (see note 13.1).

5.6. Interbank and overnight funds

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

5.7. 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.

5.7.1. 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.

Evaluation of the business model

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 (Division, sub-division), 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.

Evaluation of characteristics of contractual cash flows, SPPI Test.

The Bank determines whether a financial asset satisfies the conditions as a Solely Payment of Principal and Interest security, 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 trade 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.

5.7.1.1. 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 the Bank’s business model changes.

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

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.

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

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.

<u>Impairment of financial instruments at amortized cost and fair value through OCI - Investments</u>

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. Note 13.3.3 disclose the credit risk by grade and the expected credit loss of these financial instruments.

5.7.1.2. 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 carrying 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.

5.7.1.3. Loan portfolio

The loan portfolio is comprised of assets with fixed or determinable payments that the Bank does not intend to sell in the short term and are not priced 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.

Decrees 1143 of 2009, 1190 of 2012, 0701 of 2013, 2480 of 2014, and 161 of 2014 issued by the Government established the "conditional coverage" mechanism to facilitate home ownership. The Bank implements the procedures of this mechanism in mortgage loan disbursements and housing leasing contracts to promote home ownership. The government covers interest rates on the loans granted since July 2012, up to a predefined overall quota. The Bank offered its customers an additional incentive from installment 85 up to a maximum of the following eight (8) years and will bear the value that the government had been paying if the customer remains in compliance his or her obligations under the same conditions. As of June 23, 2018, the benefit of rate coverage is only granted to customers who purchase housing in projects with sustainable certifications. In order to fulfil with this obligation, a provision was estimated based on a model that consider the real performance of the loans, which must be adjusted to the extent that the coverage is provided by the Bank.

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 loan that is restructured by entering a legal transaction with the purpose of modifying the initial conditions of the loan in order to allow the debtor to adequately meet its obligation. For these purposes, novation, loan modifications not related to the client's payment capacity are not considered restructured loans. Before restructuring a loan, it must be reasonably established that the loan will be recovered under the new conditions.

Portfolio Purchases

Purchase is initially recognized at acquisition cost equal to their fair value, considering any discount or premium adjustment on purchase.

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

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 deterioration 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 arrears on the part of the borrower, (c) restructuring of the loan, (d) indications that a borrower or issuer is under liquidation, (e) the disappearance of an active market for an instrument, (f) other observable data related to a bank of assets such as adverse changes in the status of payments of borrowers or issuers included in the bank, or economic conditions that correlate with defaults on Bank 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.

Portfolio impairment is increased by the increased risk of non-payment of loans and decreased by partial payments, payoffs, write-offs net of recoveries and/or portfolio sales. The specific conditions of the expected loss model are detailed in Note 11.4.2.4.

Write-off

A loan is write-off when there is no reasonable expectation of recovery in its entirety or a portion thereof and extensive recovery efforts have been made or legal action has been exhausted. Consumer loans not backed by mortgage and/or guarantee are derecognized when exhaustive efforts of recovery have been made. Commercial. consumer and mortgage loans and residential leases are derecognized when the maximum days past due is exceeded as set in each country (on average more than 120 past due days, depending the loan portfolio). This assessment is carried out at the individual asset level).

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

Recoveries of amounts previously written off are recognized when cash is received and are included in “Impairment of financial assets” in the statement of income.

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

5.7.1.4. 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 carrying 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.

5.7.1.5. Accounts receivable

Accounts receivable other than the loan portfolio and finance lease transactions are subsequently classified and measured at amortized cost and impairment losses are periodically evaluated in accordance with the simplified impairment model for this item.

Accounts receivable provisions

The Bank will measure loss adjustments at an amount equal to expected credit losses over life for accounts receivable other than the loan portfolio, using a simplified impairment model based on the behavior and permanence of the items, excluding from the calculation those accounts that according to their term, functionality, purpose and control do not require it.

5.7.1.6. 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 to the extent that they represent the face value of the contract to which a rate or price is applied to determine the cash flow to be exchanged under the changed terms of the contract. The notional amount does not represent a gain or loss associated with the risk factors affecting the value of the derivative.

Derivatives held for balance sheet risk management purposes are recognized at fair value in the Statement of Financial Position and changes in fair value are recognized in profit or loss or other comprehensive income together with changes in the fair value of the hedged item. that are attributable to the hedged risk, in the same line of the statement of comprehensive income as the hedged item.

Derivatives held for trading purposes

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.

Derivatives held for risk management

Derivatives that are maintained to manage risks and that also meet the requirements of hedge accounting and generate significant accounting asymmetries are accounted for with the requirements of hedge accounting. Derivatives that are maintained for coverage purposes but do not meet the preconditions are recognized as derivatives for managing risks and their changes in fair value are recognized in results.

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.

5.7.1.7. Offsetting of financial instruments in the Statement of Financial Position

Financial assets and liabilities are offset, and the net amount reported in the consolidated statement of financial position when there is a legal right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Information regarding the offsetting of financial assets and liabilities is disclosed in note 12.

5.8. 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 IFRS 9 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.

In addition, the risk component or components hedged are identified, provided that they can be separated and measured reliably, and it is specified whether full or partial hedging is performed at a percentage of the nominal amount of the hedged item or whether it is partial to the individual cash flows. The Bank also assesses, in accordance with the hedging strategy and according to the characteristics of the hedged item and the hedging instrument, whether periodic renewals are required to maintain the hedging relationship.

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.

When the hedge no longer meets the criteria for hedge accounting or if the hedging instrument is sold, expires, is cancelled or exercised, hedge accounting is discontinued prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to income as of 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 profit for the year, 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 Income 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 partial (rolling) coverage strategy in order to maintain exchange rate coverage of net foreign investment.

5.9. 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.

Sales Plan

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

- The available assets are delivered to the sales channels (real estate agencies, specialized natural persons and vehicle suppliers) with which the Bank works, to begin the marketing process.

- With regard to assets that are difficult to sell, which are catalogued as such when they have been in existence for more than twelve months in the case of real estate or more than three months in the case of vehicles without receiving any offer since the beginning of their listing, specific plans are made for the sale, with greater emphasis on those that have completed this time, analyzing each case and creating strategies to achieve their disposal.

- The price, as a general policy, is determined by a commercial appraisal (no older than six months for real estate and three months for private vehicles), the ease of sale of the property, physical conditions and conditions of the real estate or vehicle market in the specific division, among others.

- Businesses are monitored on a monthly basis, in order to verify the steps taken by the sales channels to comply with the times established in the marketing of the goods, generating commitments among the parties to seek effective sales solutions.

5.10. 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 of each contributing party receiving a percentage of participation of the profits.

5.11. 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 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, which is charged to income, calculated based on the following useful lives:

Category	Useful life (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.

5.12. 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 properties 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 value and fair value is recognized in income statement. 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.

5.13. Investments 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 decreased 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 the investment are recognized in the income statement and in 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 the 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 carrying 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 carrying value of the investment in an associate or joint operation (including capital gain) in accordance with 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) with its carrying value. Any recognized impairment loss forms part of the carrying 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 carrying 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 at 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 profit for the year the gain 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 income statement on the disposal of related assets or liabilities. As of December 31, 2019, and 2018, the Bank has the same ownership of its associate or a joint operation (see Note 13.8.)

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: Redeban, Titularizadora de Colombia and Servicios de Identidad Digital S.A.S.
- 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 participations the interest 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 Trusts. 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.

5.14. 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.

Combinations subject to common control

Combinations of companies under common control are accounted for using the carrying 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.

5.15. 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.

5.16. 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.

5.16.1. 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 carrying value, the carrying 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.

5.16.2. 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.

5.17. 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.

5.18. Leases

The accounting treatment of the leases in which the Bank takes part as lessee must be acknowledged under a unique accounting model, whereas under the figure of a lessor, contracts are classified as financial or operational leases.

<u>The Bank as lessor</u>

The leasing contracts under the figure of a lessor are classified as financial and operational:

Financial leases are acknowledged by the statement of financial position and are presented as a receivable by an import equal to the net leasing investment. That is, the total of the minimum payments to be received by the financial leasing and any other unguaranteed residual value, discounted to the interest rate implicit in the lease. The acknowledgement of the financial income is based on a guideline which reflects, in each period, a constant performance rate on the net financial investment which has been made on the financial lease.

Operational leases are presented in the statement of financial position according to the nature of said assets. Expenses incurred in the securing of leasing income, including the depreciation of the asset, are recognized as expenses. Leasing proceeds are acknowledged linearly in the leasing deadline. Depreciation and deterioration of the leased assets shall take place in such a way which is coherent with policies for similar assets.

The Bank as Lessee

A single accounting model is applied, which involves recognizing all leases of significant amount and a period of application of over 12 months in the Statement of Financial Position if an asset explicitly or implicitly identified exists in a contract; there is a substantial right to use the identified asset without any restrictions on the part of the supplier; And you have the right to direct how and what the purpose of the use of the asset is and you have the right to substantially obtain all the economic benefits derived from the use of the asset throughout the period. Only tangible asset leases or contract components which are tangible assets shall be acknowledged. Contracts implying the use of an intangible asset are accounted for according to the corresponding policy for that type of asset.

At the starting date of the lease an asset is recognized for right to use and a liability for lease. The liability for lease shall equal the current value of the outstanding leasing payments to date using the implicit lease interest rate, if such rate could be determined easily. If said rate cannot be easily determined, the lessee shall use the lessor's incremental loan rate in similar terms to those agreed upon in valid contracts to date.

The projection of lease payments includes (lease liability):

- Fixed payments, less any incentive receivable.
- Payments that vary according to an index or fee from the beginning of the lease.
- Future payments for residual value guarantees.
- Payments for purchase options, only if they are expected to exercise with reasonable certainty.
- Payments for termination penalties, only if they are expected to be exercised with reasonable certainty.

The asset per entitlement shall be measured at cost and shall comprise the following:

- Amount of the initial measurement of the lease liability.
- Payments made before or on the start date of the lease (advances), less any incentives received.
- Initial direct costs incurred
- Dismantling costs

By selecting the incremental rate, it must be considered that it is equivalent to the rate that would have to be paid by making the decision of being financed to acquire an asset of similar conditions during a similar term to that agreed upon in the lease and with a similar risk.

The term assessment takes place specifically for each contract and underlying asset types, including reasonably certain future renovations.

The estimated amount of decommissioning of leased property is updated annually, as defined in the refund clauses of contracts.

In the subsequent measurement, the carrying amount of the leasing liability shall be affected by the interest on the liability, the leasing payments and the leasing contract modifications or new liability measurements; the asset for right to use shall meanwhile be affected by the accumulated depreciation, accumulated deterioration and the leasing contract modifications or new liability measurements. The depreciation method used is straight line, using an equivalent period to the leasing term unless there is a purchase option.

Short-term leases or those which imply the use of a low-value asset shall be excluded from the defined accounting model and shall be directly recorded in a linear fashion in the period results.

5.19. 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.

Financial debt at fair value through profit or loss

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.

Other financial liabilities

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.

5.20. Employee benefits

Short-term benefits

Short-term employee benefits are those that the Bank expects to fully liquidate before the twelve months at the end of the reporting annual period, such as wages and salaries, annual leave, sick leave, terminations and interest on terminations, among others. When an employee has served the Bank during the accounting period, the amount (uncounted) of short-term benefits to be paid for such services shall be recognized as a liability (accrued or accrued expense) and as an expense,

The Bank's contractual or implied obligation is limited to the recognition of the amount agreed upon with the employee and shall be calculated on the basis of a reliable estimate of the amounts to be paid. expenditure is generated only on the basis of the occurrence of the compensation since the services provided by employees do not increase the amount of benefits.

Long term benefits

Long-term benefits are all employee benefits other than short-term benefits, post-employment benefits, and termination benefits. These benefits correspond to the extra-legal premium for seniority and preferential interest rate for housing credit.

Post-employment benefits

These are different from termination and short-term benefits, which are paid after the worker completes his or her period of employment.

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

5.21. 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 is 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.

5.22. Income tax

5.22.1. Strategy and tax policy

The Bank and its subsidiaries adequately and timely comply with both the essence and the literal content of the various tax regulations of the countries in which it operates. The permanent analysis of regulatory updates allows for the planning, implementation and effective adoption of decisions and control of tax-related risks.

5.22.1.1. Transparency

Based on its policies and principles, the Bank discloses required disclosures in an understandable, timely and transparent manner. In line with international recommendations, it adheres to a policy of avoiding doing business in non-cooperative, low or non-taxable jurisdictions and refraining from using secret jurisdictions or "tax havens". Similarly, it maintains its position against aggressive tax planning practices and the use of harmful tax structures.

5.22.1.2. Income tax

The tax expense is recognized in the income statement for the period, except for those items that must be recorded in equity or in other comprehensive income.

5.22.1.2.1. Current taxes

The current tax is the amount payable or recoverable for income tax, calculated based on the tax laws enacted at the date of the statement of financial position. Management periodically evaluates the position assumed in tax returns with respect to situations in which tax laws are subject to interpretation and, if necessary, estimates the amounts it expects to pay to the tax authorities.

5.22.1.2.2. Deferred taxes

Deferred tax liabilities are the amounts to be paid in the future in respect of taxable temporary differences, while deferred tax assets are the amounts to be recovered in respect of deductible temporary differences, tax loss carryforwards or deductions pending application. Temporary differences are those between the carrying amount of assets and liabilities and their tax base.

In assets classified as property, plant and equipment, the applicable rate for the calculation of deferred tax is calculated based on the use of the assets. For land, the applicable rate is the irregular income rate, provided the asset has been owned for more than two years.

For investments in associated companies, the deferred tax is calculated taking into account the forecast of expected dividends to be received and deemed to be taxable.

Deferred tax liabilities arising from taxable temporary differences are recognized in all cases, unless they relate to differences associated with investments in subsidiaries, associates and joint ventures over which the Company has the ability to control the timing of their reversal and it is not probable that their reversal will occur in the foreseeable future.

Deferred tax assets are recognized only when it is probable that the entities will have future taxable profits against which the temporary differences can be utilized.

Tax planning opportunities are only considered in assessing the recovery of deferred tax assets if they are intended or likely to be adopted.

5.22.1.2.3. Recognition, measurement and disclosure

Deferred tax is recognized when liabilities are settled or assets are realized, based on the differences that may arise.

Deferred tax is recognized when liabilities are settled or assets are realized, based on the differences that these may generate.

The carrying value of deferred tax assets is reviewed by the Bank at the balance sheet date and is reduced to the extent that it is no longer likely that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be used.

The disclosure in the Financial Statements includes determination of temporary differences, calculation of tax on these differences, depreciation of current tax, reconciliation of income tax and adjustment for difference in rates. Current and deferred tax determined for other comprehensive income. Determination and analysis of the effective rate.

5.22.1.2.4. Compensation and classification

Under deferred tax accounting rules, the Bank only offsets deferred income tax assets and liabilities if a legal right of set-off exists vis-à-vis the tax authorities and the assets and liabilities relate to the same tax authority and the same taxpayer.

5.22.1.3. Compliance

The Bank meets its formal and substantive obligations such as payment of taxes, tax returns, issuance of certifications, reports to local and international tax authorities in accordance with current regulations and established deadlines. It also keeps customer information and tax compliance support in the Bank.

It provides tax information to clients in a timely and permanent manner by constantly updating the documentation corresponding to applicable regulatory changes to ensure compliance with the requirements for deductions and tax benefits.

5.22.1.4. Transfer Pricing

Under the principle Under the arm's length principle and by law, operations between associated companies should not be biased by the special relationship between the two parties. When Banco Davivienda S.A. carries out one or more commercial or financial operations with an associated company that is not established in Colombia, it determines the amount of taxable profits in accordance with the arm's length principle.

Transactions conducted with third parties or related parties within the national territory shall be governed in accordance with the provisions of Article 90 of the tax statute, ensuring that they are traded at the average commercial value of goods and/or services of the same kind and on the date of disposal.

In compliance with the provisions of article 260-5 of the tax statute, the Bank prepares and submits the local report, the information return and the Master report. Additionally, it prepares, together with the parent company of the group, the country-by-country report and monitors its transmission.

5.22.1.5. Related parties

The Bank may execute transactions, agreements or contracts with related parties, with the understanding that any such transactions shall be carried out at reasonable and market values, taking into account, among others, the following criteria: - Existing market conditions and rates in the industry in which the transaction is carried out. - The activity of the companies involved. - The growth perspective of the respective business.

Related party transactions are divided into 4 categories:

- Securities market: Transactions between related companies involving investments, capitalizations, derivatives and other stock market transactions.
- Ordinary business: Operations related to the main purpose of the entity using banking products or its commercial network, representation through the parent company (Granting credits, purchase/sale of portfolio, use of savings/current accounts).
- Support: Acquisition of goods/services from third parties in the name of one of the related parties and/or provision of business services between related parties.
- Management and Control from the Parent Company: Transversal Management and Control Operations as parent company.

For operations in the securities market and ordinary business categories, the methodology established in the tax statute called comparable uncontrolled price shall be applied in principle. In cases in which no external or internal comparable may be identified, the application of any of the other methods allowed in the regulations in force shall be used, establishing relevance to the one that best suits the needs and nature of the operation being evaluated. For support operations, the transfer pricing regime will only apply to those between related parties, and the initial evaluation methodology will be that of added cost. Regarding the management and control operations from the parent company and in accordance with the stipulations of action 8 of BEPS (OECD guidelines) are not subject to charge.

5.23. 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 obligations. 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 13.24.

5.24. 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 IFRS 15.

5.25. 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 available to the General Meeting for future distributions of profits.
- Other reserves irrevocably committed to capitalization, pursuant to Decree 2555 of 2010, towards capital adequacy.
- 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 13.25.

5.26. 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.

Credit commissions, whether for the availability of credit lines, financial structuring, and syndicated loans, are recognized upon collection when performance obligations are fulfilled and are not part of the interest rate of the loans.

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.

5.27. 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 (CODM - the chief operating 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. Management has determined that the Bank has four reportable segments: a) Retail banking, b) Enterprises, c) Asset and Liability Management, and d) International, since it does manage or report internally its operations to evaluate performance or allocate resources based on a determination of the contributions to net financial margin of individual operations. The CODM does not analyze operating segments by geographical areas, because all foreign operations are included within the International segment. For further information see note 10.

6. Changes to accounting policies

Pursuant to the provisions of Decree 2270 of 2019, the following are the amendments and additions issued by the IASB in 2018, applicable as of January 1, 2020. Management assessed the impact of such amendments and additions and did not find any significant impact on financial reporting.

Conceptual Framework for Financial Reporting

It sets forth a new conceptual framework for entities applying Full IFRS (Group 1) for preparing general purpose financial statements.
The new conceptual framework is better aligned with current IFRS and includes concepts that were not part of the previous framework, such as disclosure objectives and principles, unit of account, derecognition, contracts pending execution, among others.

References to the Conceptual Framework in IFRS Standards
Certain references to the 2018 Conceptual Framework have been updated and citations and other modifications have been made to clarify which version of the Conceptual Framework is referenced.

IAS 19 - Employee Benefits
Amendments related to post-employment benefits, defined benefit plans requiring entities to use updated actuarial assumptions to determine the service cost for the current period and the net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when remeasuring the entity's net defined benefit liability (asset).

IFRS 3 - Business combinations
It modifies the definition of business provided in IFRS 3, a concept that is essential to determine whether the purchase or acquisition method should be applied in a business combination.

IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.
The definition of materiality is amended to provide guidance to assist entities in making judgments about materiality, rather than making substantive changes to the definition of materiality. Consequently, IASB issued Practice Statement No. 2 "Making Materiality or Materiality Judgments" in September 2017.

IFRIC 23 - Uncertainty about income tax treatments.
Clarify the recognition and measurement requirements of IAS 12 when there is uncertainty about tax treatments. These recognition and measurement requirements apply to the determination of taxable income or loss, tax bases, unused tax losses, unused tax credits and tax rates.

Rules issued by the National Government but not applied

On 28 May 2020, The IASB made a modification to IFRS 16 Landings which provided a practical solution that allows tenants not to assess whether rent reductions that occur as a direct consequence of the COVID-19 pandemic and meet the specified conditions are lease modifications and, instead, account for such rent reductions as if they were not lease modifications. In Colombia, Decree 1432 of 2020 incorporates this amendment.

The Bank, because it did not receive substantial changes to the payments in the leases resulting from the COVID 19 pandemic, decided not to adopt the implementation of the practical solution.

7. Use of estimates and judgments

For the preparation of these consolidated financial statements, the Bank's management provided criteria, judgments and estimates, based on the knowledge and enforceability of the regulatory technical framework for the preparation of financial statements, as well as the instructions issued by the Superintendence of Finance of Colombia. Different types of estimates and judgments were used when applying accounting policies. Management made these value judgments based on the analysis of assumptions that were based on historical data and factors deemed relevant in determining the carrying value of certain assets and liabilities that are not readily apparent and therefore required additional effort for their analysis and interpretation. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on a regular basis as regulatory, methodological and model changes may have a significant impact on the financial statements in the reporting years in which such changes occur. Changes to accounting estimates are recognized in the reporting year in which the change is made and in future years if the change impacts both current and subsequent years.

7.1. Judgments in applying accounting policies

Critical judgments, other than those involving estimates made by management in the process of applying the Bank's accounting policies that have a significant effect on the consolidated financial statements, are described below.

Impairment of loan portfolio

The Bank regularly reviews its loan portfolio to assess its impairment and determine the amount of such impairment. It further analyzes its reasonableness and records it in the income statement for the year.

The loan portfolio must be classified in 3 stages or states. Then, the impairment measurement is calculated accordingly: The Stage 1 portfolio is considered normal risk, while the Stage 2 portfolio entails a significant increase in the level of credit risk since origination and the Stage 3 portfolio is non-performing. The criteria used to define how the portfolio is categorized in 3 stages as well as the determination of the impairment corresponding to each portfolio segment in each of the stages are disclosed in Note 11.4.2 on credit risk.

Other judgments made by Management

Assessment of significant influence

The Bank determined that it has significant influence in the entities mentioned in Note 13.8. It uses the equity method to account for the investment. Furthermore, it verifies whether there are purchases, sales or ownership stakes increases whereby a stake over 20% and lower than 50% is affected.

Key sources of estimation uncertainty

Key assumptions regarding the future and other key sources of estimation uncertainty at the end of the reporting year that have a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities during the next year are described below:

Fair value measurements and valuation processes

Financial assets and liabilities traded in active markets are recorded in the balance sheet at fair value, valued at market prices.

In an active market, transactions for assets or liabilities are carried out with sufficient frequency and volume to provide price information on an ongoing basis.

In Colombia, the Financial Superintendence licensed official pricing data providers. The Bank uses price data published on a daily basis by PIPCO to value the investment and derivatives portfolio, in compliance with the provisions of External Circular 034 of 2014, whereby stipulations are set forth governing the use of information provided by pricing data providers in accordance with the instructions set forth in the Basic Legal Circular Part 3, Title IV, Chapter IV- Pricing Providers.

Derivative financial instruments are recorded in the consolidated statement of financial position at fair value at each reporting date. Additionally, the fair value of certain financial instruments, mainly loans and long-term debt, is disclosed, although it does not imply a risk of adjustment to carrying amounts. This is described in Note 13.4.

Fair values described above are estimated using valuation t techniques that include inputs that are observable and unobservable in a market. The main assumptions used in the valuation are described in the corresponding notes. Management deems selected valuation techniques and assumptions to be appropriate for determining fair values.

The fair value measurement of financial instruments usually involves a high degree of complexity and requires making judgments, especially when the models use unobservable inputs (level 3) built on assumptions that would be used in the market to determine the price of the asset or liability. The main assumptions used in the valuation are described in the corresponding notes. Management considers that the valuation techniques and assumptions used are appropriate for determining fair values.

<u>Goodwill impairment</u>

Determining whether goodwill is impaired involves calculating the value in use of the cash-generating units to which it has been allocated. Calculating the value in use requires the Bank to determine the future cash flows it expects the cash-generating units to earn and to estimate an appropriate discount rate to calculate the present value. This is described in Note 13.13.

Banco Davivienda S.A. conducts this valuation with an external, specialized, independent consultant approved by the Financial Superintendence of Colombia.

<u>Useful lives, residual values and depreciation methods of long-lived assets</u>

As described in Note 5.11, the Bank periodically reviews the useful lives, residual values and depreciation methods of long-lived assets, including property and equipment and intangibles. Appraisals are performed by technical experts. Intangible assets are also classified as either definite or indefinite. These estimates remained unchanged during the reported years.

<u>Fixed asset impairment</u>

Upon verifying any signs of fixed asset impairment, the Bank estimates the recoverable amount of fixed assets in order to determine whether they have suffered any impairment loss.

<u>Income taxes</u>

The Bank assesses the realization of deferred income tax assets over time, accounting for income taxes recoverable through future deductions from taxable income. These are recorded in the consolidated statement of financial position. Deferred tax assets are recoverable to the extent that the realization of the corresponding tax benefits is probable. For the current period, the Bank estimates that the deferred income tax assets will be recoverable based on its estimates of future taxable income. Deferred tax liabilities recorded as taxable differences in the calculation of deferred taxes will reflect the amounts payable for income taxes in future years. This is described in Note 14.5.

Provisions and contingent liabilities

A contingent liability must be classified based on a reliable estimate of the probability of occurrence of an event. Unless the prospect of any outflow of resources in settlement is remote, the Bank shall disclose, for each class of contingent liabilities, at the end of the reporting period, a brief description of the nature of the contingent liability. If there is a probable 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 practicable, an estimate of their financial effect. Estimates for contingencies are based on criteria adopted according to Colombian Norms on Financial Reporting (NCIF), as follows:

The classification of a contingent liability determines the way in which provisions are recorded. The Bank's provisions are determined based on the probability established by the Legal Division for each event, occurrence or legal case.

Probability of outcome	Provision / contingent liabilities
Probable	Recognize and disclose
Possible	Disclose
Remote	Neither recognized nor disclosed

Investment impairment

At the end of each period, the Bank reviews its investment portfolio classified at amortized cost or fair value through other comprehensive income to assess whether there is objective evidence of impairment due to one or more events that occurred after initial recognition (a “loss event”) and that the loss event (or events) has an impact on expected cash flows that can be reliably estimated.

Customer loyalty program

The Bank runs a loyalty program, in which customers earn reward points for purchases made using their credit cards, which entitles them to redeem such points for prizes in accordance with the policies and the reward plan in effect at the time of redemption. Reward points are recorded as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the award points and other components of the sale, thus loyalty points are initially recorded as deferred income at fair value. The effect on the income statement is realized to the extent that customers redeem their points.

Long-term employee benefits

Extra-legal seniority premium benefits are recognized using an actuarial method to estimate the amount to be recognized and to recognize changes in the carrying amount of long-term benefit liabilities in profit or loss for the period.

Post-employment benefits

Under established benefit plans, the Bank grants a healthcare policy benefit for retirees, which is determined based on the present value of estimated future payments to be made to employees, based on actuarial studies, using the projected unit credit method, in which the benefits are distributed over the years in which the obligation to pay arises as the employees render their services. Changes in liabilities for service cost and net interest (financial cost) are recorded in the income statement, while changes resulting from actuarial remeasurements are recorded in other comprehensive income.

Interest rate benefit

Based on the rate benefit applicable to mortgage loans per policies adopted by the Bank, a provision was calculated in accordance with the benefit granted.

Decommissioning costs

The Bank annually estimates the costs of dismantling, retiring and rehabilitating leased property arising from obligations incurred as a result of setting up elements for the use of the leased assets.

8. New standards and interpretations issued but not yet in force

The amendments issued by the IASB during 2019 and 2020 are listed below; some of them came into effect internationally on January 1, 2020 and 2021 and others will come into effect on January 1, 2022 and 2023. These standards have not yet been adopted in Colombia.

The Bank's management is currently evaluating the impact of these standards.

Amendment to IAS 1 Presentation of Financial Statements:

This amendment was issued on January 23, 2020 and subsequently amended in July 2020. It modifies the requirement to classify a liability as current by stating that a liability is classified as current when "it does not have the right to defer settlement of the liability for at least twelve months after the end of the reporting period". In added paragraph 72A, it is clarified that “an entity's right to defer settlement of a liability for at least twelve months after the reporting period must be material and, as illustrated in paragraphs 73-75, must exist at the end of the reporting period”.

Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets:

In May 2020, an amendment to IAS 37 was published regarding Onerous Contracts - Costs of fulfilling a contract, for the purpose of assessing whether a contract is onerous. IAS 37 clarifies that the cost of fulfilling a contract comprises costs directly related to the contract (direct labor and material costs, and the allocation of costs directly related to the contract).

Amendments to IFRS 3 Business Combinations:

The amendment published in May 2020 addresses the following modifications:

- References were modified to align them with the conceptual framework issued by the IASB in 2018 and incorporated into our legislation.
- Paragraphs 21A, 21B and 21C regarding exceptions to the recognition principle for liabilities and contingent liabilities within the scope of IAS 37 and IFRIC 21 were added.
- Paragraph 23A was added to provide a definition of a contingent asset and clarify that the acquirer in a business combination shall not recognize a contingent asset at the acquisition date.

Amendments to IFRS 9, IAS 39 and IFRS 7 resulting from the Interest Rate Benchmark Reform

Paragraphs 6.8.1 to 6.8.12 of IFRS 9 regarding temporary exceptions to the application of specific hedge accounting requirements were added.

Paragraphs 102A to 102N and 108G regarding temporary exceptions to the application of specific hedge accounting requirements were added to IAS 39.

Paragraphs 24H regarding uncertainty arising from the interest rate benchmark reform, 44DE and 44DF (effective date and transition) were added.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 resulting from the Interest Rate Benchmark Reform - Phase 2

Paragraphs 5.4.5 to 5.4.9 Changes in the basis for determining contractual cash flows resulting from the interest rate benchmark reform (measurement at amortized cost), 6.8.13 Termination of the application of the temporary exception in hedge accounting, 6. 9.1 to 6.9.13 Additional temporary exceptions arising from the interest rate benchmark reform, 7.1.10 Effective date, and 7.2.43 to 7.2.46 Transition for the interest rate benchmark reform Phase 2, of IFRS 9.

Paragraph 102M Termination of the application of the temporary exception in hedge accounting was amended. Paragraphs 102O to 102Z3 Additional temporary exceptions resulting from the interest rate benchmark reform and 108H to 108K Effective date and transition were added. New headings were added to IAS 39.

Paragraphs 24I, 24J Additional disclosures related to the interest rate benchmark reform, 44GG and 44HH Effective date and transition are added. In addition, new headings are added to IFRS 7.

Paragraphs 20R and 20S Changes in the basis for determining contractual cash flows resulting from the interest rate benchmark reform are added, as well as paragraphs 50 and 51 Effective date and transition. In addition, new headings are added to IFRS 4.

Paragraphs 104 to 106 Temporary exception resulting from the interest rate benchmark reform are amended. In addition, paragraphs C20C and C20D Phase 2 Interest Rate Reform in IFRS 16 are added.

Amendments to IAS 16 - Property, Plant and Equipment

The amendment deals with costs directly attributable to the acquisition of the asset (which are part of the PPYE element) and refers to “the costs of verifying that the asset is functioning properly (i.e., whether the technical and physical performance of the asset is such that it can be used in the production or supply of goods or services, for leasing to third parties or for administrative purposes)”.

Paragraph 20A states that the production of inventories, while the plant, property and equipment item is in the condition expected by Management, at the time of sale, will affect the result for the reporting period, together with its corresponding cost.

Amendments to IFRS 4 - Insurance Contracts

Paragraphs 20A, 20J and 20O of IFRS 4 were amended to allow the temporary exemption that allows, but does not require, an insurer to apply IAS 39 Financial Instruments: Recognition and Measurement in lieu of IFRS 9 for annual periods starting before January 1, 2023 (due to a new international requirement contained in IFRS 17 as of that date).

Implementation of IFRS 17 and the amendment to IFRS 17 issued in June 2020

IFRS 17 introduces a new measurement model applicable to insurance contracts. The scope is similar to the scope of IFRS 4. However, the requirements for separating non-insurance components of insurance contracts differ significantly from IFRS 4.

Like IFRS 4, IFRS 17 focuses on types of contracts rather than types of entities. Therefore, it is applicable to all entities, whether or not they are regulated as insurance entities.

Annual reporting periods beginning on or after January 1, 2023. Early adoption is allowed if IFRS 9 is also applied on or before the date of adoption.

Annual Improvements to IFRS Standards 2018-2020

The following improvements were completed in May 2020:

- Amendment to IFRS 1 - First-time Adoption of International Standards: It allows entities that have measured their assets and liabilities using the carrying amounts recorded in their parent's accounting records to also measure cumulative translation differences using the amounts reported by the parent company. This amendment shall apply to partnerships and joint ventures subject to certain conditions.

- Amendment to IFRS 9 Financial Instruments: Fees in the "10% test" for derecognition of financial liabilities. Additional wording has been added to paragraph B3.3.6 in addition to B3.3.6A, especially to clarify the recognition of fees paid (to income if it settles the liability, or as a reduction in the value of the liability if it is not settled).

9. Fair value measurement

In accordance with IFRS 13, fair value is the price received for selling an asset or paid for transferring a liability in an orderly transaction between market participants at the measurement date. Such a transaction would take place in the main market; in its absence, it would be the "most advantageous" market. Consequently, the Bank conducts the valuation taking into account the market in which the transaction would normally take place using the best information available.

The Bank valuates financial assets and liabilities traded in an active market based on adequate and available information at the valuation date, such as derivatives and debt and equity securities, by means of price information published by an official pricing vendor (PIP S.A.), which uses methodologies approved by the Financial Superintendence of Colombia and centralizes market information. Thus, the Bank uses prices and curves published by the vendor and maps them to the instrument to be valued.

For instruments that lack an active market, the Bank uses methodologies that rely on market data, peer bank prices and, in certain cases, unobservable inputs. The methodologies aim at maximizing the use of observable inputs to obtain the closest approximation of a starting price for assets and liabilities that are not widely marketed.

- Level 1: Listed prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Variables other than Level 1 listed prices, observable for the asset or liability, directly or indirectly.
- Level 3: Unobservable variables for assets or liabilities.

Following systemic stress caused by the COVID-19 pandemic and other external shocks, the stock market has been subject to high volatility and consequently there has been high variability in market prices. The methodologies used by Davivienda for valuation have acted consistently, reflecting in a timely manner and with a high level of accuracy the adjustments in interest rates and expectations prevailing in the market; all this, considering that in essence the portfolio is composed of debt instruments and conventional derivatives. Similarly, over the third and fourth quarters of the year, we observed a downward adjustment trend in the fair value of mortgage portfolio securitizations, particularly residual rights, associated with reduced portfolio collections and, to some extent, increased delinquency, as a result of the stress situation and the measures adopted by the governments regarding grace periods for the payment of loan obligations.

