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AUDFINBOG-IES2015-11320

FREE ENGLISH LANGUAGE TRANSLATION
STATUTORY AUDITOR'S REPORT

To the Shareholders
Banco Davivienda S.A.:

I have audited the financial statements of Banco Davivienda S.A. which comprise the balances sheets at December 31, 2014 and the statement of earnings, changes in stock holders equity and cash flow for the year ended on that date and their related notes, which include a summary of significant accounting policies and other explanatory information. The financial statements as for 2013 were audited for another public accountant, member of KPMG Ltda., whom in his inform of February 11th of 2014, expressed an unqualified opinion about them.

Bank management is responsible for the preparation and fair presentation of these financial statements according to generally accepted accounting principles in Colombia, and instructions by the Financial Superintendence of Colombia. This responsibility includes: designing, implementing and maintaining internal control, relevant to the preparation, and fair presentation of 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.

My responsibility is to express an opinion on these financial statements based on my audits. I obtained the necessary information and carried out my audit in accordance with auditing standards generally accepted in Colombia. Such standards require that I comply with the ethical standards, plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risk of material misstatement of the financial statements. In making this risk assessment, the auditor considers the internal control relevant to the preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances. An audit also includes the assessing of appropriated accounting policies used, the reasonableness amount and estimates made by the bank management, as well as evaluating the overall presentation of the financial statements. I believe that my audit provide a reasonable basis for my audit opinion expressed below.

In my opinion, the above mentioned financial statements, taken accurately from books and attached to this report, represent fairly, in all significant matters, the financial position of Banco Davivienda S.A. at December 31, 2014; the results of its operations and its cash flows for the year ended on that date, according to generally accepted accounting principles in Colombia, and instructions by the Financial Superintendence of Colombia, applied on a consistent basis.

Without qualifying my opinion, I draw attention to Note 24 to the Financial Statements, in which states that according to the terms of Superintendency Circular 047/2008, as of January 1, 2009, the Bank recorded the balance of its written-off loans ("universalities") in trust memorandum accounts. However, on December 31, 2014 the Superintendency has not authorized the transmission, and therefore the Balance Sheet transmitted to the Superintendency differs from the Bank´s official books in the recording of those accounts.

Based on the results of my examination during 2014, in my opinion:

a. The Bank's bookkeeping has been performed in accordance with legal rules and accounting pronouncements.

b. The operations recorded in the books and management performances are in conformity with the bylaws and decisions of General Stockholders' Meeting.

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

d. There are adequate measures of: internal control that include risk management systems implemented, maintenance and custody of its and third parties assets in its possession.

e. It has been applied the rules and instructions by the Financial Superintendence of Colombia related to the adequate management and accounting of the foreclosed assets received as payment and the implementation and impact in the balance sheet and in the statement of earnings of applicable Risk Management Systems.

f. There are concordance between the financial statements attached and the annual report prepared by the Bank management, which includes the constancy about the free circulation of commercial invoices from sellers or providers.

g. The information contained in the documents supporting payments of Social Security contributions, in particular, those related to employees and their base salary for those contributions, has been taken from the records and the accounting supporting documents. The Bank is up to date in payment of contributions to the Social Security System.

I monitored the answers about the recommendation letters addressed to the Bank's management and there are not issues of significant importance pending that can affect my opinion.

Original signed by
María Ligia Cifuentes Zapata
Statutory Auditor of Banco Davivienda S.A.
Registration No. 30070 - T
Member of KPMG Ltda.

February 12, 2015

BANCO DAVIVIENDA S.A.
Balance Sheet
At December 31, 2014 with comparative figures at December 31, 2013
(Amounts in millions of Colombian pesos)

ASSETS		**2014**	**2013**
Cash and due from banks (Note 3)	$	2,989,503.1	2,974,254.7
Money market and overnight asset positikons		323,626.4	380,854.3
Investments (Note 5)		7,767,192.3	7,175,603.1
Trading, debt securities		2,396,136.3	2,363,054.6
Held to maturity		1,176,247.4	1,228,598.2
Available for sale, debt securities		1,817,627.5	1,280,833.4
Available for sale, equities		1,582,865.8	1,354,377.4
Transfer rights on trading investments		474,582.3	448,380.5
Available for sale, delivered in guarantee		156,284.6	215,853.5
Transfer rights on investments available for sale		166,516.0	300,171.6
Less: Allowance		(3,067.6)	(15,666.1)
Loans and financial leasing operations (Note 6)		39,224,474.9	32,605,952.9
Home mortgage loans		4,685,048.3	4,143,671.7
Consumer loans		11,449,808.8	9,711,869.1
Micro-credit		90,627.8	74,824.3
Commercial loans		24,531,604.7	20,028,277.2
Financial leasing operations		177,966.4	140,524.2
Less: Allowance		(1,710,581.1)	(1,493,213.6)
Spot operations and derivatives		414,334.7	75,509.3
Accounts receivable (Note 8)		517,819.3	390,270.7
Interest receivable		318,854.7	267,555.7
Commissions and fees		7,333.6	13,733.8
Payments for client account		49,630.5	55,447.9
Other		201,860.1	114,504.5
Less: Allowance		(59,859.6)	(60,971.2)
Foreclosed and restored assets , net (Note 9)		37,159.2	42,680.7
Property and equipment, net (Note 10)		388,905.5	384,984.7
Assets delivered under leasing contractsw, net		0.0	3.1
Other assets (Note 11)		1,880,517.0	2,002,262.4
Prepaid expen ses, deferred charges and intangibles		1,667,321.2	1,784,161.2
Staff loans		117,801.0	120,927.1
Other		96,863.9	102,043.2
Less: Allowance		(1,469.1)	(4,869.1)
Valuations, net		1,089,742.1	874,468.1
Investments (Note 5)		503,835.7	352,534.6
Property and equipment (Note 10)		582,295.6	518,319.7
Works of art and culture		3,610.8	3,613.8
TOTAL ASSETS	**$**	**54,633,274.5**	**46,906,844.0**
Continbgent accounts, creditor per contra	**$**	21,450,639.0	18,574,504.1
Contingent accounts, debtor (Note 22)		1,515,988.2	1,880,633.5
Memorandum accounts, debtor (Note 23)		72,495,479.6	63,163,164.0
Memorandum accounts, creditor per contra (Note 23)		117,783,290.1	102,451,643.0
Total Contingent and Memorandum Accounts	**$**	**213,245,396.9**	**186,069,944.6**
Trust accounts (Note 24)			
Assets	**$**	1,696.4	10,651.9
Contingent accounts, debtor		1,320.8	605.5

BANCO DAVIVIENDA S.A.

Balance Shedet - continued

At December 31, 2014 with comparative figures at December 31, 2013

(Amounts in millions of Colombian pesos)

LIABILITIES AND STOCKHOLDERS´ EQUITY	2014	2013
Liabilities		
Depósits and demand accounts (Note 12)	$ 33,773,535.9	28,791,992.1
Current accounts	5,088,733.2	4,559,384.6
Term deposits	11,111,297.7	9,169,830.6
Savings accounts	17,133,400.7	14,676,547.4
Electronic cash deposits	34,855.1	75,690.2
Other deposits and demand accounts	405,249.2	310,539.3
Money market and overnight liability positions	1,016,956.0	1,001,309.7
Derivatives (Note 14)	300,459.1	60,095.0
Speculative derivatives	300,459.1	58,663.3
Hedging operations	0.0	1,431.7
Bank borrowings and other financial obligations (Note 15)	3,526,918.7	3,125,387.6
Other institutions in Colombia	1,868,022.8	1,878,315.1
Lenders outside Colombia	1,658,895.9	1,247,072.5
Accounts payable (Note 16)	1,054,887.9	962,200.2
Interest	247,303.2	216,968.1
Commissions and fees	4,218.5	4,697.3
Tax collections	53,780.4	69,540.3
Suppliers	283,393.2	212,558.2
Other	466,192.6	458,436.3
Long-term debt (Note 17)	7,332,640.4	6,398,155.7
Other liabilities (Note 18)	627,337.7	507,168.1
Long-term employment liabilities	49,305.4	43,132.7
Other	578,032.3	464,035.4
Estimated liabilities and provisions (Note 19)	61,755.9	63,312.1
Taxes	1.3	1.4
Other	61,754.6	63,310.7
TOTAL LIABILITIES	**$ 47,694,491.6**	**40,909,620.5**

BANCO DAVIVIENDA S.A.

Balance Sheet (continued)
At December 31, 2014 with comparative figures at December 31, 2013
(Amounts in millions of Colombian pesos)

Stockholders´ equity		**2014**	**2013**
Capital (Note 20)	$	62,190.0	62,190.0
Reserves (Note 21)		4,768,356.4	4,319,501.2
Legal (mandatory) reserve		3,865,303.0	3,752,374.1
Voluntary reserves		903,053.4	567,127.1
Surplus		1,107,085.7	885,852.3
Unrealized gains, investments available for sale		17,343.6	11,384.2
Valuations (net)		1,089,742.1	874,468.1
Profit for the period		1,001,150.8	729,680.0
TOTAL STOCKHOLDERS´ EQUJITY		**6,938,782.9**	**5,997,223.5**
TOTAL LIABILITIES AND STOCKHOLDERS´ EQUITY	**$**	**54,633,274.5**	**46,906,844.0**
Contingent accounts, creditor (Note 22)	**$**	21,450,639.0	18,574,504.1
Contingent accounts, debtor per contra (Note 22)		1,515,988.2	1,880,633.5
Memorandum accounts, debtor per contra (Note 23)		72,495,479.6	63,163,164.0
Memorandum accounts, creditor (Note 23)		117,783,290.1	102,451,643.0
Total Contingent and Memorandum Accounts	**$**	**213,245,396.9**	**186,069,944.6**
Trust accounts (Note 24)			
Liabilities	**$**	1,696.4	10,651.9
Contingent accounts, debtor per contra		1,320.8	605.5

See the notes accompanying the financial statements

OLGA LUCIA RODRIGUEZ SALAZAR
Legal Representative

CARMEN ANILSA CIFUENTES BARRERA
Financial Director
TP. No. 35089-T

MARIA LIGIA CIFUENTES ZAPATA
Statutory Auditor
T.P. No. 30070-T
Member of KPMG Ltda.
(See my resport of February 12, 2015)

BANCO DAVIVENDA

Statement of Earnings

Year ended on December 31, 2014 with comparative figures at December 31, 2013

(Amounts in millions of Colombian pesos except profit per share)

		2014	2013
Income from interest and valuations	$	4,382,925.1	3,855,782.5
Loans		3,685,165.7	3,276,425.8
Investment porfolio		275,727.9	263,881.1
Money market and overnight asset operations		13,259.4	15,522.1
Financial leasing		408,772.1	299,953.5
Interest expense (Note 12)		1,384,369.3	1,218,844.2
Current account		29,553.7	22,525.4
Term deposits		469,111.2	398,631.8
Savings accounts		346,587.0	289,031.5
Bank borrowings and other financial obligations		123,360.8	136,880.9
Money market and overnight liability operations		8,587.0	3,416.8
Yields of transfer commitments uunder repos and simultaneous operations		20,078.4	11,655.6
Long-term debt		387,091.2	356,702.2
Gross financial margin		**2,998,555.8**	**2,636,938.3**
Allowances and recoveries		722,922.5	750,955.0
Allowances against loans and receivables		(1,545,304.5)	(1,573,066.5)
Operating recoveries and recoveries from assets written off		819,667.3	828,948.7
Allowance against investments, foreclosed assets and assets restore		(16,716.5)	(13,231.6)
Recoveries of allowances against investments, foreclosed assets and aseets restc		19,431.2	6,394.4
Net financial margin		**2,275,633.3**	**1,885,983.3**
Operating income		**967,225.5**	**840,567.8**
Commissions and fees		640,283.9	609,559.0
Services		203,072.1	169,580.9
Dividends (Note 5)		123,869.5	61,427.9
Operating expenses		**2,035,568.0**	**1,877,422.3**
Payroll		708,466.5	663,463.7
Overhead and operating (Note 25)		1,327,101.5	1,213,958.6
Other operating income and expenses, net (Note 26)		115,035.0	58,411.1
Operating profit		**1,322,325.8**	**907,539.9**
Allowance against other assets		(9,083.8)	(18,071.3)
Non-operating income and expenses, net (Note 27)		1,451.0	26,550.8
Profit before income tax and CREE		**1,314,693.0**	**916,019.4**
Income tax and CREE (Note 28)		(313,542.2)	(186,339.4)
Profit for the period	**$**	**1,001,150.8**	**729,680.0**
Net profit per share (pesos)		2,253.76	1,642.63

See the notes accompanying the financial statements

OLGA LUCÍA RODRÍGUEZ SALAZAR
Legal Representative

CARMEN ANILSA CIFUENTES BARRERA
Financial Director
TP. No. 35089-T

MARIA LIGIA CIFUENTES ZAPATA
Statutory Auditor of Banco Davivienda S.A
T.P. No. 30070-T
Member of KPMG Ltda.
(See my report of February 12,2015)

BANCO DAVIVIENDA S.A.

Statement of Changes in Stockholders´ Equity

Year ended on December 31, 2014 with comparative figures at December 31, 2013
(Amounts in millions of Colombian pesos except per-share information)

			LEGAL RESERVE			SURPLUS			
		Capital	Appropriation of profits	Share premium	Voluntary reserves	Unrealized gain (loss) on in vestments	Valuations (net)	Profit for the period	Total stockholders´ equity
Balance at December 31, 2012		55,526.8	27,741.7	2,249,310.2	1,962,150.6	43,248.8	735,428.5	342,826.4	5,416,233.0
Donations					(7,104.5)				(7,104.5)
Distribution of net profit July-December 2012:									
	Legal reserve		$ 165,905.7					(165,905.7)	0.0
	Voluntary reserve art the disposal of the stockholders´ meeting a for future profit distriburions				21,708.5			(21,708.5)	0.0
	Voluntary reserve at the disposal of the stockholders´ meeting for future profit distribution				30,832.2			(30,832.2)	0.0
	Cash dividend declared at $280 pesos per share on 444.214.234 paid shares. March 20, 2013							(124,380.0)	(124,380.0)
Transfer from taced reserves to of taxed profits, placed at the disposal of the stockholders´meeting			$ 169,118.5		(169,118.5)				0.0
Dividends in shares at $2.582 pesos per share, increasing the par velue by $15 with premium of $2.567 pesos.		$ 6,663.2		1,140,298.0	(1,146,961.2)				0.0
Cash dividend at $280 pesos per share on 444.214.234 paid sharess. September 30, 2013					(124,380.0)				(124,380.0)
Asset valuations							33,807.2		33,807.2
Valuations of equity investments							105,232.4		105,232.4
Unrealized gains (losses) on investments available for sale						(31,864.6)			(31,864.6)
Profit for the year								729,680.0	729,680.0
Balance at December 31, 2013		62,190.0	362,765.9	3,389,608.2	567,127.1	11,384.2	874,468.1	729,680.0	5,997,223.5
Donations					(969.9)				(969.9)
Distribution of net profit for 2013:									
	Legal reserve		76,806.5					(76,806.5)	0.0
	Voluntary reserve for valuation of investments at market. Decree 2336/1995				179,911.0			(179,911.0)	0.0
	Voluntary reserve art the disposal of the stockholders´ meeting a for future profit distriburions				472,962.5			(472,962.5)	0.0
Cash dividends of $630 pesos per share on 444.214.234 paid shares. March 26, 2014					(279,854.9)				(279,854.9)
Transfer of taxed reserves placed at the disposal of the stockholders´ meeting			36,122.4		(36,122.4)				0.0
Asset valuation gains							63,972.9		63,972.9
Equity investment valuation gains							151,301.1		151,301.1
Unrealized gains on investments available for sale						5,959.4			5,959.4
Profit for the year								1,001,150.8	1,001,150.8
Balance at December 31, 2014		$ 62,190.0	475,694.8	3,389,608.2	903,053.4	17,343.6	1,089,742.1	1,001,150.8	6,938,782.9

See the notes accompanying the financial statements

OLGA LUCÍA RODRÍGUEZ SALAZAR
Legal Representative

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Financial Director
T.P. No. 35089-T

MARIA LIGIA CIFUENTES ZAPATA
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T.P. No. 30070-T
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(See my report of February 12, 2015)

BANCO DAVIVIENDA S.A.

Statement of Cash Flows

Year ended on December 31, 2014 with comparative figures at December 31, 2013

(Amounts in millions of Colombian pesos)

		2014	2013
Cash flows from operating activities			
Profit for the year	$	**1,001,150.8**	**729,680.0**
Reconciliation of profit for the year and cash flows			
from operating activities			
Allowance against investments		2,973.4	2.6
Allowance against loans and financial leasing operations		1,491,067.6	1,516,721.2
Allowance against accounts receivable		65,106.4	71,679.3
Allowance against foreclosed and restored assets		13,743.1	13,229.1
Allowance against property and equipment		1,249.2	1,250.0
Allowance against other assets		284.1	3,219.8
Provision for severance		29,845.7	30,587.8
Other provisions		9.8	22.5
Depreciation		43,775.9	44,252.7
Depreciation on leasing assets		3.1	471.3
Amortizations		100,035.6	97,141.2
Profit on sale of loans		(8,245.0)	(15,295.6)
Valuation of investments, net		(278,408.6)	(266,620.7)
Profit on sale of investments,net		(12,530.4)	(24,998.0)
Valuation of derivatives and spot operations ,net		(32,692.9)	(41,598.1)
Profit on sale of foreclosed assets			
and restored assets,net		(2,211.5)	(2,530.0)
Profit on sale of property and equipment and leasing assets		(4,240.3)	(3,615.3)
Recovery of allowance against investments		(10,189.1)	(480.4)
Recovery of allowance against loans and leasing operations		(646,962.0)	(662,714.0)
Recovery of allowance against accounts receivable		(37,440.2)	(38,103.3)
Recovery of allowance against foreclosed assets			
and restored assets		(9,242.1)	(5,913.9)
Recovery of allowance against property and equipment		(3,221.7)	(1,859.6)
Recovery of allowance against other assets		(782.3)	(780.2)
Re-expression of property and equipment		(301.1)	(84.9)
Other recoveries of estimated liabilities		(4,059.2)	(8,116.5)
Increase in deferred income tax		116,056.5	111,377.1
Payment of Wealth Tax		(45,734.6)	45,734.7
Payment of severance		(13,673.6)	(13,133.1)
Changes in operating assets and liabilities			
Decrease in unrealized gains in investments			
Increase in loans and financial leasing operations		(8,116,092.7)	(6,486,812.8)
Increase in accounts receivable		(155,214.8)	(1,082.6)
Additions to foreclossed assets		(27,618.8)	(31,864.5)
Proceeds of sale of foreclosed assets			
and restored assets		30,112.1	18,780.1
Decrease (Increase) in other assets		22,208.0	(81,399.9)
Increase in deposits and demand accounts		4,981,543.7	4,781,494.9
Increase (Decrease) in accounts payable		138,422.4	(77,559.1)
Decrease in other liabilities		(12,059.0)	(13,965.5)
Increase (Decrease) in estimated liabilities and provisions		2,493.3	(20,443.6)
Increase (Decrease) in unrealized gains on investments		5,959.3	(31,864.6)
Net cash used in operating activities	$	**(1,374,880.0)**	**(333,327.2)**

BANCO DAVIVIENDA S.A.

Statement of Cash Flows (continued)

Year ended on December 31, 2014 with comparative figures at December 31, 2013

(Amounts in millions of Colombian pesos)

		2014	2013
Cash flows from investment activities			
Increase in investments	$	(293,434.5)	(976,211.5)
Increase in money market and overnight asset positions		13,873.2	(12,635.5)
(Increase) Decrease in acceptances, spot operations and derivatibes		(306,132.5)	91,420.4
Additions to property and equipments		(50,446.7)	(31,447.2)
Proceeds of sale of property and equipment		10,002.6	6,461.8
Cash used in investment activities		**(626,137.8)**	**(922,412.1)**
Cash flows from financing activities			
Proceeds of loan sales		661,710.1	363,672.8
Increase in money market and overnight liability positions		15,646.3	979,309.7
Increase (Decrease) in dcerivatives		240,364.1	(117,902.7)
Increase (Decrease) in bank borrowings and other financial obligations		401,531.0	(303,300.7)
Increase in long-term debt		934,484.6	1,274,771.6
Donations		(969.9)	(7,104.5)
Cash dividends paid		(279,854.9)	(248,867.0)
Net cash provided by financing activities		**1,972,911.3**	**1,940,579.2**
Net (decrease) increase in cash and cash equivlalents		**(28,106.5)**	**652,975.3**
Cash and cash equivalen ts at the beginning of the year		**3,341,235.9**	**2,688,260.5**
Cash and cash equivalents at the end of the year	**$**	**3,313,129.5**	**3,341,235.9**

See the notes accompanying the financial statements

OLGA LUCIA RODRIGUEZ SALAZAR
Legal Representative

CARMEN ANILSA CIFUENTES BARRERA
Financial Director
TP. No. 35089-T

MARIA LIGIA CIFUENTES ZAPATA
Statutory Auditor of Banco Davivienda S.A.
T.P. No. 30070-T
Member of KPMG Ltda.
(See my report of February 12, 2015)

BANCO DAVIVIENDA S.A.
Notes to the financial statements

2014 and 2013
(amounts in millions of Colombian pesos)

1. Reporting Entity

Banco Davivienda S.A. ("the Bank") is a private company incorporated by Public Deed 3892 of October 16, 1972 at Notary 14, Bogota; its registered offices are in Bogota. Financial Superintendency ("the Superintendency") Resolution 562 of June 10, 1997 granted its operating licence. The Bank´s statutes were established by Public Deed 5145 of October 2003 and expire on October 17, 2053, but the Bank may be dissolved or extended prior to that term. The Bank is part of the *Sociedades Bolivar* Group and its business is to engage in all operations and contracts legally permitted to commercial banks, subject to the requirements and limitations of Colombian Law.

The most important changes to articles have been:

- Superintendency Resolution 562 of June 10, 1997 approved the transformation from a Savings and Loan Corporation to a Commercial Bank.
- Public Deed. 4541 of August 28, 2000, Notary18 Bogotá, formalized Davivienda´s acquisition of 100% of Delta Bolivar S.A. shares. As a consequence, Delta Bolívar S.A. was dissolved (but not liquidated) and the company and its equity were absorbed by the Bank on September 1, 2000; with this Delta Bolivar S.A. was extinguished as a legal entity.
- Public Deed No. 2369 of April 27, 2006, Notary 1 Bogotá Circle, formalized the Bank´s absorption by merger of Bansuperior S.A. Consequently, Bansuperior S.A. was dissolved (but not liquidated). The company and its equity were absorbed by the Bank on May 2, 2006, and Bansuperior S.A. was extinguished as a legal entity.
- Public Deed No. 7019 of August 29, 2007, Notary 71, Bogotá, entered at the Bogotá Chamber of Commerce on September 3, 2007 formalized the Bank´s takeover through merger of Granbanco S.A. Granbanco S.A. was therefore dissolved (but not liquidated). The company and its equity were absorbed by the Bank on September 1, 2007, and Granbanco S.A. was extinguished as a legal entity.
- Public Deed No. 3202 of April 30, 2010 Notary 71, Bogota, entered at the Chamber of Commerce on May 4, 2010 formalized the Bank´s the of the par value of its share from $1000 to $125. The authorized capital remained unchanged 480,000,000 shares.
- Public Deed 9557 of July 31, 2012 Notary 29 Bogota, formalized the absorption by a merger of Confinanciera S.A., as a result of which Confinanciera dissolved without liquidating and the business and its equity were absorbed by Banco Davivienda S.S. on August 1, 2013; and Confinanciera disappeared as a corporate person.
- Public Deed 7356 of June 21, 2013, Notary 29 Bogotá,l entered at the Chamber of Commerce on June 26, 2014 increasing authorized capital from $60,000 to $72,800nm and the par value of the share from $125 (pesos) to $140 (pesos) each for a total of $520,000,000. An Extraordinary General Meeting of June 19, 2014 approved changes to Article 53 of the Bank´s statutes to close the books at 2014 each year with an inventory of assets and the production of accounts.

At December 31, 2014, the Bank operated with 11,826 employees in 583 offices and 21 branches and agencies in Colombia and 1 branch abroad, in Miami. The Bank owns 94.7% of the shares of Fiduciaria Davivienda SA,. 79% of shares of the stockbroker Comisionista de Bolsa Davivalores SA, 99.99% of Bancafé Panamá S.A., 100% of Grupo Istmo (Costa Rica) S.A , 96.122% of Inversiones Davivienda El Salvador S.A., 94.216% of Banco Davivienda Honduras S.A., 88.0642% of Seguros Bolivar (Honduras) S.A. and 94.9 % of Corredores Asociados (see details in Note 5.9).

The attached financial statements combine the assets, liabilities and results of offices. The consolidated financial statements are prepared separately.

2 Summary of Principal Accounting Policies

2.1 Accounting Policy

The Accounting policies and the preparation of Bank´s financial statements follow accounting standards generally accepted in Colombia and the instructions by the Superintendency.

The Superintendency´s special accounting rules are in some cases not the same as accounting standards generally accepted in Colombia, as described below:

Property and Equipment

The generally-accepted accounting standards require that at the close the net value of any property, plant and equipment with an adjusted cost of more than 20 monthly minimum salaries (approximately US$6,000) must be adjusted to net market value or present value, recording the valuation gains and losses as appropriate. The special rules do not set such conditions for this type of asset.

Share premium

The special rules require the share premium to be recorded as part of the Legal (Mandatory) Reserve. The generally-accepted accounting rules place this item separately in the equity section.

Financial statements

Decree 2649/1993 (the generally accepted rules) makes the statement of changes in the financial position part of the basic financial statements. The Superintendency does not require it.

2.2. Statement of cash and cash equivalent flows

The cash flow statement reported is prepared using the indirect method. Asset positions in money market operations are considered as cash equivalents for the purposes of this statement.

2.3. Asset and Liability Positions in money market and overnight operations

Includes all operations of interbank funds, repos, simultaneous operations and temporary transfers of securities.

Interbank Funds

These are operations agreed to a period not longer than 30 days They include overnight operations with banks abroad.

Interest income from the operation is recorded in the earnings statement.

Repo Operations

Asset Position: These are securities purchased in exchange for cash (at a discount or otherwise), assuming a commitment to retransfer ownership to the counterpart at a given date.

