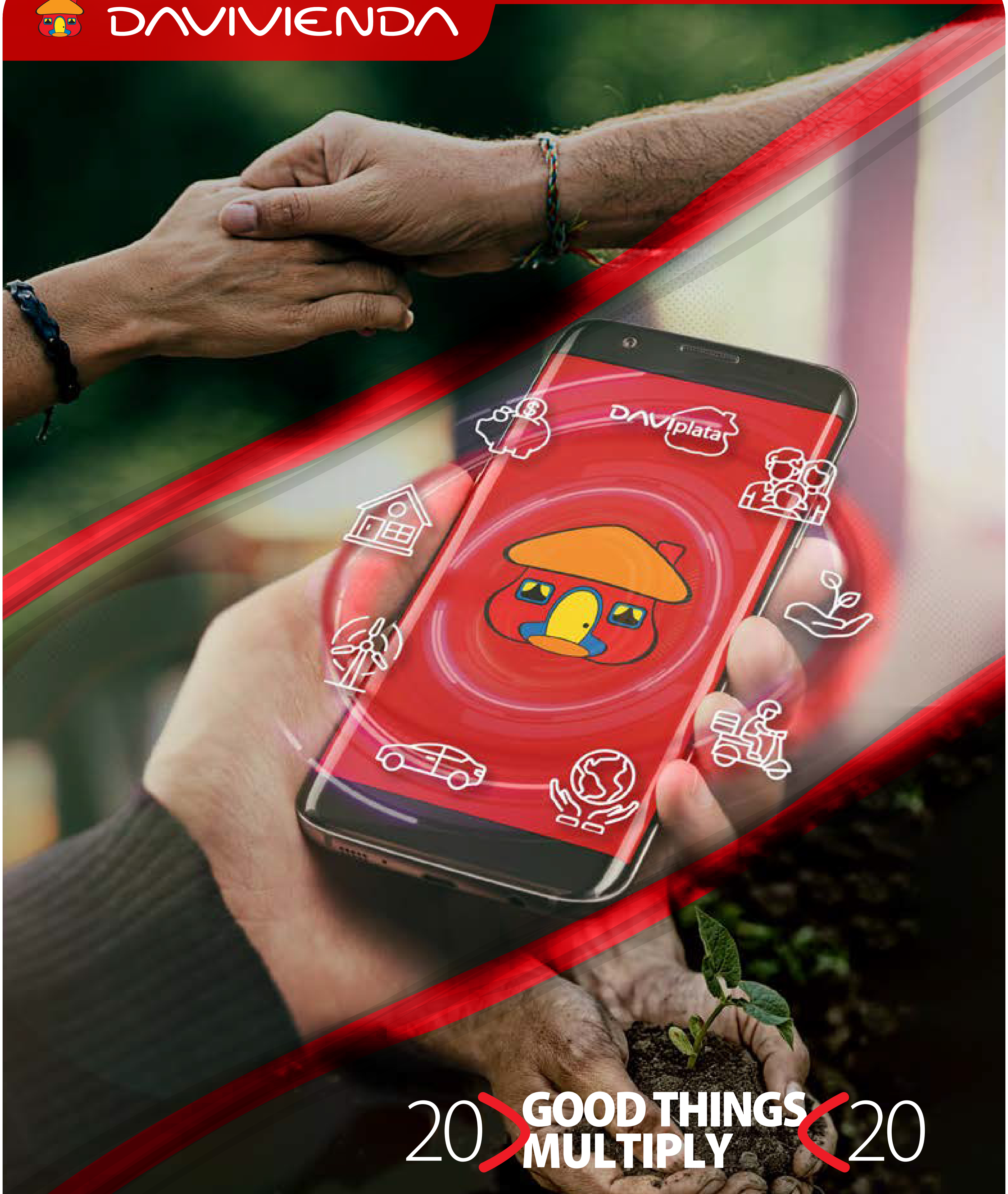
DAVIVIENDA



BANCO DAVIVIENDA S.A. SEPARATE FINANCIAL STATEMENTS

Banco Davivienda S.A.

Banco Davivienda S.A.

SEPARATE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 21, 2020

DAVIVIENDA

Content

KPMG S.A.S.
Calle 90 No. 19C - 74
Bogotá D.C. - Colombia

Teléfono 57 (1) 6188000
57 (1) 6188100

home.kpmg/co

(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, 2020 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 information.

In my opinion, the aforementioned separate financial statements, 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, 2020, the separate results of its operations, and its separate cash flows for the year then ended, in accordance with Accounting and Financial Reporting Standards accepted in Colombia, applied on a consistent basis with the previous year.

Basis for opinion

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

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Nit. 860.000.846-4

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<table>
<tr><th colspan="2">Assessment of the provision for credit risk of the commercial portfolio according to the Guidelines of the Financial Superintendence of Colombia applicable to the separate financial statements (see notes 5.6.1.5 and 13.5.4 to the separate financial statements)</th></tr>
<tr><th>The key audit matter</th><th>How the audit approached this matter</th></tr>
<tr><td>The balance of the commercial loan portfolio and its provision for credit risk as of December 31, 2020, amount to $33.893.103 million and $2.278.888 million, respectively.

The Bank records the commercial portfolio provision according to the provisions of the Financial Superintendence of Colombia, which establishes the constitution 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 the credit risk rating for clients classified in the commercial portfolio as a key audit matter, because it incorporates significant judgment elements in the key analysis assumptions, including the financial and behavioral variables of client payments, which allow the credit risk associated to the impacts of the COVID-19 pandemic to be captured. This assigned risk rating is incorporated as a parameter in the reference model for calculating the provisions for credit risk of the commercial portfolio.</td><td>My audit procedures to evaluate the assignment of the credit risk rating and the effect on the provision included, among others, the following:

• Involvement of professionals with experience and knowledge in the evaluation 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) the Bank's monitoring of the assignment 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 the 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 is supported according to the client'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 ended December 31, 2019 are presented exclusively for comparison purposes, were audited by me and in my report dated February 21, 2020 I expressed an unqualified opinion thereon.

Responsibilities of Management and those charged 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 that management considers necessary for the preparation 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 evaluating the Bank's ability to continue as a going concern; for disclosing, as applicable, matters related to going concern; and for using the going concern accounting basis unless management either intends to liquidate the 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, considered as a whole, are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement, when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the users' economic decisions 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 evaluate the risks of material misstatement in 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 internal control relevant for to the audit in order to design audit procedures that are appropriate in the circumstances.

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- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern hypothesis and, based on the audit evidence obtained, whether or not a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 to cease 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 present the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Company to express an opinion on the separate financial statements. I am responsible for the direction, supervision and performance of the audit. I remain solely responsible for my audit opinion.

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 deficiency in internal control that I identify during my audit.

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

From the matters communicated with those charged with governance, I determine those matters that were of most 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 2020:

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.

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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 goods received in payment and the implementation and impact on the statement of financial position and the statement of income and other comprehensive income of the Risk 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 of 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 measures of internal control, preservation and custody of the Bank's assets or of third parties' assets in its possession, and if these measures are adequate, I issued a separate report dated February 24, 2021.

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 may affect my opinion.

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

February 24, 2021

DAVIVIENDA

CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS

RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

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

Assertions made in the Financial Statements were previously verified as required by regulations. These assertions are truthfully based on the books, in accordance with Article 37 of Law 222 of 1995. The operation of these procedures was verified in accordance with the provisions of Article 46 of Law 964 of 2005.

Bogota, February 12, 2021

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

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

As of December 31:	**Note**	**2020**	**2019**
Assets			
Cash	13.1	5,613,981	4,911,090
Active money market operations and related operations	13.2	1,302,188	390,486
Financial investment instruments, net	13.3	7,013,552	6,199,325
Derivatives	13.4	1,407,345	510,338
Loans portfolio and financial leases operations, net	13.5	77,039,266	71,731,670
Accounts receivable, net	13.6	2,352,788	1,157,943
Taxes receivable		534,621	332,972
Assets held for sale, net	13.7	53,228	49,742
Investments measured at amortized cost, net	13.3	3,189,427	1,642,911
Investments in subsidiaries and associates	13.3.7	4,491,244	4,336,725
Property and equipment, net	13.8	1,191,859	1,252,902
Investment property, net	13.9	79,527	69,013
Goodwill	13.11	1,080,775	1,080,775
intangibles	13.12	109,709	104,625
Other non-financial assets, net	13.13	1,072,811	1,111,603
Total Assets		**106,532,321**	**94,882,120**
LIABILITIES			
Deposits and term deposits	13.14	68,214,839	57,777,315
Saving accounts		34,547,636	26,048,124
Checking accounts		7,412,544	5,849,206
Term deposits		24,642,076	24,690,016
Other deposits		1,612,583	1,189,969
Money market and overnight operations	13.15	1,111,215	1,366,095
Derivatives	13.4	1,640,073	617,812
Credits from banks or other obligations	13.16	9,894,984	9,480,693
Debt instruments issued	13.17	11,174,892	10,978,422
Accounts payable	13,18	1,403,165	1,157,001
Employee benefits	13.19	191,716	168,178
Current tax liabilities		37,336	151,121
Deferred tax liabilities, net		152,275	326,572
Other non-financial liabilities and estimated liabilities	13.20	1,355,959	1,393,252
Total Liabilities		**95,176,454**	**83,416,461**
EQUITY			
Capital and reserves ([1])	13.21	10,257,633	9,353,681
Adjustments in the first-time adoption		394,855	396,864
Other comprehensive income		435,212	350,566
Profits from prior years		44,358	48,345
Profit for the year		223,809	1,316,203
Total equity		**11,355,867**	**11,465,659**
TOTAL LIABILITIES AND EQUITY		**106,532,321**	**94,882,120**

(1) Includes share placement premium.
See the notes attached to the separated financial statement

JUAN CARLOS HERNÁNDEZ NÚÑEZ
Legal Representative

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

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

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

		Accumulated	
Years ended December 31:	**Note**	**2020**	**2019**
Interest income and investment results		8,692,684	8,571,002
Loans portfolio		8,248,666	8,083,165
Investments and valuation, net	14.1	492,977	530,463
Money market operations		(48,959)	(42,626)
Interest Expenses		2,860,312	3,067,469
Deposits and term deposits		1,698,305	1,952,514
Checking accounts		24,897	31,158
Saving accounts		546,941	596,671
Term deposits		1,126,467	1,324,685
Bank borrowings and other financial debt		357,234	330,901
Debt instruments issued		728,351	706,810
Other interest		76,422	77,244
Gross Financial Margin		5,832,372	5,503,533
Impairment for financial assets, net		3,690,044	2,455,379
Impairment of financial assets		5,597,706	4,207,587
Recoveries of financial assets		(1,907,662)	(1,752,208)
Net Financial Margin		2,142,328	3,048,154
Commissions and service income, net	14.2	703,552	776,624
Equity method result	14.3	309,180	417,655
Dividends		34,470	20,150
Operating Expenditures	14,4	3,069,278	2,811,380
Staff Expenditures		1,126,820	1,133,345
Operating expenses		1,717,975	1,473,472
Amortizations and depreciation		224,483	204,563
Exchange difference, net		(541,448)	212,911
Derivates, net		482,197	(132,075)
Other income and expenses, net	14.5	16,255	38,625
Operating Margin		77,256	1,570,664
Income tax and supplementary		(146,553)	254,461
Income tax and supplementary		17,202	250,027
Deferred income tax and supplementary		(163,755)	4,434
Profit for the year		223,809	1,316,203
Profit per share for the year in COP (1)		496	2,914

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

See the notes attached to the separated financial statement

JUAN CARLOS HERNÁNDEZ NÚÑEZ
Legal Representative

CARMEN ANILSA CIFUENTES BARRERA
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PEDRO ÁNGEL PRECIADO VILLARRAGA
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(See my report of February 24, 2021)

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

	Accumulated	
Years ended December 31:	**2020**	**2019**
Profit for the year	**223,809**	**1,316,203**
Financial instruments with changes in other comprehensive income		
Long-term employee benefits	(194)	(1,951)
Total of other comprehensive income that will not be reclassified to the income of the period, net of deferred taxes	**(194)**	**(1,951)**
Components of other comprehensive income that will be reclassified to the income of the period, net of deferred taxes		
Unrealized gains on fixed-yield investments	84,732	109,141
Interest in investments accounted for using the equity method	(72,519)	36,169
Exchange difference on translation, subsidiaries abroad	123,643	62,477
Net hedging of investments outside Colombia, net of deferred taxes	(51,016)	(23,541)
Total other comprehensive income that will be reclassified to the profit of the period, net of taxes	**84,840**	**184,246**
Total other comprehensive income, net of taxes	**84,646**	**182,295**
Total Comprehensive Result	**308,455**	**1,498,498**

See the notes attached to the separated financial statement

JUAN CARLOS HERNÁNDEZ NÚÑEZ
Legal Representative

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

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

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

	Capital and reserves						Retained earnings		
Periods ended December 31, 2019 and 2020	**Capital**	**Share premium**	**Legal reserve**	**Other reserves**	**First-time adoption effects**	**Other comprehensive income**	**Profit previous periods**	**Profit or loss**	**Total shareholders equity**
Balance 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)	-
Dividends distribution:									-
Dividends declared in cash at a ratio of $840 pesos per share over 451,670,413 subscribed and paid. Apr.3 and Sep.18 2019				(599)			(378.804)		(379.403)
Reserve transactions:									-
Other reserves				338.125			(338.125)		-
Capitalization of legal reserve to meet commitment made by the AGM on March 2018			477.953				(477.953)		-
Release of other reserves, to increase legal reserve			258.162	(258.162)					-
Disposal of profits from previous years realized in 2017, to increase legal reserve			45.453				(45.453)		-
Realizations first-time adoption of IFRS					(25.018)		25.018		-
Effects of IFRS 16							2.449		2.449
Other comprehensive income, net of income tax						182.295			182.295
Results for the period								1.316.203	1.316.203
Balance as of 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
Profit transfer							1.316.203	(1.316.203)	-
Dividends distribution:									-
Dividends decreed in cash at a ratio of $926 per share over 451,670,413 shares subscribed and paid. Mar 26 and Sep 23, 2020.							(418.247)		(418.247)
Reserve transactions:									-
Capitalization of legal reserve to meet commitment made by the AGM on March 2019			460.671				(460.671)		-
Other reserves				437.285			(437.285)		-
Release of other reserves, to increase legal reserve			338.125	(338.125)					-
Disposal of profits from previous years realized in 2019, to increase legal reserve			5.996				(5.996)		-
Realizations first-time adoption of IFRS					(2.009)		2.009		-
Other comprehensive income, net of income tax						84.646			84.646
Results for the period								223.809	223.809
Balance as of December 31, 2019	76.784	4.676.804	5.015.853	488.192	394.855	435.212	44.358	223.809	11.355.867

See the notes accompanying the separate financial statements.

JUAN CARLOS HERNÁNDEZ NÚÑEZ
Legal Representative

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

PEDRO ÁNGEL PRECIADO VILLARRAGA
Fiscal Auditor de Banco Davivienda S.A.
TP. No. 30723-T
Miembro de KPMG S.A.S.
(Véase mi informe del 19 de febrero de 2021)

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

Years ended December 31:	Note	2020	2019
Cash flow from operating activities:			
Profit for the year		**223,809**	**1,316,203**
Reconciliation of profit for the period and net cash provided (used) in operating activities			
Recovery in financial instrument investments, net	13.3.6	(108)	(1,198)
Provision against loans and leases, net	13.5.14	3,336,131	2,552,958
Provision against accounts receivable, net	13.6	524,817	191,296
Provision against assets held for sale, net	13.7.4	13,264	9,574
Provision against property and equipment and investment property, net	13.8.3/13.9.3	1,438	2,263
Provision against other assets, net	13.13	28,613	10,147
Provision for severance payments		50,013	51,225
Estimated liabilities provision, net	13.20	308,634	345,318
Interest income, net		(5,339,395)	(4,973,070)
Depreciation	14.4.2	195,227	185,451
Amortizations	14.4.2	29,256	19,112
Exchange difference, net		541,448	(212,911)
Profit on loan portfolio sales, net	13.5.11	-	(12,125)
Profit on equity method, net	14.3	(309,180)	(417,655)
Valuation of investments, net		(492,998)	(528,801)
Profit on sale of trading investments, net		(1,225)	(1,689)
Loss on sale of investments available for sale, net		1,246	27
Valuation of derivatives and spot operations , net		(482,197)	132,075
Profit (Loss) on sale of assets held for sale, net	13.7.3	(478)	35
(Profit) on sale of property, equipment, and leasing assets, net	13.8.2	939	(309)
Profit on sale of investment property, net	13.9.4	(1,437)	(1,417)
(Profit) Loss on sale of other assets		(7,465)	5,017
Income tax provision	14.6	(146,553)	254,461
Changes in operating assets and liabilities:			
Active money market operations and related operations		(147,321)	65,159
Financial investment instruments, net		(664,631)	1,288,570
Loans and financial leasing operations		(8,794,437)	(10,854,692)
Accounts receivable		(677,787)	(299,094)
Other assets		(124,423)	(28,327)
Deposits and term deposits		10,441,262	5,375,851
Money market and overnight operations		(254,881)	(2,177,228)
Derivatives		616,294	(86,916)
Accounts payable		185,025	107,617
Employee benefits		16,407	13,133
Other liabilities and estimated liabilities		182,353	(240,710)
Proceeds of the sale of loans	13.5.11	19,934	945,126
Proceeds of sale of assets held for sale	13.7.3	29,870	21,887
Proceeds of sale of other assets		64,593	46,463
Payment of severance		(43,574)	(43,417)
Income tax paid		(479,380)	(413,981)
Interest paid		(3,026,442)	(2,666,190)
Interest received		7,339,004	8,084,202
Net cash provided (used) in operating activities		**3,155,665**	**(1,936,560)**

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Banco Davivienda S.A.
Separate Statement of Cash Flows(Continuation)
(Millions of Colombian pesos (COP))

Cash flow from investing activities:			
Dividends received		213,091	79,255
Decrease (increase) in available-for-sale investments		364,035	(655,429)
Increase in investments to maturity		(1,551,474)	(136,481)
Increase in investments in securities		(7,703)	(49,500)
Acquisition of property and equipment	13.8	(136,080)	(76,317)
Proceeds of sale of property and equipment	13.8.2	2,797	3,685
Proceeds of sale of investment property	13.9.4	4,687	5,630
Increase in intangible assets		(34,405)	(23,319)
Net cash used in investing activities		**(1,145,052)**	**(852,476)**
Cash flow from financing activities:			
Issues of debt instruments	13,17	1,066,284	1,799,680
Debt issue redemptions	13.17	(777,466)	(515,094)
New financial obligations	13.16	9,094,062	9,423,583
Payments for the period of financial obligations	13.16	(9,214,269)	(7,638,731)
Payment of lease liabilities		(102,158)	(105,337)
Payment of cash dividends		(418,140)	(379,311)
Net cash (used in) provided by financing activities		**(351,687)**	**2,584,790**
Net increase (decrease) in cash and cash equivalents		1,658,926	(204,246)
Effect of the variation in exchange difference on results		(183,941)	(1,659)
Cash and cash equivalents at the beginning of the year		5,301,576	5,507,481
Cash and cash equivalents at the end of the period (*)		**6,776,561**	**5,301,576**

(*) Includes cash equivalents at under 90 days in money market and similar asset operations for $1,162,580 on December 31, 2020 and $390,486 at December 31, 2019.

See the notes attached to the separated financial statement

JUAN CARLOS HERNÁNDEZ NÚÑEZ
Legal Representative

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

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

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

1. Reporting entity

Banco Davivienda S.A. ("the Bank") is a private entity which has its registered offices at Avenida el Dorado 68 C-61 in Bogotá, D.C. It was incorporated per Public Instrument Number 3892, of October 16, 1972, issued at Notary Office Fourteen of Bogotá. Its operating license was granted per Resolution Number 562, dated June 10, 1997. The articles of incorporation expire on December 30, 2065, as set forth in Public Instrument Number 7811 of April 27, 2018; however, such articles of incorporation may be terminated or extended before that date. The Bank is a member of the Grupo Bolívar, located at Avenida El Dorado No. 68B – 31 Piso 10, and its business is to engage in all operations permitted to commercial banks by local regulations.

2. Significant events

The following significant events were registered in the operations of separate financial statements on December 31, 2020.

Dividends decreed

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

Exchange rate effect

The exchange rate closed December 2020 at $3,432.50, depreciating by $155.36 from the figure recorded at the end of December 2019, which was $3,277.14, decreasing income by $122,798 due to a decrease in cash of $183,941 and an increase in assets as follows: investments totaling $1,557, loan portfolio amounting to $15,664 and other assets valued at $43,921. Expenses increased by $418,650 due to an increase in liabilities as follows: deposits totaling $3,020, financial liabilities totaling $460,409 and a decrease in other liabilities totaling $44,780, for a net effect on income of $541,448.

The effect of the hedging of foreign currency investments in Central America, generated a net increase in equity of $72,627 as of December 31, 2020, as follows: restatement of investments in equity securities $123,643 and decrease due to restatement of financial liabilities designated as hedges, net of deferred taxes $51,016.

3. Other matters of interest - COVID-19

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

Likewise, on March 17 and 30, 2020, the Financial Superintendence of Colombia issued Circulars 007 and 014, respectively, granting deferrals and/or grace periods for customers who were 60 days or less in arrears as of the end of February, without affecting their credit rating and thus alleviating the financial burden of debtors economically affected by the Coronavirus (COVID-19). These measures were intended to mitigate the impact caused by the economic juncture and contributed to stabilize the financial flow of our clients, ensuring the provision of financial services across the country and easing certain requirements to allow entities to focus on the implementation of the business continuity.

On June 30, the Financial Superintendence of Colombia issued External Circular 022 of 2020, whereby guidelines were established for credit institutions to implement the Debtor Assistance Program (Programa de Acompañamiento a Deudores - PAD) and other provisions regarding credit risk management. Accordingly, since August 1, 2020, the

(Millions of Colombian pesos (COP))

Bank started to contact its debtors whose income was affected by the crisis, along with communication and customer service strategies. On December 30, 2020, the Financial Superintendence issued External Circular 039 to extend PAD until June 2021, to continue supporting debtors that remain impacted.

These measures and significant impacts on the financial statements resulting from the health emergency are mainly reflected in portfolio provisions and are disclosed in note 11.3.2, as well as in the updating of changes in the fair value measurement of the investment portfolio in note 9 and the corporate management of financial risks in note 11.

4. Basis of preparation

a. Statement of compliance with the accounting and financial reporting standards accepted in Colombia

The financial statements have been prepared in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (NCIF), established in Law 1314 of 2009, regulated by the Single Regulatory Decree 2420 of 2015, modified by Decrees 2496/2015, 2131/2016, 2170/2017, 2487/2018 and 2270/ 2019 and the instructions of the Colombian Superintendence of Finance ("SFC"), in accordance with the provisions of Decrees 1851/2013 and 2267 /2014 and the SFC Circulars Letters 034/2014. The NCIF are based on the International Financial Reporting Standards (IFRS), together with its interpretations, issued by the International Accounting Standards Board (IASB). The basic standards correspond to those translated into Spanish and issued by the IASB for the first half of 2018; the following items are excepted from NCIF:

Items	**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.
Treatment 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 and Accounting and Financial Circular Letter.

(Millions of Colombian pesos (COP))

Colombian law requires the Bank to prepare separate financial statements, which are presented by the Board of Directors to the Annual General Meeting for approval or rejection. The distribution of dividends and appropriations is also be determined. The separate financial statements are those in which bank investments are accounted for as a parent company. The consolidated financial statements are those in which assets, liabilities, equity, income, expenses, and cash flows of the Bank and its Subsidiaries are presented as if they were a single economic entity, which are submitted to the General Meeting to report on the performance of the management of the parent and subsidiaries.

Separate Financial Statements

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

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

Name	Country	% Share
Corredores Davivienda S.A	Colombia	91.6 %
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.

a. Going concern

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

b. Accrual basis of accounting

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

c. 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.

d. Consistency of presentation

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

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

e. Presentation of financial separate statements

i. Statement of Financial Position

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

ii. Statement of Income and Other Comprehensive Income

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. Statement of Cash Flows

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

5. Main accounting policies

5.1. Basis of measurement

The separate financial statements were prepared based on a historic cost basis, except for the following, as explained in the accounting policies included below:

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

i. Historical cost

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 upon sale of an asset or price that would be paid to transfer a liability in an ordinary transaction between participants in the market at the valuation date, regardless of whether that price is observable or estimated directly using another valuation technique. When estimating the fair value of an asset or a liability, the Bank considers the characteristics of the asset or liability, whether the participants of the market would consider these characteristics at the moment of setting the price of the asset or liability on the date of measurement. The fair value for purposes of measurement and/or disclosure of the separate financial statements is determined in this way, with the exceptions of leasing operations covered by IFRS 16, and valuations that have some similarities with fair value, but are not a fair value, such as the "value in use" contemplated by IAS 36.

5.2. Functional currency. Currency of presentation

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

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

5.3. Transactions in foreign currency

In preparing the financial statements, transactions in a currency other than the functional currency of the Bank (foreign currency) are recognized using the exchange rates prevailing at the dates of the transaction. At the end of each period, monetary items denominated in foreign currency are converted at the exchange rates prevailing at that date. Non-monetary items are measured at historical cost in foreign currency are not translated. The Bank performs a sensitivity analysis of foreign exchange rates to assess significant fluctuations (see Note 11– 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).

The conversion rates applied at the close of December 31, 2020 and 2019 are $3,432.50 and $3,277.14 per USD $1 respectively.

5.4. Cash and cash equivalents

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

Cash equivalents are measured at fair value or amortized cost of financial instruments that meet the conditions of this valuation.

5.5. Interbank and overnight funds

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

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

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

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

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

The yield of repo or simultaneous operations and interbank interest are recorded in the Income Statement, particularly in the gross financial margin.

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

5.6. Financial instruments

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

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

5.6.1. Financial assets

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

The 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.

5.6.1.1. 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:

Trading investments

Securities acquired in order to be sold or repurchased in the short term. The Bank manages these investments and makes purchase and sale decisions based on their fairs value as per risk policies and the 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., a price vendor 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 Mandatory yields pending for collection are recorded as an increase in the investment value.

