Banco Davivienda S.A.

Separate Financial Statements
for the year ended December 31, 2019

Content

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

To the Shareholders
Banco Davivienda S.A.:

Report on the financial statements audit

Opinion

I have audited the separate financial statements of Banco Davivienda S.A. (the Bank), which comprise the separate statement of financial position at December 31, 2019 and the separate statements of income, other comprehensive income, changes in equity and cash flows for the year then ended and their respective notes that include the summary of significant accounting policies and other explanatory notes.

In my opinion, the above mentioned separate financial statements, prepared in accordance with information taken accurately from books and attached to this report, present fairly, in all material aspects, the separate financial position of the Bank at December 31, 2019, the separate results of its operations, and its separate cash flows for the year then ended, in conformity with Accounting and Financial Reporting Standards accepted in Colombia, applied on a consistent basis with previous year, except by the application of International Financial Reporting Standard IFRS 16 – Leases, which became effective as of January 1, 2019.

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’ Responsibilities for the Audit of the Separate Financial Statements” section of my report. I am independent of the Bank in accordance with the Accountant’s Professional Code of Ethics 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 separate 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 separate financial statements of the current period. These matters were addressed in the context of my audit of the separate financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Assessment of the provision by credit risk of commercial portfolio according to Guidelines of the Financial Superintendence of Colombia for the separate financial statements (see notes 4.6.1.5 and 12.5.4 to the separate financial statements)</th></tr>
<tr><th>The key audit matter</th><th>How our audit approached this matter</th></tr>
<tr><td>The balance of the commercial loan portfolio and its provision by credit risk as of December 31, 2019, amount to $30.498.059 and $2.119.654 million, respectively.

The Bank records the commercial portfolio provision as provided by the Financial Superintendence of Colombia, which states the establishment of minimum provisions in accordance with the expected losses determined according to the credit risk rating methodology defined in the reference model.

I considered the methodology for assigning credit risk rating for clients classified in the commercial portfolio as a key audit matter, which incorporates significant elements of judgment in the key assumptions of analysis. This risk rating assigned is incorporated as a parameter in the reference model for calculating the provisions by credit risk of commercial portfolio.</td><td>My audit procedures to evaluate the allocation of credit risk rating and the effect on the provision included, among others, the following:

• Involvement of professionals with experience and knowledge in the assessment of credit risk and information technology, to evaluate certain internal controls related to the Bank’s process for determining the commercial credits provision. This included controls related to (1) validation of the methodology and / or models for assigning credit risk rating according to regulatory provisions (2) Bank monitoring on the allocation of credit risk ratings and the result of the value of the provisions, (3) information technology controls on the input data to the models for determining the credits provision, as well as the calculations of the provisions; and (4) the evaluation to identify if there was a significant change in credit risk of commercial portfolio.

• Inspection of a sample of credit portfolio files, to verify that the rating granted to commercial portfolio clients complies with the guidelines defined by the Financial Superintendence of Colombia for the provision system and that is supported according to the customer’s financial, qualitative or economic characteristics and its subsequent incorporation into the reference model for the provisions calculation.</td></tr>
</table>

Other matters

The separate financial statements at and for the year ending December 31, 2018 that are submitted only for comparison purposes, were audited by other public accountant “member of KPMG S.A.S.” who in his report dated February 13, 2019 expressed an unqualified opinion thereon.

Responsibilities of Management and those in charge with the Bank’s governance for the separate financial statements

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

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

Those charged with governance are responsible for overseeing the Bank’s financial reporting process.

Statutory Auditor’s responsibilities for the audit of the separate financial statements

My objectives are to obtain reasonable assurance about whether the separate financial statements, 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 taken on the basis of these separate financial statements.

As part of an audit conducted in accordance with ISAs, I exercise my professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the separate 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 override of internal control.

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

- Evaluate the appropriate 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 a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern. If I would conclude that a material uncertainty exists, I am required to draw attention in my statutory auditor’s report to the related disclosure in the separate 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 Bank ceases to continue as a going concern.

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

I communicate to those charged with the Bank’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 statement that I have complied with relevant ethical requirements regarding independence and communicate 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 significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. I describe these matters in my statutory auditor’s report unless 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.

Report about other legal and regulatory requirements

1. Based on the results of my tests, I believe during 2019:

    a) The Bank’s bookkeeping has been kept in conformity with legal rules and accounting pronouncements.

    b) The operations recorded in the books are in conformity with the bylaws and decisions of the General Shareholders’ Meeting.

c) The correspondence, the vouchers of accounts and the books of minutes and record of shares have been properly maintained.

d) The Bank has fulfilled the rules and instructions of the Financial Superintendence of Colombia regarding the appropriate administration and provision of the goods received in payment and the implementation and impact on the statement of financial position and the statement of income and comprehensive income of the Risks Management Systems that apply.

e) The management report prepared by management agrees with the accompanying financial statements, which includes evidence about free circulation of sellers' or suppliers' invoices.

f) The information contained in the contribution returns submitted to the Comprehensive Social Security System, specifically the information on affiliates and their salary base for determining contributions, has been prepared from the accounting records and supporting documentation. The Bank is up to date in payment of contributions to the Comprehensive Social Security System.

In compliance with the requirements of articles 1.2.1.2. and 1.2.1.5. of Single Regulatory Decree 2420 of 2015, in development of the Statutory Auditor's responsibilities contained in numerals 1 and 3 of article 209 of the Commercial Code, related to the evaluation whether the **Bank's** management performance is in accordance with the bylaws and the orders or instructions of the General Shareholders' Meeting and if there are and are adequate the internal control, preservation and custody measures of the **Bank's** assets or third parties' assets in its possession, I issued a separate report dated February 21, 2020.

2. I carried out monitoring to the answers about the recommendation letters addressed to the Bank's management and there are no outstanding material issues that can affect my opinion.

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

February 21, 2020

CERTIFICATION OF SEPARATE FINANCIAL STATEMENTS

ACCOUNTABILITY FOR FINANCIAL REPORTING

The undersigned Legal Representative and Accountant of Banco Davivienda S.A., pursuant to the terms set forth in Articles 46 and 47 of Law 964 enacted in 2005, observing the terms set forth in the Accounting and Financial Reporting Standards accepted in Colombia, hereby certify:

that the Financial Statements covering the period starting January 1 and ending December 31, 2019, are free from defects, inaccuracies or errors that might hinder the capacity to ascertain the true financial position of the Bank or to understand the operations of Banco Davivienda S.A., in accordance with the provisions of Article 46 of Law 964 enacted in 2005.

In accordance with the terms of accounting and financial reporting standards accepted in Colombia and based on the provisions of the Conceptual Framework, the information and statements included in the financial statements have been duly audited and extracted from accounting records, in accordance with the aforementioned regulatory framework.

Banco Davivienda S.A. is equipped with adequate financial information disclosure and control systems. For this purpose, we have implemented the corresponding procedures to ensure that the information is presented appropriately, and the operation of these systems is verified by the Audit and the Financial Management.

Furthermore, we hereby inform that no significant deficiencies have been found to exist in the design and operation of internal controls that would have prevented the Bank from recording, processing, summarizing or properly presenting its financial information. Management control activities have been conducted to prevent the risk of fraud in processes adversely affecting the quality of financial information and to highlight changes in the assessment methodology.

Assets, liabilities and equity are recorded in the Financial Statements as of the cut-off date and reflect future rights and obligations, respectively. All transactions performed during the period and pertaining to the entity and its subsidiaries were recorded and the economic events have been recognized for the appropriate amounts, classified, described and disclosed accurately, following the provisions of the Conceptual Framework and in accordance with the Accounting and Financial Reporting Standards accepted in Colombia.

All representations within the financial statements have been previously verified, in accordance with applicable regulations. These statements are based on a true and fair reading of the books in accordance with Article 37 of Law 222 of 1995. The Bank has adequate control and financial information disclosure procedures and its operation has been verified, pursuant to the provisions of Article 46 of Law 964 of 2005.

Bogota, February 10th, 2020

Juan Carlos Hernández Núñez
Legal Representative

Carmen Anilsa Cifuentes Barrera
Chief Accountant T.P. 35089-T

Banco Davivienda S.A.
Separate Statement of Financial Position
(Millions of Colombian Pesos (COP))

Years ended December 31:	**Note**	**2019**	**2018**
ASSETS			
Cash	12.1	4,911,090	5,159,680
Money market and overnight operations	12.2	390,486	413,332
Investments in financial instruments, net	12.3	6,199,325	6,412,218
Derivatives	12.4	510,338	433,695
Loans portfolio and financial leases, net	12.5	71,731,670	64,425,872
Accounts receivable, net	12.6	2,294,813	2,067,077
Assets held for sale, net	12.7	49,742	43,952
Investments measured at amortized cost, net	12.3	1,642,911	1,393,279
Investments in subsidiaries and associates	12.3.7	4,336,725	3,775,482
Property and equipment, net	12.8	1,252,902	419,608
Investment properties, net	12.9	69,013	70,653
Goodwill	12.11	1,080,775	1,080,775
Intangibles	12.12	104,625	100,656
Other assets, net	12.13	307,705	252,888
Total assets		**94,882,120**	**86,049,167**
LIABILITIES			
Deposits and demand accounts	12.14	57,777,315	52,038,596
Savings accounts		26,048,124	22,462,669
Deposits in checking accounts		5,849,206	5,660,952
Term deposits		24,690,016	22,696,899
Other demand accounts		1,189,969	1,218,076
Money market and overnight operations	12.15	1,366,095	3,543,323
Derivatives	12.4	617,812	507,637
Bank borrowings and other financial debt	12.16	9,480,693	7,624,354
Debt issued	12.17	10,978,422	9.665,377
Accounts payable	12.18	1,308,122	1,259,524
Employee benefits	12.19	168,178	144,326
Deferred tax, net	13.7	326,572	412,054
Other liabilities and estimated liabilities	12.20	1,393,252	509,861
Total liabilities		**83,416,461**	**75,705,052**
EQUITY			
Capital and reserves (¹)	12.21	9,353,681	8,492,749
First adoption of IFRS		396,864	421,882
Unrealized gains/losses (OCI)		350,566	168,271
Accumulated profits, previous periods		48,345	66,331
Profit for the period		1,316,203	1,194,882
Total equity		**11,465,659**	**10,344,115**
TOTAL LIABILITIES AND EQUITY		**94,882,120**	**86,049,167**

(¹) Includes share placement premium.

See the notes attached hereto.

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 21, 2020)

Banco Davivienda S.A.
Separate Statement of Results
(Millions of Colombian pesos (COP))

Years ended December 31:	**Note**	**2019**	**2018**
Interest income		8,571,002	7,648,774
Loans portfolio		8,083,165	7,305,521
Investments and valuations, net	13.1	530,463	358,165
Money market operations		(42,626)	(14,912)
Interest expense		3,067,469	2,803,256
Deposits and demand accounts		1,952,514	1,859,464
Deposits in checking accounts		31,158	30,965
Savings		596,671	468,261
Term deposits		1,324,685	1,360,238
Bank borrowings and other financial debt		330,901	266,687
Debt issued		706,810	660,842
Other interest		77,244	16,263
Gross financial margin		**5,503,533**	**4,845,518**
Provisions for financial assets, net		2,455,379	2,177,046
Provisions against financial assets		4,207,587	3,706,905
Recoveries of financial assets		(1,752,208)	(1,529,859)
Net financial margin		**3,048,154**	**2,668,472**
Income derived from commissions and services, net	13.2	778,050	775,953
Results of equity investments	13.3	417,659	338,125
Dividends		20,150	68,257
Operating expenses	13.4	2,811,380	2,553,046
Payroll		1,133,345	1,052,242
Operations		1,473,472	1,431,215
Amortizations and depreciation		204,563	69,589
Exchange differences, net		212,911	133,039
Derivatives, net		(132,075)	(42,992)
Other income and expenses, neto	13.6	37,195	30,530
Operating margin		**1,570,664**	**1,418,338**
Current income taxes	13.7	250,027	236,510
Deferred income taxes	13.7	4,434	(13,054)
Profit for the period		**1,316,203**	**1,194,882**
Profit per share (pesos) ([1])		2,914	2,645

([1]) Calculated as follows: Profit for the period / weighted average number of shares outstanding.

See the notes attached hereto.

JUAN CARLOS HERNÁNDEZ NÚÑEZ
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Banco Davivienda S.A.

Separate Statement of Other Comprehensive Income

(Millions of Colombian Pesos (COP))

Years ended on December 31:	**2019**	**2018**
Profit for the period	**1,316,203**	**1,194,882**
Components of OCI not to be reclassified to the Income Statement for the period, net of taxes:		
Long-term employee benefits	(1,951)	338
Total OCI not to be reclassified to the Income Statement for the period, net of taxes	**(1,951)**	**338**
Components of OCI to be reclassified to the Income Statement for the period, net of taxes:		
Unrealized gains on fixed-yield investments	109,141	(1,456)
Investments in subsidiaries and other non-controlling interests	36,169	(82,479)
Exchange difference on translation, subsidiaries abroad	62,477	170,350
Net hedging of investments outside Colombia, net of deferred taxes	(23,541)	(120,900)
Total other comprehensive result to be reclassified to the Income Statement for the period, net of taxes	**184,246**	**(34,485)**
Total other comprehensive results, net of taxes	**182,295**	**(34,147)**
Total comprehensive result	**1,498,498**	**1,160,735**

See the notes attached hereto.

JUAN CARLOS HERNÁNDEZ NÚÑEZ
Legal Representative

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Banco Davivienda S.A.
Separate Statement of Changes in Equity
(Millions of Colombian pesos)

	CAPITAL AND RESERVES						ACCUMULATED RESULTS		
Years ended on December 31, 2019 and 2018	**Capital**	**Issue Premium**	**Mandatory reserve**	**Voluntary reserve**	**First adoption of IFRS**	**Unrealized gains (OCI)**	**Profit previous periods**	**Profit for the period**	**Total shareholder equity**
Balance at December 31, 2017	76,784	4,676,804	2,419,516	536,808	435,116	202,418	88,803	1,108,467	9,544,716
Transfer of profits							1,108,467	(1,108,467)	-
Distribution of dividends:									
Cash dividends declared, $800 (COP) per share on 451,670,413 subscribed and paid-up shares . April 04 and September19, 2018							(361,336)		(361,336)
Movement of reserves:									
Mandatory reserve			62,016				(62,016)		-
Release of voluntary reserve, to increase mandatory reserve, committment of profits 2016			192,800	(192,800)					-
Voluntary reserve				241,728			(241,728)		-
Capitalization reserve, committment of profits 2017			443,387				(443,387)		-
Release of voluntary reserves to increase mandatory reserves			276,068	(276,068)					-
Disposal of profits from previous periods to increase mandatory reserve			35,706				(35,706)		-
Other comprehensive income, net of income tax									
First application of IFRS					(13,234)		13,234		-
Investments in subsidiaries and other non-controlling interests						(82,479)			(82,479)
Exchange difference in subsidiaries and net hedging investments outside Colombia, net of						49,450			49,450
Unrealized gain on fixed-yield investments						(1,456)			(1,456)
Long-term employee benefits						338			338
Result for the period								1,194,882	1,194,882
Balance at December 31, 2018	76,784	4,676,804	3,429,493	309,668	421,882	168,271	66,331	1,194,882	10,344,115
Profit Transfer							1,194,882	(1,194,882)	-
Impact of IFRS 16 application as of January 1, 2019							2,449		2,449
Distribution of dividends:									
Cash dividends declared, $840 (COP) per share on 451,670,413 subscribed and paid-up shares. April.03 and September 18, 2019				(599)			(378,804)		(379,403)
Movement of reserves:									
Voluntary reserve				338,125			(338,125)		-
Capitalization reserve, commitment of March 2018 meeting			477,953				(477,953)		-
Release of voluntary reserve, to increase mandatory reserve			258,162	(258,162)					-
Disposal of profits from previous periods to increase mandatory reserve			45,453				(45,453)		-
Other comprehensive income, net of income tax									
First time application of IFRS (Note 12.21.4)					(25,018)		25,018		-
Investments in subsidiaries and other non-controlling interests						36,169			36,169
Exchange difference in subsidiaries and net hedging investments outside Colombia, net of deferred tax						38,936			38,936
Unrealized gain on fixed-yield investments						109,141			109,141
Long-term employee benefits						(1,951)			(1,951)
Result for the period								1,316,203	1,316,203
Balance at December 31, 2019	76,784	4,676,804	4,211,061	389,032	396,864	350,566	48,345	1,316,203	11,465,659

See the notes attached hereto.

JUAN CARLOS HERNÁNDEZ NÚÑEZ
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Banco Davivienda S.A.
Separate Statement of Cash Flows
(Millions of Colombian pesos (COP))

Years ended on December 31:	**Nota**	**2019**	**2018**
Cash flows from operating activities:			
Profit for the period		**1,316,203**	**1,194,882**
Reconciliation of profit for the period and net cash provided (used) in operating activities			
(Recovery) provision in financial instrument investments, net	12.3.6	(1,198)	375
Provision against loans and leases, net	12.5.14	2,552,958	2,239,441
Provision against accounts receivable, net	12.6	191,296	161,566
Provision against assets held for sale, net	12.7.4	9,574	12,929
Provision against property and equipment and investment property , net	12.8.3/12.9.3	2,263	3,944
Provision against other assets, net	12.13	10,147	38,889
Severance provision		51,225	46,129
Estimated liabilities provision, net	12.20	345,318	229,097
Net interest income		(4,973,070)	(4,487,353)
Depreciations	13.5	185,451	54,102
Amortizations	13.5	19,112	15,487
Exchange difference, net		(212,911)	(133,039)
(Profit) on loan portfolio sales, net	12.5.11	(12,125)	(5,771)
(Profit) on equity method, net	13.3	(417,655)	(338,125)
Valuation of investments, net		(528,801)	(357,169)
(Profit) on sale of trading investments, net		(1,689)	(1,029)
Loss (profit) on sale of investments available for sale, net		27	(2)
Loss on sale of equity investments, net		-	35
Valuation of derivatives and spot operations , net		132,075	42,992
Loss (profit) on sale of assets held for sale, net	12.7.3	35	(1,393)
(Profit) on sale of property, equipment, and leasing assets, net	12.8.2	(309)	(16,377)
(Profit) on sale of investment property, net	12.9.4	(1,417)	(1,709)
Loss on sale of other assets		5,017	3,991
Income tax provision	13.7	254,461	223,456
Changes in operating assets and liabilities:			
Decrease (increase) in money market and overnight operations		65,159	(65,532)
Decrease in trading investments		1,288,570	103,117
(Increase) in loans and leasing operations		(10,854,692)	(8,290,642)
(Increase) in accounts receivable		(299,094)	(651,705)
(Increase) in other assets		(28,327)	(13,391)
Increase in deposits and demand accounts		5,375,851	2,797,737
(Decrease) increase in money market liability operations		(2,177,228)	2,506,624
(Decrease) increase in derivatives and spot operations		(86,916)	22,930
Increase in accounts payable		107,617	209,824
Increase in employment obligations		13,133	9,929
(Decrease) in estimated liabilities and provisions		(240,710)	(12,386)
Proceeds of loan portfolio sales	12.5.11	945,126	329,561
Proceeds of sale of assets held for sale	12.7.3	21,887	22,876
Proceeds of sale of other assets		46,463	29,964
Severance payment		(43,417)	(40,740)
Income taxes paid		(413,981)	(366,300)
Interest paid		(2,666,190)	(2,658,976)
Interest received		8,084,202	7,256,784
Net cash provided (used) in operating activities		**(1,936,560)**	**115,022**

Banco Davivienda S.A.

Separate Statement of Cash Flows (Continuation)

(Millions of Colombian pesos (COP))

Cash flows from investment activities:			
Dividends received		79,255	68,851
(Increase) in investments available for sale		(655,429)	(54,164)
(Increase) decrease in investments held to maturity		(136,481)	74,484
(Increase) decrease in equity investments		(49,500)	26
(Additions) of property and equipment	12.8	(76,317)	(85,926)
Proceeds of sale of property and equipment	12.8.2	3,685	67,483
Proceeds of sale of investment property	12.9.4	5,630	7,580
(Increase) in intangible assets		(23,319)	(10,902)
Net cash (used) provided in investment activities		**(852,476)**	**67,432**
Cash flows from financing activities:			
Debt issued	12.17	1,799,680	452,870
Debt issue redemptions	12.17	(515,094)	(2,015,423)
New borrowings	12.16	9,423,583	9,440,639
Financial debt repayment	12.16	(7,638,731)	(8,061,502)
Payment of lease liabilities		(105,337)	-
Cash dividends paid		(379,311)	(361,143)
Net cash (used) provided in financing activities		**2,584,790**	**(544,559)**
(Decrease) net in cash and cash equivalents		**(204,246)**	**(362,105)**
Effect of the variation in exchange difference on results		**(1,659)**	**450,365**
Cash and cash equivalents at the beginning of the period		**5,507,481**	**5,419,221**
Cash and cash equivalents at the end of the period (*)		**5,301,576**	**5,507,481**

(*) Includes cash equivalents under 90 days in money market operations for $390,486 at December 31, 2019 and $347,801 at December 31, 2018.

See the notes attached hereto.

JUAN CARLOS HERNÁNDEZ NÚÑEZ
Legal Representative

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Chief Accountant
TP. No. 35089-T

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Statutory Auditor of Banco Davivienda S.A.
TP. No. 30723-T
Member of KPMG S.A.S.
(See my report of February 21, 2020)

1. Reporting entity

Banco Davivienda S.A. (“the Bank”) is a private entity with main office at *Avenida el Dorado 68 C-61* in Bogotá, D.C. It was incorporated through Public Deed number 3892 of October 16, 1972, issued at Notary Office Fourteen of Bogotá. Its operating license was granted through Resolution number 562 of June 10, 1997. The term shall be until December 30, 2065, as set forth through Public Deed number 7811 of April 2018; however, it may be terminated or extended before that date. The Bank is a member of Bolívar Group and its corporate purpose is to conclude or execute all operations and agreements legally permitted to commercial banking institutions subject to the requirements and limitations of Colombian Laws.

2. Significant facts

The following significant facts were registered in the operations of separate financial statements at December 31, 2019.

Dividends declared

The General Shareholders’ Meeting approved on March 15, 2019, the payment of dividends at a rate of $840 pesos per share, which correspond to $378,804 of profit sharing and $599 of occasional reserves, for a total of $379,403. Hence, 50% of this dividend was paid on April 3, 2019, and the remaining 50% was paid on September 18, 2019. The decisions made by the General Shareholders’ Meeting regarding the distribution of profit and loss are described in note 12.21.

Corporación Financiera Davivienda S.A.

On September 2, 2019, the Financial Superintendence of Colombia authorized the incorporation of Corporación Financiera *Davivienda S.A.* through Resolution Number 1168. It was incorporated on September 9 as a subsidiary of the Bank through Public Deed Number 16904 issued at Notary Office 29 of Bogotá and capital worth $55,000 was recorded at the Chamber of Commerce. The Bank purchased shares worth 90%, *Davivienda (Panamá Internacional)* Bank purchased shares worth 9.99% and other companies part of Bolívar Group own a minority share. Its operating license was granted on December 3, 2019.

Servicios de Identidad Digital S.A.S.

The Bank paid $2,370 in advance during 2019 for the incorporation of the *Servicios de Identidad Digital S.A.S.* company to hold a 33.33% share, and it will pay an additional amount of $17,130 during 2020 and 2021.

3. Basis of preparation

a. Statement of compliance with the Accounting and Financial Reporting Standards Accepted in Colombia

The financial statements have been prepared as per the Accounting and Financial Reporting Standards (NCIF, acronym in Spanish) Accepted in Colombia. These standards were established by Law 1314 of 2009, and regulated by Single Regulatory Decree 2420 of 2015, which was amended by Decrees 2496 of 2015, 2131 of 2016, 2170 of 2017, 2483 of 2018 and the instructions given by the Financial Superintendence of Colombia (SFC), pursuant to the provisions established in Decrees 1851 of 2013 and 2267 of 2014 and external circular letters 034 and 036 of 2014.

(Millions of Colombian Pesos (COP))

NCIFs are based on the International Financial Reporting Standards (IFRS), along with its interpretations, issued by the International Accounting Standards Board (IASB); the basic standards are those translated into Spanish and issued by the IASB for the second half of 2017. The following headings are exempt from NCIF and described in Title 4 – Special Regimes, Chapter 1 of Decree 2420 of 2015:

Heading	**Regulation**	**Exception**
Classification and valuation of investment portfolio	Decree 2267 of November 11, 2014	It is exempt from applying IFRS 9, regarding the classification and valuation of investments. Its application is defined in Chapter I -1 “Classification, Valuation and Accounting of investments for individual or separate financial statements”, of the Basic Accounting and Financial Circular Letter (CBCF, acronym in Spanish).
	External Circular Letter 034 of 2014	As per article 35 of Law 222 of 1995, investments in subsidiaries must be appraised so that they are recognized by the equity method in the parent/holding company’s books for separate financial statements.
Management of the loan portfolio and its impairment	Decree 1851 of 2013	It is exempt from applying IAS 39 and IFRS 9, solely regarding the management of the credit portfolio in all its issues and provisions. Chapter II of the SFC’s Basic Accounting and Financial Circular Letter is still applied to individual or separate financial statements.
Provision for goods received as payment in kind	External Circular Letter 036 of 2014	It retains the provisions of the goods received as payment in kind or returned, regardless of their accounting classification, as per the instructions established in Chapter III of the Basic Accounting and Financial Circular Letter.

As far as the Colombian law is concerned, the Bank must prepare separate annual financial statements, which are submitted to the General Shareholders' Meeting by the Board of Directors for approval or disapproval. The distribution of dividends and appropriations must also be determined. Separate financial statements are those in which the Bank, as parent company, accounts for its investments. Whereas consolidated financial statements are those in which the Bank and its subsidiaries report their assets, liabilities, equity, income, expenses, and cash flow as those of a single economic entity. These statements are submitted to the highest corporate body in order to report the management of the parent company and its subsidiaries.

Separate Financial Statements

Separate Financial Statements provide information of the Bank as an individual entity and do not include consolidated financial information.

(Millions of Colombian Pesos (COP))

The Bank acts as the parent/holding company of the following subsidiaries:

Name	Country	% Share
Corredores Davivienda S.A.	Colombia	9.6%
Fiduciaria Davivienda S.A.	Colombia	94.7%
Cobranzas Sigma S.A.S.	Colombia	94.0%
Corporación Financiera Davivienda S.A.	Colombia	90.0%
Grupo del Istmo Costa Rica S.A.	Costa Rica	80.8%
Inversiones Financieras Davivienda S.A.	Salvador	96.1%
Banco Davivienda Panamá S.A.	Panamá	100%
Banco Davivienda Panamá Internacional S.A.	Panamá	100%
Seguros Bolívar Honduras S.A.	Honduras	88.6%
Banco Davivienda Honduras S.A.	Honduras	94.2%

The separate financial statements herein were prepared to comply with the legal provisions to which the Bank is subject as an independent legal entity. Some accounting principles may differ with regard to those applied in the consolidated financial statements, and do not include the adjustments and eliminations required for the presentation of the consolidated balance sheet and comprehensive income of the Bank and its subsidiaries. Therefore, the separate financial statements must be read in conjunction with the consolidated financial statements of the Bank and its subsidiaries. For legal purposes, the separate financial statements are the main financial statements in Colombia.

b. Going concern

The financial statements were prepared on a going concern basis: it was determined that there is no uncertainty on the facts, events or conditions that could cast significant doubt upon the Bank's ability to continue as a going concern. The judgments used to determine that the Bank is a going concern are related to the evaluation of the current financial situation, current intentions, operations profits and access to financial resources in the financial market. The impact of these factors on future operations was also considered, and no situation was determined which demonstrates the infeasibility of the Bank as a going concern.

c. Accrual basis of accounting

The Bank uses the accrual basis of accounting to prepare its financial statements, except as regards cash flow information. That is, the Bank recognizes items such as assets, liabilities, equity, income and expenses, provided that they fulfill the recognition definitions and criteria set forth in the conceptual framework of the International Financial Reporting Standards adopted in Colombia.

d. Materiality

The Bank's management determined the materiality of the figures to be presented in the separate financial statements in accordance with their function or nature. For example, if a specific item is not material, it will be aggregated with other items, since it is not necessary for the Bank to provide a specific disclosure required by a NCIF if the information is not material.

e. Consistency of presentation

The Bank's management shall retain the presentation and classification of items contained in the separate financial statements from one period to another, except if there is a revision of activities which is of significant importance to the presentation of separate financial statements, or if it is demonstrated that it would be more appropriate to use another presentation or classification, taking into account the criteria defined according to current Bank's policies.

Disclosure regarding criteria and estimates used in the recognition of each component group of assets and liabilities will be shown in the note on accounting policies. Where required for comprehensibility purposes, the importance of using these estimates and hypotheses that may affect the amounts presented in the separate financial statements shall be stipulated in the details of the explanatory notes produced for each group of components that require a segregated description in terms of the value judgments used relevant to the presentation of the separate financial statements.

Uniform accounting policies under NCIF have been used when preparing financial statements, except for the changes made as of January 1, 2019, to the lease accounting policies due to the application of IFRS 16 Leases. Note 6 describes the impact on the application of this standard.

f. Presentation of financial statements

i. Balance sheet

The balance sheet displays different asset and liability accounts in order of liquidity, since it considers that this form of presentation provides reliable and more relevant information for a financial entity. Accordingly, each of the notes of financial assets and liabilities discloses the amount expected to be recovered or settled within and after 12 months.

ii. Profit and loss statement and statement of other comprehensive income

These statements are presented separately in two statements as permitted by IAS 1 "Presentation of Financial Statements". Similarly, the profit and loss statement is presented according to the nature of the income and expenses, due to it provides more reliable and relevant information for the financial entities.

iii. Cash flow statement

The cash flow statement is presented using the indirect method. Interest income and expenses are presented within the operating activities; dividends received, within investing activities; and dividends paid, within financing activities.

4. Key accounting policies

4.1. Measurement bases

Separate financial statements were prepared on the historical cost basis of accounting, except for the following headings as explained in the accounting policies hereafter presented:

Heading	**Measurement base**
Derivative financial instruments	Fair value
Financial instruments at fair value with profit changes and changes in comprehensive income	Fair value
Long-term employee benefits	Actuarial calculation

i. Historical cost

Historical cost is generally recorded at the fair value of the consideration given to acquire goods and services.

ii. Fair value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless whether that price is observable or estimated using directly another valuation technique. When measuring the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date. For purposes of measurement and / or disclosure of assets or liabilities reported in these separate financial statements, the fair value is determined in the way previously stated, except for leasing transactions within the scope of IFRS 16 and measurement that are similar to but not the same as fair value, e.g. *value in use* in IAS 36.

4.2. Functional and presentation currency

Separate financial statements have been prepared and presented in Colombian pesos since it is the Bank's functional currency and in compliance with the guidelines set out by the SFC and communicated through External Circular Letter 038 of 2013.

Items included in the Bank's separate financial statements are expressed in the currency of the primary economic environment the Bank operates in (Colombian pesos). All information is presented in millions of pesos and has been rounded to the nearest unit.

4.3. Transactions in foreign currency

In preparing the Bank's financial statements, transactions in currencies other than the Bank's functional currency (foreign currency) are recorded by applying spot exchange rates on the date of the transaction. At the end of each period, monetary items in foreign currency are translated into the functional currency at the spot exchange rate on that date. Non-monetary items carried at historical cost in foreign currency are not translated. The Bank performs a sensitivity analysis of foreign exchange rates to assess significant fluctuations (see Note 10– Corporate risk management).

Any exchange difference resulting from the translation of a financial liability designated as a hedge of a net investment in a foreign operation is recognized in other comprehensive income to the extent that the hedge is effective and is recorded as part of equity under Translation Differences. Such differences are recognized in profits to the extent the hedge is not effective. When a portion of the hedge of net investment is eliminated, the corresponding amount recognized in other comprehensive income is transferred to income as part of the profit or loss on disposal (see Note 4.7. –Hedge accounting).

Closing exchange rates on December 31, 2019 and 2018 are $ 3,277.14 and $ 3,249.75 for 1 USD, respectively.

4.4. **Cash and cash equivalents**

Cash and cash equivalents include available balances held at central banks or correspondent banks and highly liquid financial instruments with original maturity dates of three months or less, subject to insignificant risk and used by the Bank to meet its short-term commitments. The Bank defines financial instruments provided by broad and deep markets as of insignificant risk. These are financial instruments with no material uncertainty whose values are easily assessed and have a low credit risk. The latter is evidenced by credit scorings that show an issuer or counterparty strong capacity to meet its financial obligations.

Cash equivalents will be measured at fair value; financial instruments that meet the above conditions will be measured at amortized cost.

4.5. **Money market operations and related operations**

It comprises interbank purchases and sales of funds, repurchase agreement (repo operations), simultaneous operations and securities temporary transfer operations.

Participations in repo, simultaneous operations and temporary transfer of securities are recorded in the balance sheet as an obligation or a right as the case may be. These operations are treated as secured financing and are measured initially at fair value and the corresponding cash amount is disbursed and received, accordingly. The disbursing party takes possession of collateral with a market value equal to or greater than the capital loaned.

For repo operations, the initial amount may be calculated by applying a discount on the market price of securities which are the subject of the operation. It may be stipulated that during the validity period of the operation, securities initially provided can be substituted by others and mobility restrictions may be imposed on securities which are the subject of the operation.

In the case of simultaneous operations, a discount on the market price of securities which are the subject of the operation cannot be applied to the original amount nor can it be stipulated that during the period of validity of the operation, securities initially provided be replaced by others nor mobility restrictions be imposed on securities which are the subject of the operation.

Securities received under reverse repurchase, agreements and securities provided under repurchase agreements are not derecognized in the balance sheet since financial assets risks and benefits were not transferred.

Interest rates for repo and simultaneous operations as well as interest rates on interbank loans are recorded in the Gross Profit Margin in profits and loss.

Interbank loans with maturities of 90 days or less are considered cash equivalents when presenting the cash flow statement.

4.6. **Financial instruments**

Financial assets and liabilities are recognized when the Bank becomes part of contractual provisions of instruments

Financial assets and liabilities are initially valued at its fair value. At initial recognition, transaction costs that are directly attributable to liabilities are reduced from financial liabilities fair value. Transaction costs directly attributable to the acquisition of financial assets and liabilities with changes in profit or loss are immediately recognized as profit or loss.

4.6.1. **Financial assets**

The Bank has classified its financial assets as per the business model defined to manage risks and benefits, as well as the characteristics of contractual cash flow of financial assets.

The Bank established two business models to manage the investment portfolio: 1) structural management: investments whose purpose is associated with financial brokering, market risk management of the balance sheet, and the need of having a liquid assets support as part of the financial brokering process, which are classified as held-to-maturity investments and 2) trading management: investments whose purpose is to maximize profits generated by Treasury through purchase and sale of financial instruments classified as trading or available-for-sale investments.

All purchases or sales of financial assets performed habitually are recognized and derecognized based on the trading date. The purchase or sale of financial assets performed habitually are those that require financial asset delivery within the term framework established by regulation or custom in such market.

4.6.1.1. **Investments**

The Financial Superintendence of Colombia (SFC) established in Chapter I-1 of the Basic Accounting and Financial Circular Letter (CBCF) the investment classification as per the business model defined by the Bank; to this end, the Bank analyses financial instruments bought as follows:

<u>Trading investments</u>

Securities acquired in order to be sold or repurchased in a short term. The Bank manages these investments and makes purchase and sale decisions based on their fairs value as per risk policies and investment strategy. Securities are initially recognized by their acquisition cost and from then on, they are daily valued according to the price provided by PIP Colombia S.A. price provider appointed by the Bank as per in the instructions established in the Basic Legal Circular Letter, Title I, Chapter XVI by the SFC. Changes in fair value and profits or sale losses are recorded as profit or loss.

In cases where there are no fair exchange prices by the appraisal date, appraisal may be exponentially undertaken based on the internal return rate. The investment fair value should be estimated or approximated by calculating the sum of future flow present value of yields and capital.

Investments held-to-maturity

Held-to-maturity investments are financial instruments for which the Bank has the capacity and intent to hold until maturity with the aim of collecting contractual cash flows.

These investments are exponentially valued based on the internal return rate (IRR) at purchase on a 365-day basis. The present value update of this type of investments should be recorded as an increase in the investment value, affecting the term profit or loss of.

Mandatory yields pending for collection are recorded as an increase in the investment value. Therefore, collection of these yields should be accounted as a decrease in the investment value

Financial instrument reclassification should meet requirements set forth in the Basic Accounting and Financial Circular Letter (CBCF) - Chapter I-1 by the Financial Superintendence of Colombia (SFC) in addition to requirements set forth in External Circular Letter number 034 of 2014 by the SFC.

Investments available for sale

Financial instruments at fair value with equity changes are recognized as fair value on the trading date. Fair value changes are recorded in other comprehensive income. Profit or loss generated at sale are calculated at fair value and recognized as net income due to profit (loss) in other operating income.

Securities classified as available for sale are valued daily, according to the price provided by the authorized price vendor. Daily changes in the present value of debt securities are recorded as an increase in the value of the investment with a charge to the income statement. The difference between the fair value and the present value of these securities must be recorded in the Unrealized Gain or Loss account (OCI - Other Comprehensive Income).

Income receivable pending collection is recognized as an increase in the value of the investment and the collection of such income is recorded as a decrease in the value of the investment. At the time of sale, the unrealized gain or loss recorded in OCI must be recognized in income on the date of the transaction.

Certain equity investments that complement the Bank's business over which it has no control or significant influence are recognized at fair value based on the price provided by the price vendor. Changes are recorded as an increase in the value of the investment with a charge to the equity accounts in other comprehensive income , because they are participating securities not registered in stock exchanges. Dividends from these investments are recognized in income on the date they are entitled to be collected.

4.6.1.2. **Derecognition of financial assets**

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

- The Bank ceases to recognise a financial asset only when the contractual rights to the cash flows from the financial asset expire or when the risks and benefits of ownership of the financial asset are substantially transferred. For example, the unconditional sale of financial assets, the sale of financial assets with a promise to repurchase them at their fair value at the repurchase date, securitizations of assets in which the transferor does not retain subordinated financing or grant any type of credit enhancement to the new owners and other similar cases.

On derecognition of a financial asset in its entirety, the difference between the carrying amount of the asset and the sum of the consideration received and receivable and the cumulative gain or loss that has been recognized in other comprehensive income and retained earnings is recognized in income.

- If the Bank does not transfer or retain substantially all the risks and benefits of ownership and continues to retain control of the transferred asset, the Bank recognizes its interest in the asset and the associated obligation for the amounts that would be payable. For example, sales of financial assets with a promise to repurchase for a fixed price or for the sale price plus interest.

In this case, the following elements are recognized:

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

b) Both the income from the transferred financial asset that has not been derecognised and the expenses of the new financial liability remain unsettled.

If the Bank retains substantially all the risks and benefits of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateral loan for the proceeds received. For example, securitization of assets in which the transferor takes on subordinated financing or other credit enhancement for a portion of the transferred asset.

4.6.1.3. **Investments in subsidiaries**

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

Subsidiaries are entities controlled by the Bank. An entity is controlled by the Bank when the Bank exercises power over, is exposed to, 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 exercise of control is aligned with the risks or returns absorbed by the subsidiaries. Furthermore, the subsidiaries are consolidated from the date on which control is obtained until the date on which control ceases.

Investments in subsidiaries are recorded in the separate financial statements under the equity method; changes in income are recorded in the statement of income; and changes in equity in OCI. (See note 12.3.7)

4.6.1.4. **Provisions against investments**

The price of debt securities or equity securities with low or minimal trading or no trading at all are adjusted on each valuation date based on the credit risk rating, as follows:

- Securities with one or more ratings granted by external rating agencies recognized by SFC, or securities issued by entities that are rated by them, may not be recorded for an amount exceeding the following percentages of their net nominal value of the redemptions made up to the valuation date.