(Millions of Colombian pesos (COP))

Recurring fair value measurements

Recurring measures are those required or permitted by IFRS accounting standards in the statement of financial position at the end of each reporting period. If required on an incidental basis, they are classified as non-recurring.

Assets and liabilities measured on a recurring basis at fair value by type of instrument are presented below, showing the corresponding hierarchy for December 31, 2020 and December 31, 2019.

	Fair Value		Hierarchy	
	December 31, 2020	**1**	**2**	**3**
Assets				
Investments in debt issued and guaranteed	11,583,206	8,599,412	2,558,033	425,761
In Colombian Pesos	6,973,747	6,421,449	416,488	135,810
Colombian Government	5,912,516	5,908,688	3,828	-
Financial entities	762,821	474,054	288,767	-
Real sector	11,389	15	11,374	-
Others	287,021	38,692	112,519	135,810
Foreign currency	4,609,459	2,177,963	2,141,545	289,951
Colombian Government	129,519	129,519	-	-
Other governments	3,131,144	1,699,857	1,275,108	156,179
Financial entities	1,011,183	246,754	630,657	133,772
Real sector	337,613	101,833	235,780	-
Equity investments (1)	594,272	58,326	480,218	55,728
Through profit or loss	136,231	12,681	80,294	43,256
Through OCI	458,041	45,645	399,924	12,472
Trading derivatives (2)	1,408,856	-	1,408,856	-
Currency forwards	652,335	-	652,335	-
Securities forwards	1,460	-	1,460	-
Interest rate swaps	699,599	-	699,599	-
Currency swaps	11,238	-	11,238	-
Others	44,224	-	44,224	-
Hedging derivatives	1,517	-	1,517	-
Interest rate swaps	1,517	-	1,517	-
Total Assets	**13,587,851**	**8,657,738**	**4,448,624**	**481,489**
Liabilities				
Trading derivatives (2)	1,638,829	-	1,638,829	-
Currency forwards	869,806	-	869,806	-
Securities forwards	12,681	-	12,681	-
Rate swaps	725,599	-	725,599	-
Currency swaps	23,888	-	23,888	-
Others	6,855	-	6,855	-
Total Liabilities	**1,638,829**	**-**	**1,638,829**	**-**

(1) Includes investments in other companies
(2) Does not include spot operations

(Millions of Colombian pesos (COP))

	Fair Value December 31, 2019	1	Hierarchy 2	3
Assets				
Investments in debt issued and guaranteed	9,405,032	6,440,911	2,382,223	581,898
In Colombian Pesos	6,079,406	5,321,204	532,346	225,856
Colombian Government	4,877,187	4,875,614	1,573	-
Financial entities	787,676	382,907	404,769	-
Real sector	15,544	2,209	13,335	-
Others	398,999	60,474	112,669	225,856
Foreign currency	3,325,626	1,119,707	1,849,877	356,042
Colombian Government	13,903	13,063	840	-
Other governments	2,285,728	782,298	1,271,243	232,187
Financial entities	645,461	94,553	427,053	123,855
Real sector	380,534	229,793	150,741	-
Equity investments (1)	524,247	138,412	367,649	18,186
Through profit or loss	132,580	93,843	38,103	634
Through OCI	391,667	44,569	329,546	17,552
Trading derivatives (2)	510,370	-	510,370	-
Currency forwards	233,503	-	233,503	-
Securities forwards	344	-	344	-
Interest rate swaps	245,342	-	245,342	-
Currency swaps	23,948	-	23,948	-
Others	7,233	-	7,233	-
Hedging derivatives	815	-	815	-
Interest rate swaps	815	-	815	-
Total Assets	**10,440,464**	**6,579,323**	**3,261,057**	**600,084**
Liabilities				
Trading derivatives (2)	617,805	-	617,805	-
Currency forwards	323,470	-	323,470	-
Securities forwards	1,899	-	1,899	-
Rate swaps	255,031	-	255,031	-
Currency swaps	27,565	-	27,565	-
Others	9,840	-	9,840	-
Total Liabilities	**617,805**	**-**	**617,805**	**-**

(1) Includes investments in other companies
(2) Does not include spot operations

To determine the levels of the fair value hierarchy, there is an evaluation of the methodologies used by the official pricing vendor and the expert judgment of Treasury Areas, who have knowledge of the markets, the inputs and the approximations used to estimate fair values.

Methodologies applicable to the valuation of investments in debt and equity securities:

- Market Prices: methodology applied to assets and liabilities that have sufficiently large markets, in which sufficient volume and number of transactions are generated to establish a starting price for each reference traded. This methodology, equivalent to a level 1 hierarchy, is generally used for investments in sovereign, financial institution and corporate debt securities in local and international markets.

- Benchmark curves and margins: methodology applied to assets and liabilities for which market variables such as benchmark curves and spreads or margins with respect to recent prices of the asset or liability in question or similar are used. This methodology, equivalent to a level 2 hierarchy, is generally used for investments in debt securities of financial institutions and corporate debt in the local market of low recurrent issuers and with low amounts outstanding. Credit securities and senior mortgage portfolio securitizations are also included under this methodology.

- Other methods: for assets for which the official pricing vendor does not report prices based on previously described methodologies, the Bank uses approximations to estimate a fair value by maximizing the use of observable inputs. These methods, which are classified in the level 3 hierarchy, are generally based on the use of an internal rate of return obtained from the instrument's primary market, on the last observed prices and on the use of benchmark curves. Investments in residual rights of mortgage portfolio securitizations and debt instruments in markets with low depth are placed in the level 3 hierarchy. There is no secondary market for this type of assets from which to obtain indications of a fair exchange price. The best benchmark for this type of asset is the price resulting from the transaction carried out at the time of issuance of each instrument. The valuation of these instruments, which is based on the discounted cash flow approach, relies on the internal rate of return embedded in the purchase value as the main variable. If this variable changes by 1%, while all other factors remain constant, it would affect the fair value by an amount equivalent to 1.12% of the carrying amount.

Investments in short-term government debt securities in which the investment portfolio of the Central American Subsidiaries holds a position are also included at this level. Specifically, these are securities issued in the local Honduran market, generally for terms of approximately one year, which do not have secondary markets, and where the best benchmark for a starting price is the price resulting from the transaction carried out at the time of issuance. As in the case of 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%, while all other factors remain constant, it would affect the fair value by an amount equivalent to 0.30% of the carrying amount.

Models and techniques standardized in the financial sector are used for equity instruments that are not listed in an active market and for which benchmark information is not available in the market. Other equity investments where there is no control or significant influence are recognized at acquisition cost due to the absence of market prices and because they are investments that financial entities in Colombia require in order to operate in accordance with local regulations. As additional criteria, when evaluating the cost-benefit ratio of using recurring valuation models, the financial effect of these investments on the statement of financial position is not justified.

Methodologies applicable to the valuation of derivative financial instruments:

- Over the counter (OTC) derivative financial instruments: these instruments are valued using the discounted cash flow approach, in which, based on inputs published by the pricing vendor regarding domestic, foreign and implicit interest rate curves and exchange rates, the future cash flows of each contract are projected and discounted based on the underlying asset in question. The portfolio of these instruments, classified at fair value level 2, is comprised of interest rate and currency swaps, currency and bond forwards, and European currency options.

- Standardized derivative financial instruments: these instruments are valued based on prices published by the official designated vendor. Some of these contracts have enough depth to be priced under the market approach, while others are based on a discounted cash flow approach in which underlying prices and market interest rate curves are used. The portfolio of this type of instruments is comprised of futures on currencies, debt securities and interest rates. Since these instruments have level 1 and 2 inputs, the Bank classifies the fair value starting from the lowest level, i.e. level 2.

No significant shifts between the various levels of the hierarchy of financial instruments have occurred during the period from January 1 to December 31, 2020, and the valuation methods used have not been modified. Changes in fair value are due to changes in the period in the inputs used in the valuation of financial instruments. Changes in the period of the market variables used in the valuation of financial instruments.

(Millions of Colombian pesos (COP))

The movement of financial instruments measured on a recurring basis at fair value classified in hierarchy 3 is the following:

	December 31, 2019	Total profit (loss) on returns	In other comprehensive results	Reclassifications	Acquisition	Settlements	Transfers out of level 3	December 31, 2020
Assets								
Investments in debt issued and guaranteed	581,898	(50,869)	-	-	199,858	(305,126)	-	425,761
In Colombian Pesos	225,856	(57,026)	-	-	-	(33,020)	-	135,810
Others	225,856	(57,026)	-	-	-	(33,020)	-	135,810
Foreign currency	356,042	6,157	-	-	199,858	(272,106)	-	289,951
Other governments	232,187	-	-	-	156,179	(232,187)	-	156,179
Financial entities	123,855	6,157	-	-	43,679	(39,919)	-	133,772
Equity investments	18,186	100	110	36,516	9,120	(28)	(8,276)	55,728
Through profit or loss	634	100	-	38,103	4,419	-	-	43,256
Through OCI	17,552	-	110	(1.587)	4,701	(28)	(8,276)	12,472
Total Assets	**600,084**	**(50,769)**	**110**	**36,516**	**208,978**	**(305,154)**	**(8,276)**	**481,489**

	December 31, 2018	Total profit (loss) on returns	In other comprehensive results	Reclassifications	Acquisition	Settlements	Transfers out of level 3	December 31, 2019
Asset								
Investments in debt issued and guaranteed	607,147	90,353	-	-	302,129	(313,303)	(104,428)	581,898
In Colombian Pesos	292,483	83,887	-	-	8,534	(54,620)	(104,428)	225,856
Others	292,483	83,887	-	-	8,534	(54,620)	(104,428)	225,856
Foreign currency	314,664	6,466	-	-	293,595	(258,683)	-	356,042
Other governments	201,765	3,420	-	-	213,393	(186,391)	-	232,187
Financial entities	112,899	3,046	-	-	80,202	(72,292)	-	123,855
Equity investments	14,821	-	(72)	2,330	1,117	(10)	-	18,186
Through profit or loss	-	-	-	634	-	-	-	634
Through OCI	14,821	-	(72)	1,696	1,117	(10)	-	17,552
Total Assets	**621,968**	**90,353**	**(72)**	**2,330**	**303,246**	**(313,313)**	**(104,428)**	**600,084**

Fair value measurements of instruments measured at amortized cost

The following are the Bank's assets and liabilities at fair value and their carrying value:

	December 31, 2020				
		Hierarchy			Carrying value
	Fair Value	**1**	**2**	**3**	
Assets					
Loan portfolio, net	103,651,578	-	-	103,651,578	100,280,057
Investments at amortized cost, net	3,881,070	620,742	3,183,719	76,609	3,837,400
Total financial assets	**107,532,648**	**620,742**	**3,183,719**	**103,728,187**	**104,117,457**

(Millions of Colombian pesos (COP))

	December 31, 2020				
			Hierarchy		Carrying value
	Fair Value	1	2	3	
Liabilities					
Certificates Term deposits	33,980,175	-	33,980,175	-	33,739,238
Debt instruments issued	13,357,290	11,964,508	-	1,392,782	12,535,392
Credits from banks and other obligations	14,212,895	-	-	14,212,895	14,418,748
Total liabilities	**61,550,346**	**11,964,508**	**33,980,175**	**15,605,677**	**60,693,378**

	December 31, 2019				
			Hierarchy		Carrying value
	Fair Value	1	2	3	
Assets					
Loan portfolio, net	95,389,361	-	-	95,389,361	93,256,035
Investments at amortized cost, net	2,206,442	438,143	1,735,096	33,203	2,173,054
Total financial assets	**97,595,803**	**438,143**	**1,735,096**	**95,422,564**	**95,429,089**
Liabilities					
Term deposits	35,025,483	-	35,025,483	-	34,804,550
Debt issued	12,998,018	11,556,247	-	1,441,771	12,398,883
Bank borrowings and other financial debt	13,460,139	-	-	13,460,139	13,564,888
Total liabilities	**61,483,640**	**11,556,247**	**35,025,483**	**14,901,910**	**60,768,321**

10. Operating segments

The Bank establishes its business operating segment reporting based on how it organizes and receives information. These segments are components of the Bank engaged in financial and banking activities that generate income and incur expenses, and for which an effective accountability is ensured, 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 Banco Davivienda S.A., (CODM - Chief operating decision maker), for the correct decision making, the appropriate allocation of resources and the corresponding evaluation of their performance. Based on this organization, operating segments for the Bank were established as follows:

a) Activities of individuals and companies reported separately at the level of assets, liabilities, income and expenses.
b) The results that are periodically reviewed by the CODM
c) The relationship with which separate financial information is available.

Management has determined that the Bank has four reportable segments: a) Retail banking, b) Enterprises, c) Asset and Liability Management, and d) International. The Bank´s CODM reviews the internal management reports for each segment on a quarterly basis. The CODM does not analyze operating segments by geographical areas, because all foreign operations are included within the International segment.

The operating segments are components of the Parent Company. These include the results of the different countries where Davivienda operates, in such a way that their results are classified and reported according to the segments established by the Bank:

1. Retail banking

This segment includes all products and services offered to individuals. Davivienda offers a wide variety of products and services focused on meeting the needs of its customers, including investment, financing and savings products.

(Millions of Colombian pesos (COP))

2. Enterprises

This segment includes products and services offered to legal persons. It offers financial and transactional solutions in local and foreign currencies as well as financing, savings and investment products to meet the needs of this type of clients across various industries.

3. Assets and liabilities Management (ALM)

The Separate Financial Information segment ALM (Asset and Liability Management) refers to segments with assets, liabilities, income and cash expenses equal to or greater than 10% of assets, which are presented on an aggregate basis, as well as the management of market gaps and liabilities, in addition to any effect arising from exchange restatement, either by cash position or the banking book. This is why the results of this segment not only reflect the results of a business line, but also reflect corporate decisions on the management of the bank's issuance and financing. Even so, when managing the bank's liquidity resources, management exercises monitoring, as it does with the other segments. On this basis, we describe the main dynamics in the segment.

4. International

This segment refers to the Bank's international operations and includes all financial information of the Bank's foreign subsidiaries, which are in the following countries: Panama, Costa Rica, El Salvador and Honduras. These Subsidiaries derive their revenues from a variety of financial products and services offered in each country, which are based on an effective integrated value offering for their Multi-Latino customers, with a focus on quality and service.

Results by segment
December 31, 2020

Income Statement	Retail banking	Enterprises	ALM (1)	International	Total Consolidated Bank
Interest income	5,625,675	2,823,885	643,666	2,354,358	11,447,584
Interest Expenses	(335,299)	(1,351,062)	(1,230,263)	(963,990)	(3,880,614)
Net FTP(*)	(1,788,788)	500,599	1,288,189	-	-
Impairment of financial assets, net	(2,830,806)	(964,317)	30,435	(434,954)	(4,199,642)
Net Financial Margin	**670,782**	**1,009,105**	**732,027**	**955,414**	**3,367,328**
Commissions and service income net, and insurance transactions income, net	546,555	156,902	233,130	313,627	1,250,214
Result of investment in associates and joint operations, net	-	-	1,349	1,614	2,963
Dividends received	-	-	18,386	609	18,995
Operating Expenditures	(2,023,484)	(815,917)	(300,408)	(999,241)	(4,139,050)
(Loss) or profit on exchanges, net and Derivatives, net	-	-	(78,897)	104,378	25,481
Other income and expenses, net	18,567	(137,171)	87,811	(18,976)	(49,769)
Operating Margin	**(787,580)**	**212,919**	**693,398**	**357,425**	**476,162**
Income tax, net	440,630	(35,951)	(372,349)	(100,460)	(68,130)
Net profit	**(346,950)**	**176,968**	**321,049**	**256,965**	**408,032**
December 31, 2020					
Assets	**46,980,574**	**37,327,283**	**20,257,340**	**31,848,168**	**136,413,365**
Liabilities	**19,126,995**	**45,533,259**	**30,785,849**	**28,247,261**	**123,693,364**

Results by segment

(Millions of Colombian pesos (COP))

December 31, 2019

Income Statement	Personal	Business	ALM (1)	International	Total Consolidated Bank
Interest income	5,086,496	2,869,027	678,375	2,091,360	10,725,258
Interest Expenses	(339,782)	(1,586,195)	(1,207,515)	(897,964)	(4,031,456)
Net FTP(*)	(1,588,505)	619,406	969,099	-	-
Impairment of financial assets, net	(1,380,554)	(777,306)	5,136	(281,690)	(2,434,414)
Net Financial Margin	**1,777,655**	**1,124,932**	**445,095**	**911,706**	**4,259,388**
Commissions and service income net, and insurance transactions income, net	594,810	181,468	216,306	314,155	1,306,739
Result of investment in associates and joint operations, net	-	-	8,947	511	9,458
Dividends received	-	-	20,530	1,980	22,510
Operating Expenditures	(1,854,013)	(737,925)	(258,187)	(879,758)	(3,729,883)
(Loss) or profit on exchanges, net and Derivatives, net	-	-	85,304	(18,491)	66,813
Other income and expenses, net	15,528	(114,954)	91,861	(280)	(7,845)
Operating Margin	**533,980**	**453,521**	**609,856**	**329,823**	**1,927,180**
Income tax, net	12,104	(137,952)	(228,559)	(88,918)	(443,325)
Net profit	**546,084**	**315,569**	**381,297**	**240,905**	**1,483,855**
At December 31, 2019					
Assets	**43,147,776**	**33,352,948**	**15,767,390**	**29,953,909**	**122,222,023**
Liabilities	**15,657,414**	**39,455,198**	**27,973,439**	**26,485,073**	**109,571,124**

(*) Net FTP - Funds Transfer Pricing: Refers to the costs of transferring resources between segments, which are allocated systematically and consistently managed within the entity.

(1) Asset and liability management

In 2020, methodologies in the application of funds transfer pricing (FTP) were modified based on adjustments to best practices. To compare the results, the methodologies were applied historically. This reflects differences in the figures presented as of December 2019 in previous reports.

11. Corporate risk management

The Bank's corporate risk management is based on a governance structure geared towards achieving the Bank's strategic objectives, based on risk management, administration and control, to support business growth and seize opportunities. On this basis, management's efforts are focused on complying with the strategy and controlling associated risks. In addition, it enabled a timely and efficient reaction in response to the emergency declared due to the COVID-19 virus.

The corporate risk model is constantly evolving and being updated in line with the entity's policies based on some elements of enterprise risk management set out in the Enterprise Risk Management document published in 2004 by the Committee of Sponsoring Organizations of the Treadway Commission - COSO and subsequent documents such as COSO Internal Control - Integrated Framework published in 2013 and Enterprise Risk Management - Integrating with Strategy and Performance published in 2017.

The Bank and its subsidiaries manage risk in accordance with the principles and policies of Grupo Empresarial Bolivar. Each company is autonomous in its risk management and is responsible for the risk control environment.

11.1. Principles and Policies

- Risk management must be aligned with the nature and activity of the business. We only engage in businesses that we understand and that do not affect our financial stability or reputation. The Bank must protect its reputation to the highest degree.

- The Bank has decided to participate in businesses in certain industries and in certain regions. Any investment in other products, industries or regions must be approved by the Board of Directors of the Bank and the Holding Company, following an analysis of specific characteristics and applicable regulations.

- For new businesses that do not adequately align with the risk philosophy and with the defined risk appetite, the only instance that may grant authorization is the Board of Directors of the Bank and of the Holding Company.

- Meeting growth targets cannot lead the Bank to overexposures that could result in potential current or future losses outside of the risk appetite.

- Adequate liquidity levels must be maintained on a permanent basis in accordance with the policies defined for this purpose.

- Capital levels should be maintained in accordance with the established level of risk and should be adequate to reflect growth prospects.

- The risk management system is based on a system of checks and balances, which is guaranteed by the independence of the business, commercial, operational and risk areas, as well as by a clear corporate governance that regulates the appropriate interaction between them.

- Risk management, compliance and financial reporting objectives are the responsibility of the three lines of defense, namely: business, commercial and operational areas; risk areas; and, internal audit.

- Risks hindering the achievement of corporate objectives and strategies and significantly impacting the organization as a whole are managed centrally. Risk management is decentralized because it is best managed at the process and/or area level, since it affects each process individually, without affecting the organization's ability to successfully implement its strategies.

- The capacity to assume risks is based on the knowledge, understanding and quantification of these risks, as well as on the characteristics of each business, on the basis of which the entity's risk appetite is defined. The level of risk will depend on the understanding of these factors.

- Human resources policies must include professional development plans encompassing technical and specialized knowledge for each position. Likewise, these policies should focus on training and raising awareness of risks in order to convey a sense of their importance across the organization. In addition, policies must identify key positions and implement succession plans so that these positions are filled by people with the required academic background, experience and competencies.

- Remuneration systems must be aligned with the strategic objectives of the companies and with the corresponding risk appetite. Policies and procedures must be in place to identify and manage conflicts of interest that may arise in decision making.

- The organizational structure and process design must address the long-term strategic vision, business development, market changes, operational capacity and risk management.

- Key areas and relevant defined processes must have a specific risk management monitoring that allows the permanent stability of the Bank.

- A sound business continuity and process system must be in place to support multiple business needs and to provide a sound basis for managing the risks faced by the organization.

- The customer service model must ensure clarity, timeliness and transparency in information and communication, providing a simple, friendly and reliable experience, paying effective attention to requests, complaints and claims.

- Relevant measures must be implemented to strengthen the risk and compliance culture. All employees must be aware of and apply the risk management framework. Furthermore, there must be a clear and precise definition of the types of activities and risks associated with each role.

11.1.1. General framework

The Bank's comprehensive risk management process is aligned with the corporate risk management of Grupo Empresarial Bolivar. It involves the analysis of current and expected exposures, as well as the establishment of limits. It also requires an assessment of the implications of all risks and decisions to modify limits if these are not in line with the overall risk philosophy.

Risk management must include two approaches: 1) The top-down view (TOP DOWN) to ensure the comprehensiveness of the system, its consistency and the interrelationship between the various risks and the different risk factors, 2) The bottom-up vision (BOTTOM UP) whereby management and control schemes for each risk are developed to ensure effectiveness and depth. The governance model for each risk is clearly defined, as well as the limits for the various exposures and the procedures to be followed in the event of non-compliance.

The risk management model is implemented within a clear framework of segregation of duties in order to achieve a timely identification of risks, defining three lines of defense that involve all areas of the organization: 1) Business, Operations and Commercial Lines 2) Risk Areas and 3) Auditing.

The macro processes or business lines that are most representative in the strategy or that generate the greatest exposure to risks must be supported by specialized risk areas responsible for determining the effectiveness of risk management, including operational risks.

Risk areas are responsible for promoting and protecting the adequate control scheme assigned to each risk by monitoring the way risks are managed across various areas, the effectiveness of controls and risk levels, always ensuring that they are within the levels established by Grupo Empresarial Bolivar.

As part of the COVID-19 emergency, all risk areas adopted measures, established policies and contingency plans to guarantee the wellbeing of employees and customers, while ensuring the continued delivery of services and availaility of channels.

11.1.2. Governance structure

A set of risk principles and policies have been established to clearly define the Bank's risk levels, while establishing the levels of authority and accountability for carrying out risk management. Based on the risk approach, the Board of Directors is the highest risk management and control body, which in turn is supported by a Corporate Risk Committee that integrates all risk dimensions identified in the organization in its assessment and control.

Risk management is implemented through the Executive Vice-Presidency of Risk and the Vice-Presidency of Corporate Investment Risk, which report to the Bank's Corporate Risk Committee, a Board of Directors committee with three active members.

Board of Directors

The members of the Board of Directors, as the main managers of corporate governance, shall perform their duties with a proper understanding of the risks associated with the products and segments in which the Bank operates, for which a financial and risk expert is pivotal.

The Board of Directors shall delegate authority, guide and oversee senior management to ensure that its members have adequate experience and knowledge of the activities, objectives and structure of the respective entity.
The Board of Directors is the entity responsible for risk matters:

- Assess, approve, and monitor corporate risk management at Banco Davivienda S.A., and its subsidiaries.
- Approve and monitor risk appetite and risk tolerance limits.
- Verify that corporate risk management is aligned with the achievement of the Bank's strategic objectives.

Audit Committee

This is the body responsible for the following risk-related functions, without prejudice to other functions that the regulations in force establish in relation to risk management systems:

- Oversee that both the internal audit and the external auditors assess the methodology and implementation of the risk management model.
- Follow up on recommendations from the control process, or guidelines issued by the Corporate Risk Committee and the Board of Directors or an equivalent authority.
- Assess the operation of the corporate risk management process, verifying compliance with the regulations that exist for each risk Identify weaknesses and make recommendations where appropriate.
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Corporate Risk Committee

The Corporate Risk Committee shall have the following duties:

- Assess the harmonic operation of the different risk management systems, as well as the comprehensive risk profile of the organization.
- Ensure that the organization's risk levels are within the established risk appetite and have the required capital adequacy.
- Submit the risk appetite framework for approval by the Board of Directors.

11.2. Risk Management Model

Banco Davivienda S.A.'s risk management is conducted in alignment with operations management: Banco Davivienda Colombia and Banco Davivienda International Subsidiaries defined internally and aligned with corporate risk management and fulfillment of the strategy.

Banco Davivienda Colombia

The Executive Vice-Presidency of Risk identifies, assesses and comprehensively manages credit risk through the Vice-Presidency of Credit Risk, with specialized Risk Departments for each of the banks: Retail Banking Credit Risk Division, SME Credit Risk Division and the Corporate and Business Credit Risk Division.

For the Retail Banking segment, the Retail Credit Vice-Presidency is responsible for assessing, managing and collecting on all retail banking credit lines as well as for approving individual loan transactions. It is based on a pyramidal structure of attributions (personal and/or collegiate) with defined ceilings and recognizing that each superior attribution has the obligation to review ex post the decisions of lower attributions. There are also credit committees with collegiate decision making. For each loan product, the Bank uses credit scores that have been developed based on the company's own historical information (among other data). Scores assess client variables, their behavior and indebtedness in the financial sector, as well as the product and the collateral. There are also methodologies in place to segregate the loan portfolio by homogeneous groups in order to be able to assign risk levels on an individual basis. The Retail Banking Credit Risk Department manages and monitors the various banking products in accordance with business management: Payment Methods, Consumer, Car and Mortgage.

For SME Banking, credit assessment is the responsibility of the Corporate Credit Vice-Presidency, which is in charge of analyzing loan applications, monitoring outstanding obligations and recovering delinquent loans when necessary. The SME Credit Risk Department manages and monitors the credit risk of the various banking segments: Productive Assets, Agriculture and Livestock, MySMEs and medium-size companies.

The Corporate Credit Vice-Presidency is responsible for granting loans to national and international companies engaged in economic activities in accordance with the rules and conditions established by the Superintendence of Corporations and/or Competent Authorities, as well as by the Bank. To meet this objective, we conduct a thorough analysis of the credit worthiness of the companies by analyzing macroeconomic conditions and the industry in which the company operates, as well as its culture, strategy, policies, procedures and the various quantitative and qualitative risks. The Corporate and Business Risk Department monitors risks associated with these operations, compliance with the provisions established in the credit agreements with borrowers and insuring available collateral, as well as the concentration of the portfolio in the various economic sectors and regions.

The Bolivar Group's Vice-Presidency of Investment Risk is in charge of managing financial risks. The Vice-Presidency is responsible for identifying, measuring, managing and ensuring that market, liquidity, investment credit, behavior and treasury operational risks are within the defined risk appetite, both for the bank's own resources and third party resources portfolios, whether they are discretionary or non-discretionary. It is responsible for developing and proposing to the Board of Directors the different risk measurement and management methodologies, as well as the risk appetite policies and levels.

For this purpose, the Bank relies on: the Financial Risk Department, in charge of managing market, liquidity, behavioral and operational risks across the different business lines (investments); the Financial Institutions Credit Risk Department, responsible for assessing credit and counterparty risks across investment portfolios; the Customer Financial Risk Department, in charge of managing financial risks for non-discretionary portfolios; and, the Trust Risk Department, in charge of managing risks of structured trusts, investment banking and private equity fund management businesses.
The Boards of Directors of the different companies rely on the Financial Risk Committees for credit and counterparty risk matters, and on the ALM Committee and Foreign Currency ALM Committee for market, liquidity and foreign exchange risk matters. There are additional committees to cover the other business lines, in accordance with legal obligations applicable to them.

On the other hand, the Executive Vice-Presidency of Risk is responsible for managing the Operational Risk (SARO) by designing, implementing and maintaining strategies and procedures required for information security management, as well as by establishing guidelines and policies for the management of Operational Risk of the Bank and its Subsidiaries. This function is conducted through the Operational Risk Department and the Transactional Risk Department.

Additionally, cross-cutting risks such as operational risk, fraud, information security, cybersecurity, technological, environmental and social risk, business continuity, among others, which are generated in the processes that support business lines, are managed by the Executive Vice-Presidency of Risks, which is responsible for managing such risks by establishing methodologies, guidelines and policies to enable an effective management at the Bank and its Subsidiaries.

International Subsidiaries

International risk management is assessed and monitored from the Head Office in accordance with established exposure limits and risk management policies endorsed by the Corporate Risk Committee and approved by the Board of Directors.

The Chief Credit Officer is in charge of Corporate and Business Banking, as well as Retail Banking at foreign subsidiaries. As such, it is responsible for evaluating, managing and collecting receivables on credit lines. As is the case in Colombia, the approval process is also based on a pyramidal structure of authority at the local operation level, the Regional Unit and the Colombian Corporate Credit Committee, where joint decisions are made.

Retail Banking credit products rely on credit scores that assess customer variables, their behavior and indebtedness in the financial sector, as well as the product and the collateral.

Additionally, it comprehensively maintains the perspective of the business and coordinates the efforts across all the Subsidiaries through the Credit Risk areas based in each country in an effort to recognize the specific characteristics of each market.

Financial risk management in Davivienda's subsidiaries abroad is developed based on a model whereby the parent company issues guidelines, policies and methodologies for risk measurement and control, to be managed in each of the subsidiaries. Similarly, the Financial Risk Committee and ALM Committee approve the overall limits for each business unit, within Banco Davivienda's general risk appetite. The Board of Directors of each Subsidiary is the highest authority in the organization, responsible for the comprehensive management of the financial risks affecting each balance sheet. They are in charge of establishing and ratifying the market risk appetite and the policies and guidelines for liquidity risk for each currency or on a consolidated basis by company. Likewise, there is a local ALCO (Asset and Liability Committee) in all international subsidiaries, which ratifies the decisions made by the ALM ME Committee in Colombia and is accountable for the approval of risk limits at the business level and for the monitoring of the strategies.

Finally, risk units across international subsidiaries are in charge of ensuring the completeness of business processes and following the guidelines of the operational risk and control model approved by the Board of Directors of the parent company, in addition to making a functional report to the Operational Risk Department of the parent company, which monitors its proper application and management.

The International Operational Risk Management and the International Executive Vice-Presidency are responsible for consolidating and monitoring the operational risks of each country and coordination among them in accordance with the multi-Latin strategy.

11.3. Risk appetite framework

The Risk Appetite Framework establishes the risks that the Bank is willing to undertake and tolerate with the purpose of accomplishing its strategic objectives.

Setting the risk appetite framework is intended to serve the following purposes:

- To account for the interests of the Bank's various stakeholders in order to ensure the Bank's sustainability through a comprehensive risk management approach.
- To account for the interests of the Bank's various stakeholders in order to ensure the Bank's sustainability through a comprehensive risk management approach.
- Prepare a proactive risk management for the medium and long term that will allow the Bank to undertake desired risks as part of its strategy.
- Align decisions within the bank so that they are consistent with the risk appetite.

This is framed within four major risk objectives: Capital; Profitability, Risk and Growth; Liquidity and Funding; and Stakeholder Confidence. All objectives have established a set of metrics and levels which are monitored at the Individual (Colombia) and Consolidated levels. These metrics are periodically analyzed by the Board of Directors, the Risk Committees and the Executive Vice President of Risk in order to have an adequate understanding of the Bank's risk profile and to manage risks in a timely manner.

11.4. Risk management systems

11.4.1. Strategic risk

Davivienda defines strategic risk as the potential deviation from expected results as a consequence of strategic decisions, the improper implementation of such decisions and/or the lack of capacity to respond to changes in the environment.
Strategic risk management is a continuous process that incorporates both the control of strategy execution and the comprehensive and systematic evaluation of strategic decisions, in both cases seeking to guarantee the fulfillment of the Bank's strategic objectives.

In 2020, we made progress in identifying and analyzing macrotrends, which are market forces external to the Bank that even though we cannot control, could have an impact on the achievement of our strategic objectives. Special publications were also published on the Bank's strategies to keep Senior Management informed about market trends, especially those related to the digital world and the arrival of new disruptive competitors and allies.

In addition, several reports and scenarios were prepared on the current COVID-19 crisis and its possible short, medium and long term effects on the banking business, recognizing that the challenges derived from the global pandemic are just beginning to emerge.

In 2020, we identified external strategic risk factors, which were evaluated and monitored periodically throughout the year.

- Changing consumer behavior in a new digital world
- Capacity to attract and retain human talent to face the new digital world
- Capacity to access financial markets (local and international) to obtain debt and/or equity financing (country and bank risk rating).
- Capacity to access financial markets (local and international) to obtain debt and/or equity financing (country and bank risk rating).
- Local regulatory changes that adversely affect the Bank's business dynamics and results (e.g. intervention of bank fees).

11.4.2. Credit risk

Credit risk is defined as the possibility that a borrower or counterparty will not meet its obligations according to agreed terms, adversely affecting the value of the Bank's portfolio.

The objective of credit risk management is to maximize the Bank's profitability by adhering to desired risk levels. This objective is achieved by maintaining expected loss levels within acceptable parameters, without ignoring other uncertainty phenomena that may affect the portfolio's results.

The Bank is exposed to credit risk in the course of its credit portfolio operations (financing of consumer, mortgage and corporate capital needs) as well as in its treasury operations (money market, investment portfolio management, derivative contracts and purchase and sale of foreign currencies). Three general sub-processes are established for the successful execution of the general credit risk management process:

Three general sub-processes are established for the successful execution of the general credit risk management process:

Loan Portfolio Monitoring and Management: The main purpose of portfolio monitoring and management is to follow up on the quality and structure of the portfolio, detecting concentrations, relevant segments and risk factors, and coordinating its management with the credit risk control and monitoring process. As part of this process, adjustments to business rules and credit policies are made according to the desired risk level for the product or strategy; portfolio potential losses are monitored and analyzed; collection strategies and effectiveness and their effect on the mitigation of losses are analyzed, among others.

Credit Risk Methodologies and Models: The purpose of this process is to study, design, develop and implement methodologies, models and tools that allow the adequate measurement of credit risk, as well as the sensitivity of portfolios to different economic scenarios.

Credit Risk Control and Monitoring: The main objective of the credit risk control and monitoring process is to ensure compliance and the proper implementation of the definitions established by the Board of Directors and the Risk Committees. Controls and related monitoring are established, executed and coordinated jointly with Credit Cycle units according to the established provisions, in order to avoid deviations from the strategy defined by the Bank.