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.

5.6.1.2. De-recognition of financial assets

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

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

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

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

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.

(Millions of Colombian pesos (COP))

b) Both the income from the transferred financial asset that has not been derecognized 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.

5.6.1.3. 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 13.3.7)

5.6.1.4. 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.

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 and 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.

- For foreign currency securities, we apply the internal impairment methodology applicable in the Consolidated Financial Statements (Full IFRS).

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.

5.6.1.5. Loans 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.

5.6.1.5.1. 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 a 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.

Microloans

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.

5.6.1.5.2. 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, novation's are considered to be restructurings. Before restructuring or modifying a credit it must be reasonably established that it will be recovered 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.

(Millions of Colombian pesos (COP))

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 microcredit and consumer loans; and 90 days for commercial and home mortgage loans.

Rules for classifying restructured and modified loans:

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.

Modified loans

The initial classification received by a loan that meets the requirements of being classed as "modified" will be the 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.

Restructured loans in default will be considered non-performing after 30 days in the case of microloans, after 60 days in the case of commercial and/or consumer loans, and after 90 days in the case of mortgage loans.

For loans that do not require a monthly payment of principal, 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
Housing and residential leasing	2 months
Microcredit	1 month

(Millions of Colombian pesos (COP))

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

In cases where, as a result 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.

5.6.1.5.3. Rules for write-offs

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

Portfolio	Product	Days in arrears
Commercial	Vehicles Others Loans exceeding $ 500 M	Over 360 days Over 570 days Based on the evaluation
Mortgage	Housing and residential leasing	Over 900 days
Consumer	Vehicles 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
Microloans	Microloans	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.

5.6.1.5.4. 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

(Millions of Colombian pesos (COP))

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 records the results at the end of the following month.

Pursuant to EC 022 of 2020, the portfolio evaluation process “shall not be compulsory for May”.

Rules of alignment

On a monthly basis and for each debtor, the alignment process is carried out. For this purpose, the loans of the same type granted to the debtor are placed in the highest risk category, unless there are sufficient reasons for their classification in a lower risk category, as permitted by the regulations.

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

Type 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:

(Millions of Colombian pesos (COP))

Type of risk	Report category	Group rating	Vehicles Score	Other Score	Credit Card 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.

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	Mortgage Months arrears	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

5.6.1.5.5. Rules for loans provisions

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

5.6.1.5.5.1. General provision

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

Additionally, the Bank establishes a general provision for uncollected accrued interest (ICNR) on the loan portfolio and leasing operations that were subject to deferrals, grace periods and structural arrangements as stipulated in Circular 022 of 2020, as a conservative measure to address the economic climate.

5.6.1.5.5.2. Individual provisions under reference models.

Pursuant to the provisions established by the Financial Superintendence of Colombia, for the commercial and consumer benchmark models, individual loan portfolio provisions are established as the sum of two individual components, one procyclical and the other countercyclical.

The individual procyclical component: reflects the current credit risk of each debtor.

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% or >= 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): 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 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.

5.6.1.5.5.3. 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:

(Millions of Colombian pesos (COP))

Business Size	Assets
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.

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 this ranges:

Type of guarantee	L.G.D	Days arrears	New L.G.D	Days arrears	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 %

(Millions of Colombian pesos (COP))

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.

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 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 Card	
	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 (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 this ranges:

(Millions of Colombian pesos (COP))

Type of guarantee	L.G.D	Days arrears	New L.G.D	Days arrears	New L.G.D
Residential and commercial real estate	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 %
No guarantee	75 %	30	85 %	90	100 %

The type of inadmissible collateral applies to consumer loans covered by payroll instalment agreements.
The type of security - other eligible collateral - is applied to the vehicle portfolio.

Adjustment by term (AT)

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

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 and residential leasing 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 %

(Millions of Colombian pesos (COP))

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%.

Microloan portfolio

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

Rating	% Standard minimum	
	Total portfolio	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.

5.6.1.5.6. 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.

5.6.1.6. Accounts receivable

Accounts receivable other than loan portfolio and financial leasing operations are classified and periodically evaluated for impairment losses according to the simplified approach contemplated in IFRS 9.

Accounts receivable provisions

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.

5.6.1.7. Derivative financial instruments

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.

Derivatives held for trading purposes

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.

Derivatives held for risk management

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

Embedded derivatives

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

5.6.1.8. 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 12

5.7. 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).

(Millions of Colombian pesos (COP))

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 (rolling) hedging strategy to maintain exchange rate coverage of net foreign investment.

Currently the Bank only hedges net investment in foreign operation.

5.8. 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.

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.

5.9. Operations and joint ventures

Joint ventures are those entities where the Bank has joint control over activities and assets acquired that meet the definition of a business. In determining whether a particular set of activities and assets is a business, the Bank assesses whether the set of acquired assets and activities includes, at a minimum, an input and a material process, and whether the acquired set has the capacity to generate outputs.

The Bank may perform a "concentration test" to assess in a simplified manner whether a set of acquired activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

In joint operations, the assets, liabilities, income and expenses related to the participation in the joint operation of each of the joint operators are accounted for and in joint ventures the participation is recognized as an investment applying 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.

5.10. 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.

(Millions of Colombian pesos (COP))

The 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.

Depreciation

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.

5.11. 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.

5.12. 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 recognized 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.

5.13. 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.

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. 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.

5.14. 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. 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.

5.14.1. Impairment of tangible and intangible assets excluding 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.

5.14.2. 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.

5.15. 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.

5.16. 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

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 and the right to obtain substantially all the economic benefits derived from the use of the asset throughout the period.

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 projection of lease payments includes (lease liability):

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

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

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

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.

The estimated amount for the dismantling of leased properties, as defined in the restitution clauses of the contracts, is updated annually.

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.

5.17. 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 9. The Bank classifies derivative financial instruments 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 is 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.

5.18. Employee Benefits

- Short-term benefits

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

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

- Long term benefits

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

- Post-employment benefits

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

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

5.19. Income taxes

Strategy and tax policy

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

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.

Transparency

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.

Income taxes

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.

Current taxes

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.

Deferred taxes

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

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

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

Deferred tax assets are recognized only when it is 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 considering 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 trade tax

Pursuant to Article 86 of Law 2010 of 2019, 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.

Transfer Pricing

Under the principle of full competition and by regulation, operations between partner companies should 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 benefits in accordance with the principle of free competition.

Operations that are carried out with third parties or linked within the national territory shall be governed in accordance with the provisions of Article 90 of the tax statute, ensuring that they are translocated to the average commercial value of goods and/or services of the same species and on the date of disposal.

Transactions between related parties

The Bank could enter into operations, agreements, or contracts with related parties, on the understanding that any such operations shall be carried out with reasonable and market values, considering, inter alia, the following criteria:

- The existing market conditions and rates in the sector in which the operation is carried out.
- The activity of the companies involved.
- The growth forecast of the respective business.

Related party transactions are divided into 4 categories:

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

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

5.20. 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

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

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

The Bank has provisions covered by guarantee contracts made in acquisitions of other companies, which are disclosed in Note 13.20.

5.21. Bank guarantees

These are 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 the event of default by customers, the Bank will respond to the third party by paying the amount of money agreed in the document, and a credit obligation is created in the name of the customer for the amount paid, at a term agreed by the customer. They are initially recognized at the guaranteed value and subsequently evaluated in accordance with IAS 37.

5.22. 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 periodicity and form determined by the General Shareholders' Meeting. The Minimum Preferential Dividend may not be accumulated.

Share 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 of 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.

5.23. 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.

5.24. Recognition of income and expenses

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

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

Interest 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 recognized 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 once the performance obligations are fulfilled.

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.

(Millions of Colombian pesos (COP))

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 when performance obligations related to the transfer of goods are satisfied.

5.25. 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.

6. Use of estimates and judgments

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

The Bank regularly reviews its loan portfolio to assess its impairment and determine the amount of such impairment. It further analyzes its reasonableness and records it in the income statement for the year. This evidence may include data indicating that there has been an adverse change in the performance of borrowers in each loan portfolio (commercial, consumer, mortgage, microloans and home 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 past performance of loans with similar risk characteristics and objective evidence of similar impairments on those loans in the portfolio upon maturity of their future cash flows. The methodologies and assumptions used to estimate the amount and timing of future cash flows are regularly reviewed to reduce gaps between loss estimates and actual losses.

In accordance with measures adopted by the National Government to support customers in the current economic climate triggered by COVID-19, additional loan loss reserves were recorded in accordance with External Circulars 007 and 014. Likewise, compliance with the guidelines for credit institutions to implement the Debtors Support Program - PAD (External Circulars 022 and 039 of 2020) (See Note 11.3.2 Credit Risk).

Other judgments made by Management.

Assessment of significant influence

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

Name	% Share
Redeban Multicolor S.A.	26.04 %
Titularizadora Colombiana S.A.	26.85 %
Servicios de Identidad Digital S.A.S.	33.33 %

Key sources of estimation uncertainty

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

Fair value measurements and valuation processes

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

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

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

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

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

Furthermore, the effects on the fair value of financial instruments were recognized in the statement of income and other comprehensive income in 2020, in view of the downturn experienced in the financial markets due to the COVID 19 outbreak and the uncertainty caused by the measures adopted by governments to flatten the curve.

Goodwill impairment

Determining whether goodwill is impaired involves calculating the value in use of the cash-generating units to which it has been allocated. Calculating the value in use requires the Bank to determine the future cash flows it expects the cash-generating units to earn and to estimate an appropriate discount rate to calculate the present value. Banco conducts this valuation with an external, specialized, independent consultant approved by the Financial Superintendence SFC.

Useful lives, residual values and depreciation methods of long-lived assets

As described in Note 4.10, the Bank periodically reviews the useful lives, residual values and depreciation methods of long-lived assets, including property and equipment and intangibles. Appraisals are performed by technical experts. Intangible assets are also classified as either definite or indefinite. These estimates remained unchanged during the reported years.

Fixed asset impairment

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

Income taxes

The Bank assesses the realization of deferred income tax assets over time, accounting for income taxes recoverable through future deductions from taxable income. These are recorded in the separated statement of financial position. Deferred tax assets are recoverable to the extent that the realization of the corresponding tax benefits is probable.

As for December 31, 2020 and 2019, the Bank estimates that the deferred income tax assets will be recoverable based on its estimates of future taxable income. Deferred tax liabilities recorded as taxable differences in the calculation of deferred taxes will reflect the amounts payable for income taxes in future years.

Provisions and contingent liabilities

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

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

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

Investment impairment

The Bank reviews at the end of each period whether the rating of its portfolio gives rise to the recognition of provisions for impairment according to the low or minimum marketability or no quotation of the securities, these are adjusted at each valuation date based on the credit risk rating.

Customer loyalty program

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

Long-term employee benefits

The measurement of the seniority premium benefit is recorded by applying a simplified accounting method and recognizing all changes in the carrying amount of long-term benefit liabilities in the income statement for the period.

Post-employment benefits

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

Interest rate benefit

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

Decommissioning costs

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

7. Changes in significant accounting policies

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

Conceptual Framework for Financial Reporting
It sets forth a new conceptual framework for entities applying Full IFRS (Group 1) for preparing general purpose financial statements.

The new conceptual framework is better aligned with current IFRS and includes concepts that were not part of the previous framework, such as disclosure objectives and principles, unit of account, derecognition, contracts pending execution, among others.

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

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

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

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

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

Standards issued by the National Government but not yet implemented:

On May 28, 2020, the IASB amended IFRS 16 Leases to provide a practical expedient that allows lessees to not assess whether rent reductions that occur as a direct consequence of the COVID-19 pandemic and meet the specified conditions are lease modifications and, instead, to account for such rent reductions as if they were not lease modifications. In Colombia, Decree 1432 of 2020 adopts this modification.

Since the Bank did not experience substantial modifications to lease payments as a result of the COVID 19 pandemic, the Bank opted out of the practical expedient.

8. New Standards and Interpretations Issued but not yet in force

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

Amendment to IAS 1 Presentation of Financial Statements:

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

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

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

Amendments to IFRS 3 Business Combinations:

The amendment published in May 2020 addresses the following modifications:

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

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

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

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

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

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

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

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

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

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

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

Amendments to IAS 16 - Property, Plant and Equipment

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

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

Annual Improvements to IFRS Standards 2018-2020

The following improvements were completed in May 2020:

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

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

9. Fair value measurement

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

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

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

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

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

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.

Following systemic stress caused by the COVID19 pandemic and other external shocks, the stock market has been subject to high volatility and consequently there has been high variability in market prices. The methodologies used by Davivienda for valuation have acted consistently, reflecting in a timely manner and with a high level of accuracy the adjustments in interest rates and expectations prevailing in the market; all this, considering that in essence the portfolio is composed of debt instruments and conventional derivatives. However, there is a fraction of the portfolio made up of mortgage portfolio securitizations, which depends on the cash flows of the underlying securitized portfolio. These instruments have been gradually reflecting the effects of late payments in the portfolio and, therefore, an adjustment in their fair value has been observed.

Recurring fair value measurements

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

Assets and liabilities measured on a recurring basis at fair value by type of instrument are presented below, showing the corresponding hierarchy:

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

	Fair Value		Hierarchy	
	December 31, 2020	1	2	3
Assets				
Investments in debt issued and guaranteed	6,519,450	6,037,233	482,217	-
In Colombian Pesos	6,263,763	5,946,775	316,988	-
Colombian Government	5,441,793	5,437,965	3,828	-
Financial entities	608,604	470,018	138,586	-
Real sector	11,389	15	11,374	-
Others	201,977	38,777	163,200	-
Foreign currency	255,687	90,458	165,229	-
Colombian Government	51,473	51,473	-	-
Financial entities	82,200	6,780	75,420	-
Real sector	122,014	32,205	89,809	-
Equity investments	494,102	48,715	441,330	4,057
Through profit or loss	46,521	3,266	42,683	572
Through OCI	447,581	45,449	398,647	3,485
Trading derivatives (*)	1,407,296	-	1,407,296	-
Currency forwards	650,775	-	650,775	-
Securities forwards	1,460	-	1,460	-
Interest rate swaps	699,599	-	699,599	-
Currency swaps	11,238	-	11,238	-
Others	44,224	-	44,224	-
Total Assets	**8,420,848**	**6,085,948**	**2,330,843**	**4,057**
Liabilities				
Trading derivatives (*)	1,638,667	-	1,638,667	-
Currency forwards	869,645	-	869,645	-
Securities forwards	12,681	-	12,681	-
Rate swaps	725,599	-	725,599	-
Currency swaps	23,887	-	23,887	-
Others	6,855	-	6,855	-
Total Liabilities	**1,638,667**	**-**	**1,638,667**	**-**

(*) does not include cash transactions

(Millions of Colombian pesos (COP))

	Fair Value	Hierarchy		
	December 31, 2019	1	2	3
Assets				
Investments in debt 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 entities	612,017	382,907	229,110	-
Real sector	13,075	-	13,075	-
Others	230,874	60,571	170,303	-
Foreign currency	202,786	99,359	103,427	-
Colombian Government	10,984	10,984	-	-
Foreign governments	3,649	-	3,649	-
Financial entities	81,744	24,525	57,219	-
Real sector	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	-
Rate swaps	255,031	-	255,031	-
Currency swaps	27,565	-	27,565	-
Others	9,840	-	9,840	-
Total Liabilities	**617,801**	**-**	**617,801**	**-**

(*) does not include cash transactions

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

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

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

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

(Millions of Colombian pesos (COP))

- Other methods: for assets for which the official pricing vendor does not report prices based on previously described methodologies, the Bank uses approximations to estimate a fair value by maximizing the use of observable inputs. These methods, which are classified in the level 3 hierarchy, are generally based on the use of an internal rate of return obtained from the instrument's primary market, on the last observed prices and on the use of benchmark curves. In the level 3 hierarchy are investments in trust rights composed of low liquidity assets. This type of investments is immaterial within the portfolio value with a value of 0.008%

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

Methodologies applicable to the valuation of derivative financial instruments:

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

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

From January 1 to December 31, 2020, no financial instruments were transferred between the hierarchy levels of valuation methods. Changes in fair value reflect changes in the market variables used in the valuation of financial instruments during the period.

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

	Opening balance December 31, 2019	Profit (loss) In income	Profit (loss) In OCI	Reclassifications	Settlements	Transfers out of level 3*	Closing balance December 31, 2020
Assets							
Equity investments	13,200	(62)	(591)	-	-	(8,490)	4,057
Through profit or loss	634	(62)	-	-	-	-	572
Through OCI	12,566	-	(591)	-	-	(8,490)	3,485
Total Assets	13,200	(62)	(591)	-	-	(8,490)	4,057

(Millions of Colombian pesos (COP))

	Opening balance December 31, 2018	Profit (loss) In income	Profit (loss) On OCI	Reclassifications	Settlements	Transfers out of level 3*	Closing balance December 31, 2019
Assets							
Investments in debt issued and guaranteed	161,884	(1,276)	-	-	(4,639)	(155,969)	-
In Colombian Pesos	161,884	(1,276)	-	-	(4,639)	(155,969)	-
Others	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

(*) Refers to transfer of Bio D due to change in valuation methodology, from equity variation hierarchy 3 to price vendor hierarchy 2.

Fair value measurements of instruments measured at amortized cost

The following are the Bank's assets and liabilities at fair value and their book value: as for December 31, 2020 and December 31, 2019

December 31, 2020	Fair Value	Hierarchy 1	Hierarchy 2	Hierarchy 3	Carrying value
Assets					
Loan portfolio, net	79,126,329	-	-	79,126,329	77,039,266
Investments at amortized cost, (net)	3,235,131	45,480	2,977,235	212,416	3,189,427
Total financial assets	82,361,460	45,480	2,977,235	79,338,745	80,228,693
Liabilities					
Term deposits	24,773,463	-	24,773,463	-	24,642,076
Debt issued	11,964,508	11,964,508	-	-	11,174,892
Bank borrowings and other financial obligations	9,699,650	-	-	9,699,650	9,894,984
Total liabilities	46,437,621	11,964,508	24,773,463	9,699,650	45,711,952

December 31, 2019	Fair Value	Hierarchy 1	Hierarchy 2	Hierarchy 3	Carrying value
Assets					
Loan portfolio, 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 financial obligations	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

10. Operating segments

The Bank establishes its business operating segment reporting based on how it organizes and receives information. These segments are components of the Bank engaged in financial and banking activities that generate income and incur expenses, and for which an effective accountability is ensured, for an optimal measurement of their results, assets and liabilities, which are regularly evaluated and verified by the Strategic Committee, headed by the President of the bank., (MITDO - Maximum Instance of Operational Decision Making), for the correct decision making, the appropriate allocation of resources and the corresponding evaluation of their performance. Based on this organization, operating segments for the Bank were established as follows:

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

Taking into account the above, the Bank has defined its segmentation according to its main lines of business, obtaining three segments:

1. Retail Banking
   Davivienda offers a wide variety of products and services focused on meeting the needs of its customers, including investment, financing and savings products.

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

3. Assets and liabilities management ALM

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

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, 2020

Income Statement	Retail Banking	Enterprises	ALM (1)	Total Bank
Interest income and investment results	5,508,572	2,672,358	511,754	8,692,684
Interest Expenses	(335,299)	(1,351,062)	(1,173,951)	(2,860,312)
Net FTP(*)	(1,788,788)	500,599	1,288,189	-
Impairment of financial assets, net	(2,741,103)	(976,375)	27,434	(3,690,044)
Net Financial Margin	**643,382**	**845,520**	**653,426**	**2,142,328**
Commissions and service income, net	546,555	156,902	95	703,552
Equity method result	-	-	309,180	309,180
Dividends	-	-	34,470	34,470
Operating expenditures	(2,053,104)	(829,223)	(186,951)	(3,069,278)
Exchanges and derivatives, net	-	-	(59,251)	(59,251)
Other income and expenses, net	18,567	(137,170)	134,858	16,255
Operating margin	**(844,600)**	**36,029**	**885,827**	**77,256**
Income tax and supplementary	440,630	(35,951)	(258,126)	146,553
Profit for the year	**(403,970)**	**78**	**627,701**	**223,809**
Assets	**45,548,882**	**35,929,077**	**25,054,362**	**106,532,321**
Liabilities	**19,126,995**	**45,533,258**	**30,516,201**	**95,176,454**

December 31, 2019

Income Statement	Retail Banking	Enterprises	ALM (1)	Total Bank
Interest income and investment results	5,181,767	2,828,073	561,162	8,571,002
Interest Expenses	(339,782)	(1,586,195)	(1,141,492)	(3,067,469)
Net FTP(*)	(1,588,505)	619,406	969,099	-
Provisions for financial assets, net	(1,593,929)	(867,414)	5,964	(2,455,379)
Net Financial Margin	**1,659,551**	**993,870**	**394,733**	**3,048,154**
Commissions and service income, net	594,807	181,468	349	776,624
Equity Method result	-	-	417,655	417,655
Dividends	-	-	20,150	20,150
Operating expenditures	(1,884,707)	(757,221)	(174,452)	(2,811,380)
Exchanges and derivatives, net	-	-	80,836	80,836
Other income and expenses, net	15,528	(114,954)	138,051	38,625
Operating margin	**385,179**	**308,163**	**877,322**	**1,570,664**
Income tax and supplementary	12,104	(137,953)	(128,612)	(254,461)
Profit for the year	**397,283**	**170,210**	**748,710**	**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 - Funds Transfer Pricing: Refers to the costs of transferring resources between segments, which are allocated systematically and consistently managed within the entity.

In 2020, methodologies in the application of funds transfer pricing (FTP) were modified based on adjustments to best practices. To compare the results, the methodologies were applied historically. This reflects differences in the figures presented as of December 2019 in previous reports. The results of the units exclude the general provision made during the year in accordance with current applicable regulations. This provision is calculated as a hedging mechanism based on the expected impairment of the different portfolios.

11. Corporate risk management

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

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

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

Principles and Policies

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

- The Bank has decided to participate in businesses in certain industries and in certain regions. Any investment in 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 targets cannot lead the Bank to overexposures that could result in potential current or future losses outside of the risk appetite.

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

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

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

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

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

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

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

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

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

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

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

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

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

General framework

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

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

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

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

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

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

Governance structure

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

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

Board of directors

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

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

The Board of Directors is the entity responsible for risk matters:

- The Board is the body responsible for risk issues, and its duties include, for example:
- Approve and monitor risk appetite and risk tolerance limits.
- Verify that corporate risk management is aligned with the achievement of the Bank's strategic objectives.

Audit Committee

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

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

Corporate Risk Committee

The Corporate Risk Committee shall have the following duties:

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

11.1. Risk management model

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

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

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

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

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

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

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

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

11.2. Risk appetite framework

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

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

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

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

11.3. Risk management systems

11.3.1. Strategic risk

For Davivienda Bank defines strategic risk as the potential deviation from expected results as a consequence of strategic decisions, the improper implementation of such decisions and/or the lack of capacity to respond to changes in the environment.

Strategic risk management is a continuous process that incorporates both the control of strategy execution and the comprehensive and systematic evaluation of strategic decisions, in both cases seeking to guarantee the fulfillment of the Bank's strategic objectives.

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

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

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

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

11.3.2. Credit risk

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

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

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

<u>Credit Portfolio Monitoring and Management</u>

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

<u>Credit Risk Methodologies and Models</u>

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.

<u>Credit Risk Control and Monitoring</u>

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

Organizational structure for credit risk management

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

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 is the instrument for recording, orderly and systematic transmission of information to the organization in this area.

Measures in response to the COVID 19 Health Emergency

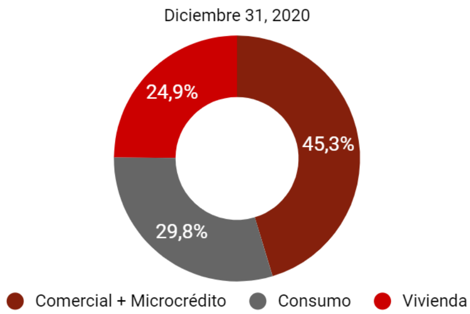
On account of the economic and social emergency declared in response to COVID - 19, Banco Davivienda implemented strategies to mitigate the impact caused by the crisis and contribute to stabilize the cash flow of our customers. The first strategies implemented by the National Government for this purpose in March 2020, in particular External Circulars 007 and 014 of 2020, included granting deferrals and/or grace periods to customers who at the end of February were 60 days or less in arrears, without affecting their credit score.

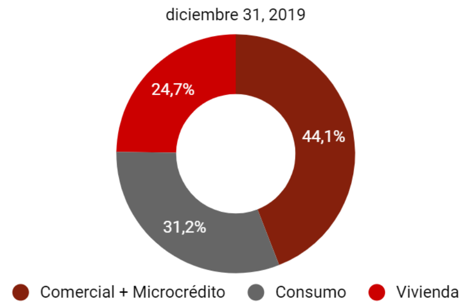
On June 30, the Financial Superintendence of Colombia issued External Circular 022 of 2020 which established guidelines for credit institutions to implement the Debtor Accompaniment Program - PAD and other provisions in credit risk management. In this regard, the process of structural redefinition of the obligations of debtors who were affected by the current situation began on 1 August 2020, accompanied by communication strategies and customer care. On December 30, 2020, the Financial Superintendence issued External Circular 039 to give continuity to the strategy of support to debtors who continue to be affected, extending the PAD until June 2021.

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

Exposure to credit risk - portfolio composition

As of December 31, 2020, the gross portfolio reached $83,145,738 of which the Personal Banking portfolio accounted for 55% and the Corporate Banking portfolio for 45%, showing a greater participation in personal banking as a result of the growth in digital banking.





By the end of 2020, the Bank's portfolio had grown by 9.22% compared to the end of the previous year. The commercial portfolio exhibited the largest growth over this period, increasing by 12.3% compared to the year-end 2019 figure. Within this portfolio, the corporate segment accounted for 78% of this growth. This is explained by new disbursements in industries tied to power generation and distribution, telecommunications, mass merchandising and cement, which account for 14% of the portfolio. In addition, it is important to note the effect of the depreciation of the Colombian peso over the year, which contributed to the growth of the foreign currency portfolio.