(Millions of Colombian Pesos (COP))

Long term rating	Maximum value %
BB+, BB, BB-	Ninety (90)
B+, B, B-	Seventy (70)
CCC	Fifty (50)
DD, EE	Zero (0)

Short term rating	Maximum value %
2	Ninety (90)
4	Fifty (50)
5 y 6	Zero (0)

- For securities without an external rating, or debt securities issued by entities that are not rated, or for equity securities, the amount of provisions must be determined based on the internal methodology developed, which must be approved in advance by SFC.

Credit risk rating follows the guidelines of numeral 8.2 of chapter I - 1 of External Circular Letter 100 of 1995 of the SFC, for investment entities that do not have an approved internal methodology for the determination of provisions, as shown below:

Category	Item	%
A	Investment with a normal level of risk	0%
B	Investment with acceptable risk, higher than normal	80%
C	Investment with considerable risk	60%
D	Investment with significant risk	40%
E	Uncollectible investment	100%

Internal or external public debt securities issued or guaranteed by the Nation, those issued by Banco de la República and those issued or guaranteed by Fondo de Garantías de Instituciones Financieras FOGAFIN are not subject to credit risk rating; in accordance with the provisions of Chapter I - 1 of External Circular Letter 100 of 1995 of the SFC.

4.6.1.5. Loan portfolio and financial leasing operations

Records loans and/or financial leasing operations granted under the different authorized modalities. The resources used in the granting of the loans come from own resources, from the public in the form of deposits and from other external and internal sources of financing.

Loans are recorded at disbursement value, except for portfolio purchases which are recorded at cost; the agreed interest rate does not affect the value at which loans are recorded.

4.6.1.5.1. Types of loans

The structure of the loan portfolio includes the following types of loans:

Commercial

Commercial loans are defined as those granted to natural or legal persons for the development of organized economic activities, other than those granted under the microcredit modality.

Financial leasing

Financial Leasing operations should be recorded at the financed value of each of the assets that the entity, subject to contract, leased to the user for use and enjoyment.

The financed value of financial leasing operations is amortized with the payment of amounts part of which are repayments of capital.

For leasing operations, the instalments in each contract are recognized based on payment of the oldest one pending payment. The leasing operation becomes past-due on the date on which it becomes payable on demand.

Contracts agreed with regular instalments over a number of months that exceed the number of months set to suspend accruals may only accrue what applies to that set number of months. The operation is “current” up to the date on which payment is due.

Consumer

Consumer loans are those that, regardless of their amount, are granted to individuals whose purpose is to finance the acquisition of consumer goods or the payment of services for non-commercial or business purposes, other than those granted under the microcredit modality.

Mortgage

Home mortgage loans, regardless of amount, are made to individuals for the purchase of new or used housing, or individual housing construction. They must be agreed in UVR or pesos and be secured by a first mortgage on the home financed. The loan is to be repaid over 5-30 years.

The loans may be prepaid in full or in part at any time without penalty. In case of partial prepayments, the debtor shall have the right to choose whether the amount paid reduces the value of the installment or the term of the obligations, in addition to a remunerative interest rate, which is applied to the balance of the debt denominated in UVR or pesos, depending on whether the loan is denominated in UVR or pesos, respectively.

Interest should be charged in arrears and may not be capitalized. The loan amount may be up to 70% of the value of the property. This value will be the purchase price or the result of an professional valuation made within six months prior to granting credit. In the appropriations to finance Social Housing, the loan amount may be up to 80% of the property value.

Financed real estate must be insured against fire and earthquake risks.

Residential Leasing

The property subject of this type of operation is owned by the Bank and insured for fire and earthquake.

The funded value of delivered housing real estate leased to the user for use and enjoyment, in exchange for the payment of a regular sum of money during the agreed term, when this period has expired the good is returned to its owner or transferred to the lessee if the lessee decides to exercise the agreed purchase option, and pay it.

Microcredit

A microenterprise is a unit of economic exploitation of an individual or legal entity person in business, agricultural, industrial, commercial or services, rural or urban, with a payroll of no more than ten and total assets of no more than 500 minimum monthly salaries , as defined in Law 590 of 2000.

The debtor's debt balance may not exceed one hundred and twenty (120) monthly minimum legal salaries in force at the time the respective active loan operation is approved. The balance of indebtedness is understood to be the amount of current obligations owed by the corresponding microenterprise to the financial sector and other sectors, which are in the records of the data bank operators consulted by the respective creditor, excluding mortgage loans for housing financing and adding the value of the new obligation.

Decree 2267 of 2014 exempted the application of IFRS to the loan portfolio and its impairment.

4.6.1.5.2. **Modified and Restructured Loans**

Restructured loans are those that through a legal transaction, in the face of an actual or potential deterioration in the debtor's ability to pay, aim to modify the conditions initially agreed in order to allow the debtor to adequately meet its obligation. For these purposes, novations are considered to be restructurings. Before modifying or restructuring a credit, it must be reasonably established that it will be repaid under the new conditions.

If the loan or loans subject to modification in their initial conditions comply with numeral 1.3.2.3.2.1. of Chapter II of the Basic Accounting and Financial Circular Letter, they shall be classified as modified.

Loans re-negotiated in the terms of Law 546/ 1999 for the home mortgage portfolio are not classed as restructurings, nor are novations originating in situations other than that described above, provided that directing the last six months the loan has not been in arrears for more than 60 consecutive days for micro credit and consumer loans; and 90 days for commercial and home mortgage loans.

<u>Rules for classifying restructured and modified loans:</u>

The classification of modified and restructured loans follows SFC Circular 26/2017 for loans that face a real or potential impairment of the debtor´s capacity to pay and initial conditions are modified.

<u>Modified loans</u>

The initial classification received by a loan that meets the requirements of being classed as “modified” will be thee latest classification recorded for the loan to be modified.

For subsequent months, and provided that the loan does not fall into a classification of “restructured” due to failure to make the agreed payments, the modified classification will be that produced by application of the relevant model.

If the customer defaults on agreed payments, the loan is classified as restructured and the classification criteria for this type of loan are subsequently applied.

Restructured loans

The initial classification of a restructured loan will be the most recent classification recorded for the loan(s) to be restructured. This classification will remain unchanged until the customer has completed a minimum number of consecutive payments for the class of loan involved (six months for microcredit, 1 year for other modes).

One month after meeting this requirement, the classification will be changed gradually, taking account of the initial classification of the restructuring and the classification required by the model.

Finally, in the next month the classification will be that assigned by the model, depending on the type of loan. Loans of any class classified as restructured that fall into arrears of 30 days or more will be held to be in default.

Loans of any kind which are classed as restructured and fall into arrears of 30 days or more are classed as “default”.

For loans that do not require a monthly payment of capital, the classification will be modified gradually in the months when capital repayments are required.

The status of restructured may be removed when the debtor makes regular and effective payments of capital and interest for an uninterrupted period of 12 months for microcredit and 24 months for other forms.

Suspension of interest accruals

Accruals of interest, monetary correction, exchange adjustments, adjustments to lease-payments or for other items under a loan in arrears will not be recorded in the Income Statement when arrears reach the following limits:

Type of loan	Arrears in excess of
Commercial	3 months
Consumer	2 months
Mortgage	2 months
Microcredit	1 month

Accruals are recorded in Contingent Accounts and do not affect profit or loss until effectively collected.

In cases where, as a result of of restructuring agreements or any other form of agreement, there are calls for the capitalization of interest recorded in memorandum accounts or written-off loans including capital, interest and other items, these items are recorded as deferred payments and are carried to profit and loss as and when effectively collected.

Loans in arrears for which interest, monetary correction, exchange differences or lease payments or other forms of income have ceased to be accrued at any time will have accruals suspended from the first day of arrears onwards. When they are current again, accruals will resume. Until collected, these items will be recorded in Memorandum accounts.

Where accruals of interest, monetary correction, exchange adjustments, lease payments and other items of income are suspended, a provision should be made for all these items accrued and pending collection.

(Millions of Colombian Pesos (COP))

4.6.1.5.3. **Rules for write-offs**

In accordance with internal policies, loans are written off when considered unrecoverable; the provision then covers 100% of capital, interest and other items after being in arrears for the following lengths of time:

Portfolio	Product	Days in arrears
Commercial	Car Others Loans exceeding $ 500 M	Over 360 days Over 570 days Based on the evaluation
Mortgage	Housing and residential leasing	Over 900 days
Consumer	Car Car with no lien Others Private brand credit cards Restructured	Over 540 days Over 180 days Over 180 days Over 120 days Over 120 days
Microcredit	Microcredit	Over 180 days

Credit card, accounts receivable and other asset write-offs are approved by the Board of Directors.

A write-off does not relieve Bank management from continuing with collection efforts as appropriate.

4.6.1.5.4. **Criteria for evaluation and reclassification of credit risk**

The Bank adopted a Risk Management Credit System (SARC), which includes policies, processes, models and control mechanisms to identify, measure and adequately mitigate credit risk; not only from the perspective of its coverage through a system of provisions, but also through management of the lending process and permanent monitoring.

The Bank evaluates and classifies customer credit operations for all types of credit. Customer borrowing performance is updated monthly, with respect to repayments, cancellations, write-offs and ageing of arrears.

There are methodologies and analytical techniques to measure the credit risk inherent in a credit operation and potential future changes in the conditions of servicing it. These methods and techniques are based on the information related to the historical behavior of the portfolio and loans; the particular characteristics of the debtors, their credits and collateral that supports them; the credit performance of the debtor in other entities and financial information of this or other information which will provide appropriate knowledge of his financial situation; and sector and macroeconomic variables affecting the normal course of business.

In assessing the capacity to pay of local public entities, the Bank verifies compliance with the indicators of Law 617 - Operating Expenses, Law 358 Solvency and Sustainability and Law 819 Primary Surplus.

The Bank makes the evaluation and reclassification of the loan portfolio at least every May and November, and must records the results at the end of the following month.

(Millions of Colombian Pesos (COP))

Rules of alignment

The alignment process for each debtor is adjusted monthly.The Bank takes loans of the same type to higher risk category, unless there are sufficient reasons under the rules for classifications in a lower risk category.

For ordinary customers of the Bank and subsidiaries with which financial statements are consolidated, all loans of the same type are assigned the same rating for loans to the same debtor, unless it can be shown that there are sufficient reasons for classification in a lower risk category.

Credit risk ratings for reports

The table below applies for purposes of standardizing risk ratings for reports to credit bureaus, reports of loans and the records in the financial statements:

Commercial portfolio

Level of risk	Report category	Group rating	Ageing of arrears (days)
Normal	AA	A	0 - 29
Acceptable	A	B	30 - 59
Acceptable	BB	B	60 - 89
Appreciable	B	C	90 - 119
Appreciable	CC	C	120 - 149
In default	D	D	150 - 569
Unrecoverable	E	E	Over 569

A commercial loan is considered to be in default when it is in arrears for 150 days or more, along with treasury loans in arrears.

Consumer portfolio

To determine the rating of consumer loans depending on the segment, the reference model calculates a score which is a product of the particular characteristics of each debtor as set out in Annex 5 of Chapter II of SFC Circular 100/1995, as shown below:

Level of risk	Report category	Group rating	Vehicles score	Other score	Credit cards score
Normal	AA	A	0.2484	0.3767	0.3735
Normal	A (*)	A	0.6842	0.8205	0.6703
Acceptable	A	B	0.6842	0.8205	0.6703
Acceptable	BB	B	0.81507	0.89	0.9382
Appreciable	B	C	0.94941	0.9971	0.9902
Appreciable	CC	C	1	1	1
In default	D	D	1	1	1
Unrecoverable	E	E	1	1	1

A consumer loan is considered to be in default when it is in arrears for more than 90 days.

(*)To prevent impacting portfolio indicators, the SFC defined the characteristics of the reference model of consumer credit, a range of 0 - 30 days, to be recorded based on the group classification A.

(Millions of Colombian Pesos (COP))

Mortgages and microcredits

The Bank classifies loan operations of home mortgages and microcredit and classified them into one of the following categories of credit risk:

Rating	Risk	Mortgages	Microcredit
		Months arrears	
A	Normal	0 - 2	0 - 1
B	Acceptable	2 - 5	1 - 2
C	Appreciable	5 - 12	2 - 3
D	Significant	12 - 18	3 - 4
E	Unrecoverable	Over 18	Over 4

4.6.1.5.5. Rules for loans provisions

Provisions are made with a charge to the income statement, as follows:

4.6.1.5.5.1. General provision

The Bank records a general provision for microcredit and home mortgages equivalent to 1% of the total gross loan portfolio.

4.6.1.5.5.2. Individual provisions under reference models.

Pursuant to SFC, for the commercial and consumer reference models, individual loan portfolio provisions are established as the sum of two individual components, one pro-cyclical and one counter-cyclical.

The individual pro-cyclical component: reflects the credit risk of each debtor at present.

The individual counter-cyclical component: reflects the possible changes in the credit risk of debtors at the time when the deterioration of such assets increases. This portion is established in order to reduce the impact on the income statement when the situation arises.

Both components are calculated separately for capital and accounts receivable of the loans and leasing portfolios.

The following indicators should be evaluated on a monthly basis to determine the calculation methodology to be used in the next month for individual provisions:

Indicators	Activation Threshold
1. Increase of provisions in risk category B,C,D,E	>= 9%
2. Net expense provisions as % of income from portfolio	>= 17%
3. Net expense provisions as % of Gross Adjusted Net Interest Income	<= 0% ó >= 42%
4. Annual real growth of Gross Portfolio	< 23%

Once these indicators are evaluated, the Bank applies the cumulative phase.

Cumulative phase calculation methodology.

Procyclical individual component (CIP): Procyclical individual component (CIP): for the consumer and commercial portfolios, this is the expected loss calculated with the Matrix A, i.e. the result obtained by multiplying the exposure value of the debtor, the probability of default (PD) of Matrix A and the Loss Given Default (LGD).

Countercyclical individual component (CIC): This is the maximum value among the countercyclical individual component in the previous period affected by exposure, and the difference between the expected loss calculated with Matrix B and the expected loss calculated with the Matrix at the time of calculation of the provision.

Under no circumstances, the countercyclical individual component of each obligation may be less than zero, nor may it exceed the value of the expected loss calculated with the Matrix B; likewise the sum of these two components may not exceed the amount of exposure.

The SFC circulates the matrices in the first half of each year, for application with effect from July of that year.

The counter cyclical component will allow entities to have a reserve (counter-cyclical individual provision) to be used during periods of deterioration in credit quality, to meet the increase in provisions without significantly impacting the profits generated in the unfavorable environment

As of December 31, 2019 and 2018, the Bank applied the cumulative phase methodology.

4.6.1.5.5.3. Individual provision

In addition to the general provision, individual provisions are made for the protection of loans classified in all risk categories, calculated as follows:

Commercial portfolio

The Bank adopted the SFC Commercial Reference Model (MRC) to calculate provisions.

There are differentiated segments to estimate expected losses by the level of the assets of debtors, as follows:

Business Size	Assets
Large	Large More than 15,000 SMMLV (current legal minimum monthly salary)
Medium	Between 5,000 and 15,000 SMMLV
Small	Less than 5,000 SMMLV

The minimum monthly salary of the preceding year is used as the multiplier to estimate the level of assets..

The MRC also includes a category called "individuals " which groups all natural persons who are Commercial loan debtors.

Provisions for residential leasing operations are made in compliance with housing portfolio policies.

(Millions of Colombian Pesos (COP))

The estimated expected loss (provisions) results from the application of the following formula:

Expected loss = [Probability of default] x [Exposure of the asset at the time of default] x [loss given default].

Where:

- Probability of default (PD)

  Refers to the probability of debtors of a given portfolio of commercial loans to incur in default within the next 12 months.

Individual provisions are calculated using the rates shown in the following matrix:

Rating	Large business		Medium business		Small business		Individuals	
	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B
AA	1.53%	2.19%	1.51%	4.19%	4.18%	7.52%	5.27%	8.22%
A	2.24%	3.54%	2.40%	6.32%	5.30%	8.64%	6.39%	9.41%
BB	9.55%	14.13%	11.65%	18.49%	18.56%	20.26%	18.72%	22.36%
B	12.24%	15.22%	14.64%	21.45%	22.73%	24.15%	22.00%	25.81%
CC	19.77%	23.35%	23.09%	26.70%	32.50%	33.57%	32.21%	37.01%
Default	100%	100%	100%	100%	100%	100%	100%	100%

Loss given default (LGD)

LGD is defined as the economic impairment that would occur if any of the situations of default materializes. The LGD for debtors classified as being in default will increase in line with the days elapsed after classifying in that category. The LGD applied by the Bank includes two ranges of guarantee type "unsecured" and "Assets in residential leasing ", which are described below

Type of guarantee	L.G.D	Days after default	New L.G.D	Days after default	New L.G.D
Residential and commercial real estate	40%	540	70%	1,080	100%
Eligible Financial Collateral - SBLC	0%	-	0%	-	0%
Eligible Financial Collateral - Fund Guarantees	12%	-	12%	-	12%
Property leasing assets	35%	540	70%	1,080	100%
Leasing assets other than real property	45%	360	80%	720	100%
Collection rights	45%	360	80%	720	100%
Other eligible collateral	50%	360	80%	720	100%
Other personal guarantees	55%	210	80%	420	100%
No guarantee	55%	210	80%	420	100%

Property leasing contracts are classified into the category Properties in Leasing.

The past-due loan portfolio is evaluated monthly and according to the MRC reference model, quality of customer collateral the percentage of cover on debt and additional criteria, additional individual provisions may be estimated.

- Exposed asset value

Exposed asset value is the outstanding balance of principal, interest, interest receivable and other receivables, in commercial portfolio loans.

(Millions of Colombian Pesos (COP))

Consumer portfolio

The Bank adopted the SFC Reference Model for consumer loans (MRCO), used to calculate provisions.

It is based on differentiated segments by product - general-vehicles, general-others, and credit cards - in order to preserve the particularities of market niches and products granted.

The following formula is used:

Expected losses = [Probability of default] x [Exposure of the asset at the time of default] x [Loss given default] x [Adjustment by term]

Where:

- Probability of default (PD)

Refers to the likelihood that in a twelve (12) month period debtors in a given segment and consumer portfolio rating will default.

The probability of default is defined based on the following matrix:

Rating	General vehicles		General other		Credit cards	
	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B
AA	0.97%	2.75%	2.10%	3.88%	1.58%	3.36%
A	3.12%	4.91%	3.88%	5.67%	5.35%	7.13%
BB	7.48%	16.53%	12.68%	21.72%	9.53%	18.57%
B	15.76%	24.80%	14.16%	23.20%	14.17%	23.21%
CC	31.01%	44.84%	22.57%	36.40%	17.06%	30.89%
Default	100%	100%	100%	100%	100%	100%

Loss given default (PDI)

Refers to the economic deterioration that would occur if any of the situations of default materializes. The LGD for qualified debtors in the default category will increase according to the days elapsed after qualifying in that category. The LGD applied by the Bank includes three ranges of guarantee type: "unsecured", "eligible collateral" and other collateral, which are described below:

Type of collateral	L.G.D	Days arrears	New L.G.D	Days arrears	New LGD
Commercial/residential property	40%	360	70%	720	100%
Property leasing assets	35%	360	70%	720	100%
Non-property leasing assets	45%	270	70%	540	100%
Collection rights	45%	360	80%	720	100%
Other eligible collateral	50%	270	70%	540	100%
Non-admissible collateral	60%	210	70%	420	100%
Non-admissible collateral - payroll	45%	-	0%	-	0%
Unsecured	75%	30	85%	90	100%

The type of inadmissible collateral applies to consumer loans covered by payroll instalment agreements.

(Millions of Colombian Pesos (COP))

The type of security - other eligible collateral - is applied to the vehicle portfolio.

Adjustment by term (AP)

Where, $Adjustment\ by\ term\ (AT) = \left[\frac{Remaining\ term}{72}\right]$

Remaining Term = it is the number of months remaining to repay based on the agreed term. In the event that the agreed term or remaining term is less than 72, AT shall be equal to 1. For the Credit Card and Revolving segments, AT will be equal to 1.

For loans originated, disbursed, restructured or acquired before December 1, 2016, AT shall be equal to 1.

This factor applies to loans originated, disbursed, restructured or acquired as of December 1, 2016; the expected loss must be calculated applying the resulting term adjustment (AT).

An additional individual provision of 0.5% is temporarily added to the procyclical component when the rolling α parameter is greater than 0 (α > 0). A is the 6-month rolling average of the six-monthly real annual rate of growth in past-due consumer loan accounts.

- Exposed asset value

In the MRCO, the exposure value of the asset is the current balance of principal, interest, interest receivable and other receivables, of the obligations of the consumer portfolio.

Mortgage portfolio

The individual provisions for the protection of loans rated in all risk categories have at least the following percentages as of December 31, 2019 and 2018.

Rating	% Standard minimum	
	Covered part	Non-covered part
A	1.0%	1.0%
B	3.2%	100%
C	10.0%	100%
D	20.0%	100%
E	30.0%	100%

If during two (2) consecutive years the loan remains in the "E" category, the provisioning rate on the guaranteed portion will increase to 60.0%. If a further year passes under these conditions, the provision percentage on the guaranteed portion will rise to 100.0%.

(Millions of Colombian Pesos (COP))

Microcredit portfolio

Individual provisions for the protection of loans rated in all risk categories have at least the following percentages:

Rating	% Standard minimum	
	Covered part	Non-covered part
A	1.0%	0.0%
B	2.2%	1.0%
C	0.0%	20.0%
D	0.0%	50.0%
E	0.0%	100%

Effect of eligible collateral on individual provisions

- To estimate individual portfolio provisions, guarantees only support the capital of credit. Therefore, outstanding balances of loans backed by securities classed as admissible collateral are provisioned for the percentage according to their classification, applying that percentage to the difference between the unpaid balance and the value of collateral.

- In the case of the unsecured portion of home mortgage loans, provision is for the difference between the unpaid balance and 100% of the value of the collateral. For the collateralized portion, (100%) of the balance collateralized.

4.6.1.5.6. Portfolio sales

Portfolio sales are a means by which the Bank transfer the rights and inherent risks - or derived rights and risks - inherent in loans 100% to a third party as an outright sale where the payment obligation is received in money or other assets; the assets sold are derecognized from the financial statements at their net book value on the date of the operation and the difference between the book value and the value received is recorded as profit or loss for the year, being recorded for an amount assessed in an expert study.

The Bank has management contracts for securitized portfolios in which, through its applications, it operationally controls the portfolio of a third party, charging a percentage for this service.

4.6.1.6. Accounts receivable

Accounts receivable other than loans and finance leases are subsequently classified and measured at amortized cost and impairment losses are periodically assessed using the simplified approach provided for in IFRS 9.

Provision against accounts receivable

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

4.6.1.7. **Derivatives**

Derivatives are financial instruments that derive their value from changes in interest rates, foreign exchange rates, credit spreads, commodity prices, stock prices, or other financial or non-financial metrics. The derivatives portfolio consists of contracts on interest rates, exchange rates and debt securities. The Bank uses derivatives for trading purposes and for risk management purposes associated with the balance sheet structure and they are recognized at fair value in the statement of financial position. Additionally, the credit risk charge is recognized through the calculation of CVA and DVA for each of the counterparties with which these types of contracts are made. The CVA represents the counterparty credit risk charge, which generates a negative adjustment to fair value. In turn, the DVA represents the risk that Banco Davivienda has with 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 because they represent the face value of the contract at which a rate or price is applied to determine the cash flow(s) to be exchanged between the parties in accordance with the terms of the contract.

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

Profits in trading activities can be generated in three ways: i) by distribution activity, defined as intermediation executed by Treasury between professional markets, offshore customers, institutional and real sector; ii) by the activity of own position, by which positions are taken for short periods of time to take advantage of rising or falling trends in the value of financial assets and derivatives; iii) by arbitrage activity, which combines financial assets and derivatives, to generate financial margins without incurring market risks.
Realized or unrealized profits of trading derivatives are recognized in the Income Statement as revenue associated with the business model for trading.

<u>Derivatives held to manage risk</u>

Derivatives held to manage risks are those that the Bank uses to cover market, interest rate or foreign currency risks within traditional banking business operations. If derivatives are held to manage risks and also meet hedge accounting requirements, they are recognized at fair value in the Statement of Financial Position, and changes in fair value are recognized in profit or loss together with changes in the fair value of the hedged item attributable to the hedging risk, in the same line of the Statement of Comprehensive Income as the hedged item. Certain derivatives held for hedging purposes that do not meet the hedging requirements are recognized as derivatives for risk management and their changes in fair value are recognized in profit or loss.

<u>Embedded derivatives</u>

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 with changes through profit or loss in the case of financial asset contracts.

4.6.1.8. **Netting of financial instruments in the statement of financial position**

Financial assets and liabilities are netted and the net amount is reported in the Separate Statement of Financial Position when there is a legal right to net the amounts recognized and there is an intention of the Bank to liquidate them on a net basis or to realize the asset and settle the liability simultaneously. Information on netting of financial assets and liabilities at December 31, 2019 and 2018 is disclosed in Note 11.

4.7. Hedge Accounting

In light of changes made to IFRS 9, 2014 version revised, the Bank has decided to apply the hedge accounting requirements under this standard from the date of initial application (January 1st, 2018).

The Bank designates certain instruments as hedging instruments. These include derivatives and non-derivatives, as either fair value hedges, cash flow hedges, or hedges of net investment in a foreign operation.

At the beginning of the hedge, the Bank documents the relationship between the hedging instrument and the hedged item in addition to the objectives of risk management and the management strategy to undertake multiple hedging operations. Moreover, 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 hedged item.

Additionally, the risk component or hedged components are identified, provided that such components can be reliably segregated and measured, 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, based on the hedging strategy and the characteristics of the hedged item and the hedging instrument, whether periodic renewals are required to maintain the hedging relationship.

- Hedges of a net 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 gain 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. The gain or loss associated with 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 (successive) hedging strategy in order to maintain the rate coverage of change of net investment abroad by replacing the non-derivative liability in dollars at maturity given that there is no expectation of selling these investments in the short term.

The Bank employs a partial (successive) hedging strategy to maintain the exchange rate hedging of the net investment abroad by replacing the non-derivative liability in dollars at maturity, considering that there is no expectation of selling these investments in the short term.

Currently the Bank only hedges net investment in foreign operation.

4.8. Assets held for sale

Assets are classified as available for sale when their current condition allows for their sale and there is a high probability that their sale will occur in the following year, and from the second year onwards they are classified as other assets. For the sale to be deemed as likely, the Bank's management is required to carry out the sale plans and initiate an active marketing program to ensure the sale.

(Millions of Colombian Pesos (COP))

Assets that are classified as held for sale are recorded at the lower of book value and fair value less costs to sell. Under this classification, assets are no longer depreciated or amortized and subsequent changes in fair value less cost to sell are carried to the income statement.

In compliance with external circular 036 of 2014 issued by the SFC provisions of BRP's should be kept independent of the classification of the good received in payment, according to seniority, as follows:

Frequency	Real property %	Movable property %
Year 1	30%	35%
Year 2	30%	35%
Total	**60%**	**70%**
Over 2 years	20%	30%
Provision assets held over 2 years	80%	100%

In addition to the monthly installments, the shortfall on valuation is provisioned when the market value of the property is less than the carrying amount, as required by Circular 034 of August 2003.

Sales plan

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

- Available goods are delivered to sales channels (real estate agencies, specialized individuals and vehicle suppliers) with whom the Bank works, to start the selling process.

- Assets that are difficult to sell, listed as such after more than 12 months for real estate or more than 3 months for vehicles without receiving an offer since they were first listed, are sold through specific action plans, with greater emphasis on those that have completed this period, analyzing each case and creating strategies to achieve their disposal.

- In matters of pricing, the general policy is determined by a commercial appraisal (no more than six months old for property and three months for private vehicles), salability of good, physical condition and the market for real estate or vehicles in the specific area, among others.

- There is monthly follow-up of business to check that actions taken on sales channels to comply with times specified in advertisements for the goods; and both parties make commitments designed to find effective solutions for the sale.

4.9. Joint operations and joint ventures

Joint ventures are activities in which the Bank has joint control, established by contractual agreements and requiring unanimous consent for decisions on financial and operational policies. In joint operations, the assets, liabilities, income and expenses relating to the participation in the joint operation of each of the joint ventures are accounted for and in joint ventures the participation is recognized as an investment using the equity method.

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

4.10. Property and equipment

Land and buildings, computer equipment, furniture and fixtures and other equipment are recognized at cost, less depreciation and impairment. Costs include expenditures that are directly attributable to the acquisition of the asset. Land is not depreciated. Gains or losses on sale of assets are recorded in Other Income or Expense in the Income Statement.

The carrying amount of an item of Property and Equipment is derecognized on disposal; or when no future economic benefits from its use or disposal are expected.

he costs of replacing a portion of the property and equipment are recorded as greater value of the asset if they meet the requirements for their registration and 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

Transfers are made when there is a change in the use of property and equipment without losing control of the property.

<u>Depreciation</u>

Depreciation is charged on a straight-line basis, on the cost of the asset less its residual value. Land is not subject to depreciation. Depreciation charged to profit and loss is calculated based on the following useful lives:

Category	Useful life (years)	Residual value
Buildings	30 - 100	10% Acquisition cost
Vehicles	3 - 5	20% Acquisition cost
Furniture and fixtures	3 - 10	Up to 5%
Computers and other equipment	3 - 20	Up to 5%

The useful lives and residual values are reviewed each year and adjusted if necessary.

4.11. Investment properties

Real estate not in use by the Bank and held to earn rent and / or goodwill is classified as Investment Property.

Investment Property is initially valued at acquisition cost, including costs incurred in the transaction. After initial recognition, Investment Property is valued using the cost model indicated in the policy for Property and Equipment.

An investment property is derecognized at the time of disposal or when it is permanently removed from use and no future economic benefits are expected from the disposal. Any gain or loss arising from the disposal of the property (calculated as the difference between the net disposal proceeds 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 the future economic benefits associated with such investment properties will flow to the Bank and the cost of the investment properties can be measured reliably.

Transfers between investment properties and property, plant and equipment do not change the carrying amount or cost of such properties for measurement or disclosure purposes.

4.12. **Investments in associates**

Associates are those entities in which the Bank has significant influence, but not control or joint control over financial and operational policies or holds more than 20% and less than 50% interest. Investments in associates are initially recognized at cost including any transaction costs and are increased or decreased by the equity method to recognize the share of results and changes in equity and any decrease to reflect provisions for impairment in the value of the investment. Changes in the investment are recognized in income and in equity in other comprehensive income and are subsequently assessed for impairment using the requirements of IAS 36. Dividends from associates are recognised in profit or loss when the right to receive them arises.

When the Bank conducts transactions with its associate or joint venture, the gain or loss resulting from such transactions with the associate or joint venture is recognized in the Bank's separate financial statements only to the extent of the interest in the associate or joint venture that is not related to the Bank.

The Bank determined that it has significant influence over the following investments: Redeban S.A. and Titularizadora de Colombia S.A.

4.13. **Business combinations**

The acquisition of a business is recorded using the purchase 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, less liabilities incurred by the entity with the previous owners of the business acquired and equity securities issued by the entity in exchange for control over the business. Costs related to the acquisition are generally recognized in the income statement as and when incurred.

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

- 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 shares of the Bank held to replace share-based payment agreements for acquisition, measured in accordance with IFRS 2 - Share-based payments - at the date of acquisition; and

- Assets (or groups of assets for disposal) classified as held for sale in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations - measured in accordance with that Standard.

Goodwill is measured as the excess of the amount of the consideration transferred, the amount of any non-controlling interest in the business acquired, and the fair value of the previous shareholders holding in the acquired company (if any) on the net value of identifiable assets acquired and the value of liabilities assumed at the date of acquisition. If, after a revaluation, the net of the value of identifiable assets acquired and the value of liabilities assumed at the acquisition date exceeds the amount of the consideration transferred, the amount of any non-controlling interest in the business acquired and the fair value of the previous shareholding of the acquirer in the acquired company (if any), the excess is recognized immediately in the Consolidated Income Statement as a gain for purchase at a bargain price.

Non-controlling equity interests which give their holders a proportional share of the net assets of the business in the event of liquidation may be initially measured either at fair value or at the value of the proportional share of the non-controlling interest in the recognized amounts of the identifiable net assets of the business acquired. The option to choose the basis of measurement is exercised on each transaction. Other types of non-controlling interests 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 trade credit. The adjustments of the measurement period are adjustments that arise from additional information obtained during the 'measurement period' (which may not exceed one year from the acquisition date) about facts and circumstances that existed at the date of acquisition.

Combinations subject to common control

Combinations of companies under common control are accounted for using the Book Value method, with all identifiable assets, liabilities and contingent liabilities acquired at incorporation recognized at the book value of the company absorbed.

Identifiable assets acquired and liabilities assumed must nonetheless be recognized and measured, and the date of acquisition is the date of registration with the competent authority. It is considered that this date is that on which the control of the subordinate is acquired, and that is normally established by reference to registration of the Public Deed for the merger at the Chamber of Commerce.

There will be no recognition of intangible assets, such as goodwill, in this type of operations and the costs related to the merger processes will be recognized in the profit or loss for the period.

4.14. **Intangible assets and goodwill**

The Bank records an intangible asset once it has established the existence of control, the separability of the asset, and the expectation that it will generate a future economic benefit. These characteristics are essential conditions of recognition. The initial measurement of intangible assets depends on the way that the Bank obtains the asset. An intangible asset may be obtained by separate acquisition, or as part of a business combination, or it may be internally generated by the Bank.

An intangible asset acquired in a separate transaction is measured at cost, which includes the acquisition price, tariffs, nonrecoverable taxes and any costs directly attributable to the preparation of the asset for its intended use. In business combinations, the value of the cost of the asset will be that corresponding to its fair value at the acquisition date. For internally generated intangible assets, all disbursements in the research phase are recognized in the expense and those incurred in the development phase necessary to create, produce and prepare the asset to be able to operate as intended, will be capitalized.

Subsequent disbursements are capitalized only when future economic benefits increase, incorporated into the specific asset related to these disbursements. All other disbursements, including disbursements to generate capital gains and trademarks internally, are recognized in profit or loss when incurred.

The Bank will decide whether the useful life of an intangible asset is finite or indefinite. An intangible asset with a finite useful life is amortized, an intangible asset with an indefinite life is not. In the subsequent recognition intangible assets with finite useful life are amortized on a straight-line basis over their estimated useful life.

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

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

4.14.1. **Impairment of tangible assets except goodwill**

The Bank reviews the carrying values of its tangible and intangible assets at the end of each period to determine if these assets have suffered an impairment loss. If there is reason to believe so, the recoverable amount of the asset is determined to assess 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 basis for allocation can be identified, corporate assets are also allocated to the individual cash-generating units, or otherwise allocated to the smallest of the cash-generating units for which a reasonable and consistent basis for allocation can be identified.

Intangible assets with an indefinite useful life or not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher between the fair value less the cost to sell and the value of the asset in use. In assessing value in use, estimated future cash flows are discounted to their present value using a discount rate before tax that reflects the current market view of 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 amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized immediately in the Income Statement.

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

4.14.2. **Goodwill**

Goodwill represents the excess paid over the fair value of assets and liabilities acquired in a business combination. Goodwill is initially recorded at fair value and subsequently updated by decreasing its value due to impairment losses.

Goodwill represents the future economic benefits arising from the business combination that are not individually identified and cannot be recognized separately. It is assigned to a cash-generating unit or a bank 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 subjected to impairment testing annually or whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with its recoverable value. If the carrying amount of the unit exceeds the recoverable amount, the entity will immediately recognize the impairment loss in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

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

4.15. **Other non-financial assets**

Assets for which it is not possible to find similar recognition and measurement criteria to classify them into categories or available financial asset groups; they are to be classified in the category of “other non- financial assets”; among them, for example, are works of arts and culture, prepaid expenses, foreclosed assets with restrictions on sale. They are measured at cost and are subject to impairment assessment using a matrix based on the risks of default with impact on profit or loss.

4.16. **Leases**

The accounting treatment of leases when the Bank acts as lessee must be recognized under a single accounting model, whereas when the Bank acts as lessor, contracts are classified as financial or operating leases.

The Bank as lessor

Lease agreements under the figure of lessor are classified as financial or operational:

Financial leases are acknowledged in the financial statement and are shown as receivables in an amount equal to that of the net investment in the lease. That is, the sum of the minimum payments receivable from the financial lease and any unsecured residual value, discounted at the interest rate implicit in the lease. Acknowledgement of financial income is based on a guideline that reflects, in each period, a constant rate of return on the net financial investment made in the financial lease.

Operational leases are shown in the financial statement according to the nature of such assets. Costs incurred in obtaining income from leasing, including corresponding depreciation, are recorded as expenses. Lease income is recorded linearly within the term of lease. Depreciation and impairment of leased assets will be consistent with policies for similar assets.

The Bank as lessee

Policy effective since January 1, 2019

A single accounting model must be applied, which implies acknowledging all significant-amount leases with a term over 12 months in the Financial Statement if there is an explicitly or implicitly identified asset in the agreement; if there is a substantial right to use the identified asset without any restriction by the supplier; and when the right exists to decide on the purpose of the use of the asset.

Only leases of tangible assets or components of an agreement that are tangible assets will be recognized. Agreements involving use of an intangible asset are accounted for in accordance with the policy corresponding to this type of asset.

A right-of-use asset and a lease liability are acknowledged on the start date of the lease. The lease liability will be equal to the present value of lease payments pending on said date, using the interest rate implicit in the lease, if said rate is easily determined. If that rate cannot be easily determined, lessee will use lessee's incremental rate for loans, at terms similar to those agreed to in current agreements. The right-of-use asset will be measured at cost.

The incremental rate should be selected to be equivalent to the rate applicable when financing acquisition of an asset of similar conditions, over a period similar to that agreed on in the lease, and with a similar level of security (risk).

Term is evaluated specifically for each agreement and underlying asset type, including reasonably certain future renewals.

In subsequent measurement, the carrying amount of lease liabilities will be affected by interest on the liability, lease payments and modifications to the lease agreement or new liability measurements. Right-of-use assets will be affected by cumulative depreciation, cumulative impairment and modifications to the lease agreement or new liability measurements. The depreciation method used is linear, using a period equivalent to the term of lease, unless there is a purchase option.

Short-term leases or those that imply the use of a low-value asset will be excluded from the defined accounting model, and will be recorded linearly, directly in the period’s result.

Policy applied until December 31, 2018

Assets held under operating leases are recorded in the income statement at the value of the rental payments using the straight-line method over the term of the lease.

If rental incentives are received for entering into an operating lease, such incentives are recognized as a liability. The aggregate benefit of the incentives is recognized as a reduction of lease expense on a straight-line basis.

4.17. **Financial liabilities**

An instrument is classified as a financial liability when it entails a contractual obligation to transfer cash or other financial assets and when it is deemed to be or may be settled within a variable number of equity instruments; provided that such instrument is not a derivative.

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

Financial liabilities at fair value through profit or loss

Financial liabilities are classified at fair value through profit or loss when the financial liability is (i) held for trading or (ii) is 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 repurchase in the near future; or
- It is 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 effective.

Financial liabilities at fair value through profit or loss are recorded at fair value, recognizing any gain or loss arising from remeasurement in the Income Statement. The net gain or loss recognized in income includes any interest earned from the financial liability and it is recorded under the heading of 'other income and expenses' in the separate income statement. Fair value is determined as described in Note 8. The Bank designates derivatives as liabilities at fair value through profit or loss.

Other financial liabilities

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

The effective interest rate method is used to calculate the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts precisely 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 liability on initial recognition.

Financial liabilities instruments that include deposits, debt instruments issued and financings are recognized on the trading date, and they are carried at amortized cost plus or less accumulated depreciation calculated with the effective interest rate method.

Subordinated debt and bonds are recorded at traded value, and are subsequently recorded at amortized cost, paid interest are recorded using the effective interest rate method, the costs of the issue are recognized and are charged as interest expenses.

This item also includes rediscount operations, in Colombian government programs for development lending to specific sectors of the economy, including foreign trade, agriculture, tourism, housing construction and other industries.

Derecognition of financial liabilities

The Bank derecognizes financial liabilities if and only if its obligations have been discharged, or have been canceled or have expired. The difference between the carrying amount of the derecognized financial liability and the consideration paid and payable is recognized in the Income Statement.