11.4.2.1. Organizational structure for credit risk management

Organizational structure for credit risk management

The Executive Vice-Presidency of Risk manages the Bank's credit risk. The internal structure of this unit was strengthened by establishing the Vice-Presidency of Credit Risk, which has specific divisions for Corporate and Business Banking, SME Banking and Retail Banking. It also includes three cross-sectional areas: The Environmental and Social Risk Department that enables the timely identification, assessment, and control of environmental and social risks, thereby contributing to sustainability. Furthermore, the Credit Risk Models and Methodologies Department and the Risk Information Analysis and Management Department, which promote and protect the adequate control scheme and development of credit risk.

Credit Risk in Central America is managed through the Regional Unit, which reports to the Risk Committees of each bank.

The Board of Directors defines, creates and establishes the structure of the Credit Risk Committees for Retail Banking, SME and Corporate Banking (CRC), the Credit Risk and Collections Committee (CRCC) and the Portfolio Rating Committee (CC) to act as specialized and coordinating bodies for credit risk management matters. The Board of Directors delegates to the CRC, CRCC and CC the sole authority to recommend policies and authorize rules and/or provisions related to credit risk management, portfolio recovery and portfolio rating under the established governance process and for the sole purpose of implementing the policies established by the Board of Directors.

The Credit Risk Management Manual (MARC) serves as the charter for the Credit Risk Management System. It describes our culture, policies, methodologies, rules and general procedures. It outlines our culture, policies, methodologies, rules and general procedures.

Measures in response to the COVID 19 Health Emergency

Following the economic and social emergency decreed by the Colombian government in response to COVID-19, the processes, and policies for granting and maintaining the loan portfolio were adjusted both in Colombia and in its international subsidiaries. Given the uncertainty related to this crisis, at the end of the year we continued to strengthen measures to prudently acknowledge the higher risk level posed by debtors who opted for grace periods and different portfolio payment alternatives (migration from stage 1 to stage 2), we reviewed and adjusted the provisions of some individually significant clients in sectors directly or indirectly affected by the crisis, and we updated the macroeconomic scenarios for all countries to reflect the new situation by incorporating the forward looking effect.

In addition, we adjusted the criteria for granting new loans across our different channels throughout the year: traditional, digital channels and campaigns and/or customer outreach processes. These adjustments were made on the basis of criteria such as the clients' level of vulnerability to the economic situation, the economic sector of the client, the certification of the level of income or sales in recent months, the availability of guarantees (for example, those provided by the National Government through the National Guarantee Fund) and the background and track record of the clients with the bank.

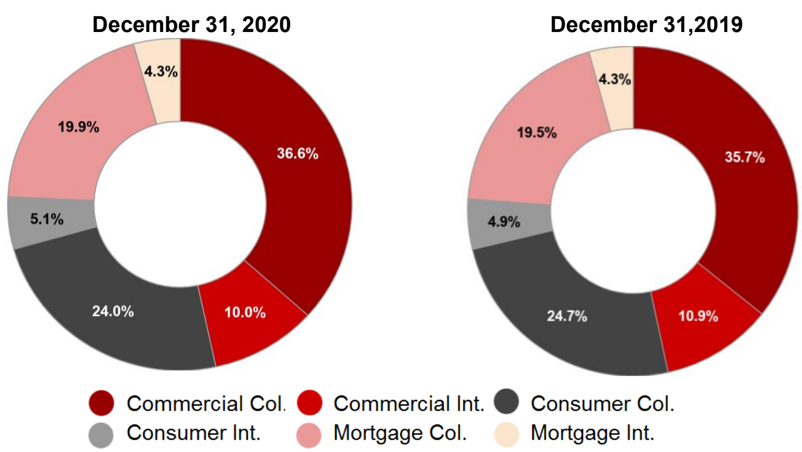
A set of credit risk mitigation measures have been implemented for international subsidiaries to mitigate the credit risk in origination for the segments that are vulnerable and impacted by Covid-19 In the commercial portfolio, we have constantly reviewed and updated loan origination parameters in accordance with the evolution of the economic situation, as well as constantly monitoring our customers and their economic activity, especially in the most affected sectors. In Retail Banking, since the beginning of the economic crisis, the population has been classified according to its level of impact, and each segment has been continuously monitored and the lending parameters have been adjusted accordingly.

These measures add to the relief measures for debtors, implemented since March 2020, in two stages for Retail Banking. The first stage included massive reliefs whereby payment reliefs/deferrals were granted to customers adversely affected by the economic crisis. Relief varied across the subsidiaries, depending on applicable legislation in each country, and this stage was completed in June 2020. The second stage started in July 2020 and involves a case-by-case analysis across all products, requiring customers to submit a request and justify it. In the commercial banking segment, since the beginning of the economic crisis, reliefs have been granted on a case-by-case basis, reviewing the latest available financial figures, the current standing of the company in the midst of the crisis, the impact on income and/or operations, in-depth interviews with our clients and reactivation strategies. Different approval instances operate depending on the company's exposure and the term of the operations in force.

11.4.2.2. Exposure to credit risk - portfolio composition

The Bank's portfolio is distributed as follows: consumer, mortgage and commercial. The first two segments include loans granted to individuals to finance their consumer needs (unrestricted personal loans with and without collateral, revolving credit, payroll loans, car loans and credit cards) and housing (Social Interest Housing VIS , Traditional - Greater than VIS and Housing Leasing) respectively. The commercial portfolio is comprised of loans granted to fund the needs of companies and businesses.

Banco Davivienda Colombia and the remaining 19% in Banco Davivienda Internacional. The comparison of portfolio distributed by type of loan between December 2020 and December 2019 is below:



(Millions of Colombian pesos (COP))

By the end of 2020, gross loans grew by 9.5% in relation to December 31, 2019. Gross loans in Colombian rose by 10.5% while gross loans in international subsidiaries in Colombian Pesos grew by 5.8%. The distribution of the portfolio by stages and segments (commercial, consumer and housing) as well as its growth are shown in the table below:

Business Model	December 31, 2020				December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Davivienda Colombia								
Commercial	30,622,721	5,781,377	2,673,654	39,077,752	30,347,694	2,168,749	2,269,577	34,786,020
Consumer	22,411,514	1,641,913	1,570,557	25,623,984	21,896,702	1,705,661	421,006	24,023,369
Mortgage	19,327,324	1,449,781	496,795	21,273,900	17,577,818	1,001,758	450,179	19,029,755
	72,361,559	8,873,071	4,741,006	85,975,636	69,822,214	4,876,168	3,140,762	77,839,144
International Subsidiaries								
Commercial	9,483,641	940,411	238,085	10,662,137	10,040,501	331,275	209,594	10,581,370
Consumer	4,018,610	1,198,331	191,829	5,408,770	4,276,860	346,867	143,698	4,767,425
Mortgage	3,829,255	657,389	141,569	4,628,213	3,968,193	135,304	108,134	4,211,631
	17,331,506	2,796,131	571,483	20,699,120	18,285,554	813,446	461,426	19,560,426
Total	89,693,065	11,669,202	5,312,489	106,674,756	88,107,768	5,689,614	3,602,188	97,399,570

Upon an analysis of the results on a percentage basis, it can be observed that 84.2% of Colombia's portfolio is classified in Stage 1, 10.3% in stage 2 and only 5.5% in stage 3. 78.4% of the commercial portfolio is at optimum risk level, 14.8% at stage 2 and 6.8% shows significant deterioration (stage 3). This performance at an stage 1 is explain by credit exposures in the Corporate segment, specifically in Power Generation and Distribution, Telecommunications, Department Stores and Cement, which were not affected by the health situation.

For their part, the consumer and housing portfolios in Stage 1 have 87.5% and 90.8%, in Stage 2 6.4% and 6.8%, and in Stage 3 6.1% and 2.4%, respectively. The increase in stage 3 is a consequence of the materialization of non-compliance as a result of the affectation by the health situation especially in the last months of the year, After the completion of the relief under External Circulars 007 and 014 of the Financial Superintendency for the case of Colombia and similar measures in the subsidiaries of Central America.

An increase in stage 3 is also evident in the mortgage portfolio for the same reasons; however, the impact is smaller bearing in mind that the effects on this portfolio are longer term.

Davivienda International's portfolio has 83.7% exposure in stage 1, 13.5% in stage 2 and 2.8% in stage 3

	December 31, 2020			December 31, 2019		
Business Model	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Davivienda Colombia	**84.2 %**	**10.3 %**	**5,.5 %**	**89.7 %**	**6.3 %**	**4.0 %**
Commercial	78.4 %	14.8 %	6.8 %	87.2 %	6.2 %	6.6 %
Consumer	87.5 %	6.4 %	6.1 %	91.1 %	7.1 %	1.8 %
Mortgage	90.8 %	6.8 %	2.4 %	92.4 %	5.3 %	2.3 %
International Subsidiaries	**83.7 %**	**13.5 %**	**2.8 %**	**93.5 %**	**4.2 %**	**2.4 %**
Commercial	88.9 %	8.8 %	2.3 %	94.9 %	3.1 %	2.0 %
Consumer	74.3 %	22.2 %	3.5 %	89.7 %	7.3 %	3.0 %
Mortgage	82.7 %	14.2 %	3.1 %	94.2 %	3.2 %	2.6 %
TOTAL	**84.1 %**	**10.9 %**	**5.0 %**	**90.5 %**	**5.8 %**	**3.7 %**

(Millions of Colombian pesos (COP))

Over the course of the year, loans in stage 2 increased both in Colombia and in the international subsidiaries. In particular, the Commercial portfolio in Colombia went up from 6.2% to 14.8% relative to the December 2019 ratio due to the deterioration in clients that mainly belong to industries affected by the economic situation, such as: Transportation, Trade, Construction and Services.

In the mortgage portfolio, loans in stage 2 increased from 5.3% to 6.8% due to the increase in customers impacted by the economic situation.

In international subsidiaries, there was an increase in the consumer portfolio from 7.3% to 22.2% over the course of the year. There was also an increase in the mortgage portfolio from 3.2% to 14.2% due to greater stage movements in subsidiaries that resumed collection in July and due to the migration of high-risk customers who received reliefs for those subsidiaries that kept relief measures in place until the end of the year.

The breakdown of international subsidiaries' portfolio by stage is shown by country and portfolio segment as shown in the following chart:

Country	Commercial	Consumer	Mortgage	Total
Costa Rica	**4,040,616**	**1,208,428**	**2,009,940**	**7,258,984**
Stage 1	3,649,857	857,189	1,534,280	6,041,326
Stage 2	331,515	302,824	415,849	1,050,188
Stage 3	59,244	48,415	59,811	167,470
Salvador	**3,178,458**	**2,744,484**	**1,277,679**	**7,200,621**
Stage 1	2,861,143	2,034,804	1,167,373	6,063,320
Stage 2	235,178	634,559	72,463	942,200
Stage 3	82,137	75,121	37,843	195,101
Honduras	**1,445,913**	**1,326,519**	**908,406**	**3,680,838**
Stage 1	1,223,153	1,010,306	782,336	3,015,795
Stage 2	211,999	251,031	109,532	572,562
Stage 3	10,761	65,182	16,538	92,481
Panamá	**1,997,150**	**129,339**	**432,188**	**2,558,677**
Stage 1	1,749,488	116,311	345,266	2,211,065
Stage 2	161,719	9,917	59,545	231,181
Stage 3	85,943	3,111	27,377	116,431
Overall	**10,662,137**	**5,408,770**	**4,628,213**	**20,699,120**

For further details on portfolio composition see note 13.4.1 (Portfolio of loans and financial leasing by modality), 13.4.2 (Portfolio of credits and financial leasing by qualification), 13.4.5 (Portfolio of credits and financial leasing by geographic area) and 13.4.6 (Portfolio of credits and financial leasing by type of guarantee).

11.4.2.3. Exposure to credit risk - Investment portfolio

The investment portfolio is mainly concentrated in sovereign debt securities of nations where Davivienda has operations, following the portfolio's main mandate of constituting a liquidity reserve. In this order, the portfolio is concentrated in assets with low credit risk and high liquidity. There are also positions in corporate debt securities, mostly recognized and recurrent issuers, of high credit quality, and mortgage portfolio securitizations. In terms of participation as of December 2020, 68% corresponds to sovereign debt, mostly Colombian, followed by private debt with 27% and finally securitizations with 5% participation. The composition of the portfolio reflects conservative and adequate credit risk management, in accordance with the policies defined by the Bank's management bodies.

(Millions of Colombian pesos (COP))

The following chart depicts the comparative exposure by separating the carrying value of financial assets between those secured by some collateral depending on the nature of the product and/or the counterparty and those granted without collateral.

	December 31, 2020		December 31, 2019	
	Collateral	No Collateral	Collateral	No Collateral
Debt at fair value	-	11,583,206	-	9,445,126
Colombian Government	-	6,042,035	-	4,891,090
Other governments	-	3,131,144	-	2,285,728
Financial entities	-	1,774,004	-	1,473,231
Real sector	-	349,002	-	396,078
Others	-	287,021	-	398,999
Derivative instruments	709,192	701,277	220,467	290,747
Debt at amortized cost	-	3,844,690	-	2,174,931
Investments in debt	-	3,844,690	-	2,174,931
Credit portfolio	57,630,584	49,044,172	52,453,185	44,946,385
Commercial	28,547,661	21,192,228	26,234,285	19,133,105
Consumer	3,180,810	27,851,944	2,977,514	25,813,280
Mortgage	25,902,113	-	23,241,386	-
Total financial assets with credit risk	58,339,776	65,173,345	52,673,652	56,857,189
Credit risk off-balance-sheet	10,351,528	24,573,756	8,171,740	22,360,449
Credit limits	10,351,528	24,573,756	8,171,740	22,360,449
Total maximum exposure to credit risk	**68,691,304**	**89,747,101**	**60,845,392**	**79,217,638**

With respect to the credit portfolio, from the granting process, and as part of the Bank's internal policies, collateral is required to mitigate exposure to credit risk based on criteria such as: the nature of the product, the term at which the credit is granted, the financial and equity structure of the counterparty, the risks associated with the sector, and the debtor's exposure to the Bank, among others.

In determining the value of collateral and the periodicity of the valuation, the Bank considers the particular characteristics of the asset covered by the transaction, which determine whether the market price, valuation indices calculated by government entities and/or expert judgement when deemed necessary are the main input for the valuation.

At the end of the year 54% of the portfolio exposure is backed by collateral: The commercial portfolio has guarantees such as mortgages, pledges, financial collateral, trust agreements, guarantees granted by the National Guarantee Fund (FNG) and the Agricultural Guarantee Fund (FAG) among others, covering 57.4% of the exposure.

The consumer portfolio is mostly unsecured (with personal IOUs) with the exception of vehicle loans secured by pledges, free investment loans secured by mortgages (10,2% of consumer exposure). It is worth clarifying that within the unsecured consumer portfolio there are payroll loans, which are guaranteed for collection. Payroll loans account for approximately 29% of unsecured consumer loans.

Finally, mortgage loans are fully backed by a mortgage collateral or are assets of the Bank in the case of residential leasing, so credit risk exposure can always be mitigated with such collateral-

See note 13.5.9 (Loan and finance lease portfolio by type of guarantee) for further details on loans backed by guarantees.

11.4.2.4. Measurement of impairment reserves

The Bank seeks to ensure that the expected flows from lending and investment activity cover the expected requirements of the funds raised, and prudently sets aside reserves to cover the risks arising from intermediation activity. Likewise, it is important for the Bank to guarantee the stability and consistency of the reserves with the losses incurred by the portfolio, which is why models were developed with international standards to efficiently manage and mitigate the risks derived from its activity.

As of January 1, 2018, Banco Davivienda adopted IFRS 9 for the calculation of losses, modifying the approach to measure expected losses (IFRS 9) and not incurred losses as was done under IAS 39 until December 2017. Under this new approach, the Bank developed models that discriminate between massive (Personal Banking and SMEs) and non-massive portfolios (Corporate and Business Loans) and incorporate the traditional components of expected loss measurement: Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The measurement of expected loss for contingencies is also included and for this purpose a model of its Probability of Activation (PA) was developed.

In addition, the regulations emphasize the need to reflect current and future customer conditions That is why it postulates the incorporation of "forward looking" effects, which include macroeconomic effects in the estimates. For this reason, the calculation of expected losses is made under different scenarios weighted by their probability of occurrence, thus recognizing the impact that a changing macroeconomic environment may have on the Bank's losses.

Each country has parameters and methodologies adapted to its portfolio and local reality, with the exception of the vehicle and mortgage portfolios in Panama. For these two portfolios, there is little history and materiality to make a stable model, which is why it was decided to apply the parameters of Colombia in the same segments.

The main components of the methodologies used by the Bank to estimate expected losses under IFRS 9 are defined below, as well as the criteria used to classify the portfolio between Stage 1 - Normal Risk, Stage 2 - Significant Increase in Risk and Stage 3 - Default:

11.4.2.4.1. Criteria for classifying loans in Stage 1 - without significant increase in risk

A loan is deemed free of significant increased risk when it sustains good payment habits (arrears of less than 30 days) and has not changed its contractual conditions since initial recognition. Under certain conditions that are set forth in the following Stage, a reclassification is made.

11.4.2.4.2. 1.2.1.4. Criteria for classifying loans in Stage 2 - significant increase in risk

In general, a loan is deemed as having a significant increase in risk when one of the following factors occurs, depending on the type of portfolio:

Consumer: A loan is deemed to have a significant increase in risk when it is more than 30 days past due. In addition, for certain portfolios, criteria such as greater use in revolving loans, variation in the customer's risk level, payroll loans that lose collection are included.

Mortgage: Clients with arrears greater than 60 days as well as clients with other types of portfolios who do not comply with their obligations

Commercial: 30 days of arrears as well as particular criteria of the debtors depending on whether there have been changes in collateral, changes in credit conditions or particular conditions.

11.4.2.4.3. Criteria for classifying loans in Stage 3 - definition of default

Default is considered to exist in a segment from the first delinquency height in which the probability of credit recovery is less than 50%. In addition, for individually significant credits, other factors are taken into account to consider a default credit, such as legal processes and internal rating tracking. For each segment of each portfolio and for each country, the resulting parameter against the rebuttable presumption of non-compliance in 90 days of arrears was studied. This parameter was maintained in most massive and non-massive portfolios, with the exception of portfolios secured as mortgage loans. Note that the rating criteria in this Stage were not modified by the effect of the pandemic, however, there is evidence of an increase in the credits that defaulted as a consequence of the pandemic.

11.4.2.4.4. Likelihood of default

It is the estimated probability of occurrence of a default in the next 12 months of the instrument's life from the date of analysis, which is applied to instruments for which there is no significant evidence of impairment (Stage 1).

For massive portfolios, such as consumer, housing and SMEs, the probabilities of default are calculated using a non-parametric estimation of the survival curve adjusted for cancellations, seeking to predict the probability that the loan will reach default in the following 12 months of the observation period. A default parameter was studied for each homogeneous portfolio segment and survival curves were constructed for loans at different default heights in order to adequately capture the risk level of each segment.

For non-massive portfolios, which include the Corporate, Business and Construction segments, the Pluto & Tasche methodology was used (Pluto & Tasche, 2005) since these portfolios have a very low level of defaults.

When obligations or customers have had a significant increase in their risk level, the calculation of the probability of default is made over the remaining life of the credit.

The PD-Lifetime is the estimated probability of occurrence of a default over the remaining life of an instrument, which is measured on the remaining contractual flows of the instruments that present significant evidence of impairment (Stage 2).

For both massive and non-massive portfolios, the analysis described for the probability of default at 12 months is performed, but considering the available credit history, performing survival analysis.

11.4.2.4.5. Los Given Default (LGD)

The Loss Given Default (LGD) is the percentage of exposure that is expected to be lost in the event of a default in a financial instrument.

The loss is defined as one minus the recovery percentage of the exposure at the time of default. The latter is the sum of the expected flows from the operation discounted at the effective interest rate on the date of analysis. In order to estimate the LGD to be assigned to a financial instrument, the observed historical loss of each operation that has given rise to an episode of default is estimated.

For portfolios where there are guarantees securing the loans, the present value derived from the expectation of sale of the collateral is recognized.

(Millions of Colombian pesos (COP))

11.4.2.4.6. Exposure at time of default

For each obligation, the probability of default and the loss given default should be multiplied by the estimated exposure at the time of default.

Within the Bank's methodology, for loans that are amortized by installments, the exposure considers the natural decrease by the amortization of the loan over time, and the possibility that for each type of loan, the exposure is extraordinarily reduced through a prepayment.

In the case of revolving credits, a parameter for the conversion of quotas to credits (or Credit Conversion Factor - CCF) is calculated, which allows predicting the increase in the use of said credit quotas until the moment of default.

11.4.2.4.7. Forward Looking

IFRS 9 stresses the need to reflect current and future customer conditions. Therefore, it postulates the incorporation of "forward looking" effects, which include macroeconomic effects in the estimates. For this reason, the calculation of expected losses is made under different scenarios weighted by their probability of occurrence, thus recognizing the impact that a changing macroeconomic environment may have on the Bank's losses.

A time series model based on neural network implementation (LSTM) is estimated to calculate forward looking adjustment to explain the historically observed 12-month PD through macroeconomic variables. In this model all projected variables and their lags from 3 to 36 months are considered, then the mean square error (MSE) of the projection is measured for each of the resulting configurations taking as the final model the one that meets the criterion of least error, finally, the consistency of the projections with the business outlook is evaluated and if the projection is considered inconsistent with the portfolio's expectations, a model with greater error can be selected that is considered more consistent as long as it does not present a 10% error greater than the first selected model.

Due to the volatility presented by the macroeconomic indicators, this year's scenario projections were constructed with short-term models (1 year projection) on the main indicators of the different economies, and projected variables were also narrowed to GDP and CPI. The following tables present the scenarios for each of the projected scenarios.

	Base				
	Colombia	**Honduras**	**Panamá**	**El Salvador**	**Costa Rica**
GDP	Range -2.95% to 3.02%	Range 0.97% to 3.42%	Range 2.33% to 3.64%	Range 2.21% to 2.62%	Range 2.05% to 2.78%
CPI	Range 2.00% to 3.85%	Range -0.69% - 4.06%	Range -0.20% to 1.70%	Range -0.44% to 0.92%	Range 1.76% to 3.15%

	Adverse				
	Colombia	**Honduras**	**Panamá**	**El Salvador**	**Costa Rica**
GDP	Range -5.33% to 4.00%	Range -2.18% to 3.78%	Range -2.26% to 4.96%	Range -5.26% to 4.23%	Range -3.25% to 2.80%
CPI	Range 1.93% to 3.85%	Range 2.88% to 4.06%	Range -0.38% to1.84%	Range -0.44% to 1.59%	Range 1.49% to 2.80%

Given the economic and social emergency that is currently being experienced worldwide due to Covid-19, the following measures were implemented to calculate expected losses:

1. Stage rules were adjusted to recognize the significant increase in the level of risk (stage 2) among customers identified in each of the countries as having been significantly impacted by the COVID-19 crisis. Migration to

(Millions of Colombian pesos (COP))

stage 2 continues in massive portfolios by clients who continue with some type of financial relief and are uncertain about their future payment capacity.

2. Provisions were reviewed and adjusted for certain individually significant customers in industries directly or indirectly affected by the economic downturn.

3. Finally, we updated the macroeconomic outlook for the countries by incorporating the latest available information on the effects of the pandemic on the different economies. These effects are recognized in the Forward-looking component; 80% baseline scenario and 20% adverse scenario were used for weightings in all countries:

These three effects were incorporated in the models for both Colombia and the international subsidiaries, recognizing the specific deferral and relief dynamics of each country. Results are described below:

Business Models	**December 31, 2020**				**December 31, 2019**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Davivienda Colombia								
Commercial	191,258	635,144	1,674,734	2,501,136	93,391	547,193	1,334,726	1,975,310
Consumer	910,226	708,226	1,167,295	2,785,747	538,874	539,548	316,729	1,395,151
Mortgage	44,023	114,811	209,918	368,752	25,946	50,576	192,831	269,353
	1,145,507	**1,458,181**	**3,051,947**	**5,655,635**	**658,211**	**1,137,317**	**1,844,286**	**3,639,814**
International Subsidiaries								
Commercial	94,977	45,897	111,232	252,106	58,730	20,216	91,128	170,074
Consumer	90,516	140,470	137,936	368,922	102,201	53,326	94,575	250,102
Mortgage	12,086	29,462	76,488	118,036	12,374	8,230	62,941	83,545
	197,579	**215,829**	**325,656**	**739,064**	**173,305**	**81,772**	**248,644**	**503,721**
Total impairment of Loans Portfolio and financial leases operations, net	**1,343,086**	**1,674,010**	**3,377,603**	**6,394,699**	**831,516**	**1,219,089**	**2,092,930**	**4,143,535**

As of December 31, 2020, total impairment of the Bank's portfolio reached 6,394,699, equivalent to 6.0% of the total portfolio, a 170 basis points increase over the figure recorded at the end of the immediately preceding year, which was 4.3%. The cost of risk increased by 56% relative to 2019, largely due to customers affected by the economic climate. This was addressed by the measures described above.

The breakdown of the impairment as a percentage of the balance by stage and by type of portfolio is shown in the following table:

Business Model	**December 31, 2020**				**December 31, 2019**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Davivienda Colombia								
Commercial	0.6 %	11.0 %	62.6 %	6.4 %	0.3 %	25.2 %	58.8 %	5.7 %
Consumer	4.1 %	43.1 %	74.3 %	10.9 %	2.5 %	31.6 %	75.2 %	5,8 %
Mortgage	0,2 %	7.9 %	42.3 %	1.7 %	0.1 %	5.0 %	42.8 %	1.4 %
	1.6 %	**16.4 %**	**64.4 %**	**6.6 %**	**0.9 %**	**23.3 %**	**58.7 %**	**4.7 %**
International Subsidiaries								
Commercial	1.0 %	4.9 %	46.7 %	2.4 %	0.6 %	6.1 %	43.5 %	1.6 %
Consumer	2.3 %	11.7 %	71.9 %	6.8 %	2.4 %	15.4 %	65.8 %	5.2 %
Mortgage	0.3 %	4.5 %	54.0 %	2.6 %	0.3 %	6.1 %	58.2 %	2,0 %
	1.1 %	**7.7 %**	**57.0 %**	**3.6 %**	**0.9 %**	**10.1 %**	**53.9 %**	**2.6 %**
TOTAL	**1.5 %**	**14.3 %**	**63.6 %**	**6.0 %**	**0.9 %**	**21.4 %**	**58.1 %**	**4.3 %**

Coverage ratio increased with respect to the end of December 2019, going from 4.3% to 6.0%. Stage 1 increased from 0.9% to 1.5% due to the new macroeconomic scenarios that significantly impacted loss estimates for the next 12 months on loans with no increased risk level. Furthermore, there was an increase in portfolio coverage in stage 3 due to the increase in individual provisions, particularly in the commercial portfolio. For stage 2, there is a decrease in coverage attributable to the commercial portfolio in Colombia and the different segments in the Central American subsidiaries. For these segments, the reduction is explained by the portfolio that migrated to stage 2 during the year due to sectoral rules and an increase in the level of risk without the portfolio being more than 30 days past due at the end of December 2020. In such cases, the estimate of provisions is lower compared to the portfolio that is in stage 2 with materialized rolling.

11.4.2.5. Impact, individually significant clients

Within the process of provision quantification under IFRS 9, there are clients who, due to their increase in risk level as well as the materiality of their exposure, must be analyzed individually to understand recovery expectation through the analysis of cash flows expected, net of present guarantees recovery value when applicable.

The main clients that generated impact on the deterioration of the fourth quarter of 2020, belong to companies of the corporate segment and builder, located in Colombia, in sectors corresponding to Projects of Construction, Air Transport of Passengers and Services, generating an increase in coverage level from $156,686 to $467,407 from 2019 to 2020 respectively.

See Note 13.5.3 (individually evaluated portfolio of credits) for further details on the individually qualified portfolio.

11.4.3. Risk management, derivative financial instruments

The operation of derivative financial instruments and structured products in the Treasury of Banco Davivienda is part of a risk policy scheme based the following minimum guidelines:

- Authorized market or product.
- Counterparty limits and authorized credit, acceptable guarantees in credit risk mitigation mechanisms, concentration of credit exposure by counterparty and/or sector, and the company's global credit exposure
- Signing of framework and/or ISDA contracts, with due diligence considering the analysis of clauses related to credit risk mitigation, early termination, and default.
- Authorized counterparties, even for cases intended to bring a central counterparty risk chamber.

11.4.4. Market and liquidity risk management

The Vice Presidency of Investment Risk is the instance unto which the Board of Directors of each company delegates responsibility for the evaluation of financial risks, identification of new risks, definition of calculation methodologies, policy suggestions and risk control.

Risk Management in the companies of Grupo Empresarial Bolívar is carried out through a synergic strategy between the companies, consolidating a Financial Risk Directorate for all companies, thus optimizing technological and human resources. The Financial Risk Directorate depends on the Vice Presidency of Investment Risk of Grupo Empresarial Bolívar, following the guidelines of the Vice Presidency of Risk and Financial Control and the Corporate Risk Committee.

For this purpose, it has been established that the Financial Risk Committee (CFR, after its name in Spanish) of Grupo Empresarial Bolívar, the Assets and Liabilities Management Committee (C-GAP, after its name in Spanish) or whoever may act in its capacity, the Foreign Currency Assets and Liabilities Management Committee (C-GAP ME, after its name in Spanish), the Market Risk Committee, and the Board of Directors of each Group entity, are the bodies responsible for defining institutional policies in relation to exposure to different financial risks, in line with the financial structure and operation of each entity, as well as with its strategy and corporate objectives.

The Financial Risk Management Manual (MARF) of Grupo Empresarial Bolívar consolidates the aspects related to management and administration of treasury and liquidity financial risks in the Group companies and establishes the administration system required for this purpose.

Thus, the companies have designed and implemented a robust structure of exposure limits to risk, to control portfolios and their management activities Each company has defined, among others, investment and counterpart limits, portfolios, limits per operator, value at risk, sensitivity, duration, term, as well as various early alerts to monitor and control the operation.

The Board of Directors delegates unto the CRF and in the Investment and Risk Committees of the Collective Investment Funds, as appropriate, the responsibility of evaluating and authorizing the different operation and investment alternatives of the Treasuries of each Company; and unto the C-GAP, or whoever acts in its capacity, the definition, monitoring and control of the general policies of asset and liability management (market risk of the balance structure), and liquidity risk management policies.

11.4.4.1. Market risk

Market risk management identifies, measures, monitors and controls the risks derived from fluctuations in interest rates, exchange rates, prices, indices and other risk factors affecting the entity's activity.

The strategic principles governing the bank market risk management are:

- Consistency between expected profits and tolerated exposure level.
- Participation in markets and products on which there is deep knowledge and management tools
- Segmentation of strategies and risk profiles by business model.
- Consolidated and disaggregated management.

Through its investment portfolio, Davivienda participates in the capital, money and foreign exchange markets. The managed portfolios are composed of a series of assets that diversify the sources of income and the risk assumed, which are framed within a series of limits and early warnings that seek to maintain the balance risk profile and the profitability/risk ratio.

Given the nature of the business and the markets accessed the bank's book of records and the treasury book are exposed to interest rate risk, exchange rate risk and the risk of change in price of shares and investment funds.

Business model and portfolio structure

Given that market risk management is based on the recognition of the business models defined for the administration of the investment portfolio, the bank establishes two major mandates: i) structural management: investments whose purpose is associated with financial intermediation, balance market risk management and the need for liquid asset support in the financial intermediation process; and ii) trading management: investments whose purpose is to maximize the profits generated by the Treasury through the purchase and sale of financial instruments

Based on these business models, fields of action are established for management through limits, alerts and risk policies that reflect risk appetite, market depth, and the objective of each business line.

(Millions of Colombian pesos (COP))

The gross investment portfolio, as of December 31, 2020, was $15,567,667 according to the business models:

			Variation	
Business Model	December 31, 2020	December 31, 2019	$	%
Trading	2,857,489	1,914,901	942,588	49,2 %
Structural	12,710,178	9,800,862	2,909,316	29,7 %
Liquidity reserve	10,419,254	7,564,684	2,854,570	37,7 %
Balance-sheet management	2,290,924	2,236,178	54,746	2,4 %
Total	15,567,667	11,715,763	3,851,904	32,9 %

Investments in debt securities are mostly structural positions associated with the liquidity reserve and balance sheet management, followed by the trading portfolio. With respect to the fluctuations recorded during the period, trading increased its position by 49.2%, an ordinary trend for this portfolio as it is based on short-term strategies. The structural portfolio increased 29.7%, mainly due to an increase in the position in forced investments related to the release of reserve requirements in Colombia and El Salvador.

Accounting classification rules for investments are associated with the business models used to manage the portfolios. As of December 31, 2020, gross loans were classified as follows:

			Variation	
Accounting Classification	December 31, 2020	December 31, 2019	$	%
Fair value through profit or loss	5,197,337	4,137,310	1,060,027	25,6 %
Fair value through OCI	6,525,640	5,403,522	1,122,118	20,8 %
Amortized cost	3,844,690	2,174,931	1,669,759	76,8 %
Total	15,567,667	11,715,763	3,851,904	32,9 %

Most investments are classified as tradable and available-for-sale, since the liquidity reserve and the trading portfolios, in view of their nature of eventual sale at market prices, must reflect the liquidation price or fair value. As of December 31, 2020, the portfolio classified as held-to-maturity or amortized cost showed the largest increase as a result of higher position in forced investments in Colombia. The increase in the tradable portfolio is mainly due to the short-term strategies adopted by the trading business model.

At the level of subsidiaries and operating jurisdiction, the investment portfolio is mainly explained by the operation in Colombia, followed by Costa Rica, El Salvador and Panama.

			Variation	
Country	December 31, 2020	December 31, 2019	$	%
Colombia	10,076,988	7,667,548	2,409,440	31.4 %
Costa Rica	1,733,927	1,566,898	167,029	10.7 %
El Salvador	1,750,264	846,742	903,522	106.7 %
Panamá	1,306,574	1,037,886	268,688	25.9 %
Honduras	291,274	357,278	(66,004)	-18.5 %
United States	408,640	239,411	169,229	70.7 %
Total	15,567,667	11,715,763	3,851,904	32,9 %

11.4.4.2. Measurement of Market Risk

The measurement of market risk quantifies the potential loss from changes in risk factors that affect the valuation of the institution's expected results. This requires the establishment of parameters and tools for measurement, as well as the generation of reports, analyses and periodic evaluations for senior management and the risk-taking areas.