The SME portfolio registered a 6.08% variation compared to December 2019. This growth is mainly attributable to an increase in disbursements for payroll and working capital loans using the guarantees provided by the National Guarantees Fund (FNG) through the "United for Colombia" program. These guarantees are intended to support businesses and industries adversely impacted by the spread of COVID-19.

The consumer portfolio balance recorded a 4.45% variation in relation to December 2019, marking a significant contraction in relation to the growth recorded a year earlier, reflecting conservative policies and less customer outreach strategies. Unrestricted personal loans recorded the highest growth during the period, increasing by 30.9%. This is mainly attributable to the boost from placements in the second half of 2019 and the first quarter of 2020, which were concentrated on low-risk clients; the effect of such placements was diluted throughout the year. On the other hand, placements to independent clients guaranteed by the National Guarantees Fund under the economic emergency also contributed to this growth.

On the other hand, the mortgage portfolio expanded by 9.76% during the reporting period. Housing greater than social housing (SIV) registered the highest growth, growing by 16.8%. It is noteworthy to highlight the performance of this sector in 2020 and new coverage programs established by the National Government in 2020 for this type of housing. Also, less securitizations compared to the previous year also impacted the result. The second largest-growing portfolio was the social housing (VIS) segment, growing by 9.16%. The residential leasing portfolio grew 8% during the same period.

These variations, as well as portfolio quality, provisions and coverage, are shown as follows:

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

Business line	Balance	Loans CDE	Provision	Coverage	∆ Balance	∆ Provision
Commercial (1)						
December 31, 2019	33,557,472	9.66 %	2,303,287	71.05 %	0.27 %	21.27 %
December 31, 2020	37,679,547	9.23 %	2,545,127	73.14 %	12.28 %	10.50 %
Consumer						
December 31, 2019	23,741,286	5.47 %	1,580,961	121.66 %	34.01 %	21.20 %
December 31, 2020	24,797,988	14.88 %	2,968,139	80.45 %	4.45 %	87.74 %
Mortgage (2)						
December 31, 2019	18,831,121	3.81 %	513,961	71.66 %	11.42 %	13.18 %
December 31, 2020	20,668,203	3.92 %	593,206	73.15 %	9.76 %	15.42 %
Total						
December 31, 2019	76,129,879	6.91 %	4,398,209	83.64 %	11.82 %	20.24 %
December 31, 2020	83,145,738	9.60 %	6,106,472	76.52 %	9.22 %	38.84 %

(1)Includes the microcredit portfolio
(2)Includes staff loans – staff benefits deducted

December 2019 variation was calculated as follows: Dec 19 - Dec 18; December 2020 variation was calculated as follows: Dec 20 – Dec 19.

Year-to-date, the overall portfolio indicator by credit rating (CDE) increased 269 basis points from December 2019 and the coverage of the overall portfolio in CDE closed at 76.52%, decreasing by 7.12% compared to the end of the previous year. This decrease stems from the expiration of External Circulars 007 and 014 and portfolio stage shifts starting in August. External Circular 022 of 2020 stipulated that the real risk of debtors must be reflected at the end of the year through the portfolio rating process of the second half of the year, which further impacted the increase in the CDE portfolio indicator and the decrease in coverage.

The consumer portfolio experienced the greatest increase in the CDE indicator, which rose 941 bps from the end of the previous year. Credit cards and unrestricted personal loans were the products that recorded the largest increases, rising 1,386 bps and 949 bps, respectively. Three factors explain this performance:

1. Deterioration among customers adversely impacted by the health emergency. Once the massive reliefs applied within the framework of CE007 and 014 of 2020 were lifted, there was an increase in delinquencies of clients who were unable to improve their payment capacity, despite alternatives offered.
2. Write-offs decreased significantly as a result of the relief measures, meaning that the portfolio did not follow its expected pattern and hence the indicator is slightly higher than it would have been if write-offs had behaved normally. This is expected to surface in the first quarter of 2020.
3. Following the sharp growth recorded in the second half of 2019, the indicator at the end of this year was historically low. On the other hand, placements in 2020 decreased significantly in line with the economic downturn, creating an opposite effect on the indicator and increasing the gap in the comparison of the two year-end closings.

The CDE indicator for the mortgage portfolio increased by 11 basis points over the previous year-end figure. Note that deferrals granted under CE007 and 014 of 2020, as well as restructured loans in this portfolio, contained the portfolio and largely stabilized customers adversely impacted by the health emergency; however, the CDE for this portfolio is expected to increase over the first quarter of 2021 due to the effect of the economic climate.

The NPL indicator fell 43 bps in the commercial portfolio over the reporting period, as a result of loans placed with corporate clients with an optimal level of risk. The coverage ratio increased by 209 bps, due to the increase in loan loss reserves for certain clients adversely impacted by the economic climate in the Construction and Corporate segments. The NPL indicator by SME portfolio rating deteriorated 232 basis points, from 10.8% in December 2019 to 13.2% in December 2020. This is mainly attributable to reliefs granted to customers adversely impacted by the economic climate under the provisions of External Circulars 007 and 014 issued by the Financial Superintendence of Colombia. Additionally, the coverage ratio of the SME portfolio rated in CDE deteriorated from 83% at the end of 2019 to 63% in December 2020, reflecting an increase in the portfolio rated in CDE, following the application of subjective ratings in December 2020.

(Millions of Colombian pesos (COP))

The investment portfolio is mainly concentrated in sovereign debt securities of nations where Davivienda has operations, following the portfolio's main mandate of constituting a liquidity reserve. In this order, the portfolio is concentrated in assets with low credit risk and high liquidity. There are also positions in corporate debt securities, mostly recognized and recurrent issuers, of high credit quality, and mortgage portfolio securitizations. For 2020, 71% of investments were in public debt issued by Colombia, followed by 22% of private debt, and 7% 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 by separating the carrying value of financial assets between those secured by some collateral depending on the nature of the product and/or the counterparty and those granted without collateral.

	December 31, 2020		December 31, 2019	
	With collateral	No collateral	With collateral	No collateral
Debt at fair value	709,193	7,217,602	220,467	6,056,164
Colombian Government	-	5,493,266	-	4,718,525
Foreign governments	-	-	-	3,649
Financial entities	-	690,804	-	693,761
Real sector	-	133,402	-	119,484
Others	-	201,977	-	230,874
Derivative instruments	709,193	698,153	220,467	289,871
Debt at amortized cost	-	3,197,034	-	1,650,626
Investments in debt	-	3,197,034	-	1,650,626
Loan portfolio	44,190,325	38,955,413	40,600,533	35,529,346
Commercial + microcredit	21,592,007	16,087,540	19,943,274	13,614,198
Consumer	1,930,115	22,867,873	1,826,138	21,915,148
Mortgage	20,668,203	-	18,831,121	-
Total financial assets with credit risk	45,608,711	50,068,202	41,041,467	43,236,136
Credit risk off-balance-sheet	8,927,227	21,674,289	7,499,608	18,539,439
Credit limits	8,927,227	21,674,289	7,499,608	18,539,439
Total maximum exposure to credit risk	54,535,938	71,742,491	48,541,075	61,775,575

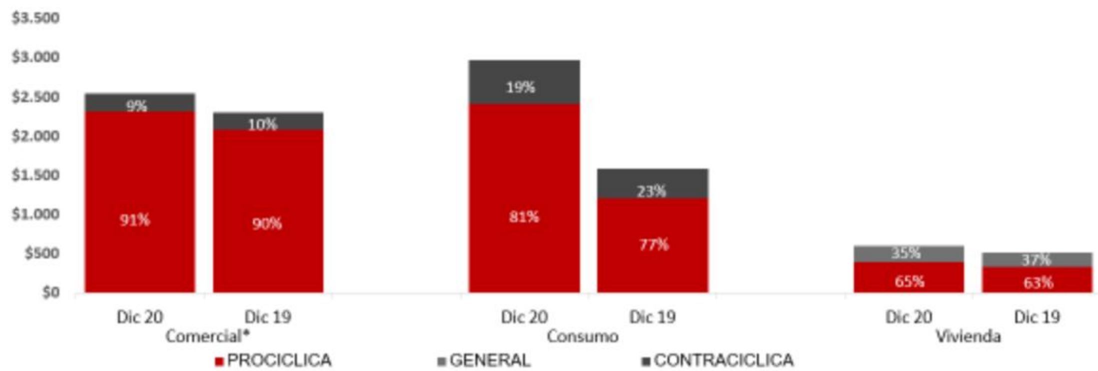
As a matter of Bank policy, the approvals process requires the offer of collateral in order to mitigate credit risk exposure, as a function of the nature of the product, the term of the loan, the financial and equity structure of the counterparty, the risks associated with the sector, the exposure of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

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

During 2020, 53.2% of the portfolio exposure is backed by collateral: The commercial portfolio has collateral in the form of mortgages, pledges, financial collateral, trust agreements, guarantees granted by the National Guarantees Fund (FNG) and the Agricultural Guarantees Fund (FAG), among others, covering 57.3% of the exposure.

Estimated loan loss reserves for credit risk

The following is the breakdown of loan loss reserves for the commercial, consumer and mortgage portfolios.



* Includes microloans.

So far in 2020, total loan loss reserves amounted to $6,106,472, equivalent to 7.34% of gross loans, or a 38.84% variation in relation to the loan loss reserves recorded in December 2019.

The economic emergency led to a significant increase in loan loss reserves, particularly in the consumer portfolio, with an 87.74% variation, followed by the mortgage portfolio, with a 15.42% variation in relation to December 2019. Note that under EC 007 and 014 expenditures decreased significantly, leading to additional coverage loan loss reserves established throughout the year, which were used in the last quarter of the year to offset the cost of stage shifts related to the hardest-hit portfolio.

Loan loss reserves grew by 10.50% compared to December 2019, mainly due to the growth of the portfolio (disbursements to optimal risk debtors) and to the increase in the risk level of some clients in sectors affected by the economic climate, such as: Construction, Air Transportation, Clubs, Restaurants and Recreation, and Fuels and Lubricants.

Additional loan loss reserves considerations

To promote a sound origination and growth of the consumer portfolio, the Financial Superintendence of Colombia, under External Circular 026 of 2012, established an additional individual temporary loan loss reserve 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. Throughout 2020, this indicator remained positive, and therefore, this additional provision was maintained.

Under External Circulars 007, 014 and 022 of 2020, the Financial Superintendence of Colombia established that in order to meet higher provision expenses caused by the economic emergency, entities could enter into a decumulative phase, use the countercyclical component of the individual provision and refrain from calculating a countercyclical provision for new disbursements. Until the end of December 2020, the bank chose to perform the calculation based on the cumulative phase.

On the other hand, External Circular 022 of 2020 required the establishment of a general allowance for uncollected accrued interest (ICNR), which is calculated based on the obligations subject to relief measures implemented under

External Circulars 007, 014 and 022 of 2020; therefore, $41,863 were recorded for this item in the consumer portfolio, $30,115 in the mortgage portfolio, $28,176 in the commercial portfolio and $25 in the microloan portfolio, totaling $100,178 at year-end.

11.3.3. Market risk and liquidity management

The Vice-Presidency of Investment Risk is the body to which the Board of Directors of each company delegates the responsibility for risk assessment, identification of new risks, definition of calculation methodologies, policy suggestions and control of the different risks.

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

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

The Financial Risk Management Manual (MARF) of Grupo Empresarial Bolívar consolidates the aspects related to management and administration of treasury and liquidity financial risks in the Group companies and establishes the administration system required for this purpose. Thus, the companies have designed and implemented a robust structure of exposure limits to risk, to control portfolios and their management activities Each company has defined, among others, investment and counterpart limits, portfolios, limits per operator, value at risk, sensitivity, duration, term, as well as various early alerts to monitor and control the operation. The Board of Directors delegates in the Grupo Empresarial Bolivar Financial Risk Committee (CRF) and in the Investment and Risk Committees of the Collective Investment Funds, as appropriate, the responsibility of evaluating and authorizing the different operation and investment alternatives of the Treasuries of each Company; and the committee of assest and liabilities management (C-GAP), or whoever acts in its capacity, the definition, monitoring and control of the general policies of asset and liability management (market risk of the balance structure), and liquidity risk management policies.

11.3.2.1. Market Risk

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

The strategic principles governing the bank market risk management are:

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

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

(Millions of Colombian pesos (COP))

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

Business model and portfolio structure

Market risk management is based on an understanding of the business models established to manage the investment portfolio. The Bank then establishes two major mandates: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.

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

The gross investment portfolio, as of December 31, 2020, was $10,210,586. Find the breakdown by business models below:

			Variation	
Business Model	December 31, 2020	December 31, 2019	$	%
Trading	2,436,356	1,742,597	693,759	39.81
Structural	7,774,230	6,107,354	1,666,876	27.29
Liquidity reserve	6,419,988	4,826,127	1,593,861	33.03
Balance-sheet management	1,354,242	1,281,227	73,015	5.70
Total	10,210,586	7,849,951	2,360,635	30.07

Investments in debt securities mainly consist of the liquidity reserve and trading activities. With respect to the fluctuations recorded during the period, trading increased its position by 39%, an ordinary movement for this portfolio as it is based on short-term strategies. On the other hand, the structural portfolio increased 27%, mainly explained by the establishment of mandatory investments in Solidarity Securities for nearly $1.3 trillion pesos. Accounting classification rules for investments are associated with the business models used to manage the portfolios. As of December 31, 2020, gross loans were classified as follows:

			Variation	
Accounting Classification	December 31, 2020	December 31, 2019	$	%
Business	4,457,568	3,460,712	996,856	28.80
Available for sale	2,555,984	2,738,613	(182,629)	(6.67)
Held-to-maturity	3,197,034	1,650,626	1,546,408	93.69
	10,210,586	7,849,951	2,360,635	30.07

Most investments are classified as tradable and available-for-sale, since the liquidity reserve and the trading portfolios, in view of their nature of eventual sale at market prices, must reflect the liquidation price or fair value. As of December 31, 2020, the portfolio classified as held-to-maturity reports the largest increase as a result of the mandatory investment in Solidarity Securities, as previously mentioned. The increase in the trading portfolio is explained by trading strategies focused on capturing value through short-term directional positions.

Measurement of market risk

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

(Millions of Colombian pesos (COP))

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

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

Risk of changes in net interest rate and exchange rate exposure

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

In addition, the Bank uses the RiskMetrics methodology developed by JP Morgan, which uses a parametric approach to VaR. Likewise, the calculation scheme contemplates absolute VaR and Component VaR (CVaR) measurements. Depending on the type of portfolio, the best complementary measures to be used are identified. The model is equipped with tools to analyze the effects on the portfolios in the event of market stress scenarios, as well as mechanisms to evaluate the model's performance through backtesting analysis. These measurements are applied at the portfolio, strategy, and product levels.

The purpose of the backtesting process is to validate the VaR model and its predictive capacity with respect to the real evolution of the income/loss of the investment portfolios. This performance test is based on the Kupiec test (1995), generating a statistical measure of confidence of the model by taking a significant number of observations (255 data). Likewise, clean and dirty tests of the model are performed at the portfolio, asset class and product level on a weekly and monthly basis.

Based on the standard model of the Financial Superintendence of Colombia, the value at risk for the investment portfolio as of December 31, 2020 and 2019 was as follows:

Maximum, minimum, and average VaR.

	December 31, 2020			
	Minimum	Average	Maximum	Latest
Interest rate	177,729	209,325	228,100	200,704
Exchange rate	52,938	187,283	346,610	52,938
Shares	209	343	631	289
Unit funds	6,159	6,293	6,487	6,297
VaR	260,227	403,244	573,869	260,228

(Millions of Colombian pesos (COP))

	December 31, 2019			
	Minimum	Average	Maximum	Latest
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
Unit funds	5,960	6,309	7,459	6,136
VaR	312,193	395,688	430,801	406,053

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

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

Within the quantitative techniques scheme, two stress estimation methodologies have been implemented. The first one is a stressed parametric VaR, which depicts the extreme loss in a day according to history. EWMA (Exponentially-Weighted Moving Average) volatilities and correlations are used).

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

High volatility in interest and exchange rates was recorded during the year ended December 31, 2020, particularly in the first half of the year, as a result of the stress caused by the COVID-19 pandemic and some other external shocks. This situation adversely impacted the performance of the investment portfolios, but due to the expansionary policy of the Central Bank aimed at promoting economic recovery, they recovered by far from the initial devaluations recorded.

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

Risk of change in exchange rates

The Bank exposed to exchange rate variations, firstly as a result of its international presence through its subsidiaries in the Central American and United States markets, and secondly because of its trading activity in the foreign exchange market.

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

(Millions of Colombian pesos (COP))

The management of the foreign exchange position of the balance sheet is framed within the regulations established by the Central Bank of Colombia, which restrict, based on the entity's net worth, maximum long and short positions in currencies.

2020 was marked by the high volatility of the Colombian peso against the dollar; it reported a year-to-date depreciation exceeding 25% in the first quarter, to close at 4.7% in December. To the extent that Davivienda maintains a long structural position in USD, the devaluation trend has resulted in gains for the Bank due to exchange rate restatement, which have offset the adverse impact of the exchange rate increase on the capital adequacy ratio.

Below are the net positions (assets less liabilities) in currencies.

	December 31, 2020		December 31, 2019	
	Currency balance	Peso balance	Currency balance	Peso balance
USD	227	779,813	97	317,473
Lempira	3,888	553,478	3,892	517,369
Colón	174,121	978,985	160,562	922,925
Others*	(3)	(9,262)	(3)	(9,395)
Total		2,303,014		1,748,372

*Figures in USD.

The estimated effect of a 1% increase or decrease in the USD to COP exchange rate, effective as of December 31, 2020, holding all other exchange rates constant, would be +/- $23.123 for the most relevant foreign currency positions in the balance sheet (USD, Lempira, and Colón).

Risk of interest rates on balance-sheet structure:

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

The sensitivity of income from interest-bearing assets and expenses from liabilities with financial cost is presented below. Thus, by December 31, 2020, a 50 bp increase or decrease in interest rates could have caused a decrease or increase of $79,473 respectively, in the Income Statement. For December 2019, this sensitivity would have been $ 47,654.

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

	December 31, 2020				
				Δ50 pb Impact	
	Monthly average	Income/expense	Average rate(*)	Increase	Decrease
Interest-earning assets					
Money market funds	478,566	13,137	2.7 %	2,393	(2,393)
Local currency	380,513	10,462	2.7 %	1,903	(1,903)
Foreign currency	98,053	2,675	2.7 %	490	(490)
Investments in debt securities tradable and available for sale	6,727,187	465,659	6.9 %	(33,088)	33,088
Local currency	6,470,435	464,674	7.2 %	(33,570)	33,570
Foreign currency	256,752	985	0.4 %	482	(482)
Investments in debt securities held to maturity	2,798,511	27,339	1.0 %	13,993	(13,993)
Local currency	2,660,750	20,850	0.8 %	13,304	(13,304)
Foreign currency	137,761	6,489	4.7 %	689	(689)
Credit portfolio	83,859,442	8,205,020	9.8 %	248,415	(248,415)
Local currency	76,078,421	7,916,233	10.4 %	211,560	(211,560)
Foreign currency	7,781,021	288,787	3.7 %	36,855	(36,855)
Total assets in local currency	85,590,119	8,412,219	9.8 %	193,197	(193,197)
Total assets in foreign currency	8,273,587	298,936	3.6 %	38,516	(38,516)
Total interest-earning assets	**93,863,706**	**8,711,155**	**9.3 %**	**231,713**	**(231,713)**
Interest-bearing liabilities					
Public deposits	64,322,930	1,673,409	2.6 %	212,910	(212,910)
Local currency	61,841,281	1,644,126	2.7 %	205,005	(205,005)
Foreign currency	2,481,649	29,283	1.2 %	7,905	(7,905)
Bonds	11,463,430	728,351	6.4 %	30,737	(30,737)
Local currency	9,571,981	618,788	6.5 %	30,737	(30,737)
Foreign currency	1,891,449	109,563	5.8 %	-	-
Money market funds	2,025,731	66,335	3.3 %	10,129	(10,129)
Local currency	1,987,326	65,967	3.3 %	9,937	(9,937)
Foreign currency	38,405	368	1.0 %	192	(192)
Financial sector debt	11,482,079	357,234	3.1 %	57,411	(57,411)
Local currency	3,064,760	124,327	4.1 %	15,324	(15,324)
Foreign currency	8,417,319	232,907	2.8 %	42,087	(42,087)
Liabilities in local currency	76,465,348	2,453,208	3.2 %	261,003	(261,003)
Liabilities in foreign currency	12,828,822	372,121	2.9 %	50,184	(50,184)
Total interest-bearing liabilities	**89,294,170**	**2,825,329**	**3.2 %**	**311,187**	**(311,187)**
Total financial assets, net, subject to interest rate	**4,569,537**	**5,885,828**		**(79,473)**	**79,473**
Local currency	9,124,772	5,959,012		(67,806)	67,806
Foreign currency	(4,555,235)	(73,184)		(11,667)	11,667

(*) Calculated as: 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, 2019			Δ50 pb Impact	
	Monthly average	Income/expense	Average rate (*)	Increase	Decrease
Interest-earning assets					
Money market funds	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 debt securities tradable and available for sale	5,735,514	389,601	6.8 %	(7,765)	7,765
Local 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 securities 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)
Credit portfolio	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 funds	1,787,689	83,283	4.7 %	8,938	(8,938)
Local currency	1,776,262	83,031	4.7 %	8,881	(8,881)
Foreign currency	11,427	252	2.2 %	57	(57)
Financial sector debt	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 financial assets, net, subject to interest rate	**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: Accumulated income last 12 quarters / average balance last 12 quarter

11.3.2.2. Liquidity risk

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

The strategic principles governing the bank market risk management are:

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

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

Short-term

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

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

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

(Millions of Colombian pesos (COP))

Assets comprising the liquidity reserve must have minimum characteristics; they must be eligible as collateral for central banks, have low credit and market risk, and be priced in large and well-known markets. In addition, these assets must be unencumbered, i.e., free of any contractual obligation and must not have been previously pledged as collateral in the performance of money market passive operations or any other type of transaction.

The SFC's standard liquidity risk indicator (LRI), which compares available liquid assets versus short-term net cash outflows, is characterized by the strictness with which liquidity needs are defined. The main variables of the model consist of a run on demand deposits of at least 10%, contractual outflows that do not consider renewal rates, and written-off cash inflows.

The IRL is measured for time bands of seven, fifteen, thirty and ninety days. The SFC sets limits for the first and third bands, requiring the liquidity gap to be greater than or equal to zero. The ninety-day band assumes a highly adverse scenario, in which at least 30% of demand deposits are withdrawn, in addition to the materialization of the outflow of resources for all contractual maturities of liabilities. Given these assumptions, this scenario is taken only as a reference.

The results of the standard liquidity indicator - IRL for December 31, 2020 and 2019 are presented below.

		December 31, 2020		
	Minimum	Average	Maximum	Latest
7 days	8,560,331	9,938,825	11,890,249	11,890,249
15 days	5,477,283	7,237,699	8,942,241	8,913,206
30 days	1,810,758	3,844,787	5,654,898	5,129,246

		December 31, 2019		
Bands	Minimum	Average	Maximum	Latest
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

As a result of the Bank's internal policies and conservative liquidity management profile, the standard model of the Colombian Financial Superintendence reflects an excess of liquid assets for a 30-day horizon of 3.84 trillion pesos on average during 2020. The Bank's liquid assets, according to the standard model of the Superintendence of Finance of Colombia, are around 13.2 trillion pesos. These are mainly composed of cash, securities accepted in monetary expansion

As a consequence of the systemic stress situation generated by the health emergency and other external shocks that have introduced high volatility to the stock market, the Bank's cash flow dynamics have been modified since the last weeks of March of this year; thus, and thanks to the measures adopted by the Central Bank, focused on monetary expansion and increase of liquidity, Davivienda, and in general the banking sector, have experienced a significant increase in deposits. These resources have supported the strengthening of the liquidity reserve, which as seen in the previous chart, explain the substantial increase in the IRL compared to the end of 2019. No liquidity pressures that cannot be sufficiently addressed are foreseen, considering the high level of liquid assets Davivienda has, and the balanced and prudent management of collection flows and portfolio disbursement.

(Millions of Colombian pesos (COP))

Long term

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

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

Flows of financial liabilities

December 31, 2020

	Up to one month	More than one month and no more than three months	More than three months and no more than one year	More than one year and no more than five years	More than five years	Total
Term deposits	2,694,893	5,326,077	11,264,734	5,810,003	139	25,095,846
Savings and current accounts (*)	42,484,759	-	-	-	-	42,484,759
Bonds	75,005	263,650	713,050	8,562,509	3,966,108	13,580,322
Financial sector debt	1,226,538	1,330,896	1,477,558	4,919,971	1,776,632	10,731,595
	46,481,195	6,920,623	13,455,342	19,292,483	5,742,879	91,892,522

December 31, 2019

	Up to one month	More than one month and no more than three months	More than three months and no more than one year	More than one year and no more than five years	More than five years	Total
Certificates Term deposits	2,429,269	4,502,794	11,263,284	7,463,266	3,153	25,661,766
Savings and current accounts (*)	32,048,438	-	-	-	-	32,048,438
Bonds	80,779	480,208	1,193,373	8,081,699	4,398,607	14,234,666
Financial sector debt	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

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

11.3.4. Operational risk

In 2020, we implemented strategies aimed at reinforcing our culture and preventive risk management, placing special emphasis on managing the key controls in place for the most relevant operational risks that may affect the sustainability and continuity of our business, the supply chain, our transformation strategy, and potential drivers of economic losses, in accordance with our risk tolerance control and operational framework to comply with new operational risk regulations that, among other elements, includes the value of regulatory operational risk to calculate capital adequacy, thereby raising the standards of risk management for our financial system.

COVID-19 Risk Management: COVID-19 and corporate and government measures to mitigate its impact have had an impact on different fronts. Actions have been implemented in order to maintain the Bank's control environment. Crisis committees have coordinated all actions with the support of various specialized committees, reporting on the state of risk and the measures adopted.