4.18. Employee benefits

- Short-term benefits

  Short-term employee benefits are those that the Bank expects to settle in full within twelve months at the end of the annual reporting period, such as wages and salaries, annual leave, sick leave, severance and interest on severance, among others. When an employee has rendered services to the Bank during the accounting period, the amount of short-term benefits payable for such services is recognized (undiscounted) as a liability (accrued or unearned expense) and as an expense.

  The Bank's contractual or constructive obligation is limited to the recognition of the amount that has been agreed, with the employee, and will be calculated based on a reliable estimate of the amounts to be paid, the expense is generated only based on the occurrence of the consideration given that the services rendered by the employees do not increase the amount of the benefits.

- Long-term benefits

  Long-term benefits are all employee benefits other than short-term benefits, post-employment benefits and severance payments. Such benefits include the extralegal premium for seniority and preferential interest rate for housing credit.

- Post-employment benefits

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

  Defined contribution plans are those in which the Bank makes pre-determined contributions to a separate entity (a fund) and has no legal or constructive obligation to make additional contributions.

4.19. Income taxes

Strategy and tax policy

The Bank adequately and timely complies with both the intent and the wording of the various tax regulations in the jurisdictions where it operates. An analysis of the constant regulatory changes allows for the planning, implementation and effective adoption of decisions and risk control in tax matters.

The “intent” of existing regulations should be construed as the proper interpretation of Colombian tax law based on the principles of Article 363 of the Colombian Constitution.

<u>Transparency</u>

The Bank, based on its policies and principles, reveals its approach to compliance in an understandable, timely and transparent manner. In line with international recommendations, it is committed to avoiding doing business in non-cooperative, low- or non-taxable jurisdictions and to not using secret jurisdictions or "tax havens". It also does not develop aggressive tax planning practices such as the use of tax structures aimed at avoiding tax payments.

<u>Income tax</u>

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.

- <u>Current taxes</u>

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

- <u>Deferred taxes</u>

Deferred tax liabilities are the amounts to be paid in the future for income tax related to taxable temporary differences, whereas deferred tax assets are the amounts to be recovered as income tax due to the existence of temporary deductible differences, compensable negative tax bases or deductions pending application. Temporary difference is defined as the difference between the carrying amount of the assets and liabilities and their tax base.

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

For investments in associated companies, the deferred tax is determined taking into account the projection of the dividends that are expected to be received and that are 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 likely that the entities will have future taxable profits and the differences can be used against those profits.

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

- Recognition, measurement, and disclosure

Deferred tax is recognized by taking into account the settlement of liabilities or the realization of assets in consideration of the differences that these could generate.

Deferred tax assets and liabilities are recognized using the tax rates applicable in the years when the assets are expected to be realized or the liabilities are expected to be settled, based on the approved regulations and after considering the tax consequences that will arise from the manner in which the assets are expected to be recovered or the liabilities settled.

The carrying value of deferred tax assets is reviewed by the Bank at the year end 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 a calculation of temporary differences, a calculation of the tax on these differences, a cleansing of current tax, a reconciliation of income tax and an adjustment for difference in rates. Current and deferred tax determined for other comprehensive income. Determination and analysis of the effective rate.

- Netting and classification

The Bank only nets deferred income tax assets and liabilities if there is a legal right to do so with the tax authorities, and where the assets and liabilities refer to a single tax authority and a single taxpayer.

Industry and commerce tax

Pursuant to Article 76 of Law 1943 of 2018, the Bank recognized the full amount of the industry and commerce tax incurred during the year as an expense for the year. The value that can be allocated as a tax deduction is treated as a non-deductible expense in the calculation of the income tax for the year. The tax credit applied reduces the value of the current income tax expense for the period.

Compliance

The Bank meets its formal and substantial obligations such as payment of taxes, filing of 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.

Pricing transfer

Under the Full Competition Principle and due to regulatory provisions, operations between associated companies must not be distorted by the special relationship between the two parties. When the Bank 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 income in accordance with the principle of free competition.

Operations that are carried out with third parties or related parties within the national territory will be governed in accordance with the provisions of Article 90 of the tax statute, guaranteeing that they are transacted at the average commercial value of goods and/or services of the same species and on the date of their disposal.

Transactions between related parties

The Bank may engage in transactions, agreements or contracts with related parties, on the understanding that any such transactions will be carried out at fair and market values, taking into account, inter alia, the following criteria: - The market conditions and rates existing in the sector in which the transaction is carried out. - The activity of the companies involved. - The growth perspective of the respective business.

Operations between related parties are divided into 4 categories:

- Stock market: Transactions between related companies related to investments, capitalizations, derivatives and other stock market operations.

- Ordinary business: Operations related to the main purpose of the entity using banking products or its commercial network, representation through the parent company (Granting of loans, purchase/sale of portfolio, use of savings/current accounts).

- Support: Acquisition of Goods/Services from third parties on behalf of one of the related parties and/or provision of business services between related parties.

- Management and Control from the Parent Company: Management and Control Operations acting as the parent company.

The methodology established in the tax statute called; uncontrolled comparable price, shall be initially applied for operations in the securities market and ordinary business categories. If no external or internal comparable can be established, the application of any of the other methods allowed in the regulations in force shall be sought, prioritising the one that best adjusts to the needs and nature of the operation evaluated. For support operations, only those between related parties will be subject to the transfer pricing regime and whose initial evaluation methodology will be that of added cost. In accordance with Action 8 of the BEPS (OECD guidelines), management and control operations from the parent company are not subject to collection.

4.20. **Provisions**

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

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

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

Litigation

Disputes analyzed are those with a probability of failure against the Bank, which should be recognized at fair value, recognizing the likely value of the fault and the estimated resolution date. 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 12.20.

4.21. **Bank guarantees**

Bank guarantees correspond to documents issued by the Bank to ensure compliance with one or more obligations in whole or in part, contracted by the customer in favor of third parties. In case of default by customers, the Bank will respond to the third party by paying the sum of money agreed in the document, and a credit 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 evaluated in accordance with IAS 37.

4.22. **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 by the funds received, net of direct issuance 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 placement premium

The share placement premium is 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.

ii. Statutory and voluntary reserves – This account includes the following appropriations that must be approved by the General Meeting:

- Reserve available to the General Meeting for future distributions of profits
- Voluntary reserve with irrevocable commitment to capitalization (Decree 2555/2010), applying benefits of calculation of the solvency margin
- Others

Other comprehensive income

This statement includes income and expenses items that are not recognized in profit or loss, such as unrealized gains on debt securities valued as equity, the effective portion of gains and losses on hedging instruments of net investment outside Colombia and the effect of the deferred tax of items 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.

4.23. **Contingent accounts**

These accounts record operations through which the Bank acquires a right or assumes an obligation whose coverage is conditional upon the future occurrence or lack of occurrence of a given event, depending on future, possible or remote factors. Among the debtor contingencies, financial yields are recorded from the time the accrual in the account receivable is suspended.

Contingencies for fines and penalties are analyzed by the Legal Department and its external advisors. The estimated contingent loss necessarily involves an exercise of judgment; it evaluates among other things: the merits of claims, case law on the point and the current state of the process.

A legal contingency by definition is a condition, situation or set of existing circumstances, which implies doubt as to possible gain or loss by the Bank of court proceedings or actions advanced against it that generate passive contingency; and this doubt is finally resolved when one or more future events occur or fail to occur.

4.24. **Recognition and revenue and expense**

Revenue is recognized when its amount 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 income, interest expenses and similar items

Interest income, interest expenses and similar items are generally recognized as earned using the effective interest method.

Non-interest income under the scope of IFRS 9 is recognised when the performance obligations to which the customer is committed are satisfied, in exchange for an amount reflecting the consideration agreed in the contracts and to which the customer is entitled. In this regard, operating revenues are recognized when the following five steps are met:

- Stage 1 - Identify the contract (or contracts) with the client: a contract is an agreement between two or more parties that creates enforceable rights and obligations.
- Stage 2 - Identify performance obligations in the contract: performance obligations are the obligations arising from contracts with customers to transfer an asset or to provide a service (or a group of goods and services).
- Stage 3 - Determine the transaction price: the transaction price is the amount on a contract to which you expect to be entitled in return for the transfer of the goods or services committed to the client (the performance obligations).
- Stage 4 - Allocate the transaction price among the performance obligations of the contract: the transaction or contract price (Stage 3) should be allocated to the performance obligations identified in Stage 2.
- Stage 5 - Recognize revenue from ordinary activities when (or as) a performance obligation is satisfied: revenue recognition is made when performance obligations to customers are actually met.

Commissions for banking services are recognized when performance obligations have been satisfied.

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

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

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

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

Income for profit on the sale of goods is recognized when the five stages doe recognition of operating incomes have been completed i.,e. when performance obligations related to the transfer of goods are satisfied.

4.25. **Operating segments**

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

5. **Use of estimates and judgements**

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

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

5.1. Judgement in applying accounting policies

Instances of critical judgment are presented below, apart from those involving estimates, made by the administration during the process of implementation of the Bank's accounting policies, which have a significant effect on the Separate Financial Statements.

Impairment of the loan portfolio

The Bank regularly reviews its loan portfolio for impairment and determines the amount of such impairment, analyzes its reasonableness and records it in the income statement for the period.

This evidence may include data indicating that there has been an adverse change in the behavior of borrowers in each loan portfolio (commercial, consumer, home mortgage, microcredit and leasing), in the Bank or in the country or in local economic conditions that correlate with defaults on the Bank's assets. Management uses estimates based on historical experience of loans with similar risk characteristics and objective evidence of similar impairments in those loans in the portfolio when their future cash flows are due. The methodologies and assumptions used to estimate the amount and timing of future cash flows are regularly reviewed to reduce any differences between loss estimates and actual loss experience.

Other judgements made by management

Evaluation of significant influence

The Bank determined that it has significant influence over the following companies:

Name	% Held	No. Shares
Redeban Multicolor S.A.	26.04%	4,080,051
Titularizadora Colombiana S.A	26.85%	16,072,773

Key sources for uncertainty in estimates

The following are some of the key assumptions concerning the future and other key sources of uncertainties in estimates made at the end of the period. They carry a significant risk of causing significant adjustments to be made to the carrying amounts of assets and liabilities within the next year are as follows:

Fair value measurements and evaluation processes

Financial assets and liabilities that are traded in active markets are recognized in the statement of financial position at their fair value and are valued at market prices.

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

In Colombia the SFC has authorized official price providers and the Bank uses the price information published daily by PIPCO to assess the investment portfolio and derivatives, in compliance with the provisions of External Circular

034 of 2014 indicating the use of information supplied by price providers in accordance with the instructions provided in the Basic Legal Circular part 3, title IV, Chapter IV - Price Providers.

Derivatives are recognized in the consolidated statement of financial position at fair value at each reporting date. Additionally, the fair value of certain financial instruments, mainly loans and long-term debt, although it does not involve a risk of adjustment to the carrying instruments is disclosed. This is further explained in Note 12.4

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

Impairment of Goodwill

The determination of impairment in goodwill requires a calculation of the value of the use of the cash-generating units to which it is assigned. The calculation of the value in use requires the Bank to determine future cash flows that the cash generating units are expected to obtain and set an appropriate discount rate to calculate their present value. The Bank makes this valuation with an external, specialized, independent consultant who is approved by the SFC.

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

As described in Note 4.10, the Bank regularly reviews the useful lives, residual values and methods of depreciation for long-life assets, including Property and Equipment, and Intangible Assets. Valuations are performed by technical experts. In the case of intangibles, an individual decision is made as to whether the life is for a definite or indefinite time. There were no changes of these estimates during the periods reported.

Impairment of fixed assets

Upon verification of indications of impairment of fixed assets, the Bank calculates the recoverable amount of fixed assets to determine whether they have suffered any impairment loss.

Income tax

The Bank assesses the performance over time of deferred income tax asset, which represents income tax recoverable through future deductions from taxable profits and is recorded in the Separate Statement of Financial Position. Deferred tax assets are recoverable to the extent that the realization of the relative tax benefits is likely. As of December 31, 2019, and December 31, 2018 the Bank estimates that the items of the deferred income tax assets will be recoverable according to its estimates of the future taxable profits. Deferred tax liabilities as taxable differences in the calculation of deferred taxes, will reflect the values to be paid for income tax in future periods.

Provisions and contingencies

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

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

Probability of the outcome	Provision / Contingent liability
Likely	Recognize and disclose
Possible	Disclose
Remote	Neither recognize nor disclose

Impairment of investments

The Bank reviews its investments at the end of each period to discover whether the portfolio classifications justify recognition of an impairment provision where the investment is a low- or minimum-turnover security or is not listed. An adjustment is made at each valuation date based on the credit risk classification.

Customer loyalty programs

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

Long-term employee benefits

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

Post-employment benefits

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

Rate hedge benefit

A provision is made to match the hedging given as a hedging benefit for home-purchase loans under Bank policy.

Dismantling costs

The Bank annually estimates the costs of dismantling, withdrawing from and rehabilitating leased real estate, which arise from obligations incurred as a result of the installation of elements for the use of the leased assets.

6. **Changes in significant accounting policies**

The impact of IFRS 16 Leases, applied as of January 1, 2019 is presented below.

IFRS 16 introduces a single accounting lease model in the financial statement for lessees. As a result, the Bank has acknowledged a right-of-use asset, representing the lessee's right to use the underlying asset, and a lease liability, representing the obligation to make lease payments. The standard defines acknowledgement exemptions for short-term leases and leases of low-value items.

The accounting policies applicable when the Bank is lessor are not different to those defined as of December 31, 2018. Therefore, these leases do not require any adjustment in the transition to IFRS 16. Likewise, no sublease agreements were identified on the date of transition.

Definition of a lease

Up to December 31, 2018, on the date of commencement of an agreement, the Bank determined whether said agreement was or contained a lease based on IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. IFRS 16 introduces a new definition of lease under which an agreement is or contains a lease if it transfers the right to control the use of a given asset for a given period of time in exchange for compensation. In the transition to IFRS 16, the Bank has applied this new definition solely to agreements in force on the date of initial application.

Application of IFRS 16 as lessee

The Bank initially applied IFRS 16 on January 1, 2019, using the modified retrospective approach. Hence, cumulative effect of adoption was recorded as an adjustment to the opening balance of retained earnings as of January 1, 2019, without restatement of comparative information. The Bank applied IFRS 16 to all existing agreements entered into before January 1, 2019, identified as leases in accordance with IAS 17 and IFRIC 4.

On the initial application date, lease liabilities previously classified as operational according to IAS 17 were measured at present value of remaining payments, discounted using the incremental lease rate as of January 1, 2019. Right-of-use assets were measured by an amount equivalent to the lease liability, adjusting the dismantling value applicable for each agreement.

The Bank's significant leases include property leases and leases of movable assets, including ATMs or office and computer equipment.

Up to December 31, 2018, the Bank classified its leases as operational/financial based on the evaluation of whether an agreement substantially transfers all risks and benefits of an asset

The Bank used the following practical options in applying IFRS 16 for leases in effect at the date of application and previously classified as operating leases under IAS 17:

- Not recognising assets for rights of use and lease liabilities for contracts with a term under 12 months.
- No recognition of right-of-use assets and lease liabilities for low value asset leases.
- Initial direct costs were excluded from the measurement of the right-of-use asset.
- Retrospective reasoning was used in determining the term of the lease, provided that the lease included options to extend or terminate the lease.

(Millions of Colombian Pesos (COP))

Impact on accounting policies

At the beginning of a lease, a right-of-use asset and a lease liability are acknowledged. The asset is initially measured at cost, and subsequently measured at cost minus cumulative depreciation, impairment loss and any adjustment in the value of the lease liability.

The liability is initially measured at present value of lease payments pending payment on the start date of the agreement, discounted using the implicit interest rate of the lease or, if said rate cannot be easily determined, using an incremental rate. The Bank uses incremental rates as discount rates.

Subsequently, the lease liability is affected by the interest caused and lease payments received. Likewise, a new measurement of the lease liability is made when there are changes in future payments due to modification in some index or rate associated with the fee (e.g.: CPI), changes in the estimated value of a residual value guarantee, or reasonably true changes in the valuation of a purchase option or renewal/termination of agreement.

The Bank has applied assessments to determine lease terms. The evaluation of whether a renewal will be reasonably true affects the lease term and, therefore, the amount of acknowledged lease liabilities and right-of-use assets.

Impact on financial statements

In the transition to IFRS 16, right-of-use assets and lease liabilities are acknowledged whose difference affected the balance of retained earnings as of January 1, 2019. The impact of the transition is summarized below:

	January 1, 2019
Right-of-use assets	1,001,979
Lease liabilities	986,104
Adjustment, dismantling provision	13,426
Retained earnings	2,449

Measurement of lease liability discounts future payments using the incremental rate as of January 1, 2019, which was calculated taking into account traditional funding rates plus ordinary bonds in currency of origin.

Assets for rights of use, net of depreciation, are reported under property and equipment.
Lease liabilities are reported under other liabilities and estimated liabilities.

7. New rules and interpretations issued, yet not in force

In accordance with Decree 2270 of 2019, amendments and interpretations issued by the IASB, applicable as of January 1, 2020, are listed below.

The impact of these standards is being evaluated by the Bank's management, however they are not expected to have a significant impact.

Standards applicable as of January 1, 2020

Conceptual Framework for Financial Information

A new conceptual framework is established for entities applying Full IFRS (Group 1) in preparation of general-purpose financial information.

The new conceptual framework is more aligned with current IFRS, and incorporates concepts not established in the previous framework, such as objectives and principles of information to be disclosed, account unity, discharge from accounts, agreements pending execution, among others.

References to the Conceptual Framework in IFRS Standards

Some of these references and citations are updated, referencing the 2018 Conceptual Framework, and other modifications are made to clarify which version of the Conceptual Framework is referenced.

IAS 19 - Employee benefits

Modifications are made related to post-employment benefits, benefit plans defined that require an entity to use updated actuarial assumptions to determine the cost of services in the present period and the net interest for the rest of the annual period reported after modification, reduction or liquidation of the plan when the entity measures liabilities (assets) again for net defined benefits.

IFRS 3 - Business combinations

It modifies the definition of business established in IFRS 3, a concept that is essential to determine whether to apply the purchase or acquisition method in a business combination.

IAS 1 - Presentation of financial statements and **IAS 8** - Accounting Policies, Changes in Accounting Estimates and Errors.

The definitions of materiality and relative importance are modified. The change provides guidelines to help entities make judgments about materiality or relative importance, instead of making substantive changes in the definition of material or relative importance. Therefore, IFRS issued Practice Statement 2: Making Materiality Judgements in September 2017.

IFRIC 23 - Uncertainty over Income Tax Treatments.

It clarifies acknowledgement and measurement requirements of IAS 12 when there is uncertainty about tax treatments. These acknowledgement and measurement requirements apply to the determination of fiscal gain or loss, tax bases, unused tax losses, unused tax credits and tax rates.

8. Fair value measurement

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

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

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

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

Level 1: Prices quoted in active markets for assets or liabilities identical to those that the entity can access at the measurement date.

Level 2: Variables other than quoted prices at level 1, observable for the asset or liability, directly or indirectly.

Level 3: Unobservable variables for the asset or liability.

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

<u>Measurements of fair value on a recurring basis</u>

Recurring measurements 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 a case-by-case basis, they are classified as non-recurring.

The following table shows the assets and liabilities measured on a recurring basis at fair value by type of instrument, indicating the corresponding hierarchy for 31 December 2019 and 31 December 2018.

Banco Davivienda S.A.
Notes to the Separate Financial Statement
(Millions of Colombian Pesos (COP))

	Fair value	Level		
	December 31, 2019	1	2	3
Assets				
Investments in debt instruments issued and guaranteed	5,766,292	5,248,804	517,488	-
in Colombian Pesos	5,563,506	5,149,445	414,061	-
Colombian Government	4,707,540	4,705,967	1,573	-
Financial Institutions	612,017	382,907	229,110	-
Real sector entities	13,075	-	13,075	-
Other	230,874	60,571	170,303	-
In foreign currency	202,786	99,359	103,427	-
Colombian Government	10,984	10,984	-	-
Foreign Governments	3,649	-	3,649	-
Financial Institutions	81,744	24,525	57,219	-
Real sector entities	106,409	63,850	42,559	-
Equity investments	433,033	53,539	366,294	13,200
through profit or loss	47,898	9,161	38,103	634
through OCI	385,135	44,378	328,191	12,566
Trading derivatives (*)	510,327	-	510,327	-
Currency forwards	233,460	-	233,460	-
Securities forwards	344	-	344	-
Interest rate swaps	245,342	-	245,342	-
Currency swaps	23,948	-	23,948	-
Others	7,233	-	7,233	-
Total assets	6,709,652	5,302,343	1,394,109	13,200
Liabilities				
Trading derivatives (*)	617,801	-	617,801	-
Currency forwards	323,467	-	323,467	-
Securities forwards	1,898	-	1,898	-
Interest rate swaps	255,031	-	255,031	-
Currency swaps	27,565	-	27,565	-
Other	9,840	-	9,840	-
Total liabilities	617,801	-	617,801	-

(*) Excluding spot operations

(Millions of Colombian Pesos (COP))

	Fair value December 31, 2018	Level 1	2	3
Assets				
Investments in debt instruments issued and guaranteed	6,033,176	5,542,423	328,869	161,884
In COP	5,813,411	5,411,887	239,640	161,884
Colombian government	4,208,044	4,193,572	14,472	-
Financial institutions	1,354,293	1,171,727	182,566	-
Real sector entities	42,831	229	42,602	-
Others	208,243	46,359	-	161,884
In foreign currency	219,765	130,536	89,229	-
Colombian government	60,302	60,302	-	-
Financial institutions	133,088	58,148	74,940	-
Real sector entities	26,375	12,086	14,289	-
Equity investments	383,862	184,710	37,724	161,428
through profit or loss	51,562	13,838	37,724	-
through OCI	332,300	170,872	-	161,428
Trading derivatives (*)	433,671	-	433,671	-
Currency forwards	201,424	-	201,424	-
Securities forwards	119	-	119	-
Interest rate swaps	174,064	-	174,064	-
Currency swaps	34,218	-	34,218	-
Other	23,846	-	23,846	-
Total assets	6,850,709	5,727,133	800,264	323,312
Liabilities				
Trading derivatives (*)	507,580	-	507,580	-
Currency forwards	198,168	-	198,168	-
Securities forwards	3,264	-	3,264	-
Interest rate swaps	188,957	-	188,957	-
Currency swaps	68,155	-	68,155	-
Other	49,036	-	49,036	-
Total liabilities	507,580	-	507,580	-

(*) Excluding spot operations

The levels of fair value hierarchy were determined by an assessment was made of the methodologies used by the supplier of official prices and the expert judgment of the areas of treasury and risk, those with knowledge of the markets, inputs and approximations used for the estimation of fair values.

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

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

- Margins and reference curves: methodology applied to assets and liabilities for which market variables are used as reference curves and spreads or margins regarding recent quotes from the asset or liability in question or similar. This methodology, equivalent to a Level 2 is usually used for investments in debt titles of financial institutions and local corporate debt market infrequent issuers with low amounts outstanding. In the same way the credit content securities and senior portfolio mortgage securitizations are located at this level under this methodology.

- Other methods: for assets for which the official price vendor does not report prices based on the methodologies described above, the Bank uses approximations to estimate a fair value by maximizing the use of observable data. These methods, which are in a level 3 hierarchy, are generally based on the use of an internal rate of return obtained from the primary market for the instrument, the latest observed prices and the use of benchmark curves. In the level 3 hierarchy are investments in trust rights composed of low liquidity assets. This type of investments are immaterial within the portfolio value.

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

Methodologies applicable for the valuation of financial derivatives:

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

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

During the time between January 1 and December 31, 2019, financial instruments were transferred between level 3 and level 2 of the valuation method hierarchy. As from July 2019, the official price vendor started publishing prices for subordinated mortgage portfolio securitizations, thereby eliminating the use of level 3 methodologies based on the internal rate of return obtained from the primary market for these instruments. Changes in fair value, except for those attributable to the aforementioned assets, are due to changes in the period of the market variables used in the valuation of the financial instruments.

(Millions of Colombian Pesos (COP))

The movements in financial instruments measured on a recurring basis at fair value classified in level 3 are shown below:

	Opening balance December 31, 2018	Profit (loss) P&L	Profit (loss) OCI	Reclassifications	Settlements	Transfers out of level 3	Closing balance December 31, 2019
Assets							
Investments in debt instruments issued and guaranteed	161,884	(1,276)	-	-	(4,639)	(155,969)	-
In COP	161,884	(1,276)	-	-	(4,639)	(155,969)	-
Other	161,884	(1,276)	-	-	(4,639)	(155,969)	-
Equity investments	161,428	-	1,041	2,330	(10)	(151,589)	13,200
Through profit or loss	-	-	-	634	-	-	634
Through OCI	161,428	-	1,041	1,696	(10)	(151,589)	12,566
Total assets	**323,312**	**(1,276)**	**1,041**	**2,330**	**(4,649)**	**(307,558)**	**13,200**

	Opening balance December 31, 2017	Profit (loss) P&L	Profit (loss) OCI	Reclassifications	Settlements	Transfers out of level 3	Closing balance December 31, 2018
Assets							
Investments in debt instruments issued and guaranteed	170,353	(2,015)	-	-	(6,454)	-	161,884
In COP	170,353	(2,015)	-	-	(6,454)	-	161,884
Other	170,353	(2,015)	-	-	(6,454)	-	161,884
Equity investments	145,896	-	4,032	-	-	-	161,428
Through OCI	145,896	-	4,032	-	-	-	161,428
Total assets	**316,249**	**(2,015)**	**4,032**	**-**	**(6,454)**	**-**	**323,312**

Fair-value measurement of instruments measured at amortized cost

The Bank's assets and liabilities at fair value and carrying value as at December 31, 2019 and December 31, 2018 are presented below:

	December 31, 2019				
	Fair value	Level 1	Level 2	Level 3	Carrying value
Assets					
Loans (net)	73,381,115	-	-	73,381,115	71,731,670
Investments at amortized cost (net)	1,647,727	-	1,421,871	225,856	1,642,911
Total financial assets	75,028,842	-	1,421,871	73,606,971	73,374,581
Liabilities					
Term deposits	24,801,337	-	24,801,337	-	24,690,016
Debt issued	11,556,247	11,556,247	-	-	10,978,422
Bank borrowings and other debt	9,379,978	-	-	9,379,978	9,480,693
Total liabilities	45,737,562	11,556,247	24,801,337	9,379,978	45,149,131

(Millions of Colombian Pesos (COP))

	December 31, 2018				
	Fair value	Level 1	Level 2	Level 3	Carrying value
Assets					
Loan (net)	65,395,393	-	-	65,395,393	64,425,872
Investments at amortized cost (net)	1,394,877	-	871,998	522,879	1,393,279
Total financial assets	66,790,270	-	871,998	65,918,272	65,819,151
Liabilities					
Term deposits	22,609,413	-	22,609,413	-	22,696,899
Debt issued	10,058,981	10,058,981	-	-	9,665,377
Bank borrowings and other debt	7,552,962	-	-	7,552,962	7,624,354
Total liabilities	40,221,356	10,058,981	22,609,413	7,552,962	39,986,630

9. Operating segments

The Bank determines the presentation of business operating segments based on the way information is organized and received. The segments are components of the business engaged in financial and banking activities that generate revenue and expenses and which are subject to effective accountability to secure optimum measurement of results, assets and liabilities. The Strategic Committee, led by the Bank´s President (MITDO) regularly evaluates the segments to ensure that the correct decisions are taken, appropriate resources are assigned to them and they perform as expected. With this organization, the operating segments are determined with the following considerations:

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

The Bank has established a segmentation based on its main lines of business, resulting in three segments:

1. Personal banking
   This segment includes all products and services that are offered to individuals. The Bank offers a wide variety of products and services focused on meeting the needs of its customers, including investment, financing and savings products.

2. Business
   This segment includes solutions and services aimed at legal persons. It offers financial and transactional solutions in local and foreign currency and financing, savings and investment products in order to cover the needs of this type of customer in different sectors of the economy.

3. Differentiated Financial Information ALM

   The Differentiated Financial Information segment ALM - Asset and Liability Management - corresponds to segments of assets, liabilities, income and treasury expenses of 10% or more of the assets, which are presented in an aggregate manner, as well as to the management of the mismatch and liability, and any effect of re-expression by change, either by position of the Treasury Book or the Bank Book. Therefore the result of this segment reflects not only the result of a line of business but reflects corporate decisions about the management of issues and financing of the bank. Even so, when managing liquidity resources, the Bank has a follow-up by the management, as the other segments. Taking this into account, we present the main dynamics in the segment.

The following are the Bank's results by segment, prepared under International Financial Reporting Standards and following the guidelines established by senior management for the monitoring of these results.

(Millions of Colombian Pesos (COP))

Results by segment

December 31, 2019

Income statement	Personal	Business	Differentiated financial information ALM (1)	Total Bank
Interest income	5,181,767	2,828,073	561,162	8,571,002
Interest expense	(340,234)	(1,585,743)	(1,141,492)	(3,067,469)
Net FTP (*)	(1,260,478)	570,696	689,782	-
Financial assets provisions, net	(1,593,929)	(867,414)	5,964	(2,455,379)
Net financial margin	1,987,126	945,612	115,416	3,048,154
Revenue from commissions and services, net	549,987	180,325	47,738	778,050
Result of equity securities	-	-	417,659	417,659
Dividends	-	-	20,150	20,150
Operating expenses	(1,877,727)	(775,490)	(158,163)	(2,811,380)
Exchange and derivatives, net	-	-	80,836	80,836
Other income and expenses, net	46,745	(1,377)	(8,173)	37,195
Operating margin	706,131	349,070	515,463	1,570,664
Income taxes and supplementary	(104,643)	(129,156)	(20,662)	(254,461)
Net profit	601,488	219,914	494,801	1,316,203
Assets	42,667,058	32,124,400	20,090,662	94,882,120
Liabilities	15,663,035	39,449,577	28,303,849	83,416,461

(1) Asset and liability management
Net FTP: refers to transfer costs of funds between segments, systematically and consistently allocated internally in the Bank.

December 31, 2018

Income statement	Personal	Business	Differentiated financial information ALM (1)	Total Bank
Interest income	4,619,278	2,637,015	392,481	7,648,774
Interest expense	(330,564)	(1,520,851)	(951,841)	(2,803,256)
Net FTP (*)	(1,105,483)	527,210	578,273	-
Financial assets provisions, n et	(1,413,767)	(760,058)	(3,221)	(2,177,046)
Net financial margin	1,769,464	883,316	15,692	2,668,472
Revenues from commissions and services, net	554,603	182,250	39,100	775,953
Results of equity securities	-	-	338,125	338,125
Dividends	-	-	68,257	68,257
Operating expenses	(1,662,931)	(725,310)	(164,805)	(2,553,046)
Exchanges and derivatives, net	-	-	90,047	90,047
Other income and expenses, net	43,236	(3,284)	(9,422)	30,530
Operating margin	704,372	336,972	376,994	1,418,338
Income taxes and supplementary	(89,731)	(121,917)	(11,808)	(223,456)
Net profit	614,641	215,055	365,186	1,194,882
Assets	34,686,601	32,013,132	19,349,434	86,049,167
Liabilities	14,096,905	35,122,169	26,485,978	75,705,052

(1) Assets and liability management
(*) Neto FTP - *Funds Transfer Pricing*: it is the transfer costs of funds between segments, systematically and consistently allocated internally in the Bank.

During 2019, the methodologies for calculating the funds transfer pricing (FTP) were modified based on adjustments to best practices. The methodologies were applied historically to compare the results. This situation shows differences from the figures presented in previous reports as of December 2018. Additionally, each year the customer segmentation is reviewed and customers are re-classified if necessary generating changes in the business units.

10. Corporate risk management

The Bank's corporate risk management is based on a governance structure aimed at achieving strategic objectives, based on risk management, administration and control, which sustains business growth and the seizing of opportunities. Based on this approach, management focuses its efforts on the fulfilment of strategy and risk control.

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

The Bank and its Subsidiaries manage risk in accordance with the principles and policies of Grupo Empresarial Bolívar. Each company has the autonomy to manage its own risks and is responsible for controlling them.

Principles and policies

- Risk management must be consistent with the nature and activity of the business. We only participate in those businesses that we understand and which do not affect economic stability or reputation. The Bank must protect its reputation to the fullest extent possible.

- The Bank has decided that it will be involved in business in certain sectors of the economy and in certain regions. Any investment in different products, sectors or regions must be approved by the Bank's Board of Directors, after analysis of their particular characteristics and applicable regulations.

- The only body that can authorize new businesses that do not fit properly with the risk philosophy and defined risk appetite is the Bank's Board of Directors.

- Meeting growth objectives cannot lead the Bank to over-exposure resulting in potential current and future losses outside of risk appetite.

- Adequate levels of liquidity must be maintained on an ongoing basis in accordance with the policies defined for this purpose.

- Capital levels must be maintained in line with the defined level of risk and suitable to accompany growth prospects.

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

- Risk management, regulatory compliance and financial reporting objectives are the responsibility of the three lines of defense, listed in order: business, commercial and operational areas, secondly the risk areas and finally internal audit.

- The risks that have an impact on the achievement of corporate objectives and strategies and that significantly affect the organization as a whole are managed in a centralized manner. Risk management, which by its nature is best managed at the process and/or area level, is decentralized, as it affects each process in particular, without changing the organization's ability to successfully implement its strategies.

- The possibility of assuming risks is based on the knowledge, understanding and quantification of such risks, as well as on the characteristics of each business, upon which the entity's risk appetite is defined. The audacity of the decisions will depend on the understanding of risks.

- Human resources policies should include career plans covering technical and specialized skills for different positions. Similarly, these policies should emphasize training and risk awareness to raise awareness of its importance for the organization. Additionally, these policies should identify key positions and implement succession plans so that these positions are filled by people with the required academic background, experience and skills.

- Salary and compensation systems must be aligned with the companies' strategic objectives and respective risk appetites, and 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 reflect the long-term strategic vision, business development, market changes, operational capacity and risk management.

- Key areas and relevant processes must be specifically monitored in risk management to ensure the Bank's permanent stability.

- A mature business process and continuity system must be in place to support the different needs of the business and also provide a solid foundation for managing the risks faced by the organization.

- The customer service model must assure transparency, timeliness and accuracy in information and communication, providing a simple, friendly and reliable experience, paying close attention to the requests, complaints and claims that are made.

- Relevant actions must be implemented to strengthen the risk and compliance culture. Each employee must be aware of and apply the risk management framework and have a clear and precise definition of the types of activities and risks associated with his/her duties.

General framework

The Bank's comprehensive risk management process is aligned with the corporate risk management of Grupo Empresarial Bolívar and involves the analysis of current and projected positions, as well as the setting of limits. Likewise, it requires an evaluation of the implications of all risks and decision-making aimed at modifying the limits if they are not in line with the general risk philosophy.

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

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

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

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

Structure of Government

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

Risk management is administered through the Vice President of Risk and Financial Control and the Investment Risk Vice-President, who report to the three-member Corporate Risk Committee of the Bank.

Board of directors

The members of the Davivienda's Board of Directors, as senior managers of corporate governance, make in-depth assessments of the risks associated with the business; and they support the work done by the oversight and control functions.

The authority, guidance and oversight of senior management all come from the Board of Directors; therefore its members must have adequate experience and knowledge about the activities, objectives and structure of the respective entity.

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

- Evaluation, approval and oversight of the management of corporate risks in the Bank
- Approval of the appetite and risk tolerance of the institution and the general corporate risk scheme.
- Assurance that the comprehensive risk management mechanisms are aligned to the strategy and objectives of the Bank.

Audit Committee

It is responsible for the following risk-related matters, in addition to any other duties in accordance with current regulations governing risk management systems:

- Supervision of the activities of the internal and external audit in the evaluation of the methodology and implementation of the Bank's risk management model.
- Follow-up of recommendations arising from control processes of the Corporate Risk Committee directives and the Board or equivalent authority.

- Evaluation of workings of the corporate risk management process, ensuring that regulations for each risk are observed; identification of weaknesses and introduction of recommendations as appropriate.

Corporate Risk Committee

The Corporate Risk Committee shall have the following duties:

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

10.1. Risk management model

The Risk Executive Vice Presidency identifies, evaluates and manages credit risks on a comprehensive basis through the Credit Risk Executive Directorate with specialized Risk divisions for each bank: The Personal Credit Risk Division, the SMSE Credit Risk Division and the Corporate and Business Credit Risk Division.

As for the Personal Banking segment, the Vice Presidency of Retail Credit is in charge of the assessment, management and collection of all credit lines for natural persons and the approval of individual credit operations, which is based on a pyramid structure of attributions (personal and / or collegiate) with defined caps and recognizing that each higher attribution has the obligation to review retroactively the decisions of its subordinates. Accordingly, there are credit committees with a collegiate decision. For each credit product, there are grant scores, which have been built on the basis of the historical information both internally and from external sources where customer variables, their behavior and level of indebtedness in the financial sector, the product and the guarantee are all evaluated. There are also approaches developed for segregating the universe of credits on a homogeneous group basis and thus develop the capacity to assign risk levels individually. The Personal Credit Risk Division manages and monitors the various financial products in accordance with the business management scheme: Payment methods, Consumption, Vehicle and Housing.

For SMSEs Banking, the credit evaluation lies on the shoulders of the Corporate Credit Vice Presidency, whose job it is to analyze credit applications, monitor current obligations and carry out recovery procedures wherever required. The Credit Risk Division manages and follows up on the credit risk of various banking segments: Productive Assets, Agriculture, SMSEs and medium-sized companies.

The Corporate Credit Vice Presidency is responsible for granting credit facilities to national and international companies whose economic activity is framed within the rules and conditions established by both the Superintendence of Enterprises and/or Competent Authorities and the Bank. To achieve this objective, a thorough study is carried out on the creditworthiness of the companies, whereby the macroeconomic conditions and the sector in which the company operates, as well as its culture, strategy, policies, procedures and the various quantitative and qualitative risks are all analyzed. The Corporate and Business Risk Division monitors the risks associated with such operations, compliance with covenants established by the debtors' credit agreements and the assurance of the available guarantees, as well as the concentration of the portfolio from the different economic sectors and regions.

Financial risk management falls under the responsibility of the Vice President of Investment Risk at Grupo Bolivar, whose job it is to identify, measure, manage and ensure that market risks, liquidity, investment credit, treasury operations and behaviors remain within the defined appetite for risk, both for the portfolios of fully-owned resources as well as those of third party, whether discretionary or non-discretionary. He is also responsible for developing and proposing the different methodologies for measuring and managing risks to the Boards of Directors, along with risk appetite policies and levels.

To this end, the Financial Risk Division is tasked with managing the market, liquidity, behavior and operational risks of the different business lines (investments), the Financial Entities Credit Risk Division, responsible for the evaluation of the credit and counterparty risks from investment portfolios, the Customer Financial Risk Division, in charge of managing financial risks for non-discretionary portfolios, and the Mandate Risk Division, responsible for managing the risks of structured trust, investment banking and private equity fund management businesses.

The Boards of Directors of the different companies rely on Financial Risk Committees in terms of credit and counterparty risks, and on the GAP Committee and the Foreign Currency GAP Committee for market, liquidity and exchange risk issues. There are other additional committees that cover the various lines of business, as per the legal obligations applicable to their cases.

In addition, the management of various risks (fraud, information security, cybersecurity, technological, environmental and social security, business continuity, among others), that hinge on the nature of their origin and are generated in the processes that support the lines of business, is handled by the Executive Vice Presidency of Risk who is responsible for its management by defining methodologies, guidelines and policies that allow for the effective management at the Bank and its Subsidiaries

10.2. **Risk appetite framework**

The Risk Appetite Framework of Banco Davivienda determines the risks that the Bank is willing to assume and withstand towards achieving its strategic objectives.

The definition of the risk appetite framework serves the purposes detailed below:

- Consider the interests of the different Bank stakeholders in order to guarantee the sustainability of the entity thanks to a comprehensive risk management vision.
- Display the capacity, appetite and tolerance of the Bank to the different risks with the purpose of framing the strategy within these levels.
- Prepare a proactive risk management scheme in the medium and long term that allows for the bank to take desirables risks in the development of the strategy.
- Align decisions within the bank so that they are consistent with the risk appetite.