Liability Position: This is a sale of securities in exchange for cash, assuming a commitment to repurchase securities of the same type and characteristics from the counterpart on the same day or at a later date (but not more than 1 year ahead) at a predetermined price or amount.

The initial amount will be calculated at a discount to the market price of the securities involved. It may be agreed that in the course of the operation the securities originally delivered can be substituted by others, and restrictions may be agreed on the mobility of securities involved.

Simultaneous Operations

Asset Position: Securities are acquired at market price in exchange for cash and a commitment to retransfer ownership of securities of the same type and characteristics to the counterpart on the same day or at a later date (but not more than 1 year ahead) at a predetermined price.

Liability Position: The ownership of securities is transferred in exchange for cash and a commitment to repurchase securities of the same type and characteristics from the counterparty on the same day or at a later date (but not more than |1 years ahead), at a predetermined price or amount.

The initial amount may not be calculated with a discount on the market price for the securities; it may not be agreed the securities originally delivered may be substituted by others in the course of the operation, and no restrictions may be placed on the mobility of the securities..

Accounting and valuation of repos and simultaneous operations

The seller, originator or the recipient, as applicable, reclassifies the balance sheet values for a repo, simultaneously operation or temporary transfer of securities; and in addition, records them in Memorandum Accounts in order to confirm delivery.

The purchaser, recipient or originator, as the case may be, must record the receipt of the securities in Memorandum Accounts.

All participants in repo or simultaneous operations and temporary transfers of securities must register the cash from these operations within their respective balances sheets as an obligation or a right, depending on the position involved.

When the purchaser, originator or recipient is in a short position, a financial obligation must be recorded in the balance sheet in favour of the initial disposer, originator or recipient at a fair price of exchange for the securities involved.

Yields on repos or simultaneous operations will accrue exponentially for the parties during the term of the operation, and will be income of expense for each of them, as appropriate.

2.4. Investments

This account records investments purchased to maintain secondary liquidity reserve, to acquire direct or indirect control of any financial sector or service company, to, meet legal or regulatory provisions or simply in order to eliminate or reduce the market risk to which assets, liabilities or other balance sheet items are exposed.

The valuation of investments is basically intended to calculate, record and disclose the fair market price at which a security may be traded on a given date, given its particular characteristics and prevailing market conditions on that date

Up to March 3, 2014 the valuation of investments was effected on the basis of information from Inforval, a system that reports rates or prices for the valuation of BVC-registered portfolios

As of March 4, 2014, with the introduction of Chapter XVI of Title I of the Financial Superintendency (SFC) Legal Circular in relation to the suppliers of prices and valuation of investments, the Bank was required to contract on official price supplier to value each market segment for a minimum period of one year. The supplier is required to supply information for the valuation of investments in that segment (prices, rates, curves, margins, etc.) observing parameters set in Chapter I of SFC Accounting and Financial Circular. The Bank contracted PIP Colombia to value all its investments. PIP offers more price curves for the range of investments held, and matches the business done by the Bank.

Investments are classified, evaluated and recorded using Superintendency instructions. A summary of these instructions is as follows:

Classification	Term	Characteristics	Valuation	Recording
Trading	Short term	Any type of security acquired to make profits from short term price fluctuations.	Uses prices of the price supplier Infovalmer, the official supplier per Chapter XVI Title I of SFC Legal Circular On days when no price for the security can be found or estimated, the valuation is made exponentially based on the internal rate of return. The fair market value or price is calculated as the NPV of future capital yield flows. For securities dealt abroad where the official price supplier for the segment has no method to value the investments, the alternative used is the dirty bid price published by a supplier platform at 4 p.m. Colombian time Valuations are made daily.	The difference between previous book and current market value is charged or credited to the value of the investment with a credit or charge to earnings. Changes are recorded daily. The procedure is followed daily. Investments are valued at market from the day of acquisition. The books therefore record changes between market value and acquisition cost as of the date of purchase. .
Held to maturity	Until maturity	Any type of security that the Bank seriously, wishes to hold to maturity or redemption and has the legal, contractual and financial capacity to do so. These securities may not be the object of liquidity operations, repos or simultaneous operations, ort temporary transfers,	Exponentially based on the IRR calculated at the time of purchase. Valuations are made daily	Present value is calculated as an increase to the value of the investment and the difference with the previous value is recording in the earnings statement. This procedure is followed daily.

Classification	Term	Characteristics	Valuation	Recording
		mandatory investments or obligations underwritten in the primary market and the counterpart is Banco de la República, the national Treasury or Superintendency – supervised institutions Likewise, they may be delivered in guarantee at a Counterpart Risk Clearing House to support completion of operations accepted by it for clearing and settlement		
Debt securities available for sale	6 months (as of the effective date of SFC Circular 035 December 2, 2'013, amending instructions in SFC Circular 033 of November 22, 2013, related to the transition regime for investments classified as available for sale	Any kind of security that the Bank has the intention and legal, financial, operational and contractual capacity to hold these investments for six months from being classified in this category After 6 months, can be reclassified into trading or held to maturity. If not reclassified on that date, it is held as available for sale Investments classified in this category may be used as a guarantee in a central risk clearing house to back compliance with settlement obligations. Investments classed as available for sale may be delivered in guarantee to a central counterpart clearing house to support	Using prices set by the official price supplier designated under Chapter XIV Title I of SFC Legal Circular. For securities dealt abroad where the official price supplier for the segment has no method to value the investments, the alternative used is the dirty bid price published by a supplier platform at 4 p.m. Colombian time On days when a fair price cannot be found or estimated, these securities are valued exponentially based on their IRR. The fair market value or price is calculated as the NPV of future capital yield flows. Valuations are made daily	Changes to the value of low/minimum turnover or unquoted securities are recorded as follows:: The difference between present value on valuation date and the existing book value is recorded as an increase to the value of the investment, which is credited to earnings. The difference between market value and present value is recorded as an unrealized accumulated gain or loss in the equity section. This procedure is followed daily

Classification	Term	Characteristics	Valuation	Recording
		performance of operations accepted by the clearing house for clearing and settlement. These investments may also be used in liquidity operations, including repos, simultaneous operations or temporary transfers of securities.		
Equity investments available for sale	None	Investments made by the Bank as a co-owner of the issuer Low/minimum turnover or unquoted, held by the Bank as parent or controlling interest form part of this group. ss	These securities are valued depending on whether or not they are quoted on an exchange. Securities on the National Securities and issuers register RNVE RNVE and exchange-listed securities are valued at the price published by agents authorized by the Superintendency and selected by the bank. Unit funds are valued per unit calculated by the management company on the day before valuation date, even if BVC-listed. Unit funds whose prices are marked on the secondary market and securities representing exchange fund units are excepted from this, and are valued at the price supplied by the official price supplier Equity investments quoted only on foreign exchanges Priced by SFC-authorized price suppliers. If no price is available, the exchange closing price on valuation date is used, or if none, the	Low/minimum turnover or unquoted - The difference between market or investment value and book value is recorded as follows: If the new market value is higher, the difference is used to reduce any allowance or downward adjustment made until it is exhausted, and any excess is then recorded as a revaluation surplus If the new market value is lower, any surplus is reduced until exhausted, and any excess is a downward adjustment. -If dividends or profits are distributed in kind, including those corresponding to the capitalization of the equity revaluation account, are recorded as income for the portion recorded as a revaluation surplus, charged to the investment and the surplus is reversed. . If dividends or profits are distributed in cash, the amount recorded as valuation surplus is treated as income, reducing the surplus, and the amount of dividends that exceeds this is recorded as a reduction in the value of the investment. High-medium turnover Market values for high/medium turnover securities and securities quoted on internationally recognized exchanges abroad are updated with unrealized gains or losses accumulated in the equity section of the accounts, being credited or charged to the investment. The procedure is followed daily. Dividends or profits distributed in cash or in kind including those arising from the capitalization of the equity surplus, are

Classification	Term	Characteristics	Valuation	Recording
			most recent closing price in the last five days or failing that a simple average of closing prices reported in the last 30 days. • Unlisted equities Valued at the price-supplier´s price. If the price supplier has no method to determine a price, the Bank may increase or reduce acquisition cost by the percentage share corresponding to the investor in subsequent equity variations of the issuer.	credited or charged to the investment. This procedure mis followed daily

Reclassification of Investments

An investment may be reclassified at any time with appropriate Superintendency authorization as required by Chapter I Section 4 of the Circular; or at annual due dates for investments available for sale

In SFC Circular 033/2014, Chapter I Section 4.2 was changed to reclassify trading investments available for sale or held to maturity after six months´ classification as the former.

If the reclassification implies a gain, the gain may only be distributed with SFC prior approval.

Investment transfer rights

This account records debt or capital investments which the disposer, originator or recipient – as the case may be – has delivered in a repo, simultaneous operation or temporary securities transfer.

This refers to investments in restricted securities or debt or capital investments arising from the transfer of ownership against a cash payment or receipt of securities in support of a transfer operation (TTV) -one security for another-, thereby assuming the commitment to repurchase from the counterpart or acquire securities of the same kind and characteristics on the same day or at a later date at a predetermined price.

Credit Risk Allowances or Losses

The prices of debt securities and the securities and those of low/minimum turnover or unquoted capital investments are adjusted at each valuation date based on credit risk classification as follows:

- Securities that have one or more ratings from external rating agencies recognized by the Superintendency, and securities of rated issuers, may not be recorded for more than the percentage of their face value net of repayments made to the valuation date.

Long Term Rating	Short Term Rating	Maximum %
BB+, BB, BB-	3	90%
B+, B, B-	4	70%
CCC	5 and 6	50%
DD, EE	5 and 6	0%

- For securities not externally rated, debt securities with unrated issuers and capital investments, the amount of allowances is based an internally-developed method, which must be approved in advance by the Superintendency.

  The classification of credit risk follows the guidelines of Superintendency Circular 100/1995 for investors that do not have an approved internal method, as follows:

Category	Item	%
A	Normal risk	0
B	Acceptable risk (higher than normal)	80
C	Appreciable risk	60
D	Significant risk	40
E	Unrecoverable	100

Sovereign issues or guarantees, Banco de la Republica issues and FOGAFIN issues and guarantees are not rated for credit risk (See Superintendency Circular 100/1995 Chap I.

2.5. Loans and financial leasing operationses

This account records Loans and financial leases, net in all permitted modes. Loans are funded from own resources, public deposits and other sources of external and internal financing

The following are not subject to loan risk rating of recorded for the value disbursed, excluding portfolio purchases which are recorded at cost. The interest rate does not affect the value for which loans are recorded.

2.5.1 Modes of loan

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

- **Commercial**

Commercial loans are defined as those made to individuals or companies for organized economic activities, other than those made as microloans.

Residential Property Leasing

The Superintendency has ruled that Residential Property Leasing operations are to be classified as commercial loans.

Property involved in this type of operation is owned by the Bank, and is insured for fire and earthquake.

The account records the financed value of residential property leased against payment of regular installments over an agreed period. After that expires, the property is returned to the owner or transferred to the lessee if he exercises the purchase option and pays it.

Financial Leasing

Financial leasing operations are recorded for the amount to be financed for each asset in a contract that is delivered for the user to use and enjoy.

The amount to be financed in these operations is amortized upon payment of the regular payments, for the capital amount included in each payment.

For leasing operations, payments are credited first to the longest-outstanding overdue item. Arrears start to be counted from the moment that such payments fall due.

Contracts agreed with regular payments n in excess of the number of months required to suspend accruals may only accrue amounts for that number of months. The amounts remain current until the moment at which it becomes payable on demand

Consumer Loans

Consumer loans, regardless of amount, are made to individuals to finance the purchase of consumer goods or services for non-commercial or non-business purchases, other than those made as microcredit.

Home mortgage loans

This account records loans, regardless of amount, made to individuals for the purchase of new or used property, or the building of individual housing units. Terms must be expressed in constant-value units (UVR), or local currency, and collateralized with a first mortgage on the property financed. Repayment is over 5-30 years.

All or part of one of these loans may be prepaid at any time without penalty. If there is a partial prepayment, the debtor is free to choose whether the amount paid decreases the amount of the installments or the term of the debt. These loans attract interest on the UVR or peso balance of the debt.

Interest should be charged in arrears and may not be capitalized. A loan may be made for up to 70% of the property´s value. This value will be the purchase price or professional valuation made within six months prior to the granting of the loan. Loans made to finance low-cost housing may be for up to 80% of the property´s value.

Properties financed must be insured against fire and earthquake.

Micro-credit

A microbusiness is defined as a rural or urban unit of economic exploitation managed by an individual or corporate person and engaged in entrepreneurial, agricultural, industrial, commercial or service with ten or fewer workers, assets of less than 500 Minimum Salaries (approx. US$160,0000) , as defined in Law 590 / 2000

The balance of indebtedness of the debtor may not be more than120 minimum legal monthly salaries (approximately US$35,000), at the time of approval of the loan operation. “Balance of indebtedness” means that the amount of current debt for account of the micro-enterprise as registered with credit database sources consulted, excluding mortgage loans but including the new loan applied for.

2.5.2 Restructured Loans

A "restructured loan" is one for which a legal agreement exists with the intention or effect to modify the terms of the credit, to enable the debtor to pay. Before restructuring is approved it must be established that there is a reasonable probability of recovery under the new conditions**.**

Restructurings do not include statutory credit relief such as that of Law 546/1999 for home mortgage loans.

Rules for recording restructured loans. In cases where the result of restructuring agreements or any other mode of agreement provides for the capitalization of interest recorded in Memorandum Accounts or loan balances written off, including capital, interest and other items, they will be recorded as deferred credits, and amortization to capital will be made in proportion to amounts effectively collected.

Rules for reclassification of restructured loans.
Where a loan is restructured, the classification held at the time of restructuring is retained, and after three normal payments, it will be considered to be current, and improves its classification to "A". If it again falls into arrears for more than 30 days, it will go back to its initial classification and remain there until up-to-date again, and may return to classification "A". If, after two years a restructured loan is up to date, it is transferred to A-Normal

The following methodology applies to consumer loans, using SR?ARC classifications prior to the process of alignment in the Consumer Reference Model (MRCO) as follows:

Classifications
AA
A
BB
B
C
D
E

The following criteria are applied to each client´s payment vectors

- The initial classification is kept for the first two months

As of the third month, the following criteria are applied:
- Two months payment on time improves the classification
- One month prompt and one in arrears keeps the classification of the preceding month
- Two months in arrears lowers the classification

The classification resulting from this methodology is compared with the MRCO score for each period.

If the MRCO score produces a higher risk than that obtained by the method explained above, the high risk will apply and as of that period only the MRCO result will be applied. This ensures that that result of the classification never produces a lower risk than MRCO.

If 13 months elapse from the moment of restructuring and the above method has not converged with MRCO, the above method will be dropped and only MRCO will be calculated.

Insolvency regime-Law 1116/2006.
The insolvency regime is intended to protect credit and recovery and preservation of the a business as an unit of economic exploitation and a source of employment, through processes of reorganization and judicial liquidation, always following criteria of added value.

Restructurings-Law 550
Law 550/1999 and Law 1116/2006 restructurings promote and facilitate business revival and the restructuring of regional agencies. When the negotiations for restructuring begin, interest accruals on outstanding loans are suspended, and the classification which they had at the beginning of the negotiations is maintained.

Flood disasters.
The Bank has restructured loans affected by the flood disasters, in the terms of Circular 051/2010, in which supervised entities are instructed on the situation of national disaster and economic, social and ecological emergency, as a result of a grave public calamity, declared by Decrees 4579/2010 and 4580/2010, respectively.

Suspension of interest accruals.

Interest accruals will not be charged interest accruals, monetary correction, exchange adjustment, lease payments and income from other items will not be accrued to not be charged to earnings when the loan is in arrears for the following ageing periods:

Mode	Arrears exceed
Commercial	3 months
Consumer	2 months
Home mortgage	2 months
Microcredit	1 month

Accruals are recorded in Contingent Accounts, and do not affect earnings until collection is effectively made.

For cases in which as a result of restructuring agreements or any other mode of agreement, it is agreed that interest recorded in memorandum accounts or the balances of loans written off, including capital, interest and other items will be capitalized, this income is recorded as a deferred credit, and is carried to earnings as and when effective collection is made.

Loans which are in arrears and which on a previous occasion have ceased to accrue interest, monetary correction, exchange adjustment, canons of goods given on leasing and income from other items will cease to accrue income from the first day of arrears. Accruals may resume when the loan is up to date again. Until connection is effective, this will be recorded in memorandum accounts.

Where the accrual of yields, monetary correction, exchange adjustment, lease payments and other items of income is suspended, an allowance must be made against all accruals not collected and corresponding to these items.

2.5.3 Rules for writing off

The writing-off of loans, receivables and other assets is approved by the Board, taking account of SFC Circular 100/1995. Supervised institutions are required to send a list of their written off assets to the Superintendency, with evidence of Board approval

Following internal policies for writing off loans, this action is taken when loans in the different modes reached the following levels of arrears, and 100% allowances have been made against capital, interest and other items.

:

Loans	Product	Arrears over/days
Commercial	Vehicles	More than 360 days
	Other	More than 570 days
	Over $500M	Depends on evaluation
Mortgage and residential leasing		More than 540 days
Consumer	Vehicles	More than 360 days
	Other	More than 180 days
	Private brand credit cards	More than 120 days
Microcredit		More than 180 days

Likewise, specific write-offs may be made for small accounts with parameters defined by the Bank and with Board approval. The parameters may be changed at any time, to follow Board policy.

Leasing housing credits are not written off because the property is owned by the Bank

A write-off does not relieve the Bank´s management from continuing to attempt collection as appropriate.

2.5.4 Rules for collateral

Collateral is an instrument which reduces the expected loss given default. Ity represents a right of the Bank if the debtor defaults on payment.

Loan approvals must include the collateral with which the operation is authorized. Collateral must be formalized prior to disbursement.

The analysis of collaterals includes the following characteristics:

- Suitability. As defined by the law.
- Legality. Documents are duly formalized, offering legal support, which will make it possible to arrange for collection of loans granted.
- Value. Established that on the basis of technical objective criteria.
- Possibility of realization. A reasonably appropriate possibility that the collaterals can be realized.

For consumer and commercial loans the valuation process is completed but has no effect on allowances because the Bank treats these loans as having a LGD on an unsecured basis, except for commercial leasing operations and consumer payroll-installment and vehicle loans..

In the case of mortgage loans, there must be a first mortgages, and for an indeterminate amount in favour of the Bank, in respect of the property offered in support. Mortgages must be formalized by public deed before a Notary and registered in the Public Records Office.

The updating of the realization value of loan collateral where the guaranty is a mortgage, is effected by taking the initial recorded value y, adjusted by the annual changes to the house price indicators IVIUR or IVP, as the case may be

2.5.5 Criteria for evaluation and reclassification of credit risk.

The Bank adopted a credit risk management system (SARC), which brings together policies, processes, models and mechanisms to allow credit risk to be identified, measured and appropriately mitigated. This is so, not only from the point of view of coverage through a system of allowances, but also through management of the loan approvals process, and permanent follow-up.

The Bank evaluates and classifies customer loans regardless of the type of credit. There is a monthly update of loan performance, with regard to repayments, cancellations, write-offs and an ageing of accounts in arrears.

There are methods and analytical techniques available to measure the credit risk inherent in a loan operation and potential future changes in conditions of debt servicing for it. These methods and techniques are based on information related to the historical portfolios and loans. It also considers the particular characteristics of debtors and the loans, and guaranties given in support. The credit record of the debtor with other institutions and financial information about the debtor or alternative information which gives adequate knowledge of his financial situation are also examined; along with sector and macroeconomic variables that might affect the normal development of the loan.

In the evaluation of capacity to pay for regional government agencies, 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 its evaluations and reclassifies loans at least every May and November, and records changes by the end of the next month.

Rules of alignment

A monthly process of internal alignment is applied to each debtor, in which all operations under the same customer name are carried to the category of highest risk, unless there is good reason for a lower risk classification, as permitted by regulations.

For customers of Bank and its consolidating Subsidiaries, the same classification is given to loans of same mode to the same debtor, except where it can be shown that there is good reason to classify one or more in a lower risk category.

Classification of credit risk for reports.

For establishing equivalent risk classifications for the purpose of reports to the risk bureaus, indebtedness reports and recording the financial statements uses the following table:

Commercial loans

Risk Type	Report Category	Group Category	Ageing (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
Default	D	D	150- 569
Unrecoverable	E	E	More than 569

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

Consumer loans

In order to determine classification of consumer loans, depending on segment, the reference model makes calculations on a points system, which is the product of particular characteristics of each debtor as laid down in Schedule 5, Chapter II, Superintendency Circular 100/1995:

Risk Type	Reporting Category	Group category	Vehicles Score	Others 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
Unpaid	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 90 days or more.

*In order not to affect the indicators, the Superintendency defined an additional classification, in addition to the characteristics of the consumer reference model, for a range of arrears between 0 and 30 days, to be recorded in the books as Category A.

Mortgage and micro credit

The Bank analyzes mortgage loans and micro-credit, and classifies them into one of the following credit categories.

Category	Risk	Home mortgage	Micro-credit
		Months in arrears	
A	Normal	0 - 2	0 to 1
B	Acceptable	2 - 5	More than 1 and up to 2
C	Appreciable	5 -12	More than 2 and up to 3
D	Significant	12 - 18	More than 3 and up to 4
E	Unrecoverable	Over 18	Over 4

2.6 Rules on loan allowances.

Allowances are charged to earnings as follows:

2.6.1 General allowance.

At December 31, 2014 and 2013 there was a general allowance for microcredit and mortgage loans equivalent to 1% of total gross loans.

2.6.2 Individual allowances using reference models

According to Superintendency instructions, the Commercial and Consumer Reference Models require individual allowances as the sum of two individual components: one is pro-cyclical and the other counter-cyclical.

The individual pro-cyclical component reflects the credit risk of each debtor today.

The individual counter-cyclical component reflects possible changes credit risk of a debtor over a time in which the deterioration of those assets increases. This portion is set aside in order to reduce the impact on earnings if the situation should arise.

The two components are calculated separately for capital and accrued interest receivable on loans and financial leases, for loans and leasing operations.

There is a monthly evaluation of the following indicators, made to determine the method of calculation to use as of the following month for individual allowances:

Indicators	Trigger threshhold
1. Increase of allowance in risk category B,C,D,E	>= 9%
2. Net allowance expensed as % of portfolio revenue	>= 17%
3. Net allowance expensed as % of Adjusted Gross Financial Margin	<= 0% or >= 42%
4. Real annual growth of Gross Loans	< 23%

If for three consecutive months the conditions of these indicators are all met together, the method for calculation to be applied during the following six months, will be that for the de-accumulative phrase phase.

Method of calculation for the accumulative phase

Individual procyclical component. For Commercial and Consumer loans, this is the expected loss is calculated with Matrix A, that is, the results obtained by multiplying the value of debtor exposure, the probability of default (PD) of matrix A, and the loss given default (LGD).

Individual countercyclical component. This is the maximum value between the individual countercyclical component for the preceding period affected by exposure, and the difference between the expected loss calculated with Matrix B, and the expected loss calculated with Matrix A at the time of calculating the allowance.

The individual countercyclical component may in no event be less than zero, and may not exceed the value of the expected loss calculated with Matrix B, and the sum of these two components may not exceed the value of exposure.

Every year, the Superintendency publishes the migration matrices to reply to the quantification of expected loss.

The countercyclical component will enable lenders to have a reserve (an individual countercyclical allowance), which they will use in times of deterioration in loan quality, in order to face the need for increased allowances, but without the need for a significant impact on profits generated in an unfavorable environment.

At 2014 and 2013, the Bank applied the method of the accumulative phase.

Individual allowances

In addition to the general allowance, individual allowances are calculated to protect loans classified in all risk categories, using the following parameters at December 31, 2014 and 2013:

Commercial loans.

The Bank adopted the Superintendency´s Commercial Reference Model (MRC) for making the allowances produced by its application.

To estimate the value of asset levels, the minimum salary for the preceding year was taken as the indexing factor.

The estimate of expected losses involves differentiated segments, by level of debtor assets, as follows:

Business size	Asset ranges
Large	Over 15.000 SMMLV
Medium	5.000 - 15.000 SMMLV
Small	under 5.000 SMMLV

The MRC model also has a category "individuals", which brings together all personal debts and loans.

Allowances against residential property leasing operations follow the loan policy for commercial loans to “individuals in business”

The estimated expected loss (allowances) is the result of the following formula:

Expected Loss= [Probability of default] x [Asset exposure at the time of default] x [Loss given default].

Where:

Probability of default (PD)

This is the probability that in a period of twelve (12) months, the debtor of a certain commercial loan portfolio will go into default.

Individual allowances are calculated using the percentages given in this matrix:

Rating	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)

This is defined as the economic deterioration incurred is default should occur. LGD for borrowers in default will rise with the passage of time in default. The Bank applies two ranges, for “Unsecured” (*) and “Property leasing assets”, as follows:

Type of collateral	LGD	Days´in arrears	New LGD.	Days in arrears	New LGD
Unsecured	55.00%	210	80.00%	420	100.00%
Goods given on real property lease	35.00%	540	70.00%	1.080	100.00%

This classification includes property leasing and residential leasing operations.

The allowance is 100% over and above LGD for loans classed D and E except for residential leasing-

Past-due loans are evaluated monthly applying the MRC reference model, quality of security held, percentage cover of the debt and any other criteria required to make individual allowances.

- Exposed asset value

This is understood to be the exposed value of the asset on the balance sheet for capital, interest receivable and other items in the commercial loan portfolio.

Allowances for moratorium processes

Loans for account of borrowers in a moratorium process are immediately classified "E"; allowances are made, accruals are suspended for yields and other items.

If the recovery plan is agreed within one year following admission into moratorium proceedings, the loans may be reclassified to "D".

Consumer loans.

The Bank adopted the Superintendency Reference Model for Consumer loans (MRCO), which is used to make allowances.

It is based on differentiated segments, depending on product: Automobile-general, Other - General, and Credit Cards, in order to preserve the particular features of market niches and products.

Expected losses are calculated, and allowances are made in accordance with the following formula:

Expected Loss= [Probability of default] x [Asset exposure at the time of default] x [Loss given default].

Where

- Probability of default (PD)

corresponds to the probability that within 12 months debtors in a given segment and loan classification will go into default.

The probability of default is defined by the following matrix.