The Bank's market risk management system allows the Bank to identify, measure and control the risk to which balance sheet positions are exposed based on the business model principle. For this purpose, 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 a framework of action defined by Value at Risk measures, maximum positions and sensitivity measures (Rho, Delta, Vega, among others). On the other hand, the portfolios that attend to a structural mandate are composed of debt instruments whose structure is defined with a long-term vision that can be complemented with derivative financial instruments with the purpose of reducing the sensitivity of the portfolios to adverse movements in interest rates.

In addition to the standard model required by the Colombian Superintendence of Finance (SFC), Davivienda has adopted sensitivity measures, positions, maximum durations and terms, and value at risk (VaR) measures to manage market risk.

11.4.4.3. Risk of changes in net interest rate and exchange rate exposure

High volatility in interest and exchange rates was recorded during the year ended December 31, 2020, particularly in the first half of the year, as a result of the stress caused by the COVID-19 pandemic and some other external shocks. Overall interest rates have been on a downward trend as a result of expansionary policies aimed at stimulating economic recovery in all jurisdictions. This has led to continuous valuations of investment portfolios.

The Colombian peso appreciated 11.2% against the dollar over the fourth quarter, ending the year with a 4.7% accumulated depreciation in 2020. The Costa Rican Colon - Dollar exchange rate followed the same depreciation trend as the Colombian peso, but more pronounced, with a 7.2% accumulated depreciation during the year. In contrast, the Honduran Lempira - Dollar exchange rate did not register significant variations.
Davivienda structurally maintains a long exposure in foreign currency in order to reduce the sensitivity of the capital ratio to the exchange rate. Accordingly, the depreciation trend of the Colombian peso has led to an increase in the Bank's equity due to the foreign exchange effect, which offset the adverse impact of the increase in the exchange rate on the capital ratio.

Davivienda's risk management policies have enabled the Bank to adequately cope with market shocks, but this has not implied the adoption of mitigation measures, since the market risk appetite framework and the strategies defined are structural in nature and adjusted to the management of stress events.

Value at Risk - var

A standard model is used for the measurement, control and management of market risk, defined by the SFC, focusing on consumption and capital allocation. This methodology is based on the mapping of active and passive positions of the investment portfolio subject to changes in interest rates in certain zones and bands from the duration of each instrument. It also includes the net exposure at exchange rates of the cash book and bank book.

According to the standard model, the value at risk for the consolidated balance sheet investment portfolio as of December 31, 2020 and December 31, 2019 was as follows:

(Millions of Colombian pesos (COP))

Maximum, minimum, and average VaR.

	December 31, 2020			
	Minimum	Average	Maximum	Latest
Interest rate	233,727	267,738	295,076	247,502
Exchange rate	52,997	185,519	342,357	52,997
Shares	2,682	3,748	4,387	3,810
Unit funds	17,871	19,083	23,163	18,579
VaR	322,888	476,088	641,149	322,888

	December 31, 2019			
	Minimum	Average	Maximum	Latest
Interest rate	135,620	198,495	250,932	229,678
Exchange rate	168,960	199,428	229,311	224,011
Shares	698	1,189	3,667	2,621
Unit funds	5,960	8,368	20,298	20,298
VaR	312,193	407,480	502,042	476,608

A substantial reduction in the value at risk, concentrated in the exchange rate factor, is observed and explained by a methodological change introduced by External Circular 016 of 2020 issued by the Financial Superintendence of Colombia. The purpose of this change is to align with Basel standards that recognize strategies to protect the solvency ratio, so that capital charges are not generated by directional structural exchange-rate positions. This methodological update was applied from July 2020, until which time the conditions established by the regulations were fulfilled and approved by the Board of Directors.

As a complement to the management under normal conditions, measurements of stress scenarios are made based mainly on quantitative techniques, which seek to find by means of relationships between variables and historical scenarios the worst events, in order to evaluate how the volatilities generated and devaluations evidenced under these scenarios, they can impact the entity's current portfolio and thus quantify the capital that the company would require if it were in a crisis situation. To do this, statistical tools are used and these worst events are applied to the current situation of the portfolio.

Within the quantitative techniques scheme, two stress estimation methodologies have been implemented. The first is a stressed VaR, which represents the maximum expected extreme loss in a day according to historical events (stress scenarios) and represents the estimate of the stressed risk value for a given time using volatilities and EWMA correlations (Exponentially-Weighted Moving Average).

The second technique is an analysis of sensitivities, based on the largest devaluations, recorded throughout local and international financial crises, with which portfolios are impacted on the different risk factors.

(Millions of Colombian pesos (COP))

Risk of change in exchange rates

Davivienda is exposed to exchange rate variations, firstly as a result of its international presence through its subsidiaries in the Central American and United States markets, and secondly because of its trading activity in the foreign exchange market. Below are the net positions (assets less liabilities) in currencies.

	December 31, 2020		December 31, 2019	
	Currency balance	Peso balance	Currency balance	Peso balance
USD	422	1,448,255	306	1,004,149
Lempira	2,974	423,371	3,053	405,894
Colón	77,381	435,071	60,494	347,724
Others (*)	(3)	(9.262)	(3)	(9,395)
Total	80,774	2,297,435	63,850	1,748,372

(*) Amounts in USD in the "Currency Balance" column

The estimated effect of a 1% increase or decrease in the U.S. dollar exchange rate, holding all other rates constant, with respect to the exchange rate in effect on December 31, 2020, would be +/-$28,869. For its part, the same year for December 31, 2019 generates an impact of $17,578.

The bank book has exposure to the United States dollar, the Lempira de Honduras and the Costa Rican Colon. These exposures originate from the international presence of the Bank through its subsidiaries, which are managed through financial hedging strategies that seek to reduce the sensitivity of the solvency ratio to movements in exchange rates. The hedges are defined according to the depth of the markets for each currency and based on a prospective analysis of the economies and the market situation.

The management of the balance sheet's exchange position is part of the regulation established by the central banks of which Davivienda has operations, which restrict, depending on the assets of each entity, maximum long and short positions in currencies.

In 2020 it was characterized by the high volatility of the Colombian peso against the dollar; it reached a year-on-year devaluation of more than 25% in the first quarter, to close in December at 4.7%. To the extent that Davivienda maintains a long structural position in the dollar, the devaluationist trend has meant that the Bank has been valued by exchange rate reexpression, which has offset the adverse impact of the exchange rate increase on the solvency ratio.

As part of the foreign exchange risk strategy, Davivienda has an accounting coverage of its net foreign investments. The COVID-19 pandemic did not affect effectiveness because it is a perfect coverage relationship in which the covered item and the hedging instrument are denominated in dollars.

11.4.4.4. Risk of interest rates on balance-sheet structure:

The Bank's financial assets and liabilities are exposed to possible fluctuations in market rates and prices. These changes have a direct impact on the Bank's financial margin and results. For this reason, methodologies are used to sensitize financial instruments to changes in rates, and the asset and liability maturities and repricing are monitored.

The sensitivity of income from interest-bearing assets and expenses from liabilities with financial cost is presented below. Thus, by December 31, 2020, a 50 bp increase or decrease in interest rates could have caused a decrease or increase of $50,423 respectively, in the Income Statement. For December 2019, this sensitivity would have been $ 17,765.

Banco Davivienda S.A. and Subsidiaries
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	December 31, 2020				
				Δ50 pb Impact	
	Quarterly average	Income/expense	Average rate (*)	Increase	Decrease
Interest-earning assets					
Money market funds	1,132,671	14,331	1.3 %	5,663	(5,663)
Local currency	526,403	9,351	1.8 %	2,632	(2,632)
Foreign currency	606,268	4,980	0.8 %	3,031	(3,031)
Investments at fair value through profit or loss and through OCI	11,616,244	711,883	6.1 %	(23,924)	23,924
Local currency	7,137,969	454,531	6.4 %	(43,965)	43,965
Foreign currency	4,478,275	257,352	5.7 %	20,041	(20,041)
Investments at amortized cost	3,464,170	36,057	1.0 %	17,321	(17,321)
Local currency	2,548,705	20,850	0.8 %	12,744	(12,744)
Foreign currency	915,465	15,207	1.7 %	4,577	(4,577)
Credit portfolio	108,682,431	10,569,675	9.7 %	350,012	(350,012)
Local currency	77,889,639	8,231,975	10.6 %	219,463	(219,463)
Foreign currency	30,792,792	2,337,700	7.6 %	130,549	(130,549)
Total assets in local currency	88,102,716	8,716,707	9.9 %	190,874	(190,874)
Total assets in foreign currency	36,792,800	2,615,239	7.1 %	158,198	(158,198)
Total interest-earning assets	**124,895,516**	**11,331,946**	**9.1 %**	**349,072**	**(349,072)**
Interest-bearing liabilities					
Public deposits	87,242,690	2,338,270	2.7 %	272,860	(272,860)
Local currency	62,623,369	1,666,689	2.7 %	200,959	(200,959)
Foreign currency	24,619,321	671,581	2.7 %	71,901	(71,901)
Bonds	13,140,136	831,247	6.3 %	30,626	(30,626)
Local currency	9,541,930	618,788	6.5 %	30,626	(30,626)
Foreign currency	3,598,206	212,459	5.9 %	-	-
Money market funds	2,326,183	69,366	3.0 %	11,631	(11,631)
Local currency	2,088,916	66,139	3.2 %	10,445	(10,445)
Foreign currency	237,267	3,227	1.4 %	1,186	(1,186)
Financial sector debt	16,875,435	558,464	3.3 %	84,377	(84,377)
Local currency	4,249,759	124,553	2.9 %	21,249	(21,249)
Foreign currency	12,625,676	433,911	3.4 %	63,128	(63,128)
Liabilities in local currency	78,503,974	2,476,169	3.2 %	263,279	(263,279)
Liabilities in foreign currency	41,080,470	1,321,178	3.2 %	136,215	(136,215)
Total interest-bearing liabilities	**119,584,444**	**3,797,347**	**3.2 %**	**399,494**	**(399,494)**
Total financial assets, net, subject to interest rate	**5,311,072**	**7,534,599**		**(50,423)**	**50,423**
Local currency	9,598,742	6,240,539		(72,405)	72,405
Foreign currency	(4,287,670)	1,294,060		21,982	(21,982)

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	December 31, 2019				
				Δ50 pb Impact	
	Quarterly average	Income/expense	Average rate (*)	Increase	Decrease
Interest-earning assets					
Money market funds	927,189	39,232	4.2 %	4,636	(4,636)
Local currency	696,784	27,240	3.9 %	3,484	(3,484)
Foreign currency	230,405	11,992	5.2 %	1,152	(1,152)
Investments at fair value through profit or loss and through OCI	9,283,665	586,968	6.3 %	2,175	(2,175)
Local currency	6,227,555	374,486	6.0 %	(10,196)	10,196
Foreign currency	3,056,110	212,482	7.0 %	12,371	(12,371)
Investments at amortized cost	1,997,702	149,637	7.5 %	9,988	(9,988)
Local currency	1,359,099	139,875	10.3 %	6,795	(6,795)
Foreign currency	638,603	9,762	1.5 %	3,193	(3,193)
Credit portfolio	93,600,297	9,839,442	10.5 %	314,080	(314,080)
Local currency	69,317,096	7,730,749	11.2 %	210,992	(210,992)
Foreign currency	24,283,201	2,108,693	8.7 %	103,088	(103,088)
Total assets in local currency	77,600,534	8,272,350	10.7 %	211,075	(211,075)
Total assets in foreign currency	28,208,319	2,342,929	8.3 %	119,804	(119,804)
Total interest-earning assets	**105,808,853**	**10,615,279**	**10.0 %**	**330,879**	**(330,879)**
Interest-bearing liabilities					
Public deposits	73,094,970	2,495,710	3.4 %	245,665	(245,665)
Local currency	54,054,223	1,912,500	3.5 %	186,334	(186,334)
Foreign currency	19,040,747	583,210	3.1 %	59,331	(59,331)
Bonds	11,915,639	792,204	6.6 %	30,377	(30,377)
Local currency	8,922,870	609,221	6.8 %	30,377	(30,377)
Foreign currency	2,992,769	182,983	6.1 %	-	-
Money market funds	1,927,762	73,831	3.8 %	9,639	(9,639)
Local currency	1,761,799	66,093	3.8 %	8,809	(8,809)
Foreign currency	165,963	7,738	4.7 %	830	(830)
Financial sector debt	12,592,833	640,276	5.1 %	62,965	(62,965)
Local currency	2,838,317	174,727	6.2 %	14,192	(14,192)
Foreign currency	9,754,516	465,549	4.8 %	48,773	(48,773)
Liabilities in local currency	67,577,209	2,762,541	4.1 %	239,712	(239,712)
Liabilities in foreign currency	31,953,995	1,239,480	3.9 %	108,934	(108,934)
Total interest-bearing liabilities	**99,531,204**	**4,002,021**	**4.0 %**	**348,646**	**(348,646)**
Total financial assets, net, subject to interest rate	**6,277,650**	**6,613,257**		**(17,765)**	**17,765**
Local currency	10,023,326	5,509,809		(28.636)	28,636
Foreign currency	(3,745,676)	1,103,448		10,871	(10,871)

(*) Calculated as: Accumulated income last 4 quarters / average balance last 4 quarters.

11.4.4.5. Liquidity risk

The liquidity risk is reflected in the contingency of not being able to comply fully, in a timely and efficient manner, with expected and unexpected, current, and future cash flows, without affecting the course of daily operations or the financial condition of the entity. This contingency (anchor liquidity risk) is manifested in the inadequacy of liquid assets available for this purpose and/or the need to assume unusual funding costs. In turn, the ability of entities to generate or undo financial positions at market prices is limited either because there is no adequate market depth or because there are drastic changes in rates and prices (market liquidity risk). Similarly, for businesses that are anchored through deposits, liquidity risk includes the ability to generate a stable, long-term anchor structure to maintain non-liquid assets in line with the business strategy. and able to address unanticipated stress situations.

The strategic principles used by the Bank for liquidity risk management are as follows:

- Permanently available high quality liquid assets, in accordance with the balance and risk appetite structure.
- The self-sufficiency of the balance sheet of the Bank and each of its subsidiaries must prevail in a liquidity crisis.
- Do not overestimate the availability of liquid assets; that is, constantly assess the liquidity level of the assets that make up the reserves and anticipate changes.
- Mitigate reputational risk, so that with own resources you have the capacity to address adverse situations without compromising compliance with current regulations and reduce the likelihood of requiring transitional support from state entities.

To comply with these principles, the risk management scheme, which complements the standard models of supervisory bodies, has a number of indicators. Short- and long-term limits and alerts that are handled daily by the Treasury and periodically by the areas in charge of the balance sheet structure, as set out below.

Short-term

The methodologies used for the estimation of liquidity risk consist, for short-term purposes, in (i) the calculation of cash flows from active, passive and off-balance sheet positions in different time horizons for different scenarios, and (ii) the identification and quantification of liquid assets available to cope with such cash flow.

	DAVIVIENDA	Regulator / Oversight
Measurement and management horizon	3, 30, 90 days	7, 30, 60, 90 days
Scenarios	3: Normal, Moderate, Severus	1: Stress
Indicators for quantification, control, and management	Structural liquidity needs: Minimum amount of liquid assets. Ratio: Liquid Assets / Net Liquidity	Ratio: Liquid Assets / Net Liquidity Requirements
Purpose of the indicator	Liquidity self-sufficiency in stress scenarios / Avoiding recourse to last resort support provided by the central bank or whoever acts in its place.	

It is a policy to maintain a portfolio of a minimum required size invested in highly liquid assets, so that a crisis may be addressed in a moderate scenario, without resorting to temporary liquidity support provided by central banks or whoever acts in its place. The size of the portfolio or liquidity reserve is determined based on an estimate of the withdrawals, under stress, impacting the volatile portions of deposits of individuals, corporations and institutions. Similarly, when estimating the liquidity reserve, the funding strategy defined in the bank's growth plan is incorporated prospectively to ensure sufficient liquid assets in line with the structure of the balance sheet and the desired risk profile.

Assets comprising the liquidity reserve must have minimum characteristics; they must be eligible as collateral for central banks, have low credit and market risk, and be priced in large and well-known markets. In addition, these assets must be unencumbered, i.e., free of any contractual obligation limiting use or disposal.

(Millions of Colombian pesos (COP))

Long-term

For long-term management, methodologies focus on the analysis of funding sources and their breakdown by segments, products, and maturities, as well as the characterization of assets and liabilities that do not have contractually defined terms of permanence.

	DAVIVIENDA	**Regulator / Oversight**
Indicators for quantification, control, and management	Stable Funding Ratio: Stable Liability / Structural asset	Net Stable Fondation Coefficient*: Stable Liability / Structural asset * Applicable exclusively in Colombia. In other jurisdictions, regulators have no scope over the long-term funding structure
Purpose of the indicator	Promote the proper balance between long-term assets and stable funding	

Under the long-term approach, the aim is to promote a balanced relationship between long-term assets and stable anchor so that the balance grows in a structured and sustainable way. Structural assets are understood as those long-term, low-liquidity assets with a vocation for renewal. For its part, stable anchorage is understood as those long-term resources, resources from atomized sources and with high rates of renewal and stability.

As a result of the systemic stress situation generated by the health emergency and other external shocks that have introduced high volatility to the stock market, the cash flow dynamics have been modified during most of 2020. particularly at the collection and disbursement levels of loan portfolio. Measures initially taken by some central banks and national governments, focusing on monetary expansion and increased liquidity, have been sustained, so Davivienda has not experienced liquidity pressures.

In general, as a precautionary measure, both the Bank and its subsidiaries have focused their efforts on maintaining the reserve of liquid assets to adequately address the situation. As long as measures by monetary authorities are maintained and in the expectation of a gradual resumption of economic activity, liquidity pressures that cannot be adequately met are not foreseen, given the liquid assets that are available.

The following are the contractual capital and interest flows of financial liabilities, as of December 31, 2020 and December 31, 2019.

December 31, 2020	Up to one month	More than one month and no more than three months	More than three months and no more than one year	More than one year and no more than fiver years	More than five years	Total
Certificates Term deposits	4,018,984	7,094,340	16,324,678	7,094,612	139	34,532,753
Savings and current accounts (*)	53,792,388	-	-	-	-	53,792,388
Bonds	79,458	566,420	787,321	9,582,300	4,013,631	15,029,130
Financial sector debt	1,377,387	2,012,706	3,615,101	5,669,162	2,430,820	15,105,176
	59,268,217	9,673,466	20,727,100	22,346,074	6,444,590	118,459,447

(Millions of Colombian pesos (COP))

December 31, 2019	Up to one month	More than one month and no more than three months	More than three months and no more than one year	More than one year and no more than fiver years	More than five years	Total
Certificates Term deposits	3,910,373	6,399,245	17,069,068	8,421,244	3,459	35,803,389
Savings and current accounts (*)	41,293,134	-	-	-	-	41,293,134
Bonds	171,369	480,208	1,961,765	8,640,691	4,528,071	15,782,104
Financial sector debt	771,208	1,704,814	4,786,741	4,490,884	3,084,926	14,838,573
	46,146,084	8,584,267	23,817,574	21,552,819	7,616,456	107,717,200

(*) Savings and current 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 falls within that time band.

12. Financial assets and liabilities offsetting

An asset and a financial liability shall be a target of compensation, so that it is revealed in the financial statement when it is at the present time, the right, legally enforceable, to offset the amounts recognized, and the intention is, in the normal course of business, to settle the net amount.

In this context, the details of the financial instruments subject to compensation as of December 31, 2020 and December 31, 2019, as well as the impact of the compensation of instruments subject to credit risk mitigation agreements, are presented below (Master Netting Agents and Collateral Giro).

December 31, 2020			Amounts not netted in the Statement of Financial Position			
	Gross financial assets recognized	Net financial assets presented in the Statement of Financial Position	Impact of Master Netting Agreements	Cash Collateral	Debt Collateral	Net amount
Assets						
Money market funds	1,695,345	1,695,345	-	-	1,107,856	587,489
Derivatives (*)	1,410,373	1,410,373	1,067,914	87,058	-	255,401
	3,105,718	3,105,718	1,067,914	87,058	1,107,856	842,890
Liabilities						
Money market funds	1,653,988	1,653,988	-	-	1,921,979	(267,991)
Derivatives (*)	1,638,829	1,638,829	1,067,914	96,116	-	474,799
	3,292,817	3,292,817	1,067,914	96,116	1,921,979	206,808

December 31, 2019			Amounts not netted in the Statement of Financial Position			
	Gross financial assets recognized	Net financial assets presented in the Statement of Financial Position	Impact of Master Netting Agreements	Cash Collateral	Debt Collateral	Net amount
Assets						
Money market funds	723,602	723,602	-	-	96,430	627,172
Derivatives (*)	511,185	511,185	375,161	30,154	-	105,870
	1,234,787	1,234,787	375,161	30,154	96,430	733,042
Liabilities						
Money market funds	1,759,721	1,759,721	-	-	1,840,419	(80,698)
Derivatives (*)	617,805	617,805	375,161	43,732	-	198,912
	2,377,526	2,377,526	375,161	43,732	1,840,419	118,214

(*) does not include cash transactions.

(Millions of Colombian pesos (COP))

The “Impact of Master Netting Agreement” column details the amounts associated with compensation agreements generally applicable in situations where credit risk events materialize. These amounts are not included in the financial statement because they do not meet the concurrent liquidation criteria for the asset and liability or because the compensation rights are conditioned on the counterparty's default.

The cash collateral and debt securities columns show the amounts received, delivered, or pledged in relation to monetary market operations and financial derivative instruments.

13. Specific items of the consolidated financial statement of financial position

13.1. Cash

13.1.1. Available details

The detail of cash is as follows:

	December 31, 2020	December 31, 2019
Local currency		
Cash and banks	4,121,307	4,302,863
Clearing and transit	726	36,386
	4,122,033	4,339,249
Foreign currency		
Cash and banks	6,109,825	5,353,689
Clearing and transit	28,900	51,229
	6,138,725	5,404,918
	10,260,758	9,744,167

Cash and central bank balances in legal currency are part of the cash holding requirement that the Bank must keep on deposits received from customers, in accordance with legal provisions.

The following are restricted cash balances:

	December 31, 2020		December 31, 2019	
	Required (*)	Available (*)	Required (*)	Available (*)
Colombia	3,839,747	3,912,192	3,899,333	3,908,777
Subsidiaries abroad	2,798,803	3,321,738	2,760,867	3,667,079

(*) corresponds to the average lace and/or toll balances for the reporting period.

As of December 31, 2020, the cash reserve balance that the Miami branch was required to maintain in accordance with regulation was US$0 since as of March 26, 2020 the Federal Reserve Bank, in response to COVID-19, reduced the percentage to 0%. As of December 31, 2019 the average amount was approximately $11,998 equivalent to US$ 3.6.

Cash distribution based on the counterparty risk

	December 31, 2020	December 31, 2019
Sovereign/Central Bank guarantee	1,770,977	2,287,693
Investment grade	8,489,781	7,456,474
Total	10,260,758	9,744,167

13.2. Interbank and overnight funds

The following are the balances of active money market transactions:

December 31, 2020

	Amount USD million	Rate	Date Initial	Date Final	Amount
Foreign currency					
Interbank funds	USD $14	0.0% - 3.0%	8/10/2020	2/16/2021	46,410
Repos	USD $70	8.0 %	11/23/2020	1/22/2021	240,449
Local currency					
Simultaneous					
Others		-1.5% - 6.5%	12/03/2020	5/31/2021	1,408,485
Coupons Receivable - Passive Concurrent Operations (1)					1
					1,695,345

(1) Refers to the contractual right to receive payment from debt securities pledged as collateral in connection with simultaneous deposit transactions.

December 31, 2019

	Amount USD million	Rate	Date Initial	Date Final	Amount
Foreign currency					
Interbank funds	USD $99	2.06 %	10/02/2019	3/30/2020	326,042
Repos	USD $4	2.00% - 9.11%	12/06/2019	1/23/2020	14,626
Local currency					
Interbank funds					
Banks/Financial entities		4.11 %	12/30/2019	1/02/2020	30,007
Brokers		5.10 %	12/19/2019	1/20/2020	4,424
Simultaneous					
Brokers		5.00 %	12/11/2019	1/13/2020	1,015
Others		2.00% - 9.00%	12/10/2019	2/13/2020	347,488
					723,602

The distribution of interbank and overnight funds based on counterparty risk is done with investment grade banks.

(Millions of Colombian pesos (COP))

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, 2020			December 31, 2019		
	Value	Impairment (provision)	Net	Amount	Impairment (provision)	Net
Investments at fair value through profit or loss						
National Government	4,118,623	-	4,118,623	2,811,389	-	2,811,389
Financial entities	748,683	-	748,683	779,682	-	779,682
Banks abroad	15,739	-	15,739	40,290	-	40,290
Foreing governments	-	-	-	98,316	-	98,316
Corporate	65,963	-	65,963	69,108	-	69,108
Securitizations	248,329	-	248,329	338,525	-	338,525
	5,197,337	-	5,197,337	4,137,310	-	4,137,310
Investments at fair value through OCI						
National Government	1,923,412	-	1,923,412	2,079,701	-	2,079,701
Financial entities	203,005	-	203,005	172,153	-	172,153
Banks abroad	882,931	-	882,931	516,270	-	516,270
Credit multilateral organizations	53,332	-	53,332	47,942	-	47,942
Other governments	3,131,144	-	3,131,144	2,187,412	-	2,187,412
Corporate	293,124	-	293,124	339,570	-	339,570
Securitizations	38,692	-	38,692	60,474	-	60,474
	6,525,640	-	6,525,640	5,403,522	-	5,403,522
Investments at fair value through profit or loss and OCI	11,722,977	-	11,722,977	9,540,832	-	9,540,832
Investments at amortized cost						
National Government	1,344,321	-	1,344,321	-	-	-
Financial entities	1,201,044	742	1,200,302	1,029,882	598	1,029,284
Banks abroad	339,158	3,251	335,907	241,841	107	241,734
Other governments	20,019	217	19,802	19,113	230	18,883
Corporate	512,007	3,074	508,933	425,211	938	424,273
Securitizations	428,141	6	428,135	458,884	4	458,880
	3,844,690	7,290	3,837,400	2,174,931	1,877	2,173,054
	15,567,667	7,290	15,560,377	11,715,763	1,877	11,713,886

As of December 31, 2020, and 2019, investments in debt or equity securities committed as collateral amounted to COP $1,422,913 and COP $1,574,942 respectively.

(Millions of Colombian pesos (COP))

13.3.2. Investments by classification and type

The detail of financial instruments by type is as follows:

	December 31, 2020			December 31, 2019		
	Value	Impairment (provision)	Net	Value	Impairment (provision)	Net
Investments at fair value through profit or loss						
Shares and securities	136,231	-	136,231	132,579	-	132,579
Private debt bonds	102,264	-	102,264	140,161	-	140,161
Public debt – Colombian bonds other than TES	37,145	-	37,145	3,456	-	3,456
International funds, unit funds, pension funds, and trusts	496,252	-	496,252	368,716	-	368,716
Term deposits	95,876	-	95,876	245,742	-	245,742
Foreign public debt - bonds	-	-	-	98,316	-	98,316
Mortgage securities and securitizations	248,328	-	248,328	338,525	-	338,525
TES securities Colombia	4,081,241	-	4,081,241	2,809,815	-	2,809,815
	5,197,337	-	5,197,337	4,137,310	-	4,137,310
Investments at fair value through OCI						
Shares and securities	3,540	-	3,540	3,221	-	3,221
Private debt bonds	782,058	-	782,058	575,790	-	575,790
Public debt – Colombian bonds other than TES	161,227	-	161,227	36,695	-	36,695
Term deposits	615,086	-	615,086	474,133	-	474,133
Foreign public debt - bonds	3,131,144	-	3,131,144	2,187,412	-	2,187,412
Mortgage securities and securitizations	38,692	-	38,692	60,474	-	60,474
TES securities Colombia	1,793,893	-	1,793,893	2,065,797	-	2,065,797
	6,525,640	-	6,525,640	5,403,522	-	5,403,522
Investments at fair value through profit or loss and OCI	11,722,977	-	11,722,977	9,540,832	-	9,540,832
Investments at amortized cost						
Private debt bonds	1,896,407	7,067	1,889,340	1,507,768	1,639	1,506,129
Public debt – Colombian bonds other than TES	1,344,321	-	1,344,321	-	-	-
Term deposits	155,802	-	155,802	189,166	4	189,162
Foreign public debt - bonds	20,019	217	19,802	19,113	230	18,883
Mortgage securities and securitizations	428,141	6	428,135	458,884	4	458,880
	3,844,690	7,290	3,837,400	2,174,931	1,877	2,173,054
	15,567,667	7,290	15,560,377	11,715,763	1,877	11,713,886

13.3.3. Quality of credit risk

The following is the investment portfolio by risk rating:

	Stage 1 Expected loan losses next 12 months	
	December 31, 2020	December 31, 2019
Investments at amortized cost		
BBB	2,844,920	1,822,521
BB	733,616	177,333
B	266,154	175,077
	3,844,690	2,174,931
Impairment	(7,290)	(1,877)
	3,837,400	2,173,054

(Millions of Colombian pesos (COP))

	Stage 1 Expected loan losses next 12 months	
	December 31, 2020	December 31, 2019
Investments at fair value through OCI- Debt		
AAA	755,041	354,618
AA	101,250	-
A	157,131	192,384
BBB	2,783,658	2,701,331
BB	421,949	396,618
B	2,283,702	1,725,870
CCC	19,369	29,480
	6,522,100	5,400,301
Investments at fair value through OCI - Equity	3,540	3,221
Investments at fair value through profit or loss	5,197,337	4,137,310
	15,560,377	11,713,886

As of December 31, 2020, there were no investments classified in Stage 2 and 3. The Risk Scale is assigned by the Financial Institutions Credit Risk Management using international criteria.

13.3.4. Investments by currency

The following is the classification of financial investments by currency:

	December 31, 2020	December 31, 2019
Pesos	9,464,863	6,157,729
USD	4,793,692	3,317,390
CAD	3,266	9,161
UVR	608,860	1,500,658
Lempiras	227,757	290,352
Colons	469,229	440,473
Total	15,567,667	11,715,763
Impairment	(7,290)	(1,877)
Total Investments	15,560,377	11,713,886

13.3.5. Investments maturity

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

December 31, 2020

	From 0 to 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total
Investments at fair value through profit or loss	722,278	2,512,420	1,517,404	309,004	5,061,106
Investments at fair value through OCI	2,783,669	3,396,779	326,957	14,695	6,522,100
Investments at amortized cost	2,747,692	191,460	672,652	232,886	3,844,690
Total	6,253,639	6,100,659	2,517,013	556,585	15,427,896

(Millions of Colombian pesos (COP))

December 31, 2019

	From 0 to 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total
Investments at fair value through profit or loss	936,390	2,226,044	649,008	193,289	4,004,731
Investments at fair value through OCI	1,495,384	3,599,118	291,681	14,118	5,400,301
Investments at amortized cost	1,188,722	141,419	509,928	334,862	2,174,931
Total	3,620,496	5,966,581	1,450,617	542,269	11,579,963

13.3.6. Reconciliation of impairment of investments

The following chart shows a reconciliation of expected loss impairment by investment portfolio classification:

	Stage 1 Expected loan losses next 12 months	
	December 31, 2020	December 31, 2019
Investments at amortized cost		
Opening balance	1,877	3,957
Impairment	6,235	981
Reversal of impairment	(822)	(3,061)
	7,290	1,877

13.3.7. Credit quality

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

December 31, 2020	Fair Value		
Credit quality	Debt securities	Equity instruments	Amortized cost
Investment grade	1,743,632	-	1,500,599
Sovereign/Central Bank issues/guarantees	9,173,179	-	1,364,340
Speculation grade	666,395	-	979,751
Not rated / Not available	-	139,771	-
	11,583,206	139,771	3,844,690

December 31, 2019	Fair Value		
Credit quality	Debt securities	Equity instruments	Amortized cost
Investment grade	1,884,858	-	1,822,521
Sovereign/Central Bank issues/guarantees	7,176,817	-	-
Speculation grade	343,357	-	352,410
Not rated / Not available	-	135,800	-
	9,405,032	135,800	2,174,931

(Millions of Colombian pesos (COP))

13.4. Financial derivative instruments

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

December 31, 2020

	Assets		Liabilities		
Product	Notional amount	Fair Value	Notional amount	Fair Value	Total
Spot operations	18,080	96	181,874	1,423	(1,327)
Options	1,313,998	44,224	1,154,001	6,855	37,369
Futures	3,598,938	-	-	-	-
Swaps	17,230,738	712,354	17,819,640	749,487	(37,133)
Forwards	10,351,129	653,795	13,841,868	882,487	(228,692)
	32,512,883	1,410,469	32,997,383	1,640,252	(229,783)

December 31, 2019

	Assets		Liabilities		
Product	Notional amount	Fair Value	Notional amount	Fair Value	Total
Spot operations	7,843	29	9,831	15	14
Options	530,484	7,233	589,620	9,840	(2,607)
Futures	2,924,112	-	-	-	-
Swaps	10,488,699	270,105	10,381,932	282,596	(12,491)
Forwards	7,426,448	233,847	9,390,038	325,369	(91,522)
	21,377,586	511,214	20,371,421	617,820	(106,606)

The result of speculative derivatives is the following:

December 31, 2020

		Forward	Futures	Swaps	Options	Total
Currency purchases	Right	11,966,303	1,204,241	193,395	-	13,363,939
	Obligation	12,819,546	1,204,241	211,634	-	14,235,421
Currency sales	Right	10,687,226	2,178,356	113,066	-	12,978,648
	Obligation	10,051,455	2,178,356	107,476	-	12,337,287
Securities purchases	Right	253,083	168,873	-	-	421,956
	Obligation	251,635	168,873	-	-	420,508
Securities sales	Right	1,984,008	73,606	-	-	2,057,614
	Obligation	1,996,676	73,606	-	-	2,070,282
Interest rate swaps	Right	-	-	3,383,004	-	3,383,004
	Obligation	-	-	3,407,488	-	3,407,488
Call Options	Purchase	-	-	-	1,647	1,647
	Sale	-	-	-	(2,877)	(2,877)
		-	-	-		

(Millions of Colombian pesos (COP))

December 31, 2020

		Forward	Futures	Swaps	Options	Total
Put operations	Purchase	-	-	-	42,577	42,577
	Sale	-	-	-	(3,978)	(3,978)
Total rights		24,890,620	3,625,076	3,689,465	-	32,205,161
Total obligations		25,119,312	3,625,076	3,726,598	-	32,470,986
Total net		(228,692)	-	(37,133)	37,369	(228,456)

December 31, 2019

		Forward	Futures	Swaps	Options	Total
Currency purchases	Right	8,185,775	2,465,085	330,070	-	10,980,930
	Obligation	8,488,883	2,465,085	354,005	-	11,307,973
Currency sales	Right	7,361,440	363,421	283,000	-	8,007,861
	Obligation	7,148,300	363,421	262,682	-	7,774,403
Securities purchases	Right	537,915	185,048	-	-	722,963
	Obligation	537,675	185,048	-	-	722,723
Securities sales	Right	876,914	491,390	-	-	1,368,304
	Obligation	878,708	491,390	-	-	1,370,098
Interest rate swaps	Right	-	-	3,189,935	-	3,189,935
	Obligation	-	-	3,198,809	-	3,198,809
Call Options	Purchase	-	-	-	2,002	2,002
	Sale	-	-	-	(2,239)	(2,239)
Put operations	Purchase	-	-	-	5,231	5,231
	Sale	-	-	-	(7,601)	(7,601)
Total rights		16,962,044	3,504,944	3,803,005	-	24,269,993
Total obligations		17,053,566	3,504,944	3,815,496	-	24,374,006
Total net		(91,522)	-	(12,491)	(2,607)	(106,620)

(Millions of Colombian pesos (COP))

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

December 31, 2020		Derivatives	
Credit quality	Options	Swaps	Forwards
Investment grade	36,491	700,687	519,101
Speculative grade	7,733	11,667	134,694
	44,224	712,354	653,795

December 31, 2019		Derivatives	
Credit quality	Options	Swaps	Forwards
Investment grade	4,722	264,974	159,900
Speculation grade	2,511	5,131	73,947
	7,233	270,105	233,847

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

December 31, 2020	Under 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total
Spot operations	(1,327)	-	-	-	(1,327)
Options	37,369	-	-	-	37,369
Swaps	(25,489)	(5,004)	(6,660)	20	(37,133)
Forwards	(221,409)	(7,283)	-	-	(228,692)
	(210.856)	(12.287)	(6.660)	20	(229.783)

December 31, 2019	Under 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total
Spot operations	14	-	-	-	14
Options	(2,607)	-	-	-	(2,607)
Swaps	3,721	(7,316)	(8,896)	-	(12,491)
Forwards	(88,003)	(3,519)	-	-	(91,522)
	(86,875)	(10,835)	(8,896)	-	(106,606)

(Millions of Colombian pesos (COP))

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, 2020	December 31, 2019
Commercial		
Corporate and construction	31,369,574	29,402,101
Other commercial	13,189,091	11,807,893
Financial leasing	4,050,920	3,173,813
Credit cards	419,949	490,919
Vehicles	572,274	280,390
Checking account overdrafts	125,353	186,848
	49,727,161	45,341,964
Consumer (1)		
Credit cards	5,484,370	6,084,200
Other consumer	22,766,849	19,889,977
Vehicles	2,677,412	2,726,318
Checking account overdrafts	17,436	25,026
Financial leasing	86,687	65,273
	31,032,754	28,790,794
Mortgage (2)		
Home mortgage	14,655,386	13,036,724
Residential leasing	11,246,727	10,204,662
	25,902,113	23,241,386
Microcredit		
Microcredit	12,680	25,301
Financial leasing	48	125
	12,728	25,426
Gross loans	106,674,756	97,399,570
Less impairment	(6,394,699)	(4,143,535)
	100,280,057	93,256,035

(1) Includes employee portfolio $94,986 and $86,709 as of December 31, 2020 and December 31 , 2019 respectively.