All of the above is framed within four major risk objectives: Capital, Profitability, Risk and Growth; Liquidity and Funding; and the Confidence of Stakeholders. Each of the objectives has established a set of metrics and levels which are monitored at the Individual (Colombia) and Consolidated levels. Such metrics are periodically analyzed by the Board of Directors, the Risk Committees and the Executive Vice Presidency of Risk in such a way that there is an adequate understanding of the Bank's risk profile and timely risk management.

10.3. **Risk Management Systems**

10.3.1. Strategic risk

Davivienda defines strategic risk as the potential deviation from expected results due to strategic decisions, the inadequate application of such decisions and/or the lack of capacity to respond to changes in our environment.

Strategic risk management is a continuous process that encompasses control over the execution of the strategy as well as the comprehensive and systematic evaluation of strategic decisions, seeking to achieve the strategic objectives of the Bank.

The following strategic risk factors were outlined in 2019 and submitted to the Board of Directors along with the strategies planned for 2020:

- A change in consumer behavior in a new digital world
- Ability to attract and withhold human talent to face the new digital world
- Capacity to access financial markets (local and international) to obtain funding through debt and/or capital (risk rating of both the country and the bank)
- Changes in regulation that lead to new capital and liquidity requirements (for instance, Basel III)
- Local regulatory changes that adversely impact business dynamics and the Bank's outcomes (for instance, intervention in bank commissions)

On top of that, throughout 2019, headway was made in the identification and analysis of macro-trends, which are all those market forces that surround the Bank and over which no control be exercised, but which could impact the consequences of the strategic objectives.

10.3.2. **Credit risk**

Credit risk is defined as the possibility for a borrower or counterparty to default on their obligations as per the agreed terms, thus negatively affecting the value of the Bank's portfolio.

The objective of credit risk management is to maximize the profitability of the Bank by adjusting to the desired risk levels. This objective is accomplished by sustaining the expected loss levels within acceptable parameters without ignoring other uncertainty phenomena that may affect the portfolio's outcome.

For the successful execution of the general credit risk management process, three general sub processes are established:

Credit Portfolio Monitoring and Management

The portfolio monitoring and management process holds, as its main purpose, the monitoring of the makeup and quality of the portfolio, detecting concentrations, relevant segments, risk factors and articulating its management with the credit risk control and monitoring process. Adjustments to the business rules and credit policies are proposed in this process in accordance with the level of risk desired for the respective product or strategy; monitoring and analysis of the potential losses of the portfolios is implemented; the strategies and the effectiveness of debt collections and their effect on the mitigation of losses sustained, among others, are also analyzed.

Credit Risk Methodologies and Models

This process is aimed at the study, design, development and implementation of methodologies, models and tools that allow for the adequate measurement of credit risk, as well as the sensitization of portfolios to various economic scenarios.

Credit Risk Control and Monitoring

The process of credit risk control and monitoring has the main objective of ensuring compliance and guarantee the proper implementation of the definitions established by the Board of Directors and the Risk Committees. The controls and their monitoring are established, executed and coordinated with the Credit Cycle units in the face of set provisions in order to avoid deviations from the strategy defined by the Bank.

Organizational structure for credit risk management

Banco Davivienda manages credit risk from the Executive Vice Presidency of Risk, whose internal structure has been strengthened by the creation of the Executive Credit Risk Division, which has specific addresses to tackle Corporate and Business Banking, SMSE Banking and Personal Banking. Likewise, it has two cross-cutting areas: The Department of Credit Risk Models and Methodologies and the Department of Risk Information Analytics and Management, which promote and protect the adequate control and development of credit risk..

In line with the processes established for Credit Risk Management, it is the responsibility of the Board of Directors to establish the Credit Risk Management System and the necessary elements that harmonize it with the organization's strategy and current regulations on the subject.

The Board of Directors defines, creates and establishes the structure of the Credit Risk Committees for Personal, SMSE and Corporate Banking (CRC), the Collection Credit Risk Committee (CRCC) and the Portfolio Qualification Committee (CC) , as specialized divisions that coordinate issues in the area of credit risk management. The Board of Directors empowers the CRC, CRCC and CC to be the only collegiate bodies with the authority to recommend policies and authorize rules and/or provisions related to credit risk management, portfolio recovery and portfolio rating under the set governance process and with the sole purpose of materializing the policies established by the Board of Directors.

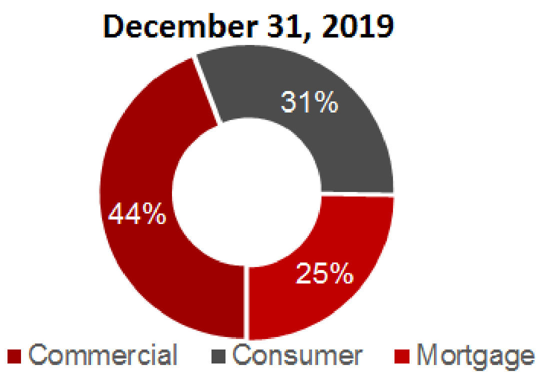
The Credit Risk Management Manual (MARC) represents the navigational chart of the Credit Risk Management System. It describes our culture, policies, methodologies, rules and general procedures. It is the instrument of registration as well as of orderly and systematic transfer of information to the organization in this regard.

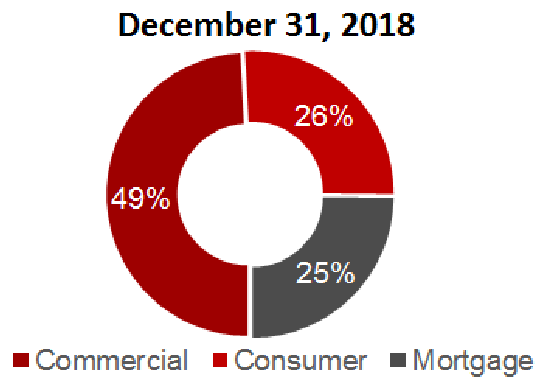
Risk exposure - composición de la cartera - portfolio composition

The Bank's portfolio is distributed into consumer, housing and commercial. The first two are related to loans granted to natural persons for the funding of their consumer needs (free investment with and without real guarantee, revolving credit, payroll loans, auto financing and credit card) as well as housing (Low Income Housing (VIS), Traditional Housing, Major to VIS and Home Leasing) respectively and the commercial portfolio corresponds to the loans granted for financing the needs of companies and businesses.

As of December 31, 2019, the gross portfolio reached $76,129,879 of which the Personal Banking portfolio accounted for 56% and the Corporate Banking portfolio for 44%, showing a greater participation in personal banking as a result of the growth in digital banking.

(Millions of Colombian Pesos (COP))





By the end of 2019, the Bank's portfolio had grown by 11.8% compared to the end of the previous year.

The consumer portfolio had the highest balance percentage variation, at 34%, compared to the end of 2018. The portfolios with the highest growth during the period were Fixed Crediexpress, growing 174.7%, mainly driven by strategies aimed at increasing the number of customers and the purchase of portfolios, followed by the credit card portfolio which showed a 20.8% increase, driven by similar elements along with the placement of the Express Process and mobile segments, thereby maintaining risk levels.

On the other hand, the mortgage portfolio grew 11.4% over the year. The residential leasing portfolio experienced the greatest growth with a 16% increase, followed by the social interest housing portfolio which grew by 6.9%.

The commercial portfolio grew by 0.3% over the year. The corporate segment accounts for the largest percentage of this portfolio and it has experienced growth explained by the performance of industries such as cement and concrete, energy production and distribution, food products, and hotel and tourism, which account for 14% of the commercial portfolio.

The SMEs portfolio grew 14% between December 2018 and December 2019, following the implementation of massive portfolio purchase campaigns and the use of loans in force for SMEs (clients whose sales are between $200 and $30,000 million per year) in the third quarter of the year, which drove the overall high growth of the portfolio, especially in the medium size companies without portfolio and in the segment whose sales are greater than $30,000 million in SMEs banking.

The chart below shows loan quality, provisions and provision coverage:

Business line	Balance	Loans CDE	Provision	Coverage	Δ Balance	Δ Provision
Commercial (1)						
December 31, 2018	33,466,585	9.47%	1,899,294	59.91%	11.01%	45.09%
December 31, 2019	33,557,472	9.66%	2,303,287	71.05%	0.27%	21.27%
Consumer						
December 31, 2018	17,716,376	6.89%	1,304,451	106.93%	6.00%	0.90%
December 31, 2019	23,741,286	5.47%	1,580,961	121.66%	34.01%	21.20%
Mortgage (2)						
December 31, 2018	16,900,784	3.57%	454,128	75.19%	16.68%	24.51%
December 31, 2019	18,831,121	3.81%	513,961	71.66%	11.42%	13.18%
Total						
December 31, 2018	**68,083,745**	**7.34%**	**3,657,873**	**73.24%**	**10.98%**	**23.30%**
December 31, 2019	**76,129,879**	**6.91%**	**4,398,209**	**83.64%**	**11.82%**	**20.24%**

(1) Includes the microcredit portfolio
(2))Includes staff loans – staff benefits deducted
December 2018 variation was calculated as follows: Dec 17 - Dec 18; December 2019 variation was calculated as follows: Dec 18 - Dec 19.

As of December 2019, the indicator for non-performing loans (Portfolio C, D and E) of the Commercial Portfolio rose 19 bp relative to the previous year. This was due to the deterioration of certain construction loans, explained by an increase in the non-performing portfolio (rolling in days of arrears) mainly in the building sub-sector, affected in turn by a slight decrease in the construction portfolio. The coverage of the commercial portfolio increased by 1,114 bps, where corporate and construction banking contributed to 63% of the total provision.

The indicator of the non-performing loans for the SMEs portfolio decreased 69 basic points, from 9.1% in December 2018 to 8.4% in December 2019. This is mainly due to the strong growth of the portfolio during the last quarter, and the recovery of the portfolio rated in C, D and E of the medium-size companies without portfolios and the small business segments, whose indicators went from 11.4% to 7.1% and 11.4% to 9.2% respectively. SME portfolio coverage increased 1,060 bps in relation to December 2018, going from 74.2% to 84.8% in December 2019.

The indicator for non-productive loans (Portfolio C, D and E) in the Consumer Portfolio decreased by 141 bps. This is mainly explained by the growth of the Crediexpress Fixed portfolio over the previous year. Non-performing loans for this product fell 461 bps in relation to December 2018, from 8.4% at the end of the previous year to 3.8% in December 2019. It is worth noting that the performance registered in the early days of the placements of the purchase strategy has been as expected and does not represent an increase in the risk level of the portfolio. On the other hand, the Credit Card and Vehicle products had a 76 and 75 bp drop respectively, over the same period.

Provisions against the Consumer Portfolio increased by $276,510, resulting from increased disbursements. As a result, coverage remained at 121.7% at the end of 2019.

On the other hand, the indicator for non-performing loans C, D and E of the mortgage portfolio increased 24 bp compared to the end of the previous year. The indicator for non-performing loans C, D and E within this portfolio was experienced in the HIgher than Social Interest Housing with an increase of 57 bp. It is worth mentioning, that 2019 saw higher rates of securitizations relative to the previous year, reflected by an increase of $345,337 in the securitized balance relative to December 2018. This resulted in a lower coverage ratio, which went from 75.2% to 71.7%.

The investment portfolio is highly concentrated in sovereign debt issued by the Republic of Colombia, observing the main requirement of the portfolio, which is to establish a liquidity reserve. As a result, the portfolio is comprised with low-risk and highly liquidity assets. Furthermore, it includes positions in corporate debt issues, mostly from debtors that are well-known and have a high credit rating, as well as securitizations of mortgage loans- For 2019, 64% of investments were in public debt issued by Colombia, followed by 25% of private debt, and 11% in securitizations. The composition of the portfolio shows a safe and adequate risk management in accordance with the policies set forth by the bank administrative entities.

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

(Millions of Colombian Pesos (COP))

	December 31, 2019		December 31, 2018	
	With collateral	No collateral	With collateral	No collateral
Debt instruments at fair value	220,467	6,056,164	3,048	6,463,824
Colombian government	-	4,718,525	-	4,268,346
Foreign governments	-	3,649	-	-
FInancial institutions	-	693,761	-	1,487,381
Real sector	-	119,484	-	69,207
Other	-	230,874	-	208,243
Derivatives	220,467	289,871	3,048	430,647
Debt at amortized cost	-	1,650,626	-	1,397,372
Investment in debt	-	1,650,626	-	1,397,372
Loans	40,600,533	35,529,346	35,913,340	32,170,405
Commercial + microcredit	19,943,274	13,614,198	17,149,613	16,316,972
Consumer	1,826,138	21,915,148	1,862,943	15,853,433
Mortgage	18,831,121	-	16,900,784	-
Total financial assets with credit risk	40,821,000	43,236,136	35,916,388	40,031,601
Off-balance sheet credit risk	7,499,608	18,539,439	7,844,193	16,852,814
Credit limits	7,499,608	18,539,439	7,844,193	16,852,814
Total maximum exposure to credit risk	48,320,608	61,775,575	43,760,581	56,884,415

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

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

At the end of 2019, 53.3% of the portfolio exposure is backed by collateral: The commercial portfolio has collateral such as mortgages, pledges, financial guarantees, trust agreements, guarantees granted by the Fondo Nacional de Garantías (FNG) and the Fondo Agropecuario de Garantías (FAG), among others, covering 59.4% of the exposure.

The consumer portfolio is mostly unsecured with the exception of vehicle loans with liens, preferential loans (free investment with mortgage guarantee) and free investment loans with liens (7.69% of consumer exposure). However, note that the unsecured consumer portfolio includes payroll loans, whose collection is guaranteed. The balance of payroll loans accounts for approximately 30.1% of unsecured consumer loans.

Finally, mortgage loans are fully secured by a mortgage collateral or are assets held by the Bank for residential leasing, thus the exposure to credit risk can always be mitigated with such collateral.

Collateral

Collateral is an instrument whereby the Expected Loss (EL) is reduced in case of default. Collateral represents a right acquired by the Bank when the debtor fails to pay its obligations.

Loan approvals by the Bank must include the collateral under which the transaction is authorized. Processing of such collateral shall be prior to disbursement of funds.

The Bank´s credit approvals must include the collateral backing involved.

- Suitability: as defined by law.

- Legality: Duly executed document that provides legal grounds to enable collection if needed.

- Value: established based on technical and objective criteria.

- Feasibility: Reasonable possibility to enforce the guarantees.

For the commercial and consumer portfolio, following the valuation process of collateral, the Bank's policy is to apply the LGD in accordance with current regulations.

In the case of mortgages for housing loans, first-degree and undetermined amounts are required in favor of the Bank, on the property offered as collateral. Mortgages must be executed through a public instrument issued in the presence of a Notary Public and registered in the corresponding Recorder´s Office.

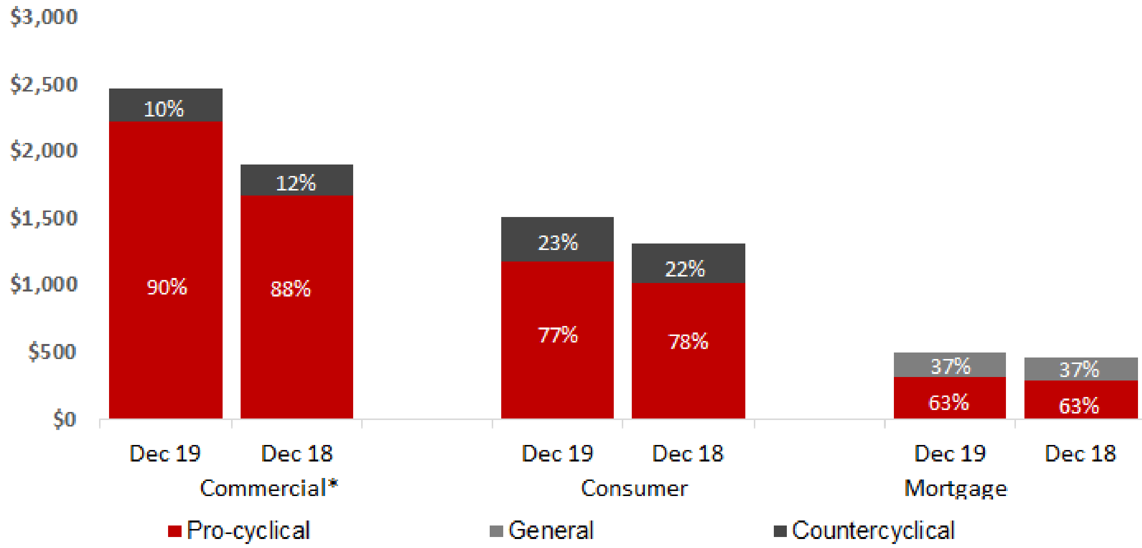
The updating of the realizable value of the collateral for mortgage-guaranteed loans applies annual adjustment values of the Official Indicators IVIUR and IVP, as the case may be.

Provisions estimated for credit risk

The Bank in its credit risk policy measurement has implemented the CRM (Commercial Reference Model) and the Consumer Reference Model (MRCO) as established by the Colombian Financial Superintendence. In the case of the restructured portfolio, the Bank has a methodology of internal rating that recognizes the risk of this portfolio during the first months after the restructuring, estimating risk levels in some cases above of what results from applying the reference models.

Similarly, the Bank implemented the provisions’ calculation methodology with a countercyclical approach, as required by the SFC, for consumer and commercial loans.

As for the housing and microcredit portfolios, the Bank continues to apply the existing SFC rules to classify and charge provisions.



* Includes microcredit

As of December 31, 2019, the total provision of the Bank's Portfolio reached $4,398,209 which is equivalent to 5.78% of gross loans, showing a 20.24% variation compared to the provision recorded in December 2018.

On the other hand, the provision balance of consumer and housing banking exhibited a 21.20% and 13.18% variation , respectively, relative to year-end 2018. The variation in the consumer portfolio is explained by a greater portfolio growth especially over the second semester of the year, the establishment of the additional provision stipulated in EC. 026 of 2012, as well as the implementation of E.C. 016 of 2019 for the restructured portfolio that modified E.C. 026 of 2017. This last item is also reflected in the provisions for the mortgage portfolio in addition to a slight increase in portfolio impairment.

Commercial banking had the highest growth in the provision balance, which increased by $403,992 compared to December 2018. This was due to the increase of risk in several clients of economic sectors such as construction and building, transportation integrated system and engineering and civil works, as well as the establishment of additional provisions and the application of E.C. 016 of 2019.

Changes in provisions during the year

With the purpose of promoting safe origination and growth of the consumer portfolio, SFC through External Circular Letter 026 of 2012, established a temporary individual additional provision percentage. This percentage is applied on the consumer portfolio subject to a positive value of the indicator that measures the acceleration of the annual variation of the past-due portfolio, and loses its mandatory status when the indicator is lower or equal to zero during a period of six consecutive months.

For the Bank, this indicator remained negative from October 2017 until the end of September 2019, which is why by the end of December there is an additional provision of $78,432.

10.3.3. **Market Risk and Liquidity Risk Management**

The Vice President of Investment Risk is the body to which the Board of Directors of each company delegates responsibility for evaluating risks, identifying new risks, defining calculation methodologies, suggesting policies and controlling the various risks.

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

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

The Financial Risk Management Manual of Grupo Empresarial Bolívar (MARF) contains all aspects regarding management and administration of cash and liquidity risks in the Group's companies, and is the document that lays down the management system required for this purpose.

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

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

(Millions of Colombian Pesos (COP))

10.3.2.1. Market risk

Market risk management entails identifying, measuring, monitoring and controlling risks derived from fluctuations in interest rates, exchange rates, prices, indexes and other risk factors to which the entity's activity is exposed.

The strategic principles governing the Bank's market risk management are:

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

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

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

Business Model and Portfolio Structure

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

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

The gross investment portfolio, as of December 31, 2019, was $7,849,951, according to the business models mentioned above:

			Variation	
Business model	December 31, 2019	December 31, 2018	$	%
Trading	1,742,597	2,020,616	(278,019)	(13.76)
Structural	6,107,354	5,793,794	313,560	5.41
Liquidity reserve	4,826,127	4,678,810	147,317	3.15
Balance sheet management	1,281,227	1,114,984	166,243	14.91
Total	7,849,951	7,814,410	35,541	0.45

(Millions of Colombian Pesos (COP))

Accounting	December 31, 2019	December 31, 2018	Variation $	Variation %
Trading	3,460,712	4,489,505	(1,028,793)	(22.92)
Available for sale	2,738,613	1,927,533	811,080	42.08
Held to maturity	1,650,626	1,397,372	253,254	18.12
	7,849,951	7,814,410	35,541	0.45

Most investments are classified as negotiable and available for sale, as liquidity reserve and trading portfolios, given their nature of possible sale at market prices, should reflect the settlement price or fair value. As of December 31, 2019, the liquidity reserve has been restructured, reducing its position in demand deposits and increasing its position in sovereign debt. This explains why the balance on trading investments and investments available for sale has changed. Over the period being analyzed, there has been a slight increase of 0.45%, explained by two opposing forces: 1) increase in the liquidity reserve, aligned with balance growth, and 2) decreased trading position.

Measurement of market risk

The measurement of market risk quantifies the potential loss due to changes in risk factors that affect the valuation of the institution's expected results. For this the setting of the parameters and tools for measuring as well as for the generation of reports, analysis, and periodic assessments of the senior management and risk taking areas is required.

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

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

(Millions of Colombian Pesos (COP))

Interest rate and exchange risk

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

The Bank also uses the RiskMetrics methodology developed by JP Morgan, which takes a parametric approach to VaR. Likewise, the calculation scheme contemplates measurements of absolute VaR and Component VaR (CVaR). Depending on the type of portfolio, the best complementary measures to be used are defined. The model includes tools that allow the analysis of the effects on the portfolios in the face of market stress scenarios, as well as mechanisms for evaluating the model's performance through backtesting analysis. These measures are applied at the level of portfolios, strategies and products.

The backtesting process is intended to validate the VaR model and its predictive power with respect to the actual evolution of income / loss from the investment portfolios. This performance test is based on the Kupiek test (1995), generating a statistical measure of confidence in the model taking a significant number of observations (255 data). Also, clean and dirty tests of the model are performed by portfolio, asset class and product on a weekly and monthly basis.

According to SFC's standard model, the value at risk for the investment portfolio on the separate balance sheet at December 31, 2019 and 2018 was as follows:

Maximum, minimum and average values of the Value at Risk

	December 31, 2019			
	Minimum	Average	Maximum	Final
Interest rate	135,620	187,952	215,660	171,652
Exchange rate	168,960	200,659	233,149	227,650
Shares	615	768	872	615
Collective funds	5,960	6,309	7,459	6,136
VeR	312,193	395,688	430,801	406,053

	December 31, 2018			
	Minimum	Average	Maximum	Final
Interest rate	129,007	146,026	166,111	129,007
Exchange rate	112,318	141,696	176,269	176,269
Shares	769	1,070	1,292	769
Collective funds	448	1,360	6,080	6,080
VeR	254,407	290,152	319,415	312,125

(Millions of Colombian Pesos (COP))

In addition to management under normal conditions, Davivienda makes stress scenario measurements based primarily on quantitative techniques, seeking to find through relationships between variables and the worst historical scenarios in order to assess how the generated volatilities and devaluations that were evidenced under these scenarios may impact the current portfolio and thus quantify the capital that the company would require if it were in a crisis. Davivienda uses, statistical tools to apply these worst scenarios to the current situation of the portfolio.

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

Risk of changes in exchange rates

The Bank is exposed to changes in exchange rates, 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.

The Bank Book has exposure to currencies such as the U.S. dollar, the Honduras Lempira and the Costa Rica Colon. These exposures are the result of the presence that Davivienda has in these countries through its Subsidiaries and are managed by hedging strategies that seek to reduce the sensitivity of the income statement and of the equity. The hedges are defined in terms of the depth of market instruments for each currency and on the basis of a prospective analysis of economies and the situation of the market.

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

The most significant foreign currency positions on the balance sheet are in US dollars, followed by positions in Central American currencies.

The net positions (assets minus liabilities) in currencies are presented below.

	December 31, 2019		December 31, 2018	
	Currency balance	COP Currency	Currency	COP Currency
US Dollar	97	317,473	(137)	(445,052)
Lempira	3,892	517,369	3,550	473,984
Colons	160,562	922,925	161,258	867,299
Other*	(3)	(9,395)	(1)	(2,358)
Total		1,748,372		893,873

*Figures in US dollars.

The estimated effect for the increase or decrease by 1% in the exchange rate of the US dollar, keeping the other exchange rates constant, compared to the current exchange rate on December 31, 2019, would be +/- $17,578 million for all relevant positions on the currency balance sheet (US Dollar, Lempira, Colon).

(Millions of Colombian Pesos (COP))

Interest rate risk in the balance sheet structure

The financial assets and liabilities of the Bank are exposed to possible fluctuations in market rates and prices. These variations have a direct impact on net interest income and results of the entity. For this reason, methodologies are used to sensitize financial instruments to changes in rates, and track the assets and liabilities, their maturities and repricing.

The sensitivity of interest-bearing assets and liabilities at financial cost is presented below. At December 31, 2019, an increase or decrease of 50 bp in interest rates could have caused a decrease or increase, respectively, of $47,654 in the Bank's margin throughout the year. For 2018 this sensitivity would have been 34,582.

	December 31, 2019				
				Impact Δ50 pb	
	Month average	Income/expense	Average rate (*)	Increase	Decrease
Interest earning financial assets					
Money-market operations	822,946	33,460	4.1%	4,115	(4,115)
Local currency	755,228	27,050	3.6%	3,776	(3,776)
Foreign currency	67,718	6,410	9.5%	339	(339)
Investments in trading debt and available for sale	5,735,514	389,601	6.8%	(7,765)	7,765
Legal currency	5,532,815	381,794	6.9%	(7,779)	7,779
Foreign currency	202,699	7,807	3.9%	14	(14)
Investments in debt held to maturity	1,524,424	140,007	9.2%	7,622	(7,622)
Local currency	1,520,872	139,875	9.2%	7,604	(7,604)
Foreign currency	3,552	132	3.7%	18	(18)
Loans	72,120,866	8,088,408	11.2%	222,349	(222,349)
Local currency	66,977,222	7,785,077	11.6%	197,793	(197,793)
Foreign currency	5,143,644	303,331	5.9%	24,556	(24,556)
Total assets in local currency	**74,786,137**	**8,333,796**	**11.1%**	**201,394**	**(201,394)**
Total assets in foreign currency	**5,417,613**	**317,680**	**5.9%**	**24,927**	**(24,927)**
Total interest earning assets	**80,203,750**	**8,651,476**	**10.8%**	**226,321**	**(226,321)**
Interest-bearing liabilities					
Public deposits	55,590,690	1,952,515	3.5%	195,810	(195,810)
Local currency	53,900,299	1,914,018	3.6%	189,926	(189,926)
Foreign currency	1,690,391	38,497	2.3%	5,884	(5,884)
Bonds	10,443,423	706,810	6.8%	29,864	(29,864)
Local currency	8,772,192	609,221	6.9%	29,864	(29,864)
Foreign currency	1,671,231	97,589	5.8%	-	-
Money market operations	1,787,689	83,283	4.7%	8,938	(8,938)
Legal currency	1,776,262	83,031	4.7%	8,881	(8,881)
Foreign currency	11,427	252	2.2%	57	(57)
Bank borrowings	7.872.599	330,901	4.2%	39,363	(39,363)
Local currency	2,230,114	115,964	5.2%	11,151	(11,151)
Foreign currency	5,642,485	214,937	3.8%	28,212	(28,212)
Liabilities in local currency	**66,678,867**	**2,722,234**	**4.1%**	**239,822**	**(239,822)**
Liabilities in foreign currency	**9,015,534**	**351,275**	**3.9%**	**34,153**	**(34,153)**
Total interest-bearing liabilities	**75,694,401**	**3,073,509**	**4.1%**	**273,975**	**(273,975)**
Total net financial assets exposed to interest rate risk	**4,509,349**	**5,577,968**		**(47,654)**	**47,654**
Local currency	8,107,268	5,611,562		(38,427)	38,427
Foreign currency	(3,597,919)	(33,594)		(9,227)	9,227

(*) Calculated as follows: Accumulated income last 12 months / average balance last 12 months

Banco Davivienda S.A.
Notes to the Separate Financial Statement
(Millions of Colombian Pesos (COP))

	December 31, 2018				
				Impact Δ50 pb	
	Month average	Income/expense	Average rate (*)	Increase	Decrease
Interest earning financial assets					
Money-market operations	692,703	32,841	4.7%	3,463	(3,463)
Local currency	581,236	26,969	4.6%	2,906	(2,906)
Foreign currency	111,467	5,872	5.3%	557	(557)
Investment in trading debt and available for sale	5,543,048	287,357	5.2%	(5,185)	5,185
Local currency	5,335,354	282,332	5.3%	(4,324)	4,324
Foreign currency	207,694	5,025	2.4%	(861)	861
Investments in debt held to maturity	1,385,128	76,471	5.5%	6,926	(6,926)
Local currency	1,385,128	76,471	5.5%	6,926	(6,926)
Loans portfolio	64,550,910	7,312,783	11.3%	204,709	(204,709)
Local currency	59,554,140	7,023,526	11.8%	179,752	(179,752)
Foreign currency	4,996,770	289,257	5.8%	24,957	(24,957)
Total assets in local currency	**66,855,858**	**7,409,298**	**11.1%**	**185,260**	**(185,260)**
Total assets in foreign currency	**5,315,931**	**300,154**	**5.6%**	**24,653**	**(24,653)**
Interest earning assets	**72,171,789**	**7,709,452**	**10.7%**	**209,913**	**(209,913)**
Interest-bearing liabilities					
Public deposits	50,350,297	1,859,464	3.7%	176,142	(176,142)
Local currency	48,952,145	1,836,620	3.8%	172,255	(172,255)
Foreign currency	1,398,152	22,844	1.6%	3,887	(3,887)
Bonds	9,303,727	660,842	7.1%	27,310	(27,310)
Local currency	7,796,190	566,043	7.3%	27,310	(27,310)
Foreign currency	1,507,537	94,799	6.3%	-	-
Money market operations	1,622,184	56,252	3.5%	8,111	(8,111)
Local currency	1,586,623	55,593	3.5%	7,933	(7,933)
Foreign currency	35,561	659	1.9%	178	(178)
Bank borrowings	6,586,292	266,687	4.0%	32,931	(32,931)
Local currency	2,081,005	120,006	5.8%	10,405	(10,405)
Foreign currency	4,505,287	146,681	3.3%	22,526	(22,526)
Liabilities in local currency	**60,415,963**	**2,578,262**	**4.3%**	**217,903**	**(217,903)**
Liabilities in foreign currency	**7,446,537**	**264,983**	**3.6%**	**26,591**	**(26,591)**
Total interest-bearing liabilities	**67,862,500**	**2,843,245**	**4.2%**	**244,494**	**(244,494)**
Total net financial assets exposed to interest rate risk	**4,309,289**	**4,866,207**		**(34.582)**	**34.582**
Local currency	6,439,894	4,831,036		(32,643)	32,643
Foreign currency	(2,130,605)	35,171		(1,939)	1,939

(*) Calculated as follows: Accumulated income last 12 months / average balance last 12 months

10.3.2.2. **Liquidity risk**

Liquidity risk is materialized in the contingency of being unable to comply fully, in a timely and efficient manner the cash flows expected and unexpected, current and future, without affecting the course of daily operations or the financial condition of the entity. This contingency (funding liquidity risk) is manifested in insufficient liquid assets available to it and / or the need to assume unusual funding costs. In turn, the ability of institutions to generate or break financial positions at market prices, is limited either because there is no adequate market depth or because drastic changes occur in rates and prices (liquidity risk market). Similarly, for businesses that are funded through deposits, liquidity risk includes the ability to generate a structure of stable long-term funding to maintain illiquid assets, in line with the business strategy, and able to serve unexpected stress situations.

The strategic principles under which liquidity risk management is governed are:

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

To comply with these principles, the risk management scheme, which complements the standard models of the Supervisory Bodies, has a series of short- and long-term indicators, limits and alerts that are managed daily by the Treasury and periodically by the areas responsible for the balance sheet structure, as described below.

Short-term

Methodologies used to estimate liquidity risk for short-term purposes are (i) the calculation of cash flows from asset, liability and off-balance sheet positions at different time periods for different scenarios, and (ii) the identification and quantification of the liquid assets available to meet these cash flows.

	Davivienda	Regulator / Supervisor
Measurement and management period	3, 30, 90 Days	7, 30 Days
Scenarios	3: Normal, Moderate, Severe	1: Stress
Indicators for quantification, control, and management	Structural Liquidity Requirements: Minimum Amount of Liquid Assets Ratio: Liquid Assets / Net Liquidity Requirements	Ratio: Liquid Assets / Net Liquidity Requirements
Intended use of the indicator	Liquidity self-sufficiency in stress scenarios / Avoiding reliance on last resort support provided by the central bank or whoever acts in such capacity	

(Millions of Colombian Pesos (COP))

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

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

From the standpoint of the Supervisor, SFC has a standard model - Liquidity Risk Indicator (LRI), which compares available liquid assets versus net short-term cash outflows, and it is characterized by the acidity that defines liquidity needs. The main variables of the model consist of a run of demand deposits with withdrawal factors for 8 different customer segments, contractual cash flows that do not consider renewal rates, and write-off cash flows.

IRL is measured for time bands of 7, 15, 30, and 90 days. The SFC sets limits for the first and third band, forcing the liquidity gap to be zero or more. The 90- day band is a highly adverse scenario, in which at least 30% of the deposits are withdrawn, along with the outflow of funds from all contractual liability maturities. Given these assumptions, this scenario is taken as a reference only.

The result of the standard liquidity indicator - IRL for December 31, 2019 and 2018 is presented below.

		December 31, 2019		
Bands	Minimum	Average	Maximum	Final
7 Days	7,465,805	7,973,185	9,166,686	7,932,469
15 Days	4,031,456	5,268,822	6,558,107	5,053,222
30 Days	1,010,206	2,311,820	3,156,937	1,430,971

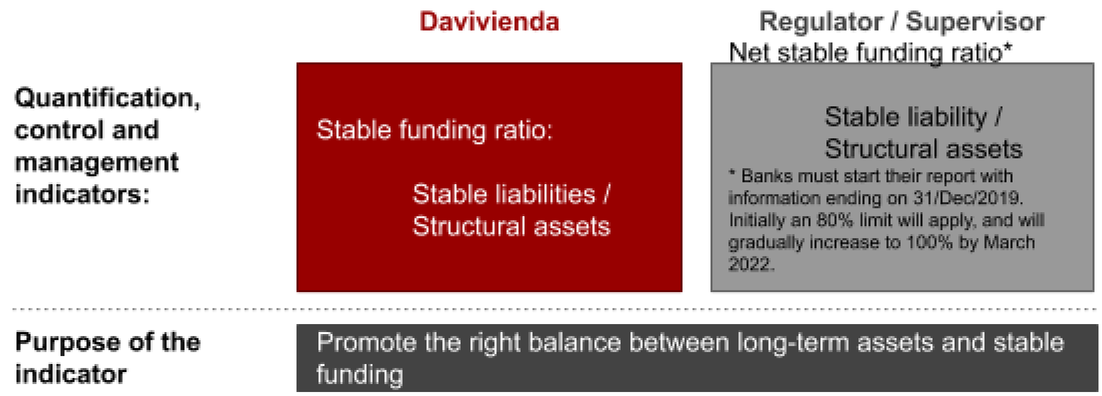
		December 31, 2018		
Bands	Minimum	Average	Maximum	Final
7 Days	6,525,301	7,748,512	9,175,191	6,525,301
15 Days	3,996,657	5,232,386	6,201,933	3,996,657
30 Days	1,285,131	2,844,157	4,379,994	1,285,131

As a result of internal policies and the conservative profile of Davivienda in liquidity management, the standard model of the SFC reflects an excess of liquid assets for a 30-day horizon of 2.31 trillion pesos on average for 2019. The liquid assets of Bank, according to the standard model of the SFC, are around 9.4 trillion pesos. These are mainly composed of cash, securities accepted in monetary expansion operations by the Central Bank, and other debt securities.

(Millions of Colombian Pesos (COP))

Long-term

With regard to long-term management, the methodologies focus on analyzing the funding sources, their composition on the segment, product and term level, and the characterization of assets and liabilities that do not have contractually defined conditions of permanence.



Under the long-term approach, the aim is to promote a balanced relationship between long-term assets and stable funding so that the balance sheet grows in a structured and sustainable manner. Structural assets are understood to be those long-term, low-liquidity assets with a tendency to renew. Stable funding is understood as long-term resources, resources from atomized sources with high rates of renewal and stability.

Liability flows

December 31, 2019

	Up to 1 month	1-3 months	3-12 months	12-60 months	Over 60 months	Total
Term deposits	2,429,269	4,502,794	11,263,284	7,463,266	3,153	25,661,766
Savings and checking accounts (*)	32,048,438	-	-	-	-	32,048,438
Bonds	80,779	480,208	1,193,373	8,081,699	4,398,607	14,234,666
Borrowings	528,512	1,197,633	3,184,545	3,653,900	2,343,888	10,908,478
	35,086,998	6,180,635	15,641,202	19,198,865	6,745,648	82,853,348

December 31, 2018

	Up to 1 month	1-3 months	3-12 months	12-60 months	Over 60 months	Total
Term deposits	2,371,387	5,298,532	10,155,431	5,893,949	53,136	23,772,435
Savings and checking accounts (*)	28,123,621	-	-	-	-	28,123,621
Bonds	72,708	87,545	1,001,132	7,288,013	4,304,203	12,753,601
Borrowings	673,723	1,244,541	2,510,103	2,303,210	2,066,936	8,798,513
	31,241,439	6,630,618	13,666,666	15,485,172	6,424,275	73,448,170

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

(Millions of Colombian Pesos (COP))

10.3.4. **Operational risk**

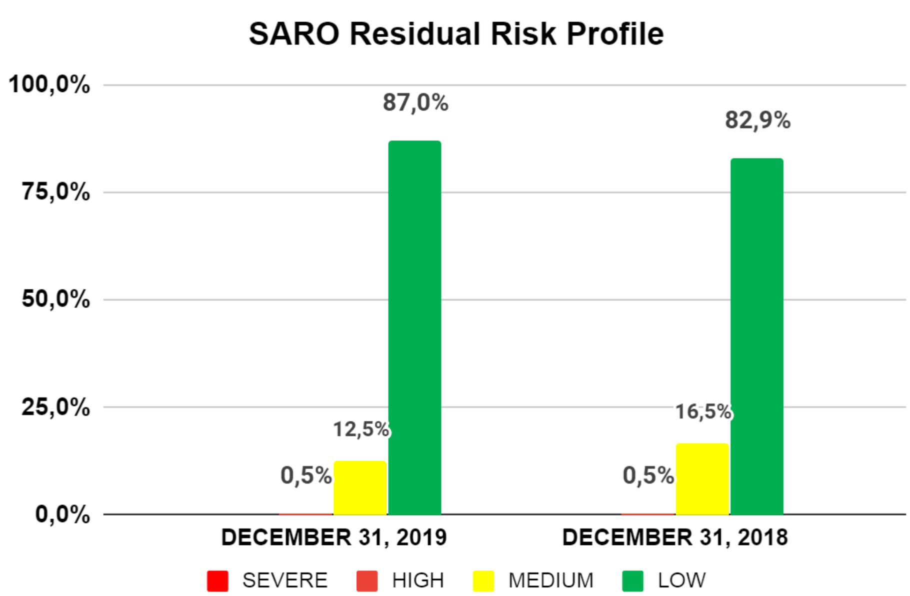
During 2019, the Bank continued to develop strategies aimed at strengthening the culture of preventive risk management, focusing on the management of key risk controls concerning processes that affect the sustainability, transformation, continuity of our business, service to our customers and that could have a significant impact on our company.

The key controls within the operational risk model require permanent design monitoring, documentation, evidence and most importantly, the achievement of the expected results.

Similarly, our operational risk and control model encompasses financial accounting impact processes, business lines, channels, operation and technology.