Category	General Automobiles		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)

This is defined as the economic deterioration suffered if a default situation arises. The LGD for debtors classed as “in default” will increase with the passage of time in default. The LGD applied by the Bank falls into three ranges of guaranties "unsecured", and "non-admissible collateral", and “other collateral,”as described below:

Guaranty Type	LGD	Days arrears	New LGD	Days arrears	New LGD	Days arrears	New LGD
Non-admissible	60%	210	70%	420	100%		
Other – vehicles	50%	90	70%	150	85%	270	100%
Unsecured	75%>	30	85%	90	100%		

The descriptor “non-admissible collateral” applies to consumer loans granted with the non-admissible "payroll installment deduction" collateral.

“Other collateral” applies to the vehicle portfolio.

Additional individual allowance

An additional individual allowance of 0.5% is to be made temporarily in the individual procyclical component, when the rolling parameter of “α “ (alpha) is greater than zero (α > 0). "α" is the rolling 6-month average of the semiannual variation of the real annual growth rate of consumer NPLs

- Exposed asset value.

In the MRCO the exposed asset value is the outstanding capital balance, with interest, accrued interest receivable on loans and financial leases for interest and other items, in the consumer loan operations.

Home Mortgage loans.

Individual allowances for the protection of loans are made in all risk categories for at least the following percentages at December 31, 2014 and 2013.

For home mortgage loans the provision is higher than that required by regulations, except for Category D, on the unsecured portion, the provision should be 100% after being classed B (Acceptable)

Category	Regulatory mínimum %		% Bank´s minimum	
	Covered	Not covered Descubierta	Covered	Not covered Descubierta
A	1.00%	1.00%	1.00%	3.00%
B	3.20%	100.00%	4.00%	100.00%
C	10.00%	100.00%	10.00%	100.00%
D	20.00%	100.00%	30.00%	100.00%
E	30.00%	100.00%	100.00%	100.00%

If for two consecutive years ago remains in category "E", the percentage allowance of secured portion will rise to 60%. After another year in this same condition, the allowance on the secured portion will be 100%.

Microcredit

Individual allowances for the protection of loans classified in all risk categories must match the following at least the following percentages at December 31, 2014 and 2013.

Micro loans are subject to percentage allowances higher nthan that required by the regulations:

Category	Regulatory minimum%		Bank´s minimum%	
	Capital balance	Not covered Covered	Capital balance	Not covered
A	1.00%	0.00%	1.60%	1.60%
B	2.20%	1.00%	4.00%	5.00%
C	0.00%	20.00%	0.00%	30.00%
D	0.00%	50.00%	0.00%	60.00%
E	0.00%	100.00%	0.00%	100.00%

Effect of admissible collateral on individual allowances.

For the estimate of individual allowances , collateral only supports capital and therefore the balances to be amortized on loans collateralized with suitable security are subject to the percentage corresponding to their risk classification for the difference between the value of the outstanding balance and the value of the collateral

In the case of home mortgage loans, the unsecured portion is taken to be the difference between the balance unpaid and 100% of the value of collateral. For the secured portion, it applies to 100% of the balance iof the debt guaranteed.

2.7. Spot and derivative operations

2.7.1 Spot operations

Financial assets acquired through spot operations are recorded in the balance sheet on the settlement date and not the dealing date, unless the two coincide, as follows:

The seller records financial asset in his balance sheet until delivery affected, and meanwhile records the right to receive cash from the transaction as an asset, and the obligation to deliver the asset sold.

The buyer of the asset does not record the financial asset in his balance sheet and it is delivered, but records the right to receive the asset amount in his assets, with the obligation to deliver the cash agreed for the operation.

Changes in market value of instruments sold must be shown in the earnings statement as of the date of the trade, as appropriate.

If the operation is effectively completed, the buyer and seller of the asset will reverse the right and the obligation recorded at the time the trade took place.

2.7.2.Derivatives

Derivatives are recorded in the balance sheet, from the date of the trade, for a fair market price.

If the initial contract has a value of zero, that is, if no payment or physical delivery is made by the parties, the earnings statement is not affected.

In subsequent valuations, price the variations in the price must be recorded in the earnings statement or in equity accounts, depending on the classification of the derivative.

If the fair price of exchange is positive, i.e. favorable to the Bank, it is recorded as an asset, separating the value of the right from the value of the obligation. If the price is negative, i.e. adverse to the bank, it should be recorded as a liability, with the same separation.

If the fair price of exchange is zero either initially or on some subsequent date, it should be booked as an asset if it is a speculative financial derivative., However, if it is a hedging asset it should be book on whichever side of the balance sheet is appropriate – on the basis that it should be recorded on the other side to that of the primary position hedged.

Positive and negative balances in the balance sheet are not netted out where the derivatives are different financial instruments – or even if they are the same – and each must be in its asset or liability account.

Variations in the fair price if exchange of speculative financial derivatives should be recorded in the earnings statement, using the following rules.

Regardless of the accumulated variation in the price of a derivative for speculative purposes is positive (profit) or negative (loss), the portion of the variation recorded daily in the earnings statement should be booked to the appropriate income or expense account in which the derivative should be recorded, depending on whether it is an accumulated profit or an accumulated loss, depending on related accounting instructions.

The same procedure should be used for derivatives negotiated by the supervised institution.

For the recording of hedging ssets, regardless of whether the accumulated variation in the price of a derivative for speculative purposes is positive (profit) or negative (loss), the valuation must be disclosed daily in the earnings statement in the relevant subaccount for revenues or expenses where the derivative is to be recorded, depending on whether there is an accumulated profit or an accumulated loss, following the relevant accounting instructions.

The portion of the accumulated price variation must be recorded daily in the equity account opened for this item, with a positive or negative sign, as appropriate.

2.7.3. Forwards

Speculative forwards will be booked in the balance sheet from the date of the trade, for the fair price of exchange.

Where the initial value of the contract is zero on that date, that is, there has been no payment or physical delivery of between the parties, the earnings statement is not affected.

In subsequent valuations, the variations in the prices must be recorded in the earnings statement, following the rules given below.

Forwards that have a positive fair price (i.e. favourable to the Bank) are recorded as assets , separating the right and the obligation. If the fair price is negative (i.e. unfavourable to the Bank) the operation is recorded as a liability, with the same separation.

Where the price of the derivative is zero, either on the initial date or on some subsequent date, the books must show the asset entry if the derivative is for speculative purposes. But if it is a financial derivative for hedging purposes, the books in this case will show an asset or a liability, as appropriate on the opposite side to that of the primary position hedged.

The balance sheet accounts do not net out favourable and unfavourable balances of derivatives, even if they are of the same type, but it must be recorded as an asset or a liability, as appropriate.

2.7.4 Futures

Given that futures operations are settled daily, the fair price of the derivative is zero, and for this reason, it's the recorded in the accounts as an asset, since they are the derivative for speculative purposes.

2.7.5 Options

When the Bank buys call or put options -the premium paid and the variations in day to day valuation to the fair price must be made in the sub accounts for options, on the asset side.

When the Bank sells a call or put option, the premium received and day to day variations in the fair price are recorded in the subaccount for the appropriate option on the liability side (accounts on the cards are recorded in a single account).

Supervised institutions must report the face value agreed, multiplied by the fair price of exchange or the rate agreed by the parties in the Contingent or Memorandum Accounts opened for that purpose.

2.8 Swaps

2..8.1 Hedging swaps.
These are traded operations which are designed to reduce or remove a specific risk which may have an impact on earnings as a consequence in variations in the fair price or on cash flow, or on the exchange rate of one or more items in the "primary positions".

In compliance with current regulations, these derivatives traded for hedging purposes must be clearly identified. From the moment that the deal is struck, and authorized by the Superintendency.

The accounting of the derivatives for hedging purposes depends on specific type of hedging involved, in our case, the hedging operations correspond to the fair market price.

The hedging of the flows of the fair price must be accounted as follows:

a) Derivatives for hedging purposes: all gains or losses which arise from a valuation of derivatives taken for hedging purposes, must be immediately recorded in the earnings statement, using the standard PUC accounts for hedging instruments.

b) Primary positions. All profits or losses attributable to hedging must be recognized for their book value in the primary position, such that that value reflects the fair price of exchange. The matching entries for variations are recorded in the relevant sub account in earnings, including operations in which there is a primary position covered, valued at cost.

If a firm commitment is made to acquire an asset or take up a liability which is in a primary position, within hedging of a fair price, the initial book value of the asset or liability which arises from the commit the firm commitment must be adjusted to include accumulated variations in the fair price of a commitment which is attributable to the risk hedged and shown in the balance sheet.

Derivatives which show a positive fair price (i.e. favourable to the Bank) must record this in the assets, separating the value of the right and the value of the obligation. If the fair price is negative (i.e. unfavourable to the Bank), it must be recorded as a liability, with the same separation. This accounting treatment must be applied both to speculative and to hedging derivatives.

2.8.2 Speculative swaps

These operations aim to obtain profits from some future market movement.

The book entry will isolate the effect of the valuation model used. Therefore, at the end of the day the swap (Day 0). The supervised institution, on the one hand, should not affect the earnings statement, and on the other, the resulting profit or loss due to the valuation of the right and the obligation, is recorded in a deferred account.

Between the day following the day the that the swap is made and the due date, the supervised institution will take account of the daily value corresponding to linear amortization of the deferred item, increasing or reducing the result of the daily valuation, as appropriate.

2.9. Accounts receivable

This account records amounts pending collection, such as yields derived from financial intermediation, service commissions, payments for account of customers, and sums produced by the sale of goods and services, rent, sale commitments, dividends and other capital yields, advances for contractors and suppliers, fees, and staff advances.

Allowances are made to protect accrued interest receivable on loans and financial leases with a negative classification, and are charged to earnings, where it is established that there are contingencies of probable and reasonably quantified contingencies of loss, or where the arrears are at more than 180 days.

2.10 Foreclosed assets

Marketable assets and assets received in payment.

This item includes the value of assets received in lieu of payment of unpaid loans due to the Bank.

Assets received in payment represented in real property are received on the basis of a professional commercial valuation, and movable assets, vehicles, shares and other interests, on the basis of a reasonable market value.

Assets are recorded taking account of the following conditions:

- The initial amount is that of the court award or as agreed with the debtor, recorded in a public deed and legalized in the Public Records Office.
- If the value for which the asset is received is lower than the balance sheet value, the difference is immediately charged to earnings, as an allowance.
- If the value for which the asset is received is in excess of the value of the loan repayable (i.e.in favour of the debtor) the difference is recorded as an account payable.
- These assets are received on a temporary basis, and must be sold within two years following receipt, unless the Bank's Board has ordered an extension of the term for sale, which may not be for longer than two years.
- Valuations used are not more than three years old at the closing date on which they apply. The result of the valuation is recognized as a valuation gain for foreclosed properties and recorded in Memorandum Accounts, or conversely, a valuation costs appear as an allowance charged to earnings.
- Profits generated as a consequence of the disposal of these assets through loan or term sale operations are deferred over the term agreed for the operation; amortization is charged to earnings, as and when collection is actually made.
- Where the sale is a spot sale, the profit on the operation is recorded as revenue in the earnings statement.

Restored Assets

This account records the value of assets restored to the bank from financial leasing operations, due to default against leasing agreements by the lessee, or the lessee´s failure to exercise the purchase option. These assets are not subject to depreciation.

For restored assets, the two-year rule for sales applies, except where the Bank's Board has ordered an extension of the time to make the sale.

Assets not used in the business

This item records assets which the Bank owns but has ceased to use for its business.

The assets are depreciated until sold, and are recorded as part of fixed assets for the purposes of limits established in Section 1.2, Chapter VII, Title I of the Superintendency´s Basic Legal Circular.

2.11 Allowance against marketable assets and assets received in payment.

Allowances against foreclosed assets are recorded as required by Chapter II of Superintendency Circular 034/2003 as follows:

Period	Real property	Movable
Year 1	30%	35%
Year 2	30%	35%
Total	60%	70%
2 years or more	40%	30%
Bank policy 2 years or more)	100%	100%

*The Bank makes an allowance for 100% of the valuation shortfall

2.12. Property and equipment.

This account records tangible assets purchased, constructed or in the process of importation, construction or assembly, for permanent use in the normal course of business, with a useful life of more than one year. This includes direct and indirect costs and expenses up to the moment in which the asset becomes fit for use.

With the exception established by Article 6 of Decree 3019, fixed assets, whose acquisition cost is 50 UVT (approx. US$700 equivalent) or less may be depreciated within the same year.

Additions, improvements and special repairs that significantly increase the useful life of assets are recorded as an increased value of the asset, and disbursements for maintenance and repairs made to conserve these assets are charged to expenses as and when they accrue.

Real property valuations are updated regularly, and professional specialist valuers are used to establish valuation gains or losses, as appropriate.

For assets acquired up to December 31, 2006, and for office equipment, furniture and fittings and computer equipment, the Bank calculates depreciation on a declining balance basis. Purchases made as of January 1, 2007 are depreciated on a straight-line basis, and their useful lives and annual depreciation rates are:

	Useful life	Annual rate
Buildings	20 years	5%
Office equipment, furniture and fittings	10 years	10%
Computer equipment and vehicles	4-5 years	20%

Straight-line method

This consists of dividing an asset´s value into its useful life. The result of annual depreciation is distributed into monthly installments.

Declining balance method.

This method allows accelerated depreciation of the asset. The same total time of depreciation is used, but there is a higher monthly expense in the early years. There must be a salvage value

Assets given under operating leases
Assets given under operating leases (vehicles) are recorded at acquisition cost. Their depreciation runs over 60 months on a straight line basis, and an allowance is charged of 1% of value after depreciation and amortizations.

2.13 Branches and agencies.

This account records the movement of operations between the Head Office, Branches and Agencies.

Balances are reconciled monthly, and pending items are regularized in not more than 30 days.

Net balances are reclassified at each close, reflecting subaccounts branches and agencies, and are assigned to the asset or liability accounts, or credited or charged to earnings.

2.14 Prepaid expenses, deferred charges and intangible assets.

Prepaid expenses correspond to amounts incurred by the Bank in the course of its activities, for which the benefit is received over several periods, but may be recovered, and supposes successive execution of services to be received.

Deferred charges correspond to goods and services received by the Bank, from which it is expected to receive a future economic benefit, and whose amount and nature allow it to be considered amortizable over a defined period of time.

Expenses for amounts equal to 210 UVT (approx. US$3,000) or less are not treated as deferred charges.

Amortization is recognized as of the date on which they contribute to the generation of income, on the following basis:

Prepaid expenses

- Interest, during the period prepaid.
- Insurance, during the life of the policy.
- Other items, over a period of 12 months.

Deferred charges

- Remodelling on own property is amortized over not more than two years, and for leased premises, over the shorter of the life of the contract and probable useful life.
- Deferred income tax generated due to timing differences will be amortized over periods in which the timing differences which gave rise to them are reverted.
- The wealth tax created by Law 1370 of December 2009, accrued on the basis of net assets at January 1, 2011, is amortized over 48 months as of that month.
- Discount on securities placement over 5 years
- Professional consultancy fees over 6 months
- Computer programs, over not more than three years.
- Commissions and advisory services, over 60 months, where they correspond to major projects whose expectation of recovery is a long-term matter.
- Rent over 10 years
- Other items are amortized over the estimated recovery period of the expense, or the obtaining of expected benefits.

Intangibles

The value of goodwill is set at the time that control is effectively established over the business or the assets and obligations acquired. Its value is distributed by business lines, which must be fully identified in the accounts.

The Bank evaluated the business lines annually, through in independent expert using recognized technical methods and approved by the Superintendency.

Goodwill is amortized monthly on a straight-line basis over seven years for Confinanciera S.A., applying the expónential method over 20 years for Granbanco S.A., Grupo del Istmo – Costa Rica S.A., Inversiones Financieras Davivienda S.A., Banco Davivienda Honduras S.A., and Seguros Bolívar Honduras S.A., and five years for Corredores Asociados.

2.15 Valuations

Assets which are the object of gains:

- Equity investments available for sale.

Valuation gains and losses on capital investments available for sale are recorded on the basis of variations in the equity of the issue.

- Real property.

Valuation gains on real property correspond to the excess of the market valuation established by reputable professional independent valuers, over net book cost. The matching entry is a credit to earnings.

If there is a loss on valuation, for each individual property, an allowance is charged to earnings

- Foreclosed assets.

Valuation gains on foreclosed assets are recorded in Memorandum Accounts.

2.16 Deferred tax.

The Bank records the effect of tax timing differences generated between the valuation and market price and the straight-line calculation of the investment portfolio in derivatives, and in IFC bonds. Likewise, it recognizes the deferred tax on the turnover tax allowance and the higher value charged as tax allowable in goodwill. Deferred income tax generated by the effect of timing differences will be amortized over the period in which the timing differences which originated them revert.

2.17 Income received in advance and deferred liabilities.

In accordance with the regulations, the profit on sale of foreclosed assets sold at term is amortized in proportion to the amounts collected for capital; the purpose of this is to regularize income.

UVR adjustment

Law 546/1999, Article 3, created the UVR, as a unit of account, which reflects the purchasing power of the peso, based exclusively on the variation in the Colombian CPI, published by the statistical bureau DANE. The value is calculated in accordance with methods adopted by the Government.

In order to eliminate the distortion generated by seasonal variations in inflation in on operations agreed in UVR, the income from these items is standardized to a one-year period.

2.18. Estimated liabilities and provisions.

The Bank records provisions to cover accruals related to fines, litigation, sanctions and claims which may exist and which meet the following conditions.

a. There is a right acquired and in consequence, an obligation contracted.

b. The payment is probable, or the amount is payable on demand.

c. The provision is justifiable, quantifiable and verifiable.

Also, the Bank records estimated values for taxes, contributions and affiliations.

Following principles and standards generally accepted in Colombia, the classification of the possible results of litigation against the Bank, for purposes of provisions, is effected appropriately to a contingency account which is catalogued as probable, eventual or remote, and, depending on that classification, the percentages of provision have been defined as follows:

Probable contingency	100%.
Eventual contingency,	50%.
Remote contingency	0%.

Estimated employment liabilities are recorded on the basis of provisions required by law and collective agreements e, estimated on the basis of calculations of amounts to be paid to employees.

To present the financial expense derived from customer strategies such as for example, subsidized rates in low-cost housing loans and points programs for credit cards and mortgage loans

2.19. Conversion of foreign currency transactions.

Operations and balances in foreign currency are converted to pesos at the market reference rate (TRM) at the relevant dates, as certified by the Superintendency. At December 31, 2014 and , 2013, the rates were $2,392.46 and $1,926.83 respectively.

2.20 Contingent accounts.

These accounts record operations in which the Bank acquires a right or assumes an obligation whose fulfillment is conditioned on the occurrence (or failure to occur) of some future event depending on future, eventual or remote factors. Among the debtor contingencies, financial yields are recorded from the moment in which accruals cease to be accrued on receivable.

Contingencies for fines and sanctions are analyzed by the Legal Department and their outside counsel. Estimates of the contingency for losses necessarily involves the exercise of judgment. There is an evaluation, amongst other things, of the merits of the claim, the jurisprudence of the courts on the point, and the current status of the case.

Judicial contingency by definition is a condition, situation or set of circumstances which exist and which imply doubts with regard to a possible gain or loss by the Bank in a court case, or in actions pursued against it, which generate a contingent liability. The doubt is finally resolved when one or more of the future events occurs or fails to occur.

2.21. Memorandum Accounts.

These accounts record the operations undertaken with third parties, whose nature does not affect the financial situation of the Bank. There are also fiscal memorandum accounts, which record figures for the preparation of tax filings, or the control of mandatory investments, internal control or management information, and loans by ageing of arrears.

2.22 Trust memorandum accounts.

This account records the trust accounts for operations in loan "universalities".

Following Superintendency Circular 047 of September, 2008, as of January 1, 2009, the Bank updated and established equivalents in the instructions regarding the determination and accounting of the process of securitization.

Since the Superintendency has not enabled the related accounts, the balance sheet transmitted to it differs from the official books of account of the Bank with respect to the recording of these accounts.

2.23 Net profit per share

In order to determine the net profit per share the Bank used the weighted average method at December 31, 2014 and 2013 applied to subscribed and paid shares for the time that they had been outstanding, that is $2,253.76 and $1,642.53 (pesos) respectively

2.24 Principal estimates in the balance sheet - Use of Estimates in the preparation of the financial statements.

In the preparation of the financial statements, management normally makes estimates and assumptions which affect the amounts reported for assets and liabilities, and for income and expenses. Superintendency regulations state that in the case of items for investments, loans and foreclosed assets, estimates of allowances may be made on the basis of the financial statements of customers, on market prices and on the basis of valuations of guaranties and foreclosed assets made by independent valuers.

In the case of judicial contingencies that imply a possible gain or loss for the Bank in court cases or actions against the Bank that generate a contingent liability, an evaluation is made (amongst other things) of the merits of the claim, jurisprudence available and the current state of the case.

3. Cash and due from Banks

The detail of cash and due from banks in local currency and foreign currency expressed in local currency, is the following:

		2014	2013
Local currency:			
Cash	$	1,074,854.1	908,948.0
Banco de la República		1,231,552.9	1,518,841.7
Banks and other financial institutions		2,905.1	1,975.5
Clearing		21,762.8	26,590.4
Remittances in transit		197.8	31.2
Allowance		(68.9)	(105.6)
		2,331,203.8	2,456,281.2
Foreign currency expressed in local currency:			
Cash		5,200.3	1,341.6
Banco de la República		76.7	61.8
Banks and other financial institutions		648,111.8	515,948.7
Remittances in transtt		5,112.7	1,262.2
Allowance		(202.2)	(640.8)
		658,299.3	517,973.5
		$2,989,503.1	2,974,254.7

Local currency cash and balances at Banco de la República are counted as part of the mandatory cash reserve to be held against customer deposits. These deposits are not remunerated.
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3.1 Reconciliation items

The following is the detail of reconciliation items at December 31, 2014:

Ítems over 30 days	No.		Amount
Credit notes not in books	24	$	(87.7)
Debit notes not in statements	2		8.9
	26	$	(78.8)

At December 31, 2014, there were 14 items under 30 days for a net amount of $(8.5). Items pending over 30 days have no significant impact and an allowance of $8.9 has been made.

The following is the detail of reconciliation items at December 31, 2013:

Ítems over 30 days	No		Amount
Statement debit notes not in books	83	$	98.9
Statement credit notes not in books	97		(1,168.9)
	180	$	(1,070.0)

Al December 31, 2013,local bank reconciliations contained 25 items under 30 days for a net value of $(565.2), reconciliation items over 30 days have no significant impact. And an allowance of $98.9 has been made.

3.2 Reconciliation items in foreign currency

The following is the detail of reconciliation items December 31, 2014:

Ítems over 30 days	No.	Amount US$000
Statement credit notes not in books	77	(689.6)
Book debit notes not in statement	8	51.8
Book credit notes not in statement	30	(904.2)
	168	(1,509.3)

The following is the detail of reconciliation items at December 31, 2013:

Ítems over 30 days	No.	Amount US$000
Statement debit notes not in books	75	292.5
Statement credit notes not in books	36	(107.1)
Book debit notes not in statement	7	40.1
Book credit notes not in statement	24	(1,041.1)
	142	(815.6)

3.3 Allowance against cash

The movement of the allowance against cash is the following:

		2014	2013
Opening balance	$	746.4	179.9
Plus:			
Allowance expensed		674.0	884.6
Less:			
Allowance recovered		1,149.3	318.1
Closing balance	$	271.1	746.4

3.4 Cash reserve

At December 31, 2014 and 2013, cash reserves were maintained on deposits and demand accounts as follows:

	2014	2013
Average requirement	$2,603,787.5	$2,210,349.0
Average reserve held	2,617,173.7	$2,223,238.8

4 Interbank and overnight funds

The following is the detail of interbank and overnight funds:

2014

Name	USD Amount	Rate min-max	Date Opened	Due	Amount in pesos	MRR (Pesos)
Foreign Currency						
Overnight – Banks abroad:	USD 19,510,035.0	0.05% - 1.0%	Jun.25.2013	Nov.30.2015	$46,677.0	2,392.5
Local currency						
Simultaneous						
Banco República		4.5%-4.55%	Dic.16.14	Ene.14.15	194,105.5	
Investment Banks		4.6%	Dic.29.14	Ene.05.15	29,832.5	
Insurance companiess		4.85%	Dic.30.14	Ene.06.15	18,011.4	
Interbank funds						
Investment Banks		4.40%-4.45%	Dic.23.14	Ene.05.15	35,000.0	
					276,949.4	
					$ 323,626.4	

2013

Name	USD Amount	Rate min-max	Date Opened	Due	Amount in pesos	MRR (Pesos)
Foreign currency						
Overnight - Banks abroad	USD 19,904,387.8	0.27% - 1%	Jun.27.2012	Abr.21.2014	$38,352.5	1,926.83
Locaol currency						
Simultaneous						
Banco República		3.25% - 3.35%	Dic.11.13	Ene.14.14	$303,714.5	
Securities brokers		3.50% -4.50%	Dic.26.13	Ene.02.14	10,202.9	
Pension funds		3.35%	Dic.27.13	Ene.02.14	25,084.4	
					339,001.8	
Interbank funds						
Investment Banks		3.25% -3.25%	Dic.26.13	Ene.02.14	3,500.0	
					342,501.8	
					$380,854.3	

At December 31, 2014 and 2013, the balance and monthly average of local and foreign currency positions were $328 626.4 and #3.149.8 $380.854.3 and $15.862.6, respectively.

There was a restriction on interbank funds at December 31, 2014 and 2013 $33.494.4 for USD700.000 equivalent to $16,763.4 to attend to regulatory liquidity requirements in the US Branch.