We have classified impacts and actions into 4 groups: employees, channels, vendors and customers:

(Millions of Colombian pesos (COP))

- Employees: the main risks and related mitigation measures involve the health of our employees and their families, travel restrictions and social distancing restrictions for our employees, impacting our day-to-day operations and processes.

- Channels: We increased the capacity of our call center and chat rooms. These channels were particularly busy in terms of service and operations, due to the demand for information from our customers, especially in relation to financial measures in response to COVID-19.

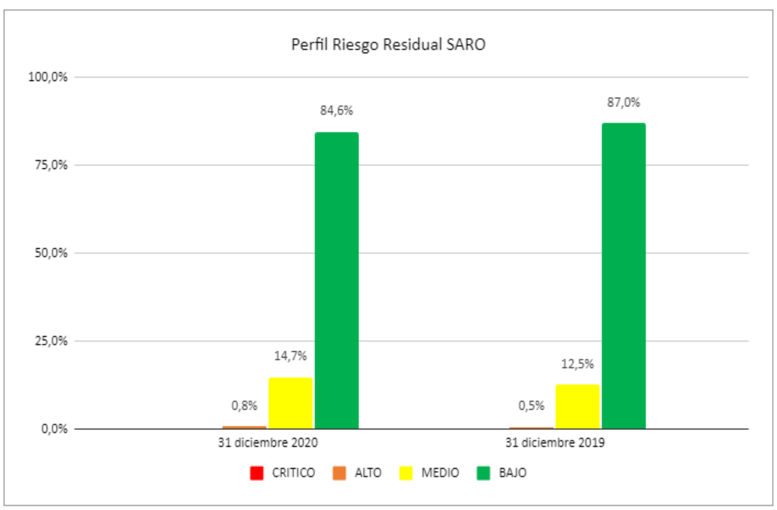
- Suppliers: We assessed Covid-19 risks affecting major third parties. We implemented contingency plans and action plans to strengthen control measures to effectively manage outsourced processes.

- Customers: Due to the COVID-19 health emergency, we supported the implementation of control and monitoring plans to mitigate the main risks involved in servicing and offering benefit programs for loans and subsidies through our network of branches, virtual channels and Daviplata.

The operational risk model enables us to continuously monitor controls and their design, documentation, evidences, and the achievement of expected results across processes and business. Likewise, our operational risk and control model allows us to oversee the processes that impact financial accounting, business lines, channels, operations and technology. As part of our operational risk management strategy, we have enhanced our technological infrastructure and analytical capacity as a key element to safeguard information, documentation and the implementation of models to steer our risk management and control strategy.

An in-depth analysis of the root causes is performed for events that may occur for the purpose of establishing and implementing appropriate action plans, which are duly monitored by units and bodies appointed for this purpose.

In compliance with the corporate risk strategy approved by the Board of Directors and in accordance with the regulatory framework, the operational risk methodology is in line with the expected objectives. The comparative charts as of December 31, 2020, depict the composition of risks by rating zone. 10 high risks were identified at the end of the year. These are permanently monitored, and action plans are in place to mitigate them.



SARO Entidades	31 diciembre 2020 Procesos	Riesgos Bajo	Riesgos Medio	Riesgos Alto	Riesgos Crítico	Riesgos Total	Controles	31 diciembre 2019 Procesos	Riesgos Bajo	Riesgos Medio	Riesgos Alto	Riesgos Crítico	Riesgos Total	Controles
Banco Davivienda Colombia *1*	212	1.073	186	10	-	1.269	3.536	186	1.140	164	7	-	1.311	3.859

1. *Banco Davivienda and Miami branch*

(Millions of Colombian pesos (COP))

Accounting losses totaling $65,191 were recorded in 2020, comprised of losses and recoveries for the year in terms of fraud and process failures; however, by managing recovery processes and bank insurance, the company recovered $32,442 in income, resulting in a final net loss of $32,749.

11.3.5. Financial consumer customer service

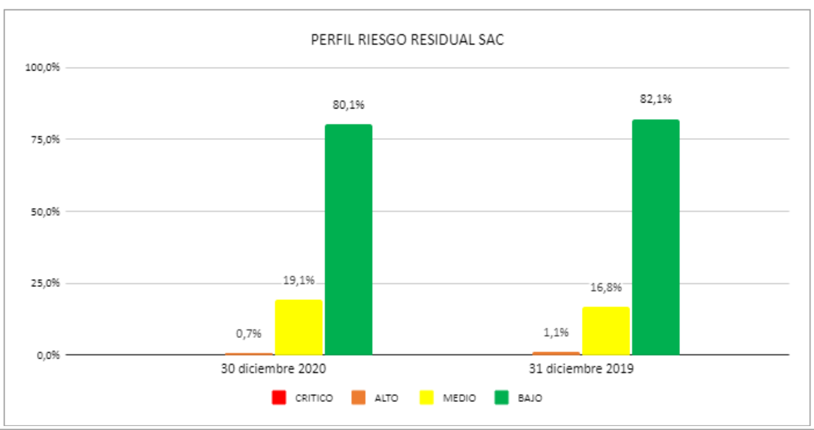
In 2020, the Bank continued to consolidate its customer service model, providing a friendly, reliable and straightforward experience for financial consumers. This was accomplished by strengthening the following key elements:

- Culture of attention, respect and service
- Clarity and transparency in information and communication.
- Timely and effective attention to requests, complaints and claims that may arise, identifying root causes and managing action plans for their solution.
- Security in the processing of operations.

We assess the events that affect the interests of the Financial Consumer and build strategies and action plans to mitigate their occurrence. On the other hand, we carry out operational risk monitoring focused on direct impacts with our clients and execute action plans.

In the context of the health emergency caused by COVID-19, measures, policies and contingency plans have been adopted to guarantee the well-being of employees and customers and the continued provision of services and channels; To this end, we developed strategies aimed at defining new initiatives, including an operational risk management specialized in customer service and complaint resolution processes, as well as the establishment of assurance and control processes for digital transformation, in order to contribute directly to the objectives of the service strategy and its simple, reliable and user-friendly attributes, while complying with current regulations.

Pursuant to the policies approved by the Board of Directors in accordance with the regulatory framework, risks are adequately managed. Comparative graph of evolution as of December 31, 2020, showing an improvement in the composition of risks, based on proactive and preventive management.



	diciembre 31 2020							diciembre 31 2019					
SAC	Riesgos						SAC	Riesgos					
Entidades	Bajo	Medio	Alto	Crítico	Total	Controles	Entidades	Bajo	Medio	Alto	Crítico	Total	Controles
Banco Davivienda	339	81	3	-	423	1.093	Banco Davivienda	380	78	5	-	463	948

11.3.6. Money laundering and financing of terrorism risk and anti-corruption program

The Bank has adopted and implemented an Anti-Money Laundering and Financing of Terrorism Prevention (AML-CFT) Compliance Program, based on the premise of ML-TF risk management and its controls, which includes identifying, measuring, controlling and monitoring such risks by consolidating information, implementing a sound technological platform, using data mining methodologies, and developing and implementing a risk profile of the different risk factors based on the characteristics of customers, products, distribution channels and jurisdictions, generating warning signals, analyzing and monitoring unusual transactions and reporting suspicious transactions to the competent authorities; in order to mitigate the risk of being used to disguise assets derived from illicit activities as legal and/or to finance terrorist activities, in accordance with the provisions of the Basic Legal Circular (C.E.) 029 of 2014 issued by the Financial Superintendence of Colombia.

In 2020, we implemented the compliance program established, and thus the management of this risk at the consolidated level has remained stable during the year and within the exposure thresholds categorized as low; likewise, as a result of the national emergency caused by COVID-19, new risks were identified, which have been managed in a timely manner through different control methods.

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 2020.

Internal Audit. In 2020 we carried out the annual Internal Audit process, which was divided into two stages, where the SARLAFT Internal Control system was evaluated in its stages and elements, verifying the adequate implementation of internal and external standards, policies, procedures, as well as its alignment with the strategic objectives. As a result, two reports were received, on August 18 for stage one and on December 23 for stage two. The result was an opportunity for improvement, and appropriate action plans were drawn up and are being implemented.

Tax Audit. Quarterly reports were produced by the Statutory Auditor's Office, conducting audits on compliance with the provisions of the Financial Superintendence of Colombia and other relevant regulations concerning the implementation of controls for the Prevention of Money Laundering and/or Financing of Terrorism. The results were satisfactory and the action plans for the improvement opportunities were completed within the established terms.

- **Optimization of technological tools**

In 2020, we presented to the Compliance Committee on a quarterly basis the progress of the technological projects established to optimize the administration of the Compliance Program. The projects of SAS Phase II, optimization in the integration of the different applications with the caution lists, the FATCA and CRS reporting tool and the Sigar - SARLAFT tool stand out.

- **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. Operations reports sent to UIAF.

- **Scheme of sanctions**

No SARFLAFT related administrative sanctions were imposed in Banco Davivienda in 2020.

- **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.

- **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**

In 2020, we updated the Compliance Manual, including adjustments related to general policies, international operations, and the inclusion of specific policies for the prevention and control of transnational bribery and corruption.

- **Training**

We designed, approved, and executed the Annual Training Program, which included annual SARLAFT, FATCA/CRS and Anticorruption retraining, periodic corporate orientation updates, certification and review of the compliance manual, and training for members of the Board of Directors.

- **Risk management**

The Board made quarterly follow-up of performance and progress in risk factors, customer segmentation and risk certification. The Board was kept informed of the administration of risk events and the effectiveness of controls.

- **FATCA Law**

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 2020, the Committee issued its opinion on the monitoring and progress of the Program, providing opinions, assignments, and commitments for the improvement of SARLAFT activities.

- **Corporate Structure**

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

11.3.7. 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 1 Davivienda through the Fraud Risk Management System (SARFRA) in compliance with the regulatory framework of the Operational Risk Management System (SARO).

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

As part of our work plan implemented in 2020 and in view of the COVID-19 crisis, the Bank reinforced its digital and anti-fraud service strategy by strengthening services provided through various virtual channels and digital payment methods, supporting our customers and improving their experience, acquiring security tools to prevent and mitigate the risk of transactional fraud. In addition, the Bank has specialized in offering a better service to its customers by strengthening and expanding its services in digital channels through strategies such as early identification of customers affected by phishing, control of customer devices for accessing channels, authentication controls and strengthening fraud prevention and monitoring techniques. To mitigate the risk of credit card fraud, the Bank has closely followed fraud prevention policies and rules, monitoring and responding early to attacks that have been detected.

As part of the 2021 work plan, the Bank will migrate to new fraud prevention tools, prioritizing digital banking and the customer's transactional profile as a service strategy to provide greater security for our customers' daily transactions at the national level as well as in its domestic subsidiaries.

11.3.8. Information security - Cybersecurity

The Bank has focused its efforts in Information Security and Cybersecurity during 20120on 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, 75 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.

As part of our continuous improvement, we continue planning, defining and executing projects and initiatives that leverage the strategy, consolidating and developing different roles in the organization in order to prevent, detect and react in a timely manner to any potential incident. Likewise, we continue adopting new techniques, methodologies and tools that allow early detection through alert analysis and reaction to potential incidents or unusual behavior that may later turn into cyber-attacks targeted at the Bank and its Subsidiaries.

[1] Research paper - best anti-fraud practices - AMV

Some of the highlights include the following projects:

- Migrating the Security Operations Center (SOC) to detect unsafe behavior, threats, cyber-attacks, and to timely implement security incident response and disaster recovery runbooks and playbooks, based on the implementation of additional Cyber Threat Intelligence capabilities and the outsourcing of management and operation of security tools.
- Strengthening preventive and detective controls across the digital ecosystem to support remote working arrangements as part of the Organization's business continuity efforts following the health emergency caused by COVID-19.
- The information asset protection program and plan are maintained, conducting a comprehensive review of risks and governance systems, and updating tagging/labeling and DLP rules to prevent information leakage.
- Conducting specialized security tests (Red Team) to assess the organization's security posture.
- We conducted a self-assessment of the cyber risk profile under the FFIEC (Federal Financial Institutions Examination Council) methodology.
- Reviewing and securing the SWIFT environment to reduce the risk of fraud.
- Consolidation of the identity and application access management process by automating underlying processes.
- Implementing tactical and structural Information Security and Cybersecurity plans for information leakage.

A training and awareness-raising plan was implemented targeting the various areas managing the three (3) lines of defense. Likewise, it was delivered to the Organization's employees and third parties, raising 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.

11.3.9. Technological risk

The purpose is to identify, assess and monitor the technical risks affecting the technological platform at the head office, Central America and national subsidiaries, considering three main factors at the infrastructure level (machines, networks, databases), the logical components of the systems (applications, information systems, data) and finally those risks associated with their management.

Therefore, we defined a specialized methodology that supports the implementation of controls on technology management processes, within the framework of best practices that allow us to evaluate the dimensions of Availability, Reliability, Performance, Functionality and Regulatory Compliance of the platforms that support business processes, contributing to:

1. Contribute to the adoption of technology to support 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 defined by the organization.
4. Assess and identify IT Risks in the current Architecture and integrations, taking into account:
    - Capacity
    - Emerging technologies
    - Innovative uses of technology
    - Technology Obsolescence (Hardware and Software)
    - Migrations
    - Dependence on third parties
    - Ensure implementation of technology contingencies.
    - Ensuring knowledge management of key IT personnel

11.3.10. Risks related to third parties and partners

The Risk Management Model for Third Parties and Partners has been implemented to ensure that the relationships between the Bank and third parties observe and comply with the legal regulations in force in the area of comprehensive risk management. In addition, this model promotes due diligence for the different actors involved in the integration and operation of third parties. As a benchmark framework, the model is also articulated with industry standards and with appropriate control and security best practices.

This model provides for specific actions to be executed in each of the stages of the life cycle of the relationship with third parties, starting with planning how to engage a third party and ending with the renewal or termination of the agreement between the parties.

The periodic evaluation of risk management by third parties is deemed decisive for the success of our relationship with them, which is why, on the occasion of the pandemic, efforts were made to ensure that the operation will continue without major disruption.

11.3.11. 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 industries, 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.

The Climate Change Risk Assessment is part of SARAS, which determines the importance of the risk for the project, activity or portfolio evaluated, considering background information on climate situations, vulnerability, and hazards to identify and categorize the risk. Existing management, mitigation and adaptation measures are evaluated. This assessment includes the identification of risks associated with changes in related regulations.

Based on the work done in regard to Climate Change Risk management within the Bank, in December 2020 Banco Davivienda decided to participate in the Task Force on Climate related Financial Disclosure (TCFD), which is the main benchmark for managing risks and opportunities related to climate change worldwide.

Likewise, within the framework of SARAS, we conduct a human rights risk assessment in accordance with Banco Davivienda's Human Rights policy. The scope of the assessment covers: Employees, Customers, Suppliers and Community. The risk assessment process includes the review of potential and actual impacts of activities on human rights, existence of management measures to avoid or minimize risks, and address adverse impacts.

11.3.12. Business continuity

Business Continuity Management entails developing and implementing Continuity Plans, Crisis Management and Risk Management, improving the entity's resilience by articulating mechanisms for preparing and responding to unexpected incidents that may jeopardize the organization's continuity, sustainability and reputation.

In 2020, in view of the materialization of the emerging Pandemic risk, the Organization strengthened its mitigation plans and strategies in order to timely respond to the crisis derived from COVID-19, adopting measures to safeguard the lives of employees and ensuring the continuous provision of services and encouraging the use of digital channels.

These are some of the achievements and results obtained in 2020:

Business Continuity Plan

The approach adopted for 2020, as a temporary measure, enabled us to attain a higher level of readiness regarding the strategies that are part of the Continuity Plan, strengthening the Organization's capacity to weather the current context and improving its capacity to respond to and recover from unexpected events, safeguarding the sustainability and reputation of the Entity.

The following are the results achieved after incorporating actions and guidelines in response to the COVID-19 pandemic for each of the strategies that comprise the Organization's continuity plan:

- People
  The strategy related to the Organization's human resources was activated in 2020 in the context of the pandemic. It encompasses a communication system, remote work and an emergency plan.

- Communication
  Communication mechanisms established for senior divisions managing the Entity's critical processes allowing for the timely disclosure of relevant information in case of an incident, based on the various recovery plans in place. By massively activating these plans, we were able to comply with the established indicator and ensure their validity.

- Remote Working Strategy
  In line with guidelines issued by the Government on managing the Pandemic, the Organization set up remote work arrangements for areas that do not provide direct service to the public, ensuring the proper functioning of the organization's processes, as well as reducing exposure to infection for the human team behind the operation. 100% of activities linked to critical processes have been completed under the conditions of this plan.

- Emergency Plan
  The Organization has been working on prevention initiatives aimed at strengthening the readiness of employees and their families for various scenarios. In 2020, we activated the Emergency Plan for the entity's employees, based on the work modality of their activities, with a focus on mitigating the COVID-19 Risk, implementing epidemiological measures prescribed in the biosafety protocol.

  Personal protective equipment (PPE) was distributed to employees performing on-site activities, as well as training on how to use such PPE.

- Technological Contingency
  The technological contingency strategy was implemented in accordance with the scope envisaged for the year. In addition to the initial scope, we added the need to deploy the resources required to enable remote

working capabilities, ensure the availability of customer service channels and implement security technologies. The underlying platforms that support critical processes in the organization were activated in a contingency mode. These were certified by users of critical areas of the organization.

To enhance our DRP, we continued implementing the Alternate Data Processing Center in Medellin, which is part of the Risk Mitigation Program - Earthquake Scenario Bogota..

- Alternate Site Operation Strategy
  The pandemic prompted the organization to establish different locations to execute its processes. Measures such as remote working, the use of facilities in different parts of the city, and the use of the Alternate Operating Center (AOC) to provide continuity to the operation of critical processes were integrated into the alternate site operation strategy.

  We took all the necessary actions to ensure the connectivity of our employees from their homes. Early in the pandemic, we identified and prioritized the allocation of remote access and available resources. By the end of 2020, 100% of critical area processes are operating remotely, thanks to our strengthened technological infrastructure and the availability of all the required tools.

- Operational Contingency Strategy
  To ensure uninterrupted provision of services, we identified and activated alternative operating processes focused on reducing the need for customers to travel to our branches, encouraging the use of digital channels, and implementing processes and mechanisms to facilitate access to financial relief measures issued by the Government.

  Within this context, we have identified, documented and implemented Operational Contingency plans, which have enabled us to safeguard critical processes and provide uninterrupted services to our customers, strengthening existing plans and diversifying the way in which activities are conducted, while ensuring timeliness and compliance.

- Vendors
  In response to the COVID-19 pandemic, the organization focused its strategy on identifying the level of risk faced by third parties that provide services to the entity for the execution of critical processes, in addition to knowing the business continuity plans of each one of them.

  Accordingly, a risk measurement model was designed to identify and prepare action plans for services provided by third parties classified as high or critical risk. Likewise, executing the model enabled us to assess the level of readiness of various vendors for this scenario. This strengthened our strategy and has allowed us to continue working with vendors on an ongoing basis.

- Training
  Within the context of the pandemic, the Organization decided to strengthen the online training plan, reaching 100% of employees and their families, providing relevant information related to the COVID-19 Pandemic and highlighting topics such as self-care, infection prevention, forms of transmission, risk factors, importance of reporting health conditions, proper use of personal protective equipment, proper hand washing, cleaning and disinfection, etc. Likewise, in the training event for third parties sponsored by the Third-Party Risk Department and allies, we covered topics associated with business continuity focusing on Emerging Risks.

Risk management

Risk Management was further enhanced in 2020. Besides continuing our work in the Risk Mitigation Program - Bogotá Earthquake Scenario, the COVID-19 pandemic event was managed under the established methodology, mitigating the associated risks within the Organization.

Accordingly, relying on available sources, upon identifying the potential materialization of the pandemic scenario, a process was started to analyze the different levels of impact to which the entity could be exposed and the possible response alternatives to ensure the protection of human talent and the continuity in the provision of services to customers and stakeholders. Likewise, once the scenario materialized, we established a model to determine the probability of infection among employees and the impact it could have on the organization. The findings of the analysis conducted based on this model were regularly submitted to the Crisis Committee of the organization, verifying the effectiveness of the measures implemented as controls to mitigate the inherent risk. Consequently, we have been able to determine that the resulting residual risk is low and that it is constantly monitored. These activities enhanced the organizational resilience of the Bank and its Subsidiaries against various emerging risks that may materialize in the current context.

On the other hand, as part of the risk mitigation program - Bogotá earthquake scenario, the Organization kept working on the relocation of its alternate data processing center to the city of Medellin, as well as on setting up a cash payment process in Bogotá in the event of a major earthquake.

In 2021, we will finalize activities planned for these components and will continue working on the other components of the risk mitigation program - Bogota earthquake scenario, to strengthen the entity's readiness for this scenario.

Crisis Management

Upon the materialization of the COVID-19 pandemic scenario, the Organization activated its Crisis Management scheme to strategically guide its response to the emergency, protecting people, sustainability, and business continuity, and complying with various government regulations. The committee is active to continue handling the emergency.

On the other hand, we updated the entire scheme, assuring its effectiveness for the various emerging contingencies or risks that may materialize, and we reinforced our efforts to inform senior management and the various support and recovery teams about the scheme.

11.3.13. Internal Control System

The Bank constantly reviews and updates its controls, based on regulatory changes, changes in the environment, as well as new products, services and processes. We also analyze the root causes of materialized events and monitor action plans aimed at mitigating the risks.

We continued strengthening the Internal Control System based on international standards in 2020. We also implemented simple, reliable and user-friendly tools to optimize monitoring and certification of controls by senior management.

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.

The Bank complies with legal requirements established in External Circular 029 of 2014 (Part I / Title I / Chapter IV - Internal Control System) issued by the Financial Superintendence of Colombia.

(Millions of Colombian pesos (COP))

11.3.14. Tax risk

Tax risks stem from misinterpreting regulations and/or possible differences of opinion with national and foreign tax authorities. Similarly, operational risk arises from controls that must be implemented. If these are not properly implemented, there may be system failures that could alter the completeness or accuracy of the information.

Failure to comply with various tax obligations may result in international or domestic penalties either due to omissions or inconsistencies in the information. Also, penalties would be imposed for failure to comply with tax regulations applicable in Colombia or under international agreements, when acting as a withholding agent, sales tax collector or as a taxpayer. Additionally, customer complaints or claims received directly or through control entities to the extent that customers are affected by the information reported or when such information does not reflect economic or business facts. These might result in legal and reputational risks for the Bank.

The Bank, through the internal tax control system, based on the models implemented within the Bank on the special rules for the financial sector and the provisions established by special regulations enforced by oversight and control entities, uses the following, among others: parameterization and monitoring in tax provisions applications, regulatory compliance control, fulfillment of tax obligations and requirements, administrative actions or information reports within the established terms and deadlines, service agreements between departments for residual risk control purposes, follow-up committees and analysis of relatively important or high-impact incidents.

Regulatory changes, such as those implemented in tax reforms, added to various regulations, administrative acts, or jurisprudence for an adequate interpretation and enforcement of regulations to ensure compliance with tax regulations, compel us to constantly update and share information across the various areas within the organization that may be affected by such changes.

12. Financial assets and liabilities offsetting

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

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

December 31, 2020

	Gross financial assets recognized	Net financial assets presented in the Statement of Financial Position	Amounts not netted in the Statement of Financial Position: Impact of Master Netting Agreements	Cash Collateral	Debt Collateral	Net amount
Assets						
Money market funds	1,302,188	1,302,188	-	-	1,064,057	238,131
Derivatives (*)	1,407,296	1,407,296	1,067,914	87,058	-	252,324
	2,709,484	2,709,484	1,067,914	87,058	1,064,057	490,455
Liabilities						
Money market funds	1,111,215	1,111,215	-	-	1,280,697	(169,482)
Derivatives (*)	1,638,667	1,638,667	1,067,914	96,116	-	474,637
	2,749,882	2,749,882	1,067,914	96,116	1,280,697	305,155

(*) does not include cash transactions

(Millions of Colombian pesos (COP))

December 31, 2019

	Gross financial assets recognized	Net financial assets presented in the Statement of Financial Position	Amounts not netted in the Statement of Financial Position			Net amount
			Impact of Master Netting Agreements	Cash Collateral	Debt Collateral	
Assets						
Money market funds	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 funds	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

(*) does not include cash transactions

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

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

13. Specific Items of the financial statement

13.1. Cash

13.1.1. Available details

Cash and cash-equivalents are listed below:

Available details

	December 31, 2020	December 31, 2019
Local currency		
Cash and banks	4,175,915	4,378,931
Clearing and transit	418	35,244
	4,176,333	4,414,175
Foreign currency		
Cash and banks	1,435,726	482,220
Clearing and transit	1,922	14,695
	1,437,648	496,915
	5,613,981	4,911,090

Cash distribution based on the counterparty risk

	December 31, 2020	December 31, 2019
Sovereign/Central Bank guarantee	1,770,976	2,287,691
Investment grade	3,843,005	2,623,399
	5,613,981	4,911,090

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

Restricted deposits and callable deposits were held for the purpose of backing up customer withdrawals in compliance with reserve requirements, as follows:

	December 31, 2020	December 31, 2019
Average reserve requirement	3,839,747	3,899,333
Available average reserve requirement	3,912,192	3,908,777

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, 2020 was US $ 0 and December 31, 2019 was approximately US $ 4

13.2. Active money market operations and related operations

December 31, 2020			Date		
	Amount USD million	Rate	Initial	Final	Amount in COP
Foreign currency					
Interbank funds	$ USD 54	0.01% - 3.00%	10-Aug-20	12-May-21	186,008
Local currency					
Simultaneous					
Others		-1.50% - 1.76%	23-Dic-20	7-Jan-21	1,116,179
Coupons Receivable - Passive					
Concurrent Operations (1)					1
					1,302,188

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

December 31, 2019			Date		
	Amount USD million	Rate	Initial	Final	Amount in COP
Foreign currency					
Interbank funds	$ USD 10	3.10 %	2-Oct-19	30-Mar-20	33,028
Local currency					
Simultaneous					
Brokers		5.10 %	19-Dic-19	20-Jan-20	4,424
Others		2.00% - 4.30%	18-Dic-19	2-Jan-20	323,027
Interbank funds					
Banks/Financial entities		4.26 %	30-Dic-19	2-Jan-20	30,007
					390,486

The classification of active money market operations based on counterparty risk is investment grade.