A root cause analysis is performed for the events that may occur, to determine and develop the required action plans, which are duly monitored by the units and collegiate bodies designated for such purpose.

In compliance with the corporate risk strategy approved by the Board of Directors and in accordance with the regulatory framework, there is an adequate management of the Operating Risk as shown in the comparative graphs as of December 31, 2019, where an improvement in the risk composition can be observed, supported by our proactive and preventive management.



December 31, 2019						December 31, 2018					
	Risks						Risks				
Processes	Low	Medium	HIgh	Critical	Controls	Processes	Low	Medium	High	Critical	Controls
186	1,140	164	7	-	3,859	186	1,268	253	8	-	4,073

10.3.5. **Financial Consumer Services**

During 2019, the Bank continued to develop its customer service model, delivering a simple, reliable and friendly experience in all interactions with financial consumers by strengthening the following key elements:

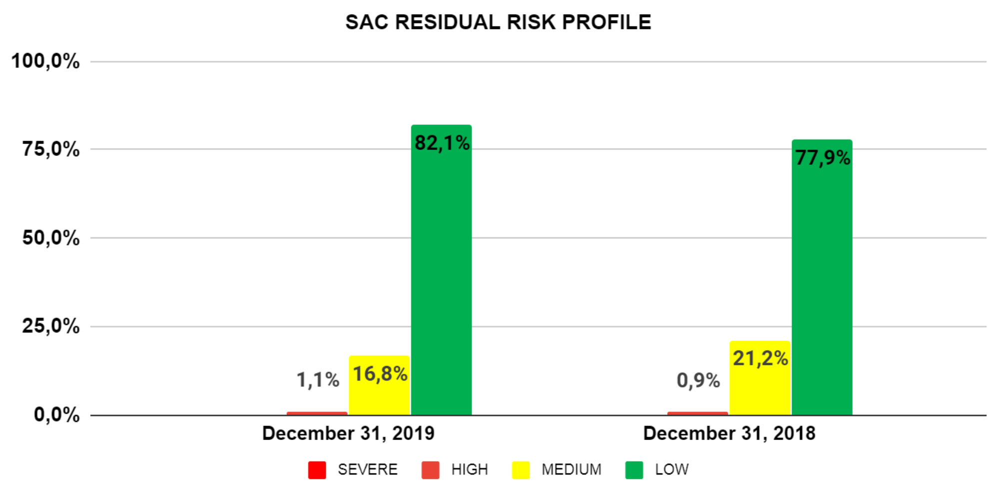
- Culture of care, respect and service
- Clarity and transparency in information and communication

(Millions of Colombian Pesos (COP))

- Timely and effective attention to requests, complaints and claims that may arise, identifying root causes and managing action plans for their resolution
- Security in the processing of operations

We evaluate all events that affect the interest of the financial consumer and build up a range of strategies to avoid the repetition of any adverse event and we permanently monitor and evaluate the effectiveness of controls implemented to mitigate them. We also monitor operating risk and execute action plans.

In compliance with the policies approved by the Board of Directors, in accordance with the regulatory framework, risks are adequately managed. Comparative chart of evolution as of December 31, 2019, where an improvement in the risk composition is observed, supported by our proactive and preventive management.



December 31, 2019					December 31, 2018				
Risks					Risks				
Low	Medium	High	Critical	Controls	Low	Medium	High	Critical	Controls
380	78	5	-	948	427	116	5	-	1,421

10.3.6. System of Risk Management of Money Laundering and Financing of Terrorism (SARLAFT) and Anti Corruption Program

The Bank has adopted and implemented an Anti-Money Laundering and Terrorist Financing Control (AML-FT) Compliance Program, based on the premise of managing the AML-FT risk events and their controls, which includes Its identification, measurement, control and monitoring, through the consolidation of information, implementation of a robust technological platform, use of data mining methodologies, customer knowledge and its financial operations, risk profile of the different risk factors, the design and implementation of mitigating controls, definition and management of risk segments and characteristics of customers, products, distribution channels and jurisdictions, generation of alerts, analysis and monitoring of unusual transactions and reports of suspicious transactions to the competent authorities. This should mitigate the risk of being used to create the appearance of legality to assets arising from illicit activities and / or to finance terrorist activities, in accordance with SFC Basic Legal Circular 029/ 2014 as amended.

As a basic element in its anti-corruption program, the Bank has introduced zero-tolerance commitments in relation to any act of corruption: it has produced policies that prohibit any form of direct or indirect bribery involving officers, staff, customers, suppliers and other stakeholders and those that regulate conflict of interest events that may arise with a public servant or a private individual. The Program has procedures and controls to secure compliance with the related policies.

The Compliance Officer presents a quarterly report to the Board, covering the following points amongst others:

- **Pronouncements from the supervisor, visits, and inspections**

On-the-spot visits. The SFC did not make a visit to Banco Davivienda in 2019..

Internal Audit. Between October and December 2019 the annual Internal Audit report process was carried out, evaluating the SARLAFT Internal Control system in its stages and elements, verifying the adequate application of internal and external standards, policies, procedures, and how they are aligned with the strategic objectives. No major findings were identified, but in those cases where we identified opportunities for improvement, we carried out the respective action plans.

Tax Audit. We issued quarterly reports on Fiscal Review, developing audit procedures addressing compliance with the provisions of the SFC and other applicable regulations governing the implementation of controls for the Prevention of Money Laundering and/or Financing of Terrorism. The results were satisfactory and the action plans regarding opportunities for improvement were developed during the established times.

- **Optimization of technological tools**

During 2019, we presented quarterly reports to the Board of Directors on the progress of the technological projects established to optimize the management of the Compliance Program. It is worth noting the update of the SAS AML tool, which has been upgraded to version 7.1, and the adoption of the Sanction Screening tool to verify international operations.

- **Indicators of Quality, Settlement and Updates**

There were monthly evaluations of quality, settlement and updates as permanent processes or optimization. The Compliance Officer and the Board are responsible for this activity.

- **Operations follow-up**

A monitoring process for customer operations was applied and operations reports sent to UIAF.

- **Scheme of sanctions**

No SARFLAFT related administrative sanctions were imposed in Banco Davivienda in 2019..

- **Reports to authorities and Supervisors**

The requirements of the Control Authorities and Entities were met within the established deadlines. Legal reports were sent to the UIAF in accordance with the regulations that came into force in October 2019.

- **Results of corrective actions ordered by the Board of Directors**

The recommendations issued by the Board of Directors at the quarterly meetings were addressed.

- **Updates to the Compliance Manual**

Updates were made to the Compliance Manual in relation to the optimization of policies and procedures, as well as to regulatory changes issued by the regulator. Furthermore, policies for processing international transactions were updated.

- **Training**

The Annual Training Program was designed, approved and implemented, which includes annual SARLAFT retraining, compliance manual reading certification, code of ethics reading certification and induction of the material to new employees.

- **Risk management**

The Board made quarterly follow-up of performance and progress in risk factors, customer segmentation and risk certification. This was stable over the year and within the low risk classification. The Board was kept informed of the administration of risk events and the effectiveness of controls.

- **FATCA**

The Bank has adopted an organizational culture, policies, controls and procedures to comply with the guidelines established by the Foreign Accounts Tax Compliance Act (FATCA) and the OECD's Common Reporting Standard (CRS).

The FATCA/CRS Fiscal Transparency program was designed, approved and successfully implemented, covering documentation processes, training, technological infrastructure, monitoring and remediation. Likewise, the reports under the Fiscal Transparency Law were sent to the Dian (Colombian Tax and Customs Authority)/IRS in a timely manner.

- **Compliance committee**

As a supporting body to the Board of Directors, the Compliance Committee meets quarterly, with the authority to provide management oversight on the implementation, supervision and monitoring of the Bank's Compliance Program. During 2019, the Committee issued its opinion on the monitoring and progress of the Program, providing opinions, assignments and commitments for the improvement of SARLAFT activities.

- **Organizational structure**

In compliance with the established rules, the Compliance Officer and his or her alternate are duly registered with the SFC.

10.3.7. Risk of fraud

The Risk of Fraud, defined as any illegal act involving deception, concealment or violation of trust aiming at the appropriation of money, goods, services and/or individual[1] advantages or benefits, has been managed by Banco Davivienda through the Fraud Risk Management System (SARFRA) in compliance with the regulatory framework of the Operational Risk Management System (SARO).

[1] Documento de investigación - las mejores prácticas antifraude - AMV

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

As part of the work plan developed during 2019, the Bank increased the protection of our customers and organization by acquiring security tools for the prevention and mitigation of the risk of transactional fraud, in order to provide a better service to our customers.

By 2020, the Bank will continue to implement its anti-fraud strategy, mainly in digital products, by implementing tools that strengthen the transactional security of our clients, reinforcing the fraud prevention, mitigation and risk management model, as well as the analytical model at the national level and in its national and international subsidiaries.

10.3.8. **Information security - Cybersecurity**

The Bank has focused its efforts in Information Security and Cybersecurity during 2019 on strengthening governance, protection and incident response capabilities, as well as on aligning with the digital strategy. In this regard, the Cybersecurity and Digital Security Management team was strengthened in line with the regional Cybersecurity Strategy.

In addition, 39 Cybersecurity plans were implemented to improve the Bank's security stance, and technology and process updates were made to maintain a holistic view of Security and Cybersecurity, increase the ability to prevent and detect threats in a timely manner, and respond to and recover from potential cyber attacks.

Some of the most significant projects are: Extending the scope and adding new services to the Security Operations Center (SOC), to detect unsafe behavior, threats, cyber attacks, as well as timely execution of security incident response and disaster recovery activities. Including the outsourcing of the administration and operation of security tools.

- Strengthening the Cybersecurity Incident Response Team - ERIC
- Strengthening of the Personal Data Protection Program, linking the program to risk management.
- The program and information asset protection plan remain in place, with a comprehensive risk, governance and labeling and DLP rule update to prevent information leakage.
- Execution of specialized security tests (Red Team) to evaluate the Organization's security stance.
- The BitSight Safety Index was implemented, enabling the measurement of the risk of external exposure.
- The self-assessment of the cyber risk profile was carried out under the FFIEC (Federal Financial Institutions Examination Council) methodology
- The SWIFT environment was reviewed and secured to reduce the risk of fraud.
- Development of the identity and application access management process.
- Cyber security and information leak prevention plans

A training and awareness plan was implemented on an ongoing basis to reinforce this element in our culture through different communication channels to officials and third parties, creating awareness and commitment to the protection of information and the mitigation of associated risks.

In terms of regulatory compliance, the Bank complies with the security requirements of the various SFC regulatory letters on information security: Basic Legal Circular Letter 029 of 2014, Circular Letter 007 of 2018 on cyber security management and Circular Letter 005 of 2018. Similarly, the Swift SCP (Customer Security Program) security program was implemented to comply with Law 1581 on personal data protection. Through the Information Security area, internal follow-up monitoring is carried out to identify the level of compliance and possible risks associated with legal compliance.

Likewise, the Bank continues to review market trends, new threats, tools and control mechanisms to mitigate risks and maintain acceptable levels of risk, thus supporting the delivery of products and services with adequate levels of security to our customers.

10.3.9. Technological risk

Technological Risk is defined by COBIT - Control Objectives for Information and related Technology, as the possibility of economic losses derived from an event related to the technological infrastructure, access or use of technology, affecting the development of business processes and/or the fulfillment of the Bank's strategic objectives.

The role of technological risk takes on relevance, because as part of the Digital Transformation, the level of exposure to economic, reputational or service losses has increased to a greater extent, generating new challenges in organizations to manage the technological components that allow them to leverage both the operation and the strategy of the business.

Our main objectives are framed in the evaluation of the different components to support the implementation of controls over the technology management processes, within the framework of best practices that allow the evaluation of the dimensions of Availability, Reliability, Performance, Functionality and Regulatory Compliance of the platforms that support business processes:

1. Contribute to ensuring that the adoption of technology supports the achievement of strategic objectives.
2. Articulate IT-related risk management with ERM and Internal Control risk management
3. Identify, evaluate and reduce IT-related risks on an ongoing basis according to the levels established by the organization

The methodology applied for the evaluation of technical risks considers three main factors, one at the infrastructure-level (machines, networks, databases), another at the systems' logical component level (applications, information systems, data) and finally those risks associated with their management, which may be the cause or consequence of other risks to the organization. Thus, in the management carried out in 2019, we are concentrating on the following points:

- **IIT Risk Governance**

Following the publication and entry into force of Circular CE005 on Cloud Computing, the Technology Risk area led the evaluation, documentation and consolidation of evidence for cloud applications that support mission processes, and submitting the associated report to the SFC.

The area of governance and internal control supported the creation and implementation of work plans in conjunction with the IT areas in relation to the monitoring scheme for key IT controls.

- **IT Risk Assessment**

A working group environment was set up with business related risk management systems, as part of the monthly generation of Technological Risk reports, in order to share and follow up on the technical events that occur on the platforms that support the operation of each one of them and thus take the necessary preventive actions to minimize their probability of occurring and impact.

Under the scope of the strategic technology plan for the Earthquake Risk and in order to create the necessary preventive measures to ensure the continuity of the bank's mission processes. Based on its role as the second line of defense, Technological Risk provided direct support in the identification, management and control of critical factors for the Alternative Data Center.

To support the Digital Transformation strategy based on agile methodologies and business projects under the traditional methodology, IT Risks have been identified by the Technological Risk area and the implementations have been aligned with the Enterprise Architecture definitions, technology processes and technology operation controls as defined by the Bank.

- **IT Risk Response**

One of the main IT risks identified by the organization is associated with the deprecation of platforms and applications. In response, the company prioritized the services with the greatest impact and generated renewal plans for the main applications and liability infrastructure, such as Stratus Migration (Liability Authorizer), Cobis (TDs Platform), Micro Focus (Liability Process Consolidator). These projects were supported during their execution to generate the necessary alerts, controls and action plans to stabilize their operation during production.

10.3.10. Environmental and social risk

The SARAS Environmental and Social Risk Management System allows the Bank to identify, assess, control and monitor the environmental and social risks associated with funded projects and activities.

The SARAS methodology is based on local environmental and labor standards, and encompasses aspects such as pollution prevention, biodiversity protection, climate change and human rights.

In accordance with established policies regarding amounts, terms and sensitive sectors, SARAS applies in granting loans to customers in the Corporate, Construction and Business segments. With this system, SARAS provides support during the structuring and approval of Project Finance, as well as monitoring financed Fourth Generation (4G) road infrastructure projects. Additionally, it applies to the evaluation of the Bank's strategic suppliers/vendors.

10.3.11. Business continuity

Over the past year, the Organization has directed its Business Continuity Management efforts towards covering risks associated with the availability of its critical services and channels, as well as analyzing and evaluating continually-evolving risks to adjust the company’s mitigation plans and strategies according to new conditions and risk scenarios.

The approach that was undertaken in 2019 allowed for a growing maturity of Management by strengthening the Organization's responsiveness to the current economic environment through the incorporation of new risk scenarios into the established schemes.

The Continuity Plan, Crisis Management and Risk Management are the forefronts of Business Continuity Management.

Business Continuity Plan

The Business Continuity Plan (BCP) has been built on the framework of the methodology of the Disaster Recovery Institute International (DRII) and comprises five different strategies designed to mitigate different risks that may affect the continuity of the Organization's critical operations. The main outcomes in the year 2019 are presented below:

- Human resources strategy:

  Communication schemes: Alternative communication mechanisms such as satellite and radiofrequency were incorporated as a complement to traditional communication schemes to cover for catastrophic risks.

  Critical personnel strategy: this strategy aimed at identifying, training, and certifying support personnel in the operation of the organization's critical processes, thus ensuring that in the absence of staff members, the provision of processes and services continues without affecting the entity's normal operation

  Emergency plan: Preparedness and training sessions on earthquake-response planning were conducted, and, as a result, response/evacuation times have improved in comparison to those of preceding years.

- Alternate Operations Center Strategy:

  The regular operation of critical services was carried out from the alternate operations center. The physical and security infrastructure at the alternate center were activated for such purpose. Different catastrophic risk scenarios and different alternatives such as remote work are under study to strengthen this strategy.

- Supplier Strategy

  The third parties that support the execution of the Organization's critical services presented their Business Continuity Management System which focuses on catastrophic scenarios. Joint participation in the tests conducted by third parties was achieved with the information provided.

- Operative Contingency Strategy

  This strategy provides different backup procedures to be implemented in the event of technology unavailability. Satisfactory results were obtained by following 100% of the operative contingency procedures in the critical areas.

- Technology Contingency Strategy:

  The Organization has backup technology infrastructure for the execution of critical processes. All the platforms that backup the operation of the entity's critical channels and processes were activated in 2019.

Crisis Management

The Crisis Management plan includes mechanisms aimed at providing strategic guidance for those events that may place individuals, infrastructure or key components of the organization at risk. Alternate communication mechanisms (satellite phones and radiofrequency) were incorporated throughout 2019, especially the mechanisms that should work during catastrophic events, such as an earthquake in Bogotá, to allow an adequate response to the crisis in the absence of traditional communication mechanisms. Likewise, as part of the activities that were carried out, the plan for the cybersecurity scenario was activated. The maintenance that was performed allowed for the strengthening of the corporate response in the event that such scenarios may materialize.

Additionally, the Crisis Government led the decision-making process during the National Strike that took place between November, 2019 and December, 2019. Even though there were not any consequences or risks that affected the business continuity as a result from this event, action protocols as well as internal and external communication protocols activated the strategic guidance and safeguarded the well-being of the bank officers, ensuring the timely execution of critical processes, and the availability of the organization's channels.

Risk Management

The Organization has established a methodology to manage risks that may threaten Business Continuity. In 2019, while the risk mitigation program *Bogotá Earthquake Scenario* was under development, the program called *With Your Feet on The Ground* was launched. This program, which is directed at Bank officers in Bogotá and their families, provided the following elements:

- Virtual reality-based training, which allowed the attendees to learn how to act before, during, and after an earthquake.
- A survival emergency kit.

More than 8,800 families received training on preparedness for catastrophic events.

The moving of the Alternate-Data Processing Center out of Bogotá continues in process. This transfer reduces the risk derived from simultaneous damage to the Data Processing Centers, should a catastrophic event occur and affect business continuity.

Furthermore, as part of a synergy with the financial sector, the support of control entities and the SFC served as contingency plans for cash management to guarantee the scheduling and the distribution of resources at the national level.

10.3.12. **Internal control system**

Control systems are reviewed and updated on an ongoing basis at the Bank, taking into consideration regulatory changes in the environment, as well as new products, services, and processes. The causes leading up to the materialization of an event are also analyzed; and the team also monitors the action plans aimed at mitigating risks.

Throughout 2019, we continued to strengthen our corporate culture through a learning and communications strategy whose purpose was to train bank officials on risk and internal control issues. Similarly, the Entity's control systems continued to be strengthened with the participation of the different lines of defense.

We also continue to streamline the Internal Control System based on international standards.

The Bank complies with the legal provisions outlined in External Circular Letter 029 of 2014 (Part I / Title I / Chapter IV - Internal Control System) issued by the SFC (Colombia’s Financial Superintendence).

10.3.13. **Tax risk**

The risk arises from the normative interpretation and the differences of criteria that could exist before the national and foreign tax authorities. Similarly, there is an operational risk due to the controls that must be implemented and which, if not carried out correctly, may cause failures in the systems that result in alterations to the information, either because of its integrity or accuracy. Reputational risk arises with respect to customers and is materialized by complaints or claims received directly or through control entities in the media in which they are affected by the reported information or when it does not conform to the recorded economic or transactional reality.

Failure to comply with the various tax obligations would result in the imposition of international or local sanctions, either for omission or inconsistencies in the information. Likewise, sanctions would be applied when acting as a withholding agent, responsible for sales tax or as a taxpayer to the extent that the action does not conform to the regulatory provisions within the tax regime applicable in Colombia or that which subsists by international agreements.

(Millions of Colombian Pesos (COP))

To mitigate this risk, the Bank uses the internal tax control system, based on the models implemented within the bank on the special rules for the financial sector and the provisions of special regulations for control and surveillance entities, including, among others, parameterization and monitoring of the effects of tax provisions in the applications, control of regulatory compliance, attention to tax obligations and requirements, administrative actions or information reports within established deadlines and terms, service agreements between agencies for the purpose of controlling residual risks, follow-up committees and analysis of events with relative importance or high impact.

Regulatory changes such as those implemented in tax reforms added to the different regulations, administrative acts or doctrine that arise for an adequate interpretation and application of the regulation in order to ensure compliance with the different tax obligations, implies a constant updating and dispersion of information to the different areas of the organization that could be affected.

11. Netting of financial assets and liabilities

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

In this context, the following is a detail of the financial instruments subject to netting at December 31, 2019 and December 31, 2018, as well as the impact of the netting of instruments subject to agreements associated with credit risk mitigation (Master Netting Agreements and the remittance of collaterals).

December 31, 2019

	Gross financial assets recognized	Net assets shown in Statement of Financial Position	Not netted in Statement of Financial Position			Net amount
			Impact of Master Netting Agreements	Cash collateral	Securities collateral	
Assets						
Money market operations	390,486	390,486	-	-	76,382	314,104
Derivatives (*)	510,327	510,327	375,161	30,154	-	105,012
	900,813	900,813	375,161	30,154	76,382	419,116
Liabilities						
Money market operations	1,366,095	1,366,095	-	-	1,391,197	(25,102)
Derivatives (*)	617,801	617,801	375,161	43,732	-	198,908
	1,983,896	1,983,896	375,161	43,732	1,391,197	173,806

(*) Spot operations not included

December 31, 2018

	Gross financial assets recognized	Net assets shown in Statement of Financial Position	Not netted in Statement of Financial Position			Net amount
			Impact of Master Netting Agreements	Cash collateral	Securities collateral	
Assets						
Money market operations	413,332	413,332	-	-	217,469	195,863
Derivatives (*)	433,671	433,671	332,325	16,835	-	84,511
	847,003	847,003	332,325	16,835	217,469	280,374
Liabilities						
Money market operations	3,543,323	3,543,323	-	-	3,674,889	(131,566)
Derivatives (*)	507,580	507,580	332,004	52,600	-	122,976
	4,050,903	4,050,903	332,004	52,600	3,674,889	(8,590)

(*) Spot operations not included

(Millions of Colombian Pesos (COP))

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

The columns for cash collateral and debt securities show amounts received, delivered or pledged in relation to interbank and overnight operations.

12. Specific items in the statement of financial position

12.1. Cash

12.1.1. Information of available cash

The information of cash and cash equivalent is as follows:

	December 31, 2019	December 31, 2018
Legal tender		
Cash and bank balances	4,378,931	3,640,563
Pending balance and remittances in transit	35,244	80,928
	4,414,175	3,721,491
Foreign currency		
Cash and bank balances	482,220	1,420,659
Pending balance and remittances in transit	14,695	17,530
	496,915	1,438,189
	4,911,090	5,159,680

Cash distribution based on the counterparty credit risk

	December 31, 2019	December 31, 2018
Guaranteed by the Nation/Central Bank of Colombia	2,287,691	1,791,917
Investment grade	2,623,399	3,367,763
	4,911,090	5,159,680

Cash balances and legal tender of the Central Bank of Colombia are part of the Bank's reserve requirement kept from clients' deposits as per legal provisions. These deposits earn no return.

As far as deposits and their enforceability is concerned, the Bank had the following restricted deposits to ensure availability of funds for clients' withdrawals in compliance with legal provisions:

	December 31, 2019	December 31, 2018
Average reserve requirement	3,899,333	3,415,465
Available average reserve requirement	3,908,777	3,437,412

Additionally, as per the current regulations, the Miami Branch is required to have a cash reserve at the Federal Reserve Bank. The average amount on December 31, 2019 and December 31, 2018 was approximately US $ 4 million.

12.2. Active money market operations and related operations

December 31, 2019			Date		
	Amount in USD million	Rate	Opening balance	Closing balance	Amount in COP
Foreign currency					
Interbank funds	$ US 10	3.10%	2-oct.-19	30-mar.-20	33,028
Legal tender					
Simultaneous operations					
Stock brokers		5.10%	19-dic.-19	20-ene.-20	4,424
Others		2.00% - 4.30%	18-dic.-19	2-ene.-20	323,027
Interbank funds					
Banks / Financial corporations		4.26%	30-dic.-19	2-ene.-20	30,007
					390,486

December 31, 2018			Date		
	Amount in USD million	Rate	Opening balance	Closing balance	Amount in COP
Foreign currency					
Interbank funds	$ US 53	2.55% - 3.80%	6-sept.-18	30-ago.-19	172,806
Legal tender					
Simultaneous operations					
Stock brokers		4.35% - 5.00%	11-dic.-18	17-ene.-19	31,675
Others		0.00% - 4.65%	13-dic.-18	10-ene.-19	208,851
					413,332

Active money market operations based on the counterparty's credit risk are classified as investment grade.

(Millions of Colombian Pesos (COP))

12.3. Financial investment instruments, net

12.3.1. Investments classified by type and provision

The information of the classification of financial investment instruments by type and provisions for impairment:

	December 31, 2019			December 31, 2018		
	Amount	Provision	Net	Amount	Provision	Net
Marketable						
Equity instruments	47,898	-	47,898	51,562	-	51,562
Private debt bonds	55,642	-	55,642	115,497	-	115,497
Public bond debts other than TES	3,456	-	3,456	80,406	-	80,406
TDCs	222,453	-	222,453	122,886	-	122,886
Private debt bonds (foreign)	41,210	-	41,210	85,508	-	85,508
Public debt bonds (foreign)	3,649	-	3,649	-	-	-
Trust fund, pension funds, and trust companies	354,124	-	354,124	1,158,368	-	1,158,368
Mortgage securities and real estate securitizations	81,215	-	81,215	82,971	305	82,666
TES Securities	2,651,065	-	2,651,065	2,792,307	-	2,792,307
	3,460,712	-	3,460,712	4,489,505	305	4,489,200
Available for sale						
Debt securities						
Private debt bonds (Colombia)	16,930	-	16,930	-	-	-
Private debt bonds (foreign)	98,211	-	98,211	61,869	-	61,869
Public debt bonds other than Treasury bonds (TES)	33,775	-	33,775	6,828	-	6,828
Mortgage securities and Treasury Inflation-Protected Securities (TIPS)	149,659	-	149,659	125,272	140	125,132
TES Securities	2,054,903	-	2,054,903	1,401,264	-	1,401,264
Equity instruments (*)	385,135	-	385,135	332,300	4,375	327,925
	2,738,613	-	2,738,613	1,927,533	4,515	1,923,018
Marketable investments and available-for-sale investments	6,199,325	-	6,199,325	6,417,038	4,820	6,412,218
Held-to-maturity						
Compulsory investments	1,033,306	3,663	1,029,643	874,493	-	874,493
Mortgage securities and real estate securitization	617,320	4,052	613,268	522,879	4,093	518,786
	1,650,626	7,715	1,642,911	1,397,372	4,093	1,393,279
	7,849,951	7,715	7,842,236	7,814,410	8,913	7,805,497

(*) Dividends worth $ 22,834 were recognized at December 31, 2019, out of which $ 20,149 were recorded in profit and loss for the period. Dividends worth $ 18,733 were recognized at December 31, 2018, out of which $ 16,819 were recorded in profit and loss.

The information of provisions for impairment is as follows:

	December 31, 2019	December 31, 2018
Issuer		
Corporate	3,663	4,375
Securitizations	4,052	4,538
	7,715	8,913

(Millions of Colombian Pesos (COP))

12.3.2. Investments classified by risk rating and provision for impairment

The information of the classification of financial investment instruments by risk rating and provision for impairment is as follows:

	December 31, 2019			December 31, 2018		
	Amount	% Share.	Provision	Amount	% Share.	Provision
Long-term rating						
AAA	1,486,598	18.9%	-	1,334,219	17.1%	-
AA+	46,998	0.6%	-	73,930	0.9%	-
AA	14,316	0.2%	-	8,462	0.1%	-
AA-	8,884	0.1%	-	27,628	0.4%	-
A+	131,533	1.7%	-	20,449	0.3%	-
A	115,368	1.5%	-	4,161	0.1%	-
A-	87,094	1.1%	-	129,537	1.7%	-
BBB+	40,994	0.5%	-	181,887	2.3%	-
BBB	177,239	2.3%	-	96,707	1.2%	-
BBB-	55,059	0.7%	-	38,496	0.5%	-
BB+	15,307	0.2%	1,343	14,271	0.2%	1,485
BB	53,211	0.7%	4,466	9,275	0.1%	961
BB-	1,010	0.0%	110	-	0.0%	-
B+	3,649	0.0%	-	-	0.0%	-
CCC	4,264	0.1%	1,796	4,560	0.1%	2,092
Equity instruments	394,296	5.0%	-	346,138	4.4%	4,375
Nation (*)	4,718,525	60.1%	-	4,266,334	54.6%	-
No rating	392,861	5.0%	-	1,196,091	15.3%	-
Short-term rating						
1	102,745	1.3%	-	38,212	0.5%	-
2	-	0.0%	-	24,053	0.3%	-
	7,849,951	100.0%	7,715	7,814,410	100.0%	8,913

(*) Balance of debt securities issued by the Government of Colombia and other countries is recorded under the Nation category.

12.3.3. Investments by issuers

The information of the classification of investments by issuers is as follows:

	December 31, 2019		December 31, 2018	
	Amount	Provision	Amount	Provision
Foreign currency				
Banks in Colombia	15,552	-	-	-
Foreign banks	59,565	-	104,395	-
Corporate	54,635	-	12,086	-
Corporate abroad	97,560	3,663	25,431	-
National government	10,984	-	60,302	-
Foreign government	3,649	-	-	-
Financial institutions other than banks	6,627	-	-	-
Multilateral development banks	1,238	-	29,849	-
	249,810	3,663	232,063	-

(Millions of Colombian Pesos (COP))

Legal tender				
Banks in Colombia	213,827	-	158,313	-
Corporate	23,260	-	58,032	4,375
National Government	4,707.541	-	4,208,043	-
Colombian financial institutions other than banks	1,332,287	-	2,426,837	-
Foreign financial institutions other than banks	354,123	-	-	-
Multilateral Development Banks	120,909	-	-	-
Securitizations	848,194	4,052	731,122	4,538
	7,600,141	4,052	7,582,347	8,913
	7,849,951	7,715	7,814,410	8,913

12.3.4. Classification by currency

The information of the financial instruments by currency is as follows:

	December 31, 2019	December 31, 2018
Pesos	6,117,572	5,876,075
RVU (*)	1,482,569	1,706,272
Dollars	240,649	220,921
Canadian dollars	9,161	11,142
	7,849,951	7,814,410

(*) Real Value Unit

12.3.5. Investments classified by maturity

The information of the classification of the investments by maturity (equity shares are not included) is as follows:

December 31, 2019

	0 to 1 year	0 to 5 years	5 to 10 years	More than 10 years	Total
Marketable	916,215	1,909,277	482,346	104,976	3,412,814
Available for sale	197,058	1,996,649	150,581	9,190	2,353,478
Held-to-maturity	996,681	28,978	254,014	370,953	1,650,626
	2,109,954	3,934,904	886,941	485,119	7,416,918

December 31, 2018

	0 to 1 year	1 to 5 years	5 to 10 years	More than 10 years	Total
Marketable	2,054,407	1,460,781	768,856	153,899	4,437,943
Available for sale	1,158,072	311,889	41,508	83,764	1,595,233
Held-to-maturity	874,493	17,165	261,849	243,865	1,397,372
	4,086,972	1,789,835	1,072,213	481,528	7,430,548

(Millions of Colombian Pesos (COP))

The information of the creditworthiness for investments is as follows:

December 31, 2019

Creditworthiness	Fair value		Amortized cost
	Debt securities	Equity instruments	
Investment grade	678,481	-	1,588,348
Issued and guaranteed by the Nation's/Central Bank	4,718,525	-	-
Speculative grade	15,162	-	62,278
No rating or unavailable	354,124	433,033	-
	5,766,292	433,033	1,650,626

December 31, 2018

Creditworthiness	Fair value		Amortized cost
	Debt securities	Equity instruments	
Investment grade	604,102	-	1,373,638
Issued and guaranteed by the Nation's/Central Bank	4,266,334	-	-
Speculative grade	4,372	-	23,734
No rating or unavailable	1,158,368	383,862	-
	6,033,176	383,862	1,397,372

12.3.6. Provision for impairment of investments

The information of the provision for impairment of investments is as follows:

	December 31, 2019	December 31, 2018
Opening balance	8,913	8,538
Plus:		
Provision	3,727	1,534
Minus:		
Recoveries	(4,925)	(1,159)
Closing balance	7,715	8,913

(Millions of Colombian Pesos (COP))

12.3.7. Investments in subsidiaries and associates

The following is the detail of investment in Subsidiaries and Associates:

December 31, 2019

	Country	% share	Acquisition cost	EM (*)	Adjusted cost	Dividends (1)
International Subsidiaries						
Banco Davivienda Panamá S.A.	Panamá	100.0%	218,290	348,747	578,188	-
Banco Davivienda Panamá Internacional S.A.	Panamá	100.0%	77,507	113,541	255,385	-
Grupo del Istmo Costa Rica S.A.	Costa Rica	80.8%	553,872	512,330	1,123,931	-
Inversiones Financieras Davivienda S.A.	El Salvador	96.1%	746,487	546,640	1,277,513	-
Banco Davivienda Honduras S.A.	Honduras	94.2%	229,889	208,373	462,367	8,868
Seguros Bolívar Honduras S.A.	Honduras	88.6%	68,895	69,288	110,964	11,166
			1,894,940	1,798,919	3,808,348	20,034
Colombian Subsidiaries						
Corredores Davivienda S.A.	Colombia	91.6%	123,269	56,278	174,961	-
Fiduciaria Davivienda S.A.	Colombia	94.7%	150,320	187,752	235,407	33,439
Cobranzas Sigma S.A.S.	Colombia	94.0%	475	1,275	1,462	771
Corporación Financiera Davivienda S.A.	Colombia	90.0%	49,500	330	49,830	-
			323,564	245,635	461,660	34,210
Associates						
Redeban Multicolor S.A.	Colombia	26.0%	18,816	14,699	30,932	1,240
Titularizadora Colombiana S.A.	Colombia	26.9%	28,741	1,573	35,785	3,622
			47,557	16,272	66,717	4,862
			2,266,061	2,060,826	4,336,725	59,106

(*) Equity Method

(1) Dividends received from Subsidiaries and associates at December 31, 2019 were recorded as investment goodwill.

December 31, 2018

	Country	% Share	Acquisition Cost	MPP(*)	Adjusted Cost	Dividends (1)
International Subsidiaries						
Banco Davivienda Panamá S.A.	Panamá	100.0%	21,290	283,748	513,188	-
Banco Davivienda Panamá Internacional S.A.	Panamá	100.0%	77,507	55,470	197,314	-
Grupo del Istmo Costa Rica S.A.	Costa Rica	80.8%	553,872	319,846	931,446	-
Inversiones Financieras Davivienda S.A.	El Salvador	96.1%	746,487	447,589	1,178,462	37,712
Banco Davivienda Honduras S.A.	Honduras	94.2%	229,889	163,004	425,866	13,650
Seguros Bolívar Honduras S.A.	Honduras	88.6%	68,895	51,238	104,081	12,845
			1,894,940	1,320,895	3,350,357	64,207
National Subsidiaries						
Corredores Davivienda S.A.	Colombia	91.6%	123,269	32,285	150,969	6,611
Fiduciaria Davivienda S.A.	Colombia	94.7%	150,320	128,575	209,669	27,842
Cobranzas Sigma S.A.S.	Colombia	94.0%	475	939	1,125	658
			274,064	161,799	361,763	35,111
Associates						
Redeban Multicolor S.A.	Colombia	26.0%	18,816	9,762	27,235	1,342
Titularizadora Colombiana S.A.	Colombia	26.9%	28,741	(1,707)	36,127	2,810
			47,557	8,055	63,362	4,152
			2,216,561	1,490,749	3,775,482	103,470

(*) Equity Method

(1) $51,438 of the dividends received from Subsidiaries and associates at December 31, 2018 were recorded as profit and loss of the period.

(Millions of Colombian Pesos (COP))

The information of the asset, liability and equity value homogenized based on the calculation of the equity method is as follows:

December 31, 2019

	% Share	Total Assets	Total Liabilities	Total Equity	Profit (Loss)
Subsidiaries					
Fiduciaria Davivienda S.A.	94.7%	285,398	36,820	248,578	59,110
Corredores Davivienda S.A.	91.6%	321,957	211,062	110,895	23,600
Cobranzas Sigma S.A.S.	94.0%	2,138	582	1,555	1,108
Corporación Financiera Davivienda S.A.	90.0%	55,556	190	55,366	330
Banco Davivienda Panamá S.A.	100.0%	4,749,884	4,175,470	574,414	48,414
Banco Davivienda Panamá Internacional S.A.	100.0%	628,413	373,028	255,385	30,843
Grupo del Istmo Costa Rica S.A.	80.8%	10,767,809	9,625,196	1,142,612	88,151
Inversiones Financieras Davivienda S.A.	96.1%	9,426,440	8,322,510	1,103,930	88,190
Banco Davivienda Honduras S.A.	94.2%	4,150,477	3,720,836	429,641	48,603
Seguros Bolívar Honduras S.A.	88.6%	308,643	194,788	113,855	19,749
		30,696,715	26,660,482	4,036,231	408,098
Associates					
Redeban Multicolor S.A.	26.0%	228,025	109,230	118,794	6,209
Titularizadora Colombiana S.A.	26.9%	149737	16,471	133,265	3,349
		377,762	125,701	252,059	9,558
		31,074,477	26,786,183	4,288,290	417,656

December 31, 2018

	%Share	Total Assets	Total Liabilities	Total Equity	Profit (Loss)
Subsidiaries					
Fiduciaria Davivienda S.A.	94.7%	251,911	30,511	221,400	41,708
Corredores Davivienda S.A.	91.6%	223,745	139,030	84,714	12,916
Cobranzas Sigma S.A.S.	94.0%	1,638	441	1,197	857
Banco Davivienda Panamá S.A.	100.0%	4,140,225	3,630,810	509,415	28,248
Banco Davivienda Panamá Internacional S.A.	100.0%	573,288	375,975	197,314	25,278
Grupo del Istmo Costa Rica S.A.	80.8%	9,874,040	8,969,729	904,310	79,296
Inversiones Financieras Davivienda S.A.	96.1%	8,572,134	7,571,251	1,000,883	93,477
Banco Davivienda Honduras S.A.	94.2%	3,660,716	3,268,628	392,088	28,325
Seguros Bolívar Honduras S.A.	88.6%	289,642	183,437	106,204	19,986
		27,587,339	24,169,812	3,417,525	330,091
Associates					
Redeban Multicolor S.A.	26,0%	199,395	94,799	104,596	15,469
Titularizadora Colombiana S.A.	26,9%	151,447	16,911	134,536	14,923
		350,842	111,710	239,132	30,392
		27,938,181	24,281,522	3,656,657	360,483

The information of the investment flow in associates is as follows:

	December 31, 2019	December 31, 2018
Balance at the beginning of the period	63,362	59,043
Dividends declared (*)	(4,862)	(4,152)
Equity method applied to associates	8,217	8,471
Balance at the end of the period	66,717	63,362

** All dividends were received in cash.*

(Millions of Colombian Pesos (COP))

12.3.8. Joint operations

The information of the joint operations corresponding to retail business share is as follows:

	December 31, 2019			December 31, 2018		
	Assets	Liabilities	% Share.	Assets	Liabilities	% Share.
Loan portfolio	88,714	-		79,998	-	
Interests	1,886	-	50.0%	2,931	-	50.0%
Other current charges	557	-		542	-	
	91,157	-		83,471	-	

Shares in joint operations of assets include:

	December 31, 2019	December 31, 2018
Colombian Pesos		
Loan portfolio	88,714	79,998
Interests	1,886	2,931
Other current charges	557	542
	91,157	83,471

Shares in joint operations do not include balances in liabilities.