5 Investments

The following is the detail of the investment portfolio at 2014 and December 31, 2013

2014		Cost	Allowance
Trading debt securities		2,396,136.3	1,894.3
Held to maturity securities		1,176,247.4	332.5
Available for sale debt securities		1,817,627.5	838.8
Available for sale equity securities		1,582,865.8	2.0
Transfer rights, trading debt securities		474,582.3	0.0
Transfer rights, available for sale debt securities		166,516.0	0.0
Available for sale in guarantee of derivatives		156,284.6	0.0
	$	7,770,259.9	3,067.6
2013			
Trading debt securities		2,363,054.6	0.0
Held to maturity securities		1,228,598.2	2,221.5
Available for sale debt securities		1,280,833.4	0.0
Available for sale equity securities		1,354,377.4	13,444.6
Transfer rights, trading debt securities		448,380.5	0.0
Transfer rights, available for sale debt securities		300,171.6	0.0
Available for sale in guarantee of derivatives		215,853.5	0.0
	$	7,191,269.2	15,666.1

5.1 Portfolio of investments by class, type and credit rating

- Trading investments in debt securities		2014	2013
TES	$	1,528,361.1	1,640,740.4
TRD		1,018.1	0.0
TIDIS		1,267.3	0.0
Peso bonds		88,421.9	84,469.4
TDA Finagro (1)		0.0	9,859.4
CDT		437,209.3	169,070.6
TIPS		214,062.5	338,578.7
Debt securities		5,281.9	10,577.5
Foreign issues		86,951.3	48,200.0
Multilateral issues		11,864.3	9,401.5
Other investments: Bonds US, TDPIT		21,698.6	52,157.1
	$	2,396,136.3	2,363,054.6

		2014	2013
- Investments held to maturity			
TRD		108,541.1	186,202.3
TDA (1)		600,834.6	572,942.5
TIPS (residual rights (2)		150,868.0	141,109.3
TIPS		316,003.7	328,344.1
	$	1,176,247.4	1,228,598.2
- Investments available for sale, debt securities			
TES B		1,627,689.3	1,097,408.0
TIPS		161,570.4	160,132.9
Foreign issues		28,367.8	23,292.5
	$	1,817,627.5	1,280,833.4
- Investments available for sale, equities			
Low/mínimum turnover shares (note 5.9)	$	1,582,865.8	1,354,377.4
- Investments delivered in guarantee			
Trading debt securities			
TES	$	474,582.3	448,380.5
- Transfer rights, investments available for sale $ Debt securities - TES		166,516.0	300,171.6
- Trading debt securities available for sale in guarantee of derivatives			
TES	$	156,284.6	215,853.5
- Allowance against investments		(3,067.6)	(15,666.1)
Total net investments	$	7,767,192.3	7,175,603.1

(1) Corresponds to mandatory investment Res. 14/2008.
(2) Corresponds to residual rights from securitization processes recorded under Chapter XV of the Superintendency Accounting Circular, securitization of loans Section 2.4.2.valuation and recording of residual rights by holders (beneficiaries). They are part of the Fixed-Yield portfolio, as investments held to maturity, by maturity dates.

The Bank´s valuation method, approved by the Superintendency, is designed to determine the method of calculating present value, the procedure for classification and allowances for credit risk on residual rifghts based on the projections of Titularizadora Colombiana for the range of scenarios of arrears and levels of prepayment, base don a detailed analysis of the underlying loans ijn each issue and their cashflows, monthly and as agreed with the Superintendency.

There are no other restrictions in the conditions of these operations in themselves, for securities delivered in guaranty against interbank liabilities, repos, simultaneous operations and futures.

There are restrictions on the Miami Branch portfolio at December 31 2014 and 2013 for US$34.519.704.62 and US$26.293.010.8, equivalent to $82.587.01 and $50.662.2, respectively in favor of the Florida OFR, required to meet regulatory liquidity limits.

The effect of the implementation of the price supplier INFOVALMER S.A. on the Bank´s portfolio was a decrease in market value of $12,452.0 as follows: trading investments ($13,504), investments available for sale $956.0 and investments held to maturity $96.

As of March 2014, the price supplier was changed to PIP Colombia, with no significant effects on the Bank´s financial statements

5.2Reclassification of investments

Superintendency Circular 33 of November 22, 2013 states that the next working day after six months of a classification of an investment as Available For Sale have elapsed, the investment may be reclassified to either of the other two categories referred to in ection 3 of the rule, provided that it meets the requirements of the category in question.

During 2014, TES investments Available for Sale were reclassified to Trading for $779.296 with a net effect on earnings of $4.930.0.

The following reclassificartions were made in 2013:

On November 19, 2013, and following Section 4.,2 (a) of Chapter I of the Accounting and Finance Circular, investments available for sale are reclassified as investments held to maturity after one year. TIPs with a market value of $29,984 generated an effect on results of $3,813.0

On December 5, 2013, following Circular 35/2013, TES were reclassified from investments available for sale to trading investments for a total of $248,927,0 with an effect of $(2,417.0) and TIPS were reclassified from investments available for sale to investments held to maturity for $256,271.0 with an effect on results of $28,755.0

5.3 Investment classification

	2014	% held.	Allowance	2013	% held	Allowance
Long term rating						
AAA	$443,823.0	7.17%	0.0	555,772.3	9.52%	0.0
AA+	135,234.3	2.19%	0.0	76,999.9	1.32%	0.0
AA	65,661.9	1.06%	0.0	153,241.6	2.63%	0.0
AA-	35,196.7	0.57%	0.0	32,847.5	0.56%	0.0
A+	70,095.7	1.13%	0.0	57,543.1	0.99%	0.0
A-	30,675.5	0.50%	0.0	17,384.7	0.30%	0.0
A	123,655.0	2.00%	0.0	160,526.3	2.75%	0.0
BBB+	66,914.5	1.08%	0.0	57,425.5	0.98%	0.0
BBB	120,221.4	1.94%	0.0	64,392.1	1.10%	0.0
BBB-	61,693.3	1.00%	0.0	48,384.4	0.83%	0.0
BB+	14,329.6	0.23%	1,588.8	12,719.8	0.22%	2,221.5
BB-	4,659.7	0.08%	470.9	0.0	0.00%	0.0
B+	902.4	0.01%	335.7	0.0	0.00%	0.0
CCC	1,334.2	0.02%	670.3	0.0	0.00%	0.0
Nación	4,080,738.9	65.95%	0.0	3,929,896.5	67.33%	0.0
	5,255,136.1	84.93%	3,065.7	5,167,133.7	88.52%	2,221.5

Short-term rating						
1	4,061.7	0.07%	0.0	18,034.3	0.31%	0.0
1+	909,057.8	14.69%	0.0	632,583.7	10.84%	0.0
2	19,138.5	0.31%	0.0	19,140.1	0.33%	0.0
	932,258.0	15.07%	0.0	669,758.1	11.48%	0.0
	6,187,394.1	100.00%	3,065.7	5,836,891.8	100.00%	2,221.5
Equities						
A	1,582,856.0	100.00%	0.0	1,311,219.2	96.81%	13,440.7
B	9.8	0.00%	1.9	0.0	0.00%	0.0
C	0.0	0.00%	0.0	9.8	0.00%	3.9
AA+	0.0	0.00%	0.0	43,148.4	3.19%	0.0
	1,582,865.8	100.00%	1.9	1,354,377.4	100.00%	13,444.6
	$ 7,770,259.9	100.00%	3,067.6	7,191,269.2	100.00%	15,666.1

Allowances against unrated investments are made on the basis of an internal classification, following Chapter I of Superintendency Circular 100/1995..

5.4 Investment classification by issuer

	2014		2013	
	Gross value	Allowance	Gross value	Allowance
Foreign currency				
Financial Institutions	$ 1,302,742.0	0.0	1,088,712.6	0.0
Banks outside Colombia	81,820.4	0.0	48,006.2	0.0
Colombian government	5,819.1	0.0	27,680.4	0.0
Organismos Multilaterales de Crédito	12,483.8	0.0	9,900.5	0.0
Corporativo	33,498.7	0.0	8,429.9	0.0
Local currency				
Colombian government	4,074,919.8	0.0	3,902,216.1	0.0
Regional government and local authorities	222.9	0.0	669.3	0.0
Financial institutions	1,532,946.2	0.0	1,052,266.5	2,221.5
Corporate	34,170.3	1.9	70,659.7	13,444.6
Titularizadora	691,636.7	3,065.7	982,728.0	0.0
	$ 7,770,259.9	3,067.6	7,191,269.2	15,666.1

5.5 Investment portfolio by currency

	2014	2013
Pesos	$ 4,766,810.5	5,611,120.0
Dollars	1,435,268.9	1,206,215.9
UVR	1,568,180.5	373,933.3
	$ 7,770,259.9	7,191,269.2

5.6 Investment portfolio by maturities

2014		0-1 years	1-5 years	5-10 years	Over 10 years	Total
Trading	$	638,058.7	1,552,967.2	552,164.5	127,528.2	2,870,718.6
Available for sale						
Debt securities		345,689.9	1,499,273.3	211,703.1	83,761.8	2,140,428.1
Held to maturity		699,903.4	9,472.3	90,905.4	375,966.3	1,176,247.4
	$	1,683,652.0	3,061,712.8	854,773.0	587,256.3	6,187,394.1

2013		0-1 years	1-5 years	5-10 years	Over 10 years	Total
Trading	$	389,692.2	1,529,218.7	342,008.0	550,516.1	2,811,435.0
Available for sale						
Debt securities		406,077.1	1,053,800.9	245,209.9	91,770.6	1,796,858.5
Held to maturity		654,309.9	112,377.4	116,937.2	344,973.8	1,228,598.3
	$	1,450,079.2	2,695,397.0	704,155.1	987,260.5	5,836,891.8

(*) Equity investments available for sale are not included

5.7 Maximum, mínimum and average balances

The maximum, minimum and average balances of the fixed-yield portfolio were as follows on December 31, 2014 and 2013:

2014

Investments	Minimum	Maximum	Average
Trading, debt securities	1,701,560.8	2,955,446.9	2,344,568.4
Held to maturity	1,176,247.4	1,355,115.7	1,259,276.0
Available for sale, debt securities	1,019,635.0	1,817,627.5	1,435,426.5
Available for sale, equities	1,320,856.8	1,582,865.8	1,390,428.1
Available for sale, delivered in guarantee	163,820.8	709,652.5	356,189.5
Trading, delivered in guarantee	0.0	485,107.5	161,179.7

Investments	2013 Minimum	2013 Maximum	2013 Average
Trading, debt securities	2,318,594.5	4,794,550.3	3,452,021.0
Held to maturity	572,816.5	1,228,598.2	811,306.8
Available for sale, debt securities	695,930.0	2,178,839.6	1,307,796.3
Available for sale, equities	1,196,543.1	1,358,920.3	1,290,873.0
Available for sale, delivered in guarantee	0.0	760,516.3	17,141.6
Trading, delivered in guarantee	105,976.0	516,025.1	192,437.5

5.8 Allowance against investments

The movement of the allowance is as follows

		2014	2013
Opening balance	$	15,666.1	16,143.9
Plus:			
Allowance expensed		2,973.4	2.6
Less:			
Written off		5,382.8	0.0
Written back - recoveries		10,189.1	480.4
Closing balance	$	3,067.6	15,666.1

5.9 Investments available for sale – equities

Equity and debt investments were evaluated and rated for credit risk at December 31, 2014 and 2013 as required by Superintendency Circular 100.

The following is the detail of equity investments available for sale and their calssification at December 31, 2014 and 2013:

2014

Name	% held-	Acquisition Cost	Adjusted Cost	Valuation Gain/loss	Allowance	Dividends	
Investments outside Colombia						Cash	shareds
Banco Davivienda Panamá S.A.	99.999%	62,884.3	69,624.4	269,641.3	0.0	0.0	0.0
Grupo del Itsmo Costa Rica S.A.	100.000%	330,292.8	402,260.2	40,988.3	0.0	8,215.8	0.0
Inversiones Financieras Davivienda S.A.	96.122%	419,222.5	553,952.1	87,997.4	0.0	65,789.0	0.0
Banco Davivienda Honduras S.A.	94.216%	167,040.1	205,736.8	27,790.9	0.0	6,316.3	0.0
Seguros Bolívar Honduras S.A.	88.642%	52,591.2	54,193.8	8,885.6	0.0	0.0	0.0
Corporación Andina de Fomento	0.004%	328.8	619.5	123.2	0.0	0.0	0.0
		1,032,359.7	1,286,386.8	435,426.7	0.0	80,321.1	0.0
Investments in Colombia							
Affiliates							
Corredores Asociados S.A.	94.900%	43,148.4	43,148.4	1,294.9	0.0	0.0	0.0
Davivalores S.A.	79.000%	2,405.7	8,769.1	5,856.1	0.0	339.4	1,723.0
Fiduciaria Davivienda S.A.	94.700%	381.0	100,305.6	23,249.0	0.0	15,975.1	0.0
		45,935.1	152,223.1	30,400.0	0.0	16,314.5	1,723.0
Other							
Finagro	12.670%	52,149.7	95,776.8	4,947.6	0.0	0.0	15,621.0
Compañía de Inv. del Café S.A. *	0.000%	0.0	0.0	0.0	0.0	0.0	0.0
Cámara de Riesgo Central de Contraparte	4.681%	1,563.7	1,872.4	(352.3)	0.0	0.0	0.0
Almacafé	0.009%	9.8	9.8	0.0	1.9	0.0	0.0
Titularizadora Colombiana S.A.	26.850%	17,499.8	26,465.1	9,199.5	0.0	4,710.4	0.0
Redeban Multicolor S.A.	26.039%	8,229.8	8,229.9	15,124.2	0.0	0.0	0.0
A.C.H. Colombia S.A.	18.418%	1,848.5	1,848.5	2,720.0	0.0	460.5	0.0
Deceval S.A.	11.846%	4,488.9	4,930.1	2,969.4	0.0	2,883.0	0.0
Cámara de Compensación Divisas de Colombia S.A.	6.821%	159.4	181.7	143.6	0.0	47.7	0.0
Tecnibanca S.A.	0.941%	85.6	467.2	180.8	0.0	72.8	69.0
Cifin	9.170%	550.2	1,537.8	1,680.6	0.0	658.5	988.0
Multiactivos	21.120%	2,548.9	2,936.6	1,395.6	0.0	0.0	0.0
		89,134.3	144,255.9	38,009.0	1.9	8,832.9	16,678.0
Total Investments in Colombia		135,069.4	296,479.0	68,409.0	1.9	25,147.4	18,401.0
Total Investments	$	1,167,429.1	1,582,865.8	503,835.7	1.9	105,468.5	18,401.0

La Compañía Promotora de inversiones del Café S.A. fue liquidada en diciembre de 2014.

En noviembre de 2014 las Asambleas de Davivalores y Corredores Asociados autorizaron la fusión en donde Corredores Asociados es la absorbente.

Todas las inversiones tienen calificación de riesgo crediticio en “A”, excepto, Almacafé que está calificado en “B”

BANCO DAVIVIENDA S.A.

Notes to the financial statements

2013

Name	% held cipac.	Acquisition Cost	Adjusted cost	Valuation gain/loss .	Allowance	Dividends	
Investments outside Colombia						Cash	Shares
Banco Davivienda Panamá S.A.	99.999%	62,884.3	56,070.4	177,714.1	0.0		
Grupo del Itsmo Costa Rica S.A.	100.000%	330,292.8	344,532.1	8,334.2	0.0	1,921.2	
Inversiones Financieras Davivienda S.A.	96.122%	419,222.5	446,139.7	83,953.7	0.0	2,813.1	
Banco Davivienda Honduras S.A.	94.216%	167,040.1	173,056.2	9,392.8	0.0	858.1	
Seguros Bolívar Honduras S.A.	88.642%	52,591.2	54,485.3	5,888.0	0.0	364.8	
Corporación Andina de Fomento	0.004%	328.8	499.0	86.4	0.0		0.0
		1,032,359.7	1,074,782.7	285,369.2	0.0	5,957.2	0.0
Investments in Colombia							
Affiliates							
Corredores Asociados S.A.	94.900%	43,148.4	43,148.4	-99.0	0.0		
Davivalores S.A.	79.000%	2,405.7	7,046.2	6,873.0	0.0		4,064.9
Fiduciaria Davivienda S.A.	94.700%	381.0	100,305.5	16,869.0	0.0		28,469.9
		45,935.1	150,500.1	23,643.0	0.0		32,534.8
Other							
Finagro	12.670%	52,149.7	80,156.2	10,581.2	0.0		6,596.9
Compañía de Inv. del Café S.A. *	29.537%	13,440.7	13,440.7	0.0	13,440.7		
Cámara de Riesgo Central de Contraparte	4.639%	1,563.7	1,872.4	-465.0	0.0		
Almacafé	0.009%	9.8	9.8	0.0	3.9		
Titularizadora Colombiana S.A.	21.120%	17,499.8	14,563.2	14,178.3	0.0	5,440.8	
Redeban Multicolor S.A.	26.039%	8,229.8	8,229.9	10,586.3	0.0	7,458.3	
A.C.H. Colombia S.A.	18.418%	1,848.5	1,848.5	2,460.2	0.0	202.6	
Deceval S.A.	11.846%	4,488.9	4,930.1	2,645.5	0.0	3,108.1	
Cámara de Compensación Divisas de Colombia S.A.	6.375%	159.4	159.4	112.9	0.0	57.4	
Tecnibanca S.A.	0.941%	85.6	397.8	189.7	0.0		71.8
Cifin	9.170%	550.2	550.1	1,851.0			
Multiactivos	21.120%	2,548.9	2,936.5	1,382.3	0.0	0.0	0.0
		102,575.0	129,094.6	43,522.4	13,444.6	16,267.2	6,668.7
Total investments in Colombia		148,510.1	279,594.7	67,165.4	13,444.6	16,267.2	39,203.5
Total Inverstments	$	1,180,869.8	1,354,377.4	352,534.6	13,444.6	22,224.4	39,203.5

* Compañía de inversiones del Café S.A. in liquidation since May 2012

All investments were classed A except Almacafé, classed “C”.

Acquisition of Corredores Asociados S.A.

On February 28, 2013 a contract was signed for the purchase of 100% Corredores Asociados for $120.000.0 through Fidudavivienda, Sociedades Bolívar, in which the Bank acquired 94,899%. The Superintendency authorized this purchase on May 16 and it was complete don September 25, when the first payment was made, for $56.940.0 and goodwill was recorded for $70.732.0. The second payment was agreed for the fifth anniversary of the purchase i .e. September 25, 2018. Nonetheless an advance payment was made on December 27, 2013 to 20 of the sellers for $2.738.0, and the financial discount recorded as a payable was reduced by $1.411 and for the payment made by the Bank in respect of litigation in relation to Bank Transaction Tax reconciled with DIAN for $2.475. At the close of 2013, the outstanding balance was $50.316.

6 Loans and financial leasing operations

6.1 Loans and financial leasing by mode

	2014	2013
Commercial		
Corporate and construction	$ 13,929,772.3	11,290,233.3
Other commercial	5,169,806.6	4,359,402.5
Credit cards	351,006.0	338,314.9
Vehicles	460,750.4	313,389.9
Overdrafts	172,787.6	170,074.6
	20,084,122.9	16,471,415.2
Residential leasing	4,447,481.8	3,556,862.0
	24,531,604.7	20,028,277.2
Home mortgage loans	4,685,048.3	4,143,671.7
Consumer:		
Credit cards	2,833,830.3	2,804,991.2
Other consumer lines	7,231,589.5	5,655,861.3
Vehicles	1,347,010.3	1,213,391.1
Overdrafts	37,378.7	37,625.5
	11,449,808.8	9,711,869.1
Microcredit	90,627.8	74,824.3
Financial leasing	177,966.4	140,524.3
Total gross loans	$ 40,935,056.0	34,099,166.5
Less: individual allowancel	(1,662,815.3)	(1,451,018.1)
Sub-total	$ 39,272,240.7	32,648,148.4
Less: General allowance	(47,765.8)	(42,195.5)
Total net loans	$ 39,224,474.9	32,605,952.9

6.2 Low-cost housing

The Bank placed $1.813.226.5, of which $862.523.6 were individual loans and $950.702.9 were contruction loans at December 31, 2014; and of the total of $1.581.901.0 at December 31, 2013 $785.735.5 were individual loans and $795.165 were construction loans.

The balance and number of low-cost housing loans were as follows::

	2014		2013	
	No. loans	Amount	No, loans	Amount
Individual	122,788	$3,181,202.3	108,660	$2,627,709.4
Construction	200	689,313.9	178	549,338.9
	122,988	3,870,516.2	108,838	3,177,048.3

6.3 Subsidized-rate loans

Decree 1143/2009: Issued by the Government under "conditional cover". The Bank implemented procedures to apply this mechanism for disbursements of mortgage loans and residential leasing operations for the acquisition of new housing.

This procedure provides for reduced interest rates for the first 7 years of each loan, within certain ranges:

The cover benefit ends if:

- The loan or leasing contract is prepaid,
- The debtor is in arrears more than 3 consecutive months,
- The debtor requests it,
- The loan is subrogated,
- The leasing contract is assigned, or
- Term is accelerated.

As of July 3, 2012 Decree 1190/2012 came into effect, offering new interest rate cover for debtors of new mortgage loans and residential leasing operations for amounts not exceeding 135 SMMLV (approx US$40,000) in order to facilitate the financing of new low-cost housing for urban areas.

Decree 1544/2014 set dates for the disbursement of the new phase of interest rate cover for the financing of new low-cost urban housing-

The benefit applies for the first 7 years from disbursement date or the initiation date of a residential leasing operation, and the interest rate is reduced as follows:

Cover provided by the Bank

The Bank offered customers an additional stimulus as of installment 85 and for the next 8 years: the Bank will take up the amount formerly paid by the Government and on the same conditions. At December 31, 2014 and 2013 an estimated provision was made for $16.602.9 and $13.157.9, base don a model that takes account of the real performance of loans.

Decree 0701/2014.
The Government, following its countercyclical policy designed to facilitate the acquisition of new housing by improving debtor financial capacity and promoting the construction sector, provided FRECH funds on

March 19, 2014 to focus on new housing and residential property leasing operations by credit establishments for the first 7 years from disbursement or initiation of the leasing contract.

The Bank has disbursed loans with rate cover and as specified in each Decree, as follows:

Decree	Proeprty value in SMMLV	Rate cover % tasa %	Disbursement value	Capital balance Capital
1143/2009	Vis up to 135	5%	$908,203.0	$731,457.5
	>135 - 235	4%	317,798.9	238,526.4
	>235 - 335	3%	317,924.4	228,813.0
	Total		$1,543,926.3	$1,198,796.9
1190/2012	VIS up to 70	5%	$204,888.7	$196,468.5
	>70 -.a 135	4%	1,029,202.2	990,062.7
	Total		$1,234,090.9	$1,186,531.2
0701/2013	>135 SMMLV -a 235 SMMLV >235 SMMLV -a 235 SMMLV	2.5%	$870,336.1	$820,714.3
	Total		$3,648,353.3	$3,206,042.4

6.4 Loans and financial leasing operations by risk category and collateral

At December 31, 2014 and 2013, the Bank evaluated all loans and financial leasing operations as required by Superintendency Circulñart 100/1995, The result was as follows:

2014

	CAPITAL	INTEREST	OTHER	TOTAL	ADMISSIBLE COLLATERAL	ALLOWANCE CAPITAL	ALLOWANCES INTEREST	ALLOWANCES OTHER
*COMMERCIAL- ADMISSIBLE COLLATERAL								
A - Normal	$ 10,343,387.8	72,618.6	5,422.5	10,421,428.9	28,412,690.7	194,231.9	1,686.6	272.7
B – Acceptable	388,116.4	6,471.0	636.8	395,224.2	931,997.9	48,027.1	656.6	225.5
C – Deficient	82,691.4	2,117.1	423.2	85,231.7	255,998.5	16,033.6	1,738.0	364.6
D – Doubtful	119,954.8	3,850.1	984.1	124,789.0	412,067.4	96,216.8	3,850.1	984.1
E - Unrecoverable	40,400.7	864.4	393.9	41,659.0	90,163.0	39,447.7	864.4	393.9
	10,974,551.1	85,921.2	7,860.5	11,068,332.8	30,102,917.5	393,957.1	8,795.7	2,240.8
*COMMERCIAL – OTHER COLLATERAL								
A - Normal	13,136,351.6	92,227.4	6,886.6	13,235,465.6	0.0	246,679.1	2,142.0	346.3
B – Acceptable	339,988.1	5,668.6	557.8	346,214.5	0.0	42,071.5	575.2	197.5
C – Deficient	36,351.0	930.7	186.1	37,467.8	0.0	7,048.3	764.0	160.3
D – Doubtful	163,528.6	5,248.6	1,341.6	170,118.8	0.0	131,167.6	5,248.6	1,341.6
E - Unrecoverable	45,785.3	979.5	446.3	47,211.1	0.0	44,705.3	979.6	446.3

	13,722,004.6	105,054.8	9,418.4	13,836,477.8	0.0	471,671.8	9,709.4	2,492.0
	$ 24,696,555.7	190,976.0	17,278.9	24,904,810.6	30,102,917.5	865,628.9	18,505.1	4,732.8
*CONSUMER – ADMISSIBLE COLLATERAL								
A - Normal	$ 1,417,055.2	11,872.4	2,396.0	1,431,323.6	2,889,972.9	42,186.3	455.9	117.5
B – Acceptable	38,126.9	684.1	118.5	38,929.5	82,689.6	4,735.8	146.5	44.7
C – Deficient	35,319.1	539.9	109.2	35,968.2	77,478.9	6,654.2	494.3	104.0
D – Doubtful	19,323.5	439.5	91.4	19,854.4	36,115.3	16,334.2	439.5	91.4
E - Unrecoverable	32,522.2	564.0	210.1	33,296.3	53,810.5	30,324.9	564.0	210.1
	1,542,346.9	14,099.9	2,925.2	1,559,372.0	3,140,067.2	100,235.4	2,100.2	567.7
*CONSUMER – OTHER COLLATERAL								
A - Normal	9,086,262.9	76,126.8	15,363.6	9,177,753.3	0.0	270,501.5	2,923.1	753.4
B – Acceptable	301,597.5	5,411.5	937.7	307,946.7	0.0	37,461.9	1,158.9	353.2
C – Deficient	210,042.9	3,211.0	649.2	213,903.1	0.0	39,572.3	2,939.9	618.4
D – Doubtful	203,641.4	4,632.0	963.5	209,236.9	0.0	172,139.5	4,632.0	963.5
E – Unrecoverable	118,026.4	2,046.6	762.8	120,835.8	0.0	110,052.1	2,046.7	762.5
	9,919,571.1	91,427.9	18,676.8	10,029,675.8	0.0	629,727.3	13,700.6	3,451.0
	$ 11,461,918.0	105,527.8	21,602.0	11,589,047.8	3,140,067.2	729,962.7	15,800.8	4,018.7