(2) Includes employee portfolio $375,625 and $374,190 as of December 31, 2020 and December 31 , 2019 respectively.

(Millions of Colombian pesos (COP))

13.5.2. Loans by concentration of risk and collateral

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

December 31, 2020	Stage 1	Stage 2	Stage 3	
	Expected credit loan losses next 12 months	Loan losses expected over the life of the assets	Loan losses expected over the life of the assets with objective evidence of impairment	Total
Commercial				
Category A - Normal	35,975,493	3,782,489	117,055	39,875,037
Category B - Acceptable	557,262	1,409,316	175,575	2,142,153
Category C - Appreciable	142,869	788,494	389,472	1,320,835
Category D - Significant	21,182	121,289	766,021	908,492
Category E- Uncollectible	20,266	233,562	1,175,896	1,429,724
	36,717,072	6,335,150	2,624,019	45,676,241
Impairment	(266,446)	(639,961)	(1,616,387)	(2,522,794)
Commercial loans, net	36,450,626	5,695,189	1,007,632	43,153,447
Consumer				
Category A - Normal	23,900,206	1,059,090	-	24,959,296
Category B - Acceptable	1,094,143	655,715	-	1,749,858
Category C - Appreciable	1,039,388	566,160	5,447	1,610,995
Category D - Significant	275,458	471,535	1,548,931	2,295,924
Category E- Uncollectible	62,445	62,928	204,621	329,994
	26,371,640	2,815,428	1,758,999	30,946,067
Impairment	(1,000,441)	(847,974)	(1,302,905)	(3,151,320)
Consumer loans, net	25,371,199	1,967,454	456,094	27,794,747
Mortgage				
Category A - Normal	12,495,692	640,032	-	13,135,724
Category B - Acceptable	311,292	457,319	-	768,611
Category C - Appreciable	18,538	102,714	58,979	180,231
Category D - Significant	16,132	183,263	118,229	317,624
Category E- Uncollectible	16,935	18,110	218,151	253,196
	12,858,589	1,401,438	395,359	14,655,386
Impairment	(32,000)	(78,033)	(171,965)	(281,998)
Home Mortgage loans, net	12,826,589	1,323,405	223,394	14,373,388
Microcredit				
Category A - Normal	6,441	199	-	6,640
Category B - Acceptable	892	724	-	1,616
Category C - Appreciable	210	290	-	500
Category D - Significant	86	673	-	759
Category E- Uncollectible	186	1,265	1,714	3,165
	7,815	3,151	1,714	12,680
Impairment	(92)	(362)	(1,088)	(1,542)
Microcredit loans, net	7,723	2,789	626	11,138
	74,656,137	8,988,837	1,687,746	85,332,720

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Concentration of credit risk financial leasing

December 31, 2020	Expected credit loan losses next 12 months	Loan losses expected over the life of the assets	Loan losses expected over the life of the assets with objective evidence of impairment	Total
Commercial				
Category A - Normal	3,074,430	179,046	708	3,254,184
Category B - Acceptable	210,291	129,053	30,079	369,423
Category C - Appreciable	70,900	21,296	6,956	99,152
Category D - Significant	10,384	40,756	96,675	147,815
Category E- Uncollectible	15,422	13,336	151,588	180,346
	3,381,427	383,487	286,006	4,050,920
Impairment	(19,697)	(40,718)	(168,491)	(228,906)
Commercial loans, net	3,361,730	342,769	117,515	3,822,014
Consumer				
Category A - Normal	57,264	21,088	-	78,352
Category B - Acceptable	755	1,472	-	2,227
Category C - Appreciable	350	1,637	-	1,987
Category D - Significant	115	532	1,378	2,025
Category E- Uncollectible	-	87	2,009	2,096
	58,484	24,816	3,387	86,687
Impairment	(301)	(722)	(2,326)	(3,349)
Consumer loans, net	58,183	24,094	1,061	83,338
Mortgage				
Category A - Normal	9,965,757	107,557	-	10,073,314
Category B - Acceptable	310,575	466,090	-	776,665
Category C - Appreciable	15,959	47,028	51,753	114,740
Category D - Significant	4,481	79,170	106,789	190,440
Category E- Uncollectible	1,218	5,887	84,463	91,568
	10,297,990	705,732	243,005	11,246,727
Impairment	(24,109)	(66,240)	(114,441)	(204,790)
Home Mortgage loans, net	10,273,881	639,492	128,564	11,041,937
Microcredit				
Category A - Normal	48	-	-	48
	48	-	-	48
	13,693,842	1,006,355	247,140	14,947,337
Loans Portfolio and leases operations, net	88,349,979	9,995,192	1,934,886	100,280,057

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December 31, 2019	Stage 1	Stage 2	Stage 3	
	Expected credit loan losses next 12 months	Loan losses expected over the life of the assets	Loan losses expected over the life of the assets with objective evidence of impairment	Total
Commercial				
Category A - Normal	36,370,221	376,980	34,872	36,782,073
Category B - Acceptable	1,154,394	590,001	70,117	1,814,512
Category C - Appreciable	15,273	727,390	246,067	988,730
Category D - Significant	7,816	564,692	1,356,359	1,928,867
Category E- Uncollectible	571	72,381	581,017	653,969
	37,548,275	2,331,444	2,288,432	42,168,151
Impairment	(141,228)	(548,195)	(1,327,109)	(2,016,532)
Commercial loans, net	37,407,047	1,783,249	961,323	40,151,619
Consumer				
Category A - Normal	25,564,337	784,030	-	26,348,367
Category B - Acceptable	272,356	523,006	-	795,362
Category C - Appreciable	126,453	353,214	7,597	487,264
Category D - Significant	97,429	295,007	382,313	774,749
Category E- Uncollectible	52,331	94,652	172,796	319,779
	26,112,906	2,049,909	562,706	28,725,521
Impairment	(640,655)	(592,636)	(409,991)	(1,643,282)
Consumer loans, net	25,472,251	1,457,273	152,715	27,082,239
Mortgage				
Category A - Normal	11,870,633	128,169	-	11,998,802
Category B - Acceptable	108,037	277,591	-	385,628
Category C - Appreciable	10,820	99,217	81,369	191,406
Category D - Significant	9,044	175,010	94,425	278,479
Category E- Uncollectible	10,015	13,334	159,060	182,409
	12,008,549	693,321	334,854	13,036,724
Impairment	(26,640)	(33,600)	(149,288)	(209,528)
Home Mortgage loans, net	11,981,909	659,721	185,566	12,827,196
Microcredit				
Category A - Normal	16,499	297	-	16,796
Category B - Acceptable	84	1,259	-	1,343
Category C - Appreciable	-	728	-	728
Category D - Significant	20	1,444	-	1,464
Category E- Uncollectible	6	1,584	3,380	4,970
	16,609	5,312	3,380	25,301
Impairment	(180)	(608)	(1,588)	(2,376)
Microcredit loans, net	16,429	4,704	1,792	22,925
	74,877,636	3,904,947	1,301,396	80,083,979

(Millions of Colombian pesos (COP))

Concentration of credit risk financial leasing

	Expected credit loan losses next 12 months	Loan losses expected over the life of the assets	Loan losses expected over the life of the assets with objective evidence of impairment	Total
Commercial				
Category A - Normal	2,743,017	22,057	569	2,765,643
Category B - Acceptable	72,233	57,084	559	129,876
Category C - Appreciable	3,122	9,441	5,432	17,995
Category D - Significant	676	61,890	97,976	160,542
Category E- Uncollectible	4,153	12,781	82,823	99,757
	2,823,201	163,253	187,359	3,173,813
Impairment	(10,710)	(18,608)	(97,156)	(126,474)
Commercial loans, net	2,812,491	144,645	90,203	3,047,339
Consumer				
Category A - Normal	60,388	30	94	60,512
Category B - Acceptable	178	1,170	-	1,348
Category C - Appreciable	90	573	-	663
Category D - Significant	-	738	1,069	1,807
Category E- Uncollectible	-	108	835	943
	60,656	2,619	1,998	65,273
Impairment	(421)	(239)	(1,312)	(1,972)
Consumer loans, net	60,235	2,380	686	63,301
Mortgage				
Category A - Normal	9,530,889	58,295	-	9,589,184
Category B - Acceptable	5,457	271,811	-	277,268
Category C - Appreciable	217	43,212	82,032	125,461
Category D - Significant	899	68,143	70,128	139,170
Category E- Uncollectible	-	2,280	71,299	73,579
	9,537,462	443,741	223,459	10,204,662
Impairment	(11,680)	(25,206)	(106,484)	(143,370)
Home Mortgage loans, net	9,525,782	418,535	116,975	10,061,292
Microcredit				
Category A - Normal	110	-	-	110
Category B - Acceptable	-	2	-	2
Category C - Appreciable	-	13	-	13
	110	15	-	125
Impairment	(1)	(1)	-	(2)
Microcredit loans, net	109	14	-	123
	12,398,617	565,574	207,864	13,172,055
Loans Portfolio and leases operations, net	87,276,253	4,470,521	1,509,260	93,256,034

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13.5.3. Loans by individual classification

The following is the detail of loans classified individually:

December 31, 2020	0-30 days	31-90 days	>90 days	Gross amount recorded	Collateral	Provision made
No impairment recorded						
Commercial	20,217	528	91,352	112,097	12,949	-
Impairment recorded						
Commercial	3,055,586	225,690	951,178	4,232,454	2,336,772	1,773,291
Financial leasing	833	12	298	1,143	-	34
	3,056,419	225,702	951,476	4,233,597	2,336,772	1,773,325
	3,076,636	226,230	1,042,828	4,345,694	2,349,721	1,773,325

December 31, 2019	0-30 days	31-90 days	>90 days	Gross amount recorded	Collateral	Provision made
No impairment recorded						
Commercial	8,349	27,380	9,524	45,253	48,949	-
Impairment recorded						
Commercial	1,866,816	136,074	1,233,519	3,236,409	1,549,170	1,608,314
Financial leasing	479	528	1,086	2,093	-	-
	1,867,295	136,602	1,234,605	3,238,502	1,549,170	1,608,314
	1,875,644	163,982	1,244,129	2,383,755	1,598,159	1,608,314

13.5.4. Reconciliation of impairment of loans and leases

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

December 31, 2020

	Stage 1	Stage 2	Stage 3	
	Expected loan losses next 12 months	Loan loss expected over the lif of the assets	Loss expected over the life of the assets with impairment	Total
Commercial				
Opening balance January 1, 2020	151,938	566,803	1,424,265	2,143,006
Transfers to Stage 1 from Stages 2 and 3	18,252	(16,857)	(1,395)	-
Transfers to Stage 2 from Stages 1 and 3	(10,255)	18,671	(8,416)	-
Transfers to Stage 3 from Stages 1 and 2	(2.803)	(295,081)	297,884	-
Impairment of financial assets	68,468	334,718	1,008,511	1,411,697
Impairment of new assets	143,633	227,515	341,914	713,062
Reversal of impairment	(79,936)	(95,178)	(534,288)	(709,402)
Write-offs	(2,902)	(59,315)	(785,320)	(847,537)
Foreign exchange effect	(252)	(597)	41,723	40,874
Net reconciliation, provision against commercial loans	286,143	680,679	1,784,878	2,751,700

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	Stage 1	Stage 2	Stage 3	
	Expected loan losses next 12 months	Loan loss expected over the lif of the assets	Loss expected over the life of the assets with impairment	Total
Consumer				
Opening balance January 1, 2020	641,076	592,875	411,302	1,645,253
Transfers to Stage 1 from Stages 2 and 3	140,888	(135,398)	(5,490)	-
Transfers to Stage 2 from Stages 1 and 3	(55,727)	67,278	(11,551)	-
Transfers to Stage 3 from Stages 1 and 2	(41,084)	(79,748)	120,832	-
Impairment of financial assets	326,327	803,716	1,510,611	2,640,654
Impairment of new assets	483,881	295,444	268,656	1,047,981
Reversal of impairment	(254,731)	(190,116)	(504,878)	(949,725)
Write-offs	(233,600)	(492,977)	(511,583)	(1,238,160)
Foreign exchange effect	(6,288)	(12,378)	27,332	8,666
Net reconciliation, provision against consumer loans	1,000,742	848,696	1,305,231	3,154,669
Mortgage				
Opening balance January 1, 2020	38,320	58,806	255,772	352,898
Transfers to Stage 1 from Stages 2 and 3	23,671	(12,907)	(10,764)	-
Transfers to Stage 2 from Stages 1 and 3	(9,042)	31,414	(22,372)	-
Transfers to Stage 3 from Stages 1 and 2	(1,428)	(19,004)	20,432	-
Impairment of financial assets	26,334	136,287	244,810	407,431
Impairment of new assets	9,442	4,189	305	13,936
Reversal of impairment	(30,182)	(55,180)	(109,181)	(194,543)
Write-offs	(1,010)	(96)	(121,883)	(122,989)
Foreign exchange effect	4	764	29,287	30,055
Net reconciliation, provision against home mortgage loans	56,109	144,273	286,406	486,788
Microcredit				
Opening balance January 1, 2020	181	609	1,588	2,378
Transfers to Stage 1 from Stages 2 and 3	123	(111)	(12)	-
Transfers to Stage 2 from Stages 1 and 3	(14)	107	(93)	-
Transfers to Stage 3 from Stages 1 and 2	(16)	(92)	108	-
Impairment of financial assets	5	1,156	2,798	3,959
Reversal of impairment	(28)	(65)	(641)	(734)
Write-offs	(159)	(1,242)	(2,836)	(4,237)
Foreign exchange effect	-	-	176	176
Net reconciliation, provision against microloans	92	362	1,088	1,542

Undiscounted amount of impaired loans at initial recognition	
Balance December 31, 2020	6,394,699

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	Stage 1	Stage 2	Stage 3	
	Expected loan losses next 12 months	Loan loss expected over the lif of the assets	Loss expected over the life of the assets with impairment	Total
Commercial				
Opening balance January 1, 2019	195,606	418,800	1,332,118	1,946,524
Transfers to Stage 1 from Stages 2 and 3	32,706	(28,831)	(3,875)	-
Transfers to Stage 2 from Stages 1 and 3	(4,926)	50,172	(45,246)	-
Transfers to Stage 3 from Stages 1 and 2	(5,262)	(125,940)	131,202	-
Impairment of financial assets	(59,369)	152,173	784,110	876,914
Impairment of new assets	69,072	166,636	274,391	510,099
Reversal of impairment	(65,580)	(44,208)	(432,267)	(542,055)
Write-offs	(2,546)	(26,505)	(708,676)	(737,727)
Foreign exchange effect	(7,763)	4,506	92,508	89,251
Net reconciliation, provision against commercial loans	151,938	566,803	1,424,265	2,143,006
Consumer				
Opening balance January 1, 2019	574,429	470,274	403,908	1,448,611
Transfers to Stage 1 from Stages 2 and 3	114,211	(106,886)	(7,325)	-
Transfers to Stage 2 from Stages 1 and 3	(26,557)	37,158	(10.601)	-
Transfers to Stage 3 from Stages 1 and 2	(9,840)	(18,978)	28,818	-
Impairment of financial assets	385,283	443,581	527,018	1,355,882
Impairment of new assets	336,017	412,369	128,621	877,007
Reversal of impairment	(203,112)	(131,007)	(109,064)	(443,183)
Write-offs	(537,323)	(517,680)	(659,561)	(1,714,564)
Foreign exchange effect	7,968	4,044	109,488	121,500
Net reconciliation, provision against consumer loans	641,076	592,875	411,302	1,645,253
Mortgage				
Opening balance January 1, 2019	37,735	47,283	224,566	309,584
Transfers to Stage 1 from Stages 2 and 3	20,626	(10,739)	(9,887)	-
Transfers to Stage 2 from Stages 1 and 3	(4,456)	24,477	(20,021)	-
Transfers to Stage 3 from Stages 1 and 2	(1,475)	(11,154)	12,629	-
Impairment of financial assets	(16,198)	12,657	188,927	185,386
Impairment of new assets	6,664	1,315	657	8,636
Reversal of impairment	(3,890)	(4,896)	(76,113)	(84,899)
Write-offs	(1,894)	(279)	(98,694)	(100,867)
Foreign exchange effect	1,208	142	33,708	35,058
Net reconciliation, provision against Home Mortgage loans	38,320	58,806	255,772	352,898

(Millions of Colombian pesos (COP))

	Stage 1	Stage 2	Stage 3	
	Expected loan losses next 12 months	Loan loss expected over the lif of the assets	Loss expected over the life of the assets with impairment	Total
Microcredit				
Opening balance January 1, 2019	683	2,214	2,062	4,959
Transfers to Stage 1 from Stages 2 and 3	449	(380)	(69)	-
Transfers to Stage 2 from Stages 1 and 3	(104)	347	(243)	-
Transfers to Stage 3 from Stages 1 and 2	(27)	(497)	524	-
Impairment of financial assets	(196)	731	(294)	241
Reversal of impairment	(126)	(232)	(974)	(1,332)
Write-offs	(498)	(1,574)	(2,783)	(4,855)
Foreign exchange effect	-	-	3,365	3,365
Net reconciliation, provision against microloans	181	609	1,588	2,378

Undiscounted amount of impaired loans at initial recognition	
Balance December 31, 2019	4,143,535

13.5.5. Loans and financial leases by maturity

The following is the detail of loans by maturity:

December 31, 2020	0-1 years	1-5 years	Over 5 years	Over 10 years	Total
Commercial	10,203,033	19,617,632	12,935,796	6,970,700	49,727,161
Consumer	594,438	20,533,339	9,261,613	643,364	31,032,754
Mortgage	43,800	601,786	3,814,292	21,442,235	25,902,113
Microcredit	2,971	9,619	138	-	12,728
	10,844,242	40,762,376	26,011,839	29,056,299	106,674,756

December 31, 2019	0-1 years	1-5 years	Over 5 years	Over 10 years	Total
Commercial	12,485,038	15,867,803	11,772,344	5,216,779	45,341,964
Consumer	517,363	20,690,683	7,213,210	369,538	28,790,794
Mortgage	44,107	498,866	3,784,318	18,914,095	23,241,386
Microcredit	5,020	20,364	42	-	25,426
	13,051,528	37,077,716	22,769,914	24,500,412	97,399,570

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13.5.6. Loans by currency

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

	December 31, 2020			December 31, 2019		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
Commercial	28,276,406	17,399,835	45,676,241	26,493,329	15,674,822	42,168,151
Consumer	25,565,944	5,380,123	30,946,067	23,930,971	4,794,550	28,725,521
Mortgage and residential leasing	21,273,899	4,628,214	25,902,113	19,029,754	4,211,632	23,241,386
Microcredit	12,680	-	12,680	25,301	-	25,301
Financial leasing	3,961,223	176,432	4,137,655	3,104,650	134,561	3,239,211
	79,090,152	27,584,604	106,674,756	72,584,005	24,815,565	97,399,570

13.5.7. Loans by economic sector

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

Economic sectors	December 31, 2020	December 31, 2019
Agriculture. cattle-farming. forestry and fishing	2,620,281	2,512,612
Mines and quarries	388,688	359,380
Manufacturing industry	8,183,194	8,094,493
Supply of electricity, gas, steam and air conditioning	4,100,435	2,827,810
Water supply, wastewater disposal, waste management and decontamination	248,348	272,646
Construction	2,717,395	7,007,236
Wholesale and retail trade, repair of motor vehicles and motorcycles	7,711,017	7,169,069
Transport and storage	2,886,179	2,974,409
Lodging and Catering Activities	923,608	602,163
Information and Communications	1,501,563	831,889
Financial and insurance activities	3,114,106	3,624,054
Real estate activities	2,595,252	2,117,108
Professional, scientific and technical activities	1,386,193	1,266,419
Administrative and customer service activities	1,569,795	1,380,247
Public administration and defense; compulsory social security schemes	608,319	1,043,746
Teaching	559,081	466,046
Human health care and social work activities	940,116	913,971
Artistic, entertainment and recreational activities	163,450	155,264
Other service activities	399,076	314,395
Activities of households as employers	43,520	31,874
Activities of extraterritorial organizations and bodies	2,670	4,800
Employees: Natural Persons	63,304,270	52,832,390
Capital income earner, just for natural persons	708,200	597,549
	106,674,756	97,399,570

(Millions of Colombian pesos (COP))

13.5.8. Loans and leases by geographic zone

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

December 31, 2020

	Commercial	Consumer	Mortgage	Microcredit	Total
Bogota	15,715,237	12,403,559	5,426,816	8,717	33,554,329
Antioquia	8,613,861	4,431,290	1,270,948	1,269	14,317,368
Northeast	5,105,719	4,793,939	1,792,635	2,694	11,694,987
Southwestern	4,093,277	3,978,910	1,536,773	-	9,608,960
Miami	1,590,062	1,981	-	-	1,592,043
Costa Rica	3,937,217	1,137,052	2,009,940	-	7,084,209
Honduras	1,445,914	1,326,518	908,406	-	3,680,838
Panamá	1,996,496	128,334	432,188	-	2,557,018
El Salvador	3,178,458	2,744,484	1,277,680	-	7,200,622
	45,676,241	30,946,067	14,655,386	12,680	91,290,374

December 31, 2019

	Commercial	Consumer	Mortgage	Microcredit	Total
Bogota	13,693,380	11,343,727	4,845,269	18,368	29,900,744
Antioquia	7,364,564	4,241,002	1,112,255	2,458	12,720,279
Northeast	5,226,292	4,668,192	1,576,773	4,453	11,475,710
Southwestern	4,142,988	3,752,363	1,290,795	22	9,186,168
Miami	1,244,483	2,450	-	-	1,246,933
Costa Rica	3,683,525	1,089,964	1,879,374	-	6,652,863
Honduras	1,293,687	1,040,596	828,440	-	3,162,723
Panamá	2,531,120	124,795	372,949	-	3,028,864
El Salvador	2,988,112	2,462,432	1,130,869	-	6,581,413
	42,168,151	28,725,521	13,036,724	25,301	83,955,697

Financial leases by geographic zone

December 31, 2020

	Commercial	Consumer	Mortgage	Microcredit	Total
Bogota	2,843,187	7,605	5,003,484	37	7,854,313
Antioquia	601,903	1,865	2,475,707	11	3,079,486
Northeast	317,262	1,949	2,196,121	-	2,515,332
Southwestern	184,516	2,887	1,571,415	-	1,758,818
Costa Rica	103,399	71,375	-	-	174,774
Panamá	-	-	-	-	-
	4,050,920	86,687	11,246,727	48	15,384,382

December 31, 2019

	Commercial	Consumer	Mortgage	Microcredit	Total
Bogota	2,255,351	9,984	4,553,958	104	6,819,397
Antioquia	400,925	1,459	2,214,795	21	2,617,200
Northeast	263,103	2,074	2,012,862	-	2,278,039
Southwestern	169,509	2,120	1,423,047	-	1,594,676
Costa Rica	83,208	48,768	-	-	131,976
Panamá	1,717	868	-	-	2,585
	3,173,813	65,273	10,204,662	125	13,443,873

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13.5.9. Loans and leases by type of collateral

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

December 31, 2020

	Commercial	Consumer	Home mortgage and residential leasing	Microcredit	Financial leasing	Total
No collateral	21,091,428	27,851,944	-	169	100,631	49,044,172
Guaranteed by other banks	165,906	-	-	-	-	165,906
Home Mortgage	261,927	290,596	25,462,534	-	1,468	26,016,525
Other real estate	5,301,948	345,575	432,950	-	-	6,080,473
Equity investments	335,626	-	-	-	-	335,626
Cash deposits	482,344	443,480	100	-	2,069	927,993
Other assets	18,037,062	2,014,472	6,529	12,511	4,033,487	24,104,061
	45,676,241	30,946,067	25,902,113	12,680	4,137,655	106,674,756

December 31, 2019

	Commercial	Consumer	Home mortgage and residential leasing	Microcredit	Financial leasing	Total
No collateral	19,053,328	25,813,280	-	262	79,515	44,946,385
Guaranteed by other banks	182,818	-	-	-	-	182,818
Home Mortgage	374,283	314,223	22,862,087	-	533	23,551,126
Other real estate	9,190,564	432,791	373,415	-	-	9,996,770
Equity investments	392,032	-	-	-	-	392,032
Cash deposits	556,000	129,204	95	-	2,666	687,965
Other assets	12,419,126	2,036,023	5,789	25,039	3,156,497	17,642,474
	42,168,151	28,725,521	23,241,386	25,301	3,239,211	97,399,570

13.5.10. Maturity of financial leases

The following is the detail of maturity of financial leases:

December 31, 2020

	0-1 year	1-5 year	Over 5 years	Total
Gross investment in financial leasing	2,757,656	9,068,077	15,015,034	26,840,767
Unearned financial income from financial leasing - interest	(59.241)	(3,422,639)	(7,974,505)	(11,456,385)
Total minimum financial lease-payments receivable at present value	2,698,415	5,645,438	7,040,529	15,384,382

December 31, 2019

	0-1 year	1-5 year	Over 5 years	Total
Gross investment in financial leasing	2,430,912	8,554,776	14,762,157	25,747,845
Unearned financial income from financial leasing - interest	(630,791)	(3,594,187)	(8,078,994)	(12,303,972)
Total minimum financial lease-payments receivable at present value	1,800,121	4,960,589	6,683,163	13,443,873

(Millions of Colombian pesos (COP))

13.5.11. Loans to shareholders and staff

Loans to shareholders and home-purchase mortgages to employees are made at special rates:

	December 31, 2020	December 31, 2019
Shareholders (*)	85	286
Employees	470,610	460,899
Consumer	94,986	86,709
Mortgage	269,597	267,548
Residential Leasing	106,027	106,642
	470,695	461,185

(*) Shareholders holding more than 5% of shares

The Bank, in compliance with IFRS 9 and IAS 19, incorporated the rate benefit granted to its employees in loans for the acquisition of housing in its financial statements, recognizing portfolio income and personnel expenses of $11,170 for December 2020 and $10,996 for December 2019.

13.5.12. Sales of loans

Sales of loans are shown below:

There were no sale of loans operations during 2020

December 31, 2019

Month	No. of loans	Rate	Capital	Interests	Others	Total	Net income	Proceeds of sale	Reversal of impairment
April	2,600	5.60 %	250,000	1,101	185	251,286	2,353	256,564	5,209
May	2,738	5.60 %	280,000	1,423	236	281,659	4,595	289,059	5,618
August	2,523	5.50 %	100,000	359	118	100,477	2,093	103,819	2,003
October	2,748	5.30 %	200,000	826	169	200,995	3,084	206,850	4,009
	10,609		830,000	3,709	708	834,417	12,125	856,292	16,839

13.5.13. Sales of written-off loans

The following is the detail of loans written off:

December 31, 2020
Banco Davivienda Colombia

Month	No. of loans	Capital	Interests	Other items	Total	Proceeds of sale
December	32,996	349,887	17,725	27,242	394,854	19,934
	32,996	349,887	17,725	27,242	394,854	19,934

El Salvador

Month	No. of loans	Capital	Interests	Other items	Total	Proceeds of sale
February	119	766	116	-	882	154
November	77	456	101	-	557	96
December	38	229	49	-	278	45
	234	1,451	266	-	1,717	295

(Millions of Colombian pesos (COP))

Honduras

Month	No. of loans	Capital	Interests	Other items	Total	Proceeds of sale
March	6,104	68,759	-	-	68,759	3,819
	6,104	68,759	-	-	68,759	3,819

Costa Rica

Month	No. of loans	Capital	Interests	Other items	Total	Proceeds of sale
December	3,829	42,483	-	-	42,483	2,272
	3,829	42,483	-	-	42,483	2,272

December 31, 2019

Banco Davivienda Colombia

Month	No. of loans	Capital	Interests	Other items	Total	Proceeds of sale
March	31,198	379,432	17,769	14,226	411,427	22,653
April	13,153	91,126	5,197	11,189	107,512	5,513
June	7,957	141,602	5,057	1,007	147,666	8,807
July	26,576	281,939	13,731	40,672	336,342	17,020
September	8,920	85,066	4,913	7,856	97,835	6,888
October	10,547	181,652	6,164	4,074	191,890	17,369
November	14,747	117,916	6,709	4,561	129,186	10,584
	113,098	1,278,733	59,540	83,585	1,421,858	88,834

El Salvador

Month	No. of loans	Capital	Interests	Other items	Total	Proceeds of sale
January	88	451	96	-	547	111
May	42	151	30	-	181	37
June	46	233	47	-	280	60
July	37	215	37	-	252	51
August	92	444	90	-	534	104
September	45	267	49	-	316	51
October	229	1,164	183	-	1,347	249
November	78	380	57	-	437	58
December	111	559	89	-	648	117
	768	3,864	678	-	4,542	838

Honduras

Month	No. of loans	Capital	Interests	Other items	Total	Proceeds of sale
August	12,612	98,008	-	-	98,008	2,490
	12,612	98,008	-	-	98,008	2,490

(Millions of Colombian pesos (COP))

13.6. Accounts receivable, net

The following is the detail of accounts receivable:

	December 31, 2020	December 31, 2019
Debtors	315,159	38,212
Payments for account of borrowing customers	278,910	127,652
Instituto Colombiano de Crédito Educativo y Estudios Técnicos en el Exterior (ICETEX) -abandoned accounts	237,372	221,879
Loans and cards	152,745	107,494
Guarantee deposits	120,236	55,982
Premiums receivable	83,611	78,828
Reinsurers outside Colombia	49,990	16,024
Payments for account of customers	44,846	37,333
Banco de la República - coverage ratio	32,113	15,820
Administrative costs leasing portfolio	20,634	23,174
Parent, Subsidiaries, related parties, associates	20,581	28,416
Interests	19,840	13,316
Commissions	18,573	17,047
Interests receivable TIPS	16,898	7,524
National Treasury	14,553	15,250
Technical reserves - reinsurers	6,701	4,861
Settlement of forwards	5,229	6,037
From employees	689	1,337
Sale of real estate	-	2,373
Other accounts receivable	149,533	114,509
Accounts receivable	1,588,213	933,068
Impairment	(114,844)	(78,517)
Accounts receivable, net	1,473,369	854,551

(Millions of Colombian pesos (COP))

Accounts receivable by maturity:

December 31, 2020

	Up to 1 year	1 to 5 years	Over 5 years	Total
Debtors	301,259	13,900	-	315,159
Payments for account of borrowing customers	254,393	24,294	223	278,910
Instituto Colombiano de Crédito Educativo y Estudios Técnicos en el Exterior (ICETEX) -abandoned accounts	237,372	-	-	237,372
Loans and cards	152,745	-	-	152,745
Guarantee deposits	115,668	2,045	2,523	120,236
Premiums receivable	83,592	19	-	83,611
Reinsurers outside Colombia	546	-	49,444	49,990
Payments for account of customers	39,754	5,092	-	44,846
Banco de la República - coverage ratio	32,113	-	-	32,113
Administrative costs leasing portfolio	-	20,634	-	20,634
Parent, Subsidiaries, related parties, associates	20,569	12	-	20,581
Interests	19,377	-	463	19,840
Commissions	16,737	1,615	221	18,573
Interests receivable TIPS	-	16,898	-	16,898
National Treasury	14,553	-	-	14,553
Technical reserves - reinsurers	6,126	575	-	6,701
Settlement of forwards	5,229	-	-	5,229
From employees	638	51	-	689
Other accounts receivable	136,274	13,080	179	149,533
Accounts receivable	1,436,945	98,215	53,053	1,588,213
Impairment	(76,111)	(38,510)	(223)	(114,844)
Accounts receivable, net	1,360,834	59,705	52,830	1,473,369

(Millions of Colombian pesos (COP))

December 31, 2019

	Up to 1 year	1 to 5 years	Over 5 years	Total
Debtors	36,563	1,649	-	38,212
Payments for account of borrowing customers	108,619	18,885	148	127,652
Instituto Colombiano de Crédito Educativo y Estudios Técnicos en el Exterior (ICETEX) -abandoned accounts	221,879	-	-	221,879
Loans and cards	107,494	-	-	107,494
Guarantee deposits	51,933	1,976	2,073	55,982
Premiums receivable	78,828	-	-	78,828
Reinsurers outside Colombia	432	15,592	-	16,024
Payments for account of customers	32,965	4,368	-	37,333
Banco de la República - coverage ratio	15,820	-	-	15,820
Administrative costs leasing portfolio	23,174	-	-	23,174
Parent, Subsidiaries, related parties, associates	28,416	-	-	28,416
Interests	13,151	-	165	13,316
Commissions	16,152	878	17	17,047
Interests receivable TIPS	7,524	-	-	7,524
National Treasury	15,250	-	-	15,250
Technical reserves - reinsurers	4,861	-	-	4,861
Settlement of forwards	6,037	-	-	6,037
From employees	1,237	100	-	1,337
Sale of real estate	2,373	-	-	2,373
Other accounts receivable	60,203	51,685	2,621	114,509
Accounts receivable	832,911	95,133	5,024	933,068
Impairment (provision)	(60,360)	(17,243)	(914)	(78,517)
Accounts receivable, net	772,551	77,890	4,110	854,551

The bank evaluates the behavior of other accounts receivable during each reported period 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.