Banco Davivienda S.A.
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13.3. Financial investment instruments, net

13.3.1. Investments classified by type and provision

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

	December 31, 2020			December 31, 2019		
	Amount	Provision	Net	Amount	Provision	Net
Business						
Equity instruments	46,521	-	46,521	47,898	-	47,898
Private debt bonds	53,514	-	53,514	55,642	-	55,642
Public bond debts other than TES	37,145	-	37,145	3,456	-	3,456
TDCs	83,812	-	83,812	222,453	-	222,453
Foreign public debt - bonds	10,690	-	10,690	41,210	-	41,210
Foreign public debt - bonds	-	-	-	3,649	-	3,649
International funds, unit funds, pension funds, and trusts	466,255	-	466,255	354,124	-	354,124
Mortgage securities and securitizations	72,625	-	72,625	81,215	-	81,215
TES Securities	3,687,006	-	3,687,006	2,651,065	-	2,651,065
	4,457,568	-	4,457,568	3,460,712	-	3,460,712
Available for sale						
Debt securities						
Private debt bonds (Colombia)	46,914	-	46,914	16,930	-	16,930
Foreign public debt - bonds	103,287	-	103,287	98,211	-	98,211
Public bond debts other than TES	83,180	-	83,180	33,775	-	33,775
Inflation-Protected Securities (TIPS)	129,352	-	129,352	149,659	-	149,659
TES Securities	1,717,406	-	1,717,406	2,054,903	-	2,054,903
TDCs	28,264	-	28,264	-	-	-
Equity instruments	447,581	-	447,581	385,135	-	385,135
	2,555,984	-	2,555,984	2,738,613	-	2,738,613
Marketable investments and available-for-sale investments	7,013,552	-	7,013,552	6,199,325	-	6,199,325
Held to maturity						
Compulsory investments	2,691,824	3,303	2,688,521	1,033,306	3,663	1,029,643
Mortgage securities and securitizations	505,210	4,304	500,906	617,320	4,052	613,268
	3,197,034	7,607	3,189,427	1,650,626	7,715	1,642,911
	10,210,586	7,607	10,202,979	7,849,951	7,715	7,842,236

(*) Dividends worth $18,332 were recognized at December 31, 2012, out of which $14,937 were recorded in profit and loss for the period. Dividends worth $22,834 were recognized at December 31, 2019, out of which $20,149were recorded in profit and loss.

As of December 31, 2020, and 2019, investments in debt or equity securities committed as collateral amounted to COP $1,039,334 and COP $1,216,099 respectively.

(Millions of Colombian pesos (COP))

The information of provisions for impairment is as follows:

	December 31, 2020	December 31, 2019
Issuer		
Banks abroad	2,885	-
Corporate	388	3,663
Financial entities	29	-
Securitizations	4,305	4,052
	7,607	7,715

13.3.2. 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, 2020			December 31, 2019		
	Amount	% Share	Provision	Amount	% Share	Provision
Long-term rating						
AAA	1,490,916	14.6 %	-	1,486,598	18.9 %	-
AA+	71,344	0.7 %	-	46,998	0.6 %	-
AA	2,198	0.0 %	-	14,316	0.2 %	-
AA-	6,302	0.1 %	-	8,884	0.1 %	-
A+	119,895	1.2 %	-	131,533	1.7 %	-
A	70,841	0.7 %	-	115,368	1.5 %	-
A-	108,242	1.1 %	-	87,094	1.1 %	-
BBB+	21,032	0.2 %	-	40,994	0.5 %	-
BBB	123,324	1.2 %	-	177,239	2.3 %	-
BBB-	131,209	1.3 %	-	55,059	0.7 %	-
BB+	39,231	0.4 %	1,702	15,307	0.2 %	1,343
BB	52,916	0.5 %	844	53,211	0.7 %	4,466
BB-	25,699	0.3 %	1,112	1,010	0.0 %	110
B+	-	0.0 %	-	3,649	0.0 %	-
B	34,227	0.3 %	1,116	-	0.0 %	-
B-	31,495	0.3 %	1,461	-	0.0 %	-
CC	3,840	0.0 %	1,372	-	0.0 %	-
CCC	-	0.0 %	-	4,264	0.1 %	1,796
Equity instruments	450,846	4.4 %	-	394,296	5.0 %	-
Nation (*)	6,837,075	67.0 %	-	4,718,525	60.1 %	-
No rating	509,511	5.0 %	-	392,861	5.0 %	-
Short-term rating						
1	80,443	0.8 %	-	102,745	1.3 %	-
2	-	0.0 %	-	-	0.0 %	-
	10,210,586	100.0 %	7,607	7,849,951	100.0 %	7,715

(Millions of Colombian pesos (COP))

13.3.3. Investments by issuers

Ratings classified by issuers:

	December 31, 2020		December 31, 2019	
	Amount	Provision	Amount	Provision
Foreign currency				
Banks in Colombia	16,353	-	15,552	-
Banks abroad	144,419	2,885	59,565	-
Corporate	116,131	254	54,635	-
Corporate abroad	65,538	134	97,560	3,663
National Government	51,473	-	10,984	-
Foreign governments	-	-	3,649	-
Other nonbank financial institutions	14,427	29	6,627	-
Credit multilateral organizations	4,914	-	1,238	-
	413,255	3,302	249,810	3,663
Local currency				
Banks in Colombia	101,234	-	213,827	-
Corporate	55,575	-	23,260	-
National Government	6,786,114	-	4,707,541	-
Colombian nonbank financial institutions	777,235	-	1,332,287	-
Official special institutions (IOE)	1,369,986	-	354,123	-
Credit multilateral organizations	-	-	120,909	-
Securitizations	707,187	4,305	848,194	4,052
	9,797,331	4,305	7,600,141	4,052
	10,210,586	7,607	7,849,951	7,715

13.3.4. Ratings by currency

The following is the detail of financial investments instruments by currency:

	December 31, 2020	December 31, 2019
Pesos	9,214,325	6,117,572
UVR (*)	583,006	1,482,569
Dollars	409,989	240,649
Canadian dollars	3,266	9,161
	10,210,586	7,849,951

(Millions of Colombian pesos (COP))

13.3.5. Investment maturities

Find the details of investment maturities (excluding equity securities):

December 31, 2020

	0 to 1 years	1 to 5 years	5 to 10 years	Over 10 years	Total
Business	685,629	2,372,347	1,106,129	246,942	4,411,047
Available for sale	379,601	1,582,441	136,828	9,533	2,108,403
Held to maturity	2,571,251	164,755	245,657	215,371	3,197,034
	3,636,481	4,119,543	1,488,614	471,846	9,716,484

December 31, 2019

	0 to 1 years	1 to 5 years	5 to 10 years	Over 10 years	Total
Business	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

The following is the detail of investments by credit quality:

December 31, 2020

Credit quality	Fair Value		
	Debt securities	Equity instruments	Amortized cost
Investment grade	557,728	-	1,668,018
Sovereign/Central Bank issues/guarantees	5,492,755	-	1,344,321
Speculation grade	2,712	-	184,695
Not rated / Not available	466,255	494,102	-
	6,519,450	494,102	3,197,034

December 31, 2019

Credit quality	Fair Value		
	Debt securities	Equity instruments	Amortized cost
Investment grade	678,481	-	1,588,348
Sovereign/Central Bank issues/guarantees	4,718,525	-	-
Speculation grade	15,162	-	62,278
Not rated / Not available	354,124	433,033	-
	5,766,292	433,033	1,650,626

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13.3.6. Provisions for impairment of investments

The following is the detail of provisions for impairment of investments:

	December 31, 2020	December 31, 2019
Opening balance	7,715	8,913
Plus:		
Provision	3,664	3,727
Less:		
Recoveries	(3,772)	(4,925)
Closing balance	7,607	7,715

13.3.7. Investments in subsidiaries and associates

The following is the detail of investments in subsidiaries and associates.

December 31, 2020

	Country	% Share	Acquisition cost	Equity method	Adjusted cost	Dividends (1)
International Subsidiaries						
Banco Davivienda Panamá S.A.	Panamá	100.0 %	218,290	400,085	629,525	-
Banco Davivienda Panamá Internacional S.A.	Panamá	100.0 %	77,507	136,123	277,968	-
Grupo del Istmo Costa Rica S.A.	Costa Rica	80.8 %	553,872	541,239	1,152,839	-
Inversiones Financieras Davivienda S.A.	El Salvador	96.1 %	746,487	641,257	1,263,101	125,447
Banco Davivienda Honduras S.A.	Honduras	94.2 %	229,889	265,606	507,931	11,669
Seguros Bolívar Honduras S.A.	Honduras	88.6 %	68,895	56,721	98,397	34,868
			1,894,940	2,041,031	3,929,761	171,984
National Subsidiaries						
Corredores Davivienda S.A	Colombia	91.6 %	123,269	81,105	199,789	-
Fiduciaria Davivienda S.A.	Colombia	94.7 %	150,320	194,037	241,692	53,206
Cobranzas Sigma S.A.S.	Colombia	94.0 %	475	519	706	1,321
Corporación Financiera Davivienda S.A.	Colombia	90.0 %	49,500	258	49,758	-
			323,564	275,919	491,945	54,527
Associates						
Redeban Multicolor S.A.	Colombia	26.0 %	18,816	13,577	29,810	-
Titularizadora Colombiana S.A.	Colombia	26.9 %	28,741	4,006	34,823	3,395
Servicios de Identidad Digital S.A.S	Colombia	33.3 %	7,703	(2,798)	4,905	-
			55,260	14,785	69,538	3,395
			2,273,764	2,331,735	4,491,244	229,906

(*) Equity Method

(1) Dividends received from subsidiaries and associates as of December 31, 2020 were recorded as goodwill.

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December 31, 2019

	Country	% Share	Acquisition cost	Equity method	Adjusted cost	
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
National 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 as of December 31, 2019 were recorded as goodwill.

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

December 31, 2020

	% Share	Total Assets	Total Liabilities	Total Equity	(Profit / Loss)
Subsidiaries					
Fiduciaria Davivienda S.A.	94.7 %	295,791	40,576	255,215	58,357
Corredores Davivienda S.A	91.6 %	852,365	714,378	137,987	23,902
Cobranzas Sigma S.A.S.	94.0 %	1,091	340	751	565
Corporación Financiera Davivienda S.A.	90.0 %	59,761	4,474	55,287	(122)
Banco Davivienda Panamá S.A.	100.0 %	4,305,185	3,679,433	625,752	11,786
Banco Davivienda Panamá Internacional S.A.	100.0 %	613,751	335,783	277,968	36,587
Grupo del Istmo Costa Rica S.A.	80.8 %	11,725,980	10,547,578	1,178,402	88,970
Inversiones Financieras Davivienda S.A.	96.1 %	10,227,410	9,138,473	1,088,937	50,295
Banco Davivienda Honduras S.A.	96.6 %	4,733,027	4,256,206	476,821	23,206
Seguros Bolívar Honduras S.A.	90.0 %	358,373	258,485	99,888	13,641
		33,172,734	28,975,726	4,197,008	307,187

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Associates					
Redeban Multicolor S.A.	26.0 %	725,784	611,299	114,485	2,789
Titularizadora Colombiana S.A.	26.9 %	142,522	12,840	129,682	1,984
Servicios de Identidad Digital S.A.S	33.3 %	16,745	2,030	14,715	(2,780)
		885,051	626,169	258,882	1,993
		34,057,785	29,601,895	4,455,890	309,180

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 %	149,737	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

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

	December 31, 2020	December 31, 2019
Opening balance of the period	66,717	63,362
Acquisitions	7,702	-
Dividends decreed(*)	(3,395)	(4,862)
Equity method applied to associates	(1,486)	8,217
Closing balance of the period	69,538	66,717

** All dividends were declared in cash.*

(Millions of Colombian pesos (COP))

13.3.8. Joint operations

The following is the summary of joint operations:

December 31, 2020

	Retail		Rappi partnership		
	Assets	% Share	Assets	Liabilities	% Share
Loan portfolio	71,377		-	-	
Accounts receivable	-		570	-	
Interests	2,906	50 %	-	-	50 %
Other current charges	22		-	-	
Accounts payable	-		-	16,236	
	74,305		570	16,236	

December 31, 2019

	Retail		Rappi partnership		
	Assets	% Share	Assets	Liabilities	% Share
Loan portfolio	80,689		-	-	
Accounts receivable	-		70	-	
Interests	1,886	50 %	-	-	50 %
Other current charges	271		-	-	
Accounts payable	-		-	4,659	
	82,846		70	4,659	

Shares in joint operations of assets include:

	December 31, 2020	December 31, 2019
In Colombian Pesos		
Loan portfolio	71,377	80,689
Accounts receivable	570	70
Interests	2,906	1,886
Other current charges	22	271
Total Assets	74,875	82,916

Shares in joint operations of liabilities include:

	December 31, 2020	December 31, 2019
In Colombian Pesos		
Accounts payable	16,236	4,659
Total Liabilities	16,236	4,659

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

	December 31, 2020	December 31, 2019
Opening balance of the period	78,257	83,471
Increase (decrease) in assets	(8,041)	(555)
Increase (decrease) in liabilities	11,577	4,659
Closing balance of the period	81,793	87,575

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13.4. Financial derivative instruments

The following is a summary of the derivatives entered into by the Bank:

December 31, 2020

	Assets		Liabilities		Total
	Notional amount	Fair Value	Notional amount	Fair Value	
Spot operations	18,080	49	181,874	1,406	(1,357)
Options	1,313,998	44,224	1,154,001	6,855	37,369
Futures	3,598,938	-	-	-	-
Swaps	17,133,130	710,837	17,819,640	749,486	(38,649)
Forwards	10,351,129	652,235	13,841,868	882,326	(230,091)
	32,415,275	1,407,345	32,997,383	1,640,073	(232,728)

December 31, 2019

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

The result of speculative derivatives is the following:

December 31, 2020

		Forward	Futures	Swaps	Options	Total
Currency purchases	Right	11,898,128	1,204,241	193,395	-	13,295,764
	Obligation	12,750,911	1,204,241	211,634	-	14,166,786
Currency sales	Right	10,585,015	2,178,356	113,066	-	12,876,437
	Obligation	9,951,102	2,178,356	107,476	-	12,236,934
Securities purchases	Right	253,083	168,873	-	-	421,956
	Obligation	251,636	168,873	-	-	420,509
Securities sales	Right	1,984,008	73,606	-	-	2,057,614
	Obligation	1,996,676	73,606	-	-	2,070,282
Interest rate swaps	Right	-	-	3,381,292	-	3,381,292
	Obligation	-	-	3,407,292	-	3,407,292
Call Options	Purchase	-	-	-	1,647	1,647
	Sale	-	-	-	(2,876)	(2,876)
Put operations	Purchase	-	-	-	42,577	42,577
	Sale	-	-	-	(3,979)	(3,979)
Total rights		24,720,234	3,625,076	3,687,753	-	32,033,063
Total obligations		24,950,325	3,625,076	3,726,402	-	32,301,803
Net		(230,091)	-	(38,649)	37,369	(231,371)

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		Forward	Futures	Swaps	Options	Total
Currency purchases	Right	8,185,124	2,465,085	330,071	-	10,980,280
	Obligation	8,488,228	2,465,085	354,005	-	11,307,318
Currency sales	Right	7,357,271	363,421	283,000	-	8,003,692
	Obligation	7,144,175	363,421	262,682	-	7,770,278
Securities purchases	Right	537,915	185,048	-	-	722,963
	Obligation	537,675	185,048	-	-	722,723
Securities sales	Right	876,914	491,390	-	-	1,368,304
	Obligation	878,708	491,390	-	-	1,370,098
Interest rate swaps	Right	-	-	3,181,882	-	3,181,882
	Obligation	-	-	3,191,571	-	3,191,571
Call Options	Purchase	-	-	-	2,002	2,002
	Sale	-	-	-	(2,239)	(2,239)
Put operations	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)

The following is the detail of the maturity period of derivatives of assets and liabilities

December 31, 2020

	Under 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total
Spot operations	(1,357)	-	-	-	(1,357)
Options	37,369	-	-	-	37,369
Swaps	(25,489)	(6,520)	(6,660)	20	(38,649)
Forwards	(222,809)	(7,282)	-	-	(230,091)
	(212,286)	(13,802)	(6,660)	20	(232,728)

December 31, 2019

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

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, 2020

Credit quality	Options	Swaps	Forwards
Investment grade	36,491	699,171	518,454
Not rated / Not available	7,733	11,666	133,781
	44,224	710,837	652,235

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December 31, 2019

Credit quality	Options	Swaps	Forwards
Investment grade	4,722	264,159	159,855
Not rated / Not available	2,511	5,131	73,949
	7,233	269,290	233,804

13.5. Loans portfolio and financial leases operations, net

13.5.1. Loans and financial leases by mode

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

	December 31, 2020	December 31, 2019
Commercial		
Corporate and construction	21,540,878	19,628,336
Other commercial	11,704,687	10,004,878
Financial leasing	3,774,245	3,034,724
Credit Card	395,621	464,442
Vehicles	127,661	215,329
Checking account overdrafts	124,256	185,074
	37,667,348	33,532,783
Consumer portfolio		
Credit Card	4,087,517	4,903,319
Other consumer	18,558,127	16,533,669
Vehicles	2,123,030	2,265,715
Checking account overdrafts	16,044	23,484
Financial leasing	13,270	15,099
	24,797,988	23,741,286
Mortgage portfolio(1)		
Mortgage portfolio	9,748,448	8,718,898
Residential leasing	10,919,755	10,112,223
	20,668,203	18,831,121
Microcredit portfolio		
Financial leasing	48	123
Microcredit	12,151	24,566
	12,199	24,689
Gross Portfolio	83,145,738	76,129,879
Minus individual provision	(5,899,159)	(4,209,223)
Minus general provision	(207,313)	(188,986)
	(6,106,472)	(4,398,209)
Total portfolio	77,039,266	71,731,670

(1) It Included portfolio of employees worth $202.797 at December 31, 2020 $202.598 at December 31, 2019

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13.5.2. Social-interest housing (VIS)

The Bank placed resources for $2,178,972, consisting of individual loans of $1,041,856 and builder loans of $1,137,115 for December 31, 2020; and for $2,037,762 consisting of individual loans of $968,859 and builder loans of $1,068,903 for December 31, 2019.

The balance and amount of loans in the social housing portfolio are as follows:

	December 31, 2020		December 31, 2019	
	Number of obligations	Amount	Number of obligations	Amount
Individual	175,654	6,140,076	168,330	5,624,200
Construction	200	986,398	182	831,029
Leasing	155	3,146	183	3,506
	176,009	7,129,620	168,695	6,458,735

13.5.3. Portfolio with interest-rate subsidy

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

December 31, 2020

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 %	15	425,051	186,404
	>135 to 235	4.0 %	1	69,115	26,419
	>235 to 335	3.0 %	916	82,934	27,171
			932	577,100	239,994
1190/2012	VIS up to 70	5.0 %	13	303,476	252,155
	>70 to 135	4.0 %	54	2,669,263	2,363,518
			67	2,972,739	2,615,673
0701/2013	>135 to 235 >235 to 335	2.5 %	4	412,609	259,404
2480/2014 161/2014	0 - 70	5.0 %	17	383,866	356,219
428/2015 1442/2017	>70 to 135	5.0 %	4	103,416	100,995
	135 - 435	4.0 %	22	1,124,481	1,064,353
			26	1,227,897	1,165,348
2500/2015	>135 to 235 >235 to 335	2.5 %	10	1,275,273	1,091,960
			1,055	6,849,484	5,728,598

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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 %	16,732	474,989	241,942
	>135 to 235	4.0 %	1,327	81,933	35,750
	>235 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 to 135	4.0 %	50,087	2,373,689	2,168,110
			62,877	2,670,224	2,428,909
0701/2013	>135 to 235 >235 to 335	2.5 %	4,678	445,582	314,359
2480/2014 161/2014	0 - 70	5.0 %	17,264	398,997	382,923
428/2015 1442/2017	>70 to 135	5.0 %	2,435	62,082	61,328
	135 - 435	4.0 %	17,636	898,801	869,841
			20,071	960,883	931,169
2500/2015	>135 to 235 >235 to 335	2.5 %	11,101	1,405,690	1,275,591
			135,147	6,536,449	5,648,791

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13.5.4. Credit portfolio and financial leasing by risk rating

The information of the credit portfolio by risk rating is as follows:

December 31, 2020

Rating	Capital	Interests	Others(1)	Total	Eligible Collateral	Provisions Capital	Provisions Interests	Provisions Others (1)
Commercial								
A - Normal	28,726,110	264,141	17,781	29,008,032	15,296,708	(448,055)	(6,067)	(971)
B - Acceptable	2,048,753	43,754	5,286	2,097,793	1,565,677	(145,348)	(4,485)	(698)
C - Appreciable	1,254,694	30,164	3,681	1,288,539	734,711	(218,017)	(19,966)	(2,836)
D - Significant	788,018	20,602	4,853	813,473	332,103	(578,856)	(20,602)	(4,853)
E - Irrecoverable	1,075,528	45,781	3,690	1,124,999	735,353	(888,612)	(45,781)	(3,690)
	33,893,103	404,442	35,291	34,332,836	18,664,552	(2,278,888)	(96,901)	(13,048)
Consumer								
A - Normal	19,621,104	418,924	67,684	20,107,712	2,776,315	(609,866)	(18,337)	(3,775)
B - Acceptable	1,476,353	50,187	8,840	1,535,380	213,573	(200,562)	(8,624)	(1,776)
C - Appreciable	1,493,929	47,859	7,999	1,549,787	232,725	(295,264)	(27,818)	(4,826)
D - Significant	1,990,176	127,099	19,452	2,136,727	298,352	(1,682,831)	(127,099)	(19,452)
E - Irrecoverable	203,156	11,016	3,475	217,647	123,572	(178,169)	(11,016)	(3,475)
	24,784,718	655,085	107,450	25,547,253	3,644,537	(2,966,692)	(192,894)	(33,304)
Mortgage								
A - Normal	8,746,770	175,831	36,384	8,958,985	21,943,682	(86,424)	(5,338)	(1,713)
B - Acceptable	551,104	28,664	6,002	585,770	1,364,771	(18,166)	(28,664)	(6,002)
C - Appreciable	121,489	2,357	1,395	125,241	321,163	(12,146)	(2,357)	(1,395)
D - Significant	245,707	8,998	3,767	258,472	644,770	(49,197)	(8,998)	(3,767)
E - Irrecoverable	83,378	6,269	2,819	92,466	209,153	(26,834)	(6,269)	(2,819)
	9,748,448	222,119	50,367	10,020,934	24,483,539	(192,767)	(51,626)	(15,696)
General Provision (Mortgage Impairment)						(97,732)	-	-
	9,748,448	222,119	50,367	10,020,934	24,483,539	(290,499)	(51,626)	(15,696)
Microcredit								
A - Normal	6,468	138	180	6,786	6,001	(65)	(5)	(6)
B - Acceptable	1,547	42	45	1,634	1,397	(40)	(15)	(12)
C - Appreciable	476	13	21	510	469	(30)	(8)	(14)
D - Significant	714	22	27	763	664	(124)	(22)	(27)
E - Irrecoverable	2,946	53	126	3,125	2,562	(1,153)	(53)	(126)
	12,151	268	399	12,818	11,093	(1,412)	(103)	(185)
General Provision (Microcredit Impairment)						(122)	-	-
	12,151	268	399	12,818	11,093	(1,534)	(103)	(185)
Portfolio	68,438,420	1,281,914	193,507	69,913,841	46,803,721	(5,537,613)	(341,524)	(62,233)

(*) It does not include leasing portfolio
(1) It includes mainly handling fees, insurance and payments on behalf of clients.

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						Provisions		
Rating	Capital	Interests	Others(1)	Total	Eligible Collateral	Capital	Interests	Others (1)
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)
	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.

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The information of the financial leasing by risk rating is as follows:

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						Provisions		
Rating	Capital	Interests	Others(1)	Total	Eligible Collateral	Capital	Interests	Others (1)
Commercial								
A - Normal	3,068,816	80,601	11,417	3,160,834	3,016,138	(63,134)	(4,759)	(1,047)
B - Acceptable	348,145	20,638	5,410	374,193	345,259	(20,561)	(2,910)	(2,548)
C - Appreciable	89,968	7,752	1,817	99,537	89,689	(11,391)	(6,071)	(1,448)
D - Significant	133,633	6,554	2,212	142,399	130,406	(69,131)	(6,554)	(2,212)
E - Irrecoverable	133,683	7,277	8,802	149,762	131,389	(100,488)	(7,277)	(8,802)
	3,774,245	122,822	29,658	3,926,725	3,712,881	(264,705)	(27,571)	(16,057)
Consumer								
A - Normal	10,372	331	125	10,828	16,763	(183)	(28)	(17)
B - Acceptable	582	27	21	630	1,104	(45)	(6)	(8)
C - Appreciable	489	25	12	526	842	(70)	(20)	(8)
D - Significant	1,027	54	72	1,153	1,789	(529)	(54)	(72)
E - Irrecoverable	800	24	253	1,077	1,285	(620)	(24)	(253)
	13,270	461	483	14,214	21,783	(1,447)	(132)	(358)
Mortgage								
A - Normal	9,830,139	234,287	39,012	10,103,438	23,385,509	(99,895)	(5,034)	(1,543)
B - Acceptable	729,264	41,608	7,754	778,626	1,565,015	(23,558)	(41,608)	(7,754)
C - Appreciable	108,447	1,910	1,377	111,734	241,126	(10,891)	(1,910)	(1,377)
D - Significant	174,650	7,768	3,275	185,693	369,880	(35,128)	(7,768)	(3,275)
E - Irrecoverable	77,255	7,491	3,206	87,952	154,845	(23,776)	(7,491)	(3,206)
	10,919,755	293,064	54,624	11,267,443	25,716,375	(193,248)	(63,811)	(17,155)
General Provision (Mortgage Impairment)						(109,459)	-	-
	10,919,755	293,064	54,624	11,267,443	25,716,375	(302,707)	(63,811)	(17,155)
Microcredit								
A - Normal	48	-	-	48	48	-	-	-
	48	-	-	48	48	-	-	-
General Provision (Microcredit Impairment)						-	-	-
	48	-	-	48	48	-	-	-
Financial leasing	14,707,318	416,347	84,765	15,208,430	29,451,087	(568,859)	(91,514)	(33,570)

(1) It includes mainly handling fees, insurance and payments on behalf of clients.