The information of the flow of joint operations is as follows:

	December 31, 2019	December 31, 2018
Balance at the beginning of the period	83,471	73.848
Increase (decrease) in loan portfolio, interests, and other charges	7,686	9,623
	91,157	83,471

12.4. Derivatives

The information of derivatives concluded by the Bank is as follow:

December 31, 2019

	Assets		Liabilities		Total
	Notional amount	Fair value	Notional amount	Fair value	
Spot operations	7,843	11	9,831	11	-
Option contracts	530,484	7,233	589,620	9,840	(2,607)
Futures contracts	2,924,112	-	-	-	-
Swap contracts	10,149,224	269,290	10,381,932	282,595	(13,305)
Forward contracts	7,422,267	233,804	9,389,383	325,366	(91,562)
	21,033,930	510,338	20,370,766	617,812	(107,474)

December 31, 2018

	Assets		Liabilities		Total
	Notional amount	Fair value	Notional amount	Fair value	
Spot operations	25,921	24	28,433	57	(33)
Option contracts	2,084,557	23,846	1,962,133	49,036	(25,190)
Futures contracts	4,313,062	-	-	-	-
Swap contracts	11,090,696	208,282	11,794,509	257,112	(48,830)
Forward contracts	13,206,464	201,543	10,001,563	201,432	111
	30,720,700	433,695	23,786,638	507,637	(73,942)

(Millions of Colombian Pesos (COP))

The information of the profit and loss of derivatives for speculation purposes is as follows:

December 31, 2019

		Forward	Futures	Swaps	Options	Total
Purchase on foreign currencies	Right	8,185,124	2,465,085	330,071	-	10,980,280
	Obligation	8,488,228	2,465,085	354,005	-	11,307,318
Sale on foreign currencies	Right	7,357,271	363,421	283,000	-	8,003,692
	Obligation	7,144,175	363,421	262,682	-	7,770,278
Purchase on securities	Right	537,915	185,048	-	-	722,963
	Obligation	537,675	185,048	-	-	722,723
Sale on securities	Right	876,914	491,390	-	-	1,368,304
	Obligation	878,708	491,390	-	-	1,370,098
On interest rate	Right	-	-	3,181,882	-	3,181,882
	Obligation	-	-	3,191,571	-	3,191,571
Call options	Purchase	-	-	-	2,002	2,002
	Sale	-	-	-	(2,239)	(2,239)
Put options	Purchase	-	-	-	5,231	5,231
	Sale	-	-	-	(7,601)	(7,601)
Total rights		16,957,224	3,504,944	3,794,953		24,257,121
Total obligations		17,048,786	3,504,944	3,808,258		24,361,988
Net		(91,562)	-	(13,305)	(2,607)	(107,474)

December 31, 2018

		Forward	Futures	Swaps	Options	Total
Purchase on foreign currencies	Right	8,350,547	2,304,426	480,069	-	11,135,042
	Obligation	8,149,123	2,304,426	445,850	-	10,899,399
Sale on foreign currencies	Right	8,632,694	1,444,424	661,466	-	10,738,584
	Obligation	8,830,862	1,444,424	729,621	-	11,004,907
Purchase on securities	Right	53,091	111	-	-	53,202
	Obligation	52,980	111	-	-	53,091
Sale on securities	Right	1,293,469	3,257	-	-	1,296,726
	Obligation	1,296,725	3,257	-	-	1,299,982
On interest rate	Right	-	-	2,725,961	-	2,725,961
	Obligation	-	-	2,740,855	-	2,740,855
Call options	Purchase	-	-	-	17,522	17,522
	Sale	-	-	-	(47,886)	(47,886)
Put options	Purchase	-	-	-	6,324	6,324
	Sale	-	-	-	(1,150)	(1,150)
Total rights		18,329,801	3,752,218	3,867,496		25,949,515
Total obligations		18,329,690	3,752,218	3,916,326		25,998,234
Net		111	-	(48,830)	(25,190)	(73,909)

The information of the maturity periods of derivative assets and liabilities is as follows:

December 31, 2019

	Under 1 year	1-5 years	5-10 years	Over 10 years	Total
Option contracts	(2,607)	-	-	-	(2,607)
Swap contracts	2,965	(7,374)	(8,896)	-	(13,305)
Forward contracts	(88,043)	(3,519)	-	-	(91,562)
	(87,685)	(10,893)	(8,896)	-	(107,474)

(Millions of Colombian Pesos (COP))

December 31, 2018

	Under 1 year	1-5 years	5-10 years	Over 10 years	Total
Spot operations	(33)	-	-	-	(33)
Option contracts	(25,190)	-	-	-	(25,190)
Futures contracts	-	-	-	-	-
Swap contracts	(42,399)	(1,993)	(3,761)	(677)	(48,830)
Forward contracts	1,697	(1,586)	-	-	111
	(65,925)	(3,579)	(3,761)	(677)	(73,942)

Creditworthiness of Derivatives

The information of the derivatives portfolio creditworthiness is detailed below based on the rating assigned by independent risk rating agents to the counterparties with which the derivative contracts are entered into:

December 31, 2019

Creditworthiness	Option contracts	Futures contracts	Swap contracts	Forward contracts
Investment grade	4,722	-	264,159	159,855
No rating or unavailable	2,511	-	5,131	73,949
	7,233	-	269,290	233,804

December 31, 2018

Creditworthiness	Option contracts	Futures contracts	Swap contracts	Forward contracts
Investment grade	21,409	-	204,226	170,661
Issued and guaranteed by the Nation and/or the Central Bank	321	-	-	-
No rating or unavailable	2,116	-	4,056	30,882
	23,846	-	208,282	201,543

(Millions of Colombian Pesos (COP))

12.5. **Credit portfolio and financial leasing operations, net**

12.5.1. Credit portfolio and financial leasing by type

The information of the credit portfolio and financial leasing by type is as follows:

	December 31, 2019	December 31, 2018
Commercial portfolio		
Business and construction	19,628,336	21,047,478
Other business lines	10,004,878	8,632,359
Financial leasing	3,034,724	2,618,538
Credit card	464,442	452,972
Vehicles	215,329	485,388
Checking account overdrafts	185,074	173,017
	33,532,783	33,409,752
Consumer portfolio		
Credit card	4,903,319	4,079,828
Other consumer lines	16,533,669	11,468,990
Vehicles	2,265,715	2,122,550
Checking accounts overdrafts	23,484	27,325
Financial Leasing	15,099	17,683
	23,741,286	17,716,376
Mortgage portfolio(1)		
Mortgage portfolio	8,718,898	8,187,686
Residential leasing	10,112,223	8,713,098
	18,831,121	16,900,784
Microcredit portfolio		
Financial leasing	123	283
Microcredit	24,566	56,550
	24,689	56,833
Gross portfolio	76,129,879	68,083,745
Minus individual provision	(4,209,223)	(3,487,848)
Minus general provision	(188,986)	(170,025)
	(4,398,209)	(3,657,873)
Total portfolio	71,731,670	64,425,872

(1) It Includes Portfolio of Employees worth $ 202,589 at December 31, 2019 and $ 192,195 at December 31, 2018.

12.5.2. **Social-interest housing (VIS)**

The Bank invested resources worth $ 2,037,762, which correspond to individual loans worth $ 968,859 and construction loans worth $ 1,068,903 at December 31, 2019, and resources worth $ 2,129,012 corresponding to individual loans worth $ 973,451 and construction loans worth $ 1,155,561 at December 31, 2018.

(Millions of Colombian Pesos (COP))

The information of the balance and amount of credits corresponding to the social-interest housing portfolio is as follows:

	December 31, 2019		December 31, 2018	
	Number of obligations	Amount	Number of obligations	Amount
Individual	168,330	5,624,200	163,876	5,258,559
Construction	182	831,029	183	885,401
Leasing	183	3,506	229	4,211
	168,695	6,458,735	164,288	6,148,171

12.5.3. **Portfolio with interest-rate subsidy**

The information of the balances corresponding to the mortgage portfolio with interest-rate subsidy is as follows:

December 31, 2019

Decreto	Real estate value in Legal Monthly Minimum Wages	Rate coverage %	Amount of credits	Disbursement value	Capital balance
1143/2019	VIS up to 135	5.0%	16,732	474,989	241,942
	>135 up to 235	4.0%	1,327	81,933	35,750
	>235 up to 335	3.0%	1,097	98,151	38,148
			19,156	655,073	315,840
1190/2012	VIS up to 70	5.0%	12,790	296,535	260,799
	>70 up to 135	4.0%	50,087	2,373,689	2,168,110
			62,877	2,670,224	2,428,909
0701/2013	>135 up to 235 >235 up to 335	2.5%	4,678	445,582	314,359
2480/2014 161/2014	0 up to 70	5.0%	17,264	398,997	382,923
428/2015 1442/2017	>70 up to 135	5.0%	2,435	62,082	61,328
	135 up to 435	4.0%	17,636	898,801	869,841
			20,071	960,883	931,169
2500/2015	>135 up to 235 >235 up to 335	2.5%	11,101	1,405,690	1,275,591
			135,147	6,536,449	5,648,791

(Millions of Colombian Pesos (COP))

December 31, 2018

Decree	Real Estate value in Legal Monthly Minimum Wages	Rate coverage %	Amount of credits	Disbursement value	Capital balance
1143/2019	Vis up to 135	5.0%	24,564	698,188	293,483
	>135 up to 235	4.0%	3,651	223,905	44,348
	>235 up to 335	3.0%	2,545	223,096	49,469
			30,760	1,145,189	387,300
1190/2012	VIS up to 70	5.0%	14,254	325,780	272,814
	>70 up to 135	4.0%	51,106	2,314,937	2,043,574
			65,360	2,640,717	2,316,388
0701/2013	>135 up to 235 >235 up to 335	2.5%	6,758	630,580	365,945
2480/2014 161/2014	0 up to 70	5.0%	17,925	414,306	401,373
428/2015 1442/2017	>70 up to 135	5.0%	1,182	29,540	29,252
	135 up to 435	4.0%	11,836	597,374	581,217
			13,018	626,914	610,469
2500/2015	>135 up to 235 >235 up to 335	2.5%	15,525	1,871,924	1,635,945
			149,346	7,329,630	5,717,420

(Millions of Colombian Pesos (COP))

12.5.4. Credit portfolio and financial leasing by risk rating

The information of the credit portfolio by risk rating is as follows:

December 31, 2019

						Provisions		
Rating	Capital	Interests	Others(1)	Total	Eligible Collateral	Capital	Interests	Others()
Commercial								
A - Normal	25,831,509	210,018	9,457	26,050,984	15,105,751	(365,674)	(7,072)	(437)
B - Acceptable	1,676,393	21,000	1,092	1,698,485	939,777	(67,185)	(1,549)	(198)
C - Appreciable	918,991	17,431	583	937,005	701,057	(116,132)	(10,667)	(506)
D - Significant	1,632,955	56,393	5,837	1,695,185	802,672	(1,181,314)	(56,306)	(5,837)
E - Irrecoverable	438,211	22,150	2,867	463,228	201,784	(389,349)	(22,150)	(2,867)
	30,498,059	326,992	19,836	30,844,887	17,751,041	(2,119,654)	(97,744)	(9,845)
Consumer								
A - Normal	21,821,528	160,557	43,803	22,025,888	3,310,122	(647,493)	(5,679)	(1,807)
B - Acceptable	606,576	11,992	2,308	620,876	131,109	(73,509)	(1,984)	(533)
C - Appreciable	416,442	8,193	1,567	426,202	115,109	(84,020)	(7,810)	(1,464)
D - Significant	628,816	19,517	3,262	651,595	161,898	(555,951)	(19,517)	(3,262)
E - Irrecoverable	252,825	8,709	2,947	264,481	190,141	(218,947)	(8,709)	(2,947)
	23,726,187	208,968	53,887	23,989,042	3,908,379	(1,579,920)	(43,699)	(10,013)
Mortgage								
A - Normal	8,051,236	37,715	10,830	8,099,781	20,039,049	(79,438)	(418)	(542)
B - Acceptable	255,945	5,637	1,417	262,999	651,985	(8,261)	(5,637)	(1,417)
C - Appreciable	132,414	5,361	1,579	139,354	340,153	(13,253)	(5,361)	(1,579)
D - Significant	220,062	6,358	2,488	228,908	582,267	(44,028)	(6,358)	(2,488)
E - Irrecoverable	59,241	3,310	2,096	64,647	149,092	(18,677)	(3,310)	(2,096)
A - Normal	8,718,898	58,381	18,410	8,795,689	21,762,546	(163,657)	(21,084)	(8,122)
General Provision (Mortgage Impairment)						(87,395)	-	-
	8,718,898	58,381	18,410	8,795,689	21,762,546	(251,052)	(21,084)	(8,122)
Microcredit								
A - Normal	16,515	148	121	16,784	15,465	(165)	(28)	(29)
B - Acceptable	1,301	6	16	1,323	1,205	(33)	(3)	(14)
C - Appreciable	709	2	5	716	599	(58)	(1)	(5)
D - Significant	1,425	7	16	1,448	1,253	(273)	(7)	(16)
E - Irrecoverable	4,616	48	107	4,771	3,848	(1,921)	(48)	(107)
	24,566	211	265	25,042	22,370	(2,450)	(87)	(171)
General Provision (Microcredit Impairment)						(246)	-	-
	24,566	211	265	25,042	22,370	(2,696)	(87)	(171)
Portfolio (*)	62,967,710	594,552	92,398	63,654,660	43,444,336	(3,953,322)	(162,614)	(28,151)

(*) It does not include leasing portfolio

(1) It includes mainly handling fees, insurance and payments on behalf of clients.

Banco Davivienda S.A.
Notes to the Separate Financial Statement
(Millions of Colombian Pesos (COP))

December 31, 2018

Rating	Capital	Interests	Others(1)	Total	Eligible collateral	Provisions Capital	Provisions Interests	Provisions Otros (1)
Commercial								
A - Normal	26,556,213	228,300	10,594	26,795,107	12,389,616	(378,185)	(4,451)	(480)
B - Acceptable	1269,380	15,616	893	1,285,889	676,370	(62,378)	(1,337)	(162)
C - Appreciable	1,438,246	9,673	582	1,448,501	448,996	(252,298)	(6,508)	(508)
D - Significant	1,116,076	34,293	6,344	1,156,713	402,741	(700,857)	(34,293)	(6,344)
E - Irrecoverable	411,299	4,650	1,450	417,399	98,865	(375,067)	(4,650)	(1,450)
	30,791,214	292,532	19,863	31,103,609	14,016,588	(1,768,785)	(51,239)	(8,944)
Consumer loans								
A - Normal	15,979,990	141,373	43,655	16,165,018	3,488,772	(421,361)	(5,365)	(1,719)
B - Acceptable	500,184	11,339	2,224	513,747	129,788	(60,319)	(2,261)	(519)
C - Appreciable	352,434	8,134	1,523	362,091	107,832	(69,402)	(7,713)	(1,424)
D - Significant	663,677	21,603	3,743	689,023	184,315	(579,185)	(21,603)	(3,743)
E - Irrecoverable	202,408	5,399	2,209	210,016	156,451	(173,223)	(5,399)	(2,209)
	17,698,693	187,848	53,354	17,939,895	4,067,158	(1,303,490)	(42,341)	(9,614)
Mortgage								
A - Normal	7,616,691	38,056	10,052	7,664,799	18,688,323	(75,229)	(381)	(664)
B - Acceptable	218,445	3,650	1,254	223,349	574,102	(6,988)	(3,650)	(1,254)
C - Appreciable	108,997	2,772	1,241	113,010	282,345	(10,873)	(2,772)	(1,241)
D - Significant	195,328	2,552	2,213	200,093	512,097	(39,081)	(2,552)	(2,213)
E - Irrecoverable	48,225	335	1,745	50,305	119,572	(15,063)	(335)	(1,745)
	8,187,686	47,365	16,505	8,251,556	20,176,439	(147,234)	(9,690)	(7,117)
General provision (Housing Impairment)						(82,103)	-	-
	8,187,686	47,365	16,505	8,251,556	20,176,439	(229,337)	(9,690)	(7,117)
Microcredit								
A - Normal	44,911	415	219	45,545	40,485	(449)	(52)	(48)
B - Acceptable	2,800	19	22	2,841	2,458	(72)	(11)	(20)
C - Appreciable	1,711	10	15	1,736	1,547	(125)	(6)	(13)
D - Significant	2,130	25	23	2,178	1,715	(462)	(25)	(23)
E - Irrecoverable	4,998	59	134	5,191	4,216	(2,084)	(59)	(134)
	56,550	528	413	57,491	50,421	(3,192)	(153)	(238)
General Provision (Microcredit Impairment)						(565)	-	-
	56,550	528	413	57,491	50,421	(3,757)	(153)	(238)
Portfolio	56,734,143	528,273	90,135	57,352,551	38,310,606	(3,305,369)	(103,423)	(25,913)

(*) It does not include leasing portfolio
(1) It includes mainly handling fees, insurances and payments on behalf of clients.

(Millions of Colombian Pesos (COP))

The information of the financial leasing by risk rating is as follows:

December 31, 2019

Rating	Capital	Interests	Others (1)	Total	Eligible Collateral	Provisions Capital	Provisions Interests	Provisions Others (1)
Commercial Loans								
A - Normal	2,663,071	18,355	3,580	2,685,006	2,634,419	(51,473)	(887)	(346)
B - Acceptable	126,641	1,941	489	129,071	123,772	(5,084)	(240)	(115)
C - Appreciable	17,571	186	133	17,890	17,482	(2,018)	(171)	(128)
D - Significant	151,157	3,893	1,518	156,568	149,607	(64,002)	(3,893)	(1,518)
E - Irrecoverable	76,284	3,211	5,400	84,895	75,134	(58,357)	(3,211)	(5,400)
	3,034,724	27,586	11,120	3,073,430	3,000,414	(180,934)	(8,402)	(7,507)
Consumer Loans								
A - Normal	13,426	118	47	13,591	20,471	(209)	(3)	(2)
B - Acceptable	263	2	2	267	520	(22)	-	(2)
C - Appreciable	327	3	6	336	452	(61)	(3)	(6)
D - Significant	555	13	38	606	819	(326)	(13)	(38)
E - Irrecoverable	528	11	176	715	857	(423)	(11)	(176)
	15,099	147	269	15,515	23,119	(1,041)	(30)	(224)
Mortgage Loans								
A - Normal	9,538,228	41,773	14,026	9,594,027	22,450,765	(96,892)	(452)	(764)
B - Acceptable	268,457	6,401	1,796	276,654	590,862	(8,828)	(6,401)	(1,796)
C - Appreciable	116,778	5,938	2,352	125,068	260,773	(11,936)	(5,938)	(2,352)
D - Significant	128,923	4,974	2,650	136,547	282,497	(25,787)	(4,974)	(2,650)
E - Irrecoverable	59,837	4,980	2,706	67,523	118,603	(18,122)	(4,980)	(2,706)
	10,112,223	64,066	23,530	10,199,819	23,703,500	(161,565)	(22,745)	(10,268)
General Provision (Mortgage Impairment)						(101,344)	-	-
	10,112,223	64,066	23,530	10,199,819	23,703,500	(262,909)	(22,745)	(10,268)
Microcredit								
A - Normal	109	1	2	112	109	(1)	-	-
B - Acceptable	2	-	-	2	2	-	-	-
C - Appreciable	12	-	-	12	12	(1)	-	-
	123	1	2	126	123	(2)	-	-
General Provision (Microcredit Impairment)						(1)	-	-
	123	1	2	126	123	(3)	-	-
Financial Leasing	13,162,169	91,800	34,921	13,288,890	26,727,156	(444,887)	(31,177)	(17,999)

(1) It includes mainly handling fees, insurances and payments on behalf of clients.

(Millions of Colombian Pesos (COP))

December 31, 2018

Rating	Capital	Interests	Others (1)	Total	Eligible Collateral	Provisions Capital	Provisions Interests	Provisions Others()
Commercial Loans								
A - Normal	2,280,076	13,904	3,289	2,297,269	3,662,964	(42,974)	(676)	(321)
B - Acceptable	142,534	1,567	603	144,704	251,654	(5,707)	(193)	(114)
C - Appreciable	59,840	1,155	417	61,412	123,161	(5,394)	(966)	(369)
D - Significant	96,086	2,693	1,996	100,775	170,957	(43,078)	(2,693)	(1,996)
E - Irrecoverable	40,002	1,316	3,241	44,559	121,861	(29,574)	(1,316)	(3,241)
	2,618,538	20,635	9,546	2,648,719	4,330,597	(126,727)	(5,844)	(6,041)
Consumer Loans								
A - Normal	15,840	142	43	16,025	21,967	(231)	(3)	(1)
B - Acceptable	413	7	5	425	670	(25)	(1)	(1)
C - Appreciable	411	3	3	417	525	(67)	(2)	(3)
D - Significant	510	6	71	587	850	(317)	(6)	(71)
E - Irrecoverable	509	13	189	711	1,053	(321)	(13)	(189)
	17,683	171	311	18,165	25,065	(961)	(25)	(265)
Mortgage								
A - Normal	8,260,861	39,519	9,357	8,309,737	19,526,255	(84,011)	(395)	(439)
B - Acceptable	200,847	3,698	1,444	205,989	442,654	(6,463)	(3,698)	(1,444)
C - Appreciable	85,377	3,018	1,303	89,698	184,447	(8,598)	(3,018)	(1,303)
D - Significant	115,084	1,757	1,714	118,555	238,575	(23,018)	(1,757)	(1,714)
E - Irrecoverable	50,929	385	1,943	53,257	100,192	(15,347)	(385)	(1,943)
	8,713,098	48,377	15,761	8,777,236	20,492,123	(137,437)	(9,253)	(6,843)
General Provision (Mortgage Impairment)						(87,354)	-	-
	8,713,098	48,377	15,761	8,777,236	20,492,123	(224,791)	(9,253)	(6,843)
Microcredit								
A - Normal	216	2	1	219	216	(2)	-	-
E - Irrecoverable	67	-	5	72	-	(20)	-	(5)
	283	2	6	291	216	(22)	-	(5)
General Provision (Microcredit Impairment)						(3)	-	-
	283	2	6	291	216	(25)	-	(5)
Financial Leasing	11,349,602	69,185	25,624	11,444,411	24,848,001	(352,504)	(15,122)	(13,154)

(1) It includes mainly handling fees, insurances and payments on behalf of clients.

(Millions of Colombian Pesos (COP))

12.5.5. **Credit portfolio and financial leasing by economic sector**

The information of the gross credit portfolio and financial leasing by economic sector is as follows:

December 31, 2019

Sector	Commercial	Consumer	Mortgage	FInancial Leasing	Microcredit	Net	% Share.
Employees	413,743	23,726,187	8,718,898	10,310,222	2.967	43,172,017	56.7%
Construction	5,922,790	-	-	174,560	161	6,097,511	8.0%
Manufacturing industries	5,516,381	-	-	496,734	628	6,013,743	7.9%
Wholesale-retail trade; repair of motor vehicles and motorcycles	3,637,159	-	-	566,908	1.033	4,205,100	5.5%
Transport and storage	2,390,979	-	-	374,297	17.569	2,782,845	3.7%
Supply of electricity, gas, steam, and air conditioning	2,190,789	-	-	3,314	28	2,194,131	2.9%
Financial and insurance activities	2,084,357	-	-	44,466	19	2,128,842	2.8%
Agriculture, livestock, forestry, and fishing	1,829,757	-	-	179,196	305	2,009,258	2.6%
Professional, scientific, and technical activities	944,091	-	-	142,793	1.056	1,087,940	1.4%
Public administration and defense; compulsory social security plans	1.020,108	-	-	12,739	-	1,032,847	1.4%
Real estate activities	651,849	-	-	228,441	10	880,300	1.2%
Human health care and social assistance	686,820	-	-	141,831	59	828,710	1.1%
Information and communications	679,644	-	-	42,446	14	722,104	0.9%
Activities of administrative and support services	570,775	-	-	152,476	276	723,527	1.0%
Accommodation and meal service activities	465,678	-	-	65,301	63	531,042	0.7%
Renters of capital for natural persons only	351,844	-	-	45,259	205	397,308	0.5%
Mining and quarrying activities	341,347	-	-	15,003	-	356,350	0.5%
Education	288,250	-	-	37,191	54	325,495	0.4%
Water supply; sewerage, waste and decontamination	208,454	-	-	61,228	17	269,699	0.4%
Other service activities	182,430	-	-	9,981	72	192,483	0.3%
Artistic, entertainment and recreational activities	96,020	-	-	51,326	30	147,376	0.2%
Activities of households as employers; non-differentiated activities of households as producers of goods and services for own use	24,794	-	-	6,457	-	31,251	0.0%
	8,341,861	-	-	1,191,668	2,161	9,535,690	12.5%

(Millions of Colombian Pesos (COP))

December 31, 2018

Sector	Commercial	Consumer	Mortgage	Financial Leasing	Microcredit	Net	% Share.
Employees	365,704	17,698,693	8,187,686	8,875,269	7,825	35,135,177	51.6%
Construction	6,277,257	-	-	163,104	325	6,440,686	9.5%
Manufacturing industries	4,763,506	-	-	427,322	1,283	5,192,111	7.6%
Wholesale-Retail trade; repair of motor vehicles and motorcycles	3,919756	-	-	521,757	2.727	4,444,240	6.5%
Transport and storage	2,643,881	-	-	353,222	39.501	3,036,604	4.5%
Supply of electricity, gas, steam and air conditioning	2,766,744	-	-	31,861	40	2,798,645	4.1%
Financial and insurance activities	2,049,595	-	-	26,455	40	2,076,090	3.0%
Agriculture, livestock, forestry and fishing	1,625,059	-	-	132,729	715	1,758,503	2.6%
Professional, scientific and technical activities	950,240	-	-	100,106	2.211	1,052,557	1.5%
Public administration and defense; compulsory social security plans	1,322,015	-	-	4,604	1	1,326,620	1.9%
Real estate activities	735,407	-	-	165,676	41	901,124	1.3%
Human health care and social assistance	656,397	-	-	98,533	159	755,089	1.1%
Information and communications	671,698	-	-	32,101	128	703,927	1.0%
Activities of administrative and support services	613,028	-	-	161,141	581	774,750	1.1%
Accommodation and meal service activities	333,512	-	-	67,413	152	401,077	0.6%
Renters of capital for natural persons only	232,982	-	-	38,559	459	272,000	0.4%
Mining and quarrying activities	200,567	-	-	15,812	-	216,379	0.3%
Education	256,725	-	-	40,664	112	297,501	0.4%
Water supply; sewerage, waste and decontamination	146,826	-	-	29,503	64	176,393	0.3%
Other service activities	145,937	-	-	8,378	106	154,421	0.2%
Artistic, entertainment and recreational activities	93,422	-	-	49,139	63	142,624	0.2%
Activities of households as employers; non-differentiated activities of households as producers of goods and services for own use	20,956	-	-	6,254	17	27,227	0.0%
	8,004,771	-	-	950,612	4,809	8,960,192	13.2%

(Millions of Colombian Pesos (COP))

12.5.6. Credit portfolio and financial leasing by geographic area

The information of the gross credit portfolio by geographic area is as follows:

	December 31, 2019	December 31, 2018
Commercial Portfolio		
Bogotá	12,932,476	13,318,120
Antioquia	7,351,433	6,810,946
North-eastern	5,113,418	5,660,824
South-western	3,862,896	3,706,060
Total Colombia	29,260,223	29,495,950
Miami branch	1,237,836	1,295,264
	30,498,059	30,791,214
Consumer Portfolio		
Bogotá	11,567,887	8,357,902
Antioquia	4,287,376	3,242,500
North-eastern	4,594,937	3,631,699
South-western	3,273,564	2,464,280
Total Colombia	23,723,764	17,696,381
Miami branch	2,423	2,312
	23,726,187	17,698,693
Mortgage Portfolio		
Bogotá	4,933,284	4,844,129
Antioquia	1,124,715	1,013,949
North-eastern	1,555,331	1,432,191
South-western	1,105,568	897,417
Total Colombia	8,718,898	8,187,686
Microcredit		
Bogotá	17,859	42,763
Antioquia	2,383	5,330
North-eastern	4,304	7,826
South-western	20	631
Total Colombia	24,566	56,550
	62,967,710	56,734,143

(Millions of Colombian Pesos (COP))

The information of the gross financial leasing by geographic area is as follows:

	December 31, 2019	December 31, 2018
Commercial Portfolio		
Bogotá	2,220,157	1,907,970
Antioquia	395,686	328,432
North-eastern	256,560	226,770
South-western	162,321	155,366
Total Colombia	3,034,724	2,618,538
Consumer Portfolio		
Bogotá	11,152	13,821
Antioquia	1,429	1,807
North-eastern	2,021	1,226
South-western	497	829
Total Colombia	15,099	17,683
Mortgage Portfolio		
Bogotá	4,599,894	3,936,246
Antioquia	2,285,746	1,944,282
North-eastern	1,994,012	1,775,961
South-western	1,232,571	1,056,609
Total Colombia	10,112,223	8,713,098
Microcredit		
Bogotá	102	249
Antioquia	21	34
Total Colombia	123	283
	13,162,169	11,349,602
Gross Portfolio	76,129,879	68,083,745

12.5.7. **Credit portfolio and financial leasing by currency unit**

The information of the gross credit portfolio and financial leasing by currency unit is as follows:

December 31, 2019

Item	Legal Tender	Foreign Currency	RVU	Total
Commercial	22,416,886	5,111,123	2,970,050	30,498,059
Consumer	23,650,901	75,286	-	23,726,187
Mortgage(1)	6,737,382	-	1,981,516	8,718,898
Microcredit	24,566	-	-	24,566
Financial Leasing (1)	12,318,383	-	843,786	13,162,169
	65,148,118	5,186,409	5,795,352	76,129,879

(1) It includes portfolio of employees

(Millions of Colombian Pesos (COP))

December 31, 2018

Item	Legal Tender	Foreign Currency	RVU	Total
Commercial	22,240,524	5,069,942	3,480,748	30,791,214
Consumer	17,613,843	84,850	-	17,698,693
Mortgage(1)	6,334,328	-	1,853,358	8,187,686
Microcredit	56,550	-	-	56,550
Financial Leasing (1)	10,656,817	-	692,785	11,349,602
	56,902,062	5,154,792	6,026,891	68,083,745

(1) It includes portfolio of employees

12.5.8. Credit portfolio and financial leasing by maturity period

The information of the gross credit portfolio by maturity period is as follows:

December 31, 2019

Item	0 to 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total
Commercial	7,453,588	11,721,423	7,780,641	3,542,407	30,498,059
Consumer	1,649,906	17,403,616	4,518,210	154,455	23,726,187
Mortgage	6,922	217,527	1,733,330	6,761,119	8,718,898
Microcredit	4,844	19,681	41	-	24,566
	9,115,260	29,362,247	14,032,222	10,457,981	62,967,710

December 31, 2018

Item	0 to 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total
Commercial	9,368,451	11,843,084	7,131,153	2,448,526	30,791,214
Consumer	260,149	9,283,304	3,976,431	4,178,809	17,698,693
Mortgage	6,327	186,310	1,543,583	6,451,466	8,187,686
Microcredit	7,358	49,106	86	-	56,550
	9,642,285	21,361,804	12,651,253	13,078,801	56,734,143

The information of the financial leasing by maturity period is as follows:

December 31, 2019

Item	0 to 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total
Commercial	70,415	1,088,411	1,699,869	176,029	3,034,724
Consumer	995	14,024	80	-	15,099
Mortgage	3,686	209,366	1,737,796	8,161,375	10,112,223
Microcredit	33	90	-	-	123
	75,129	1,311,891	3,437,745	8,337,404	13,162,169

December 31, 2018

Item	0 to 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total
Commercial	50,178	964,983	1,427965	175,412	2,618,538
Consumer	1,269	16,154	260	-	17,683
Mortgage	4,876	177,236	1,589,982	6,941,004	8,713,098
Microcredit	44	239	-	-	283
	56,367	1,158,612	3,018,207	7,116,416	11,349,602

(Millions of Colombian Pesos (COP))

12.5.9. **Information of the restructured portfolio**

The information of the restructured portfolio is as follows:

December 31, 2019

Item	Number of obligations	Ordinary restructured loans	Provision	Guarantee
Commercial	2,553	1,052,053	600,825	515,854
Consumer	43,699	898,896	484,662	209,356
Mortgage	9,206	339,560	52,291	926,106
Microcredit	172	4,716	1,522	3,964
	55,630	2,295,225	1,139,300	1,655,280

December 31, 2018

Item	Number of obligations	Ordinary restructured loans	Provision	Guarantee
Commercial	2,754	683,657	285,106	361,495
Consumer	42,035	964,468	470,290	178,001
Mortgage	8,584	287,621	45,296	797,407
Microcredit	179	5,717	1,548	4,718
	53,552	1,941,463	802,240	1,341,621

The information of the restructured financial leasing is as follows:

December 31, 2019

Item	Number of obligations	Ordinary restructured loans	Provision	Guarantee
Commercial	484	85,491	43,209	83,838
Consumer	6	163	131	229
Mortgage	1,097	186,409	27,578	422,114
	1,587	272,063	70,918	506,181

December 31, 2018

Item	Number of obligations	Ordinary restructured loans	Provision	Guarantee
Commercial	505	82,122	29,621	202,206
Consumer	6	144	70	230
Mortgage	854	141,144	21,985	307,377
	1,365	223,410	51,676	509,813

(Millions of Colombian Pesos (COP))

12.5.9.1. Restructured credits by rating

The information of the gross restructured portfolio by rating is as follows:

December 31, 2019

Item	Commercial		Consumer		Mortgage		Microcredit	
	Number of Credits	Amount	Number of Credits	Amount	Number of Credits	Amount	Number of Credits	Amount
A - Normal	135	29,464	10,145	209,907	1,554	44,311	11	242
B - Acceptable	303	165,444	4,352	93,696	945	42,255	10	249
C - Deficient	224	178,353	8,486	157,279	965	35,555	7	187
D - Uncollectable	1.291	503,336	14,940	302,726	5,139	191,359	39	1,032
E - Irrecoverable	600	175,456	5,776	135,288	603	26,080	105	3,006
	2,553	1,052,053	43,699	898,896	9,206	339,560	172	4,716

December 31, 2019

Item	Commercial		Consumer		Mortgage		Microcredit	
	Number of Credits	Amount	Number of Credits	Amount	Number of Credits	Amount	Number of Credits	Amount
A - Normal	193	24,062	13,763	310,490	1,168	31,204	21	605
B - Acceptable	465	169,741	3,869	91,386	1,081	36,651	20	556
C - Deficient	269	151,242	5,647	123,462	935	27,626	11	362
D - Uncollectable	1,482	231,136	14,165	329,832	4,893	171,542	47	1,445
E - Irrecoverable	345	107,476	4,591	109,298	507	20,598	80	2,749
	2,754	683,657	42,035	964,468	8,584	287,621	179	5,717

The information of the gross restructured leasing by rating is as follows:

December 31, 2019

Item	Commercial		Consumer		Mortgage	
	Number of Credits	Amount	Number of Credits	Amount	Number of Credits	Amount
A - Normal	26	1,900	-	-	133	14,453
B - Acceptable	49	8,008	-	-	249	40,524
C - Deficient	24	2,742	-	-	114	18,727
D - Uncollectable	181	42,336	2	56	527	99,848
E - Irrecoverable	204	30,505	4	107	74	12,857
	484	85,491	6	163	1,097	186,409

December 31, 2018

Item	Commercial		Consumer		Mortgage	
	Number of Credits	Amount	Number of Credits	Amount	Number of Credits	Amount
A - Normal	34	6,506	-	-	151	17,328
B - Acceptable	60	11,494	-	-	128	21,449
C - Deficient	41	11,320	-	-	49	7,173
D - Uncollectable	193	34,391	2	14	464	82,182
E - Irrecoverable	177	18,411	4	130	62	13,012
	505	82,122	6	144	854	141,144

(Millions of Colombian Pesos (COP))

12.5.9.2. **Restructured credits by geographic area**

The information of the gross restructured portfolio by geographic area is as follows:

December 31, 2019

Item	Commercial	Consumer	Mortgage	Microcredit	Total
Bogotá	638,857	459,729	248,877	3,063	1,350,526
Antioquia	78,364	130,808	12,361	376	221,909
North-eastern	259,911	195,761	53,049	1,277	509,998
South-western	74,921	112,598	25,273	-	212,792
	1,052,053	898,896	339,560	4,716	2,295,225

December 31, 2018

Item	Commercial	Consumer	Mortgage	Microcredit	Total
Bogotá	265,975	492,474	216,560	4,018	979,027
Antioquia	77,387	135,922	10,944	327	224,580
North-eastern	264,349	218,668	39,774	1,372	524,163
South-western	75,946	117,404	20,343	-	213,693
	683,657	964,468	287,621	5,717	1,941,463

The information of the gross restructured leasing by geographic area is as follows:

December 31, 2019

Item	Commercial	Consumer	Mortgage	Microcredit	Total
Bogotá	60,472	163	102,807	-	163,442
Antioquia	10,019	-	19,854	-	29,873
North-eastern	9,407	-	45,859	-	55,266
South-western	5,593	-	17,889	-	23,482
	85.491	163	186.409	-	272.063

December 31, 2018

Item	Commercial	Consumer	Mortgage	Microcredit	Total
Bogotá	63,044	144	83,206	-	146,394
Antioquia	6,138	-	16,406	-	22,544
North-eastern	7,994	-	29,303	-	37,297
South-western	4,946	-	12,229	-	17,175
	82,122	144	141,144	-	223,410

12.5.10. **Portfolio of shareholders and employees**

The information of loans granted to shareholders and housing loans granted to employees with interest rate benefit is as follows:

Item	December 31, 2019	December 31, 2018
Shareholders*	285	320
Housing of Employees	95,992	96,991
Leasing Housing of Employees	106,596	95,204
	202,873	192,515

* Shareholders with shares higher than 5%

(Millions of Colombian Pesos (COP))

In compliance with the application of IFRS 9 and IAS 19, the Bank included in its financial statements the interest rate benefit it grants to its employees in loans for housing acquisition. It recognizes portfolio income and personnel expenses worth $10,996 million at December 31, 2019 and $10,410 million at December 31, 2018.

12.5.11. Loan portfolio sale

The information of the loan portfolio sale is as follows:

Current portfolio

December 31, 2019

Titularizadora Colombiana S.A.

Issue	Date	Number of loans	Rate	Capital	Interests	Other	Total	Net profit	Proceeds from the sale	Recovery of provisions
TIPS PESOS N-18	April-02-2019	2,600	5.60%	250,000	1,101	185	251,286	2,353	256,564	5,209
TIPS PESOS N-19	May-23-2019	2,738	5.60%	280,000	1,423	236	281,659	4,595	289,059	5,618
TIPS UVR U4	August-15-2019	2,523	5.50%	100,000	359	118	100,477	2,093	103,819	2,003
TIPS PESOS N20	October 04 de 2019	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

December 31, 2018

Titularizadora Colombiana S.A.

Issue	Date	Number of loans	Rate	Capital	Interests	Other	Total	Net profit	Proceeds from the sale	Recovery of provisions
TIPS PESOS N-17	February-27-2018	2,504	7.10%	157,884	985	189	159,058	3.930	163,732	3,176
TIPS UVR U3	July-19-2018	2,421	3.40%	90,990	382	130	91,503	1,841	92,894	1,824
		4,925		248,874	1,367	319	250,561	5,771	256,626	5,000

Written-off portfolio

December 31, 2019

Date	Number of loans	Capital	Interests	Other items	Total	Proceeds from the 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	191,889	17,369
November	14,747	117,916	6,709	4,561	129,185	10,584
	113,098	1,278,733	59,540	83,585	1,421,856	88,834

(Millions of Colombian Pesos (COP))

December 31, 2018

Date	Number of loans	Capital	Interests	Other items	Total	Proceeds from the sale
April	48,502	403,962	13,603	60,779	478,344	22,083
June	23,790	266,158	6,957	21,823	294,938	17,670
August	449	1,411	55	23	1,489	85
September	11,422	86,979	2,815	13,598	103,392	4,535
October	483	1,347	57	40	1,444	278
November	64,204	498,749	19,522	58,723	576,994	20,876
December	26,240	145,830	8,968	6,987	161,785	7,154
December	386	1,056	34	26	1,116	254
	175,476	1,405,492	52,011	161,999	1,619,502	72,935

12.5.12. **Loans written-off**

The following is the detail of written-off loans:

December 31, 2019

Item	Capital	Interests	Other items	Total
Commercial	441,651	13,772	6,398	461,821
Consumer	1,309,841	72,401	11,127	1,393,369
Mortgage	71,511	561	5.119	77.191
Microcredit	3,400	80	169	3.649
Other accounts receivable	-	-	493	493
	1,826,403	86.814	23.306	1.936.523

December 31, 2018

Item	Capital	Interests	Other items	Total
Commercial	145,856	9,247	8,064	163,167
Consumer	1,364,009	74,058	11,170	1,449,237
Mortgage	43,819	394	2,898	47,111
Microcredit	4,887	66	205	5,158
Other accounts receivable	-	-	412	412
	1,558,571	83,765	22,749	1,665,085

12.5.13. **Portfolio purchases and holdings**

There are not any portfolio purchases at December 31, 2019 and December 31, 2018.