2014

	CAPITAL	INTEREST	OTHER	TOTAL	ADMISSIBLE COLLATERAL	ALLOWANCE - CAPITAL	ALLOWANCES INTEREST	OTHER
*MICROCREDIT – ADMISSIBLE COLLATERAL								
A - Normal	75,638.3	868.6	347.0	76,853.9	129,532.8	3,100.3	35.6	14.2
B – Acceptable	1,918.8	18.8	17.1	1,954.7	3,462.3	151.6	18.8	17.1
C – Deficient	1,125.5	10.8	19.2	1,155.5	2,010.2	337.7	10.8	19.2
D – Doubtful	445.4	4.3	8.4	458.1	855.8	445.4	4.3	8.4
E – Unrecoverable	1,482.3	16.7	66.2	1,565.2	2,287.5	1,482.3	16.7	66.2
A - Normal	80,610.3	919.2	457.9	81,987.4	138,148.6	5,517.3	86.2	125.1
MICROCREDIT – OTHER COLLATERAL								
A - Normal	$10,379.2	6.5	0.0	10,385.7	0.0	426.5	0.3	0.0
B - Acceptable	176.9	0.0	0.0	176.9	0.0	176.9	0.0	0.0
C - Deficient	116.4	0.3	0.0	116.7	0.0	116.4	0.3	0.0
D - Doubtful	46.9	0.4	0.0	47.3	0.0	46.9	0.4	0.0
E - Unrecoverable	204.3	1.0	0.0	205.3	0.0	204.2	1.0	0.0
	10,923.7	8.2	0.0	10,931.9	0.0	970.9	2.0	0.0
General allowance						915.3		
	91,534.0	927.4	457.9	92,919.3	138,148.6	7,403.5	88.2	125.1

HOME MORTGAGE

A - Normal	4,488,048.3	19,661.0	8,010.6	4,515,719.9	11,239,677.6	45,469.4	1,455.0	1,404.8
B - Acceptable	132,469.3	426.6	1,038.6	133,934.5	359,378.7	5,386.1	426.6	1,038.6
C - Deficient	49,976.7	146.0	800.4	50,923.1	134,826.4	5,014.8	146.0	800.4
D - Doubtful	13,842.9	39.6	416.1	14,298.6	39,135.0	4,154.2	39.6	416.1
E - Unrecoverable	711.1	1.0	26.0	738.1	2,732.8	711.0	1.0	26.0
	4,685,048.3	20,274.2	10,291.7	4,715,614.2	11,775,750.5	60,735.5	2,068.2	3,685.9
General allowance						46,850.5		
	$4,685,048.3	20,274.2	10,291.7	4,715,614.2	11,775,750.5	107,586.0	2,068.2	3,685.9
	$40,935,056.0	317,705.4	49,630.5	41,302,391.9	45,156,883.8	1,710,581.1	36,462.3	12,562.5

*Includes balances of capital, interest and other ítems in financial leasing operations
Commercial loans with admissible collateral include residential leasing

2013

	CAPITAL	INTEREST	OTHER	TOTAL	ADMISSIBLE COLLATERAL	ALLOWANCE-	ALLOWANCES	
						CAPITAL	INTEREST	OTHER
*COMMERCIAL- ADMISSIBLE COLLATERAL GARANTIA IDÓNEA								
A - Normal	$ 7,058,076.7	47,740.5	4,313.0	7,110,130.2	25,757,452.5	136,592.0	1,230.0	220.3
B – Acceptable	273,100.5	4,981.9	539.3	278,621.7	671,712.0	35,394.1	440.9	169.6
C – Deficient	49,877.4	1,074.3	219.5	51,171.2	151,091.1	14,479.9	890.8	186.8
D - Doubtful	79,502.9	2,930.6	717.1	83,150.6	298,239.9	58,132.2	2,930.6	717.1
E – Unrecoverable	24,746.5	564.1	103.6	25,414.2	103,241.2	24,466.9	564.1	103.6
	7,485,304.0	57,291.4	5,892.5	7,548,487.9	26,981,736.7	269,065.1	6,056.4	1,397.4
*COMMERCIAL – OTHER COLLATERAL								
A - Normal	12,158,596.3	82,240.1	7,429.7	12,248,266.1	0.0	235,300.3	2,118.9	379.5
B – Acceptable	281,916.7	5,142.7	556.7	287,616.1	0.0	36,536.7	455.2	175.0
C – Deficient	55,297.1	1,191.0	243.3	56,731.4	0.0	16,053.3	987.6	207.1
D - Doubtful	s133,478.7	4,920.2	1,204.0	139,602.9	0.0	97,599.0	4,920.2	1,204.0
E – Unrecoverable	42,372.0	965.9	177.4	43,515.3	0.0	41,893.4	965.9	177.4
	12,671,660.8	94,459.9	9,611.1	12,775,731.8	0.0	427,382.7	9,447.8	2,143.0
	$ 20,156,964.8	151,751.3	15,503.6	20,324,219.7	26,981,736.7	696,447.8	15,504.2	3,540.4
*CONSUMER – ADMISSIBLE COLLATERAL								
A - Normal	$ 1,092,737.5	9,805.4	3,031.5	1,105,574.4	2,541,907.7	33,003.6	376.1	136.4
B - Acceptable	32,227.4	572.5	113.6	32,913.5	71,990.7	4,054.0	163.4	44.2
C - Deficient	27,457.4	413.5	100.4	27,971.3	60,981.1	5,238.1	377.6	96.3
D - Doubtful	15,538.2	373.8	75.6	15,987.6	28,716.9	13,212.7	373.8	75.6
E - Unrecoverable	37,352.3	679.1	264.5	38,295.9	62,530.1	35,336.5	679.1	264.5
	1,205,312.8	11,844.3	3,585.6	1,220,742.7	2,766,126.5	90,844.9	1,970.0	617.0

*CONSUMER – OTHER COLLATERAL								
A - Normal	7,681,972.6	68,931.9	21,311.7	7,772,216.2	0.0	232,016.2	2,644.1	959.1
B - Acceptable	302,979.1	5,382.5	1,067.6	309,429.2	0.0	38,112.4	1,536.2	415.5
C - Deficient	196,139.6	2,954.1	717.4	199,811.1	0.0	37,417.9	2,697.5	688.2
D - Doubtful	206,371.9	4,964.5	1,003.9	212,340.3	0.0	175,485.3	4,964.5	1,003.9
E - Unrecoverable	129,873.6	2,361.2	919.6	133,154.4	0.0	122,864.5	2,361.2	919.6
	8,517,336.8	84,594.2	25,020.2	8,626,951.2	0.0	605,896.3	14,203.5	3,986.3
General allowance								
	$ 9,722,649.6	96,438.5	28,605.8	9,847,693.9	2,766,126.5	696,741.2	16,173.5	4,603.3

2013

	CAPITAL	INTEREST	OTHER	TOTAL	ADMISSIBLE COLLATERAL	ALLOWANCE-CAPITAL	ALLOWANCES INTEREST	OTHER
*MICROCREDIT – ADMISSIBLE COLLATERAL								
A – Normal	71,984.9	751.8	295.2	73,031.9	110,381.7	2,951.3	30.8	12.1
B - Acceptable	1,169.7	10.0	11.6	1,191.3	2,143.9	141.2	10.0	11.6
C – Deficient	333.1	2.6	5.6	341.3	318.8	143.4	2.6	5.6
D – Doubtful	411.6	2.3	12.6	426.5	866.4	411.6	2.3	12.6
E - Unrecoverable	876.8	9.3	43.2	929.3	1,141.1	876.6	9.3	43.2
A – Normal	74,776.1	776.0	368.2	75,920.3	114,851.9	4,524.1	55.0	85.1
MICROCREDIT – OTHER COLLATERAL								
A – Normal	$996.5	9.0	0.0	1,005.5	0.0	40.9	0.4	0.0
B - Acceptable	45.0	0.7	0.0	45.7	0.0	45.0	0.7	0.0
C – Deficient	21.0	0.2	0.0	21.2	0.0	21.0	0.2	0.0
E - Unrecoverable	41.8	0.3	0.0	42.1	0.0	41.8	0.3	0.0
	1,104.3	10.2	0.0	1,114.5	0.0	148.7	1.6	0.0
General allowance						758.8		
	75,880.4	786.2	368.2	77,034.8	114,851.9	5,431.6	56.6	85.1
HOME MORTGAGES								
A - Normal	3,985,306.8	17,638.0	8,807.6	4,011,752.4	10,150,874.4	40,679.3	1,260.3	1,732.8
B - Acceptable	106,998.6	239.6	1,070.2	108,308.4	304,962.6	4,321.3	239.6	1,070.2
C - Deficient	37,716.7	108.2	664.4	38,489.3	108,605.1	3,793.2	108.2	664.4
D - Doubtful	13,269.4	73.5	418.3	13,761.2	40,319.4	3,982.3	73.5	418.3
E - Unrecoverable	380.2	0.2	9.8	390.2	1,859.2	380.2	0.2	9.8
	4,143,671.7	18,059.5	10,970.3	4,172,701.5	10,606,620.7	53,156.3	1,681.8	3,895.5
General allowance						41,436.7		
	$4,143,671.7	18,059.5	10,970.3	4,172,701.5	10,606,620.7	94,593.0	1,681.8	3,895.5
	$ 34,099,166.5	267,035.5	55,447.9	34,421,649.9	40,469,335.8	1,493,213.6	33,416.1	12,124.3

*Includes balances of capital, interest and other ítems in financial leasing operations
Commercial loans with admissible collateral include residential leasing

6.5Loans and financial leases by economic sector

	2014		2013	
Sector	Balance	share	Balance	share
Families for acquisition of goods and services	$11,461,918.1	28.00%	9,722,649.8	28.51%
Family housing	9,132,530.2	22.31%	7,700,533.8	22.58%
Business services	2,560,352.0	6.25%	1,875,917.3	5.50%
Construction	3,553,731.2	8.68%	3,099,651.9	9.09%
Wholesale and retail trade	2,566,646.8	6.27%	1,982,035.4	5.81%
Transport and communications	2,881,232.9	7.04%	2,318,352.6	6.80%
Agriculture, forestry, animal husbandry, hunting, fishing	1,364,893.2	3.33%	1,134,832.0	3.33%
Food preparation	997,548.8	2.44%	921,950.7	2.70%
Health education, leisure and culture	483,442.1	1.18%	348,701.3	1.02%
Vehicles	483,652.5	1.18%	292,114.0	0.86%
Public administration, defence	409,726.6	1.00%	457,847.7	1.34%
Mfr of textiles, clothing, leather, leathergoods	337,773.2	0.83%	269,943.9	0.79%
Electricity gas and wáter supplies	1,227,913.0	3.00%	982,974.0	2.88%
Mfr of base metal and prepared products	343,044.6	0.84%	225,449.4	0.66%
Mfr of non-metal mineral products	201,399.4	0.49%	243,442.7	0.71%
Mfr of chemicals and rubber	990,304.6	2.42%	661,923.6	1.94%
Mfr of paper, paper products, printing and publishing	260,502.2	0.64%	358,037.0	1.05%
Mfr. Pf other manufactured products, incl.., wood	60,584.5	0.15%	26,976.8	0.08%
Mining, coal, crude oil, natural gas	572,226.1	1.40%	448,572.0	1.32%
Mfr of transport materials	69,989.6	0.17%	56,499.1	0.17%
Mfr of machinery and equipment	148,327.4	0.36%	104,495.9	0.31%
Hotels and restaurants	138,654.8	0.34%	199,996.4	0.59%
Extraction of metal and non-metal minerals	19,325.7	0.05%	5,061.7	0.01%
Mfr of oil and coal by-products	28,258.1	0.07%	52,741.8	0.15%
Mfr of beverages and tobacco	18,006.1	0.04%	13,605.6	0.04%
Other	623,072.3	1.52%	594,860.1	1.76%
	$ 40,935,056.0	100.0%	$ 34,099,166.5	100.0%

BANCO DAVIVIENDA S.A.
Notes to the financial statements

6.6. Loans and leases by geographical zones

COMMERCIAL

2014

	CAPITAL	INTEREST	OTHER	TOTAL	GARANTIAS	ALLOWANCE CAPITAL	ALLOWANCES INTERES	OTHER
Bogotá	$ 12,717,591.9	98,325.1	7,311.5	12,823,228.5	15,283,234.9	427,921.9	7,770.3	2,086.8
Antioquia	4,234,768.4	33,747.1	4,501.8	4,273,017.3	5,726,856.2	154,486.2	4,078.6	1,092.1
Nororiental	4,061,396.1	34,417.6	3,523.7	4,099,337.4	5,251,752.6	188,548.6	4,730.9	987.4
Suroccidental	2,888,557.2	20,692.2	1,941.8	2,911,191.2	3,823,007.7	84,040.2	1,872.7	566.5
Miami	794,242.1	3,794.0	0.1	798,036.2	18,066.1	10,632.0	52.6	0.0
	$ 24,696,555.7	190,976.0	17,278.9	24,904,810.6	30,102,917.5	865,628.9	18,505.1	4,732.8
CONSUMER								
Bogotá	5,457,558.4	51,158.9	10,866.9	5,519,584.2	1,518,883.7	362,391.2	7,932.3	2,014.5
Antioquia	2,052,622.0	17,042.0	3,223.1	2,072,887.1	631,227.5	113,289.5	2,236.5	523.0
Nororiental	2,423,063.6	24,099.9	4,773.9	2,451,937.4	605,139.4	166,267.6	3,793.3	984.5
Suroccidental	1,527,729.4	13,216.7	2,738.1	1,543,684.2	384,816.6	87,987.0	1,838.7	496.7
Miami	944.6	10.3	0.0	954.9	0.0	27.4	0.0	0.0
	11,461,918.0	105,527.8	21,602.0	11,589,047.8	3,140,067.2	729,962.7	15,800.8	4,018.7
MICROCREDIT								
Bogotá	91,534.0	927.4	457.9	92,919.3	138,148.6	7,403.5	88.2	125.1
	91,534.0	927.4	457.9	92,919.3	138,148.6	7,403.5	88.2	125.1
HOME MORTGAGE								
Bogotá	3,220,999.0	13,720.4	7,068.9	3,241,788.3	8,050,666.6	42,230.5	1,409.6	2,676.0
Antioquia	473,155.3	2,060.6	945.8	476,161.7	1,283,229.2	5,436.6	148.5	202.5
Nororiental	534,126.8	2,420.2	1,401.5	537,948.5	1,340,534.1	7,318.7	311.0	525.6
Suroccidental	456,767.2	2,073.0	875.5	459,715.7	1,101,320.6	5,749.7	199.1	281.8
General allowance						46,850.5		
	4,685,048.3	20,274.2	10,291.7	4,715,614.2	11,775,750.5	107,586.0	2,068.2	3,685.9
	$ 40,935,056.0	317,705.4	49,630.5	41,302,391.9	45,156,883.8	1,710,581.1	36,462.3	12,562.5

COMMERCIAL

2013

	CAPITAL	INTEREST	OTHER	TOTAL	COLLATERAL	ALLOWANCES CAPITAL	ALLOWANCES INTEREST	OTHER
Bogotá	$ 9,776,117.0	68,761.1	6,128.6	9,851,006.7	14,065,869.4	335,083.6	6,018.4	1,473.9
Antioquia	3,902,836.1	32,368.3	4,182.4	3,939,386.8	5,130,513.1	130,391.3	3,508.5	810.2
Nororiental	3,477,592.6	31,231.8	3,437.7	3,512,262.1	5,045,565.3	159,058.5	4,342.6	844.9
Suroccidental	2,525,735.6	17,548.3	1,754.9	2,545,038.8	2,738,887.8	65,861.8	1,610.7	411.4
Miami	474,683.5	1,841.8	0.0	476,525.3	901.1	6,052.6	24.0	0.0
	$ 20,156,964.8	151,751.3	15,503.6	20,324,219.7	26,981,736.7	696,447.8	15,504.2	3,540.4
CONSUMER								
Bogotá	4,700,780.5	47,098.7	14,648.3	4,762,527.5	1,413,191.6	350,683.2	8,273.9	2,413.2
Antioquia	1,706,818.0	15,374.7	4,340.3	1,726,533.0	522,900.0	101,794.8	2,205.0	594.7
Nororiental	2,031,309.9	21,430.3	5,981.4	2,058,721.6	529,700.5	156,565.5	3,675.6	1,061.9
Suroccidental	1,283,719.8	12,534.8	3,635.8	1,299,890.4	300,334.4	87,697.1	2,019.0	533.5
Miami	21.4	0.0	0.0	21.4	0.0	0.6	0.0	0.0
	9,722,649.6	96,438.5	28,605.8	9,847,693.9	2,766,126.5	696,741.2	16,173.5	4,603.3
MICRO								
Bogotá	75,880.4	786.2	368.2	77,034.8	114,851.9	5,431.6	56.6	85.1
	75,880.4	786.2	368.2	77,034.8	114,851.9	5,431.6	56.6	85.1
MORTGAGE								
Bogotá	2,883,505.8	12,393.2	7,561.2	2,903,460.2	7,331,651.6	37,406.6	1,183.9	2,748.4
Antioquia	383,170.4	1,702.8	1,027.2	385,900.4	1,092,389.5	4,694.6	145.0	287.0
Nororiental	477,767.1	2,175.3	1,523.5	481,465.9	1,223,510.2	6,085.9	212.1	569.7
Suroccidental	399,228.4	1,788.2	858.4	401,875.0	959,069.4	4,969.2	140.8	290.4
General allowance						41,436.7		
	4,143,671.7	18,059.5	10,970.3	4,172,701.5	10,606,620.7	94,593.0	1,681.8	3,895.5
	$ 34,099,166.5	267,035.5	55,447.9	34,421,649.9	40,469,335.8	1,493,213.6	33,416.1	12,124.3

6.7 Loans and leasing operations by monetary unit

2014

ITEM	Local Currency	Foreign Cujrrency	UVR	Total
Commercial	$ 18,878,854.8	3,812,164.5	2,005,536.4	24,696,555.7
Microcredit	91,534.0	0.0	0.0	91,534.0
Consumer	11,385,799.9	76,118.1	0.0	11,461,918.0
Home Mortgage	3,449,669.1	0.0	1,235,379.2	4,685,048.3
	33,805,857.8	3,888,282.6	3,240,915.6	40,935,056.0

	2013			
ITEM	Local Currency	Foreign Currency*	UVR	Total
Commercial	$ 15,849,631.6	2,722,497.3	1,584,835.9	20,156,964.8
Microcredit	75,880.4	0.0	0.0	75,880.4
Consumer	9,677,369.7	45,279.9	0.0	9,722,649.6
Home Mortgage	3,091,160.0	0.0	1,052,511.7	4,143,671.7
	28,694,041.7	2,767,777.2	2,637,347.6	34,099,166.5

*US dollars

6.8. Loans and leasing operations by maturity bands

2014	0-1 year	1-5 years	5-10 years	Over 10 years	Total
Commercial	$ 5,488,807.6	8,737,957.8	5,670,987.3	4,798,803.1	24,696,555.7
Consumer	1,902,617.9	7,164,982.0	2,282,530.4	111,787.7	11,461,918.0
Microcredit	5,163.0	83,605.2	2,765.7	0.0	91,534.0
Home mortgage	17,911.9	171,341.3	697,342.7	3,798,452.3	4,685,048.3
	$ 7,414,500.5	16,157,886.3	8,653,626.1	8,709,043.0	40,935,056.0

2013	0-1 years	1-5 years	5-10 years	Over 10 years	Total
Commercial	$ 4,423,494.9	6,703,968.7	5,154,261.4	3,875,239.7	20,156,964.8
Consumer	1,851,785.3	6,247,310.5	1,517,634.5	105,919.2	9,722,649.6
Microcredit	5,270.0	67,466.4	3,144.0	0.0	75,880.4
Mortgage loans	21,290.8	168,491.4	643,473.2	3,310,416.3	4,143,671.7
	$ 6,301,841.1	13,187,237.0	7,318,513.1	7,291,575.2	34,099,166.5

6.9. Details of restructured loans

2014	Ordinary	Allowance	Collateral
Commercial	$ 452,771.0	168,367.1	665,222.8
Consumer	780,754.2	178,935.4	56,367.8
Microcredit	455.8	261.7	710.5
Home mortgage	89,464.6	5,492.2	316,576.9
	$ 1,323,445.6	$ 353,056.4	$ 1,038,878.0

2013	Ordinary restructurings	Allowances	Guaranty
Commercial	$ 273,722.1	83,888.2	444.664.0
Consumer	804,467.4	193,253.2	74.751.6
Microcredit	777.7	234.6	1.281.2
Mortgage loans	90,613.3	5,201.7	316.557.2
	$ 1,169,580.5	$ 282,577.7	$837.254.0

Restructured loans by classification

2014	Commercial		Consumer		Microcrédito		Mortgage	
	No. Loans	Amount	No. Loans	Amount	No. Loans	Amount	No. Loans	Amount
A - Normal	1,200	139,032.5	25,818	463,526.1	11	131.8	2,486	46,179.2
B - Acceptable	534	123,777.3	4,188	78,562.3	3	64.0	805	17,666.9
C - Deficient	431	50,872.0	5,357	99,925.0	1	12.6	768	18,290.3
D – Difficult	1,003	89,232.7	4,406	81,258.2	2	55.1	260	6,950.8
E - Unrecoverable	110	49,856.5	3,021	57,482.6	6	192.3	9	377.4
	3,278	452,771.0	42,790.0	780,754.2	23	455.8	4,328.0	89,464.6

2013	Commercial		Consumer		Microcredit		Mortgage loans	
	No. Loans	Amount	No. Loans	Amount	No. Loans	Amount	No. Loans	Amount
A – Normal	1,443	$81,250.9	26,751	460,537.0	18	397.0	2,591	49,333.7
B - Acceptable	498	98,412.5	4,723	89,392.2	10	165.8	823	16,416.4
C - Deficient	348	34,741.8	5,528	103,337.3	1	34.8	779	17,965.8
D - Difficult	751	46,611.0	4,561	88,336.6	2	55.1	302	6,662.5
E - Unrecoverable	82	12,705.9	3,222	62,864.3	3	125.0	10	234.9
	3,122	$ 273,722.1	44,785	$ 804,467.4	34	$ 777.7	4,505	$ 90,613.3

Restructured loans by geographical area

2014

	Commercial	Consumer	Microcredit	Mortgage	Total
Bogotá	$ 160,244.5	395,749.2	455.8	65,535.2	$ 621,984.7
Antioquia	75,169.2	125,434.7	0.0	6,513.9	207,117.8
Nororiental	182,246.7	158,848.1	0.0	9,674.1	350,768.9
Suroccidental	35,110.6	100,722.2	0.0	7,741.4	143,574.2
	452,771.0	780,754.2	455.8	89,464.6	1,323,445.6

2013

	Commercial	Consumer	Microcredit	Mortgage loans
Bogotá	$ 84,687.5	408,163.9	777.7	69,999.1
Antioquia	54,614.5	119,186.1	0.0	5,218.4
Nororiental	86,654.3	113,123.1	167,069.7	0.0
Suroccidental	20,610.7	21,297.0	110,047.7	0.0
	273,722.1	804,467.4	777.7	90,613.3

6.10. Loans to stockholders and staff

Loans include the following items:

Stockholders*	$	277.6	200,243.7
Staff Consumer and Commercial		215,170.3	176,323.6
	$	215,447.9	376,567.3

*Stockholders holding more than 5%

Interest rates vary from 9.51% to 29.69% at terms of 1 to 15 years

Staff loans are made on market terms for Consumer and Commercial loans

6.11 Loan Securitizations

The securitization process for housing loans fall under the rules of Law 546/1999 and Decree 1719/2001. All underlying assets in the securitization were separated and isolated in terms of equity to form a collective assets ("universality") to operate as a source of payment of the securities.

Securities issued by Titularizadora Colombiana are privileged (TIPS A) awarded by auction; and the subordinated issues (TIPS B, C and Mz) are a safety mechanism for the privileged securities in which the originators of the securitized loans participate, valued in accordance with Chapter of the Basic Finance and Accounting Circular.

The following is the detail and conditions of sale of the loan securitizations made in 2014 and 2013 with Titularizadora Colombiana:

2014

Issue	Date	No.	Rate	Capital	Interest	Other*	Total	Profit	Proceeds of sale	Allowances recovered
TIPS Pesos N-9	Sept-16-2014	2717	10.7%	$265,557.2	1,128.7	281.4	266,967.3	2,946.2	270,885.2	5,344.6
TIPS Pesos N-10	Dic-10-2014	3638	11%	353,252.1	1,495.9	372.6	355,120.6	5,298.8	361,345.8	7,181.9
		6,355		$618,809.3	2,624.6	654.0	622,088.0	8,245.0	632,231.0	12,526.5

2013

Issue	Date	No,.	Rate	Capital	Interest	Other	Total	Profit	Proceeds of sale	Allowances Recovered
Tips pesos N-7	Mayo-17-2013	3,350	12.96%	$303,605.0	1,756.2	267.8	305,629.0	15,295.6	322,100.6	6,195.0

- In "Other" deferred balances of loans belonging nto sales have been deducted (advance payments).

6.12 Sale of loans written off

The following is the detail of sales of loans written off at December 31, 2014

2014	Date	No.of loans	Capital	Interest	Other	Total	Sale price
	25-04-2014	42,266	$239,933.3	12,965.5	3,384.1	256,282.9	17,697.6
	22-10-2014	29,522	178,105.2	8,848.2	295.6	187,249.0	11,781.5
	Total	71,788	418,038.5	21,813.7	3,679.7	443,531.9	29,479.1

At December 31, 2014 $1.478.0 was pending payment by the purchaser:

Date	No. Of loans	Capital	Interest	Other ítems	Total	Sale price
March	51,086	253,560.4	9,757.1	2,631.1	265,948.6	16,549.6
September	40,429	188,264.5	7,670.6	2,167.4	198,102.5	11,339.6
	91,515	441,824.9	17,427.7	4,798.5	464,051.1	27,889.2

At the close of 2013, there are receivables for $3.495.0,to be paid in May 2014.

Sales made through auction process

6.13 Loans written off

The following is the detail of loans written off:

	2014			
	Capital	Interest	Other	Total
Commercial	$74,483.4	3,876.2	1,534.4	79,894.0
Consumer	538,605.9	17,143.1	4,448.8	560,197.8
Home mortgage	13,750.1	94.8	684.8	14,529.7
Microcredit	688.5	9.3	50.1	747.9
Other receivables	0.0	0.0	913.5	913.5
	$ 627,527.9	21,123.4	7,631.6	656,282.9

	2013			
	Capital	Interest	Other items	Total
Commercial	$59,572.4	3,189.1	2,645.4	65,406.8
Consumer	694,132.3	23,580.5	5,597.5	723,310.2
Home Mortgage	15,842.0	85.6	1,296.1	17,223.7
Microcredit	988.5	11.5	69.3	1,069.3
Other receivables	0.0	0.0	0.0	7,126.6
	$ 770,535.2	26,866.7	16,734.8	814,136.7

The Bank did not undertake any collector operations.