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Rating	Capital	Interests	Others(1)	Total	Eligible Collateral	Provisions Capital	Provisions Interests	Provisions Others (1)
Commercial								
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								
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								
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, insurance, and payments on behalf of clients.

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13.5.5. Loans and financial leases by maturity

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

December 31, 2020

Sector	Commercial	Consumer	Mortgage	Financial leasing	Microcredit	Net	% Share
Employees:	402,253	24,784,718	9,748,448	11,149,872	1,187	46,086,478	55.4 %
Construction	6,084,617	-	-	198,588	91	6,283,296	7.6 %
Manufacturing industry	5,671,093	-	-	572,403	234	6,243,730	7.5 %
Wholesale and retail trade, repair of motor vehicles and motorcycles	4,031,847	-	-	599,630	284	4,631,761	5.6 %
Transport and storage	2,316,393	-	-	477,799	9,401	2,803,593	3.4 %
Supply of electricity, gas, steam and air conditioning	3,308,627	-	-	153,290	16	3,461,933	4.2 %
Financial and insurance activities	2,234,768	-	-	30,381	-	2,265,149	2.7 %
Agriculture, cattle-farming. forestry and fishing	1,872,560	-	-	255,928	132	2,128,620	2.6 %
Professional, scientific and technical activities	1,176,594	-	-	283,479	392	1,460,465	1.8 %
Public administration and defense; compulsory social security schemes	582,689	-	-	18,557	-	601,246	0.7 %
Real estate activities	823,762	-	-	262,666	-	1,086,428	1.3 %
Human health care and social work activities	750,326	-	-	163,710	35	914,071	1.1 %
Information and communications	1,416,065	-	-	44,558	2	1,460,625	1.8 %
Administrative and customer service activities	709,356	-	-	195,024	160	904,540	1.1 %
Lodging and catering activities	770,925	-	-	69,331	32	840,288	1.0 %
Capital income earner, just for natural persons	475,026	-	-	47,256	132	522,414	0.6 %
Mines and quarries	370,857	-	-	13,422	-	384,279	0.5 %
Teaching	377,241	-	-	35,669	17	412,927	0.5 %
Water supply, wastewater disposal, waste management and decontamination	192,271	-	-	51,511	-	243,782	0.3 %
Other service activities	192,576	-	-	21,068	36	213,680	0.3 %
Artistic, entertainment and recreational activities	103,946	-	-	50,512	-	154,458	0.2 %
	29,311	-	-	12,664	-	41,975	0.1 %
	33,893,103	24,784,718	9,748,448	14,707,318	12,151	83,145,738	100.0 %

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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 industry	5,516,381	-	-	496,734	628	6,013,743	7.9 %
Wholesale and 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, cattle-farming. 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 schemes	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 work activities	686,820	-	-	141,831	59	828,710	1.1 %
Information and Communications	679,644	-	-	42,446	14	722,104	0.9 %
Administrative and customer service activities	570,775	-	-	152,476	276	723,527	1.0 %
Lodging and Catering Activities	465,678	-	-	65,301	63	531,042	0.7 %
Capital income earner, just for natural persons	351,844	-	-	45,259	205	397,308	0.5 %
Mines and quarries	341,347	-	-	15,003	-	356,350	0.5 %
Teaching	288,250	-	-	37,191	54	325,495	0.4 %
Water supply, wastewater disposal, waste management 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; undifferentiated activities of households as producers of goods and services for their own use	24,794	-	-	6,457	-	31,251	0.0 %
Activities of extraterritorial organizations and bodies	-	-	-	-	-	-	0.0 %
	30,498,059	23,726,187	8,718,898	13,162,169	24,566	76,129,879	100.0 %

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13.5.6. Credit portfolio and financial leasing by geographic area

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

	December 31, 2020	December 31, 2019
Commercial		
Bogota	14,986,816	12,932,476
Antioquia	8,587,317	7,351,433
North-eastern	4,966,975	5,113,418
South-western	3,776,752	3,862,896
Total Colombia	32,317,860	29,260,223
Miami branch	1,575,243	1,237,836
	33,893,103	30,498,059
Consumer		
Bogota	12,422,529	11,567,887
Antioquia	4,375,099	4,287,376
North-eastern	4,611,423	4,594,937
South-western	3,373,708	3,273,564
Total Colombia	24,782,759	23,723,764
Miami branch	1,959	2,423
	24,784,718	23,726,187
Home mortgage		
Bogota	5,440,982	4,933,284
Antioquia	1,262,005	1,124,715
North-eastern	1,733,031	1,555,331
South-western	1,312,430	1,105,568
Total Colombia	9,748,448	8,718,898
Microcredit		
Bogota	8,391	17,859
Antioquia	1,211	2,383
North-eastern	2,549	4,304
South-western	-	20
Total Colombia	12,151	24,566
	68,438,420	62,967,710

(Millions of Colombian pesos (COP))

The information of the gross financial leasing by geographic area is as follows:

	December 31, 2020	December 31, 2019
Commercial		
Bogota	2,722,768	2,220,157
Antioquia	579,955	395,686
North-eastern	299,924	256,560
South-western	167,432	162,321
Total Colombia	3,770,079	3,034,724
Miami branch	4,166	-
	3,774,245	3,034,724
Consumer		
Bogota	9,366	11,152
Antioquia	1,854	1,429
North-eastern	1,806	2,021
South-western	244	497
Total Colombia	13,270	15,099
Home mortgage		
Bogota	4,961,104	4,599,894
Antioquia	2,494,466	2,285,746
North-eastern	2,123,233	1,994,012
South-western	1,340,952	1,232,571
Total Colombia	10,919,755	10,112,223
Microloans		
Bogota	37	102
Antioquia	11	21
Total Colombia	48	123
	14,707,318	13,162,169
Gross loans	83,145,738	76,129,879

(Millions of Colombian pesos (COP))

13.5.7. 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, 2020

Item	Local currency	Foreign currency	UVR	Total
Commercial	24,358,765	6,751,389	2,782,949	33,893,103
Consumer	24,741,769	42,949	-	24,784,718
Mortgage (1)	7,525,500	-	2,222,948	9,748,448
Microcredit	12,151	-	-	12,151
Financial leasing (1)	13,787,733	-	919,585	14,707,318
	70,425,918	6,794,338	5,925,482	83,145,738

(1) It includes portfolio of employees

December 31, 2019

Item	Local currency	Foreign currency	UVR	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

13.5.8. Credit portfolio and financial leasing by maturity period

The information of the gross credit portfolio by maturity period is as follows:

December 31, 2020

Item	0 to 1 years	1 to 5 years	5 to 10 years	Over 10 years	Total
Commercial	6,871,660	14,403,794	8,436,210	4,181,439	33,893,103
Consumer	1,502,949	16,988,370	5,915,102	378,297	24,784,718
Mortgage	7,726	295,929	1,759,037	7,685,756	9,748,448
Microcredit	2,810	9,205	136	-	12,151
	8,385,145	31,697,298	16,110,485	12,245,492	68,438,420

December 31, 2019

Item	0 to 1 years	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

(Millions of Colombian pesos (COP))

The information of the financial leasing by maturity period is as follows:

December 31, 2020

Item	0 to 1 years	1 to 5 years	5 to 10 years	Over 10 years	Total
Commercial	82,058	1,290,526	1,803,450	598,211	3,774,245
Consumer	1,328	11,735	207	-	13,270
Mortgage	6,538	215,381	1,667,854	9,029,982	10,919,755
Microcredit	13	35	-	-	48
	89,937	1,517,677	3,471,511	9,628,193	14,707,318

December 31, 2019

Item	0 to 1 years	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

13.5.9. Information of the restructured portfolio

The information of the restructured portfolio is as follows:

December 31, 2020

Item	Number of obligations	Ordinary restructured loans	Provision	Collateral
Commercial	1,663	977,927	662,426	442,702
Consumer	34,361	659,034	406,082	168,148
Mortgage	8,986	338,594	53,551	936,800
Microcredit	98	2,613	777	2,290
	45,108	1,978,168	1,122,836	1,549,940

December 31, 2019

Item	Number of obligations	Ordinary restructured loans	Provision	Collateral
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

(Millions of Colombian pesos (COP))

The information of the restructured financial leasing is as follows:

December 31, 2020

Item	Number of obligations	Ordinary restructured loans	Provision	Collateral
Commercial	424	70,126	43,280	69,051
Consumer	6	136	120	220
Mortgage	1,213	205,949	31,849	487,943
	1,643	276,211	75,249	557,214

December 31, 2019

Item	Number of obligations	Ordinary restructured loans	Provision	Collateral
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

13.5.9.1. Restructured credits by rating

The information of the gross restructured portfolio by rating is as follows:

December 31, 2020

Item	Commercial		Consumer		Mortgage		Microcredit	
	Number of Credits	Amount	Number of Credits	Amount	Number of Credits	Amount	Number of Credits	Amount
A - Normal	111	18,872	7,153	139,320	1,807	55,009	6	134
B - Acceptable	202	67,702	3,188	66,980	736	29,440	11	297
C - Deficient	106	182,053	3,753	67,505	950	37,190	2	39
D - Uncollectable	748	461,248	17,331	314,716	4,749	183,641	18	483
E - Unrecoverable	496	248,052	2,936	70,513	744	33,314	61	1,660
	1,663	977,927	34,361	659,034	8,986	338,594	98	2,613

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 - Unrecoverable	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

(Millions of Colombian pesos (COP))

The information of the gross restructured leasing by rating is as follows:

December 31, 2020

Item	Commercial Number of Credits	Commercial Amount	Consumer Number of Credits	Consumer Amount	Mortgage Number of Credits	Mortgage Amount
A - Normal	17	2,214	-	-	166	18,053
B - Acceptable	42	6,061	1	13	230	35,662
C - Deficient	12	1,867	-	-	181	28,514
D - Uncollectable	111	25,859	2	48	539	101,343
E - Unrecoverable	242	34,125	3	75	97	22,377
	424	70,126	6	136	1,213	205,949

December 31, 2019

Item	Commercial Number of Credits	Commercial Amount	Consumer Number of Credits	Consumer Amount	Mortgage Number of Credits	Mortgage 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 - Unrecoverable	204	30,505	4	107	74	12,857
	484	85,491	6	163	1,097	186,409

13.5.9.2. Restructured credits by geographic area

The information of the gross restructured portfolio by geographic area is as follows:

December 31, 2020

Item	Commercial	Consumer	Mortgage	Microcredit	Total
Bogota	652,543	341,855	244,605	1,414	1,240,417
Antioquia	52,028	94,384	13,544	243	160,199
North-eastern	212,657	140,994	55,001	956	409,608
South-western	60,699	81,801	25,444	-	167,944
	977,927	659,034	338,594	2,613	1,978,168

December 31, 2019

Item	Commercial	Consumer	Mortgage	Microcredit	Total
Bogota	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

(Millions of Colombian pesos (COP))

The information of the gross restructured leasing by geographic area is as follows:

December 31, 2020

Item	Commercial	Consumer	Mortgage	Microcredit	Total
Bogota	50,560	136	108,070	-	158,766
Antioquia	9,097	-	23,858	-	32,955
North-eastern	8,184	-	53,364	-	61,548
South-western	2,285	-	20,657	-	22,942
	70,126	136	205,949	-	276,211

December 31, 2019

Item	Commercial	Consumer	Mortgage	Microcredit	Total
Bogota	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

13.5.10. 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, 2020	December 31, 2019
Shareholders*	85	285
Housing of employees	96,747	95,992
Leasing housing of employees	106,050	106,596
	202,882	202,873

(*) Shareholders with shares higher than 5%

The Bank, in compliance with IFRS 9 and IAS 19, incorporated the rate benefit granted to its employees in loans for the acquisition of housing in its financial statements, recognizing portfolio income and personnel expenses of $11,170 for December 2020 and $10,996 for December 31, 2019

(Millions of Colombian pesos (COP))

13.5.11. Portfolio sales

Sales of loans are shown below:

Current portfolio

No portfolio sales were recorded as of December 31, 2020.

December 31, 2019

Titularizadora Colombiana S.A.

Issue	Date	No. of loans	Rate	Capital	Interests	Others	Total	Net profit	Sales proceeds	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 -04-2019	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

Written-off Portfolio

December 31, 2020

Date	No. of loans	Capital	Interests	Other Items	Total	Sale proceeds
December	32,996	349,887	17,725	27,242	394,854	19,934
	32,996	349,887	17,725	27,242	394,854	19,934

December 31, 2019

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

(Millions of Colombian pesos (COP))

13.5.12. Loans written-off

The following is the detail of written-off loans:

December 31, 2020

Item	Capital	Interests	Other Items	Total
Commercial	639,763	50,603	7,805	698,171
Consumer	919,781	48,502	7,322	975,605
Mortgage	87,115	7,766	5,055	99,936
Microcredit	3,549	35	178	3,762
Other accounts receivable	-	-	3,088	3,088
	1,650,208	106,906	23,448	1,780,562

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

13.5.13. Portfolio purchases and holdings

There are not any portfolio purchases at December 31, 2020 and December 31, 2019.

Portfolio holdings are detailed as follows:

The Miami branch portfolio holdings at December 31, 2020, and December 31, 2019 are worth $ $ 661,476 and $ 520,237, 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, 2020

No. of loans	Capital	Interests	Others	Total	Premium	Profit on purchase
42	661,476	4,925	-	666,401	-	-

The balance of portfolio sold by the Miami branch at December 31 2020 was $808.239 equivalent to USD 235; $652.075 for Davivienda Colombia and $156.165 Davivienda Panama, in USA equivalent to USD 190 and USD 45.

December 31, 2019

No. of loans	Capital	Interests	Others	Total	Premium	Profit on purchase
53	520,237	1,465	-	521,702	-	-

The balance of portfolio sold by the Miami branch at December 31 2019 was $965,487 equivalent to USD 295; $614,278 for Davivienda Colombia and $351.209 Davivienda Panama, equivalent to USD 187 and USD 108.

(Millions of Colombian pesos (COP))

13.5.14. Provision against loan and financial leasing portfolio

December 31, 2020

	Commercial	Consumer	Mortgage	Microcredit	Total
Opening balance	2,300,588	1,580,961	513,961	2,699	4,398,209
Plus:					
Provisions charged to operating	1,841,942	2,901,675	221,605	3,075	4,968,297
Less:					
Recoveries	(976,417)	(598,195)	(56,863)	(691)	(1,632,166)
Write-offs	(639,763)	(919,781)	(87,115)	(3,549)	(1,650,208)
Differed from write-offs	9,340	3,472	1,618	-	14,430
Others	7,903	7	-	-	7,910
Closing balance	2,543,593	2,968,139	593,206	1,534	6,106,472

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	1,626,474	2,108,979	192,887	4,346	3,932,686
Less:					
Recoveries	(780,747)	(533,880)	(63,072)	(2,029)	(1,379,728)
Write-offs	(441,651)	(1,309,841)	(71,511)	(3,400)	(1,826,403)
Differed from write-offs	365	5,523	1,517	-	7,405
Others	635	5,729	12	-	6,376
Closing balance	2,300,588	1,580,961	513,961	2,699	4,398,209

13.5.15. Maturity periods of financial leases

The maturity of financial leases is as follows:

December 31, 2020

	0 to 1 years	1 to 5 years	Over 5 years	Total
Gross investment in financial leasing	2,697,734	8,931,116	14,988,421	26,617,271
Unearned financial income from financial leasing - interest	(171,334)	(3,588,066)	(8,150,553)	(11,909,953)
Total minimum financial lease-payments receivable at present value	2,526,400	5,343,050	6,837,868	14,707,318

December 31, 2019

	0 to 1 years	1 to 5 years	Over 5 years	Total
Gross investment in financial leasing	2,428,722	8,547,743	14,751,435	25,727,900
Unearned financial income from financial leasing - interest	(668,768)	(3,740,861)	(8,156,102)	(12,565,731)
Total minimum financial lease-payments receivable at present value	1,759,954	4,806,882	6,595,333	13,162,169

(Millions of Colombian pesos (COP))

13.6. Accounts receivable, net

The following is the detail of accounts receivable:

	December 31, 2020	December 31, 2019
Loan interests	1,302,335	607,726
Financing, Financial Leasing operations	415,285	91,715
Funds transferred to Icetex - abandoned accounts	237,372	221,879
Parent, Subsidiaries, related parties, associates	25,794	32,965
Guarantee deposits	114,766	50,467
Payments for account of customers	302,211	154,805
Interests receivable TIPS	16,898	7,524
National Treasury	14,553	15,250
Banco de la República - coverage ratio	32,113	15,820
Sale of loans written off	24,164	22,431
International trade clearing	71,975	49,815
Sale of real estate	-	2,373
Other accounts receivable	452,753	148,054
Accounts receivable	3,010,219	1,420,826
Impairment provision	(657,431)	(262,882)
Accounts receivable, net	2,352,788	1,157,943

Accounts receivable ageing:

December 31, 2020

	Up to 6 months	6 - 12 months	12 - 60 months	Over 60 months	Total
Interests	1,256,144	46,130	61	-	1,302,335
Financing, Financial Leasing operations	396,830	18,428	27	-	415,285
Funds transferred to Icetex - abandoned accounts	237,372	-	-	-	237,372
Parent, Subsidiaries, related parties, associates	25,795	-	-	-	25,794
Deposits	114,766	-	-	-	114,766
Payments for account of customers	277,693	24,294	223	-	302,211
Administrative costs leasing portfolio	42,203	-	-	-	42,203
Interests receivable TIPS	16,898	-	-	-	16,898
National Treasury	14,553	-	-	-	14,553
Banco de la República - coverage ratio	32,113	-	-	-	32,113
Sale of loans written off	24,164	-	-	-	24,164
International trade clearing	71,975	-	-	-	71,975
Others	384,170	9,232	15,912	1,236	410,550
Accounts receivable	2,894,676	98,084	16,223	1,236	3,010,219
Impairment provision	(555,520)	(13,114)	(88,514)	(283)	(657,431)
Accounts receivable, net	2,339,156	84,970	(72,291)	953	2,352,788

(Millions of Colombian pesos (COP))

December 31, 2019

	6 - 12 Months	12 - 60 Months	Over 60 Months	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
Parent, Subsidiaries, related parties, associates	32,965	-	-	32,965
Deposits	50,467	-	-	50,467
Payments for account of customers	27,485	-	-	27,485
Payments for account of borrowing customers	108,304	18,885	131	127,320
Administrative costs leasing portfolio	34,082	-	-	34,082
Interests receivable TIPS	7,524	-	-	7,524
National Treasury	15,250	-	-	15,250
Banco de la República - coverage ratio	15,820	-	-	15,820
Sale of loans written off	22,431	-	-	22,431
International trade clearing	49,815	-	-	49,815
Sale of real estate	2,373	-	-	2,373
Others	84,262	29,458	253	113,973
Accounts receivable	1,320,272	100,131	422	1,420,825
Impairment provision	(193,076)	(69,654)	(152)	(262,882)
Accounts receivable, net	1,127,196	30,477	270	1,157,943

The following is a detail of the movement in the allowance for impairment of accounts receivable:

	December 31, 2020	December 31, 2019
Opening balance	262,882	181,705
Plus		
Provision for impairment charged to expense	605,933	264,985
Less		
Recovery of impairment allowance	(81,116)	(73,689)
Accounts written off	(130,355)	(110,119)
Others	87	-
Closing balance	657,431	262,882

(Millions of Colombian pesos (COP))

13.7. Assets held for sale

13.7.1. Detail of assets held for sale, net

The following is the detail of assets held for sale:

	December 31, 2020	December 31, 2019
Housing		
Voluntary surrender	17,776	10,361
Award	1,821	922
	19,597	11,283
Other than housing		
Voluntary surrender	7,384	1,920
	7,384	1,920
Movable assets		
Vehicles	622	731
Right	404	125
	1,026	856
Recovered property from Leasing contracts		
Machinery and equipment	202	1,150
Vehicles	1,022	751
Real Property	3,900	4,788
Real property – Residential leasing	31,670	35,823
	36,794	42,512
Subtotal	64,801	56,571
Impairment provision	(11,573)	(6,829)
Total	53,228	49,742

(Millions of Colombian pesos (COP))

13.7.2. Movement of assets held for sale:

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

December 31, 2020

	Housing	Other than housing	Recovered property from residential leasing contracts	Total
Cost				
Opening balance	11,284	2,777	42,511	56,572
Additions (received)	14,942	10,978	40,330	66,250
Withdrawn (sales)	(3,497)	(2,089)	(23,806)	(29,392)
Transfers	(3,132)	(3,256)	(22,241)	(28,629)
Closing balance	19,597	8,410	36,794	64,801
Impairment provision				
Opening balance	(1,381)	(241)	(5,208)	(6,830)
Period provision	(5,914)	(1,568)	(8,001)	(15,483)
Transfers	1,062	782	6,676	8,520
Recoveries	340	101	1,779	2,220
Closing balance	(5,893)	(926)	(4,754)	(11,573)
	13,704	7,484	32,040	53,228

December 31, 2019

	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
Withdrawn (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
Impairment provision				
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

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13.7.3. Term during which assets have been held for sale

The following is a detail of the assets held for sale, according to their term:

	December 31, 2020	December 31, 2019
Up to 1 year	56,285	55,891
1 to 3 years	8,516	680
	64,801	56,571

During this period, the Bank has implemented several strategies aimed at selling assets held for sale, with the following results:

	December 31, 2020		December 31, 2019	
Item	Quantity	Amount	Quantity	Amount
Goods received as payment	167	29,392	203	21,922
Total Sales	167	29,392	203	21,922
Profit on sales		692		578
Amortization of deferred profit		388		1,010
Loss on sales, previous period (Residential leasing)		1,955		(58)
Total sales profit		3,035		1,530
Loss on sale of foreclosed assets		214		613
Loss on sales, previous period (residential leasing)		2,262		1,620
Loss on sales		2,476		2,233
Net effect on results		559		(703)

13.7.4. Movement of the provision

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

	December 31, 2020	December 31, 2019
Opening balance	6,829	6,260
Plus:		
Period provision	15,485	11,909
Less:		
Recoveries	(2,221)	(2,335)
Transfers	(8,520)	(9,005)
Closing balance	11,573	6,829

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13.8. Property and equipment, net

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

	December 31, 2020	December 31, 2019
Property and equipment, net	462,892	423,004
Right-of-use assets. Net (Note 13.10)	728,967	829,898
	1,191,859	1,252,902

13.8.1. Movement of property and equipment

The movement of property and equipment is detailed below:

	Land	Buildings and improvements	Computer equipment	Furniture and fixture	Vehicles	Total
Cost:						
Opening balance January 1, 2020	102,469	132,504	110,658	401,966	13,435	761,032
Additions	3,008	9,333	36,004	83,060	4,675	136,080
Acquisition	3,008	9,333	36,004	83,060	4,675	136,080
Withdrawals	(217)	(292)	(11,050)	(33,842)	(4,357)	(49,758)
Sales	(217)	(292)	(11,049)	(33,842)	(4,357)	(49,757)
Disposals	-	-	(1)	-	-	(1)
Translation of foreign currency	-	-	97	101	-	198
Transfers	(3,908)	(17,301)	(8,590)	8,005	-	(21,794)
Impairment provision	-	(603)	-	-	-	(603)
Balance December 31, 2020	101,352	123,641	127,119	459,290	13,753	825,155
Accumulated Depreciation:						
Opening balance January 1, 2020	-	(7,647)	(90,403)	(234,769)	(5,208)	(338,027)
Withdrawals	-	24	9,960	32,815	3,223	46,022
Sales	-	24	9,959	32,815	3,223	46,021
Disposals	-	-	1	-	-	1
Accumulated movement depreciation	-	(1,430)	(21,206)	(46,417)	(2,734)	(71,787)
Translation of foreign currency	-	-	(92)	(89)	-	(181)
Transfers	-	1,117	541	52	-	1,710
Balance December 31, 2020	-	(7,936)	(101,200)	(248,408)	(4,719)	(362,263)

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	Land	Buildings and improvements	Computer equipment	Furniture and fixture	Vehicles	Total
Cost:						
Opening balance 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
Acquisition	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)
Disposals	-	-	(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 December 31, 2019	102,469	132,505	110,658	401,965	13,434	761,031
Accumulated Depreciation:						
Opening balance January 1, 2019	-	(6,427)	(78,038)	(197,562)	(5,350)	(287,377)
Withdrawals	-	67	4,237	2,219	2,699	9,222
Sales	-	67	4,227	2,208	2,699	9,201
Disposals	-	-	10	11	-	21
Accumulated movement depreciation	-	(1,472)	(32,216)	(25,428)	(2,556)	(61,672)
Translation of foreign currency	-	-	(5)	(16)	-	(21)
Transfers	-	184	15,618	(13,982)	-	1,820
Balance December 31, 2019	-	(7,648)	(90,404)	(234,769)	(5,207)	(338,028)
Books Value						
Balance December 31, 2018	**104,787**	**129,576**	**21,468**	**156,996**	**6,781**	**419,608**
Balance December 31, 2019	**102,469**	**124,857**	**20,254**	**167,196**	**8,227**	**423,003**
Balance December 31, 2020	**101,351**	**115,705**	**25,918**	**210,883**	**9,035**	**462,892**

13.8.2. Sales proceeds

The sales of property and equipment's is listed below:

December 31, 2020

	Quantity	Book Value	Sales proceeds	Net income	Loss
Real estate	2	485	748	287	(24)
Computer equipment	3,709	1,555	583	20	(992)
Furniture and Fixture	1,537	562	307	74	(329)
Vehicles	58	1,134	1,159	26	(1)
	5,306	3,736	2,797	407	(1,346)

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December 31, 2019

	Quantity	Book Value	Sales proceeds	Net income	Loss
Real estate	2	2,079	2,421	342	-
Computer equipment	4,310	207	190	141	(157)
Furniture and Fixture	2,489	172	160	94	(106)
Vehicles	42	919	914	62	(67)
	6,843	3,377	3,685	639	(330)

The bank acquired contractual commitments for the acquisition of 17 items of computer equipment for $55,971 as of December 31, 2020.