Portfolio holdings are detailed as follows:

The Miami branch portfolio holdings at December 31, 2019, and December 31, 2018 are worth $ 520,237 and $ 582,209, respectively. These values are from loan operations with funding structures under which the Miami branch participates. They are recognized in proportion to the amount of the transaction; therefore, they do not impact profit and loss statements.

December 31, 2019

Number of loans	Capital	Interests	Other	Total	Premium	Profit on purchase
53	520,237	1,465	-	521,702	-	-

(Millions of Colombian Pesos (COP))

The balance of portfolio sold by the Miami branch at December 31, 2019, was USD $ 295 million, equivalent to COP $ 965,487; USD $ 187 million for Davivienda Colombia and USD $ 108 million for Davivienda Panama, equivalent to COP $ 614,278 and COP $ 351,209, respectively.

December 31, 2018

Number of loans	Capital	Interests	Other	Total	Premium	Profit on purchase
40	582,209	4,324	-	586,533	-	-

The balance of the portfolio sold by the Miami branch to the Panama subsidiary at December 31, 2018, was USD $ 57.3 million, equivalent to COP $ 186,219.

12.5.14. **Provision against loan and financial leasing portfolio**

December 31, 2019

	Commercial	Consumer	Mortgage	Microcredit	Total
Opening balance	1,895,512	1,304,451	454,128	3,782	3,657,873
Plus:					
Provisions charged to operating expenses	1,626,474	2,108,979	192,887	4,346	3,932,686
Minus:					
Repayment	(780,747)	(533,880)	(63,072)	(2,029)	(1,379,728)
Loan written-off	(441,651)	(1,309,841)	(71,511)	(3,400)	(1,826,403)
Differed from write-offs	365	5,523	1,517	-	7,405
Other	635	5,729	12	-	6,376
Closing balance	2,300,588	1,580,961	513,961	2,699	4,398,209

December 31, 2018

	Commercial	Consumer	Mortgage	Microcredit	Total
Opening balance	1,304,891	1,292,869	364,740	4,113	2,966,613
Plus:					
Provisions charged to operating expenses	1,383,276	1,921,483	175,368	6,344	3,486,471
Minus:					
Repayment	(649,418)	(553,172)	(42,652)	(1,788)	(1,247,030)
Loan written-off	(145,856)	(1,364,009)	(43,819)	(4,887)	(1,558,571)
Differed from write-offs	524	7,280	491	-	8,295
Other	2,095	-	-	-	2,095
Closing balance	1,895,512	1,304,451	454,128	3,782	3,657,873

(Millions of Colombian Pesos (COP))

12.5.15. Maturity periods of financial leases

The information of the maturity periods of financial leases is as follows:

December 31, 2019

	0 to 1 year	1 to 5 years	Over 5 years	Total
Gross investment in financial leases	2,428,722	8,547,743	14,751,435	25,727,900
Unearned financial income (financial lease/return)	(668,768)	(3,740,861)	(8,156,102)	(12,565,731)
Total lease minimum payment receivable at the current value	1,759,954	4,806,882	6,595,333	13,162,169

December 31, 2018

	0 to 1 year	1 to 5 years	Over 5 years	Total
Gross investment in financial leases	2,079,390	7,485,635	12,713,528	22,278,553
Unearned financial income (financial lease/return)	(557,930)	(3,353,637)	(7,017,384)	(10,928,951)
Total lease minimum payment receivable at the current value	1,521,460	4,131,998	5,696,144	11,349,602

12.6. Accounts receivable, net

Accounts receivable:

	December 31, 2019	December 31, 2018
Interest	607,726	534,810
Financing, Financial Leasing operations	91,715	69,106
Funds transferred to Icetex - abandoned accounts	221,879	183,900
Head office, subsidiaries, related parties, and associates	32,965	12,055
Deposits	50,467	56,544
Payment on customers account	27,485	22,624
Payment on customers account - loan	127,320	115,758
Interest receivable TIPS	7,524	6,749
Colombian treasury	15,250	20,920
Banco de la República - Rate cover	15,820	13,500
Sale of loans written off	22,431	30,503
International trade clearing	49,815	96,009
Sale of real property	2,373	5,129
Accounts receivable	1,272,770	1,167,607
Impairment provision	(262,882)	(181,705)
Accounts receivable, net	1,009,888	985,902

(Millions of Colombian Pesos (COP))

Other accounts receivable:

Tax advance	332,972	241,694
Contracts and vendors advances	803,898	689,022
Overhead leasing operations	23,174	42,798
Other	124,881	107,661
Other accounts receivable	1,284,925	1,081,175
Total accounts receivable and other accounts receivable	2,294,813	2,067,077

Accounts receivable ageing:

December 31, 2019

	Up to 1 year	1 to 5 years	Over 5 years	Total
Interest	567,635	40,059	32	607,726
Financing, financial leasing operations	79,980	11,729	6	91,715
Funds transferred to Icetex - abandoned accounts	221,879	-	-	221,879
Head office, subsidiaries, related parties, and associates	32,965	-	-	32,965
Deposits	50,467	-	-	50,467
Tax advance	332,972	-	-	332,972
Vendors and contractors advances	667,583	135,766	549	803,898
Payments on customer account	27,485	-	-	27,485
Payments on customer account - loans	108,304	18,885	131	127,320
Overhead leasing operations	23,174	-	-	23,174
Interest payable - TIPS	7,524	-	-	7,524
Colombian treasury	15,250	-	-	15,250
Banco de la República - Rate cover	15,820	-	-	15,820
Sale of loans written-off	22,431	-	-	22,431
International trade clearing	49,815	-	-	49,815
Sale of real property	2,373	-	-	2,373
Other	95,171	29,458	252	124,881
Accounts receivable	2,320,828	235,897	970	2,557,695
Impairment provision	(193,076)	(69,654)	(152)	(262,882)
Accounts receivable, net	2,127,752	166,243	818	2,294,813

(Millions of Colombian Pesos (COP))

December 31, 2018

	Up to 1 year	1-5 years	Over 5 years	Total
Interest	521,297	13,491	22	534,810
Financing, Financial leasing operations	65,860	3,227	19	69,106
Funds transferred to Icetex - abandoned accounts	183,900	-	-	183,900
Head office, subsidiaries, related parties and associates	12,055	-	-	12,055
Deposits	56,544	-	-	56,544
Tax advance	241,694	-	-	241,694
Contractors and vendors advances	593,527	95,362	133	689,022
Payments on customer account	22,624	-	-	22,624
Payments on customer account - loans	101,302	14,347	109	115,758
Overhead leasing operations	42,798	-	-	42,798
Interest receivable - TIPS	6,749	-	-	6,749
Colombian Treasury	20,920	-	-	20,920
Banco de la República - Rate cover	13,500	-	-	13,500
Sale of loans written off	30,503	-	-	30,503
International trade clearing	96,009	-	-	96,009
Sale of real property	5,129	-	-	5,129
Other	98,984	8,339	338	107,661
Accounts receivable	2,113,395	134,766	621	2,248,782
Impairment provision	(151,852)	(29,703)	(150)	(181,705)
Accounts receivable, net	1,961,543	105,063	471	2,067,077

Movement for the provision of accounts receivable:

	December 31, 2019	December 31, 2018
Opening balance	181,705	127,557
Plus:		
Impairment provision charged to expenses	264,985	207,273
Less:		
Impairment recovery	(73,689)	(45,707)
Write-offs	(110,119)	(107,418)
Closing balance	262,882	181,705

(Millions of Colombian Pesos (COP))

12.7. Assets held for sale, net

12.7.1. Detail of assets held for sale, net

Assets held for sale:

	December 31, 2019	December 31, 2018
Intended for housing		
Voluntary release	10,361	12,252
Award	922	1.583
	11.283	13.835
Other than housing		
Voluntary release	1,920	7,427
	1,920	7,427
Movable property		
Vehicles	731	906
Rights	125	224
	856	1,130
Recovered property from Leasing contracts		
Machinery and equipment	1,150	135
Vehicle	751	1,705
Real property	4,788	2,093
Real property - Residential Leasing	35,823	23,887
	42,512	27,820
Subtotal	56,571	50,212
Provision (impairment)	(6,829)	(6,260)
Total	49,742	43,952

12.7.2. Movement of assets held for sale:

Movement of assets held for sale:

December 31, 2019

	Intended for housing	Other than housing	Recovered property from residential leasing contracts	Total
Cost				
Opening balance	13,835	8,557	27,820	50,212
Additions (received)	14,427	6,118	52,470	73,015
Withdrawals (sales)	(3,529)	(4,928)	(13,464)	(21,921)
Transfers	(13,450)	(6,971)	(24,314)	(44,735)
Closing balance	11,283	2,776	42,512	56,571

(Millions of Colombian Pesos (COP))

Impairment				
Opening balance	(2,579)	(1,326)	(2,355)	(6,260)
Period provision	(2,633)	(667)	(8,609)	(11,909)
Transfers	2,978	1,166	4,861	9,005
Recoveries	854	586	895	2,335
Closing balance	(1,380)	(241)	(5,208)	(6,829)
	9,903	2,535	37,304	49,742

December 31, 2018

	Intended for housing	Other than housing	Recovered property from residential leasing contracts	Total
Cost				
Opening balance	7,933	68,244	43,089	119,266
Additions (received)	17,824	9,049	34,154	61,027
Withdrawals (sales)	(4,947)	(3,444)	(13,091)	(21,482)
Transfers	(6,975)	(65,292)	(36,332)	(108,599)
Closing balance	13,835	8,557	27,820	50,212
Impairment provision				
Opening balance	(1,604)	(20,684)	(10,655)	(32,943)
Period provision	(3,843)	(4,565)	(8,075)	(16,483)
Transfers	2,175	22,118	15,319	39,612
Recoveries	693	1,805	1,056	3,554
Closing balance	(2,579)	(1,326)	(2,355)	(6,260)
	11,256	7,231	25,465	43,952

12.7.3. Time during which assets have been held for sale

Time during which the assets have been held for sale:

	December 31, 2019	December 31, 2018
Up to 1 year	55,891	48,531
Between 1 and 3 years	680	1,681
	56,571	50,212

(Millions of Colombian Pesos (COP))

During this period, the Bank has implemented several strategies aimed at selling assets held for sale, with the following results:

	December 31, 2019		December 31, 2018	
Item	Quantity	Value	Quantity	Value
Foreclosed assets	203	21,922	190	21,483
Total sales	203	21,922	190	21,483
Profit on sale		578		1,843
Amortization of deferred profit		1,010		1,339
Profit on sale in previous years (Residential leasing)		(58)		303
Total profit on sale		1,530		3,485
Loss on sale of foreclosed assets		613		450
Loss on sale in previous years (Residential leasing)		1,620		1,199
Loss on sale		2,233		1,649
Net effect on income statement		(703)		1,836

12.7.4. Movement of the provision

Movement of the provision of assets held for sale:

	December 31, 2019	December 31, 2018
Opening balance	6,260	32,943
Plus:		
Provision	11,909	16,482
Less:		
Recoveries	(2,335)	(3,553)
Transfers	(9,005)	(39,612)
Closing balance	6,829	6,260

12.8. Property and equipment, net

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

Find the details below:

	December 31, 2019	December 31, 2018
Property and equipment, net	423,004	419,608
Right-of-use of assets, net (Note 12.10.)	829,898	-
	1,252,902	419,608

12.8.1. Movement of property and equipment

Movement of property and equipment:

(Millions of Colombian Pesos (COP))

	Land	Buildings and improvements	Computer equipment	Furniture and fittings	Vehicles	Total
Cost:						
Balance at January 1, 2019	104,787	136,003	99,506	354,558	12,131	706,985
Additions	878	3,511	25,310	41,697	4,921	76,317
Purchases	878	3,511	25,310	41,697	4,921	76,317
Withdrawals	(883)	(1,263)	(4,422)	(2,413)	(3,618)	(12,599)
Sales	(883)	(1,263)	(4,412)	(2,402)	(3,618)	(12,578)
Derecognition	-	-	(10)	(11)	-	(21)
Translation of foreign currency	-	-	7	16	-	23
Transfers	(2,313)	(5,147)	(9,743)	8,107	-	(9,096)
Impairment provision	-	(599)	-	-	-	(599)
Balance at 31, 2019	102,469	132,505	110,658	401,965	13,434	761,031
Accumulated depreciation:						
Balance at January 1, 2019	-	(6,427)	(78,038)	(197,562)	(5,350)	(287,377)
Withdrawals	-	67	4,237	2,220	2,699	9,223
Sales	-	67	4,227	2,208	2,699	9,201
Derecognition	-	-	10	11	-	21
Accumulated movement of depreciation	-	(1,472)	(32,216)	(25,428)	(2,556)	(61,672)
Currency translation	-	-	(5)	(16)	-	(21)
Transfers	-	184	15,618	(13,982)	-	1,820
Balance at December 31, 2019	-	(7,648)	(90,404)	(234,768)	(5,207)	(338,027)

	Land	Buildings and improvements	Computer equipment	Furniture and fittings	Vehicles	Total
Cost:						
Balance at January 1, 2018	115,031	151,930	91,690	327,893	11,226	697,770
Additions	10,336	25,190	31,836	15,587	2,977	85,926
Purchases	10,336	25,190	31,836	15,587	2,977	85,926
Withdrawals	(16,231)	(32,854)	(6,310)	(1,936)	(2,072)	(59,403)
Sales	(16,231)	(32,854)	(5,747)	(1,929)	(2,072)	(58,833)
Derecognition	-	-	(563)	(7)	-	(570)
Currency translation	-	-	196	172	-	368
Transfers	(4,349)	(6,184)	(17,906)	12,842	-	(15,597)
Impairment provision	-	(2,079)	-	-	-	(2,079)
Balance at December 31, 2018	104,787	136,003	99,506	354,558	12,131	706,985
Accumulated depreciation:						
Balance at January 1, 2018	-	(6,606)	(66,745)	(169,082)	(4,554)	(246,987)
Withdrawals	-	1,520	3,212	1,979	1,588	8,299
Sales	-	1,520	2,649	1,972	1,588	7,729
Derecognition	-	-	563	7	-	570
Accumulated movement of depreciation	-	(1,695)	(28,111)	(21,575)	(2,384)	(53,765)
Currency translation	-	-	(175)	(166)	-	(341)
Transfers	-	354	13,781	(8,718)	-	5,417
Balance at December 31, 2018	-	(6,427)	(78,038)	(197,562)	(5,350)	(287,377)

(Millions of Colombian Pesos (COP))

Book value:						
Balance at December 31, 2017	**115,031**	**145,324**	**24,945**	**158,811**	**6,672**	**450,783**
Balance at December 31, 2018	**104,787**	**129,576**	**21,468**	**156,996**	**6,781**	**419,608**
Balance at December 31, 2019	**102,469**	**124,857**	**20,254**	**167,197**	**8,227**	**423,004**

12.8.2. **Proceeds from sales**

The following is the detail of proceeds from sales of Property and Equipment

December 31, 2019

	Quantity	Book value	Proceeds from sale	Profit	Loss
Real property	2	2,079	2,421	342	-
Computer equipment	4,310	207	190	141	(157)
Furniture and fittings	2,489	172	160	94	(106)
Vehicles	42	919	914	62	(67)
	6,843	3,377	3,685	639	(330)

December 31, 2018

	Quantity	Book value	Proceeds from sale	Profit	Loss
Real property	50	47,565	65,285	20,698	(2,978)
Computer equipment	3,159	2,640	1,647	488	(1,480)
Furniture and fittings	622	415	84	82	(415)
Vehicles	25	484	467	1	(19)
	3,856	51,104	67,483	21,269	(4,892)

As of December 31, 2019, the bank acquired contractual obligations for the acquisition of 1,667 items of computer equipment for $ 10,446.

There are no ownership restrictions or pledges as security for the performance of obligations for the reported periods.

12.8.3. **Movement of provisions**

The following is the detail of movement of the provision for property and equipment

December 31, 2019

	Buildings and improvements	Total
Opening balance	3,306	3,306
Plus:		
Provision	599	599
Closing balance	3,905	3,905

(Millions of Colombian Pesos (COP))

December 31, 2018

	Buildings and improvements	Total
Opening balance	1,227	1,227
Plus:		
Provision	2,079	2,079
Closing balance	3,306	3,306

12.9. Investment properties, net

12.9.1. Movement of investment properties

Movement of investment properties:

	December 31, 2019	December 31, 2018
Cost:		
Opening balance	74,095	35,018
Additions		
Property received	6,329	12,100
Withdrawals		
Sales	(4,397)	(6,138)
Transfers	(3743)	33,115
Closing balance	72,284	74,095
Accumulated depreciation:		
Opening balance	(1,489)	(1,064)
Withdrawals		
Sales	184	266
Movement of accumulated depreciations	(538)	(336)
Transfers	(191)	(354)
Closing balance	(2,034)	(1,488)
Provision	(1,237)	(1,954)
Book value	69,013	70,653

12.9.2. Effect on the income statement

The results recognized for Investment Properties in the separate Statement of Income Statement are the following:

	December 31, 2019	December 31, 2018
Lease income	399	1,449
Direct operating expenses from investment properties that generate income	-	10
Direct operating expenses from investment properties NOT generating lease income	-	1,036
Net	399	403

(Millions of Colombian Pesos (COP))

12.9.3. **Movement of the provision:**

The following is the movement of the provision for investment properties:

	December 31, 2019	December 31, 2018
Opening balance	1,954	89
Plus:		
Provision	1,693	1,865
Less:		
Recoveries	(29)	-
Reclassification	(2,381)	-
Closing balance	1,237	1,954

The fair value of investment properties as of December 31, 2019 and December 31, 2018 amounts to $102,812 and $70,576, respectively.

12.9.4. **Proceeds from sales**

The following is the detail of proceeds from sales of investment properties:

December 31, 2019

	Quantity	Book value	Proceeds of sale	Profit	Loss
Investment property	3	4,213	5,630	1,417	-

December 31, 2018

	Quantity	Book value	Proceeds of sale	Profit	Loss
Investment Property	4	5,872	7,580	3,217	(1,508)

There are no restrictions on income derived from investment properties, nor contractual obligations to purchase, build or develop in the reporting periods.

12.10. **Leases**

The balance of the right of use assets for leases in which the bank acts as lessee is listed below:

	December 31, 2019
Right-of-use assets	953,140
Accumulated depreciation	(123,242)
Right-of-use assets, net	829,898

(Millions of Colombian Pesos (COP))

Movement of right-to-use assets

Find the movement of the right-to-use assets below:

	Real property	Computing and data processing equipment	Total
Balance at January 1, 2019 (1st-time application)	940,822	61,157	1,001,979
Plus:			
Additions	19,043	-	19,043
Minus:			
Withdrawals, net	(26,958)	-	(26,958)
Period depreciation	(113,380)	(9,862)	(123,242)
Changes in provisions for dismantling	(8,049)	-	(8,049)
Amendments to the contract	(28,196)	(4,679)	(32,875)
	783,282	46,616	829,898

Leasing contractual liabilities

The contractual flows of undiscounted lease liabilities are presented below:

	December 31, 2019
1 year or less	505,283
1-5 years	1,502,509
Over 5 years	363,861
	2,371,653
Recognized lease liabilities (discounted)	853,746

Recognize in the income statement

	December 31, 2019
Interest expense on lease liabilities	60,130
Income from subletting right-to-use assets	1,635
Short-term lease and low-value asset expense	10,946

Total cash outflows from leases amounted to $165,467 as of December 31, 2019.

12.11. Goodwill

Goodwill arising from the purchase of Granbanco:

Acquiree	Granbanco
Date acquired	February 2007
% held	99%

	December 31, 2019	December 31, 2018
Cost		
Goodwill - Granbanco	1,080,775	1,080,775
	1,080,775	1,080,775

(Millions of Colombian Pesos (COP))

Purchase of Granbanco

The purchase of Granbanco completed on February 16, 2017, originated goodwill for $1,372,458; the following are the main characteristics in the evaluation of goodwill :

The goodwill was allocated in three (3) Cash Generating Units (CGU): Individuals, Companies and Subsidiaries (Panama and Fiducafé).

The above CGUs were matched to the business segment level aiming at being more aligned with the way the MITDO (Maximum Operational Decision Making Instance) manages the Bank's operations. Once the CGUs were defined and their corresponding assets identified, the income statements and balance sheets were determined for each CGU, for a projected period of 5 years.

The valuation by business lines was made using the dividend flow methodology, discounted at shareholder cost, which according to experts, is the most appropriate for measuring financial institutions,and is widely used by the leading investment banks. This methodology consists in estimating the flow of available dividends during 5 years, plus a terminal value, and discounting them at an appropriate rate. For Fidudavivienda, the Free Cash Flow funds method was applied.

For the purposes of impairment tests, the goodwill was assigned to the following cash generating units:

	% Held	Goodwill
Consumer	48.7%	527,591
Commercial	50.7%	550,049
Subsidiaries	0.6%	3,135
	100.0%	1,080,775

An impairment test was performed as at October 31, 2019, with the assistance of external consultants, showing that the CGUs did not result in an impairment loss.

The following are the main assumptions for the projections used in impairment testing. They reflect the past experience of the Bank.

	2019	2020	2021	2022	2023
Placement rate (%)	11.8%	11.8%	11.6%	11.6%	11.6%
Deposit rate (%)	3.2%	3.1%	3.0%	3.1%	3.0%
Growth of operating income	3.7%	5.3%	4.9%	4.7%	4.5%
Growth of operating expense (CPI)	3.8%	3.6%	3.2%	3.9%	3.7%
Inflation	3.5%	3.3%	2.7%	3.5%	3.3%
Annual Growth Rate GDP	3.1%	3.0%	3.2%	3.1%	3.4%

The discount rate to determine the capital cost that generates income is determined by the average cost of capital at market value of the cost of all financial sources in the Bank's capital structure, estimated at 13.9%; the sensitivity analysis of value in use and the impairment test of each IGU identified for goodwill vs. the discount rate structure reveals that a higher risk allocation of the discount rate would not generate Impairment in most of the IGUs.

(Millions of Colombian Pesos (COP))

12.12. Intangibles

The following is the movement of intangibles:

	Licences	Computer programs and applications	Total
Balance at January 1, 2019	88,129	12,527	100,656
Plus:			
Acquisitions	22,572	746	23,318
Minus:			
Amortizations:	(18,161)	(950)	(19,111)
Derecognitions	(510)	(83)	(593)
Reclassifications	8,339	(8339)	-
Re-expression	34	321	355
Balance at December 31, 2019	100,403	4,222	104,625
Balance at January 1, 2018	84,452	20,798	105,250
Plus:			
Acquisitions	18,813	403	19,216
Minus:			
Period amortizations	(13,151)	(2,336)	(15,487)
Derecognitions	(6,365)	(1,949)	(8,314)
Reclassifications	4,380	(4,380)	-
Re-expression	-	(9)	(9)
Balance at December 31, 2018	88,129	12,527	100,656

There are no commitments to purchase or restrictions of ownership or pledges in guarantee of of performance of obligations for the periods reported.

12.13. Other non-financial assets, net

The following is the detail of other assets:

	December 31, 2019	December 31, 2018
Foreclosed assets	306,540	274,609
Prepaid expenses	165,251	81,097
Deferred payment letter of credit	14,632	51,988
Works of art	2,770	2,670
Assets pending activation	6,721	9,132
Trust rights	44	56
Other	152	209
Impairment	(188,405)	(166,873)
	307,705	252,888

(Millions of Colombian Pesos (COP))

The movement of the provision for other assets is as follows

	December 31, 2019	December 31, 2018
Opening balance	166,873	88,372
Plus:		
Provision	56,496	59,424
Minus:		
Recoveries	(46,349)	(20,535)
Reclassification	11,385	39,612
Closing balance	188,405	166,873

12.14. Deposits and demand accounts

Deposits and demand accounts are as follows:

	December 31, 2019	December 31, 2018
Interest-bearing liabilities		
Checking accounts	1,170,176	1,303,329
Savings accounts	25,846,158	22,371,109
Term deposits	24,690,016	22,696,899
	51,706,350	46,371,337
Non-interest-bearing liabilities		
Checking accounts	4,679,030	4,357,623
Savings accounts	201,966	91,560
Demand accounts for services	750,909	630,140
Electronic deposits	151,109	116,638
Other *	287,951	471,298
	6,070,965	5,667,259
	57,777,315	52,038,596

(*) Other: Banks and correspondents - Special deposits - Collection services - Card-affiliate establishments - Canceled accounts.

	December 31, 2019	December 31, 2018
Interest-bearing liabilities		
Checking accounts	31,158	30,935
Savings accounts	596,529	468,268
Term deposits	962,641	903,359
	1,590,328	1,402,562

(Millions of Colombian Pesos (COP))

Deposits by currency and rate are as as follows:

	December 31, 2019		December 31, 2018	
	Balance	Implied rate	Balance	Implied rate
Local currency				
Checking accounts	5,401,014	0.63%	5,151,566	0.67%
Savings accounts	25,988,194	2.30%	22,395,591	2.15%
Term deposits	23,572,047	5.48%	21,555,279	5.80%
Demand accounts for services	634,642		539,205	
Electronic deposits	151,109		116,638	
Other *	257,716		454,382	
	56,004,722		50,212,661	
Foreign currency				
Checking accounts	448,192		509,386	
Savings accounts	59,930	5.05%	67,078	4.14%
Term deposits	1,117,969	3.01%	1,141,620	2.53%
Demand accounts for services	116,267		90,935	
Other *	30,235		16,916	
	1,772,593		1,825,935	
	57,777,315		52,038,596	

Other: Banks and correspondents - Special deposits - Collection services - Card-affiliate establishments - Canceled accounts

Maturities are as follows:

December 31, 2019

	0- 1 year	1-5 years	5-10 years	Over 10 years	Total
Checking accounts	5,849,206	-	-	-	5,849,206
Savings accounts	26,033,017	15,107	-	-	26,048,124
Term deposits	16,491,065	8,195,885	3,066	-	24,690,016
Demand accounts for services	750,909	-	-	-	750,909
Electronic deposits	151,109	-	-	-	151,109
Other *	287,951	-	-	-	287,951
	49,563,257	8,210,992	3,066	-	57,777,315

December 31, 2018

	0-1 year	1-5 years	5-10 years	Over 10 years	Total
Checking accounts	5,660,952	-	-	-	5,660,952
Savings accounts	22,449,590	13,079	-	-	22,462,669
Term deposits	16,022,677	6,623,197	51,025	-	22,696,899
Demand accounts for services	630,140	-	-	-	630,140
Electronic deposits	116,638	-	-	-	116,638
Other *	471,298	-	-	-	471,298
	45,351,295	6,636,276	51,025	-	52,038,596

* Other: Banks and correspondents - Special deposits - Collection services - Card-affiliate establishments - Canceled accounts

(Millions of Colombian Pesos (COP))

12.15. Money-market and related liability operations:

The following are the money-market and related operations:

December 31, 2019		Date		
	Rate	Initial	Final	Amount in COP
Local currency				
Interbank liabilities				
Banks	4.11%	30-dec.-19	2-jan.-20	80,018
Simultaneous operations				
Other	4.25%	27-dec.-19	2-jan.-20	36,206
Liability repos	4.30%	30-dec.-19	2-jan.-20	998,792
Short position commitments	3.75% - 10.00%	20-nov.-19	15-jan.-20	251,079
				1,366,095

December 31, 2018		Date		
	Rate	Initial	Final	Amount in COP
Local currency				
Interbank liabilities				
Banks	4.10%	28-dec.-18	2-jan.-19	180,082
Simultaneous operations				
Stock brokers	4.20%	28-dec.-18	2-jan.-19	668
Other	4.24% - 4.26%	26-dec.-18	2-jan.-19	2,438,914
Liability repos	4.25%	28-dec.-18	2-jan.-19	900,410
Short position commitments	3.30%	31-dec.-18	4-jan.-19	23,249
				3,543,323

12.16. Bank borrowings and other financial debt

The following is the detail of financial debt:

	Currency	Range of interest rate	Range of years/maturity	Balance
Balance at January 1, 2019				7,624,354
New loans				
	COP	0.34% - 10.01%	2019 - 2033	1,277,470
	USD	2.25% - 6.26%	2019 - 2034	8,146,113
Payments in the period				
	COP	0.33% - 10.01%	2019 - 2033	(1,085,787)
	USD	2.25% - 6.39%	2013 - 2034	(6,552,944)
Other movements				
Interest payable				127,612
Translation				(39,589)
Costs pending amortization				(16,536)
Balance at December 31, 2019				9,480,693

(Millions of Colombian Pesos (COP))

	Currency	Range of interest rate	Range of years/maturity	Balance
Balance at January 1, 2018				5,663,504
New loans				
	COP	0.30% - 13.04%	2018 - 2030	959,510
	USD	1.65% - 3.99%	2018 - 2030	8,481,129
Payments in the period				
	COP	0.30% - 12.50%	2018 - 2030	(872,288)
	USD	1.65% - 6.26%	2011 - 2034	(7,189,214)
Other movements				
Interest payable				107,125
Translation				487,541
Cost pending amortization				(12,953)
Balance at December 31, 2018				7,624,354

At December 31, 2019, the Bank was in compliance with covenants made on acquiring long-term debt.

The following is the detail of the Bank´s borrowings:

	December 31, 2019	December 31, 2018
Institutions in Colombia		
Local currency		
Financial obligations	2,471,419	2,162,609
Foreign currency		
Other obligations	318,502	339,990
Institutions abroad		
Financial obligations	6,576,073	4,647,292
Designated hedging instruments	114,699	474,463
	9,480,693	7,624,354

Maturities of borrowings:

December 31, 2019

	0-1 year	1-5 years	5-10 years	Over 10 years	Total
Entities in Colombia					
Local currency					
Bancoldex	57,680	384,493	175,002	-	617,175
Finagro	24,676	128,689	79,976	334	233,675
Findeter	21,313	262,192	805,334	531,729	1,620,568
Foreign currency					
Bancoldex	72,864	-	22,888	69,816	165,568
Findeter	794	-	48,265	103,875	152,934
Entities abroad	4,088,717	707,869	-	1,894,187	6,690,773
	4,266,044	1,483,243	1,131,465	2,599,941	9,480,693

(Millions of Colombian Pesos (COP))

December 31, 2018

	De 0 a 1 años	De 1 a 5 años	De 5 a 10 años	Más de 10 años	Total
Entities in the country					
Local currency					
Bancoldex	74,590	411,507	43,409	-	529,506
Finagro	11,036	108,851	56,958	3,854	180,699
Findeter	7,163	128,720	1,031,283	285,238	1,452,404
Foreign currency					
Bancoldex	94,037	29,810	75,036	22	198,905
Findeter	288	-	63,708	77,089	141,085
Entities abroad	3,596,304	735,762	-	789,689	5,121,755
	3,783,418	1,414,650	1,270,394	1,155,892	7,624,354

12.17. Debts instruments issued

Movement of bonds:

	Date of issue	Issue amount	Term (months)	Yield	Maturity	Balance
Balance at January 1, 2019						9.665.377
New issues						
Fixed rate	19/02/2019	275,968	36	TF 6.29	19/02/2022	275,968
CPI	19/02/2019	224,032	120	IPC+3.64	19/02/2029	224,032
CPI	16/07/2019	169,320	36	IPC+2.04	16/07/2022	169,320
CPI	16/07/2019	123,660	120	IPC+3.03	16/07/2029	123,660
Fixed rate	16/07/2019	306,700	60	TF 6.04	16/07/2024	306,700
CPI	26/09/2019	119,265	144	IPC+2.73	26/09/2031	119,265
Fixed rate	26/09/2019	290,925	48	TF 5.75	26/09/2023	290,925
Fixed rate	26/09/2019	289,810	84	TF 6.18	26/09/2026	289,810
						1,799,680
Redemptions						(515,094)
Variation TRM						10,994
Variation UVR						5,998
Interest						10,139
Cost pending amortization						1,328
Balance at December 31, 2019						10,978,422
Balance at January 1, 2018						1,.179,368
Ne issues						
IPC	15-nov.-18	165,845	96	IPC + 1.00% - 3.39%	15-nov.-26	165,845
IBR	15-nov.-18	87,025	36	IBR + 1.09%	15-nov.-21	87,025
IPC	15-nov.-18	200,000	120	IPC +3.67%	27-jul.-23	200,000
						452,870
Redemptions						(2,015,423)
Variation TRM						44,238
Variation UVR						4,949
Interest						(13,581)
Costs pending amortizations						12,956
Balance at December 31, 2018						9,665,377

(Millions of Colombian Pesos (COP))

The following is the detail of debt instruments issued:

Type	Date	Issue amount	Term (months)	Yield	Maturity	December 31, 2019 Book value	December 31, 2018 Book value
Unsecured subordinated bonds							
CPI	25-Apr-12 - 29-Mar-17	1,358,655	96 - 180	IPC+3.83% - IPC+4.56%	25-Apr-2022 - 25-Apr-27	1,358,655	1,358,655
Fixed rate	29-Mar.-17	198,947	84	TF 7.40%	45,380	198,947	198,947
UVR	24-Feb.-10	111,503	120	UVR+5.50%	43,885	161,616	155,617
Interest						17,116	17,937
USD							
International bonds (*)	9-jul.-12	895,125	120	TF 5.87%	44,751	1,638,570	1,624,875
Interest						45,779	45,396
				Total subordinated bonds		3,420,683	3,401,427
Ordinary bonds (unsecured)							
CPI	10-Mar-11 - 26-Sep-19	3,996,081	36-180	IPC+2.04% - IPC+4.50%	12-Feb-20 - 26-Sep-31	3,996,081	3,652,513
Fixed rate	07-Jun-17 - 26-Sep-19	2,988,567	36 - 84	TF 5.75% - TF 7.5%	07-Jun-20 - 26-Sep-26	2,988,567	2,047,549
IBR	25-Apr-17 - 15-Nov-18	520,025	36 - 120	IBR+1.09% - IBR+2.13%	15-Nov-21 - 25-Apr-27	520,025	520,025
Interest						66,783	58,907
				Total ordinary bonds		7,571,456	6,278,994
				Costs pending amortization		(13,717)	(15,044)
				Total bonds		10,978,422	9,665,377

** Debt issues designated as hedging*

Liabilities by monetary unit

	December 31, 2019	December 31, 2018
Local currency	9,134,457	7,842,443
Foreign currency	1,681,474	1,666,485
UVR	162,491	156,449
	10,978,422	9,665,377

The maturities of the bonds are as follows:

	December 31, 2019	December 31, 2018
0-1 year	945,037	521,515
1-5 years	6,241,642	5,456,803
5-10 years	3,672,416	3,687,059
Over 10 years	119,327	-
	10,978,422	9,665,377

(Millions of Colombian Pesos (COP))

Bonds redemptions:

December 31, 2019

Date	Term	Rate	Maturity	Amount
15-May.-14	60	CPI+3.39	15-May.-19	183,359
27-Jul.-16	36	Fixed Rate 8.64	27-Jul.-19	222,385
9-Oct.-14	60	CPI+3.25	9-Oct.-19	109,350
				515,094

December 31, 2018

Date	Term	Rate	Maturity	Amount
12-Feb.-15	36	TF 5.94%	12-Feb.-18	378,756
10-Mar.-11	84	IPC+3.88%	10-Mar.-18	76,055
10-Mar.-11	90	IPC+3.99%	10-Sept.-18	159,230
29-Jan.-13	60	TF 2.95%	29-Jan.-18	1,401,382
				2,015,423

Designated hedging liabilities

As far as hedge accounting management is concerned, the Bank chose to designate a liability worth USD $500 million as a hedging instrument of the net investment in foreign subsidiaries in Central America (hedged item) as of January 1, 2015; whereas the administration intends to hedge the foreign exchange risk associated with such investment. This hedge is effective on December 31, 2019 according to trials performed by the Administration.

As of April 2016, financial obligations worth USD $146 million were designated as hedge in order to cover the foreign exchange exposure generated by the net investment in Panama. Due to the change in the exchange rate risk policy, the Bank proposed to discontinue the hedge based on the maturity of the obligations in order to maintain a long position in foreign currency that reduces the sensitivity of the basic consolidated solvency ratio in relation to movements in the Colombian peso – American dollar exchange rate. At the end of December 2019, the position of such obligations amounted to USD$ 35 million.

Assessment for the net investment hedge abroad

The bank book is sensitive to all exchange rates due to the presence abroad of the Bank through its subsidiaries. This fact affects two highly relevant variables for the entity: i) the economic value, which is understood as the aggregation of the Profit and Loss (P&L) Statement, and Other Comprehensive Income (OCI), and ii) the solvency or capital adequacy ratio.

(Millions of Colombian Pesos (COP))

The strategy adopted by the Bank as of 2019 aims at reducing the sensitivity of the solvency ratio in relation to movements in the Colombian peso – American dollar exchange rate. This strategy implies maintaining long positions in foreign currency whose effect by exchange rate re-expression counteracts the effect of the exchange rate on assets weighted by risk level, denominated in foreign currency and coming from investments controlled abroad.

Therefore, the Bank uses various hedging instruments, such as spot liability positions, derivative financial instruments and any other instrument that meets the purpose of the exchange risk management. Similarly, the Bank adopts the hedge accounting to reduce the accounting mismatch between P&L and OCI.

Another relevant point of the strategy is the variety of currencies to which the bank book is exposed: Costa Rican Colon, Honduran lempira and American dollar. Due to the shallow depth of the Costa Rican and Honduran markets, hedging instruments are not frequently available, either by their high cost or simply because there is no supply. Hence, accounting hedges focus on protecting the American dollar - Colombian peso risk.

The information of the hedged items corresponding to investments in participative securities of the Bank in its subsidiaries in Costa Rica, Honduras, El Salvador and Panama with their respective hedging instruments is as follows:

	Costa Rica	Honduras	El Salvador	Panamá	Total
Hedge ratio	61.41%	72.08%	77.49%	15.63%	57.53%
Hedged Item Position					930
Equity Investment Value in Original Currency	138,475	3,786	311	224	
Equity Investment Value in USD	241	154	311	224	930
Hedging instruments Position					
Bonds in USD	148	111	241	-	500
Correspondent credits in USD	-	-	-	35	35

Hedge effectiveness

Since it is an exchange rate hedge where the hedged component of the hedged item corresponds exclusively to the variation in the Colombian peso- American dollar exchange rate, there is a direct and inverse relation between the primary item and the hedging instrument, as both are sensible in the same percentage to the movements in the peso – dollar exchange rate.

Retrospective assessment of the hedge effectiveness yields a 100% result throughout 2019. This assessment is based on the dollar offset method, which compares for the analysis period the change in the value of the hedged item with the change in the value of the hedging instrument for the hedged risk.