6.14Loan purchases

The following is the detail of vehicle loan purchases, with lien on purchases, made in the 5 months March-July, 2014:

No., of loans	Capital	Interest	Total	Premium
934	15,878.1	77.5	15,955.6	838.4

At December 31, 2014, the balance the participation of Miami loans is $371.972.0; corresponding tloans partly funded by Miami recorded proportionately within the transaction. This type of transaction therefore does not affect the earnings statement".

Miami provided Panama loans for US$ 45 million, an increase of US$34 million over the year.

6.15 Allowances against loans and financial leases

The movement of the allowances against loans is the following:

		2014				
		Commercial	Consumer	Micro	Mortgage	Total
Opening balance	$	696,447.8	696,741.2	5,431.6	94,593.0	1,493,213.6
Plus:						
Allowance expensed		557,901.1	885,074.7	4,994.1	43,097.7	1,491,067.6
Re-expression of foreign currency loans		952.7	0.0	0.0	0.0	952.7
Other *		285.2	0.0	0.0	0.0	285.2
Less:						
Loans written off		74,483.4	538,606.0	688.4	13,750.1	627,527.9
Other		0.0	0.0	0.0	6.3	6.3
Amounts not recovered on foreclosed assets		0.0	0.0	0.0	441.8	441.8
Written back to income		315,474.5	313,247.2	2,333.8	15,906.5	646,962.0
Closing balance	$	865,628.9	729,962.7	7,403.5	107,586.0	1,710,581.1

*Balance of reversion of write-off in December 2011.

		2013				
		Commercial	Consumer	Micro	Mortgage	Total
Opening balance	$	583,855.0	749,679.1	6,486.1	69,671.9	1,409,692.1
Plus::						
Allowance charged to operating expenses		497,817.4	963,346.3	2,517.6	53,039.9	1,516,721.2
Reexpression foreign branch allowance		214.4	0.0	0.0	0.0	214.4
Less:						
Loans written off		59,572.4	694,132.3	988.5	15,842.0	770,535.2
Amounts not recovered from foreclosed assets		0.0	0.0	0.0	164.9	164.9
Written back to income		325,866.6	322,151.9	2,583.6	12,111.9	662,714.0
Closing balance	$	696,447.8	696,741.2	5,431.6	94,593.0	1,493,213.6

- Includes countercyclical allowance for 362.768.9 and $306.276.1 at December 31, 2014 and 2013.

At December 31, 2014 and 2013, the amounts not recovered in foreclosures for $441.8 and $164.9, respectively, correspond to the difference between the lower value of the asset and the book balance of the debt, written off against the loan allowance account.

The Bank, as part of its policy, made additional loan allowances at December 31, 2014 and 2013 for $39.284.0 and $37.343.0 respectively.

Consumer loans allowances

The portfolio of vehicles is provisioned using the LGD "other collateral" and loans collateralized by payroll deduction are provisioned as "admissible collateral".

Additionally, a methodology is applied to classify restructured or regularized consumer loans in order to avoid volatility in classification.

Superintendency Circular 026 of June 22, 2012
The Circular requires an additional individual allowance on consumer loans of 0.05% in 2014 and 2013. In 2014 and 2013 this caused charges of $37,587.4 and $32,183.0, an increase of $5.04.4

7. Spot operations and derivatives

The following is the detail of spot operations and derivatives by type of product:

Product		2014	2013
Forwards	$	375,960.0	51,968.4
Spot		(1.6)	3.0
Speculative swaps		9,854.7	6,484.4
Speculative options		28,521.6	13,167.1
Hedging swaps		0.0	3,886.4
	$	414,334.7	75,509.3

At December 31 2013 and 2012, the yield on spot operations was a loss of $4.315.8 and a profit of 421.8, respectively.

The recording of rights and obligations of derivatives takes account of the result of the valuation at the fair price of exchange, as follows:

		Speculative derivatives				
2014		Forward	Futures	Swaps	Total	Options
Currency purchases	Rights	$ 3,260,567.7	468,274.0	0.0	3,728,841.7	0.0
	Obligation	(2,931,057.0)	(468,274.0)	0.0	(3,399,331.0)	0.0
Currency sales	Rights	2,060,845.7	1,292,818.3	0.0	3,353,664.0	0.0
	Obligation	(2,020,244.4)	(1,292,818.3)	0.0	(3,313,062.7)	0.0
Securities purchases	Rights	0.0	60,894.9	0.0	60,894.9	0.0
	Obligation	0.0	(60,894.9)	0.0	(60,894.9)	0.0
Securities sales	Rights	871,138.9	30,411.0	0.0	901,549.9	0.0
	Obligation	(865,290.9)	(30,411.0)	0.0	(895,701.9)	0.0
Interest rates	Rights	0.0	0.0	260,420.4	260,420.4	0.0
	Obligation	0.0	0.0	(250,565.7)	(250,565.7)	0.0
Calls	Purchase	0.0	0.0	0.0	0.0	28,306.1
Puts	Purchase	0.0	0.0	0.0	0.0	215.5
Total Rights		6,192,552.3	1,852,398.2	260,420.4	8,305,370.9	28,521.6
Total obligations		(5,816,592.3)	(1,852,398.2)	(250,565.7)	(7,919,556.2)	0.0
Total Net		$ 375,960.0	0.0	9,854.7	385,814.7	28,521.6

2013		Forward	Futures	Swaps	Total	Options
		Speculative derivatives				
Purchase of currency	Right	$ 1,599,135.3	230,106.6	0.0	1,829,241.9	0.0
	Obligation	(1,575,171.9)	(230,106.6)	0.0	(1,805,278.5)	0.0
Sale of currency	Right	3,833,030.1	893,583.9	0.0	4,726,614.0	0.0
	Obligation	(3,805,317.1)	(893,583.9)	0.0	(4,698,901.0)	0.0
Purchase of securities	Right	0.0	29,994.7	0.0	29,994.7	0.0
	Obligation	0.0	(29,994.7)	0.0	(29,994.7)	0.0
Sale of securities	Right	229,904.5	47,429.6	0.0	277,334.1	0.0
	Obligation	(229,612.5)	(47,429.6)	0.0	(277,042.1)	0.0
Interest rate	Right	0.0	0.0	71,660.3	71,660.3	0.0
	Obligation	0.0	0.0	(65,175.9)	(65,175.9)	0.0
Calls	Purchase	0.0	0.0	0.0	0.0	10,226.4
Puts	Purchase	0.0	0.0	0.0	0.0	2,940.7
Total Rights		5,662,069.9	1,201,114.8	71,660.3	6,934,845.0	13,167.1
Total Obligations		(5,610,101.5)	(1,201,114.8)	(65,175.9)	(6,876,392.2)	0.0
Net total		$ 51,968.4	0.0	6,484.4	58,452.8	13,167.1

The following are the details of derivative maturities:

2014

		0-3 months	3-6 months	6-12 months	Over 12 months	Total
Spot	$	(1.6)	0.0	0.0	0.0	(1.6)
Forwards		310,351.3	24,214.0	40,797.9	596.8	375,960.0
Swaps (speculative)		1,184.8	822.9	957.7	6,889.5	9,854.7
Options		21,669.7	3,455.6	3,396.3	0.0	28,521.6
	$	333,204.2	28,492.5	45,151.9	7,486.3	414,334.7

2013

		0-3 months	3-6 months	6-12 months	Over 12 months	Total
Spot	$	3.0	0.0	0.0	0.0	3.0
Forwards		27,036.0	22,460.1	2,429.5	42.8	51,968.4
Swaps (Speculative)		670.2	720.0	2,565.3	2,528.9	6,484.4
Hedging swaps		3,886.4	0.0	0.0	0.0	3,886.4
Options		1,060.9	6,298.9	5,807.3	0.0	13,167.1
	$	32,656.5	29,479.0	10,802.1	2,571.7	75,509.3

8 Accounts Receivable

The following is the detail of i9nterest and other receivables

		2014	2013
Interest:			
Interbank funds	$	22.5	1.5
Other		1,126.8	518.7
Loans (note 6 .4)			
Interest		296,476.3	249,854.6
Financial component of leasing operations		21,229.1	17,180.9
		317,705.4	267,035.5
Commissions and fees (1)		7,333.6	13,733.8
Payments for account of borrowers			
Home mortgage		10,291.7	10,970.3
Consumer		21,602.0	28,605.8
Commercial and Micro		17,736.8	15,871.8
Other:		49,630.5	55,447.9
Interest accrual TES B and TIPS MZ		6,455.5	4,780.1
Dividends and other capítal yields		0.0	1,095.7
Advances on locao purchases		12,338.4	12,579.2
Advances to contractors and suppliers		49,695.3	15,879.9
Sundry:			
Colombian Treasury		15,297.6	21,356.2
Advances to contractors and suppliers, leasing (2)		82,114.9	979.1
Treasury operations, payments, general business		8,334.1	10,573.4
Receivable from sale of consumer loans written off (Notes 6.12)		1,478.5	3,494.9
Banco de la República – rate hedging		9,704.8	8,302.7
Loan processes pending application (3)		10,223.6	7,353.3
Sundry (under 5%)		6,217.4	28,110.0
	$	201,860.1	114,504.5
Total receivables	$	577,678.9	451,241.9
Allowances		(59,859.6)	(60,971.2)
Total net receivables	$	517,819.3	390,270.7

(1) Includes commissions from Daviplata and managed loan portfolio.
(2) Corresponds to contracts and accruals on financial leasing invoices.
(3) Loan processes: commercial loans pending application.

8.1 Allowances against receivables:

The detail of the allowance receivables is the following:

		2014	2013
Loan interest (note 6.4)	$	36,462.3	33,416.1
Payment for client account (note 6.4)		12,562.5	12,124.3
Treasury debtors		5,488.7	4,374.8
Insurance claims		0.0	2,970.2
Loan accounts receivable		4,125.7	3,225.0
Universality acounts receivable		0.0	4,053.6
Sundry		1,220.4	807.2
	$	59,859.6	60,971.2

The movement of the allowance against accounts receivable is the following:

2014		Commercial	Consumer	Micro	Mortgage	Other	Total
Opening balance	$	19,044.6	20,776.5	141.5	5,577.5	15,431.1	60,971.2
Plus:							
Allowance expensed		18,158.5	31,065.7	215.8	4,796.9	10,869.5	65,106.4
Reclassification		0.0	0.0	0.0	3.9	0.0	3.9
Less:							
Loans written off		5,410.6	21,591.9	59.4	779.6	913.5	28,755.0
Reclassifications		24.5	2.2	0.0	0.0	0.0	26.7
Recoveries		8,530.1	10,428.4	84.7	3,844.5	14,552.5	37,440.2
Closing balance	$	23,237.9	19,819.7	213.2	5,754.2	10,834.6	59,859.6

2013		Commercial	Consumer	Micro	Mortgage	Other	Total
Openi9ng balance	$	15,999.1	24,765.1	193.4	5,891.3	24,147.8	70,996.7
Plus:							
Allowance expensed		15,489.9	35,879.8	132.5	4,839.8	15,337.3	71,679.3
Less:							
Loans written off		5,834.5	29,178.4	80.8	1,381.6	7,126.2	43,601.5
Recoveries		6,609.9	10,690.0	103.6	3,772.0	16,927.8	38,103.3
Closing balancel	$	19,044.6	20,776.5	141.5	5,577.5	15,431.1	60,971.2

9 Foreclosed assets, net

The detail of marketable assets, assets received in payment and assets restored is the following:

Foreclosed assets:		2014		2013	
		Balance	Allowance	Balance	Allowance
For housing					
Real property	$	6,399.2	(4,858.2)	11,118.5	(4,918.5)
Assets received at auction		4,337.6	(519.2)	1,615.8	(599.8)
Total for housing		10,736.8	(5,377.4)	12,734.3	(5,518.3)
Foreclosed assets:					
Other than housing					
Real property	$	15,557.1	(15,276.5)	26,488.2	(11,689.6)
Assets received at auction		9,535.3	(1,293.8)	3,017.9	(383.0)
Adjusted cost		25,092.4	(16,570.3)	29,506.1	(12,072.6)
Movable assets					
Rights and securities		1,379.8	(1,379.8)	1,379.7	(1,368.2)
Shares		27.3	(27.3)	27.3	(27.3)
Timeshare rights		1,352.5	(1,352.5)	1,352.4	(1,340.9)
Movable assets		1,154.2	(430.9)	1,864.9	(577.5)
Vehicles		1,154.2	(430.9)	1,864.9	(577.5)
		2,534.0	(1,810.7)	3,244.6	(1,945.7)
Total Other than Housing		27,626.4	(18,381.0)	32,750.7	(14,018.3)
Total Foreclosed assets		38,363.2	(23,758.4)	45,485.0	(19,536.6)
Assets restored from residential leasing operations l		12,419.7	(3,288.1)	9,229.7	(2,232.9)
Assets not used in the business					
Land		4,571.5	(563.8)	3,447.0	(904.9)
Buildings		16,289.3		14,297.7	
Vehicles		162.6		350.9	
Depreciation		(7,036.8)	0.0	(7,455.2)	0.0
		13,986.6	(563.8)	10,640.4	(904.9)
		64,769.5	(27,610.3)	65,355.1	(22,674.4)
		$37,159.2		42,680.7	

B

9.1. Allowance against assets received in payment and leasing assets restored

The movement of the allowance against foreclosed assets is the following:

		2014	2013
Opening balance	$	22,674.4	15,401.6
Plus:			
Alloowance expensed		13,743.1	13,229.1
Reclassifications		434.9	(42.4)
Less:			
Written back – recoveries		9,242.1	5,913.9
Closing balance	$	27,610.3	22,674.4

At December 31, 2014 and 2013, the Bank held 129 and 128 foreclosed assets received in payment with 100% allowances :for $15.893 and $9.924.0 respectively

The Bank did not purchase property from the securitizations of written off loans CCVI, CCVII and CCVIII in either period.

At December 31, 2014 and 2013, there is insurance cover for theft, fire, earthquake, civil disturbance, riot, explosion, volcanic eruption, power failure and loss or damage to property, offices and vehicles.

At December 31, 2014 and 2013 the valuation gain on assets not used in the business was $28.771.0 and $18.103.5 respectively.

The detail of foreclosed assets, restored assets and assets not used in the business by length of time held is as follows

	➢ 1 year	1-5 years	5-10 years	Over 10 years	Total	Allowance
2014						
For housing	$5,093.1	5,470.2	122.3	51.2	10,736.8	5,377.4
Other tan housing	2,182.9	22,605.9	0.0	303.6	25,092.4	16,570.3
Vehicles and Rights	824.8	575.8	161.9	971.5	2,534.0	1,810.7
Assets restored	8,594.3	3,825.4	0.0	0.0	12,419.7	3,288.1
Not used in business, net	6.1	4,902.1	8,459.0	619.4	13,986.6	563.8
	$16,701.2	37,379.4	8,743.2	1,945.7	64,769.5	27,610.3

	Under 1 year	1-5 years	5-10 years	Over 10 years	Total	Allowance
2013						
Housing	$4,262.5	8,338.8	118.7	14.3	12,734.3	$5,518.3
Other than housing	16,355.7	12,846.6	298.8	5.0	29,506.1	12,072.6
Vehicles and rights	1,406.8	705.7	1,113.4	18.7	3,244.6	1,945.7
Assets restored	6,898.9	2,330.8	0.0	0.0	9,229.7	2,232.9
Not used in business, net,	95.1	5.8	9,165.4	1,374.1	10,640.4	904.9
	$29,019.0	24,227.7	10,696.3	1,412.1	65,355.1	22,674.4

At December 31, 2014 and 2013 there are valuations of Property for Housing of $13,707.6 and $17,439.9 respectively. The valuation gains are recorded in Memorandum Accounts (Note 23)

At December 31, 2014 and 2013, the Bank has employed several strategies to sell foreclosed assets, with the following results

	2014		2013	
	No.	Amount	No.	Amount
Foreclosed assets	256	$ 24,442.8	257	15,011.0
Not used in the business	15	2,846.8	6	1,979.9
Total sales	271	27,289.6	263	16,990.9
Profit on sale		0.0		1,059.0
Amortization of deferred profit		695.5		626.3
Profit on sale of assets not used in business		3,084.6		2,195.6
Total profit on sale		3,780.1		3,880.9
Loss on sale of foreclosed assets		1,440.2		1,270.0
Loss on sale of assedts not used in business		128.4		80.9
Total loss on sale		1,568.6		1,350.9
Net effect on earnings		$2,211.5		2,530.0

10. Property and Equipment

A detail of Property and Equipment is the following:

		2014			2013		
		Cost	Inflation adjustment	Adjusted cost	Cost	Inflation adjustment	Adjusted cost
Land, buildings and construction In progress	$	424,491.8	33,253.7	457,745.5	419,941.4	32,964.6	452,906.0
Equipment, vehicles, furniture and fittings		82,688.0	4,588.8	87,276.8	76,295.2	4,588.6	80,883.8
Computer equipment		213,760.3	4,909.7	218,670.0	194,853.4	9,775.3	204,628.7
		720,940.1	42,752.2	763,692.3	691,090.0	47,328.5	738,418.5
Less: accumulated depreciation		(358,966.1)	(11,222.1)	(370,188.2)	(332,260.7)	(14,167.2)	(346,427.9)
Less: allowance		(4,598.6)	0.0	(4,598.6)	(7,005.9)	0.0	(7,005.9)
	$	357,375.4	31,530.1	388,905.5	351,823.4	33,161.3	384,984.7

Depreciation expensed at December 31, 2014 and 2013 was $43,779.0 and $44,723.9,, respectively.

At December 31, 2014 and 2013, there are insurance policies to cover theft, fire, earthquake, riot, civil commotion, explosion, volcanic eruption, power failure, property and loss or damage to offices and vehicles.

At December 31, 2014 and 2013 the valuation gain on buildings used in the business was $553,524.6 and $500,216.2, respectively

10.1. Allowance against Property and Equipment

The movement of the allowance against Property and Equipment in the periods ended on December 31, 2014 and 2013, is the following:

		2014	2013
Opening balance	$	7,005.9	8,069.4
Plus:			
Reclassifications		(434.8)	337.9
Allowance expensed		1,249.2	1,250.0
Less:			
Written back – recoveries		3,221.7	1,859.6
Assets withdrawn		0.0	791.8
Closing balance	$	4,598.6	7,005.9

There are no mortgages or restrictions of ownership on these properties and they have not been assigned under pledge.

11. Other Assets

11.1. Prepaid expenses, deferred charges and intangibles

The detail of prepaid expenses, deferred charges and intangibles at December 31, 2013 and 2012, is the following

		2014	2013
Prepaid expenses:			
Interest	$	1.3	0.9
Insurance		19,399.7	24,958.0
Other		851.5	1,324.3
		20,252.5	26,283.2
Deferred charges			
Discount on bond placements		7,102.3	6,668.9
Remodelling		19,778.1	19,332.3
Deferred tax due to timing differences		21,503.9	33,637.9
Wealth tax and surcharge		0.0	45,734.7
Professional swervices and consultants		5,097.9	7,612.5
Rent		1,642.8	1,229.5
Software		42,250.6	14,180.9
Other (less tan 5%)		3,092.4	5,269.6
		100,468.0	133,666.3
	$	120,720.5	159,949.5
Intangibles:			
Goodwill	$	1,546,600.7	1,624,211.7
	$	1,667,321.2	1,784,161.2

The movement of prepaid expenses, intangibles and deferred charges at December 31, 2014 is as follows:

		Balance 2013	Charges	Amortizations	Balance 2014
Prepaid expenses	$	26,283.2	69,307.2	75,337.9	20,252.5
Deferred charges		133,666.3	177,497.1	210,695.4	100,468.0
Intangibles		1,624,211.7	272,046.5	349,657.5	1,546,600.7
	$	1,784,161.2	518,850.8	635,690.8	1,667,321.2

The following are the prepaid expenses, deferred charges and intangibles pending amortization at December 31, 2014 and 2013:

		1 year	1-5 years	5-10 years	Over 10 years	Total
2014						
Prepaid expenses:						
Interest	$	1.3	0.0	0.0	0.0	1.3
Insurance		19,399.7	0.0	0.0	0.0	19,399.7
Other		1.4	830.1	0.0	0.0	51.5
		19,422.4	830.1	0.0	0.0	20,252.5
Deferred charges						
Discount on bond placements		1,370.3	3,609.3	2,122.7	0.0	7,102.3
Remodelling		6,167.4	13,610.7	0.0	0.0	19,778.1
Software		6,243.8	31,839.3	562.9	3,604.6	42,250.6
Deferred tax due to timing differences		0.0	21,503.9	0.0	0.0	21,503.9
Professional services and consultancies		1,699.3	3,398.6	0.0	0.0	5,097.9
Other		538.6	2,553.8	0.0	0.0	3,092.4
Rent		168.5	842.5	631.9	0.0	1,642.8
		16,187.9	77,358.1	3,317.5	3,604.6	100,468.0
Intangibles:						
Goodwill		84,477.2	379,417.1	570,425.5	512,280.9	1,546,600.7
	$	120,087.5	457,605.3	573,743.0	515,885.5	1,667,321.2

		➢ 1 year	1-5 years	5-10 years	Over 10 years	Total
2013						
Prepaid expenses						
Interest	$	0.9	0.0	0.0	0.0	0.9
Insurance		24,958.0	0.0	0.0	0.0	24,958.0
Other		255.9	1,068.4	0.0	0.0	1,324.3
		25,214.8	1,068.4	0.0	0.0	26,283.2
Deferred charges						
Discounts on bond placements		1,813.1	4,855.8	0.0	0.0	6,668.9
Remodelling		7,417.5	11,184.2	730.6	0.0	19,332.3
Software		6,152.1	8,028.8	0.0	0.0	14,180.9
Deferred tax due to timing differences		0.0	33,637.9	0.0	0.0	33,637.9
Wealth tax and surcharge		45,734.7	0.0	0.0	0.0	45,734.7
Professional services and consultancy		1,903.1	5,709.4	0.0	0.0	7,612.5
Other		2,645.3	2,624.3	0.0	0.0	5.269.3
Rent		128.3	641.5	459.7	0.0	1,229.5
		65,794.1	66,681.9	1,190.3	0.0	133,666.3
Intangibles:						
Goodwill		78,974.4	374,075.4	640,564.3	530,597.6	1,624,211.7
	$	169,983.3	441,825.7	641,754.6	530,597.6	1,784,161.2

Intangibles

Goodwill generated in acquisitions. At December 31, 2014 and 2013, goodwill totals $1.546.600.7 $1.624.211.7, respectively, as follows

Goodwill Granbanco S.A. - Bancafé

Goodwill on the purchase of Granbanco arose on February 16, 2007 for a total of $1.372.458.0.

Goodwill is being written down exponentially over 20 years, as follows:

		Business lines						
Year	% amortization.	Consumer	Commercial	SME	Credit cards	Housing	Affiliates	Amount of annual amortization
1	2.47	$ 7,214.9	14,841.5	2,351.3	5,493.1	3,782.8	216.0	33,899.6
2	5.10	7,686.9	15,812.4	2,505.1	5,852.5	4,030.3	230.1	36,117.3
3	7.92	8,226.4	16,922.1	2,680.9	6,263.2	4,313.1	246.2	38,651.9
4	10.94	8,833.2	18,170.4	2,878.7	6,725.2	4,631.3	264.4	41,503.2
5	14.17	9,440.1	19,418.8	3,076.5	7,187.3	4,949.4	282.6	44,354.7
6	17.61	10,046.9	20,667.1	3,274.2	7,649.3	5,267.6	300.7	47,205.8
7	21.28	10,721.2	22,054.2	3,494.0	8,162.7	5,621.2	320.9	50,374.2
8	25.21	11,462.9	23,579.9	3,735.7	8,727.4	6,010.0	343.1	53,859.0
9	29.41	12,272.1	25,244.4	3,999.4	9,343.5	6,434.3	367.3	57,661.0
10	33.91	13,148.7	27,047.6	4,285.1	10,010.9	6,893.9	393.6	61,779.8
11	38.71	14,025.3	28,850.7	4,570.8	10,678.2	7,353.5	419.8	65,898.3
12	43.86	15,036.7	30,931.3	4,900.4	11,448.3	7,883.8	450.1	70,650.6
13	49.35	16,048.1	33,011.9	5,230.0	12,218.4	8,414.1	480.3	75,402.8
14	55.22	17,127.0	35,231.2	5,581.6	13,039.8	8,979.7	512.6	80,471.9
15	61.50	18,340.7	37,727.9	5,977.2	13,963.9	9,616.1	549.0	86,174.8
16	68.21	19,621.9	40,363.3	6,394.7	14,939.3	10,287.8	587.3	92,194.3
17	75.39	20,970.5	43,137.4	6,834.2	15,966.0	10,994.8	627.7	98,530.6
18	83.06	22,386.5	46,050.2	7,295.6	17,044.1	11,737.3	670.1	105,183.8
19	91.25	23,937.3	49,240.4	7,801.1	18,224.9	12,550.4	716.5	112,470.6
20	100.00	25,555.7	52,569.3	8,328.5	19,457.0	13,398.6	764.7	120,073.8
		$292,103.0	600,872.0	95,195.0	222,395.0	153,150.0	8,743.0	1,372,458.0

The following are the principal considerations in the evaluation of goodwill:

- The definition and determination of business lines takes account of synergies arising; goodwill was divided into six business lines with valuations at market prices based on the figures as of the close of 2013, 2006 for Davivienda and January 31, 2007 for Granbanco: consumer, commercial, SME, credit card, home mortgage and subsidiaries (Panamá, Miami and Fiducafé).

- The general criteria to define the business lines were: characteristics of the lines (average placement rates, average balance by customer/product, client profile, growth of portfolio and allocation of expenses); feasibility of independent valuation and international accounting rules.

- With the definition of the business lines and their related assets, based on the global balance sheet and earnings statement, and the different information systems of each of the entities, ten-year projections of the earnings statements and balance sheets were determined for each line of business.

- The valuation of the business lines was made using the dividend flows method, discounted at stockholder's cost, which according to experts is the most appropriate way to value financial institutions and is widely used by first-class banks. The method consists of a forecast of the flow of dividends during 10 years plus a final value, all discounted at an appropriate rate.