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

13.8.3. Movement of provisions

The following is the detail of movement of the provision for property and equipment:

December 31, 2020

	Buildings and improvements	Total
Opening balance	3,905	3,905
Plus:		
Provision	604	604
Closing balance	4,509	4,509

December 31, 2019

	Buildings and improvements	Total
Opening balance	3,306	3,306
Plus:		
Provision	599	599
Closing balance	3,905	3,905

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13.9. Investment property, net

13.9.1. Movement of investment properties

The following details the movement of investment properties:

	December 31, 2020	December 31, 2019
Cost:		
Opening balance	72,284	74,095
Additions		
Properties received	1,088	6,329
Withdrawals		
Sales	(3,418)	(4,397)
Transfers	13,355	(3,743)
Closing balance	83,309	72,284
Accumulated Depreciation:		
Opening balance	(2,034)	(1,489)
Withdrawals		
Sales	169	184
Accumulated movement depreciation	(528)	(538)
Transfers	(1,117)	(191)
Closing balance	(3,510)	(2,034)
Impairment provision	(272)	(1,237)
Book Value	79,527	69,013

13.9.2. Effect on results status

Results recognized in the separate statement of income for the management of investment properties:

	December 31, 2020	December 31, 2019
Rental income	496	399
Net	496	399

13.9.3. Movement of the provision:

The following is the movement of the provision for investment properties:

	December 31, 2020	December 31, 2019
Opening balance	1,237	1,954
Plus:		
Provision	906	1,693
Less:		
Recoveries	(72)	(29)
Reclassification	(1,798)	(2,381)
Closing balance	273	1,237

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

13.9.4. Sales proceeds

The proceeds from the sale of investments properties is listed below:

December 31, 2020

	Quantity	Book Value	Sales proceeds	Net income	Loss
Investment properties	7	3,250	4,687	1,437	-

December 31, 2019

	Quantity	Book Value	Sales proceeds	Net income	Loss
Investment properties	3	4,213	5,630	1,417	-

There are no restrictions on income derived from investment properties, nor contractual obligations to purchase, build or develop in the reporting periods.

13.10. Leases

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

	December 31, 2020
Right of use assets	965,704
Accumulated depreciation	(236,737)
Right of use assets, net	728,967

The following is the movement of rights of use assets:

	Real estate	Computer and data processing equipment	Total
Opening balance January 1, 2020	783,282	46,616	829,897
Plus:			
Additions	10,976	-	10,976
Less:			
Withdrawals, net	(9,457)	(29,161)	(38,618)
Period depreciation	(118,320)	(4,593)	(122,913)
Changes in dismantling provisions	(1,079)	-	(1,079)
Modifications to the contract	51,705	(1,001)	50,704
Balance December 31, 2020	717,107	11,861	728,967

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Contractual lease liabilities

The contractual flows of undiscounted lease liabilities are presented below:

	December 31, 2020
1 year or less	151,696
1-5 years	513,101
Over 5 years	305,373
	970,170
	-
Liabilities from recognized leadings (discounted)	775,283

Amounts recognized in profit or loss

	December 31, 2020
Interest expense on lease liability	54,059
Income from subleasing right of use assets	2,776
Short-term lease and low-value asset expense	9,061

Total cash outflows from leases amounted to $156,126 and $84,358 for December 31, 2020 and December 31, December 31, 2020, respectively.

13.11. Goodwill

Goodwill arising from the purchase of Granbanco:

Name of the acquired	Granbanco
Date of acquisition	February 2007
% Share	99 %

	December 31, 2020	December 31, 2019
Cost		
Goodwill Granbanco	1,080,775	1,080,775
	1,080,775	1,080,775

Purchase of Granbanco

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

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

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

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

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

	Share	
Retail Banking	48.7 %	527,591
Enterprises	50.7 %	550,049
Subsidiaries	0.6 %	3,135
	100.0 %	1,080,775

An impairment test was performed as of October 31, 2020, with the assistance of external consultants, showing that the CGUs did not generate impairment losses.

The following are the main projection assumptions used for impairment testing, based on the Bank's past experience:

	2020	2021	2022	2023	2024	2025
Placement rate (%)	11.5 %	10.3 %	10.8 %	10.5 %	10.7 %	10.8 %
Deposit taking rate (%)	2.1 %	1.5 %	2.3 %	2.1 %	2.1 %	2.2 %
Growth in operating income	8.4 %	12.2 %	12.6 %	11.5 %	12.5 %	12.5 %
Growth in other operating expenses (CPI)	9.8 %	9.5 %	2.1 %	2.2 %	2.3 %	5.4 %
Inflation	2.1 %	2.9 %	3.0 %	3.0 %	3.0 %	3.0 %

The discount rate used to determine the capital cost generated by the source of income is subject to the average weighted cost of the capital in market value of all income sources in the bank's capital structure estimated on 13.5%, upon executing a sensitivity analysis on use value and impairment analysis on each of the UGEs identified for capital gain vs the discount; it shows that a superior risk assigned to the discount rate won't generate impairment on any of the mayor UGE.

13.12. Intangibles

The following is the movement of intangibles:

	Licenses	Computer programs and applications	Total
Opening balance January 1, 2020	100,403	4,222	104,625
Plus:			
Acquisitions	31,773	2,632	34,405
Less:			
Amortizations of the period	(28,338)	(919)	(29,257)
Effect of movement of exchange rates on foreign accounts receivable	(5)	(59)	(64)
Balance December 31, 2020	103,833	5,876	109,709

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Opening balance January 1, 2019	88,129	12,527	100,656
Plus:			
Acquisitions	22,572	746	23,318
Less:			
Amortizations of the period	(18,161)	(950)	(19,111)
Disposals	(510)	(83)	(593)
Reclassifications	8,339	(8,339)	-
Effect of movement of exchange rates on foreign accounts receivable	34	321	355
Balance December 31, 2019	100,403	4,222	104,625

There are no commitments to purchase or restrictions of ownership or pledges in guarantee of performance of obligations for the periods reported.

13.13. Other non-financial assets, net

The following is the detail of other assets:

	December 31, 2020	December 31, 2019
Goods received as payment	364,987	306,540
Expenses paid in advance	172,400	165,251
Advances to contracts and suppliers	740,153	803,898
Deferred letter of credit	14,606	14,632
Works of art	2,763	2,770
Assets pending activation	5,112	6,721
Trust rights	44	44
Others	81	152
Impairment provision	(227,335)	(188,405)
	1,072,811	1,111,603

The movement of the provision for other assets is as follows:

	December 31, 2020	December 31, 2019
Opening balance	188,405	166,873
Plus:		
Provision	53,805	56,496
Less:		
Recoveries	(25,192)	(46,349)
Reclassification	10,317	11,385
Closing balance	227,335	188,405

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13.14. Deposits and term deposits

Deposits and demand accounts are as follows:

	December 31, 2020	December 31, 2019
Interest-bearing liabilities		
Checking accounts	1,263,202	1,170,176
Savings accounts	34,023,229	25,846,158
Term deposits (CDT)	24,642,076	24,690,016
	59,928,507	51,706,350
Non-interest bearing liabilities		
Checking accounts	6,149,342	4,679,030
Savings accounts	524,407	201,966
Demand accounts for services	675,553	750,909
Electronic deposits	524,579	151,109
Others*	412,451	287,951
	8,286,332	6,070,965
	68,214,839	57,777,315

(*) Others: Banks and correspondents - Special deposits - Collection services - Card-affiliate establishments - Canceled accounts.

Interest paid on deposits is as follows:

	December 31, 2020	December 31, 2019
Interest-bearing liabilities		
Checking accounts	24,897	31,158
Savings accounts	546,941	596,529
Term deposits (CDT)	1,133,587	962,641
	1,705,425	1,590,328

Below are the deposits by currency and rate:

	December 31, 2020		December 31, 2019	
	Balance	Implicit Rate	Balance	Implicit Rate
Local currency				
Checking accounts	6,623,640	0.57 %	5,401,014	0.63 %
Savings accounts	34,458,302	2.19 %	25,988,194	2.30 %
Term deposits (CDT)	23,052,864	5.43 %	23,572,047	5.48 %
Demand accounts for services	600,338		634,642	
Electronic Deposits	524,579		151,109	
Others*	325,307		257,716	
	65,585,030		56,004,722	
Foreign currency				
Checking accounts	788,904		448,192	
Savings accounts	89,334	4.98 %	59,930	5.05 %
Term deposits (CDT)	1,589,212	2.67 %	1,117,969	3.01 %
Demand accounts for services	75,215		116,267	
Others*	87,144		30,235	
	2,629,809		1,772,593	
	68,214,839		57,777,315	

* Others Banks and correspondents - Special deposits - Collection services - Card-affiliate establishments - Canceled accounts

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The following is the maturity of deposits:

December 31, 2020	0 to 1 years	1 to 5 years	5 to 10 years	Total
Checking accounts	7,412,544	-	-	7,412,544
Savings accounts	34,531,410	16,226	-	34,547,636
Term deposits (CDT)	17,416,991	7,224,973	112	24,642,076
Demand accounts for services	675,553	-	-	675,553
Electronic Deposits	524,579	-	-	524,579
Others*	412,451	-	-	412,451
	60,973,528	7,241,199	112	68,214,839

December 31, 2019	0 to 1 years	1 to 5 years	5 to 10 years	Total
Checking accounts	5,849,206	-	-	5,849,206
Savings accounts	26,033,017	15,107	-	26,048,124
Term deposits (CDT)	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
Others*	287,951	-	-	287,951
	49,563,257	8,210,992	3,066	57,777,315

* Others Banks and correspondents - Special deposits - Collection services - Card-affiliate establishments - Canceled accounts

13.15. Money market and overnight operations

Below is the detail interbank and overnight liability operations:

December 31, 2020		Date		
	Rate	Initial	Final	Amount in COP
Local currency				
Interbank liabilities				
Banks	1.70 %	30-Dic-20	4-Jan-21	80,008
Simultaneous				
Stock brokerage firms	1.70 %	29-Dic-20	4-Jan-21	1,109
Others	-1.00% - 1.75%	28-Dic-20	7-Jan-21	573,432
Repos	1.75 %	3-Jul-20	13-Apr-21	403,766
Short positions obligations	3.00% - 5.00%	27-Nov-20	21-Jan-21	52,899
Coupons payable - active simultaneous operations (1)				1
				1,111,215

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

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December 31, 2019	Rate	Date Initial	Date Final	Amount in COP
Local currency				
Interbank liabilities				
Banks	4.11 %	30-Dic-19	2-Jan-20	80,018
Others	4.25 %	27-Dic-19	2-Jan-20	36,206
Repos	4.30 %	30-Dic-19	2-Jan-20	998,792
Short positions obligations	3.75% - 10.00%	20-Nov-19	15-Jan-20	251,079
				1,366,095

13.16. Bank borrowings and other financial obligations

The following is the detail of financial debt:

	Currency	Interest rate range	Maturity Year Range	Balance
Opening balance January 1, 2020				9,480,693
New loans				9,094,062
	Pesos	0.00% - 8.30%	2020 - 2032	1,527,629
	Dollars	1.44% - 5.47%	2020 - 2030	7,566,433
Payments in the period				(9,214,269)
	Pesos	0.00% - 8.93%	2020 - 2032	(1,157,541)
	Dollars	1.33% - 6.21%	2013 -2034	(8,056,728)
Other movements				
Interests payable				93,643
Effect of movement of exchange rates on foreign accounts receivable				447,871
Cost of financial debt pending				(7,016)
Balance December 31, 2020				9,894,984

	Currency	Interest rate range	Maturity Year Range	Balance
Opening balance January 1, 2019				7,624,354
New loans				9,423,583
	Pesos	0.34% - 10.01%	2019 - 2033	1,277,470
	Dollars	2.25% - 6.26%	2019 - 2034	8,146,113
Payments in the period				(7,638,731)
	Pesos	0.33% - 1.01%	2019 - 2033	(1,085,787)
	Dollars	2.25% - 6.39%	2013 - 2034	(6,552,944)
Other movements				
Interests payable				127,612
Effect of movement of exchange rates on foreign accounts receivable				(39,589)
Cost of financial debt pending				(16,536)
Balance December 31, 2019				9,480,693

At December 31, 2020, the Bank was in compliance with covenants made on acquiring long-term debt.

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The following are the Bank's loans and credits:

	December 31, 2020	December 31, 2019
Entities within the country:		
Local currency		
Financial debt	2,932,337	2,471,419
Foreign currency		
Other financial debt	239,472	318,502
Entities outside Colombia		
Financial debt	6,723,175	6,576,073
Designated hedging instruments	-	114,699
	9,894,984	9,480,693

The maturity of the financial obligations is indicated below:

December 31, 2020

	0 to 1 years	1 to 5 years	5 to 10 years	Over 10 years	Total
Entities within the country:					
Local currency					
Bancoldex	59,881	597,179	153,790	-	810,850
Finagro	20,465	188,365	94,787	333	303,950
Findeter	70,820	527,488	1,066,721	152,507	1,817,536
Foreign currency					
Bancoldex	852	-	20,121	70,459	91,432
Findeter	488	-	45,883	101,670	148,041
Entities outside Colombia	2,948,197	-	411,900	3,363,078	6,723,175
	3,100,703	1,313,032	1,793,202	3,688,047	9,894,984

December 31, 2019

	0 to 1 years	1 to 5 years	5 to 10 years	Over 10 years	Total
Entities within the country:					
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 outside Colombia	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

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13.17. Debt Instruments Issued

The following is the movement of bonds:

	Date of issue	Amount issued	Term (Months)	Yield	Maturity	Balance
Opening balance January 1, 2020						10,978,422
New issues						
TF	11-Feb-20	169,300	84	TF 6.24%	11-Feb-27	169,300
TF	11-Feb-20	243,880	60	TF 6.04%	11-Feb-25	243,880
TF	11-Feb-20	286,819	144	TF 2.83%	11-Feb-32	290,604
IBR	25-Aug-20	362,500	84	IBR .,05%	25-Aug-27	362,500
						1,066,284
Redemptions						(777,466)
Variation TRM						72,499
Variation UVR						(161,617)
Interests						(6,739)
Cost of financial debt pending						3,509
Balance December 31, 2020						11,174,892

Opening balance January 1, 2019						9,665,377
New issues						
TF	19-Feb-19	275,968	36	TF 6.29%	19-Feb-22	275,968
CPI	19-Feb-19	224,032	120	CPI+..64%	19-Feb-29	224,032
CPI	16-Jul-19	169,320	36	CPI+2.04%	16-Jul-22	169,320
CPI	16-Jul-19	123,660	120	CPI+3.03%	16-Jul-29	123,660
TF	16-Jul-19	306,700	60	TF 6.04%	16-Jul-24	306,700
CPI	26-Sep-19	119,265	144	CPI+2.73%	26-Sep-31	119,265
TF	26-Sep-19	290,925	48	TF 5.75%	26-Sep-23	290,925
TF	26-Sep-19	289,810	84	TF 6.18%	26-Sep-26	289,810
						1,799,680
Redemptions						(515,094)
Variation TRM						10,994
Variation UVR						5,998
Interests						10,139
Cost of financial debt pending						1,328
Balance December 31, 2019						10,978,422

Banco Davivienda S.A.
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Sales of loans are shown below:

Issue type	Date of issue	Amount issued	Term (Months)	Yield	Maturity	December 31, 2020 Book Value	December 31, 2019 Book Value
Unsecured subordinated bonds							
CPI	04/25/2012- 03/29/2017	1,358,655	96 - 180	IPC+3.83 - IPC+4.56	04/25/2022 - 04/25/2027	1,358,655	1,358,655
Fixed rate	03/29/2017	198,947	84	TF 7.40%	03/29/2024	198,947	198,947
UVR		-				-	161,616
Interests						8,123	17,116
In USD							
International Bonds(*)	07/09/2012	895,125	120	TF 5,88%	07/09/2022	1,716,250	1,638,570
Interests						47,949	45,779
				Total subordinated bonds		3,329,924	3,420,683
Ordinary unsecured bonds							
CPI	03/10/2011 - 09/26/2019	3,575,949	36 - 180	IPC+2.04 - IPC+4.50	03/10/2021 - 09/26/2031	3,575,949	3,996,081
Fixed rate	10/24/2017 - 02/11/2020	3,044,413	36 - 84	TF 5.75% - TF 7.5%	02/19/2022 - 02/11/2027	3,044,413	2,988,567
IBR	04/25/2017 - 08/25/2020	882,525	36 - 120	IBR + 1.09 - IBR + 2.13	11/15/2021 - 08/25/2027	882,525	520,025
UVR	02/11/2020		144	UVR 2.83%	02/11/2032	290,603	-
Interests						61,685	66,783
				Total ordinary Bonds		7,855,175	7,571,456
				Cost of financial debt pending		(10,207)	(13,717)
				Total Bonds		11,174,892	10,978,422

** Debt issues designated as hedging*

Below are the Bonds per currency unit:

	December 31, 2020	December 31, 2019
Local currency	9,120,813	9,134,457
Foreign currency	1,762,486	1,681,474
UVR	291,594	162,491
	11,174,893	10,978,422

The following are the bonds by maturity period:

	December 31, 2020	December 31, 2019
0 to 1 years	442,279	945,037
1 to 5 years	7,136,089	6,241,642
5 to 10 years	3,185,638	3,672,416
Over 10 years	410,886	119,327
	11,174,892	10,978,422

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

The redemption of bonds is as follows:

December 31, 2020

Date	Term	Rate	Date of maturity	Amount
02/12/2015	60	CPI 2.84%	02/12/2020	187,241
06/07/2017	36	TF 6.48%	06/07/2020	357,334
11/10/2015	60	CPI 3.45%	11/10/2020	148,956
12/10/2013	84	CPI 4.29%	12/10/2020	83,935
				777,466

December 31, 2019

Date	Term	Rate	Date of maturity	Amount
05/15/2014	60	CPI+3.39%	05/15/2019	183,359
07/27/2016	36	TF 8.64%	07/27/2019	222,385
10/09/2014	60	CPI+3.25%	10/09/2019	109,350
				515,094

Hedging liabilities

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

Evaluation Coverage of net investment abroad

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

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

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

(Millions of Colombian pesos (COP))

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

	Costa Rica	Honduras	El Salvador	Panamá	Total
Hedge Ratio	0.00 %	0.00 %	100.00 %	63.44 %	51.76 %
Position hedged portion					966
Value of equity investment in currency of origin	138,475	3,786	356	227	
Value of equity investment in USD	228	155	356	227	966
Position of hedging instruments					
Bonds in USD	-	-	356	144	500

Effectiveness of hedges

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

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

Reconciliation between changes in liabilities and cash flows from financing activities

	Liabilities		Equity		
	Bank loans and other obligations	Debt instruments issued	Payment of lease liabilities	Profits from prior years	Total
Balance December 31, 2019	9,480,693	10,978,422	-	-	20,459,115
Changes in financing cash flows					
Proceeds from new loans in financial debt	9,094,061	-	-	-	9,094,061
Debt repayment	(9,214,269)	-	-	-	(9,214,269)
Issues of debt instruments	-	1,066,284	-	-	1,066,284
Redemptions of debt instruments issued	-	(777,466)	-	-	(777,466)
Payment of lease liabilities	-	-	(102,157)	-	(102,157)
Payment of cash dividends	-	-	-	(418,140)	(418,140)
Total changes in financing cash flows	(120,208)	288,818	(102,157)	(418,140)	(351,687)
Other changes related to liabilities					
Interest incurred	357,234	728,351	(54,059)	-	1,031,526
Interest paid	(263,591)	(735,090)	54,059	-	(944,622)
Cost of financial debt pending	(7,016)	3,509	-	-	(3,507)
Variation TRM	-	72,499	-	-	72,499
Variation on real value units (UVR)	-	(161,616)	-	-	(161,616)
Effect of movement of exchange rates on foreign accounts receivable	447,871	-	-	-	447,871
Total other changes related to liabilities	534,498	(92,347)	-	-	442,151
Other changes related to equity	-	-	-	418,140	418,140
Balance December 31, 2020	9,894,984	11,174,892	(102,157)	-	20,967,719

(Millions of Colombian pesos (COP))

13.18. Accounts payable

The detail of accounts payable is as follows:

	December 31, 2020	December 31, 2019
Contribution on transactions	25,694	10,900
Vendors and services payable	665,186	575,071
Fund guarantees financial institutions	850	6,339
Accounts payable of the parent company - subsidiaries	17,610	24,667
TES Law 546	7,268	7,080
Deposit insurance	93,455	75,878
Outstanding portfolio disbursements	52,700	89,939
Surplus credits	2,390	3,886
Leasing repaid	9,324	10,506
Security bonds	17,491	18,017
Outstanding checks	31,651	21,241
Third-party forward settlement	16,979	10,974
Insurance	17,439	20,269
Franchises	53,127	44,040
Credit Card	9,258	8,367
Commissions and fees	8,063	3,565
Dividends and surpluses	3,925	3,818
Promising buyers	14,784	8,184
Employment deductions and contributions	159,424	141,622
Sundry	196,547	72,638
	1,403,165	1,157,001

The information of the maturity period of the accounts payable is as follows:

	December 31, 2020	December 31, 2019
1 - 3 months	1,318,975	1,081,910
12 - 60 months	84,190	75,091
	1,403,165	1,157,001

13.19. Employee benefits

The detail of employee benefits is as follows:

	December 31, 2020	December 31, 2019
Short-term benefits	127,525	108,925
Long term benefits	43,866	41,321
Post-Employment Benefits		
Health Policy Pensioners	20,325	17,932
	191,716	168,178

(Millions of Colombian pesos (COP))

The bank has the following long-term benefits:

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

b. Upon the signing of the 2018-2021 collective labor agreement, an extralegal seniority premium is recognized for employees, equivalent to 15 days' salary upon completing 5 years of work and 30 days' salary upon completing 10 years and for each subsequent five-year period. As of December 31, 2020, the liability recognized for this concept amounts to $43.866.

The following is a description of post-employment benefits:

Defined contribution plan

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

Defined benefit plan

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

The detail of employee benefits is as follows

	December 31, 2020	December 31, 2019
Present value of obligations	20,325	17,932
	20,325	17,932
Plan deficit	20,325	17,932
Total liabilities for employee benefits	20,325	17,932

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

(Millions of Colombian pesos (COP))

Movement in present value of defined benefit obligations

	December 31, 2020	December 31, 2019
Defined benefit obligation at the beginning of the period	17,932	13,593
Current Service Costs	963	744
Interest cost	1,291	1,115
Remedies		
Experience-related adjustments	2,261	336
Actuarial (gains) losses from changes in financial assumptions (OCI)	(1,571)	2,576
Benefits paid by the plan	(551)	(432)
Benefit obligations defined at the end of the period	20,325	17,932

Main actuarial assumptions

The information of the main actuarial assumptions at the balance date (expressed in weighted average) is as follows:

	December 31, 2020	December 31, 2019
Discount rate	7.75 %	7.25 %
Future salary increments	3.50 %	3.50 %
Rate of inflation	3.50 %	3.50 %

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

Sensitivity analysis

The defined benefit obligation and service cost for the current period were calculated using the projected unit credit method. The sensitivity analysis of the defined benefit liability for the different financial and actuarial variables as of December 31, 2018

Discount rate

	Current value of defined benefits	Weighted average duration of defined benefit obligations (in years)	Assumptions
Discount rate -50 bp	21,896	15	7.25 %
Discount rate +50 bp	18,923	14	8.25 %

Medical trend

	Medical service rate	Assumptions
Medical service rate -50 bp	18,862	3.00 %
Medical service rate +50 bp	21,956	4.00 %

Payments of expected future benefits

(Millions of Colombian pesos (COP))

Expected future benefit payments, which reflect future service, are estimated to be paid as follows:

Year	Defined benefits
2021	670
2022	730
2023	799
2024	874
2025	981
2026 to 2031	6,697

13.20. Other liabilities and estimated liabilities

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

	December 31, 2020	December 31, 2019
Estimated labilities		
Other provisions	39,715	55,426
Disputes	17,575	19,234
Other liabilities		
Leases	775,283	853,746
Interest derived from restructuring processes	142,381	121,547
Payments pending	108,436	103,413
Early income	156,919	153,135
Letters of credit for deferred payment	14,606	14,632
Deferred credits	6,054	5,642
Surplus and others	94,990	66,477
	1,355,959	1,393,252

(1) The movement in the provision is as follows:

The most significant provisions refer to the interest rate coverage granted to the mortgage loans covered by the Bank for $ 20,639 and the provision for labor obligations for $ 19,090 as of December 31, 2020.

	December 31, 2020	December 31, 2019
Opening balance	55,426	53,557
Plus:		
Provision	321,594	736,479
Less:		
Disposals	(326,004)	(343,517)
Recoveries	(11,301)	(391,093)
Closing balance	39,715	55,426

(Millions of Colombian pesos (COP))

(2) Disputes

The following is the movement in the provision for litigation:

	December 31, 2020	December 31, 2019
Opening balance	19,234	19,302
Plus:		
Provision	7,825	4,758
Less:		
Recoveries	(9,484)	(4,826)
Closing balance	17,575	19,234

Summary of the process:

	December 31, 2020			December 31, 2019		
	No. of cases	Provision value	Claims Value	No. of cases	Provision value	Claims Value
Litigation covered by the Fogafin guarantee contract.	10	9,685	712	11	10,251	1,193
Labor cases	9	2,145	2,145	17	3,648	3,648
Ordinary processes	289	5,745	5,746	246	5,335	5,335
	308	17,575	8,603	274	19,234	10,176

Estimated outflows due to outcome of cases are as follows:

Other provisions

December 31, 2020

	1 year	1-3 years	3-5 years	5-10 years	Total
Frech Premium Provision	4,112	9,441	6,670	416	20,639
Provisión ICA	(14)	-	-	-	(14)
Others	19,090	-	-	-	19,090
	23,188	9,441	6,670	416	39,715

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
Others	29,787	-	-	-	29,787
	32,527	11,450	8,565	2,884	55,426

(Millions of Colombian pesos (COP))

Disputes

December 31, 2020

	1 year	1-3 years	3-5 years	Total
Litigation covered by the Fogafin guarantee contract	-	9,685	-	9,685
Labor cases	1,308	836	-	2,144
Ordinary processes	3,460	2,125	161	5,746
	4,768	12,646	161	17,575

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
Ordinary processes	3,748	1,587	-	5,335
	6,061	13,173	-	19,234

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

This type of judicial proceedings generates a contingent liability for the Bank, independent from the procedure that is carried out to that effect. In general terms, 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.