(Millions of Colombian Pesos (COP))

12.18. Accounts payable

The information of accounts payable is as follows:

	December 31, 2019	December 31, 2018
Taxes	151,121	43,633
Contribution over transaction	10,900	27,738
Providers and services payable	575,071	716,466
Guarantee fund of financial institutions	6,339	8,144
Accounts payable of the parent company - subsidiaries	24,667	17,110
TES Law 546	7,080	6,775
Deposit insurance	75,878	68,682
Outstanding portfolio disbursements	89,939	20,242
Surplus credits	3,886	7,232
Leasing repaid	10,506	9,706
Security bonds	18,017	18,925
Outstanding checks	21,241	21,275
Settlement of third party forward contracts	10,974	24,355
Insurance	20,269	21,353
Franchises	44,040	44,736
Credit card	8,367	9,119
Sundry	72,638	62,866
	1,150,933	1,128,357

The information of other accounts payable is as follows:

Commissions and fees	3,565	4,364
Dividends and surplus	3,818	3,726
Promissory buyers	8,184	8,047
Labor deductions and contributions	141,622	115,030
	157,189	131,167
Total accounts payable and other accounts payable	1,308,122	1,259,524

The information of the maturity period of the accounts payable is as follows:

	December 31, 2019	December 31, 2018
1 to 3 months	1,233,031	1,170,704
12 to 60 months	75,091	88,820
	1,308,122	1,259,524

(Millions of Colombian Pesos (COP))

12.19. Employee benefits

The information of employee benefits is as follows:

	December 31, 2019	December 31, 2018
Short-term benefits	108,925	91,907
Long-term benefits	41,321	38,820
Post-employment benefits		
Pension funds	-	6
Health insurance policy for retirees	17,932	13,593
	17,932	13,599
	168,178	144,326

The Bank has the following long-term benefits:

a. House purchase loans at a prime - variable interest rate are granted to employees with minimum 2-year tenure. This rate is available during the tenure only, namely, the benefit is immediately lost in case of retirement. Therefore, the management office has constituted 2 funds with a maximum limit, which are regularly updated. The difference in rates of the benefit amount estimated in interest rate in relation to the current market rate at the date the loans were granted is the sum of the present values and is recognized in the balance sheet.

b. Upon signing the 2018-2021 collective labor agreement, an extralegal seniority premium is recognized to the employees, which corresponds to 15 days' wage by completing 5 years of work and 30 days' wage by completing 10 years and for each subsequent five-year term. The liability recognized for this concept increased to $41,321 at December 31, 2019.

The Bank has the following post-employment benefits:

Defined contribution plan

Contributions provided by the bank equivalent to the same value defined by the employee with a limit up to 5% of the wage, which apply to employees who have 10 years left or less to work and which will be granted only when the employee fulfills all retirement requirements, without the commitment of making payments on such a date. Contributions are recorded at the values contributed with a charge to profit and loss and do not require actuarial assumptions as they are default contributions in a fund where the Bank does not assume any actuarial or investment risk.

Defined benefit plan

Health insurance policy for retired people and their spouses recognized through actuarial calculation with changes in Other Comprehensive Income (OCI).

The information of the employee benefits is as follows:

	December 31, 2019	December 31, 2018
Present value of the obligations	17,932	13,593
	17,932	13,593

(Millions of Colombian Pesos (COP))

Plan deficit	17,932	13,593
Total liabilities for employee benefits	17,932	13,593

Currently, all Bank's employees have the right to access to a collective health insurance policy while they are active and, subsequently, at reaching the retirement age, employees and their spouses have the right to get a 30% allowance in an individual health insurance policy sponsored by the Bank as long as some requirements are fulfilled.

Movement in the present value of obligations due to defined benefits obligations

	December 31, 2019	December 31, 2018
Defined benefit obligations at the beginning of the period	13,593	12,744
Current service costs	744	769
Interest costs	1,115	913
Remeasurements		
Experience-related adjustments	336	1,922
Actuarial (profits) losses due to changes in financial assumptions (OCI)	2,576	(2,362)
Benefits paid by the plan	(432)	(393)
Defined benefit obligations at the end of the period	17,932	13,593

Main actuarial assumptions

The information of the main actuarial assumptions at the balance date (expressed in weighted average) is as follows:

	December 31, 2019	December 31, 2018
Discount rate	725%	8.25%
Future wage increases	3.50%	3.50%
Inflation rate	3.50%	3.50%

After reaching the retirement age, it is supposed that employees who access this benefit will die as per the mortality table for valid renters [tabla de mortalidad de rentistas válidos] of 2008 as set forth in Resolution number 1555 of 2010 by the SFC.

Sensitivity analysis

Defined benefit obligations and service costs of the current period were calculated by using the projected unit credit method. The information of the liability sensitivity analysis by defined benefits of the different financial and actuarial variables at December 31, 2018 is as follows:

(Millions of Colombian Pesos (COP))

Discount rate

	Current value of defined benefit obligations	Weighted average length of defined benefit obligations (years)	Assumptions
Discount rate -50 basis points	19,573	16	6.75%
Discount rate +50 basis points	16,674	16	7.75%

Health trend

	Healthcare service rate	Assumptions
Healthcare service rate -50 basis points	16,621	3.00%
Healthcare service rate +50 basis points	19,624	4.00%

Expected future benefit payments

It is estimated that expected future benefit payments, which reflect the future service, will be paid as follows:

Year	Defined benefits
2019	459
2020	516
2021	633
2022	533
2023	712
2024 to 2028	5,181

12.20. Other non-financial liabilities and estimated liabilities

The information of other non-financial liabilities and estimated liabilities is as follows:

	December 31, 2019	December 31, 2018
Estimated liabilities		
Other provisions (1)	55,426	53,557
Disputes (2)	19,234	19,302
Other non-financial liabilities		
Leases (*)	853,746	-
Interest derived from restructuring processes	121,547	111,541
Payments pending	103,413	112,211
Early income	153,135	85,887
Letters of credit with a deferred payment	14,632	51,988
Deferred payments	5,642	4,336
Surplus and others	66,477	71,039
	1,393,252	509,861

(*) Lease liabilities are recognized as of January 1, 2019, due to the first-time application of IFRS 16, see note 6.

(Millions of Colombian Pesos (COP))

(1) The movement in the provision is as follows:

The most significant provisions correspond to the rate hedge granted to mortgage loans worth $ 25,639 covered by the Bank and provision due to labor obligations worth $ 29,787 at December 31, 2019.

	December 31, 2019	December 31, 2018
Opening balance	53,557	66,470
Plus:		
Provisions	736,479	545,095
Minus:		
Derecognitions	(343,517)	(246,382)
Recoveries	(391,093)	(311,626)
Closing balance	55,426	53,557

(2) Lawsuits

The movement in the provision corresponding to lawsuits is as follows:

	December 31, 2019	December 31, 2018
Opening balance	19,302	23,674
Plus:		
Provision	4,758	5,928
Minus:		
Recoveries	(4,826)	(10,300)
Closing balance	19,234	19,302

The overview of the cases is as follows:

	December 31, 2019			December 31, 2018		
	Quantity	Provision	Amount	Quantity	Provision	Amount
Cases covered by the Fogafin guarantee agreement	11	10,251	1,193	22	10,262	6,252
Labor cases	17	3,648	3,648	19	3,557	3,557
Civil cases	246	5,335	5,335	161	5,483	5,483
	274	19,234	10,176	202	19,302	15,292

The cash outflows are as follows:

Other provisions

December 31, 2019

	1 year	1-3 years	3-5 years	5-10 years	Total
FRECH premium provision	2,740	11,450	8,565	2,884	25,639
Other	29,787	-	-	-	29,787
	32,527	11,450	8,565	2,884	55,426

(Millions of Colombian Pesos (COP))

December 31, 2018

	1 year	1-3 years	3-5 years	5-10 years	Total
FRECH premium provision	5,114	9,321	10,645	9,231	34,311
Other	19,246	-	-	-	19,246
	24,360	9,321	10,645	9,231	53,557

Litigation

December 31, 2019

	1 year	1-3 years	3-5 years	Total
Litigation covered by the Fogafin guarantee contract	-	10,251	-	10,251
Labor cases	2,313	1,335	-	3,648
Civil cases	3,748	1,587	-	5,335
	6,061	13,173	-	19,234

December 31, 2018

	1 year	1-3 years	3-5 years	Total
Litigation covered by the Fogafin guarantee contract	-	10,262	-	10,262
Labor cases	1,953	1,604	-	3,557
Civil cases	1,809	3,400	274	5,483
	3,762	15,266	274	19,302

The proceedings filed by the Bank may be as follows:

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

These types of judicial proceedings generate a contingent liability for the Bank, independent from the procedure that is carried out to that effect. In general terms, by cause 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.

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

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.

Mr. HERNANDO ORDOÑES VILLALOBOS, in representation of the inhabitants of the Pueblo Nuevo development project, seeks the cancellation of the mortgages that the Bank possess regarding real estate property located in the mentioned development project, and as a subsidiary claim, to cease any action seeking the judicial or extra judicial recovery of these obligations by the National Savings Fund and Banco Davivienda S.A. The Administrative Court No. 1 of Bogotá has issued a favorable Ruling to the claims of the public interest action plaintiffs, which was the object of an appeal that is currently being studied by the Contentious-Administrative Tribunal of Cundinamarca. The procedure has been graded as probable.

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, the 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 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 (today Davivienda) 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 million pesos, 85% of which is covered by FOGAFIN.

Judicial proceedings related to other activities of the Bank

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 to the proceeding of bankruptcy reorganization of this company. The procedure's status is pending of an instruction and ruling hearing. 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 lawsuit is being followed upon by the delegate for legal proceedings of the Financial Superintendent's Office, and its pending of an instruction and ruling hearing. The risk has been provisionally graded as possible.

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 3/10/2003 Notary No.1 of Barranquilla (6 immovable properties) No. 2914 of 9/10/2003 Notary No.1 of Barranquilla (1 immovable property) (mortgage by Davivienda) No. 2154 of 9/11/2001 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: That the properties that are object of purchase and that have been identified in the three aforementioned public deeds be the decreed the object of Laesio Enormis or abnormal serious injury or loss, and as a consequence of it, decree the nullity of all contracts entered upon with them. As a consequence of the aforesaid, to order the y termination of the mentioned contracts entered upon by the defendant Restrepo Hoyos & Cia S en C (Today Restrepo Hoyos S.A.S.). As a consequence of the previous claims, the assets must return to the bequeathed mister Restrepo Urbina, and therefore be part of his hereditary estate. That the properties sold to third parties by the defendant be decreed the object of Laesio Enormis or abnormal serious injury or loss. That, as a result of this, the properties be purged of any mortgage or real or "in rem" rights that have constituted over them. That the defendant Restrepo Hoyos & Cia S en C (Today Restrepo Hoyos S.A.S.) must provide restitution of the immovable properties described in the mentioned deeds with all their natural and civil fruits and accessories from the date of the negotiation up to the day of the effective delivery. That the Public Records Registry Office of Valledupar be notified so that it can take note of the decisions taken via ruling regarding the present case. To condemn the defendant to pay all legal representation and additional costs. SUBSIDIARY CLAIMS: To order the absolute nullity of the contract of constitution of the company Restrepo Hoyos & Cia S en C (Today Restrepo Hoyos S.A.S.) and of any business affairs entered into by it. To declare void all legal effects of any business affairs regarding purchases and sales conducted by Restrepo Hoyos & Cia S en C (Today Restrepo Hoyos S.A.S.) with 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 all damages of the estimated appraisal under oath section. To order the cancellation of public deeds No. 2860 of 3/10/2003 Notary No.1 of Barranquilla (6 immovable properties) No. 2914 of 9/10/2003 Notary No.1 of Barranquilla (1 immovable property) (mortgage by Davivienda) No. 2154 of 9/11/2001 Notary No. 9 of Barranquilla (4 immovable properties). To condemn the defendant to pay all legal representation and additional costs. The consequence of these declarations is that the bank would be left without a series of guarantees constituted by leaseback and mortgage credit loans. The process' status is pending of an instruction and ruling hearing. The risk has been provisionally graded as possible.

Mister GUSTAVO LAGAURE RODRÍGUEZ sues the bank in a labor-related legal action and demands job reinsertion and the payment of wages and other benefits left not earned. The plaintiff was terminated with just cause, because of event that occurred in occasion of the procedure of international transfers that were received by companies LAYSHA INTERNACIONAL LTD, IAS EXPORTACION LTDA and YAMILE ELVIRA LLANOS MENDEZ, incurring in the breach of procedures and manuals. The contingency is graded as probable, considering the legal procedures that have been verified up to the date, which indicate that it is possible for a ruling adverse to the interests of the bank to be proffered. The amount of the provision is $309 million.

12.21. **Equity**

Comprises all items and amounts representing contributions or rights of shareholders in subscribed capital, reserves appropriated from profits of previous years by mandate of the Annual General Meeting in order to comply with the law, the Bank's Articles or specific purposes , the surplus and dividends declared in shares and the related share premium.

(Millions of Colombian Pesos (COP))

12.21.1. **Capital stock**

As of December 31, 2019 and December 31, 2018, the Bank's authorized capital amounted to $77,350 represented by 455,000,000 shares, with a par value of $170 (pesos per share).

The subscribed and paid-in capital as of December 31, 2019 and December 31, 2018 amounts to $76,784.

The authorized, subscribed and paid-in capital is represented by the following shares and the other equity data as of December 31, 2019 are:

	December 31, 2019	December 31, 2018
Subscribed and paid ordinary shares	343,676,929	343,676,929
Subscribed and paid preference shares	107,993,484	107,993,484
Total shares outstanding	451,670,413	451,670,413
Par value at date	170	170
Equity value	11,465,659	10,344,115
Book value (COP)	25,385	22,902

There were no changes in the total shares outstanding for December 31, 2019 and 2018.

The Bank's shares are nominative, representing capital and may be a) ordinary, b) privileged, c) non-voting, with preferential dividends; the non-voting shares may not represent more than 50% of total subscribed capital.

The shares with preferential dividends give their owners the right to receive a minimum preferential dividend corresponding to 0.5% six-monthly over the price of subscription for the first issue of the program, that is, $80,65, to be paid by decision of the General Meeting preferentially over ordinary shares. Minimum preferential dividends are non-cumulative and not guaranteed.

The payment of the Minimum Preference Dividend is made as and when approved by the AGM, in pesos. The Bank´s accounting period is yearly.

If distributable profits are sufficient to pay an ordinary and preference dividend at the level of the minimum preference or higher, there is a pro rata distribution amongst ordinary and preference shareholders, as agreed by the AGM.

12.21.2. **Share placement premium**

Premiums for share placements have been recorded in reserves as the excess over par obtained in share placement and the capitalization of voluntary reserves formed by the distribution of previous earnings with an increase in par Value, as determined by the General Meeting.

The following is the detail of share premium in equity:

	December 31, 2019	December 31, 2018
Placement period on ordinary shares	2,902,187	2,902,187
Placement period on preference shares	1,774,617	1,774,617
	4,676,804	4,676,804

(Millions of Colombian Pesos (COP))

12.21.3. Reserves

Decisions of the Annual General Meeting have made appropriations of annual profits.

The figures for equity reserves are the following:

	December 31, 2019	December 31, 2018
Mandatory reserve		
by appropriation of profits	4,211,061	3,429,493
Statutory and voluntary reserves		
At the disposal of the General Meeting commitments	389,032	309,668
	4,600,093	3,739,161

The Annual General Meeting held on March 15th, 2019, decided the following:

Distribution of profits

The General Meeting approved distribution at the close of 2018 totaling $1,194,882, as follows:

a) Increase the legal reserve by $477,953 of taxed and untaxed profits for the year.

b) Declare cash dividends in the amount of $378,804, equivalent to $840 (in pesos) per share, payable 50% of $420 (in pesos) per share on April 3 and again on September 18, 2019, to complete the dividend value of $840 (in pesos) per share. A voluntary reserve is released in the amount of $599 (in pesos) for a total dividend payable of $379,403.

c) Increase the voluntary reserves at the disposal of the general assembly by $338,125.

Other decisions

a) Release $258,162 corresponding to the equity method in 2017 to increase the mandatory reserve.

b) Increase the mandatory reserve by $45,453 of prior years' profits realized in 2017.

c) Establish the irrevocable commitment to increase the mandatory reserve at the end of 2019 by 35% of the year's profits, for up to a maximum of 10% of Tier 1 equity.

12.21.4. First time adoption of IFRS

The following details the flow of realizations in relation to the first time adoption:

	December 31, 2019	December 31, 2018
Opening balance	421,882	435,116
Realized bonds	(5,875)	-
Dividends of subsidiaries	(16,869)	-
Valuation of fixed assets	(5,265)	(13,234)
Provision for impairment of investments	4,373	-
Valuation of equity securities	(1,382)	-
Closing balance	396,864	421,882

(Millions of Colombian Pesos (COP))

12.21.5. Basic earnings per share

Basic earnings per share as of December 31, 2019 and 2018 were $2,914 and $2,645, respectively, calculated based on basic earnings per share as of the end of each year divided by the weighted average number of shares outstanding.

	December 31, 2019	December 31, 2018
Total shares outstanding	451,670,413	451,670,413
Profit for the period	1,316,203	1,194,882
Profit for share (COP)	2,914	2,645

12.21.6. Capital management

Banco Davivienda defines its capital as the level of its own funds that could be used to face a loss scenario created by the materialization of financial risks to which the Bank is currently exposed. The Bank has instituted a policy to maintain sufficient solvency levels to allow it to engage in its various activities with sufficient capital to match risks assumed, always with a view to the long-term sustainability of the Bank.

To this end, the Bank is governed by Colombian law which defines the rules for calculation and capital limits for credit entities. According to Articles 2.1.1.2 and 2.1.1.1.3 of Decree 2555/2010, the minimum total capital ratio is 9% and the minimum basic ratio is 4.5% The Bank complies with these minimum levels of computable capital and basic capital, used to calculate total and basic ratios.

The Technical Equity is the sum of the Ordinary Basic Equity (PBO), the Additional Basic Equity (PBA) and the Additional Equity (PA), discounting the deductions from the PBO, according to the guidelines of Decree 2555 of 2010. On the other hand, the percentages established by SFC for assets weighted by risk level are applied and market risk is included in accordance with the established methodology.

The Bank has complied with the minimum requirements by maintaining capital levels that exceed the minimum total capital adequacy by about 546 basis points on average in the first half of 2019. The following is the Bank's capital adequacy ratio as of December 31, 2019 and December 31, 2018:

	December 31, 2019	December 31, 2018	Variation Dec 19 - Dec. 18	%
Computable capital	12,339,354	11,491,978	847,376	7.37%
Ordinary (Tier 1) capital	8,100,417	7,326,192	774,225	10.57%
Deductions from basic capital	(864,233)	(856,890)	(7,343)	0.86%
Additional capital (Tier 2)	4,238,937	4,165,786	73,151	1.76%
Bonds and subordinated debt	3,481,742	3,410,695	71,047	2.08%
Market VaR	406,053	312,125	93,928	30.09%
Risk-weighted assets	80,185,895	72,616,617	7,569,278	10.42%
Total solvency ≥ 9%	14.57%	15.10%	-0.54%	-3.55%
Basic solvency ≥ 4.5%	9.56%	9.63%	-0.07%	-0.68%

Capital levels are monitored on a monthly basis to identify possible changes in current credit relationships and take corrective action in a timely manner. Likewise, for strategic planning purposes, in the budgeting process and the Resilience Testing Scheme[1], the Bank relies on tools that enable the measurement of future capital levels, establishing actions required to ensure compliance with the capital adequacy levels needed to implement the proposed strategies.

(Millions of Colombian Pesos (COP))

Finally, credit institutions must apply, as of January 1, 2021, capital adequacy indicators under the new definitions set forth in decrees 1477 of 2018 and 1421 of 2019, amending decree 2555 of 2010 in those matters related to capital adequacy requirements for credit institutions in Colombia. The application of the minimum capital adequacy requirements under the new standard will be made gradually until full application is reached on January 1, 2024.

13. Specific items in the income statement

13.1. Investments and valuation, net

The following is the detail of investment income:

	December 31, 2019	December 31, 2018
Debt instruments		
Profit	432,082	291,751
Loss	(67,882)	(67,542)
Valuations of investments at fair value, net	364,200	224,209
Profit	151,599	78,737
Loss	(11,592)	(2,267)
Valuations of investments at amortized cost, net	140,007	76,470
Equities		
Profit	51,047	88,977
Loss	(26,453)	(32,487)
Net valuation of equity instruments	24,594	56,490
Profit	8,416	12,902
Loss	(6,754)	(11,906)
Sale of investments, net	1,662	996
	530,463	358,165

13.2. Revenue from commissions and services, net

The following is the detail of income from commissions and services:

	December 31, 2019	December 31, 2018
Income from commissions and services	1,107,909	1,031,880
Expenses in commissions and services	329,859	255,927
Net	778,050	775,953

The principal items in commissions originate in operations: transactions, payments, banking-insurance, foreign trade, and others.

(Millions of Colombian Pesos (COP))

13.3. Result of equities

The following is the result of equities:

	December 31, 2019	December 31, 2018
Equity method	417,655	338,125
Profit on sale of equities, net	4	-
	417,659	338,125

13.4. Operating income

13.4.1. Payroll

The following is the detail of the payroll expense:

	December 31, 2019	December 31, 2018
Salaries and benefits	770,887	720,563
Incentives	168,250	131,344
Staff benefits	194,208	200,335
	1,133,345	1,052,242

13.4.2. Operating expenses

The following is the detail of operating expenses:

	December 31, 2019	December 31, 2018
Maintenance and remodeling	152,811	144,501
Cleaning and security services	79,863	80,852
Advertising and public relations	113,995	96,831
Insurance	69,936	61,159
Contributions and other	115,743	96,657
Leases	37,438	179,170
Data processing	72,055	62,795
Fees	251,221	206,924
Transport	99,561	90,737
Tax	183,596	187,494
Deposit insurance	149,918	136,302
Operating risk	46,738	17,534
Other	100,597	70,259
Operating expenses	1,473,472	1,431,215
Depreciations	185,451	54,102
Amortizations	19,112	15,487
	204,563	69,589
Total operating expenses	**2,811,380**	**2,553,046**

(Millions of Colombian Pesos (COP))

13.5. Other income and expenses, net

The following is the detail of other income and expenses:

	December 31, 2019	December 31, 2018
Other operating income		
Recoveries of insurance - operating risk	3,599	3,606
Recoveries from the courts and other	10,934	8,636
Sale of assets held for sale	3,585	27,971
Recoveries of impairment losses	48,809	24,257
FRECH premium provision	8,671	12,265
Other income	58,606	61,867
	134,204	138,602
Other operating expenses		
Court cases and other losses	6,318	6,100
Sale of assets held for sale	10,627	12,937
Impairment losses	80,064	89,035
	97,009	108,072
Total other income and expenses, net	37,195	30,530

13.6. Income tax

Components of income tax expenditure

Income tax expense includes the following:

	December 31, 2019	December 31, 2018
Income tax	312,406	234,215
Surcharge on income tax	-	27,297
Discount	(64,556)	(26,234)
Expense (recovery) from previous periods	2,177	1,232
Total current tax	250,027	236,510
Deferred taxes	4,434	(13,054)
Total income tax	254,461	223,456

Current tax provisions applicable to the Bank in Colombia state that:

- The income tax rate for 2019 is 33%. Under Constitutional Court Ruling C-510 dated October 2019, additional income tax rate applicable to financial institutions is declared unconstitutional; the income tax rate for the year 2018 is 33% plus 4 additional points over the general rate.
- Pursuant to the 2010 Economic Growth Act of 2019, the income tax rate for the years 2020, 2021, 2022 and following years is 32%, 31%, 30%, respectively. For financial institutions earning taxable income of 120,000 UVT or more in the period, additional income tax points of 4% are applied for the year 2020 and 3% for the years 2021 and 2022.
- In 2018 and 2019, the presumed income for determining income tax could not be less than 3.5% and 1.5% respectively of the net worth on the last day of the immediately preceding taxable year.

(Millions of Colombian Pesos (COP))

- Under the Economic Growth Law Number 2010 enacted in 2019, presumed income, the minimum income tax base, for 2020 is reduced to 0.5% of net assets on the last day of the immediately preceding taxable year, and to 0% as of the taxable year 2021. The nominal income tax base is ratified as proposed in the 1943 Financing Law enacted in 2018.

- For the taxable periods 2020 and 2021 under the Economic Growth Act, the audit benefit is extended to taxpayers who increase their net income tax for the taxable year in relation to the net income tax for the immediately preceding year by at least 30% or 20%, whereby the income tax return will become final within 6 or 12 months from the date of filing, respectively.

- The Growth Law maintains the possibility of using 50% of the tax on industry and commerce notices and boards actually paid in the year or period of taxation as a tax discount on income tax. Starting in 2022, this percentage will be 100%. In 2018 this tax was treated as a deduction in the income tax.

- Pursuant to the Economic Growth Law Number 2010 enacted in 2019, tax returns filed by taxpayers determining or offsetting tax losses or subject to the transfer pricing regime will be in force for 5 years.

- Capital gains tax is 10%.

Reconciliation of the tax rate according to the tax provisions and the effective rate

In accordance with IAS 12 paragraph 81(c), the following is a reconciliation of the Bank's total income tax expense calculated at current tax rates to the tax expense actually recorded in the income statement for the periods ended December 31, 2019 and 2018.

	December 31, 2019		December 31, 2018	
		Effective rate		Effective rate
Profit before tax	1,570,664		1,418,338	
Income tax	518,319	33%	468,052	33%
Surcharge	-	0%	56,733	4%
Tax at flat rate 2019 (33%) - 2018 (37%)	518,319	33%	524,785	37%
Discount	(64,556)		(26,234)	
Non-allowable expenses, taxable income	89,164		82,194	
Allowable deductions and untaxed income	(143,408)		(157,086)	
Exempted income	(139,741)		(175,194)	
Rate adjustment for timing differences	(7,988)		(34,990)	
Special income, gross	-		6,493	
Capital gains tax	494		2,256	
Expense from previous periods	2,177		1,232	
Total income tax expense	254,461	16%	223,456	16%

Itemized deferred taxes

The differences between asset and liability bases for NCIF purposes and the bases used for Colombian tax purposes produce timing differences that generate deferred taxes calculated and recorded taking account of the different tax rates in the years in which those differences will revert.

(Millions of Colombian Pesos (COP))

	January 1, 2019	Effect on P&L	Effect on OCI	Reclassifications (*)	December 31, 2019
Deferred tax assets					
Other liabilities, provisions, and derivatives	200,621	21,904	11,204	5,382	239,111
Subtotal	200,621	21,904	11,204	5,382	239,111
Deferred tax liabilities					
Investments in associates	23,857	(19)	6,398	-	30,236
Financial investment instruments	20,253	(19,042)	4,121	-	5,332
Property, equipment, and investment	41,502	(2,575)	-	-	38,927
Goodwill	431,531	13,187	-	-	444,718
Other liabilities, provisions, and equipment	95,532	34,787	-	(83,849)	46,470
Subtotal	612,675	26338	10,519	(83,849)	565,683
Net deferred tax	(412,054)	(4,434)	685	89,231	(326,572)

(*) The $89,231 reclassification was made among the deferred tax and the current tax upon filing the 2018 income tax return where the non-deductible expense was adjusted for the difference in exchange.

	January 1, 2018	Effect on P&L	Effect on OCI	Reclassifications (*)	December 31, 2018
Deferred tax assets					
Other liabilities, provisions, and derivatives	126,066	25,452	49,103	-	200,621
Subtotal	126,066	25,452	49,103	-	200,621
Deferred tax liabilities					
Investments in associates	20,023	2,938	896	-	23,857
Financial investment instruments	1,556	19,768	(1,071)	-	20,253
Property, equipment and investment	49,760	(8,258)	-	-	41,502
Goodwill	462,396	(30,865)	-	-	431,531
Other liabilities, provisions, and derivatives	89,418	28,815	(3,487)	(19,214)	95,532
Subtotal	623,153	12,398	(3,662)	(19,214)	612,675
Net deferred tax	(497,087)	13,054	52,765	19,214	(412,054)

For the purposes of presentation of the Statement of Financial Position, deferred tax assets and liabilities have been netted (in accordance with Paragraph 74 in IAS 12.74) and in consideration of current tax regulations in Colombia on netting rights for current taxes.

(Millions of Colombian Pesos (COP))

Effect of current and deferred tax on components of OCI in the equity section

	January 1, 2019	Movement in OCI Component	Deferred tax	Reclassifications	December 31, 2019
Long-term employment benefits	(3,578)	(990)	(961)	-	(5,529)
Unrealized gain on fixed-income securities	14,333	98,622	10,519	-	123,474
Investments in subsidiaries and other non-controlling interests	(111,140)	90,717	-	(54,548)	(74,971)
Translation difference with foreign subsidiaries	574,822	62,477	-	-	637,299
Coverage of net investment abroad	(306,166)	(13,298)	(10,243)	-	(329,707)
	168,271	237,528	(685)	(54,548)	350,566

	January 1, 2018	Movement in OCI Component	Deferred tax	December 31, 2018
Long-term employment benefits	(3,916)	504	(166)	(3,578)
Unrealized gain on fixed-income securities	15,789	(2,356)	900	14,333
Investments in subsidiaries and other non-controlling interests	(28,661)	(81,754)	(725)	(111,140)
Translation difference with foreign subsidiaries	404,472	170,350	-	574,822
Coverage of net investment abroad	(185,267)	(173,655)	52,756	(306,166)
	202,417	(86,911)	52,765	168,271

Pursuant to Law 1819 of 2016, other assets and liabilities in foreign currency are not restated for tax purposes until they are realized or settled, and therefore this difference, being temporary, is recognized as deferred tax.

Uncertainties in open tax positions

An analysis was made for the Statement of Financial Position at December 31, 2019 and 2018, with respect to tax positions adopted in filings open to inspection. No facts or situations were identified that might cause uncertainty associated with any difference between those positions and that of the tax authorities

Deferred tax related to Subsidiaries, Associates and Joint Ventures

In application of Para 39 of IAS 12, the Bank does not record deferred tax liability due to timing differences in investments in subsidiaries and associates. The reasons are that i) Davivienda controls the subsidiaries and the decision to sell its investments in them and therefore it can also decide on the timing of reversion of timing differences; and (ii) Davivienda does not expect to make any such disposal in the foreseeable future.

Timing differences for the items indicated as of December 31, 2019 and 2018, amounted to $2,274,824 and $1,766,436, respectively.

However, a deferred tax liability of $5,217 was recognized on retained earnings of foreign entities that are subject to tax at the time of distribution as of December 31, 2019 and 2018.

Pursuant to legal provisions, the exchange rate adjustment for investments in foreign currency only has fiscal impacts at the time of disposal or liquidation of the investment. With respect to deferred tax, no effect has been recognized under the exception in paragraph 39 of IAS 12, as the Bank has control over the investment and does not expect the foreign exchange difference to reverse in the foreseeable future.

(Millions of Colombian Pesos (COP))

Transfer prices

Pursuant to Law 788/2002 and Law 863/2003, 1607/2012 and Law 1819/2016 regulated by Decree 2120/2017 the Bank prepared a study of transfer prices on operations with related parties outside Colombia during 2018. The study did not give rise to any adjustments that would affect income, costs of expenses in the Bank´s tax position for the 2018 filing.

Even though the 2019 transfer pricing study is in the process of being prepared, no significant changes are anticipated in relation to the previous year.

14. Related parties

The Bank may undertake operations, agreements or contracts with related parties on the understanding that any such operations will be conducted in reasonable amounts and observing the following criteria, amongst others:

- Prevailing market conditions and rates in the sector of the operation.
- The activity of the companies involved.
- Growth prospects of the business.

The following are considered to be related parties:

1. Group companies:

Controlling interest:	Grupo Bolívar
Subsidiaries:	Fiduciaria Davivienda, Corredores Davivienda, Cobranzas Sigma, Corporación Financiera Davivienda, 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.
Companies of Grupo Empresarial Bolívar:	Capitalizadora Bolívar, Compañía de Seguros Bolívar, Seguros Comerciales Bolívar, Investigaciones y Cobranzas el Libertador, Multinversiones Bolívar, Asistencia Bolívar, Riesgo e Inversiones Bolívar, 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. y VC Investments.
2. Associated businesses:	Redeban, Titularizadora.
3. Key management personnel :	The Board of Directors and the Strategic Committee, which is formed by the President and Executive Vice Presidents.

(Millions of Colombian Pesos (COP))

4. Other: Shareholders holding 5-10%: Inversiones Cusezar and Inversiones Meggido; ACH, Finagro, Credibanco and Laser Refractivo, companies in which the Bank holds more than 10%.

The Bank has office network agreements with Fiduciaria Davivienda and Corredores Davivienda, business collaboration agreements with Fiduciaria Davivienda; real estate lease agreements with Promociones y Cobranzas Beta, Ediciones Gamma and Seguros Comerciales Bolívar; commercial agreement with Asistencia Bolívar; Administration and support contract for the Davivienda business portal Multilatina between Davivienda Services and Banco Davivienda el Salvador, Banco Davivienda Colombia, Banco Davivienda Costa Rica, Banco Davivienda Honduras and Banco Davivienda Panamá; vulnerability testing contract between Davivienda Services and Banco Davivienda Panamá, Banco Davivienda Costa Rica, Banco Davivienda Honduras and Banco Davivienda Colombia; contract for development services, support and IT consultancy between Davivienda Services and Banco Davivienda Panamá and Banco Davivienda Colombia.

There are also agreements for the placement and collection of insurance premiums and marketing contracts with the companies Seguros Bolívar and Seguros Comerciales Bolívar.

All operations were made at market prices; deposit rates are between 0.1% and 6.05% and placement rates are between 0.01% and 28.32% including mortgage loans to key management personnel with rates at UVR and UVR+2%; agreed as employee benefits.

At the close of 2019 there are no loans with interest, term, collateral or other conditions different from those agreed with third parties, for loans to Group companies.

At the end of December 31, 2019, there were no portfolio transactions with shareholders holding less than 10% of the Bank's capital stock and representing more than 5% of computable capital.

Regulations require the Bank to hold mandatory investments in issues of Fondo para el Financiamiento del Sector Agropecuario as TDA (Agricultural Development Securities) for $1,009,945; in Class A at 4% nominal quarterly in arrears and in Class B at 2% nominal quarterly in arrears. These are not market rates.

The Bank also engaged in rediscount operations with Finagro, as follows:

	December 31, 2019	December 31, 2018
Small guarantees rediscount	165,058	130,579
Rediscount interest payable	1,745	1,261
Rediscount interest expense	6,831	8,429

These operations are part of a loan fund offered to the agricultural sector at preferential rates.

(Millions of Colombian Pesos (COP))

The following is the detail of operations with related parties

December 31, 2019

	Group companies						
	Controlling	Subsidiaries	Other	Associates	Key personnel (1)	Other	Total
Assets (2)	-	135,521	161,471	21,944	5,509	28,575	353,020
Cash	-	130,422	-	-	-	-	130,422
Loans portfolio and financial leasing operations	-	-	118,734	52	5,463	-	124,249
Accounts receivable	-	4,835	30,307	21.682	46	28,575	85,445
Other assets	-	264	12,430	210	-	-	12,904
Liabilities (3)	90,533	94,459	243,519	39,401	1,822	253,526	723,260
Financial liabilities	90,533	93,960	218,850	9,325	1,780	252,877	667,325
Accounts payable	-	499	24640	30,076	42	649	55,906
Other assets	-	-	29	-	-	-	29
Income	363	56,731	178,694	125,273	416	125,884	487,361
Commissions	3	68	162,748	120,095	8	108,645	391,567
Interest	-	5,204	9,578	1	404	-	15,187
Dividends	-	-	-	-	-	17,206	17,206
Other	360	51,459	6,368	5,177	4	33	63,401
Expenses	10,755	3,339	87,801	80,210	276	51,221	233,602
Commissions	-	1,616	-	74,998	-	46,024	122,638
Other	10,755	1,723	87,801	5,212	276	5,197	110,964

(1) Under IAS 24 key management personnel are those who have authority and responsibility to plan, direct and control, directly or indirectly; Members of the Strategic Committee and Directors of the Bank

Includes all transactions with key management personnel except for employee benefits detailed below.

(2) Assets: The most important asset operations with related parties included home mortgage loans with employment benefits, a placement rate of UVR or UVR+2.0% approved by the Board at 15 years with admissible guarantees, and consumer credit at market rate maximum 29.08%

Working capital loans, construction loans, corporate loans and credit card operations were closed with Group companies at rates of 0.01%-28.02%.

(3) Liabilities: the most important liability operations with Group companies were checking accounts at 0.01%-3.50% interest, savings accounts at 0.01% to 4.50% and TDs at 4.00%- 6.05% with other shareholders, savings accounts at 4.5% for those with less than 10% and 5% or more of capital of the Bank and checking accounts at 0% and savings accounts at 3.7% for shareholders with 10% or more of the Bank's capital.

(Millions of Colombian Pesos (COP))

December 31, 2018

	Group companies						
	Controlling	Subsidiary	Other	Associates	Key personnel (1)	Other	Total
Assets (2)	-	232,345	159,271	39,435	3,354	707	435,112
Cash	-	168,017	-	-	-	-	168,017
Investments	-	60,559	-	-	-	-	60,559
Loans and financial leasing operations	-	-	136,805	41	3,308	-	140,154
Accounts receivable	-	3,769	8,626	39,197	46	707	52,345
Other assets	-	-	13,840	197	-	-	14,037
Liabilities(3)	284,869	29,138	226,375	48,696	1,372	319,533	909,983
Financial liabilities	284,869	28,764	209,612	20,254	1,330	299,083	843,912
Accounts receivable	-	374	16,724	28,442	42	20,450	66,032
Other	-	-	39	-	-	-	39
Income	6	97,933	165,489	101,209	350	105,466	470,453
Commissions	3	33	148,210	99,791	5	91,014	339,056
Interest	-	3,015	12,361	2	342	-	15,720
Dividends	-	51,438	-	-	-	14,371	65,809
Other	3	43,447	4,918	1,416	3	81	49,868
Expenses	8,968	5,549	54,617	61,320	255	85,598	216,307
Commissions	-	1,365	-	57,200	-	72,197	130,762
Other	8,968	4,184	54,617	4,120	255	13,401	85,545

(1) Under IAS 24 key management personnel are those who have authority and responsibility to plan, direct and control, directly or indirectly; Members of the Strategic Committee and Directors of the Bank

Includes all transactions with key management personnel except for employee benefits detailed below.

(2) Assets: The most important asset operations with related parties included home mortgage loans with employment benefits, a placement rate of UVR or UVR+2.0% approved by the Board at 15 years with admissible guarantees, and consumer credit at market rate maximum 29.08%

Working capital loans, construction loans, corporate loans and credit card operations were closed with Group companies at rates of 0.01%-28.62%.

(3) Liabilities: the most important liability operations with Group companies were checking accounts at 0.0%-4.05% interest, savings accounts at 0.0% to 4.05% and TDs at 2.1%- 6.72% with other shareholders, savings accounts at 4.5% for those with less than 10% and 5% or more of capital of the Bank and checking accounts at 0% and savings accounts at 3.7% for shareholders with 10% or more of the Bank's capital.

Transactions with key management personnel are as follows:

	December 31, 2019		December 31, 2018	
	Max. Balance	Closing balance	Max. balance	Closing balance
Home mortgage loans and other secured loans	1,545	4,395	682	2,513
Credit cards	86	357	60	294
Other loans	257	711	229	501
		5,463		3,308

(Millions of Colombian Pesos (COP))

The detail of payments to key management personnel is as follows:

	December 31, 2019	December 31, 2018
Short-term benefits		
Salary	6,537	5,555
Other short-term benefits	1,504	1,128
	8,041	6,683

No decisions of importance were taken, or were not taken, due to the influence or interests of Grupo Bolívar S.A., and no decisions were taken or not taken by Grupo Bolívar S.A. in the interests of Davivienda.

15. Contingent accounts

The following is the detail of debtor and creditor contingent accounts:

	December 31, 2019	December 31, 2018
Creditor		
Loans approved and not disbursed	8,417,943	8,642,864
Credit cards	14,675,884	13,013,642
Guarantee letters issued	2,945,220	3,040,501
Sundry	2,119,520	3,615,951
	28,158,567	28,312,958
Debtor		
Loan interest	379,915	472,689
Financial leasing interest	26,821	24,471
Monetary correction on loans	11,409	9,974
Monetary correction on financial leasing operations	3,368	3,107
Lease payments receivable	4,363,714	3,909,932
Purchase operations receivable	775,019	2,151,932
Sundry	17,414	19,038
	5,577,660	6,591,143

16. Post-closing events

There were no post-closing events to be disclosed.

17. Approval of financial statements

The Separate Financial Statements were approved by the Board of Directors and the Legal Representative on January 28, 2020, to be submitted to the Annual General Meeting of Shareholders to be approved or amended.