(Millions of Colombian pesos (COP))

The following is the movement of accounts receivable:

	December 31, 2020	December 31, 2019
Opening balance	78,517	54,937
Plus		
Provisions expensed	84,713	61,229
Less		
Impairment expensed	(17,853)	(4,934)
Accounts written off	(24,635)	(24,485)
Withdrawals of other accounts receivable	(5,457)	(7,905)
Effect of movement of exchange rates	(441)	(325)
Closing balance	114,844	78,517

13.7. Assets held for sale, net

The following is the detail of assets held for sale:

	December 31, 2020	December 31, 2019
Housing		
Voluntary surrender	17,776	10,387
Award	9,976	6,462
Total for housing	27,752	16,849
Other than housing		
Voluntary surrender	7,384	1,920
Total other than housing	7,384	1,920
Movable assets		
Vehicles	622	796
Right	404	125
Others	35,861	33,501
Total movable assets	36,887	34,422
Assets restored from leasing contracts		
Machinery and equipment	202	1,150
Vehicles	1,022	750
Real Property	3,900	4,788
Real property – Residential leasing	31,670	35,823
Total assets restored from leasing contracts	36,794	42,511
Subtotal	108,817	95,702
Provision (Impairment)	(17,446)	(7,539)
Total	91,371	88,163

(Millions of Colombian pesos (COP))

The following is the detail of the movement of assets held for sale:

December 31, 2020

	Housing	Other than housing	Restored from residential leasing contracts	Leasing Immovable Property	Total
Cost					
Opening balance January 1, 2020	16,849	36,342	42,511	-	95,702
Additions (received)	16,990	10,978	40,330	-	68,298
Withdrawn (sales)	(3,944)	(2,089)	(23,806)	-	(29,839)
Transfers	(3,385)	(3,325)	(22,241)	-	(28,951)
Effect of movement of exchange rates	1,242	2,365	-	-	3,607
Balance December 31, 2020	27,752	44,271	36,794	-	108,817
Impairment					
Opening balance January 1, 2020	(207)	(6,536)	(796)	-	(7,539)
Additions (received)	(908)	(428)	(745)	-	(2,081)
Effect of movement of exchange rates	-	(50)	-	-	(50)
Balance December 31, 2020	(1,115)	(14,790)	(1,541)	-	(17,446)

December 31, 2019

	Housing	Other than housing	Restored from residential leasing contracts	Leasing Immovable Property	Total
Cost					
Opening balance January 1, 2019	14,905	8,581	27,819	10,755	62,060
Additions (received)	19,993	39,662	52,470	-	112,125
Withdrawn (sales)	(4,342)	(4,931)	(13,464)	(10,755)	(33,492)
Transfers	(13,512)	(6,970)	(24,314)	-	(44,796)
Effect of movement of exchange rates	(195)	-	-	-	(195)
Balance December 31, 2019	16,849	36,342	42,511	-	95,702
Impairment					
Opening balance January 1, 2019	(105)	(114)	(196)	(356)	(771)
Additions (received)	(104)	(6.422)	(600)	-	(7,126)
Withdrawn (sales)	2	-	-	356	358
Balance December 31, 2019	(207)	(6.536)	(796)	-	(7,539)

Find below the assets held for sale in accordance to the length of time on the market in detail:

	December 31, 2020	December 31, 2019
Up to 1 year	94,194	89,841
1 to 3 years	14,623	5,861
Total	108,817	95,702

(Millions of Colombian pesos (COP))

During this period, the Bank has implemented different strategies in the sale of assets held for sale:

	December 31, 2020		December 31, 2019	
	quantity	value	quantity	value
Assets held for sale	171	29,839	215	33,493
Profit on sales		830		812
Profit on sale previous periods		1,955		(58)
Amortization of deferred profit		388		1,010
Profit on sale of assets not in use		-		3,650
Total sales profit		3,173		5,414
Loss on sale of foreclosed assets		234		401
Loss on sales, previous period (residential leasing)		2,262		1,621
Loss on sales		2,496		2,022
Net effect on results		677		3,392

The movement of the provision for assets held for sale is as follows:

	December 31, 2020	December 31, 2019
Opening balance	7,539	772
Plus		
Reclassification	-	6,515
Provision	9,921	2,703
Effect of movement of exchange rates	(11)	-
Less		
Disposals	-	(356)
Recoveries	(3)	(2,095)
Closing balance	17,446	7,539

(Millions of Colombian pesos (COP))

13.8. Investments in associates

The following is the detail of investments in associates.

December 31, 2020

Name	% Share	Equity	Acquisition cost	Accumulated dividends	Equity method(*)	Adjusted cost
Titularizadora Colombiana S.A.	26.85 %	59,855	41,851	(20,049)	13,021	34,823
Redeban Multicolor S.A.	26.04 %	15,792	21,785	(4,318)	12,343	29,810
Servicios de Identidad Digital S.A.S	33.33 %	-	7,703	-	(2,798)	4,905
Sersaprosa S.A.	25.00 %	8,786	2,312	-	9,413	11,725
Serfinsa S.A.	43.12 %	9,154	3,750	-	1,761	5,511
ACH de El Salvador S.A	25.00 %	1,541	385	-	897	1,282
Zip Amarateca	37.85 %	8,606	3,258	(808)	5,406	7,856
Bancajero BANET	34.79 %	2,673	930	(407)	3,953	4,476
		106,407	81,974	(25,582)	43,996	100,388
Investments in joint operations						
CCA Rentacafé						2
Total						100,390

December 31, 2019

Name	% Share	Equity	Acquisition cost	Accumulated dividends	Equity method(*)	Adjusted cost
Titularizadora Colombiana S.A.	26.85 %	59,855	41,851	(16,654)	10,588	35,785
Redeban Multicolor S.A.	26.04 %	15,792	21,785	(4,318)	13,465	30,932
Sersaprosa S.A.	25.00 %	8,786	2,312	-	8,456	10,768
Serfinsa S.A.	41.03 %	4,292	1,474	-	1,942	3,416
ACH de El Salvador S.A	25.00 %	1,541	385	-	991	1,376
Zip Amarateca	37.85 %	8,606	3,258	(796)	4,768	7,230
Bancajero BANET	34.79 %	2,673	930	(709)	3,689	3,910
		101,545	71,995	(22,477)	43,899	93,417
Investments in joint operations						
CCA Rentacafé						3
Total						93,420

(*) Ownership method

(Millions of Colombian pesos (COP))

The following is the value of the asset, liability, and homogenized equity based on the calculation of the equity participation method:

December 31, 2020

Share		Total Assets	Total Liabilities	Total Equity	Net profit for the period.
Titularizadora Colombiana S.A.	26.85 %	142,522	12,840	129,682	1,984
Redeban Multicolor S.A.	26.04 %	725,784	611,299	114,485	2,789
Servicios de Identidad Digital S.A.S	33.33 %	16,745	2,030	14,715	(2,780)
Sersaprosa S.A.	25.00 %	70,585	23,686	46,899	1,922
Serfinsa S.A.	43.12 %	29,423	20,926	8,497	(241)
ACH de El Salvador S.A	25.00 %	6,996	492	6,504	791
Zip Amarateca	37.85 %	21,315	565	20,750	2,440
Bancajero BANET	34.79 %	15,858	2,991	12,867	1,448
		1,029,228	674,829	354,399	8,353

December 31, 2019

Share		Total Assets	Total Liabilities	Total Equity	Net profit for the period.
Titularizadora Colombiana S.A.	26.85 %	149,737	16,472	133,265	3,349
Redeban Multicolor S.A.	26.04 %	228,025	109,231	118,794	6,209
Sersaprosa S.A.	25.00 %	64,093	21,022	43,071	996
Serfinsa S.A.	41.03 %	25,086	16,760	8,326	613
ACH de El Salvador S.A	25.00 %	5,870	363	5,507	265
Zip Amarateca	37.85 %	19,770	669	19,101	2,268
Bancajero BANET	34.79 %	14,111	2,875	11,236	1,662
		506,692	167,392	339,300	15,362

13.9. Investments in other companies

The following is the detail of investments in other companies:

Company	December 31, 2020		December 31, 2019	
	% Share	Balance	% Share	Balance
CrediBanco	15.55 %	132,161	15.55 %	143,862
Finagro	12.67 %	134,320	12.67 %	120,909
Bolsa De Valores De Colombia	6.32 %	47,807	6.78 %	46,681
Ach Colombia S.A.	18.42 %	86,382	18.42 %	42,187
Corabastos	3.39 %	18,522	3.39 %	16,351
Cámara De Riesgo Central De Co	1.77 %	2,780	5.48 %	2,914
Cámara Comp Div Colombia S.A.	0.00 %	-	8.31 %	3,191
Tecnibanca S.A. - Servibanca S.A.	0.94 %	1,135	0.94 %	1,143
Corporación Andina De Fomento	0.00 %	1,350	0.00 %	1,238
Bio D	7.12 %	24,665	7.12 %	8,276

(Millions of Colombian pesos (COP))

Company	December 31, 2020		December 31, 2019	
	% Share	Balance	% Share	Balance
Laser Refractivo de Caldas S.A.	4.57 %	226	20.00 %	899
Integral S.A.	0.48 %	766	0.48 %	788
Inverseguros S.A.	0.18 %	8	0.18 %	8
Frubana Inc	0.75 %	2,574	0.00 %	-
Digital investment group S.A.S.	4.14 %	1,651	0.00 %	-
Fondo 500 luchadores	0.50 %	154	0.00 %	-
		454,501		388,447

13.10. Property and equipment, net

Assets classified by the Bank as property and equipment include owned and leased assets that do not meet the definition of investment properties.

These assets are listed below:

	December 31, 2020	December 31, 2019
Property and equipment, net	822,396	767,092
Right-of-use assets, net (Note 13.12)	854,695	966,446
	1,677,091	1,733,538

13.10.1. Movement of property and equipment

The movement of property and equipment is detailed below:

	Land	Buildings and improvements	IT Equipment	Furniture and fixture	Vehicles	Property and Equipment in Joint Operations	Total
Cost:							
Opening balance January 1, 2020	195,846	473,800	256,946	509,777	26,061	1	1,462,431
Additions							
Acquisition	3,008	23,123	54,037	87,554	6,412	-	174,134
Withdrawals							
Sales	(218)	(403)	(11,049)	(34,269)	(5,068)	-	(51,007)
Derecognition of assets recorded at cost	-	(257)	(8.774)	(1.486)	(217)	-	(10,734)
Effect of movement of exchange rates	4,552	13,566	4,120	3,346	396	-	25,980
Transfers	(3,908)	(17,301)	(12,828)	8,279	(1,252)	-	(27,010)
Impairment	-	(603)	-	-	-	-	(603)
Balance December 31, 2020	199,280	491,925	282,452	573,201	26,332	1	1,573,191

(Millions of Colombian pesos (COP))

	Land	Buildings and improvements	IT Equipment	Furniture and fixture	Vehicles	Property and Equipment in Joint Operations	Total
Accumulated Depreciation:							
Opening balance January 1, 2020	-	(162,145)	(216,388)	(305,408)	(11,397)	(1)	(695,339)
Withdrawals							
Sales	-	131	9,959	33,238	3,581	-	46,909
Derecognition of assets recorded at cost	-	257	8,772	1,482	207	-	10,718
Accumulated movement of depreciation	-	(17,036)	(34,281)	(54,120)	(4,202)	-	(109,639)
Effect of movement of exchange rates	-	(3,651)	(1,922)	(2,178)	(169)	-	(7,920)
Transfers	-	1,170	2,750	(203)	759	-	4,476
Balance December 31, 2020	-	(181,274)	(231,110)	(327,189)	(11,221)	(1)	(750,795)
Carrying value	199,280	310,651	51,342	246,012	15,111	-	822,396

	Land	Buildings and improvements	IT Equipment	Furniture and fixture	Vehicles	Property and Equipment in Joint Operations	Total
Cost:							
Opening balance January 1, 2019	199,191	497,901	253,217	461,849	23,921	1	1,436,080
Additions							
Acquisition	4,896	23,065	37,036	46,608	7,634	-	119,239
Withdrawals							
Sales	(3,004)	(7,793)	(26,991)	(14,132)	(5,696)	-	(57,616)
Effect of movement of exchange rates	699	4,575	3,445	2,268	202	-	11,189
Transfers	(5,936)	(43,349)	(9,761)	13,184	-	-	(45,862)
Impairment	-	(599)	-	-	-	-	(599)
Balance December 31, 2019	195,846	473,800	256,946	509,777	26,061	1	1,462,431
Accumulated Depreciation:							
Opening balance January 1, 2019	-	(145,926)	(211,160)	(265,907)	(11,856)	(1)	(634,850)
Acquisition	-	(669)	-	-	-	-	(669)
Withdrawals							
Sales	-	2,818	26,752	13,647	4,176	-	47,393
Accumulated movement of depreciation	-	(15,249)	(45,549)	(32,518)	(3,926)	-	(97,242)
Effect of movement of exchange rates	-	(3,303)	(2,066)	(1,577)	209	-	(6,737)
Transfers	-	184	15,635	(19,053)	-	-	(3,234)
Balance December 31, 2019	-	(162,145)	(216,388)	(305,408)	(11,397)	(1)	(695,339)
Carrying value	195,846	311,655	40,558	204,369	14,664	-	767,092

(Millions of Colombian pesos (COP))

13.10.2. Proceeds from the sale of property and equipment:

The following is the detail of sale of property and equipment:

December 31, 2020	Quantity	Carrying value	Proceeds of sale	Net income	Loss
Real estate	2	(485)	748	287	(24)
Upgrades	13	(3)	35	20	(992)
IT Equipment	6,618	(2,122)	915	131	(331)
Office equipment	300	-	6	6	-
Vehicles	67	(1,488)	1,622	153	(18)
	7,000	(4.098)	3,326	597	(1,365)

December 31, 2019	Quantity	Carrying value	Sale proceeds	Profit	Loss
Real estate	13	(6,411)	7,179	792	-
IT Equipment	18	(230)	246	144	(243)
Furniture and fittings	10,750	(470)	400	134	(120)
Vehicles	78	(1,149)	1,229	221	(135)
	10,859	(8.260)	9,054	1,291	(498)

No liens or title restrictions as collateral to guarantee obligations in reporting years.

13.10.3. Movement of property and equipment deterioration

The following is the provision movement for property and equipment deterioration, which is presented in buildings and improvements.

	December 31, 2020	December 31, 2019
Opening balance	3,905	3,306
Plus		
Period deterioration	603	599
Closing balance	4,508	3,905

(Millions of Colombian pesos (COP))

13.11. Investment properties

13.11.1. Movement of investment properties:

The following details the movement of investment properties:

Cost:	December 31, 2020	December 31, 2019
Opening balance	115,667	75,304
Additions		
Properties received	1,088	6,329
Withdrawals		
Sales	(3,418)	(4,397)
Transfers	15,909	38,084
Effect of movement of exchange rates	2,084	347
Closing balance	131,330	115,667
Accumulated Depreciation:		
Opening balance	(2,767)	(1,489)
Withdrawals		
Sales	169	184
Accumulated movement depreciation	(1,148)	(1,272)
Effect of movement of exchange rates	9	1
Transfers	(1,117)	(191)
Closing balance	(4,854)	(2,767)
Carrying value	126,476	112,900

The fair value of investment properties as of December 31, 2020 and December 31, 2019 amounts to $96,664 and $102,812, respectively.

13.11.2. Effect on income statement

The following is the detail of income (loss) recognized in the consolidated statement of income by the management of investment properties:

	December 31, 2020	December 31, 2019
Rental income	6,255	2,276

(Millions of Colombian pesos (COP))

13.11.3. Proceeds from the sale of investment properties:

The following is the detail of the proceeds from the sale of investments properties:

Investment properties	December 31, 2020	December 31, 2019
Quantity	7	3
Book value	3,250	4,213
Sales proceeds	4,687	5,630
Profit	1,437	1,417

There are no restrictions on ownership or pledges as a guarantee of compliance with obligations for the periods reported.

13.12. Leases

13.12.1. Right-of-use assets summary

The balance of the assets per use entitlement for the leases in which the bank acts as a tenant is as follows:

	December 31, 2020	December 31, 2019
Right of use assets	1,123,566	1,111,637
Accumulated depreciation	(268,847)	(145,191)
Right of use assets, net	854,695	966,446

13.12.2. Right of use assets movement

The following is the movement of rights of use assets:

	Real estate	Computer and data processing equipment	Others	Net
January 1, 2020	913,953	52,493	-	966,446
Plus				
Additions	11,073	2,030	808	13,911
Less				
Withdrawals, net	(12,219)	(29,646)	(163)	(42,028)
Period depreciation	(138,102)	(6,681)	(221)	(145,004)
Effect of movement of exchange rates	3,205	467	23	3,695
Changes in dismantling provisions	(1,079)	-	-	(1,079)
Modifications to the contract	59,773	(1,019)	-	58,754
December 31, 2020	836,604	17,644	447	854,695

(Millions of Colombian pesos (COP))

	Real estate	Computer and data processing equipment	Net
January 1, 2019	1,098,721	68,338	1,167,059
Plus			
Additions	29,176	36	29,212
Less			
Withdrawals, net	(45,283)		(45,283)
Period depreciation	(138,895)	(11,257)	(150,152)
Period deterioration	6,135	56	6,191
Changes in dismantling provisions	(8,047)		(8,047)
Modifications to the contract	(27,854)	(4,680)	(32,534)
December 31, 2019	913,953	52,493	966,446

13.12.3. Contractual lease liabilities

The following are the contractual flows of liabilities for undiscounted leases:

	December 31, 2020	December 31, 2019
1 year or less	173,383	597,825
1-5 years	597,744	1,716,335
Over 5 years	367,360	363,861
Total undiscounted lease liability	1,138,487	2,678,021
Liabilities from recognized leadings (discounted)	911,215	993,408

13.12.4. Amounts recognized in profit or loss

	December 31, 2020	December 31, 2019
Interest expense on lease liability	66,224	69,249
Income from subleasing right of use assets	2,776	21,843
Depreciation expense	145,004	143,444
Short-term lease and low-value asset expense	23,161	20,530

Total cash outflows from leases were $187,753 for December 31, 2020 and $187,854 for December 31, 2019.

(Millions of Colombian pesos (COP))

13.13. Goodwill

The following is a detail of acquisitions:

Name of the acquired	Date of acquisition	% Share
Granbanco	February 2007	99.06 %
Grupo del Istmo Costa Rica	November 2012	100.00 %
Inversiones Financieras El Salvador	November 2012	95.95 %
Banco y Seguros Honduras	December 2012	Banking 94% - Insurance 89%
Corredores Asociados	September 2013	94.90 %

The following in detail of goodwill generated:

	December 31, 2020	December 31, 2019
Granbanco	1,084,549	1,084,549
Centroamérica (*)	473,362	473,362
Corredores Asociados	77,274	77,274
	1,635,185	1,635,185

(*) Includes Grupo del Istmo Costa Rica, Inversiones Financieras El Salvador and Banco y Seguros Honduras. These three companies were bought from HSBC.

Purchase of Granbanco

The purchase of Granbanco on February 16, 2007 resulted in goodwill amounting to $1,372,458. The main characteristics considered in the evaluation of goodwill are the following:

The value of the surplus value was allocated in three (3) cash generating units (GCUs): Individuals Companies and Subsidiaries (Panama and Fiducafé).

The previous CGUs were matched at the level of business operating segments with the aim of being more aligned with the way in which MITDO (Maximum Operational Decision-Making Instance) manages the Bank's operations. Once the CGUs have been defined and their corresponding assets identified, the statements of results and balances for each of the CGUs were determined for a projected period of 5 years.

The CGU valuation of Banco Davivienda Colombia and Panama was made using the dividend flow methodology, discounted at shareholder cost; which, according to experts, is the most appropriate for valuing financial institutions and is widely used by first-level investment banks. This methodology consists of projecting the flow of available dividends for 5 years plus a terminal value and discounting them at an appropriate rate. For Fidudavivienda the methodology used was the firm's free cash flow (FFF).

For purposes of deterioration testing, the merchant credit was assigned to the following CGUs:

Business Line	Share	Goodwill
Retail banking	48.7 %	527,591
Enterprises	50.7 %	550,049
Subsidiaries	0.6 %	6,909
	100.0 %	1,084,549

(Millions of Colombian pesos (COP))

Impairment testing was performed as of October 31, 2020, assisted by external specialists, giving as results that the lines of business did not generate impairment loss.

The following are the main projection scenarios used for deterioration testing:

	2021	2022	2023	2024	2025
Placement rate (%)	10.3 %	10.8 %	10.5 %	10.7 %	10.8 %
Deposit taking rate (%)	1.5 %	2.3 %	2.1 %	2.1 %	2.2 %
Growth in operating income	12.2 %	12.6 %	11.5 %	12.5 %	12.5 %
Growth in other operating expenses (CPI)	9.5 %	2.1 %	2.2 %	2.3 %	5.4 %
Inflation	2.9 %	3.0 %	3.0 %	3.0 %	3.0 %

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 13,5%, upon executing a sensitivity analysis on use value and impairment analysis on each of the CGUs 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 CGU.

Purchase of HSBC in Central America

The purchase of HSBC's Central American operation between November 23 and December 7, 2012, generating goodwill amounting to $473,362.

Business line	Purchase USD	Cost $	Goodwill
Banks	767	916,556	459,161
Insurance	34	52,591	14,201
	801	969,147	473,362

Impairment testing was performed as of December 31, 2020, assisted by external specialists, giving as results that the lines of business did not generate impairment loss.

The following are the main projection scenarios used for deterioration testing:

Banking	2021	2022	2023	2024	2024
Placement rate (%)	13.2 %	13.3 %	13.2 %	13.2 %	13.2 %
Deposit taking rate (%)	2.9 %	3.0 %	3.0 %	3.0 %	3.0 %
Inflation	2.3 %	2.3 %	2.4 %	2.5 %	2.7 %

Insurance	2021	2022	2023	2024	2024
Inflation	2.9 %	2.7 %	2.6 %	2.5 %	2.5 %

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 at 12.06% for banking and 11.40% for insurance, 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 CGU.

(Millions of Colombian pesos (COP))

Purchase of Corredores Davivienda

On February 28, 2013, a purchase agreement was signed for 100% of the shares of the firm Corredores Asociados, resulting in goodwill amounting to 73,336, and Fiduciaria Davivienda 3,636

Business line	Acquirer	Cost $	Goodwill
Corredores Davivienda	Banco Davivienda S.A.	70,732	73,336
	Fiduciaria Davivienda S.A.	-	3,939
		70,732	77,275

Impairment testing was performed as of December 31, 2020, assisted by external specialists, giving as results that the lines of business did not generate impairment loss.

The following are the main projection scenarios used for deterioration testing:

	2021	2022	2023	2024	2025
Average portfolio growth	26.0 %	14.0 %	13.0 %	14.0 %	13.0 %
Growth in operating income	-32.4 %	3.2 %	3.5 %	3.7 %	2.8 %
Growth in other operating expenses	20.2 %	12.5 %	11.5 %	10.0 %	9.6 %

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 8.64%, 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 CGU.

For tax purposes, the Bank applies Article 143 of the Tax Code, which establishes that the term for the amortization of investments may be carried out in a term of no less than five years, and is being carried out in a term of seven years for Granbanco and five years for Corredores Asociados; using the straight line method, for which a simple calculation of the total divided into the number of months proposed was made.

The resulting difference between accounting and tax depreciation is recorded as deferred tax payable.

13.14. Intangibles, net

The following is the movement of intangibles:

Item,	Licenses	Software, Computer Applications and others	Total
Opening balance January 1, 2020	114,958	75,458	190,416
Additions	38,632	27,963	66,595
Amortization for the year	(32,711)	(23,883)	(56,594)
Disposals	-	515	515
Reclassifications	2,280	(2,280)	-
Effect of movement of exchange rates	1,474	6,573	8,047
Balance December 31, 2020	124,633	84,346	208,979

(Millions of Colombian pesos (COP))

Item,	Licenses	Software, Computer Applications and others	Total
Opening balance January 1, 2019	105,216	66,685	171,901
Additions	24,973	31,548	56,521
Amortization for the year	(19,998)	(20,594)	(40,592)
Reclassifications	3,883	(3,883)	-
Effect of movement of exchange rates	3,453	1,785	5,238
Derecognition	(2,569)	(83)	(2,652)
Balance December 31, 2019	114,958	75,458	190,416

There are no purchase commitments, ownership restrictions, or pledges as a guarantee of compliance with obligations.

13.15. Other assets, net

The following is the detail of other assets:

	December 31, 2020	December 31, 2019
Other non-currents	569,474	513,089
Expenses paid in advance	229,329	219,826
Advance payments for contracts, suppliers and projects	272,865	268,145
Deferred taxes	57,524	24,586
Deferred letter of credit	27,706	22,792
Trust rights	8,722	8,372
Assets pending activation	6,871	6,721
Works of art	3,132	3,142
Others	8,448	16,310
Impairment of other non-current assets.	(319,014)	(270,845)
	865,057	812,138

The following is the detail of movement in the provision for other assets:

	December 31, 2020	December 31, 2019
Opening balance	270,845	224,920
Effect of movement of exchange rates	129	7,024
Plus		
Provision	98,481	109,681
Less		
Recoveries	(35,568)	(60,573)
Adjustment to provision	(14,873)	(10,207)
Closing balance	319,014	270,845

(Millions of Colombian pesos (COP))

13.16. Joint operations

The following is the detail of joint operations:

		December 31, 2020		December 31, 2019	
	% Share	Assets	Liabilities	Assets	Liabilities
Retail business	50.00 %	74,305	-	82,845	-
Rappi partnership	50.00 %	570	16,236	70	4,659
Fidufosyga	9.86 %	73	1,503	58	1,494
CCP Fonpet 2012	39.10 %	2,061	188	625	119
Cali Mio	44.00 %	6	2	6	2
		77,015	17,929	83,604	6,274

Assets in joint operations include the following:

	December 31, 2020	December 31, 2019
In Colombian Pesos		
Cash and cash equivalents	430	389
Deposits and investments in debt securities	2	3
Loan portfolio and accounts receivable	76,583	83,212
Total Assets	77,015	83,604

Liabilities in joint operations include the following:

	December 31, 2020	December 31, 2019
Accounts payable	16,351	4,721
Other liabilities	75	61
Other provisions	1,503	1,492
Total Liabilities	17,929	6,274

The following is the movement of joint operations:

	December 31, 2020	December 31, 2019
Opening balance of the period	77,330	83,444
Result of joint operations of the period, net	(18,244)	(6,114)
Closing balance of the period	59,086	77,330

(Millions of Colombian pesos (COP))

13.17. Deposits

The following is the detail of deposits and demand accounts:

	December 31, 2020		December 31, 2019	
	Balance	Interest paid	Balance	Interest paid
Interest-bearing liabilities				
Checking accounts	6,264,128	132,752	5,084,034	96,430
Savings accounts	38,629,365	621,426	29,563,968	646,201
Term deposits	33,739,238	1,605,024	34,804,550	1,174,565
Total interest-bearing liabilities	78,632,731	2,359,202	69,452,552	1,917,196
Non-interest bearing liabilities				
Checking accounts	6,751,916	-	5,307,279	-
Savings accounts	1,330,130	-	679,869	-
Demand accounts for services	861,239	-	822,885	-
Electronic Deposits	524,579	-	151,109	-
Others (*)	425,636	-	318,390	-
Total non-interest bearing liabilities	9,893,500	-	7,279,532	-
	88,526,231	2,359,202	76,732,084	1,917,196

(*) Others: banks and correspondents - special deposits - collection services - affiliated establishments - cancelled accounts

The following is the detail of deposits by currency and rate:

	December 31, 2020		December 31, 2019	
Local currency	Balance		Balance	
Deposits	Capital	% Implicit Rate	Capital	% Implicit Rate
Checking accounts	9,497,513	0.57 %	5,386,746	0.63 %
Saving accounts	35,091,622	2.19 %	25,908,525	2.30 %
Term deposits (CDT)	25,795,237	5.43 %	23,572,047	5.48 %
Demand accounts for services	647,781		634,643	
Electronic Deposits	524,579		151,109	
Others (*)	332,665		257,715	
	71,889,397		55,910,785	
Foreign currency				
Deposits				
Checking accounts	3,518,531	0.00 %	5,004,567	1.35 %
Saving accounts	4,867,873	1.66 %	4,335,312	1.46 %
Term deposits (CDT)	7,944,001	0.89 %	11,232,503	1.00 %
Demand accounts for services	213,458		188,242	
Others (*)	92,971		60,675	
	16,636,834		20,821,299	
	88,526,231		76,732,084	

(*) Others: banks and correspondents - special deposits - collection services - affiliated establishments - cancelled accounts

(Millions of Colombian pesos (COP))

The following is the maturity of deposits:

December 31, 2020

	Under 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total
Checking accounts	13,016,044	-	-	-	13,016,044
Savings accounts	39,943,269	16,226	-	-	39,959,495
Term deposits	25,520,870	8,212,909	2,776	2,683	33,739,238
Demand accounts for services	861,239	-	-	-	861,239
Electronic Deposits	524,579	-	-	-	524,579
Others	425,636	-	-	-	425,636
	80,291,637	8,229,135	2,776	2,683	88,526,231

December 31, 2019

	Under 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total
Checking accounts	10,391,313	-	-	-	10,391,313
Savings accounts	30,228,730	15,107	-	-	30,243,837
Term deposits	25,186,512	9,603,296	12,477	2,265	34,804,550
Demand accounts for services	822,885	-	-	-	822,885
Electronic Deposits	151,109	-	-	-	151,109
Others	318,390	-	-	-	318,390
	67,098,939	9,618,403	12,477	2,265	76,732,084

13.18. Interbank and overnight funds

Below is the detail of interbank and overnight liability operations:

December 31, 2020

		Date		
	Rate	Initial	Final	Amount
Foreign currency				
Repos	3,00 %	11/16/2020	3/18/2021	92,719
Local currency				
Interbank funds				
Banks	1,70 %	12/30/2020	1/04/2021	80,008
Short positions obligations	1.50% - 5.00%	11/27/2020	1/21/2021	282,242
Repos	1.00% - 1.75%	7/03/2020	4/13/2020	454,147
Simultaneous				
Stock brokerage firms	1.70% - 1.90%	12/29/2020	1/05/2021	3,897
Banks	1.90% - 2.00%	12/29/2020	1/04/2021	13,408
Others	-1.00% - 6.11%	12/03/2020	5/31/2021	1,009,808
Coupons payable - active simultaneous operations				1
				1,936,230

(Millions of Colombian pesos (COP))

December 31, 2019

	Rate	Date Initial	Date Final	Amount
Foreign currency				
Interbank liabilities	1.98% - 3.75%	12/17/2019	1/07/2020	207,038
Repos	0.24% - 0.24%	12/23/2019	1/08/2020	7,196
Simultaneous	3 %	12/27/2019	1/03/2020	3,277
Local currency				
Interbank funds				
Banks	4,11 %	12/30/2019	1/02/2020	80,018
Short positions obligations	3.75% - 10.00%	11/20/2019	1/15/2020	256,609
Repos	4.30 %	12/30/2019	1/02/2020	998,792
Simultaneous				
Banks	4.00% - 5.00%	12/27/2019	1/03/2020	11,578
Others	0.00% - 6.00%	12/27/2019	2/13/2020	194,900
Coupons payable - active simultaneous operations				313
				1,759,721

13.19. Credits from banks and other obligations

The following is the detail of movement of loans and credits borrowed:

	Currency	Interest rate range Minimum	Interest rate range Maximum	Maturity Year Range Minimum	Maturity Year Range Maximum	Balance
Opening balance January 1, 2020						13,564,888
New loans	Pesos	0.00 %	8.30 %	2020	2032	1,527,629
	Dollars	0.80 %	6.34 %	2020	2032	10,355,666
	Lempiras	6.64 %	12.50 %	2020	2021	27,705
Payments in the period	Pesos	0.00 %	8.93 %	2020	2032	(1,157,541)
	Dollars	0.35 %	6.21 %	2013	2034	(10,641,018)
	Colons	0.00 %	4.70 %	2016	2021	(6)
Other movements						
Interests payable						112,136
Effect of movement of exchange rates						635,182
Cost of financial debt pending						(7.015)
Others						1,122
Balance December 31, 2020						14,418,748

(Millions of Colombian pesos (COP))

	Currency	Interest rate range Minimum	Interest rate range Maximum	Maturity Year Range Minimum	Maturity Year Range Maximum	Balance
Opening balance January 1, 2019						12,495,235
New loans	Pesos	0.33 %	9.96 %	2019	2033	1,277,470
	Dollars	2.18 %	6.34 %	2011	2034	10,456,394
	Lempiras	0.00 %	0.00 %	2016	2021	32,974
Payments in the period	Pesos	0.33 %	10.01 %	2019	2033	(1,085,788)
	Dollars	0.35 %	8.00 %	2013	2034	(9,701,232)
	Colons	0.00 %	7.05 %	2016	2021	(11.087)
Other movements						
Interests payable						164,371
Effect of movement of exchange rates						(49,006)
Others						(16,535)
Cost of amortizing financial obligations						2,092
Balance December 31, 2019						13,564,888

The following is the detail of the Bank's loans and credits:

	December 31, 2020	December 31, 2019
Entities within the country:		
Local currency		
Financial debt	2,932,338	2,471,419
Foreign currency		
Banks abroad	7,637,141	7,524,655
Other financial debt	153,150	273,156
Entities outside Colombia	3,696,119	3,295,658
	14,418,748	13,564,888