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

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

Judicial procedures concerning the extinct UPAC system.

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

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

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

Judicial proceedings related to other bank activities

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

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

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

(Millions of Colombian pesos (COP))

MR. GUSTAVO LAFAURIE RODRÍGUEZ suds the bank in a labor trial and asks for the repayment and payment of wages and other benefits not received. The complainant was dismissed for fair cause, for events that occurred during the processing of international transfers received from the companies LAYSHA INTERNATIONAL LTDA, IAS EXPORTATION LTDA, YAMILE ELVIRA LLANOS MENDEZ, in breach of the procedures and manuals. Contingency is rated as probable, in consideration to the procedural proceedings verified to date, indicating that a judgment adverse to the bank's interest may occur. The amount of the provision is $309 million.

13.21. Equity

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

13.21.1. Share Capital

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

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

	December 31, 2020	December 31, 2019
Ordinary shares subscribed and paid	343,676,929	343,676,929
Preferential shares subscribed and paid	107,993,484	107,993,484
Total shares outstanding	451,670,413	451,670,413
Par value as of the date	170	170
Equity value	11,355,867	11,465,659
Intrinsic value (in pesos)	25,142	25,385

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

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

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

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

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

(Millions of Colombian pesos (COP))

13.21.2. Share placement premium

Corresponds to the highest amounts obtained over the par value of the share and for the capitalization of occasional reserves obtained in the distribution of profits from previous years with an increase in nominal value, determined by the decisions of the General Shareholders' Meeting.

The detail of the premium in the placement of shares that make up the equity is as follows:

	December 31, 2020	December 31, 2019
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

13.21.3. Reserves

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

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

	December 31, 2020	December 31, 2019
Legal reserve		
By appropriation of earnings	5,015,853	4,211,061
Statutory and voluntary reserves		
At the disposal of the General Meeting commitments	488,192	389,032
	5,504,045	4,600,093

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

Profit distribution

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

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

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

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

Other decisions:

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

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

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

(Millions of Colombian pesos (COP))

13.21.4. Earnings per share

Earnings per share at the end of December 31, 2020 and 2019 were $9 y $2,914, respectively, calculated based on basic earnings at the end of each period divided by the weighted average number of shares outstanding.

	December 31, 2020	December 31, 2019
Total shares outstanding	451,670,413	451,670,413
Profit for the year	223,809	1,316,203
Profit per share for the year (COP)	496	2,914

13.21.5. Capital Management

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

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

The Technical Equity corresponds to 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, percentages established by the Superintendence of Finance of Colombia for assets weighted by risk level are applied and market risk is included according 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 522 basis points on average in the first half of 2020. The following is the Bank's capital adequacy ratio as of December 31, 2020 and December 31, 2019:

	December 31, 2020	December 31, 2019	Variation Dec 20 - Dec 19	%
Technical equity	13,882,512	12,339,355	1,543,157	12.51 %
Ordinary (Tier 1) capital	8,904,697	8,100,417	804,280	9.93 %
Deductions from Tier 1	(864,745)	(864,233)	(512)	0.06 %
Addicional capital (Tier 2)	4,977,815	4,238,938	738,877	17.43 %
Market VaR	260,227	406,053	(145,826)	-35.91 %
Risk-weighted assets	87,711,570	80,185,895	7,525,675	9.39 %
Total ratio ≥ 9%	15.32 %	14.57 %	0.75 %	5.17 %
Basic ratio ≥ 4.5%	9.83 %	9.56 %	0.26 %	2.76 %

Capital levels are monthly monitored in order to identify possible changes in the current solvency ratios and take corrective measures in a timely manner. Likewise, for strategic planning purposes, in the budgeting and the scheme of resistance tests[2] the Bank relies on tools that allow it to measure future capital levels, and establish the actions required to ensure compliance with the solvency levels necessary to develop the proposed strategies.

[2] Chapter XXVIII of Basic Financial and Accounting Circular, published on December, 2015 by the Financial Superintendence of Colombia.

(Millions of Colombian pesos (COP))

Finally, credit institutions must apply, as of January 1, 2021, the solvency indicators under the new definitions of decrees 1477 of 2018 and 1421 of 2019, which modify decree 2555 of 2010 in those aspects related to the requirements of adequate equity of credit institutions in Colombia. The application of the minimum required solvency levels under the new standard will be made gradually until full application is reached as from January 1, 2024.

14. Specific items in the income statement

14.1. Investments and valuation, net

The following is the detail of investment income:

	December 31, 2020	December 31, 2019
Debt instruments		
Net income	679,115	432,082
Loss	(221,690)	(67,882)
Valuation of investments at fair value, net	457,425	364,200
Net income	97,252	151,599
Loss	(69,913)	(11,592)
Valuations of investments at amortized cost, net	27,339	140,007
Equity instruments		
Net income	43,408	51,047
Loss	(35,174)	(26,453)
Equity instruments valuation, net	8,234	24,594
Net income	10,406	8,416
Loss	(10,427)	(6,754)
Investments sales, net	(21)	1,662
	492,977	530,463

14.2. Commissions and service income, net

The following is the detail of income from commissions and services:

	December 31, 2020	December 31, 2019
Income from commissions and services	1,082,272	1,106,484
Expenses in commissions and services	378,720	329,860
Net	703,552	776,624

The principal items in commissions originate in operations: transactions, payments, banking-insurance, foreign trade, and others.

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14.3. Operating expenses

14.3.1. Staff expenditures

The following is the detail of the payroll expense:

	December 31, 2020	December 31, 2019
Salaries and benefits	817,112	775,833
Incentives	121,548	168,233
Staff benefits	188,160	189,279
	1,126,820	1,133,345

14.3.2. Operating expenses

Operating expenses are detailed below:

	December 31, 2020	December 31, 2019
Maintenance and adjustments	177,690	152,811
Cleaning and security services	87,026	79,863
Advertising, publicity and public relations	122,340	113,995
Insurance	122,390	69,936
Contributions and Others	161,268	115,743
Leases	37,737	37,438
Electronic data processing	66,157	72,055
Fees	340,943	251,221
Transport	88,616	99,561
Taxes	189,317	183,596
Deposit Insurance	185,001	149,918
Operating risk	42,851	46,738
Others	96,639	100,597
Operating expenses	1,717,975	1,473,472
Depreciation	195,227	185,451
Amortizations	29,256	19,112
	224,483	204,563
Total Operating Expenses	**3,069,278**	**2,811,380**

(Millions of Colombian pesos (COP))

14.4. Other income and expenses, net

Other income and expenses is detailed below:

	December 31, 2020	December 31, 2019
Other operating income		
Recoveries of insurance - operating risk	20,306	3,599
Recoveries from the courts and other	12,137	10,934
Sale of assets held for sale	4,881	3,586
Impairment losses recovered	27,535	48,810
FRECH premium provision	5,000	8,671
Sale of Investments	4,116	4
Other income	63,602	60,030
	137,577	135,634
Other operating expenses		
Court cases and other losses	15,140	6,318
In joint operations	2,889	-
Sale of assets held for sale	13,473	10,627
Impairment losses recovered	89,820	80,064
	121,322	97,009
Total other income and expenses, net	16,255	38,625

14.5. Income taxes

Components of income tax expense

The effect of the tax expense includes the following:

	December 31, 2020	December 31, 2019
Income Tax	54,138	312,406
Surcharge on income tax	6,739	-
Discount	(49,596)	(64,556)
Expense from previous periods	5,921	2,177
Total current tax	17,202	250,027
Deferred taxes	(163,754)	4,434
Total Income Tax	(146,552)	254,461

(Millions of Colombian pesos (COP))

Applicable tax provisions for the Bank in Colombia require that:

- The income tax rate for 2020 is 32%, plus 4 additional points for financial institutions over the standard income tax rate; the income tax rate was 33% in 2019.
- According to the Economic Growth Act 2010 of 2019, the income tax rate for the years 2021, 2022, and following is 31%, and 30% respectively. Financial institutions earning taxable income equal to or greater than 120,000 UVT in the reporting period are subject to additional income tax points of 3% for the years 2021 and 2022.
- In 2019 and 2020, the presumptive income for determining income tax could not be less than 1.5% and 0.5%, respectively, of the net worth on the last day of the immediately preceding taxable year.
- The Economic Growth Act 2010 of 2019 reduces the presumptive income rate to 0% starting in 2021, ratifies the nominal income rates as provided in the Financing Act 1943 of 2018.
- The Economic Growth Act extends the audit benefit for taxpayers who increase their net income tax for the taxable year in relation to the net income tax of the immediately preceding year by at least 30% or 20%. As a result, the income tax return will become final within 6 or 12 months from the date of its filing, respectively.
- Economic Growth Law 2010 of 2019 maintains the possibility of taking as tax discount on income tax 50% of the industry and trade tax notices and boards actually paid in the taxable year or period, which from the year 2022 will be 100%.
- With the Economic Growth Act 2010 of 2019, the term of firmness of income tax returns and supplements for taxpayers who determine or compensate for tax losses or are subject to the transfer price regime shall be 5 years.
- The one-time gain tax is taxed at the 10% rate.

Reconciliation of the tax rate according to the tax provisions and the effective tax rate

In accordance with IAS 12 paragraph 81 (c) the following is a detailed reconciliation between the Bank's total income tax expense calculated at current tax rates and the tax expense actually recorded in the results of the period for the periods ended December 31, 2020 and 2019.

	December 31, 2020	Effective Rate	December 31, 2019	Effective Rate
Profit before taxes	77,256		1,570,664	
Tax at flat rate 2020 (36%) - 2019 (33%)	27,812	36 %	518,319	33 %
Discount	(49,596)		(64,556)	
Non-deductible expenses and tax revenues	166,606		89,164	
Tax deductions and untaxed income	(119,475)		(143,408)	
Exempted Income	(161,702)		(139,741)	
Rate adjustment for timing differences	(16,348)		(7,988)	
Tax on occasional gain	230		494	
Expense from previous periods	5,921		2,177	
Total income tax expense	(146,552)	-190 %	254,461	16 %

(Millions of Colombian pesos (COP))

Deferred taxes by concept

The differences between the bases of assets and liabilities for IFRS purposes and the bases thereof for tax purposes, they give rise to temporary differences that generate deferred taxes calculated and recorded taking into account the tax rates for the years in which such differences.

	January 1, 2020	Effect on results	Effect on OCI	Reclassification (*)	December 31, 2020
Deferred tax assets					
Loan portfolio	80,510	24,177	-	-	104,687
Derivative financial instruments	38,690	39,812	-	-	78,502
Difference in unrealized foreign exchange assets and liabilities	64,896	24,442	21,864	-	111,202
Other liabilities	55,015	17,704	496	881	74,096
Tax discounts on application	-	34,727	-	-	34,727
Subtotal	239,111	140,862	22,360	881	403,214
Deferred tax liabilities					
Investments in associates	30,236	1,702	5,207	(5,217)	31,928
Financial investment instruments	5,332	429	-	-	5,761
Property, equipment, and investment	38,927	2,105	-	-	41,032
Goodwill	444,718	12,172	-	-	456,890
Other liabilities and provisions	46,470	(39,300)	12,708	-	19,878
Subtotal	565,683	(22,892)	17,915	(5,217)	555,489
Deferred tax , net	(326,572)	163,754	4,445	6,098	(152,275)

(*) The $6,098 reclassification was made among the deferred tax and the current tax upon filing the 2019 income tax return where the non-deductible expense was adjusted for the difference in exchange.

	January 1, 2019	Effect on results	Effect on OCI	Reclassification	December 31, 2019
Deferred tax assets					
Loan portfolio	74,778	(4,511)	10,243	-	80,510
Derivative financial instruments	27,358	11,332	-	-	38,690
	851	64,045	-	-	64,896
Other liabilities	97,634	(48,962)	961	5,382	55,015
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 and provisions	95,532	34,787	-	(83,849)	46,470
Subtotal	612,675	26,338	10,519	(83,849)	565,683
Deferred tax , net	(412,054)	(4,434)	685	89,231	(326,572)

(Millions of Colombian pesos (COP))

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.

Effect of current and deferred taxes on components of other comprehensive income in equity

	January 1, 2020	Movement of OCI component	Deferred taxes	Reclassifications	December 31, 2020
Long-term employee benefits	(5,529)	302	(496)	-	(5,723)
Unrealized gains on fixed-yield investments	123,474	66,817	17,915	-	208,206
Investments in subsidiaries and other non-controlling interests	(74,971)	(72,519)	-	-	(147,490)
Exchange difference on translation, subsidiaries abroad	637,299	123,643	-	-	760,942
Net investment coverage abroad	(329,707)	(29,152)	(21,864)	-	(380,723)
	350,566	89,091	(4,445)	-	435,212

	January 1, 2019	Movement of OCI component	Deferred taxes	Reclassifications	December 31, 2019
Long-term employee benefits	(3,578)	(990)	(961)	-	(5,529)
Unrealized gains on fixed-yield investments	14,333	98,622	10,519	-	123,474
Investments in subsidiaries and other non-controlling interests	(111,140)	90,717	-	(54,548)	(74,971)
Exchange difference on translation, subsidiaries abroad	574,822	62,477	-	-	637,299
Net hedging of investments outside Colombia, net of deferred taxes	(306,166)	(13,298)	(10,243)	-	(329,707)
	168,271	237,528	(685)	(54,548)	350,566

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 tax positions

Effective January 1, 2020 and pursuant to Decree 2270 of 2019, IFRIC Interpretation 23- Uncertainties in Income Tax Treatments was adopted for purposes of the local financial statements of Group 1, in accordance with this standard, the Bank as of December 31, 2020 and 2019, analyzed the tax positions adopted by the Bank in the returns subject to review by the Tax Authorities and did not identify facts or situations that generate uncertainties associated with a difference between such positions and those provided by the Tax Authorities.

(Millions of Colombian pesos (COP))

Deferred taxes with respect to subsidiaries, associates and joint ventures

In compliance with paragraph 39 of IAS 12, the Company did not record a deferred tax liability related to temporary differences from investments in subsidiaries and associates. i) the Company has control over the subsidiaries and the decision to sell its investments in associates, therefore, it can decide on the reversal of such temporary differences; and ii) the Company does not plan to realize them in the foreseeable future.

Temporary differences for the items indicated as of December 31, 2020 and 2019, amounted to $2,507,036 and $2,274,823, respectively.

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.

Transfer Pricing

In accordance with the provisions of Laws 788 of 2002, 863 of 2003, 1607 of 2012 and 1819 of 2016, regulated by Decree 2120 of 2017, the Company prepared a transfer pricing study on the operations carried out with economic affiliates abroad for the taxable year 2019. The study did not result in adjustments that will affect the Bank's taxable income, costs and expenses in the 2019 income tax return filed. Although the transfer pricing study for the year 2020 is in the process of being prepared, no significant changes are anticipated with respect to the previous year's study.

15. Related parties

The Bank may conduct transactions and enter into agreements or contracts with related parties, on the understanding that any such transactions will be carried out at fair value, taking into account, inter alia, the following criteria.

- the market conditions and tariffs in the sector in which the transaction is carried out.
- The activity of the companies involved.
- The growth perspective of the respective business.

The following are considered to be related parties:

1. Group Companies:

Controller:	Grupo Bolívar
Subsidiaries:	Fiduciaria Davivienda, Corredores Davivienda, Cobranzas Sigma, Corporación Financiera Davivienda, VC Investments.,Banco Davivienda Panamá, Banco Davivienda Panamá Licencia Internacional, Inversiones Rojo Holding ,Torre Davivienda sucursal,Torre Davivienda piso 12;Torre Davivienda piso 13, Torre Davivienda piso 14,Torre Davivienda piso 15,Torre Davivienda piso 16, Torre Davivienda piso 17,Torre Davivienda piso 18, Corredores Panamá, Banco Davivienda Honduras, Seguros Honduras, Grupo del Istmo Costa Rica, Davivienda Seguros Costa Rica, Banco Davivienda Costa Rica, Corporación Davivienda Costa Rica, Davivienda corredora de Seguros, Davivienda Leasing Costa Rica, Banco Davivienda El Salvador, Davivienda Puesto de Bolsa, Inversiones Financieras Davivienda El Salvador, Davivienda Servicios El Salvador, Seguros Comerciales Bolívar El Salvador, Valores Davivienda El Salvador.

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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 EPS, Ekkoservicios S.A.S E.S.P.
2. Associated companies:	Redeban, Titularizadora de Colombia and Servicios de Identidad Digital
3. Key management personnel:	The Board of Directors and the Strategic Committee, which is formed by the President and Executive Vice Presidents.
4. Other:	Shareholders between 5% and 10%: Inversiones Cusezar e Inversiones Meggido; ACH, Finagro,Credibanco and Laser Refractivo, companies where the Bank has more than10% interest.

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 policies and marketing contracts with the companies Seguros Bolívar and Seguros Commercial Bolívar.

All operations were carried out at market prices; collection rates are between 0.1% and 6.05% and placement rates are between 0.01% and 26.08% including housing loans to key management personnel with rates at UVR and UVR+2%; agreed as employee benefits.

At the end of December 2019, there are no loans with interest rates, terms, guarantees and other conditions different from those agreed with third parties for loans granted by the companies that make up the Bank's related parties.

As of December 31, 2020, there were no portfolio transactions with shareholders holding less than 10% of the Bank's capital stock and representing more than 5% of the technical equity.

The Bank is required by regulation to make and maintain mandatory investments in securities issued by the Fund for the Financing of the Agricultural Sector such as TDA - Agricultural Development Securities in the amount of $1,208,479; for class A issued at a rate of 4% nominal quarter due and for class B 2% nominal quarter due; which are not at market rates.

The Bank also carried out rediscount operations with Finagro, which are listed below:

	December 31, 2020	December 31, 2019
Small warranty rediscount	203,971	165,058
Rediscount interest payable	1,632	1,745
Rediscount interest expenses	8,572	6,831

(Millions of Colombian pesos (COP))

These operations correspond to the agricultural sector portfolio at preferential rates.

The following is the detail of transactions with related parties:

December 31, 2020

	Group companies						
	Controller	Subsidiaries	Others	Associated companies	Key personnel (1)	Others	Total
Asset (2)	-	228,306	184,163	36,520	2,868	37,562	489,419
Cash	-	82,083	-	-	-	-	82,083
Money market funds	-	139,608	-	-	-	-	139,608
Loans and financial leasing operations	-	-	152,469	20	2,838	-	155,327
Accounts receivable	-	5,666	20,689	36,290	30	37,562	100,237
Other assets	-	949	11,005	210	-	-	12,164
Liabilities (3)	69,462	62,238	189,733	47,567	1,765	308,759	679,524
Financial liabilities	69,462	61,739	172,635	16,582	1,702	286,228	608,348
Accounts payable	-	499	17,093	30,985	63	22,531	71,171
Others	-	-	5	-	-	-	5
Income	4	58,083	175,487	115,237	432	101,656	450.899
Commissions	4	34	168,024	113,860	9	85,953	367,884
Interests	-	2,486	1,625	-	419	-	4,530
Dividends	-	-	-	-	-	15,305	15,305
Others	-	55,563	5,838	1,377	4	398	63,180
Expenses	3,368	3,919	116,955	85,045	76	41,433	250,796
Commissions	-	1,388	-	79,852	-	38,142	119,382
Others	3,368	2,531	116,955	5,193	76	3,291	131,414

(1) Under IAS 24 key management personnel are defined as those persons who have authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly: Members of the Strategic Committee and Members of the Board of Directors of the Bank.

Encompasses all transactions with key management personnel, except for employee benefits detailed below.

(2) Assets: The most significant transactions with related parties included housing loans with labor benefit, placement rate at UVR or UVR+2.0% approved by the Board of Directors with a 15-year term with admissible guarantees and consumer loans at maximum market rates 26.08%.

Working capital loans, construction loans, corporate loans, and credit cards to Group companies with rates between 0.01% and 25.93%.

(3) Liabilities: The most significant transactions were: with Group companies current accounts with interest rates between 0.01% and 1.70%, savings accounts with interest rate between 0.01% and 2.25% and term deposits with interest rate between 1.70% and 6.05%, with other shareholders savings accounts with interest rate of 1.5% of shareholders with participation lower than 10% and higher or equal to 5% of the Bank's capital and current accounts with rate of 0% and savings accounts with interest rate of 2.75% of shareholders with participation equal or higher than 10% of the Bank's capital.

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December 31, 2019

	Group companies						
	Controller	Subsidiaries	Others	Associated companies	Key personnel (1)	Others	Total
Asset (2)	-	135,521	161,471	21,944	5,509	28,575	353,020
Cash	-	130,422	-	-	-	-	130,422
Loans 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	24,640	30,076	42	649	55,906
Others	-	-	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
Interests	-	5,204	9,578	1	404	-	15,187
Dividends	-	-	-	-	-	17,206	17,206
Others	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
Others	10,755	1,723	87,801	5,212	276	5,197	110,964

(1) Under IAS 24 key management personnel are defined as those persons who have authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly: Members of the Strategic Committee and Members of the Board of Directors of the Bank.

Encompasses all transactions with key management personnel, except for employee benefits detailed below.

(2) Assets: The most significant transactions with related parties included housing loans with labor benefit, placement rate at UVR or UVR+2.0% approved by the Board of Directors with a 15-year term with admissible guarantees and consumer loans at maximum market rates 28.32%.

Working capital loans, construction loans, corporate loans and credit cards to Group companies with rates between 0.01% and 28.02%.

(3) Liabilities: The most significant transactions were: with Group companies current accounts with interest rates between 0.01% and 3.50%, savings accounts with interest rate between 0.0% and 4.50% and term deposits with interest rate between 4.0% and 6.05%, with other shareholders savings accounts with interest rate of 4.50% of shareholders with participation lower than 10% and higher or equal to 5% of the Bank's capital and current accounts with rate of 0.0% and savings accounts with interest rate of 4.0% of shareholders with participation equal or higher than 10% of the Bank's capital.

Transactions with key management personnel are as follows:

	December 31, 2020		December 31, 2019	
	Maximum balance	Closing balance	Maximum balance	Closing balance
Mortgages and other secure loans	557	2,118	1,545	4,395
Credit Card	65	209	86	357
Other loans	285	511	257	711
		2,838		5,463

(Millions of Colombian pesos (COP))

Remuneration of key management personnel is shown below:

	December 31, 2020	December 31, 2019
Short-term benefits		
Salaries	7,349	6,537
Other short-term benefits	2,112	1,504
	9,461	8,041

There were no significant decisions taken or not taken by Banco Davivienda due to influence or in the interest of Grupo Bolívar S.A., nor decisions taken or not taken by Grupo Bolívar S.A. in the interest of Davivienda.

16. Contingent accounts

The following is the detail of debtor and creditor contingent accounts:

	December 31, 2020	December 31, 2019
Creditors		
Loans approved and not disbursed	12,540,307	9,155,555
Credit Card	14,584,247	14,675,884
Guarantee letters issued	3,476,962	2,945,220
Sundry	2,297,010	1,381,908
	32,898,526	28,158,567
Debtors		
Loan Interest	550,775	379,915
Financial leasing interest	53,660	26,821
Monetary correction on loans	7,220	11,409
Monetary correction on financial leasing operations	1,133	3,368
Lease payments receivable	5,085,961	4,363,714
Purchase operations receivable	1,598,390	775,019
Sundry	24,809	17,414
	7,321,948	5,577,660

17. Subsequent events

There are no subsequent facts to be disclosed.

18. Approval of financial statements

The separated financial statements were approved by the Board of Directors and the Legal Representative on January 26, 2021, to be submitted to the Annual General Meeting, which may approve or modify them.

BANCO DAVIVIENDA S.A.
This report was at Davivienda Shareholders' disposal, within the terms established by law.

REPORT PREPARED BY:

ACCOUNTING AND TAXES VICE PRESIDENCY

Juan Carlos Hernández Núñez / Vice President of Accounting and Taxes
Carmen Anilsa Cifuentes Barrera / Financial Director
Nayibe Rey Ortiz / Head - Financial and Regulatory Department
Myriam Leiva / Coordinator - Financial and Regulatory Department
Katherine Pirabán / Professional - Financial and Regulatory Department

EXECUTIVE VICE PRESIDENCY OF RISK

Ricardo León Otero / Executive Vice President of Risk
David Orlando Pedraza Sanabria / Manager - Investor Relations and Capital Management
Alejandro Córdoba Muñoz / Specialist - Investor Relations and Capital Management
Paula Lorena Botía Cella / Professional - Investor Relations and Capital Management
María Andrea Figueroa Suden / Professional - Investor Relations and Capital Management
Camilo Valencia Franco / Professional - Investor Relations and Capital Management

EXECUTIVE VICE PRESIDENCY OF PERSONAL BANKING AND MARKETING

Maritza Pérez Bermúdez / Executive Vice President of Personal Banking and Marketing
Alejandra Cuéllar Vanegas / Director - Sustainability and Public Relations
María Mercedes Márquez Olarte / Manager - Public Relations
Lina María Toro Osorio / Head - Social Responsibility
Lina Marcela Moscoso Rodríguez / Professional - Social Responsibility
Carlos Eduardo Torres Prieto / Director of Marketing and Advertising
Carlos Javier Larrota Rangel / Head - Brand and Advertising
Juanita Barriga Herrera / Professional - Brand and Advertising

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