A summary of goodwill by business line and the balance at December 31, 2014, is the following:

Line	Share	Goodwill recorded	Accumulated amortization	Balance
Consumer	21.3%	$ 292,103.0	72,677.4	219,425.6
Commercial	43.8%	600,872.0	149,501.5	451,370.5
SME	6.9%	95,195.0	23,685.2	71,509.8
Credit card	16.2%	222,395.0	55,333.6	167,061.4
Mortgage loans	11.2%	153,150.0	38,104.9	115,045.1
Affiliates	0.6%	8,743.0	2,175.3	6,567.8
Total	100.0%	$ 1,372,458.0	341,477.9	1,030,980.2

The result of the valuation update made by external consultants Deloitte Asesores y Consultoresa on February 12, 2015 shows that on the basis of the audited financial statements of the Bank at December 31, 2013 the business lines did not generate any loss due to impairment.

Goodwill –Central America Operation

The Bank´s purchase of HSBC in Central America between November 23 and December 7, 2012 generated goodwill totalling $533.624:

Business Line	Purchase US$	Investment $	Goodwill
Banks	767	$916,556	519,044
Insurance	34	52,591	14,580
Total	801	969,147	533,624

After the study and adjustment of prices of Goodwill, a reduction of $48,284.90 was made in October 2013, leaving a balance of $486,314.6

This goodwill will be amortized over 20 years exponentially, using the following table:

Year	Y	Y%	% accumulated amortization	Amount to be amortized in the year	Month
1	1.07	2.47	2.47	$12,011.9	1,001.0
2	1.14	2.63	5.10	12,797.8	1,066.5
3	1.22	2.82	7.92	13,695.8	1,141.3
4	1.31	3.02	10.94	14,706.2	1,225.5
5	1.40	3.23	14.17	15,716.5	1,309.7
6	1.49	3.44	17.61	16,726.9	1,393.9
7	1.59	3.67	21.28	17,849.5	1,487.5
8	1.70	3.92	25.21	19,084.4	1,590.4
9	1.82	4.20	29.41	20,431.5	1,702.6
10	1.95	4.50	33.91	21,890.9	1,824.2

11	2.08	4.80	38.71	23,350.3	1,945.9
12	2.23	5.15	43.86	25,034.2	2,086.2
13	2.38	5.49	49.35	26,718.1	2,226.5
14	2.54	5.86	55.22	28,514.3	2,376.2
15	2.72	6.28	61.50	30,535.0	2,544.6
16	2.91	6.72	68.21	32,667.9	2,722.3
17	3.11	7.18	75.39	34,913.2	2,909.4
18	3.32	7.66	83.06	37,270.6	3,105.9
19	3.55	8.19	91.25	39,852.7	3,321.1
20	3.79	8.75	100.00	42,546.9	3,545.6
	43.32	100.00		$486,314.6	

A summary of goodwill by line of business, accumulated amortization and balances at December 31, 2014 is as follows:

Business line	Share	Goodwill recorded	Accumulated amortization	Balance
Banks	94.57%	$ 471.725.1	25.041.8	446,683.3
Insurance	5.43%	14.589.5	774.4	13,814.9
Total	100.00%	486.314.6	25.826.2	460,498.3

The result of the external consultants´ update of the valuation at November 11, 2014 based on the Bank´s audited financial statements at December 31, 2013, shows that the lines of business did not suffer any impairment

Goodwill - Corredores Asociados

Goodwill for the purchase of September 25, 2012 was $ 70,731.6, to be amortized over 5 years as follows

:

In December 2013 the purchase price was adjusted by $1,410.7 leaving a balance of $69,321.0

Year	Y	Y%	% Accumulated amortization	To be amortized in the year	Month
1	1.07	17.43	17.43	$12,080.4	1,006.7
2	1.14	18.57	35.99	12,870.7	1,072.6
3	1.22	19.87	55.86	13,773.9	1,147.8
4	1.31	21.34	77.20	14,789.9	1,232.5
5	1.40	22.80	100.0	15,806.1	1,317.1
	6.14	100.00		$69.321.0	

Amount originated in September 2013	$ 70.731.6
Amortization to Decemvber 2014	(15.609.3)
	55.122.3

Fort tax purposes the Bank applies Art. 143 of the Tax Code, to the effect that investments may be amortized over not less than 5 years. Amortization is over 7 years for Granbanco and 5 years for Corredores Asociados, using a straight-line calculation, dividing the total by the number of months proposed.

The difference between book and fiscal amortization is recorded in deferred taxes payable.

11.2. Staff loans

The Bank evaluated all staff loans and the result of the evaluation at December 31, 2013 and 2012, is the following:
:

2014	Home mortgage	Secured	Allowance
A -Normal	$ 117,801.0	415.472.9	1,180.8
	$ 117,801.0	415.472.9	1,180.8

2013	Mortgage	Secured	Allowance
A -Normal	$ 120,915.1	425,517.0	1,211.7
B -Acceptable	231.6	11.9	270.2
	$ 120,927.1	425,787.2	1,212.5

Staff housing loans are secured

11.3. Other Assets - Other

The detail of other assets is the following

	2014	2013
Deferred payment letters of credit	$ 13,377.8	14,884.2
Deposits	16,609.5	3,625.3
Assets on loan-for-use	0.0	1,855.6
Works of art and culture	2,892.9	2,675.6
Trust rights (1)	4,457.8	1,564.4
Income tax excess	54,674.6	77,063.6
Minor items (under 5%)	4,851.3	374.5
	$ 96,863.9	102,043.2

(1) Trust rights

At December 31, 2014 and 2013 the following rights in trusts were recorded:

	2014		2013	
	Balance	Allowance	Balance	Allowance
Agropecuaria Molina Vivas	37.0	37.0	37.0	37.0
Textiles Omnes S.A.	0.0	0.0	465.6	465.6
Fiduciaria Superior *	1,034.6	0.0	1,017.5	0.0
Other	3,386.2	0.0	44.3	0.0
$	4,457.8	37.0	1,564.4	502.6

*Corresponds to the remnant of the liquidation of Fiduciaria Superior S.A., of September 2009

11.4. Allowance against other assets

The movement of the allowance against other assets, is the following:

		2014	2013
Opening balance	$	4,869.1	2,431.1
Plus:			
Allowance expensed		284.1	3,219.8
Less:			
Reclassifications		2,901.8	0.0
Written back – recoveries		782.3	780.2
Closing balance	$	1,469.1	4,869.1

12. Deposits and Demand Accounts

The following is the detail of Deposits and Demand Accounts:

	Interest Maximum - Minimum	2014	2013
Checking accounts	0.0%	$ 5,088,733.2	4,559,384.6
Term deposits			
Up to 6 months	3.2%-4.55%	2,135,138.4	1,946,585.4
6-12 months	3.35%-4.70%	2,302,820.3	2,235,498.4
12-18 months	3.40%-4.75%	1,084,263.0	1,596,897.1
Over 18 months	3.50%-5.60%	5,589,076.0	3,390,849.7
		11,111,297.7	9,169,830.6
Savings deposits			
Ordinary savings	2.40% -4.0%	17,133,400.7	14,676,547.4
Electronic cash depósits		34,855.1	75,690.2
Other derposits and demand accounts			
Banks and correspóndents		1,583.5	1,449.0
Special deposits		1,459.4	2,678.3
Demand accounts – banking services		395,511.2	299,954.4
Cardmember establishments		6,695.1	6,457.6
		405,249.2	310,539.3
		$ 33,773,535.9	28,791,992.1

The following is the interest expense at December 31, 2014 and 2013

Mode	2014	2013
Interest on deposits and demand accounts		
Ordinary deposits	$ 346,504.3	288,981.4
Term deposits	82.7	50.1
Peso CDs	469,111.2	398,631.7
Checking accounts	29,553.7	22,525.4
	845,251.9	710,188.6
Other interest:		
Bank borrowings and other financial obligations	123,360.8	136,880.9
Money-market liability positions	8,587.0	3,416.8
Bonds	387,091.2	356,702.2
Transfer commitments, repos and simultaneous operations	20,078.4	11,655.7
	539,117.4	508,655.6
	$ 1,384,369.3	1,218,844.2

13. Interbank and overnight liability positions

The following is The detail of interbank and overnight liability positions:

2014

	US$	Rate Minimum - Máximum	Opening Date	Maturity	Market Value	TRM (Pesos)
Foreign currency						
Banks outside Colombia	USD 1.525.000	0.12%	Dec.31.2014	Jan.02.2015	$3,648.5	$2.392,46
Local currency						
Interbank funds						
Banks		4.3% -4.4%	Dec.26.14	Jan.13.15	260,000.0	
Simultaneous						
Banks		3.00%	Dec.29.14	Jan.02.15	15,939.4	
Investment Banks		3.00%	Dec.29.14	Jan.02.15	1,061.6	
Banco de la República		3.0%-4.5%	Dec.29.14	Jan.06.15	736,306.5	
					1,013,307.5	
Total money-market and overnight liability positions					1,016,956.0	

2013

	Rate	Date of Operation	Date of Maturity	Market Value
Local currency				
Banks	2.75- 3.25%	Dec.27.13	Jan.03.14	$749,307.7
Interbank operations	3.22-3.24%	Dec 27.13	Jan 08.14	$252,000,0
Total money market and overnight liability positions				$1,001,309.7

There are no foreign currency operations at the clos of December 31, 2013.

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At December 31, 2014 and 2013 the balance and average monthly yields for these liability positions in foreign and local currencies were $1.016.956.0 and $1.001.309.7 ; and $2.069.2 and $13.938.0, respectively.

There are no restrictions on these funds.

14. Bankers´ Acceptances and Derivatives

The following is the detail:

Product	2014	2013
Forwards	$270,128.1	42,690.8
Speculative swaps	8,994.6	5,852.3
Speculative options	21,336.4	10,120.2
Hedging swaps	0.0	1,431.7
	$300,459.1	60,095.0

Speculative derivatives

2014		Forward	Futures	Swaps	Options	Total
Currency purchases	Right	($ 2,218,462.3)	0.0	0.0	0.0	(2,218,462.3)
	Obligation	2,259,635.0	0.0	0.0	0.0	2,259,635.0
Currency sales	Right	(2,444,505.4)	0.0	0.0	0.0	(2,444,505.4)
	Obligation	2,673,460.8	0.0	0.0	0.0	2,673,460.8
Interest rates	Right	0.0	0.0	(252,218.9)	0.0	(252,218.9)
	Obligation	0.0	0.0	261,213.5	0.0	261,213.5
Inferest rate CCS	Right	0.0	0.0	0.0	0.0	0.0
	Obligation	0.0	0.0	0.0	0.0	0.0
Call options	Sale	0.0	0.0	0.0	20,977.8	20,977.8
Put options	Purchase	0.0	0.0	0.0	0.0	0.0
Put options	Sale	0.0	0.0	0.0	358.6	358.6
Total Rights		(4,662,967.7)	0.0	(252,218.9)	0.0	(4,915,186.6)
Total Obligations		4,933,095.8	0.0	261,213.5	21,336.4	5,215,645.7
Net total		$ 270,128.1	0.0	8,994.6	21,336.4	300,459.1

		Specujlative derivatives					Hedging deivatives
2013		Forwards	Futures	Swaps	Options	Total	Swaps
Currency purchases	Right	($ 3,620,524.9)	0.0	0.0	0.0	(3,620,524.9)	0.0
	Obligation	3,648,045.8	0.0	0.0	0.0	3,648,045.8	0.0
Currency sales	Right	(1,498,527.0)	0.0	0.0	0.0	(1,498,527.0)	0.0
	Obligation	1,513,696.9	0.0	0.0	0.0	1,513,696.9	0.0
Interest rates	Right	0.0	0.0	(64,904.4)	0.0	(64,904.4)	0.0
	Obligation	0.0	0.0	70,756.7	0.0	70,756.7	0.0
Interest rates CCS	Right	0.0	0.0	0.0	0.0	0.0	(164,114.9)
	Obligation	0.0	0.0	0.0	0.0	0.0	165,546.6
Calls	Sale	0.0	0.0	0.0	3,511.0	3,511.0	0.0
Puts	Sale	0.0	0.0	0.0	6,609.2	6,609.2	0.0
Total rights		(5,119,051.9)	0.0	(64,904.4)	0.0	(5,183,956.3)	(164,114.9)
Total obligations		5,161,742.7	0.0	70,756.7	10,120.2	5,242,619.6	165,546.6
Total Net		$ 42,690.8	0.0	5,852.3	10,120.2	58,663.3	1,431.7

The following is the detail of the derivatives maturity at December 31 of 2014

	2014				
	0 to 3 months	3 to 6 months	6 to 12 months	More tan 12 months	Total
Forward	$223,169.5	30,464.5	15,467.1	1,027.0	$270,128.1
Speculative Swaps	1,245.1	640.9	712.8	6,395.8	8,994.6
options	16,219.4	811.2	4,305.8	0.0	21,336.4
	240,634.0	31,916.6	20,485.7	7,422.8	300,459.1

	2013				
	0 to 3 months	3 to 6 months	6 to 12 months	More than 12 months	Total
Forward	$23,255.0	17,627.5	1,748.2	60.1	$42,690.8
Speculative Swaps	685.3	1,127.4	1,616.1	2,423.5	5,852.3
Hedging Swaps	1,431.7	0.0	0.0	0.0	1,431.7
Options	2,525.4	6,030.9	1,563.9	0.0	10,120.2
	27,897.4	24,785.8	4,928.2	2,483.6	60,095.0

On February 5, 2014 a hedging swap opened for the purchase of Gran Banco fell due and was paid for US$165 million, making a profit of $4,453.0

At December 31, 2013 there were rights of $318,575.9 and an obligations of $2,454.6.

15. Borrowings from financial institutions

The following is the detail in local currency and foreign currency expressed in local currency:

		2014					
Entidad		Interest payable	>1 year	1-5 years	5-10 years	Ovwer 10 years	Total Capital
Other lenders in Colombia							
Local currency							
Bancoldex	$	501.5	10,569.4	108,641.0	35,275.0	0.0	154,485.5
Finagro		1,737.1	4,282.3	94,841.5	57,981.8	7,068.7	164,174.4
Findeter		7,876.0	5,411.9	333,446.6	454,655.0	535,127.2	1,328,640.7
Overdrafts		0.0	8.4	0.0	0.0	0.0	8.4
		10,114.5	20,272.0	536,929.2	547,911.8	542,195.8	1,647,308.9
Foreign currency							
Bancoldex		820.6	1,196.2	36,194.8	78,700.7	19,498.5	135,590.2
Findeter		554.9	0.0	0.0	37,753.0	47,370.7	85,123.7
		1,375.6	1,196.2	36,194.8	116,453.7	66,869.3	220,713.9
		11,490.1	21,468.3	573,124.0	664,365.5	609,065.1	1,868,022.8
Lenders outside Colombia							
		4,213.8	1,102,924.1	142,898.0	413,073.7	0.0	1,658,895.9
	$	15,703.9	1,124,392.3	716,022.0	1,077,439.2	609,065.1	3,526,918.7

		2013					
Name		Interest payable	Under 1 years	1-5 years	5-10 years	Over 10 years	Total Capital
Other lenders in Colombia							
Local currency							
Bancoldex	$	204.7	5,983.9	57,375.1	14,946.4	0.0	78,305.4
Finagro		2,105.8	9,780.9	124,161.6	43,027.8	31,874.5	208,844.9
Findeter		6,474.7	4,344.7	333,972.4	519,425.5	501,112.0	1,358,854.5
Overdrafts		0.0	8.8	0.0	0.0	0.0	8.8
		8,785.3	20,118.4	515,509.1	577,399.7	532,986.5	1,646,013.6
Foreign currency							
Bancoldex		559.1	4,142.4	42,317.3	77,599.3	0.0	124,059.1
Findeter		670.2	0.0	0.0	103,624.9	0.0	103,624.9
Overdrafts		0.0	4,617.5	0.0	0.0	0.0	4,617.5
		1,229.3	8,759.9	42,317.3	181,224.3	0.0	232,301.5
		10,014.6	28,878.3	557,826.4	758,623.9	532,986.5	1,878,315.1
Lenders outside Colombia							
		2,177.4	1,132,976.0	114,096.5	0.0	0.0	1,247,072.5
	$	12,192.0	1,161,854.3	671,922.9	758,623.9	532,986.5	3,125,387.6

16 Accounts Payable

The following is the detail of Accounts Payable:

		2014	2013
Interest:			
Deposits and demand accounts	$	138,680.3	128,230.9
Money market and related operations		1,177.3	1,151.0
Bank borrowings and other financial debt (note 17)		15,703.9	12,192.0
Bonds outstanding		91,741.7	75,394.2
		247,303.2	216,968.1
Commissions and fees		4,218.5	4,697.3
National and regional tax collections		53,780.4	69,540.3
Suppliers:			
REDEBAN clearing		125,831.7	104,286.0
Credit card network clearing		29,664.5	34,985.4
Payablles for services rendered		58,298.7	45,095.0
Other		69,598.3	28,191.8
		283,393.2	212,558.2
Sundry:			
Taxes payable (1)		27,147.3	80,001.8
Dividends, other capital yields		3,222.2	3,173.6
Bank transaction tax		9,908.5	25,045.7
Purchase commitments		4,087.0	14,911.9
Staff withholdings, contributions		66,123.2	85,748.7
Draftss payable		95,001.0	41,436.6
Checks pending presentation		12,459.6	8,668.8
Payable to the State Law 546/1999		31,492.1	30,285.1
Loan overages		10,853.1	8,423.7
Credit card debit balances		9,997.7	8,739.3
Deposit insurance		44,690.2	21,156.9
Payable for purchase of Corredores Asociados		46,318.9	50,315.4
Bonos de Seguridad		19,865.6	20,246.6
Available balances, VISA prepayment		14,271.0	13,648.2
Sundry (under 5%)		70,755.2	46,634.1
		466,192.6	458,436.4
	$	1,054,887.9	962,200.3

(1) Wealth Tax was fully ´paid at December 31, 2014

17. Long-term debt

At December 31, 2014 and 2013, the Bank has investment securities outstanding for $7.332.640.4 and $6,398,155.7 respectively, corresponding to ordinary, mortgage and subordinated bond issues

The following is the detail of the bonds for each issue outstanding at December 31, 2014 and 2013:

Issue type	Date	Amount offered	Term (months)	Yield	Matures	Book value 2014	Book value 2013
Bonds issued in Colombia							
Subordinated, secured							
First issue IFC – US$							
Collateral: A-rated mortgage loans, prepayment option every 3 months - Series G	07-Feb-07	$ 368,641.1	84	LIBOR6 + 2.75	07-Feb-14	$ 0.0	$ 318,576.0
Subordinated, unsecured							
CPI							
First issue - Series C	19-Feb-08	147,777.0	84	CPI + 6.65	19-Feb-15	$ 147,777.0	$ 147,777.0
Second issue - Series C7	24-Feb-10	138,497.2	84	CPI + 5.25	24-Feb-17	138,497.2	138,497.2
Second issue Tranche 1 - Series C	25-Apr-12	181,400.0	120	CPI + 4.37	25-Apr-22	181,400.0	181,400.0
Second issue Tranche 1 - Series C	25-Apr-12	218,600.0	180	CPI + 4.56	25-Apr-27	218,600.0	218,600.0
						686,274.2	686,274.2
U.V.R.							
First issue - Series D	19-Feb-08	151,577.5	84	UVR + 6.65	19-Feb-15	$ 191,779.3	$ 185,362.2
Second issue - Series U10	24-Feb-10	111,503.0	120	UVR + 5.50	24-Feb-20	128,374.9	124,079.3
						320,154.2	309,441.5
US$							
Issues outside Colombia	09-Jul-12	895,370.0	120	TF 5.875%	09-jul-22	$ 1,196,230.0	$ 963,415.0
Debt Bonds	29-ene-13	$ 889,920.0	60	TF 2.95%	29-ene-18	1,196,230.0	963,415.0
						$ 2,392,460.0	$ 1,926,830.0
					Total Bonos Subordinados	$ 3,398,888.4	$ 3,241,121.7

Ordinary unsecured bonds

CPI							
First issue - Series G	05-Feb-09	123,433.0	84	CPI + 5.50	05-Feb-16	123,433.0	123,433.0
First issue Tranche 2 - Series G5	16-Jul-09	215,000.0	60	CPI + 4.79	16-Jul-14	0.0	215,000.0
Second issue Tranche 1 - Series C5	12-Feb-10	215,062.0	60	CPI + 3.98	12-Feb-15	215,062.0	215,062.0
Third issue Tranche 2 - Series C5	07-Oct-10	120,150.0	60	CPI + 3.14	07-Oct-15	120,150.0	120,150.0
Ordinary –CPI	09-Oct-14	109,350.0	60	CPI + 3.25%	09-Oct-19	109,350.0	0.0
Ordinary – CPI	09-Oct-14	127,725.0	120	CPI + 3.96%	09-Oct-24	127,725.0	0.0
						$ 695,720.0	$ 673,645.0
Carried forward.						$ 4,094,608.4	$ 3,914,766.7

Issue type	Date	Amount offered	Term (months)	Yield	Maturity	Book value 2014	2013
Brought forward						$ 4,094,608.4	3,914,766.7
CPI							
Third issue Tranche 2 - Series C7	07-Oct-10	196,050.0	84	CPI + 3.63	07-Oct-17	196,050.0	196,050.0
Fourth issue - Series C39	10-Mar-11	86,482.0	39	CPI + 2.80	10-jun-14	0.0	86,482.0
Fourth issue - Series C84	10-Mar-11	76,055.0	84	CPI + 3.88	10-Mar-18	76,055.0	76,055.0
Fourth issue - Series C120	10-Mar-11	193,252.0	120	CPI + 4.19	10-Mar-21	193,252.0	193,252.0
First issue - Tranche 2 - Series C120	10-Mar-11	90,000.0	48	CPI + 3.60	10-Mar-15	90,000.0	90,000.0
First issue - Tranche 2 - Series C120	10-Mar-11	159,230.0	90	CPI + 3.99	10-Sep-18	159,230.0	159,230.0
First issue - Tranche 2 - Series C120	10-Mar-11	160,770.0	126	CPI + 4.23	10-Sep-21	160,770.0	160,770.0
Third issue - Tranche 1 Series C	15-Aug-12	230,050.0	180	CPI +4.23%	15-Aug-27	230,050.0	230,050.0
Third issue - Tranche 1 Series C	15-Aug-12	174,147.0	120	CPI +4.07%	15-Aug-22	174,147.0	174,147.0
Fourth Ordinary Bonds CPI - Tranche 1 Series C	13-Feb-13	214,500.0	120	CPI +3.23%	13-Feb-23	214,500.0	214,500.0
Fourth Ordinary Bonds CPI - Tranche 1 Series C	13-Feb-13	184,521.0	180	CPI +3.47%	13-Feb-28	184,521.0	184,521.0
Fifth issue - Tranche 1 - Series C	10-Dec-13	83,935.0	84	CPI+4.29%	10-Dec-20	83,935.0	83,935.0
Sixth issue -Tranche 1 Series C	15-May-14	183,359.0	60	CPI + 3.39%	15-May-19	183,359.0	0.0
Sixth issue -Tranche 1 Series C	15-May-14	160,955.0	120	CPI + 3.89%	15-May-24	160,955.0	0.0
						2,802,544.0	2,522,637.0
IBR							
Fifth issue - Tranche 1 - Series B	10-Dec-13	315,815.0	24	IBR+2.0%	10-Dec-15	$ 315,815.0	$ 315,815.0
Sixth issue -Tranche 1 Series B	15-May-14	255,686.0	36	IBR + 1.29%	15-May-17	255,686.0	0.0
Ordinary IBR	09-Oct-14	255,686.0	36	IBR + 1.25%	09-Oct-17	90,235.0	0.0
						661,736.0	315,815.0

Fixed Rate							
Second issue Tranche 1 - Series F5	05-Feb-09	121,800.0	60	TF 10.40%	05-Feb-14	$ 0.0	121,800.0
Second issue Tranche 2 - Series E3	15-Aug-12	95,803.0	36	TF % 6.5%	15-Aug-15	95,803.0	95,803.0
Fourth Ordinary Bonds Fixed-rate - Tranche 1 Series F	13-Feb-13	100,979.0	36	TF % 5.14%	16-Feb-13	100,979.0	100,979.0
Ordinary Bonds	09-Oct-14	272,690.0	24	TF 5.89%	09-Oct-16	272,690.0	0.0
						469,472.0	318,582.0
					Total Ordinary Bonds	$ 3,933,752.0	$ 3,157,034.0
					Total Bonds outstanding	$ 7,332,640.4	$ 6,398,155.7

Bonds by monetary unit

		2014	2013
Local currency	$	5,816,256.2	4,806,723.2
Foreign currency		1,196,230.0	1,281,991.0
UVR		320,154.2	309,441.5
	$	7,332,640.4	6,398,155.7

Bonds by maturity

		2014	2013
< 1 year	$	1,176,386.3	1,863,165.0
1-5 years		2,901,794.2	4,216,414.7
5-10 years		2,621,288.9	318,576.0
Over 10 years		633,171.0	0.0
	$	7,332,640.4	6,398,155.7

18 Other Liabilities

Other liabilities correspond to the following:

		2014	2013
Employee benefits	$	49,305.4	43,132.7
Income received in advance		10,716.6	10,225.8
Other		567,315.7	453,809.6
	$	627,337.7	507,168.1

The following is the detail of other liabilities:

18.1 Employee benefits

The detail of these long-term liabilities is the following:

		2014	2013
Severance accrual	$	15,774.8	13,468.5
Interest on severance accrual		1,851.8	1,582.6
Holidays		21,363.5	19,071.1
Other employment benefits		10,315.3	9,010.5
	$	49,305.4	43,132.7

The Bank applies the employment regime of Law 50/1990.

The Bank has no pension liabilities.