The following is the detail of the maturity of the financial obligations:

December 31, 2020	Under 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total
Local currency					
Bancoldex	59,880	597,179	153,790	-	810,849
Finagro	20,466	188,365	94,787	333	303,951
Findeter	70,819	527,488	1,066,722	152,507	1,817,536
Foreign currency					
Bancoldex	852	-	20,121	70,459	91,432
Findeter	488	-	45,883	101,670	148,041
Entities outside Colombia	5,599,506	463,758	1,199,908	3,830,617	11,093,789
Other Obligations	2,776	150,374	-	-	153,150
	5,754,787	1,927,164	2,581,211	4,155,586	14,418,748

(Millions of Colombian pesos (COP))

December 31, 2019	Under 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total
Local currency					
Bancoldex	57,679	384,493	175,002	-	617,174
Finagro	24,677	128,689	79,976	334	233,676
Findeter	21,314	262,192	805,334	531,729	1,620,569
Foreign currency					
Bancoldex	72,864	-	22,888	69,816	165,568
Findeter	794	-	48,265	103,875	152,934
Entities outside Colombia	6,271,716	1,133,953	898,124	2,313,041	10,616,834
Other Obligations	2,614	155,519	-	-	158,133
	6,451,658	2,064,846	2,029,589	3,018,795	13,564,888

13.20. Debt instruments issued

Then following is the detail of debt or equity issues:

	Date	Amount issued	Term (Months)	Yield	Maturity	Balance
Opening balance January 1, 2020						12,398,883
Bonds issued in Colombia						
New issues						
TF	2/11/2020	169,300	84	TF 6.24%	2/11/2027	169,300
TF	2/11/2020	243,880	60	TF 6.04%	2/11/2025	243,880
TF	2/11/2020	286,819	144	TF 2.83%	2/11/2032	290,604
IBR	8/25/2020	362,500	84	IBR 2.05%	8/25/2027	362,500
Redemptions						(777.466)
Other movements						
Variation on market reference rate (TRM)						72,499
Variation on real value units (UVR)						(161,616)
Interests						(6,739)
Amortized cost						3,509
Bonds issued by subsidiaries outside Colombia						
New issues						
Dollars	06/19/2020 - 7/06/2020	40	12 - 36	3.65% - 5.25%	06/18/2021 - 6/29/2023	51,371
Colons	03/23/2020 - 11/11/2020	107,323	12 - 37	4.71% - 8.42%	03/22/2021 - 6/23/2023	596,716
Redemptions						(716,636)
Other movements						
Interests						8,955
Amortized cost						(387)
Effect of movement of exchange rates						19
Balance December 31, 2020						12,535,392

(Millions of Colombian pesos (COP))

	Date	Amount issued	Term (Months)	Yield	Maturity	Balance
Opening balance January 1, 2019						10,685,827
Bonds issued in Colombia						
New issues						
CPI	2/19/2019	275,968	36	TF 6.29%	2/19/2022	275,968
CPI	2/19/2019	224,032	120	CPI+3.64%	2/19/2029	224,032
CPI	7/16/2019	169,320	36	CPI+2.04%	7/16/2022	169,320
CPI	7/16/2019	123,660	120	CPI+3.03%	7/16/2029	123,660
CPI	7/16/2019	306,700	60	TF 6.04%	7/16/2024	306,700
CPI	9/26/2019	119,265	144	CPI+2.73%	9/26/2031	119,265
CPI	9/26/2019	290,925	48	TF 5.75%	9/26/2023	290,925
CPI	9/26/2019	289,810	84	TF 6.18%	9/26/2026	289,810
Redemptions						(515,094)
Other movements						
Variation on market reference rate (TRM)						10,994
Variation on real value units (UVR)						5,998
Interests						10,139
Amortized cost						1,328
Bonds issued by subsidiaries outside Colombia						
New issues						
Dollars	01/23/2019 - 9/13/2019	35,143	12 - 177	3.50% - 6.30%	08/14/2020 - 1/23/2034	468,043
Colons	02/27/2019 - 9/25/2019	35,000	12 - 60	7.05% - 8.25%	09/24/2020 - 3/14/2024	201,250
Redemptions						(312,357)
Other movements						
Interests						6,662
Amortized cost						(144)
Effect of movement of exchange rates						33,678
Others						2,879
Balance December 31, 2019						12,398,883

(Millions of Colombian pesos (COP))

The following is a breakdown of the bonds, by each of the issues in force:

Issue type	Date	Amount issued	Term (Months)	Yield	Maturity	December 31, 2020 Carrying value	December 31, 2019 Carrying value
Subordinated unsecured bonds							
CPI	04/25/2012 - 3/29/2017	1,358,655	96 - 180	CPI+3.83% - CPI+4.56%	4/25/2022 - 4/25/2027	1,358,656	1,358,656
Fixed rate	3/29/2017	198,947	84	TF 7.40%	3/29/2024	198,947	198,947
UVR	2/24/2010	111,503	120	UVR+5.50%	2/24/2020	-	161,616
Interests						8,123	17,116
In dollars							
International Bonds	7/09/2012	895,125	120	TF 5.88%	7/09/2022	1,716,250	1,638,570
Interests						47,949	45,779
				Total subordinated bonds		3,329,925	3,420,684
Ordinary unsecured bonds							
CPI	03/10/2011 - 9/26/2019	3,575,949	36-180	CPI+2.04% - CPI+4.50%	03/10/2021 - 9/26/2031	3,575,949	3,996,081
Fixed rate	10/24/2017 - 2/11/2020	3,044,413	36 - 84	TF 5.75% - TF 7.5%	02/19/2022 - 2/11/2027	3,044,413	2,988,567
IBR	04/25/2017 - 8/25/2020	882,525	36 - 120	IBR+1.09% - IBR+2.13%	11/15/2021 - 8/25/2027	882,525	520,025
UVR	2/11/2020	290,916	144	UVR 2.83%	2/11/2032	290,604	-
Interests						61,685	66,782
				Total ordinary Bonds		7,855,176	7,571,455
				Amortized cost		(10,207)	(13,717)
				Total Bonds		11,174,894	10,978,422

International Subsidiaries

Ordinary unsecured bonds

	Date	Amount issued	Term (Months)	Yield	Maturity	Carrying value	Carrying value
Colons							
International Bonds	09/22/2017 - 11/11/2020	835,796	12 - 90	4.71% - 8.42%	03/16/2021 - 3/14/2024	835,796	637,100
Interests						8,696	12,895
Amortized cost						329	72
In dollars							
International Bonds	11/26/2013 - 7/06/2020	103,161	12 -180	3.65% - 6.30%	03/12/2021 - 1/23/2034	510,788	762,964
Interests						4,868	6,727
Others						-	683
Lempiras							
International Bonds	1/01/2002	21	180,00	15.00 %	11/27/2017	21	20
				Total Bonds in international subsidiaries		1,360,498	1,420,461
				Total		12,535,392	12,398,883

(Millions of Colombian pesos (COP))

Below are the Bonds per currency unit:

	December 31, 2020	December 31, 2019
National		
Local currency	9,120,813	9,134,457
Foreign currency	1,762,487	1,681,474
UVR	291,594	162,491
	11,174,894	10,978,422
International		
Foreign currency		
Colons	844,821	650,067
Lempiras	21	20
Dollars	515,656	770,374
	1,360,498	1,420,461
	12,535,392	12,398,883

The following are the bonds by maturity period:

	December 31, 2020	December 31, 2019
Under 1 year	612,797	1,358,100
1 to 5 years	8,164,587	7,000,052
5 to 10 years	3,299,026	3,873,294
Over 10 years	458,982	167,437
	12,535,392	12,398,883

Below is the redemption of the debt instruments issued by Banco Davivienda S.A.:

December 31, 2020

Date	Type of issue	Term	Rate	Date of maturity	Value
2/12/2015	Ordinary Bonds	60	CPI 2.84%	2/12/2020	187,241
6/07/2017	Ordinary Bonds	36	TF 6.48%	6/07/2020	357,334
11/10/2015	Ordinary Bonds	60	CPI 3.45%	11/10/2020	148,956
12/10/2013	Ordinary Bonds	84	CPI 4.29%	12/10/2020	83,935
					777,466

December 31, 2019

Date	Type of issue	Term	Rate	Date of maturity	Value
5/15/2014	Ordinary Bonds	60	CPI+3.39%	5/15/2019	183,359
7/27/2016	Ordinary Bonds	36	TF 8,64%	7/27/2019	222,385
10/09/2014	Ordinary Bonds	60	CPI+3.25%	10/09/2019	109,350
					515,094

Below are the redemptions foreign subsidiaries:

(Millions of Colombian pesos (COP))

Redemptions Banco Costa Rica

December 31, 2020

Date	Type of issue	Term	Rate	Date of maturity	Value
08/16/2019 - 12/16/2019	Commercial Paper	12	3.53% - 3.82%	08/14/2020 - 12/15/2020	131,451
03/24/2017 - 09/25/2019	Standardized bond	12 - 37	7.06% - 9.13%	01/24/2020 - 09/24/2020	376,968
					508,419

December 31, 2019

Date	Type of issue	Term	Rate	Date of maturity	Value
10/24/2018	Standardized bond	11	8.42%	10/22/2019	519
10/24/2018	Standardized bond	11	8.42%	10/22/2019	16,396
10/24/2018	Standardized bond	11	8.42%	10/22/2019	10,412
10/24/2018	Standardized bond	11	8.42%	10/22/2019	54,656
					81,983

Redemptions Banco El Salvador:

December 31, 2020

Date	Type of issue	Term	Rate	Date of maturity	Value
1/23/2019	Ordinary Bonds	12	6.30 %	10/23/2020	2,265
11/26/2013	Ordinary Bonds	84	5.80 %	12/26/2020	137,300
12/20/2013	Ordinary Bonds	84	5.80 %	12/20/2020	68,650
					208,215

December 31, 2019

Date	Type of issue	Term	Rate	Date of maturity	Value
4/21/2017	Ordinary Bonds	24	5.00 %	4/21/2019	492
4/21/2017	Ordinary Bonds	24	5.00 %	4/21/2019	33,467
4/21/2017	Ordinary Bonds	24	5.00 %	4/21/2019	31,952
4/21/2017	Ordinary Bonds	24	5.00 %	4/21/2019	32,771
4/21/2017	Ordinary Bonds	24	5.00 %	4/21/2019	328
12/20/2013	Ordinary Bonds	66	6.00 %	6/20/2019	32,771
4/21/2017	Ordinary Bonds	30	5.00 %	10/21/2019	98,314
					230,095

Redemptions Banco Honduras

No bond redemptions were filed during 2020.

December 31, 2019

Date	Type of issue	Term	Rate	Date of maturity	Value
4/25/2002	Mortgage bonds	15 years	15.00 %	4/25/2017	67
4/25/2002	Mortgage bonds	15 years	15.00 %	4/25/2017	206
11/27/2002	Mortgage bonds	15 years	15.00 %	11/24/2017	5
					278

(Millions of Colombian pesos (COP))

Hedging liabilities

Davivienda Bank has accounting coverage of its net investments in its foreign business to eliminate the asymmetries between the Statement of Results and Heritage, and to consistently reflect the bank book's exchange-rate risk management strategy.

Evaluation Coverage of net investment abroad

As a result of the bank presence abroad through its subsidiaries, the bank book is sensitive to exchange rates. This fact affects two particularly important variables for the entity; i) the economic value, understood as the aggregation of the Profit and Loss Statement (P&L), and the Other Comprehensive Income (OCI), and ii) the solvency or equity adequacy ratio.

The strategy adopted by the Bank aims to cover a fraction of the structural position in foreign currency associated with investments in foreign subsidiaries, to make the sensitivity of the economic effect to the exchange rate more sensitive, but a long directional position in foreign currency is maintained that will make the solvency ratio sensitive.

For this purpose, Davivienda uses various hedging instruments, such as passive cash positions, financial derivative instruments and any other instrument that fits the purpose of exchange risk management. It also adopts hedge accounting to reduce the accounting asymmetry between P&L and ORI.

The position in the subsidiaries abroad and the items covered by the headings covered by the respective covering instruments are detailed below:

	Costa Rica	**Honduras**	**El Salvador**	**Panamá**	**Total**
Hedge Ratio	**0 %**	**0 %**	**100 %**	**63 %**	**52 %**
Position hedged portion					**967**
Value of equity investment in currency of origin	138,475	3,786	356	227	
Value of equity investment in USD	227	157	356	227	967
Position of hedging instruments					**500**
Bonds in USD	0	0	356	144	500

Effectiveness of hedges

As it is an exchange rate hedge, where the hedged component of the hedged item corresponds exclusively to the variation in the Colombian peso - US dollar exchange rate, there is a direct and inverse relationship between the primary item and the hedging instrument, as both are sensitive in the same proportion to movements in the peso - US dollar exchange rate.

The retrospective evaluation of the effectiveness of the hedge, based on the dollar offset method, which compares for the period of analysis the change in the value of the hedged item with the change in the value of the hedging instrument, for the hedged risk, yields a result of 100% for 2020.

(Millions of Colombian pesos (COP))

Reconciliation between changes in equity and cash flows arising from financing activities

	Liabilities			Equity	
	Credits with banks and other obligations	Debt instruments issued	Lease liabilities	Profit from previous years	Total
Balance December 31, 2019	13,564,888	12,398,883	993,408	-	26,957,179
Changes in financing cash flows					
Proceeds from new loans in financial debt	11,911,000	-	-	-	11,911,000
Payment of financial obligations	(11,798,565)	-	-	-	(11,798,565)
Issues of debt instruments	-	1,714,371	-	-	1,714,371
Redemptions of debt instruments issued	-	(1,494,102)	-	-	(1,494,102)
Payment of lease liabilities	-	-	(121,773)	-	(121,773)
Payment of cash dividends	-	-	-	(417,192)	(417,192)
Total changes in financing cash flows	112,435	220,269	(121,773)	(417,192)	(206,261)
Other changes in liabilities					
Accrued interest	558,465	831,247	66,224	-	1,455,936
Interest paid	(446,329)	(829,030)	(66,224)	-	(1,341,583)
New leases	-	-	11,073	-	11,073
Contract modifications	-	-	66,310	-	66,310
Withdrawals	-	-	(45,215)	-	(45,215)
Cost to be amortized	(7,015)	3,122	-	-	(3,893)
Change in the Real Value Unit (UVR)	-	(161,616)	-	-	(161,616)
Translation	635,182	72,517	7,411	-	715,110
Other	1,122	-	-	-	1,122
Total other changes in liabilities	741,425	(83,760)	39,579	-	697,244
Other changes in equity	-	-	-	417,192	417,192
Balance December 31, 2020	14,418,748	12,535,392	911,215	-	27,865,355

(Millions of Colombian pesos (COP))

13.21. Accounts payable

The following is the detail of accounts payable:

	December 31, 2020	December 31, 2019
Vendors and services payable	679,611	589,083
Employment deductions and contributions	194,432	172,062
Contribution on transactions	25,694	10,900
External Reinsurers Current Account	22,083	17,196
To parent company, subsidiaries, related parties	17,183	24,376
Balance available VISA prepaid	2,692	3,342
Account payable Nation Law 546	7,268	7,080
Deposit insurance	93,455	75,878
Disbursements pending creditors	52,700	89,939
Creditor Security Bonds	17,490	18,017
Outstanding checks	31,651	21,241
Third-party forward settlement	16,979	10,974
Insurance	17,421	6,235
Fund guarantees financial institutions	28,604	28,128
Franchises	25,373	22,251
Credit Card	8,057	7,858
Promising buyers	14,799	8,189
Commissions and fees	10,276	5,734
Dividends and surpluses	5,855	4,800
Sundry	318,231	192,826
	1,589,854	1,316,109

13.22. Employee benefits

The following is the detail of employee benefits:

	December 31, 2020	December 31, 2019
Short-term benefits	202,567	171,812
Long term benefits	43,866	41,321
Post-Employment Benefits	47,269	39,985
¨Pension Funds	26,554	21,708
Health Policy Pensioners	20,715	18,277
	293,702	253,118

The bank has the following long-term benefits:

a. It is granted to employees with at least 2 years of service, loans for the acquisition of housing at a preferential variable interest rate, which is available only during the time of employment, that is, in the event of immediate termination of employment, the benefit is lost. Two funds have been set up for this purpose, with a maximum limit established by the administration and updated periodically The estimate of the benefit amount in interest rate with respect to the market rate in effect on the date of origination of the loans, this difference in rates is the sum of the present values and is recognized in the statement of financial position.

(Millions of Colombian pesos (COP))

b. Upon the signing of the 2015-2018 collective labor agreement, an extralegal seniority premium is recognized for employees, equivalent to 15 days' salary upon completing 5 years of work and 30 days' salary upon completing 10 years and for each subsequent five-year period. As of December 31, 2019, the liability recognized for this concept amounts to $41.321.

The following is a description of post-employment benefits:

Defined contribution plan

Contribution made by the bank equivalent to the amount set by the employee, with a limit of up to 5% of the salary, applicable to employees who are 10 years or less from their pension and which will only be granted when the employee fulfils the conditions for pension, without any commitment to make payments at that date. It is accounted for by the amounts contributed from results and does not require actuarial assumptions as it is a pre-determined contribution to a fund where the bank does not assume any actuarial or investment risk.

Defined benefit plan

Health policy for retirees and their spouses that are recognized by actuarial calculation with changes in the OCI.

The detail of employee benefits is as follows

	December 31, 2020	December 31, 2019
Present value of employee benefit obligations	20,715	18,277

Currently, all bank employees are entitled to access a group health policy while they are active, and subsequently, upon reaching pension age, the employee and his/her spouse are entitled to a 30% subsidy on an individual health policy sponsored by the bank, provided certain conditions are met.

Movement in present value of defined benefit obligations

	December 31, 2020	December 31, 2019
Defined benefit obligation at the beginning of the period	18,277	13,847
Current Service Costs	982	757
Interest cost	1,316	1,135
Remedies	702	2,979
Experience-related adjustments	2,286	336
Actuarial (gains) losses from changes in financial assumptions (OCI)	(1,584)	2,643
Benefits paid by the plan	(561)	(441)
Benefit obligations defined at the end of the period	20,715	18,277

Main actuarial assumptions

	December 31, 2020	December 31, 2019
Discount rate	7.50 %	7.25 %
Future salary increments	3.50 %	3.50 %
Rate of inflation	3.50 %	3.50 %

(Millions of Colombian pesos (COP))

After reaching the retirement age, it is assumed that those who access the benefit will pass away according with the 2008 mortality chart of valid annuitants, consigned in resolution number 1555 of 2010 of the Superintendence of Finance of Colombia.

Sensitivity analysis

The defined benefit obligation and service cost for the current period were calculated using the projected unit credit method. The sensitivity analysis of the defined benefit liability for the different financial and actuarial variables as of December 31, 2020

Discount rate

	Current value of defined benefits	Weighted average duration of defined benefit obligations (in years)	Assumptions
Discount rate -50 bp	22,313	14.18	7.13 %
Discount rate +50 bp	19,289	13.61	8.13 %

Medical trend

	Medical service rate	Assumptions
Medical service rate -50 bp	19,227	3 %
Medical service rate +50 bp	22,374	4 %

Payments of expected future benefits

Year	Defined benefits
2021	685
2022	747
2023	817
2024	893
2025	1,000
2026 to 2030	6,848

13.23. Technical reserves

Loss reserves are detailed below:

	December 31, 2020	December 31, 2019
Mathematical reserve	21,232	18,257
Reserve for savings life insurance policy with participation	71,842	67,386
Current risk reserve	104,374	95,111
Reported risk reserve	69,458	27,863
Reserve for outstanding claims	10,605	8,978
	277,511	217,595

(Millions of Colombian pesos (COP))

Movement of reserves:

	December 31, 2020	December 31, 2019
Opening balance	217,595	205,582
Plus		
Establishment of reserve	83,450	79,712
Less		
Release of reserve	(65,817)	(65,824)
Effect of movement of exchange rates	42,283	(1,875)
Closing balance	277,511	217,595

13.24. Other liabilities and estimated liabilities

The detail of other liabilities and estimated liabilities is as follows:

	December 31, 2020	December 31, 2019
Estimated Labilities		
Other Provisions	184,567	165,493
Litigation, indemnities, and claims	23,340	23,440
In joint operations	1,503	1,492
	209,410	190,425
Other liabilities		
Leases	911,215	993,408
Deferred income	227,138	226,782
Letters of credit for deferred payment	27,288	22,529
Part-payments pending allocation	132,449	150,418
Deferred credits	6,054	5,642
Maintenance and repairs	5,734	7,070
Sundry	104,783	52,397
	1,414,661	1,458,246
	1,624,071	1,648,671

Other movement of provisions:

	December 31, 2020	December 31, 2019
Opening balance	165,493	167,401
Effect of movement of exchange rates	(4,957)	3,704
Plus		
Provision	477,807	768,691
Less		
Disposals	(442,475)	(382,858)
Recoveries	(11,301)	(391,445)
Closing balance	184,567	165,493

(Millions of Colombian pesos (COP))

1) The following is the detail of other provisions:

December 31, 2020

	1 year	1-3 years	3-5 years	5-10 years	Total
Frech premium provision	4,112	9,441	6,670	416	20,639
Taxes	85,198	-	-	-	85,198
Estimated liabilities	9,812	-	3,588	-	13,400
Administrative expenses	1,553	-	-	-	1,553
Portfolio provisions	2,475	-	-	-	2,475
Accounts payable to vendors	14,720	7	-	-	14,727
Human Resources	29,040	-	-	-	29,040
Cards	9,910	10	111	-	10,031
Creditors and services	3,291	1,005	-	-	4,296
Reward points program	3,208	-	-	-	3,208
	163,319	10,463	10,369	416	184,567

December 31, 2019

	1 year	1-3 years	3-5 years	5-10 years	Total
Frech premium provision	2,739	11,450	8,565	2,884	25,638
Taxes	62,060	-	-	-	62,060
Estimated liabilities	10,463	-	-	-	10,463
Administrative expenses	956	3,711	-	-	4,667
Portfolio provisions	2,521	-	-	-	2,521
Accounts payable to vendors	6,503	125	-	-	6,628
Human Resources	39,287	-	-	-	39,287
Cards	7,458	16	-	-	7,474
Creditors and services	3,321	-	-	-	3,321
Reward points programs	3,344	90	-	-	3,434
	138,652	15,392	8,565	2,884	165,493

(Millions of Colombian pesos (COP))

2) Litigation, indemnities, and claims

The following is the movement of the provision corresponding to litigation, indemnities, and claims:

	December 31, 2020	December 31, 2019
Opening balance	23,440	19,801
Effect of movement of exchange rates	262	(19)
Plus		
Provision	9,456	8,560
Less		
Disposals	(134)	(4,902)
Recoveries	(9,684)	-
Closing balance	23,340	23,440

Summary of the process:

	December 31, 2020			December 31, 2019		
	No. of cases	Provision value	Claims Value	No. of cases	Provision value	Claims Value
Covered by FOGAFIN banking deposit insurance (2)	10	9,685	712	11	10,251	1,193
Labor cases	9	2,204	2,145	19	3,897	3,731
Ordinary processes	295	11,451	5,746	251	9,292	5,335
	314	23,340	8,603	281	23,440	10,259

Estimated outflows due to outcome of cases are as follows:

December 31, 2020

	1 year	1-3 years	3-5 years	Over 10 years	Total
Covered by FOGAFIN (Banking deposit insurance) guarantee (2)	-	9,685	-	-	9,685
Labor cases	1,369	836	-	-	2,205
Ordinary processes	3,558	6,047	161	1,684	11,450
	4,927	16,568	161	1,684	23,340

December 31, 2019

	1 year	1-3 years	3-5 years	Over 10 years	Total
Covered by FOGAFIN (Banking deposit insurance) guarantee (2)	-	10,251	-	-	10,251
Labor cases	2,323	1,574	-	-	3,897
Ordinary processes	3,849	5,271	-	172	9,292
	6,172	17,096	-	172	23,440

(2) These are those cases of Granbanco S.A. Fiduciaria Cafetera S.A., Bancafé Panamá S.A. today Davivienda Panamá and Bancafé International Corporation today Davivienda Internacional, which existed on January 31, 2007 and those notified after February 16, 2007 and until February 16, 2010, which are in force and expressly guaranteed by Fogafín.

For civil, administrative and special cases covered by the Fogafin guarantee contract, provisions of 15% are made, taking into account the coverage of the guarantee, on the value of the respective contingency in accordance with its qualification and only for ordinary, special and labor cases.

Criminal

The Bank is called as a Civilly Liable Third Party , in accordance with Colombian legislation, and shall be held responsible for the prejudice caused to the convicted party. In pursuant with the legal analysis, assignment is done or not according to the case.

Ordinary civil cases, special cases, contentious administrative cases, and labor cases

This type of judicial proceedings generates a contingent liability for the Bank, independent from the procedure that is carried out to that effect. In general terms, because of its eventual civil contractual or extra contractual liability, and equally because fines or sanctions imposed by the corresponding entities in development of their functions. Each one of these procedures has their corresponding grade and provision, in case of it being required.

Below, the judicial procedures that may generate a bigger economic impact to the bank appear in detail:

Bank

The public interest claims, and class action lawsuits are judicial procedures created for the protection of the rights of a plural number of people. While the public interest actions have the purpose of preventing, ceasing and reestablishing collective rights, the class group actions seek to repair the prejudices generated by the aggression of individual homogeneous rights. The risk of these litigious rights has been considered remote, nevertheless, the nature of the rights in dispute and the plurality of plaintiffs turns them into important judicial procedures for the Bank.

Judicial procedures concerning the extinct UPAC system.

The National Committee of UPAC-UVR Users, alongside with different individual persons have formulated a public interest action suit against Banco Davivienda S.A., and other financial institutions with the purpose of declaring that the defendants irregularly reassessed the liquidation of the reliefs that were granted to the mortgage debtors in accordance to Law Number 546 of 1999. Additionally, they claim that the defendants refund the TES (Public Debt Securities) to the public treasury, which they still have not returned despite grounds for doing it having been fulfilled. The procedure is being followed up by the Administrative Tribunal of Cundinamarca pending the definitive resolution of preliminary procedural exceptions formulated by the Bank. The quantum of the affair has not been determined in the lawsuit; therefore, the contingency is classified as remote. Davivienda has been disassociated from this legal action by ruling of December 4th of 2018, which has been appealed and is pending of resolution.

Miss Clara Cecilia Murcia and others have filed a class action lawsuit before the Administrative Court No. 5 of Bogotá, against the courts that did not comply with the content established in Law No. 546 of 1999 regarding the termination of the corresponding proceedings for the execution of mortgages. Among the claims demanded in the lawsuit, plaintiff asks that the courts of law rule the end of such affairs. The Bank is being linked to the procedure for having filed, at the time, the pertinent enforceable lawsuits. The procedure is at its evidentiary stage. The contingency has been qualified as remote.

Construction companies GILPA LTDA and HERPA LTDA, through financing by Colpatria and Bancafé, have constructed the development project project Colinas de Vista Hermosa in the Township of Villa del Rosario (North of Santander). The development project presents slides, public services problems and, in general, lack of security for the sanitation and life of the residents. The Township´s Office of the Public Defender pretends that the residents be relocated, that the construction companies adapt new residences and that the financial institutions suspend collecting debentures and liabilities. The Tribunal of North of Santander has ordered that Colpatria and Bancafé be binded to the process. The contingency is being graded as probable, considering the legal proceedings that have been verified up to the date, which indicate a possible ruling adverse to the bank´s interests, with a provision of $953, 85% of which is covered by FOGAFIN..

Judicial proceedings related to other bank activities

In the Superintendent's Office for Businesses Companies and Corporations, mister Carlos Consuegra sues the company Vandux of Colombia S.A., and several financial entities, among them Davivienda, to revoke, among others, the payment of a Bancoldex credit loan that Vandux owed, and that had been granted within a period of suspicion of fraud during the process of reorganization of this company. At present, the hearing of instruction and trial is initiated, but suspended, due to the decree of evidence by the aforementioned authority. The risk is graded as possible.

CORPORACION ALIANZA CARIBE, member of the Provisional Joint Venture Agreement Unión Temporal Alimentando Nariño, sues the Bank, for considering a breach in the checking account deposit contract, given that the other member of the Provisional Joint Venture Agreement, who exercised the administration and representation of the Provisional Joint Venture had disposed of the monies that had been deposited in the account and transferred them to an account in a different Bank other than Davivienda. The complaint is filed before the 25 Civil Court of the Circuit of Bogotá, D.C., before the annulment ordered by the Superior Court of the Judicial District of Bogotá, D.C. of the proceedings advanced by the Financial Superintendence of Colombia, it is pending the hearing of instruction and judgment and has been provisionally qualified as possible. At a hearing held on 10 November 2020, the conciliation process was completed.

Mister Alvaro de Jesus Restrepo Cantillo, has sued the Bank and pretends to declare a contract simulation or quasi-contract in the constitution of the company Restrepo Hoyos & Cia S en C (Today Restrepo Hoyos S.A.S.) The lawsuit also pretends to declare the simulation of real estate acquisitions, which are comprised in the following public deeds: No. 2860 of 10/3/2003 Notary No.1 of Barranquilla (6 immovable properties) No. 2914 of 10/9/2003 Notary No.1 of Barranquilla (1 immovable property) (mortgage by Davivienda) No. 2154 of 11/9/2001 Notary No. 9 of Barranquilla (4 immovable properties). To void the legal effects of any business purchases made by the company Restrepo Hoyos & Cia S en C (Today Restrepo Hoyos S.A.S.) with any third parties. To order the company Restrepo Hoyos & Cia S en C (Today Restrepo Hoyos S.A.S.) and its partners, the recognition and payment of any harm and prejudice of the estimated appraisal under oath section. To order the cancellation of the aforementioned deeds and the registration conducted at the Public Records Registry Office. To condemn the defendant to pay all legal representation and additional costs. 2. As a second main claim: May the lands that are the object of sale and that pray in the three scriptures, be decreed enormous injury and as a result, the nullity of all acts celebrated with them be decreed. As a consequence of the aforesaid, to order the termination of the mentioned contracts entered upon by the defendant Restrepo Hoyos & Cia S en C (Today Restrepo Hoyos S.A.S.). So these real estate must return to the head of the culprit Mr. Restrepo Urbina and thus be part of the estate mass. As a result of the above, a huge injury is ordered on the real estate sold by the defendant to third-party buyers. The consequence of the above is that the property of the mortgages or other real and accessory rights that have been constituted in it are purged. That the defendant Restrepo Hoyos & Cia S en C (Today Restrepo Hoyos S.A.S.) must restore the properties of the scriptures with the fruits and accessories from the trade date to the day of the material delivery. That the public instruments office of Valledupar be made official, so that the decisions taken by judgment are taken in the present case. To condemn the defendant to pay all legal representation and additional costs. SUBSIDIARIES: To order the absolute nullity of the contract of incorporation of the company Restrepo Hoyos & Cia S en C (Hoy Restrepo Hoyos S.A.S.) and the businesses celebrated by it. To void the legal effects of any business purchases made by the company Restrepo Hoyos & Cia S en C (Today Restrepo Hoyos S.A.S.) with any third parties. The company Restrepo Hoyos & Cia S en C (Hoy Restrepo Hoyos S.A.S.) and its partners are ordered to recognize and pay damages for the estimate of the oath. To order the cancellation of public writes: No. 2860 of 3/10/2003 Notaria 1 of B/quilla (6 properties) No. 2914 of 9/10/2003 Notaria 1 of B/quilla (1 property) (mortgage Davivienda) No. 2154 of 9/11/2001 Notaria 9 of B/quilla (4 buildings) is condemned in law and coastal agencies. The consequence of these statements is that the bank would be left without a series of guarantees consisting of residential and mortgage leasing loans. The process is in the probation stage pending the hearing of instruction and judgment. It has been qualified as possible.

Mr. GUSTAVO LAFAURIE RODRÍGUEZ sues the bank in a labor lawsuit and requests the reinstatement and payment of salaries and other benefits foregone. The plaintiff was dismissed for just cause, due to events that occurred during the processing of international transfers received from the companies LAYSHA INTERNACIONAL LTDA, IAS EXPORTACION LTDA, YAMILE ELVIRA LLANOS MENDEZ, in breach of the procedures and manuals. The contingency is classified as probable, considering the procedural actions verified to date, which indicate that it is possible that an adverse ruling to the bank's interests may occur. Value of the provision $309 million.

Fiduciaria Davivienda S.A.

Plaintiff: Carlos A. Gómez
Defendant: Fiduciaria Davivienda S.A. and Banco Davivienda S.A
Amount of the Claim: The plaintiff demands the declaration of business unit and the re liquidation of the compensation for unfair termination for the amount of $165

Current status: The judgment in the Supreme Court of Justice for the payment by Fiduciaria Davivienda (formerly Fiducafe S.A) and Banco Davivienda of the labor process was signed.

Provision Amount: $60

Approximate date of the end of the legal procedure: July 2021

Branch processes in Central America

In view of the Bank's negotiation with HSBC Holdings plc, for the acquisition of “HSBC Costa Rica” Grupo del Isthmo (Costa Rica) S.A., “HSBC El Salvador” Financial Investments HSBC, S.A., “HSBC Honduras” HSBC Honduras Bank, S.A. y Seguros HSBC Honduras, Sociedad Anónima, and Honduras Seguros Holdco, Purchases made between November 23 and December 7, 2012, include in this report the list of processes that can generate passive contingency to the Bank, as follows:

Honduras

Type of the legal procedure: compensation for damages.
Grading of the Procedure: Possible
Plaintiff: Green Development Corporation S.A. (GDC)
Defendants: Banco HSBC Honduras S. A. and Banco Lafise, S. A.
Amount of the Claim: US$159.8

Current Status: legal procedure with unfavorable ruling in first and second instances against Banco Davivienda and another local bank. On August 4, 2014, each bank filed a Cassation Appeal with the Supreme Court of Justice, which was admitted on August 25, 2015. In January 2016, the composition of the Supreme Court of Justice was changed and fully confirmed. The Civil Chamber took up the case study which is pending decision. According to Davivienda’s lawyer concept, there are serious grounds for considering that the judgments issued in the first and second instance have vices that should lead the Supreme Court to declare its nullity and issue a new sentence. In the event that banks are convicted, Davivienda believes that, given the guarantees it has, the impact would not be material. Possible qualification.

Legal Procedure initiated by Wilfredo Quiñónez Gaylor Zelaya, against the bank by an amount that surpasses 810 thousand dollars. Ruling in first instance, issued on February 25th of 2016, with an “Unfavorable” ruling to the Bank. Judgment of appeal, issued on June 10, 2016, with "unfavorable" ruling for the Bank. On July 22th of 2016 an appeal for reversal was filed. On February 13th of 2019, the Supreme Court of Justice issued an unfavorable ruling for the Bank for the reversal appeal and confirmed the second instance ruling. On May 30, 2019, an appeal was filed for review against the judgment of an unfavorable cassation, based on a criminal prejudicial ground.. On January 17, 2020, the First Court of Appeals of La Ceiba admitted with suspension of the act claimed the amparo filed against the ruling that declared the criminal pre-judiciality without place, this implies that the execution requested by the plaintiff is suspended. Grade: Possible

Legal procedure against administrators: Criminal complaint for the crime of “Continuated Fraud” of Avanti Inversiones Hoteles, S.A., of C.V. (Jesús Faud Touche), against Álvaro Morales Patiño (Legal Representative of Davivienda Honduras S.A.), for an amount surpassing 137 million dollars. In the Conciliatory Hearing, the legal representative of the bank manifested no interest in conciliating. The complaint was then amplified to accuse mister Jorge Álvarado (ex-CEO of BGA Bank, now Banco Davivienda). The 25th of April of 2017, a Hearing for examination of proceedings was carried out. The 9th of June of 2017, a Hearing for Washout, Clearing and proposition of procedural exceptions. The 14th of June of 2017 a ruling decreeing definite dismissal in favor of Alvaro Morales and Jorge Alvarado.

Current Status: the legal procedure is currently on second instance by cause of appeal from both parties. Ruling from the Appeal is pending. Grade: Remote.

<u>El Salvador</u>

Type of the Legal Procedure: Summary Mercantile Judgment for the Claiming and Liquidation of damages

Plaintiff: Sociedad Ingeniero José Antonio Salaverría y Compañía de C.V. (hereafter IJASAL). Reference: 34-SM-09.

Defendant: Banco HSBC Salvadoreño S.A. (today Davivienda Salvadoreño S.A.)

Amount of the Claim: US$22.7

Causes of the Lawsuit: Presumptive breaches of contract entered into between the parties, regarding the claims of consequential damage and loss of profits, as a direct and immediate effect of the presumptive actions carried out by the Bank.

Current Status: Legal procedure with rulings favorable to the Bank in first and second instances. On June 13th of 2019 of the Civil Chamber of the Supreme Court of Justice notifies ruling for reversal appeal unfavorable to Banco Davivienda Salvadoreño S.A., convicted to payment of compensation for damages for the sum of US$49.3.

On February 8, 2021, the Bank received notification from the Constitutional Court dismissing the injunction lawsuit; therefore, the Bank will proceed to comply with the order of the Civil Court, in the form and manner to be defined by the respective court, and to execute the guarantees it has, in order to mitigate the financial impact of this litigation.
Grade of the contingency: Possible

<u>Costa Rica</u>

Collection of income tax by rejected expenses associated to non-taxable income – period of 2011.

Legal action for an approximate amount of US$3.6 pending resolution. Resolution pending administrative claim and a motion for nullity filed the 8th of December of 2016. Current status: On October 24, 2019, payment is made under protest to the tax administration in the amount of US$3.6. This completes the determinative tax procedure and will go to the court in order to claim the amounts paid. No provision is made for payment.

Legal action of tax proportionality corresponding to the period of 99-2005. On July 9th of 2014 a payment of an approximate amount of USD$9.5 was made under protest. The process is still pending of resolution in administrative and judicial offices: 1. Administrative: resolution of appeal filed against the dismissal of the motion for annulment of the liquidation of tax debt is pending. 2. Judicial: on June 19th of 2017 a hearing took place regarding new facts presented by the Bank, specially informing about payment made under protest in 2014. Still waiting for being convened to an oral debate, moment in which in depth discussion regarding the issue will take place. Judge's ruling will be suspended until decision of the Constitutional Chamber of the Supreme Court regarding procedures of detriment to the parties. This process is qualified as possible.

(Millions of Colombian pesos (COP))

Regarding the annulment of the deeds of constitution of the guarantee trust and the auction of the properties given as guarantee that were awarded by the bank (in relation to a loan granted to the company Silvercat Investments Inc. The amount of the lawsuit surpasses 21 million dollars. Preliminary objection defenses were presented, and the lawsuit was contested. Preliminary objection of the arbitration clause was resolved in favor of the Bank, declaring the legal action - without merit.

Current status: The appeal filed by the party is pending. This process is qualified as remote. Therefore, it is not provided.

2 Labor-related lawsuits filed by ex-staffers of a company that was hired by Outsourcing. The claims are of a non-quantifiable amount. The lawsuit was contested.

Current status: The first trial is currently convened for an oral hearing (confessional evidence, deposition and acknowledgment of documents), which was rescheduled for April 4, 2022 due to the sanitary restrictions imposed by COVID-19. In the second process, on November 2, 2020, a trial date was set for September 6, 2022. Qualified as possible.

13.25. Equity

Encompasses all the concepts and values that represent the contributions or rights of the shareholders for the subscribed capital, the appropriate reserves of profits from previous years by mandate of the Meeting, in order to comply with legal or statutory provisions or specific purposes, the surplus and the dividends declared in shares as their additional paid-in capital.

13.25.1. Capital stock

As of December 31, 2020 and December 31, 2019, the Bank's authorized capital amounted to $77,350 consisting of 455,000,000 shares, with a par value of $170 (pesos per share).

Subscribed and paid-in capital as of December 31, 2020 and December 31, 2019 amounts to $76,784.

The authorized, subscribed and paid-in capital is comprised of the following shares and other equity data as of December 31, 2020 as follows:

	December 31, 2020	December 31, 2019
Ordinary shares subscribed and paid	343,676,929	343,676,929
Preferential shares subscribed and paid	107,993,484	107,993,484
Total shares outstanding	451,670,413	451,670,413
Par value as of the date	170	170
Separate equity value	11,355,867	11,465,659
Intrinsic value (in pesos)	25,141.93	25,385.01

There were no changes in the total shares outstanding for December 31, 2020 and 2019.

(Millions of Colombian pesos (COP))

The Bank's shares are registered, with capital, and may be: a) ordinary, b) privileged, c) with preferential dividends and without the right to vote; the latter may not represent more than fifty percent (50%) of the subscribed capital.

The shares with preferential dividends will give their holders the right to receive a minimum preferential dividend corresponding to zero-point five percent (0.5%) per semester on the subscription price of the first issue of the program, i.e. (COP 80.65), which will be paid by decision of the Meeting in preference to that corresponding to the ordinary shares. The minimum preferential dividend cannot be accumulated and is not guaranteed.

The payment of the Minimum Preferential Dividend will be made with the periodicity and form determined by the General Shareholders' Meeting, in Colombian pesos. At present, Davivienda's accounting exercise is annual.

If the distributable profits are sufficient to pay the Common and Preferred Shareholders a dividend equivalent to or higher than the minimum preferred dividend, the profits will be distributed, on a pro rata basis, among the preferred shareholders and the common shareholders in accordance with the decisions made by the Meeting.

13.25.2. Share placement premium

Refers to amounts obtained in excess of the par value of the share and the capitalization of occasional reserves obtained in the distribution of profits from previous years with an increase in par value, as determined by the decisions of the Annual General Meeting.

The detail of the share placement premium comprising equity is as follows:

	December 31, 2020	December 31, 2019
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

13.25.3. Reserves

As a result of decisions made by the General Shareholders' Meeting, the profits obtained in the annual periods have been appropriated.

The detail of the figures in reserves that make up the equity is as follows:

	December 31, 2020	December 31, 2019
Legal reserve		
By appropriation of earnings	5,353,327	4,513,942
Statutory and occasional reserves	70,898	-
At the disposal of the board of directors	153,331	21,792
For tax provisions	224,229	21,792

(Millions of Colombian pesos (COP))

13.25.4. Earnings per share

Earnings per share at the end of December 31, 2020 and 2019 were $903 and $3,285, respectively, calculated based on basic earnings at the end of each period divided by the weighted average number of shares outstanding.

	December 31, 2020	December 31, 2019
Total shares outstanding	451,670,413	451,670,413
Net Profit	408,032	1,483,855
Earnings per share	903	3,285

The following decisions were approved during the Annual General Meeting held on March 17, 2020:

Profit distribution

The Annual General Meeting approved the distribution of profits at the end of 2019 in the amount of $1,316,203, as follows:

a) Increase the legal reserve by $460,671 from taxed and non-taxed profits for the year.

b) Issue cash dividends for $418,247, at a rate of $926 pesos per share, payable 50% at $463 per share on March. 26 and September 23, 2020.

c) Increase the occasional reserves available to the assembly by $437,285.

Other decisions:

a) Release $338,125 under the equity method in 2018 to increase the legal reserve.

b) Increase the Legal Reserve by $5,996 of profits of previous years realized in 2019.

c) Establish the irrevocable commitment to increase the legal reserve at the end of 2020, by 35% of the profits of the current year and up to a maximum of 10% of the Bank's technical reserves.

13.25.5. Capital Management

Banco Davivienda defines its capital as the level of its own funds that could be used to face a loss scenario caused by the materialization of financial risks. The Bank has established a policy to maintain sufficient solvency levels that allow it to successfully perform its various activities with enough capital based on the risks it has undertaken, ensuring the sustainability of the entity in the long term.

Consequently, the Bank abides by Colombian regulations and by the laws and regulations of the countries where its subsidiaries operate, complying with stipulations governing solvency capital requirements for financial institutions. Pursuant to Articles 2.1.1.1.2 and 2.1.1.1.3 of Decree 2555, as amended by Decree 1771 of 2012 and 1648 of 2014, the total capital adequacy ratio is set at 9% and the Tier 1 ratio must exceed 4.5% at the consolidated level.

The Technical Reserves are the sum of the Ordinary Basic Reserves (PBO), the Additional Basic Reserves (PBA) and the Supplementary Reserves (PA), discounting the deductions from the PBO, according to the guidelines of Decree 2555 of 2010. On the other hand, percentages established by the Superintendence of Finance of Colombia for risk-weighted assets are applied and market risk is included under the established methodology.

Thus, the Bank adequately complies with capital requirements at an individual and consolidated level under the guidelines of the Superintendence of Finance of Colombia as presented below as of December 31, 2020 and December 31, 2019.

(Millions of Colombian pesos (COP))

Technical equity calculations	December 31, 2020	December 31, 2019	Variation Dec 20 - Dec 19
Total Technical Capital	14,234,123	12,690,687	1,543,436
Tier One Capital	9,557,056	8,734,312	822,744
Deductions from Tier 1	(963,691)	(950,659)	(13,032)
Tier Two Capital	4,677,067	3,956,376	720,691
Market VaR	322,888	476,608	(153,720)
Risk-weighted assets	112,071,879	103,972,044	8,099,835
Total Technical Capital to risk weighted asset ≥ 9%	12.31 %	11.61 %	0.70 %
Tier One Capital to risk weighted assets ≥ 4.5%	8.26 %	7.99 %	0.27 %

Capital levels are continuously monitored to identify possible changes in current solvency ratios and to take corrective measures in a timely fashion. Likewise, for strategic planning purposes, in the budgeting and business projection process, the Bank relies on tools that allow it to measure future capital levels, establishing the actions required to guarantee compliance with the solvency levels required to carry out the proposed strategies.

Finally, credit institutions must implement, effective January 1, 2021, the solvency indicators under the new definitions set forth in Decrees 1477 of 2018 and 1421 of 2019, whereby Decree 2555 of 2010 is amended in matters pertaining to adequate reserve requirements for credit institutions in Colombia. The enforcement of the minimum required solvency levels under the new standard will be implemented gradually until full application is reached on January 1, 2024.

13.26. Non-controlling interests

This is the portion of the net assets (equity) and results of the subsidiaries attributable to corporate rights whose owners are different from those of the consolidated group of companies.

December 31, 2020	Equity	% Minority interest	Minority interest
Fiduciaria Davivienda S.A.	254,713	5.30 %	13,497
Corredores Davivienda S.A	139,232	4.30 %	5,994
Cobranzas Sigma S.A.S.	751	6.00 %	45
Inversiones Financieras Davivienda S.A.	1,080,750	3.88 %	41,912
Banco Davivienda Salvadoreño S.A.	1,032,890	1.76 %	18,172
Banco Davivienda Honduras S.A.	509,287	3.12 %	15,901
Seguros Bolívar Honduras S.A.	112,265	9.94 %	11,161
Corporación Davivienda S.A.	1,089,856	0.03 %	294
Seguros Costa Rica S.A.	46,868	49.00 %	22,966
			129,942

(Millions of Colombian pesos (COP))

December 31, 2019	Equity	% Minority interest	Minority interest
Fiduciaria Davivienda S.A.	24,582	5.30 %	13,026
Corredores Davivienda S.A	101,939	4.30 %	4,389
Cobranzas Sigma S.A.S.	1,555	6.00 %	93
Inversiones Financieras Davivienda S.A.	1,094,265	3.88 %	42,436
Banco Davivienda Salvadoreño S.A.	1,006,083	1.76 %	17,700
Banco Davivienda Honduras S.A.	447,008	3.12 %	13,958
Seguros Bolívar Honduras S.A.	125,175	9.94 %	12,445
Corporación Davivienda S.A.	1,084,247	0.03 %	292
Seguros Costa Rica S.A.	45,478	49.00 %	22,284
			126,623

14. Specific items of the consolidated Statement of Income

14.1. Investments and valuation, net

The following is the detail of income and investment valuation:

	December 31, 2020	December 31, 2019
Debt instruments		
Net income	977,827	663,554
Loss	265,945	76,587
Valuation of investments at fair value	711,882	586,967
Net income	106,267	161,564
Loss	70,210	11,929
Investment interests at amortized cost	36,057	149,635
	747,939	736,602
Equity instruments		
Net income	74,984	68,506
Loss	59,034	35,094
Equity instruments valuation, net	15,950	33,412
Net income	101,794	52,945
Loss	24,883	10,833
Investments sales, net	76,911	42,112
	840,800	812,126

14.2. Income from insurance operations, commissions and services, net

The following is a detail of insurance transactions, commissions, and service fees:

	December 31, 2020	December 31, 2019
Income from insurance operations	432,923	358,584
Insurance operating expense	312,287	249,359
	120,636	109,225

(Millions of Colombian pesos (COP))

	December 31, 2020	December 31, 2019
Income commissions and services	1,610,261	1,623,014
Expense for commissions and services	480,683	425,500
	1,129,578	1,197,514
	1,250,214	1,306,739

The main items in these commissions originate from transactions.

14.3. Operating Expenses

The following are the details of operating expenses:

	December 31, 2020	December 31, 2019
Operating Expenses		
Salaries and benefits	1,190,665	1,100,613
Incentives	132,902	181,646
Employee benefits	284,664	261,804
	1,608,231	1,544,063
Administrative and operational		
Maintenance and adjustments	251,914	213,057
Cleaning and security services	60,621	55,579
Advertising, publicity and public relations	131,101	142,674
Insurance	135,002	81,566
Contributions and Others	127,557	96,349
Leases	51,838	47,021
Electronic data processing	90,527	92,395
Fees	420,791	319,833
Transport	115,992	128,604
Taxes	252,776	239,496
Deposit Insurance	197,402	159,835
Others	382,912	326,860
	2,218,433	1,903,269
Amortizations and depreciation	312,386	282,551
	4,139,050	3,729,883

14.4. Other Income and Expenses

The following are the details of other income and expenses:

	December 31, 2020	December 31, 2019
Other operating income		
Operational risk recoveries	32,803	15,181
Property sales	5,210	8,122
Impairment losses recovered	35,705	62,764
Other income	100,562	103,083
	174,280	189,150

(Millions of Colombian pesos (COP))

	December 31, 2020	December 31, 2019
Other operating expenses		
Operational risk losses	60,766	57,139
Property sales	13,711	13,001
Impairment of non-financial assets	127,426	121,146
Other expenses	22,146	5,709
	224,049	196,995
Other Income and Expenses, net	(49,769)	(7,845)

14.5. Income taxes

14.5.1. Components of income tax expense

Income tax expense includes the following:

	December 31, 2020	December 31, 2019
Income Tax	224,164	451,373
Tax discount	(51,986)	(66,309)
Expenditure from previous years	7,019	2,309
Total current tax	179,197	387,373
Deferred taxes	(111,067)	55,952
Total Income Tax	68,130	443,325

Applicable tax provisions for the Bank in Colombia require that:

- The income tax rate for 2020 is 36%. It includes 4% income surtax applicable to financial entities. In 2019 the income tax rate was 33% as a result of ruling C-510 issued by the Constitutional Court in October 2019 declaring that adding percentage points to the income tax applicable to financial entities was unconstitutional.

- According to the Economic Growth Act 2010 of 2019, the income tax rate for the years 2020, 2021, 2022 and subsequent is 32%, 31% and 30%, respectively. For financial institutions earning taxable income of 120.000 or more Tax Value Units in the period, applies 4 additional percentage points for income tax for the years 2020, 2021, and 2022.

- Presumptive income for 2020 and 2019 is 0.5% and 1.5%, respectively, of the net worth on the last day of the immediately preceding taxable year.

- The Economic Growth Act 2010 of 2019 eliminates presumptive income by setting a rate of 0% from 2021 and beyond.

- The Economic Growth Act 2010 of 2019 preserves the option to deduct 50% of the industry and commerce tax, notices and boards effectively paid in the taxable year or period. Starting in 2022, this deduction will be 100%.

- Pursuant to the Economic Growth Act 2010 of 2019, the term during which tax authorities may review income and supplementary tax returns of taxpayers who determine or offset tax losses or are subject to the transfer pricing regime, will be 5 years.

- Tax losses may be offset by ordinary liquid income obtained in the following 12 taxable periods.

- Excess presumptive income may be offset in the next 5 taxable periods.

- The one-time gain tax is taxed at the 10% rate.

(Millions of Colombian pesos (COP))

Current tax provisions applicable to CAM subsidiaries:

Current income tax rates for Banco Davivienda subsidiaries in Central America are 30% (Costa Rica, Honduras, Salvador) and 25% (Panama, Salvador in lower income companies) and 0% for Panama Lic. Internacional, Rojo Holding and Torre Davivienda Piso 12, 13, 14, 15, 16, 17, 18 and Corredores Panamá.

In Costa Rica: As of July 1, 2019, the Law for the Strengthening of Public Finances (9635) came into effect. The main changes include:
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- The replacement of the Sales Tax, now imposed on Value Added (specifically for the Services sector)

- The Income Tax introduces a new chapter on Capital Gain and Loss with a standard rate of 15%, separating them into real estate and furnishings, keeping those securities in force at 8%; for the end of 2019 it is a single and definitive tax. For the entities regulated by the Conassif from 1 January 2020 it would be treated as an advance of Current Income.

- As of January 1, 2020, only the sector regulated by Conassif will be converted to an integral income.

14.5.2. 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, 2020		December 31, 2019	
		Effective Rate		Effective Rate
Profit before taxes	476,162		1,927,180	
Income Tax at nominal rate 2020 (36%) - 2019 (33%)	171,418	36 %	635,969	33 %
Effect of tax rates in foreign jurisdictions (1)	4,307		133,172	
Tax incentives	(51,986)		(66,309)	
Non-deductible expenses and tax revenues	287,858		265,312	
Tax deductions and untaxed income	(198,296)		(364,596)	
Exempt Income	(170,774)		(160,523)	
Derecognition of previously recognized (recognition of previously unrecognized) deductible temporary differences	18,584		(2,009)	
Changes in estimates related to prior years	7,019		2,309	
Total income tax expense	68,130	14 %	443,325	23 %

(1) The rate adjustment in the subsidiaries corresponds to the difference of calculations to 36% and 33% applicable in Colombia for 2020 and 2019 respectively and national rates average in other countries

(Millions of Colombian pesos (COP))

14.5.3. Expenditure on other local taxes and non-fiscal contributions

	December 31, 2020	December 31, 2019
Non-fiscal contributions	191,905	190,507
Sales tax	4,200	4,363
Industry and trade tax	120,079	114,991
Tax on financial transactions	94,515	77,498
Others	33,982	42,644
Total Other Taxes	444,681	430,003

14.5.4. Deferred taxes broken down by item

Differences between the basis of assets and liabilities for IFRS purposes and the basis of assets and liabilities for tax purposes lead to temporary differences that cause deferred taxes calculated and recorded as of December 31, 2020 and 2019 taking into account the tax rates for the years in which such differences arise.

	January 1, 2020	Effect on income	Effect on OCI	Reclassifications	December 31, 2020
Deferred tax assets					
Investments measured at fair value	(1,429)	1,308	3,323	-	3,202
Investments in associates	611	(404)	45	-	252
Other liabilities, provisions, derivatives and PP&E	25,404	29,061	(395)	-	54,070
Total Assets	24,586	29,965	2,973	-	57,524
Deferred tax liabilities					
Investments measured at fair value	69,886	(40,224)	4,235	-	33,897
Investments in associates	9,750	1,696	5,207	(5,217)	11,436
Other liabilities, provisions, and derivatives	243,210	(53,734)	(23,508)	(4,208)	161,760
Other assets	15,839	7,381	(620)	-	22,600
Property and Equipment	42,981	(8,394)	983	3,325	38,895
Goodwill	507,959	12,173	-	-	520,132
Total Liabilities	889,625	(81,102)	(13,703)	(6,100)	788,720
Net deferred tax	(865,039)	111,067	16,676	6,100	(731,196)

	January 1, 2019	Effect on income	Effect on OCI	Reclassifications	December 31, 2019
Deferred tax assets					
Investments measured at fair value	1,437	261	(3.127)		(1.429)
Investments in associates	264	347	-		611
Other liabilities, provisions, derivatives and PP&E	27,443	(2,098)	59		25,404
Total Assets	29,144	(1,490)	(3,068)		24,586

(Millions of Colombian pesos (COP))

	January 1, 2019	Effect on income	Effect on OCI	Reclassifications	December 31, 2019
Deferred tax liabilities					
Investments measured at fair value	61,641	(11,801)	20,046		69,886
Investments in associates	8,738	(8,886)	9,898		9,750
Other liabilities, provisions, and derivatives	263,002	80,957	(11,522)	(89,227)	243,210
Other assets	18,886	(3,321)	274		15,839
Property and Equipment	57,854	(14,990)	117		42,981
Goodwill	495,658	12,503	(202)		507,959
Total Liabilities	905,779	54,462	18,611	(89,227)	889,625
Net deferred tax	(876,635)	(55,952)	(21,679)	89,227	(865,039)

The Group offset deferred tax assets and liabilities by entity or taxable entity, considering the application of the tax provisions in force in Colombia and in other countries in which the subsidiaries operate, on the legal right to offset current tax assets and liabilities and other requirements established in paragraph 74 of IAS 12, on the legal right to offset current tax assets and liabilities and other requirements established in paragraph 74 of IAS 12.

14.5.5. Effect of current and deferred taxes on components of other comprehensive income in equity

	January 1, 2020	Movement of OCI component	Deferred taxes	December 31, 2020
Components of other comprehensive income that will not be reclassified to the profit for the period				
Equity investments through OCI	692,224	90,841	(16,180)	766,885
Impairment of loan portfolio for consolidated financial statement income	1,090,695	29,850	-	1,120,545
Long-term employee benefits	(7,407)	(793)	(496)	(8,696)
Components of other comprehensive income that will not be reclassified to the profit for the period				
Equity method from investments in associates - OCI	(11,185)	(3,481)	-	(14,666)
	1,764,327	116,417	(16,676)	1,864,068

	January 1, 2019	Movement of OCI component	Deferred taxes	December 31, 2019
Components of other comprehensive income that will not be reclassified to the profit for the period				
Equity investments through OCI	540,470	149,398	2,356	692,224
Impairment of loan portfolio for consolidated financial statement income	763,773	328,466	(1,544)	1,090,695
Long-term employee benefits	2,461	(30,735)	20,867	(7,407)
Components of other comprehensive income that will not be reclassified to the profit for the period				
Equity method from investments in associates - OCI	(9,844)	(1,341)	-	(11,185)
	1,296,860	445,788	21,679	1,764,327

Uncertainties in tax positions

Effective January 1, 2020, pursuant to Decree 2270 of 2019, IFRIC Interpretation 23- Uncertainties over Income Tax Treatments was adopted for the local financial statements of Group. Under this standard, the tax positions adopted by the Bank and its subsidiaries in the returns subject to review by the Tax Authorities were analyzed for the statement of financial position as of December 31, 2020 and 2019, and no events or situations were identified that could create uncertainties arising from a gap between such positions and those established by Tax Authorities

Deferred taxes with respect to subsidiaries, associates and joint ventures

In compliance with paragraph 39 of IAS 12, the Company did not record a deferred tax liability related to temporary differences from investments in subsidiaries and associates. i) the Company has control over the subsidiaries and the decision to sell its investments in associates, therefore, it can decide on the reversal of such temporary differences; and ii) the Company does not plan to realize them in the foreseeable future.

Temporary differences for the aforementioned items as of December 31, 2020 and 2019 amounted to $2,507,036 and $2,274,823, respectively. However, the Bank recognized a deferred tax liability amounting to $5,217 in 2019 on retained earnings in foreign entities susceptible to taxation at the time of distribution.

Transfer Pricing

In accordance with the provisions of Laws 788 of 2002, 863 of 2003, 1607 of 2012 and 1819 of 2016, regulated by Decree 2120 of 2017, the Company performed a transfer pricing study on the operations carried out with foreign economic related parties for the 2019 taxable year. The study did not result in adjustments that will affect the Bank's income, costs and tax expenses in the income tax return filed for 2019.

15. Related parties

The Bank may conduct transactions and enter into agreements or contracts with related parties, on the understanding that any such transactions will be carried out at fair value, taking into account, inter alia, the following criteria

- The existing market conditions and rates in the sector in which the operation is carried out.
- The activity of the companies involved.
- The growth forecast of the respective business.

The following are considered to be related parties

1. Group Companies:

Parent: Grupo Bolívar

Subsidiaries: Fiduciaria Davivienda, Corredores Davivienda, Cobranzas Sigma, Corporación Financiera Davivienda, VC Investments.,Banco Davivienda Panamá, Banco Davivienda Panamá Licencia Internacional, Inversiones 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 corredora 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.

(Millions of Colombian pesos (COP))

Grupo Bolívar Companies: Capitalizadora Bolívar, Compañía de Seguros Bolívar, Seguros Comerciales Bolívar, Investigaciones y Cobranzas el Libertador, Multinversiones Bolívar, Asistencia Bolívar, Riesgo e Inversiones Bolívar, Soluciones Bolivar, 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,Salud Bolivar IPS, Ekkoservicios S.A.S E.S.P.

2. **Associated companies:** Redeban, Titularizadora, Servicios de Identidad DIgital,Sersaprosa, Serfinsa, ACH El Salvador, Zip Amarateca, Bancajero Banet.

3. **Key management personnel:** Board of Directors and Strategic Committee, the latter is comprised of the President and Executive Vice Presidents.

4. **Other:** shareholders with a stake ranging between 5% and 10%: Inversiones Cusezar e Inversiones Meggido; ACH, Finagro, y Credibanco companies where the Bank has more than10% interest.

The Bank has entered into branch network agreements with Fiduciaria Davivienda and Corredores Davivienda; a business collaboration agreement with Fiduciaria Davivienda; real estate leasing agreements with Promociones y Cobranzas Beta, Ediciones Gamma and Seguros Comerciales Bolivar; and a commercial agreement with Asistencia Bolivar; Administration and support contract for the Davivienda Multilatina business portal between Davivienda Servicios and Banco Davivienda El Salvador, Banco Davivienda Colombia, Banco Davivienda Costa Rica, Banco Davivienda Honduras and Banco Davivienda Panamá; vulnerability testing contract between Davivienda Servicios and Banco Davivienda Panamá, Banco Davivienda Costa Rica, Banco Davivienda Honduras and Banco Davivienda Colombia; contract for development, support and IT consulting services between Davivienda Servicios and Banco Davivienda Panamá and Banco Davivienda Colombia.

All operations were carried out at market prices; deposit rates ranged between 0.1% and 6.05% and loan rates ranged between 0.01% and 26.08%, including mortgage loans to key management personnel with +2% RVU rates; agreed as employee benefits.

At the end of December 2020, there are no loans with interest rates, terms, guarantees and other conditions different from those agreed with third parties for loans granted to the companies included in the Bank's related parties.

As of December 31, 2020, there are no portfolio transactions with shareholders whose shareholding is less than 10% of the Bank's capital stock and which represent more than 5% of the technical reserves.

As required by regulations, the Bank must make and maintain mandatory investments in securities issued by the Fund for the Financing of the Agricultural Sector as TDA - Agricultural Development Securities in the amount of $1,208,479; for class A issued at a 4.0% nominal rate based on the quarter then ended and for class B 2.0% nominal quarter then ended; which are not at market rates.

The Bank also carried out rediscount operations with Finagro, which are listed below:

	December 31, 2020	December 31, 2019
Small guarantee rediscount	203,971	165,058
Rediscount interest payable	1,632	1,745
Rediscount interest expenses	8,572	6,831

These operations correspond to the agricultural sector portfolio at preferential rates.

(Millions of Colombian pesos (COP))

The following is the detail of transactions with related parties:

December 31, 2020

		Group companies					
	Controller	Subsidiaries	Others	Associated companies	Key personnel (1)	Others	Total
Asset (2)	-	228,306	184,164	52,105	4,771	37,562	506,908
Cash	-	82,083	-	-	-	-	82,083
Money market funds	-	139,608	-	-	-	-	139,608
Loans and financial leasing operations	-	-	152,820	15,605	4,771	-	173,196
Accounts receivable	-	5,666	20,339	36,290	-	37,562	99,857
Other assets	-	949	11,005	210	-	-	12,164
Liabilities (3)	69,462	62,238	192,510	54,974	1,765	308,759	689,708
Financial liabilities	69,462	61,739	175,412	23,989	1,702	286,228	618,532
Accounts payable	-	499	17,093	30,985	63	22,531	71,171
Others	-	-	5	-	-	-	5
Income	4	58,083	175,491	116,452	432	101,656	452,118
Commissions	4	34	168,028	113,860	9	85,953	367,888
Interests	-	2,486	1,625	1,215	419	-	5,745
Dividends	-	-	-	-	-	15,305	15,305
Others	-	55,563	5,838	1,377	4	398	63,180
Expenses	3,368	3,919	117,360	101,272	76	41,433	267,428
Commissions	-	1,388	-	95,984	-	38,142	135,514
Others	3,368	2,531	117,360	5,288	76	3,291	131,914

(1) Under IAS 24 key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly: Members of the Strategic Committee and Members of the Board of Directors of the Bank.

Encompasses all transactions with key management personnel, except for employee benefits detailed below.

(2) Assets: The most significant transactions with related parties included housing loans with labor benefit, placement rate at UVR or UVR+2.0% approved by the Board of Directors with a 15-year term with eligible collateral and consumer loans at maximum market rates of 26.08%.

Working capital loans, construction loans, corporate loans, and credit cards to Group companies with rates between 0.01% and 25.93%.

(3) Liabilities: with Group companies, checking accounts with interest rates between 0.01% and 1.70%, savings accounts with interest rates between 0.01% and 2.25% and term deposits with interest rates ranging between 1.70% and 6.05%; with other shareholders: savings accounts with 1.5% interest rates for shareholders with a stake under 10% and greater or equal to 5% of the Bank's capital, and checking accounts with 0% interest rates and savings accounts with 2.75% interest rate for shareholders with a stake equal or greater than 10% of the Bank's capital.

Banco Davivienda S.A. and Subsidiaries
Notes to the Consolidated Financial Statements
(Millions of Colombian pesos (COP))

December 31, 2019

		Group companies					
	Controller	Subsidiaries	Others	Associated companies	Key personnel (1)	Others	Total
Asset (2)	-	135,521	161,470	38,830	7,171	28,575	371,567
Cash	-	130,422	-	-	-	-	130,422
Loans and financial leasing operations	-	-	118,978	16,916	7,161	-	143,055
Accounts receivable	-	4,835	30,062	21,704	10	28,575	85,186
Other assets	-	264	12,430	210	-	-	12,904
Liabilities (3)	90,533	94,459	255,374	44,814	1,822	253,526	740,528
Financial liabilities	90,533	93,960	230,532	14,738	1,780	252,877	684,420
Accounts payable	-	499	24,813	30,076	42	649	56,079
Others	-	-	29	-	-	-	29
Income	363	56,731	178,697	126,161	416	125,884	488,252
Commissions	3	68	162,751	120,095	8	108,645	391,570
Interests	-	5,204	9,578	889	404	-	16,075
Dividends	-	-	-	-	-	17,206	17,206
Others	360	51,459	6,368	5,177	4	33	63,401
Expenses	10,755	3,339	88,420	96,231	276	51,221	250,242
Commissions	-	1,616	203	90,930	-	46,024	138,773
Others	10,755	1,723	88,217	5,301	276	5,197	111,469

(1) Under IAS 24 key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly: Members of the Strategic Committee and Members of the Board of Directors of the Bank.

Encompasses all transactions with key management personnel, except for employee benefits detailed below.

Assets (2) The most significant transactions with related parties included housing loans with labor benefit, placement rate at UVR or UVR+2.0% approved by the Board of Directors with a 15-year term with eligible collateral and consumer loans at maximum market rates of 28.32%

Working capital loans, construction loans, corporate loans, and credit cards to Group companies with rates between 0.01% and 28.02%.

(3) Liabilities: with Group companies, checking accounts with interest rates between 0.01% and 3.50%, savings accounts with interest rates between 0.01% and 4.50% and term deposits with interest rates ranging between 4.0% and 6.05%; with other shareholders: savings accounts with 4. 5% interest rates for shareholders with a stake under10% and greater or equal to 5% of the Bank's capital, and checking accounts with 0% interest rates and savings accounts with 4.0% interest rate for shareholders with a stake equal or greater than 10% of the Bank's capital.

The following are transactions with key management personnel:

	December 31, 2020		December 31, 2019	
	Maximum balance	Closing balance	Maximum balance	Closing balance
Mortgages and other secured loans	557	2,127	1,545	4,405
Credit Card	65	210	86	361
Other loans	1,904	2,434	1,661	2,394
		4,771		7,160

(Millions of Colombian pesos (COP))

Remuneration of key management personnel is shown below:

	December 31, 2020	December 31, 2019
Short-term benefits		
Salaries	7,349	6,537
Other short-term benefits	2,112	1,504
	9,461	8,041

There were no significant decisions made or not made by Banco Davivienda due to influence or in the interest of Grupo Bolívar S.A. Similarly, there were no decisions made or not made by Grupo Bolívar S.A. in the interest of Davivienda.

16. Subsequent events

There are no subsequent events to be disclosed.

17. Approval of financial statements

The consolidated financial statements and accompanying notes were approved by the Board of Directors and the Legal Representative on February 23, 2021, to be submitted to the Annual General Meeting, which may approve or modify them.

BANCO DAVIVIENDA S.A.
This report was at Davivienda Shareholders' disposal, within the terms established by law.

REPORT PREPARED BY:

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