Other liabilities – Other at December 31, 2014 and 2013 total$578.032.3 and $464,035.4 respectively

18.2 Income received in advance

The movement of income received in advance at December 31, 2014 and 2013, is the following:

		Balance at 2013	Credits	Charges	Balance atl 2014
Interest	$	250.0	51,833.0	46,724.0	5,359.0
Credit/debit card administration charge		65.2	8,865.0	8,882.6	47.6
Commissions		9,888.5	70,287.2	75,055.8	5,119.9
Other		22.1	704.3	536.3	190.1
	$	10,225.8	131,689.5	131,198.7	10,716.6

18.3 Other

The movement of other liabilities - other at December 31, 2014 and 2013 , is the following:

		Balance 2013	Credits	Charges	Balance 2014
Deferred credits (1)	$	35,720.9	176,789.5	174,621.1	37,889.3
Deferred payment L/Cs		14,884.2	83,928.7	85,435.1	13,377.8
Deferred income tax		321,987.0	122,657.9	18,735.4	425,909.5
Credits pending application		39,508.7	39,379,699.4	39,363,051.1	56,157.0
Clearing overages		68.5	585,129.2	585,073.1	124.6
Cash overages		7,917.7	202,612.9	202,812.9	7,717.7
Cancelled accounts		33,674.6	43,957.1	51,538.4	26,093.3
Other		48.0	1,943,322.5	1,943,324.0	46.5
	$	453,809.6	42,538,097.2	42,424,591.1	567,315.7

(1) Corresponds mainly to deferrals under restructured loans with balances at December 31, 2014 and 2013 for $30.851.7 and $27,797.2 respectively.

The terms of amortization are:

		2014	2013
0-1 years	$	3,723.0	5,799.9
1-5 years		2,930.4	2,315.3
Over 10 years		31,235.9	27,605.7
	$	37,889.3	35,720.9

19 Estimated liabilities and provisions

The following is the detail of estimated liabilities and provisions:

	2014	2013
Other:		
Rate hedging cover	18,627.9	13,159.5
Contributions and affiliations		
Fines, litigation, indemnities and claims	29,230.2	34,438.8
Redemption of debit/credit card points	11,763.0	13,311.0
Other provisions (under 5%)	2,134.8	2,402.7
	61,755.9	63,312.0

Fines, penalties and litigation

The cases that have generated contingent liabilities for the Bank are detailed as follows:

a. Cases for account of Fogafín

These are cases against Granbanco S.A. Fiduciaria Cafetera S.A, Bancafe Panamá S.A. (now Davivienda Panamá) and Bancafé International Corporation (now Davivienda International,) existing before January 31, 2007 and others served after February 16, 2007 and up to February 16, 2010, still in process and expressly guaranteed by Fogafin.

Civil, administrative and special cases covered by the Fogafin contract are the object of a 15% provision, given that the contingency, according to Fogafin´s calculations only for ordinary and special cases. For employment cases, the provision is 10%.

b. Litigation against the Bank

These are other cases, which generate a contingency for the Bank

The following is a summary of cases pending December 31. 2014 and, 2013:

2014

Type of case	No. of cases	Provision	Value of claims
Litigation covered by the FOGAFIN Contract			
	107	12.954.9	39,224.3
Bank:			
Fines, penalties and other- administrative authorities		2,614.8	2,614.8
Labour claims	47	4,133.8	8,554.9
Civil cases	752	9.526.7	97,787.9
	916	$ 29,230.2	$ 148,181.9

2013

Type of process	No of cases	Provision	Amount of claims
Cases covered by the Fogafin contract			
	160	10705.7	41,982.6
Bank:			
Fines, penalties and other- administrative authorities	11	2,021.0	2,921.0
Labour claims	54	3,198.0	5,770.2
Civil cases	844	17,614.1	104,878.83
	1,069	$ 34,438.8	$ 155,552.6

Processes initiated by the Bank may be:

Criminal

Only if criminal proceedings implicate the Bank as a third party with civil liability. At December 31, 2014 and 2013 there was one such case, the amount involved is less than $70.0.

Civil, special, administrative and labor cases

This type of case generates a contingency for the Bank, regardless of the process that causes it. In general terms, because of its eventual contractual or general civil liability and equally penalties or due to sanctions imposed by the authorities. Each of these cases is classified and allowances are made as necessary.

The following are the court cases that may generate the most important economic impact on the Bank:

Tax cases

Wealth Tax 2007

The tax authority DIAN made a proportional rebate to the Bank in 2008 for $4,485 of the wealth tax that the Bank had paid for 2007. The argument for the rebated was the merger of GRANCBACO S.A. BANCAFE and the Bank was therefore entitled to tax stability.

DIAN attacked its own resolutions in which it ordered the rebate. There was no sanction attached, but penalty interest had to be paid if the case was unfavourable to the Bank. This led to two suits, one for each resolution that had granted the rebate. The two claims were accumulated in on 5 May 2011.

Then, DIAN pleaded the nullity of all the resolutions returning $4,485 to Davivienda and in a judgment of the first instance the Administrative Disputes Court of Cundinamarca on January 19,. 2012 denied the nullity and ordered the return to DIAN of what had been rebated, plus interest. With this unfavourable result, the Bank appealed and is now before the Council of State for decision in the second instance.

In the opinion of the tax adviser, the contingency is probable and therefore the decision was taken to apply for the special payment conditions of Law 1607/2012,paying the tax plus 20% of the related interest. On August 16, 2013 the Bank paid $6,409.2 including the 20% interest of $1,924.6.

While the case continues to go through the courts, this benefit is subject to the prompt payment of all national taxes, otherwise the benefit and the payment of the lower amount paid will be automatically lost.

Bank transaction tax, 2005

In 2007 DIAN issued an assessment on January 19, 2007 for 25 weeks filed in 2005, proposing to change the tax payable.

There is a contingency of $11,973.0, of which $2,369.0 is the extra tax claimed, $3,789.0 is the penalty and $5,815.0 is interest

The Council of State made a final and unfavourable ruling for weeks 3, 4 and 8 o0n January 13, 2012, causing a payment of $405.4 to be made.

In February 2009, the review assessments for weeks 32, 33, 46, 49 of 2005 were challenged, and on February 9, 2011 the Cundinamarca Administrative Disputes Tribunal annulled part of the acts challenged, confirmed the higher level of tax assessed and annulled the sanction, on the grounds that it was a matter of a difference of interpretation. The matter passed to the Council of State for appeal.

In January 2009, the review assessments for weeks 37-42, 2005 were challenged and the Cundinamarca Administrative Disputes Tribunal found against the Bank in May, 2010. The Bank appealed to the Council of State

Finally, in September 2010 an objection was lodged to the assessments for weeks 43,44,45,47,50, 51 and 52, 2005. On August 19, 2011 the Cundinamarca Administrative Tribunal issued an order upholding the decision of the first instance and denying objections.

In a decision 19075 of November 6, 2013 the Council of State accepted the conciliation agrseement between the bank and DIAN for $2,3003.9 in relation to weeks 37-42, 2005.

The caser for weeks 43, 44, 45, 47, 48, 50, 51 and 52 was also conciliated for $4,645.2, approved by the Council of State in Decision 19077, of June 10, 2014.

For weeks 31,34, 35 and 36/2005, on which an unfavourable decision (18592) had been issued on November 1, 2012, ratified in 20123, the Bank pleaded for special conditions of payment under Law 1607/2012:$794.0 was paid with a contingent saving of $1,370.8 of a total of $2,165.2.

Without prejudice to the special conditions of payment and approval of the conciliation agreements by the Council of State, these benefits are subject to prompt payment of tax obligations for the next 2 years, on pain of automatic cancellation under Law 1607/2013.

Turnover Tax

In Medellín, the Departmental Treasury has questioned the tax base used for turnover tax filings, because they did not include income from monetary correction on Loans formerly held by the Savings & Loan banks.

This has led to 14 suits, against which the Bank has argued nullity and restoration of rights in the Administrative Disputes courts The Bank argues that it is not mandatory to include that income because the rule applies only to the Savings & Loan companies under Article 42 of Order 57/2003 in Medellín, and not to banks.

The current status of the 14 cases is the following:

1. Eleven has been completed::

a) Six were decided in the Bank´s favor, for $254.2.

b) One was decided partly in the Bank´s favour with a lower amount of extra tax and a smaller fine for inaccurate filing. The partial Nullity of the Assessment led to an order to pay $2.2 of tax and the fine for inaccuracy.

c) One case ended through abandonment, for $5.3.

d) Three cases were decided against the Bank, for $30.8.

2. In the other three cases, all await decisions on appeal. One is before the Council of State, another before the Cundinamarca Administrative Tribunal and the third before the Antioquia Appeal Courts for a total contingency of $249.8.

b. Contract with FOGAFIN for contingent liabilities

When Granbanco S.A. was privatized, a contingent liability contract with signed with FOGAFIN on December 12, 2006, to take effect on February 16, 2007.

Under the FOGAFIN contract the Bank has a guarantee covering certain contingencies in cases specified in the contract. Cover is 85% - an exceptionally 90% - for the employment and pension liabilities of Banco Cafetero S.A. in liquidation.

The contract sets up a contingency account to contain provisions made by Granbanco S.A. Bancafé and its affiliates at January 31, 2007, totaling $21.067.0. Any order or item guaranteed by FOGAFIN is deducted from this contingency, up to that limit. If the limit is exhausted, FOGAFIN is bound to reimburse any net loss to the Bank, in the terms of the contract. The existence of this provision account for the amounts recorded at that time means that any subsequent loss in cases before the courts and covered by the guarantee, will not affect the Bank´s earnings.

At December 31 2014 2013, there are 107 and 160 cases covered by FOGAFIN with provisions of $10.685.9 and $10.705.7 against claims of $39.224.3 and $41.982.6, respectively.

As a result has recorded its contingent liabilities taking account of the FOGAFIN contract.

The contracts causing the greatest contingencies are:

Income tax 2003:

The Bank filed its tax return on April 12, 2004 claiming a credit balance of $7,004.8. The tax authority DIAN rebated this amount. Subsequently, the Bank corrected the income statement which increased the credit balance to $10.051.2, claiming the rebate for the difference, i.e. $3,046.4.

DIAN considered that this was out of order and assessed a higher liability, of $ 2,638.8. It also imposed a fine for "falsification", of 160% of that amount, that is, $4,222.0, giving a total of $6,860.8.

Thus, the balance claimed by the Bank for $10,051.2 was reduced to $3,190.4 after subtracting the higher liability and the fine.

Since DIAN had initially rebated $7,004.8 to the Bank, and which according to them, the credit balance was $3,190.5 after applying the higher tax and the fine, DIAN claimed the return of $3,814.4 plus interest.

In a decision 17180 of March 12, 2012 the Council of State confirmed the decision of April 2, 2008 of the Cundinamarca Administrative Tribunal, leaving the DIAN assessment in firm. The Bank in reply claimed denial of fundamental rights and on June 20, 2013 the Council of State confirmed the decision, finding for DIAN.

The appeal against the lower court (Section 4, Administrative Tribunal of Cundinamarca) confirmed DIAN´s decision to deny the rebate for 2003 income tax for $3,046.0 and the Council of State found against the Bank in decision 18849 of June 29, 2012.

The Bank sued for nullity and restoration of the law against the decision imposing a fine of $3,814.4 for improper claims for a rebate. In April 2012, the Administrative Tribunal of Cundinamarca found against the Bank and on June 29, 2012 the Bank filed and sustained an appeal to the Council of State, now awaiting admission.

DIAN originally rebated $7.004.8S and the amount in the Bank´s favour is therefore $3,190.4; so, after taking account of the higher level of tax and the fine, DIAN asked the Bank to return $3,814.3 plus interest.

The contingency for the rebate out of order is $16,618, this being the disputed amount $3,814.4 plus interest of $9,202.3, increased b y 50%.- The contingency is covered as to 85% by the FOGAFIBN contract, and the remainder would be for the Bank´s account, i.e. a provision of $2,401.0 is required.

As part of the 2003 tax case, and in relation to the fine for out-of-order rebate, an action was started for nullity and restoration of law. In April 2012 the Cundinamarca Administrative Tribunal found against the Bank and on June 20, 2012 an appeal was entered against the lower court´s decision. It now awaits the Council of State´s decision.

Since the Bank has satisfied the requirements for a conciliation, i.e. the Council of State has not found against the Bank in the case for the out-of-order rebate, the Bank requested conciliation of the interest and the fines based on Law 1607/2paying 100% of the sum rebated, $3,814.4.

The Conciliation Committee considered that the action was out of order in a decision of September 25, 2013, as reflected in Minute 243, served on the Bank on September 30, 2013

Therefore, in October 2013 the Bank requested revocation of the minute regarding conciliation of September 25, 2013, requesting the Committee to reconsider and in subsidiary, if denied that the Bank be permitted to apply the special condition of payment t under Art. 149 of Law 1607 of December 2012 and pay 20% of interest and fines.

On December 9, 2013, this petition was denied in Decision 010665, and the decision was taken to file suit against the DIAN orders denying conciliation. The matter has been awaiting decision since August 15, 2014.

As a subsequent event, on January 15, 2015 we have become aware that Council of State decision 250000233700020140034 0 denied the injunction sought by the Bank to suspend proceedings against the

Out-of-order Rebate Resolution until the claims of nullity and restoration of the law have been decided against the acts denying conciliation in order to avoid a pre-judicial situation.

Income Tax 2003: Banco Davivienda S.A.

On January 14, 2009 DIAN issued an indictment 312382009000002 against the Bank for out-of-order rebate claims under Article 670 of the Tax Code.

On May 25, 20010 DIUAN issued Resolution 90000012 with a fine for out-of-order rebates or offsets with 50% penalty interest, an amount included in the initial mutual Agreement made with DIAN (see Minute 000035 of June 25, 2007, signed by the Special Conciliation and Termination b y Mutual Consent Committee.

The Bank sued for nullity and restoration of the law as plaintiff, requesting nullity of Resolution 9000012, denied in the first instance by the Cundinamarca Administrative Tribunal. In a final decision 19683 of December 9, 2014, the Council of State decided to revoke the decision of the first instance and declare that Resolution 9000012 was null, stating that Davivienda should not pay anything as a fine for out-of-order rebates or offsets for the 2003 income tax filing.

C. Major-impact contingent liabilities

1. **Cases related directly to banking operations**

1. The Bank was sued by Guillermo Alfonso Trujillo basing his claim in that Granbanco had, without consulting him, anticipated a disbursement of a Finagro-approved loan in his name for $382.0, and applied it improperly to settle other loans in his name. He argues that this act of the Bank caused him damages he rates at $4,000.0. The case is now before the Supreme Court, for cassation against the appeal decision in the Bank´s favour. The contingency is considered to be remote.

2. Before Civil Court 2, Barranquilla, Mr. Yuri Lora Escorcia initiated ordinary proceedings by which he seeks compensation for the alleged damages caused by improperly opening a current account at the Bank, based on which a check was drawn which could not be collected by the plaintiff and which ultimately caused him disciplinary and criminal problems. The case is currently in cassation, contesting the appeal decision in the Bank´s favour. The contingency of $3,500.0 is considered remote.

3. The customs agency Intergel S.A. S.I.A sued the Bank, DIAN and the Prosecution Service for civil liability in the Nariño Administrative Courts, claiming reparation for damages suffered from allegedly not being able to conduct its business. The argument was that Banco Cafetero had irregularly reported payment of taxes by the Company which subsequently caused penal and administrative problems. Their appeal against the rejection of the claim is currently in progress. The amount in question, some $5,000, is considered a remote contingency.

4. In a group action Mr. Pedro Antonio Chaustre and Mrs. Claudia Patricia Vasquez sued the Bank and Promociones y Cobranzas Beta S.A. on the grounds that Davivienda charges its Diners card users preliminary recovery costs in an abusive and inconsiderate manner. The process is passing through Civil Court 30, Bogota, and the collection of evidence has begun. The amount was not defined in the claims. The risk is considered remote given that the contracts for opening credit states that collection costs are for account of the debtor. Further, an out-of-court recovery was made with respect to the people now forming the plaintiff group, for being in arrears.

2. **Cases concerning the former UPAC system**

1. Alberto Botero-Castro brought a class action against the Bank on the grounds that it had over-invoiced the State for Law 548/1999 relief for home mortgage UPAC loan debtors at 2013, 1999 and claiming that the difference should be returned to the treasury. The case is in the evidence-gathering stage. Although the claim does not mention any exact amount, estimates suggest that it would be a large one, in excess of $5,000. The contingency is classed as remote since there is no

evidence of the alleged irregularities and inconsistencies that the Bank might have incurred in this process.

2. Mercedes López Rodríguez brought a class action alleging that the Bank and other financial institutions had not returned TES, in cases where under Law 546/1999, there was no reason to charge for them, or they should have reverted. The case is before Civil Court 4 Bogota pending decision on a request for revocation entered by the Bank against the order to admit the case. The contingency is classed as remote and at this point in the proceedings it is not possible to estimate the amount of the claims, the plaintiff estimates it to be in excess of $1.000.0.

3. Asociación Comité Nacional de Usuarios UPAC– UVR, a non-profit organization , joined in a class action with others against the Bank, claiming irregular re-liquidation of relief for mortgage debtors under Law 546 /1999. They also demanded the reimbursement to the Colombian Treasury of the TES which were the proceeds of the irregular liquidation and of the Bank´s refusal to revert relied when by law it should have done so.. The case is before the Cundinamarca Administrative Tribunal pending a decision on the request for revocation entered by the Bank against the order admitting the case. The claims mention no amount, and the case is classed as remote.

4. Class action brought by Mr. Alvaro Romero-Bocarejo and other Concasa debtors, in which the plaintiffs claim that Corporación de Ahorro y Home Mortgage Concasa, of which the Bank is the successor, improperly charged interest on housing loans. Currently an appeal is in progress against the advance judgment admitting the Bank´s exception of time-bar forfeiture The plaintiffs are 142 individuals and there are no clear elements to establish the amount of the claims, and no allowance has been made, since the contingency is rated as remote, given that the Bank complied with the parameters of Law 546 and Constitutional Court orders for the recalculation of UPAC loans.

5. In Civil Court 7, Bogotá, Aida Acero and others have brought a class action for excessive interest charged in the UPAC system for home mortgage loans, based on which they argue that they were charged something they did not owe.. The Bank awaits the Court´s decision on the preliminary objections it proposed. At present there is no objective evidence to enable the claim to be quantified and the members of the group. The contingency is classed as remote.

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6. Ms Clara Cecilia Murcia and others entered a class action in Administrative Court 5, Bogota against the courts that did not comply with the allowances of Law 546 on the termination of the mortgage enforcement cases. The application requests that all courts in Colombia be ordered to terminate these cases. The Bank is implicated as a third party for having filed enforcement claims at the time. The case is pending a summons to a conciliation hearing. The contingency has been classed as remote.

7. Mr. Fredy Alarcón and others sued in a class action claiming for compensation for alleged overcharging of the holders of UPAC-indexed mortgage loans. The case is before Civil Circuit Court 31, Bogota which refused to admit it as a result of a request for revocation against admission, and is pending resolution of the letter of remedy provided by the plaintiff. The contingency is described as remote and the amount of the claims cannot at present be established

8. In Civil Court 5 Henderson Sepúlveda and another in a class action have sued for excessive interest charges on credit card operations. The case is in the evidence-gathering stage and there are no valid criteria to calculate the amount of the claims. Classed as remote..

Cases linked to charges for financial services.

1. Mr. Oscar Zambrano-Parada and others sued before Civil Court 31, Bogotá seeking recognition of damages for allegedly unlawful charges of commissions for bank and financial services. The Bank contested the claims in time and the case is now in the evidence collection stage. There are no objective parameters to calculate the amount of the claims, and therefore no allowance has been made for the contingency until some possible risk can be identified the course of the proceedings. The contingency was treated as remote.

2. Mrs. Rosemary Roa-Sarmiento brought a class action before Civil Court 20, Bogotá, for allegedly unlawful charges for financial services provided by the Bank. The data currently available have not made it possible to determine an amount for the claims. Evidence ordered by the Court are being produced at this time. In similar cases against other Banks, the courts have rejected suits for lack of legal support. This contingency has therefore been treated as remote. There is a similar class action brought by José Guillermo T Roa in Civil Court 5, Bogotá Circuit currently also in the evidence-gathering stage, and the considerations of this case also apply to it.

Court actions derived from home mortgage loans where there has been structural deterioration.

1 Through an action for Direct Reparation, Martha Esperanza Suarez and others sued the Bank and others, who claimed that declaring that Davivienda and other defendants should pay compensation in damages allegedly incurred by the plaintiffs during the construction of urbanization "Parques del Sol II in Soacha", where the faults in the land made the houses uninhabitable. The process is currently in progress at Administrative Tribunal 38, Bogotá pending a decision on the Bank´s challenge against admission. The amount of the claim is estimated in $5,200.0 plus any interest; the contingency is rated as remote.

2 In Administrative Court 14, Barranquilla a class action was filed by Silvana Heredia and others, seeking to relocate persons who acquired low-cost housing in an area of the city, which have experienced foundation problems, in other homes of similar conditions which have had problems with their foundations. The matter ended with an appeal decision favourable to the Bank

3 Ms. Ana Rocio Murcia-Gómez and others sued the Bank and others, for geological faults in the lands on which the houses of the “Parques del Sol” Condominium, Soacha were built. The case is before Administrative Court 29, Bogota, in the evidence-gathering stage. The Bank is implicated because it made mortgage loans on these properties. The amount involved cannot be determined. The contingency is classed as remote.

4 Ms. Adriana Rocio Mantilla and others entered a class action in Administrative Court 2, Cúcuta against the Bank, claiming compensation for injuries suffered from the faults found in the residential properties located in the Vista Hermosa development. Pending a decision in the first instance. The amount of the claim cannot be determined. The case has been classified as a remote contingency.

Other cases

1. Grupo Empresarial Los Andes S.A. sued the Bank for damages caused by the claims for recovery of ownership that Luis Hernando Murcia-Castro made against Los Andes with regard to part of property (Ref. No. 206-33327) that Davivienda sold to CISA and CISA then sold to the Group. The case is before the Civil Court 2, Pitalito, in the process of collection of evidence ordered by the court. The claims are estimated at $9,000.0. The contingency is rated as remote

2. Mr. Cornelio Villada- Rubio and others entered a class action before the Administrative Court 7, Ibague, for payment of compensation for damages arising from a report to credit bureaus, without their permission, or for remaining reported for a term longer than the legally permitted. The court found in the Bank´s favour.

Cases with asset contingencies in which the Bank is plaintiff

The Bank is plaintiff in a number of cases in defence of its rights. The most important of them in terms of amount are:

A. Tax cases

1. It was understood that for purposes of the merger of Granbanco S.A. and Banco Davivienda S.A., the latter becomes the holder of the Tax Stability Agreement, and on June 10, 2008 the Bank sought rebates of $13.095.0 and $9.728.0 as payment of Wealth Tax not due and Bank Transaction Tax (GMF) not due paid in 2007.

The Bank received the DIAN decisions to rebate $4,485.0 of wealth tax on July 23, 2008 and on December 18, 2008 DIAN Resolution No. 6081795 decided that a GMF rebate of $263.6 should be made.

Regarding the application for refund of wealth Tax, the Bank filed an appeal for reconsideration on June 16, 2009 and DIAN Resolutions 1007 and 1008, confirmed the assessment, denying the refund in the amount of $8,610.0, and thus exhausted ordinary process. The Bank proceeded to present the claims:

- Action for nullity and restoration of law (2009-210) to annul Resolutions 608-0887/2008 and 001007/ 2009 (reconsideration) in which DIAN denied the rebate $4.305.2 from $6.547.5 paid on account of the first installment of the Wealth Tax for 2007. The final decision was unfavorable to the Bank and is in firm.
- Action for nullity and restoration of law (2009-210) to annul Resolutions 608-0888/2008 and 001007/2009 (reconsideration). DIAN denied the rebate of $4.305.2 from $6.547.5 paid on account of the second installment of the Wealth Tax for 2007. The suit was filed with the Administrative Tribunal of Cundinamarca after other steps of procedure had been exhausted, and the Court found against the Bank. Davivienda´s appeal against this decision is now before the Council of State.

<u>2. Income Tax 2004</u>

In December 2007 DIAN issued an assessment to additional tax, with a fine for inexactitude of 160% for a total of $67.785.0 in relation to their 2004 tax return. Then in February 2008 the Bank requested reconsideration but in December 2008 DIAN denied the request and confirmed the assessment.

In March 2009 the Bank sued for nullity and restoration of the law before the Administrative Tribunal of Cundinamarca, but the Tribunal denied its claims. On appeal, the Council of State found against the Bank. As a result, the Bank paid but filed for protection of fundamental rights and gaps in the evidence. The application was denied and the4 decision was confirmed.

In decision T-059 of February 3, 2014 the Constitutional Court confirmed the decision of July 11, 2013 of SECTION I – Administrative Disputes – of the Council of State, in turn confirming the decision of SECTION V of the Council of State, against the Bank. This decision completed the case.

20. Capital

At December 31, 2014 and 2013 the authorized capital of the Bank is 520 million shares with a par value of $140 each.

At an Extraordinary General Meeting on June 19, 2013 the Bank´s Articles were amended to increase authorized capital to $72,800.0 and change the par value of the share from $125 to $140 (pesos) represented in 520 million ordinary and preference shares. Details of capital at December 31, 2014 and 2013 are as follows

The authorized capital, subscribed and paid is represented in the following shares:

		2014	2013
Ordinary shares paid		343,676,929	343,676,929
Preference shares paid		100,537,305	100,537,305
Shares outstanding		444,214,234	444,214,234
Weighted average of subscribed shares		444,214,234	444,155,669
Intrinsic value of reappraisals (pesos)		15.620.35	13.500. 75
Net profit per share (pesos)	$	2,253.76	1,642.63

Capital generated by the equity surplus up to January 31, 2006 was $252.185.2.

Shares are nominative and may be (a)f ordinary, (b) privileged or (c) with non-voting preferential dividend. The preference shares may not represent over 50% of subscribed capital.

Preference shares have the right to receive a minimum preferential dividend of 0.5% every six months, on the subscription price of the first issue in the program, that is, $80.65, which will be paid preferentially over and above the ordinary shares. The minimum preference dividend may not be accumulated.

If distributed profits are sufficient to pay holders of ordinary and preference shares a dividend higher than the preference minimum, profits will be distributed pro-rata between the ordinary and preference shares.

– Dividend payments

The AGM of March 12, 2014 authorized the payment of dividends if $630 pesos per share

21 Reserves

The detail of reserves is the following:

		2014	2013
Legal (mandatory) reserve:			
Appropriation of profits	$	475,694.8	362,765.9
Ordinary share placement premium		2,264,988.0	2,264,988.0
Preference share placement premium		1,124,620.2	1,124,620.2
		3,865,303.0	3,752,374.1
Statutory and voluntary reserves:			
At the disposal of the Board		0.0	5,972.3
At the disposal of the stockholders´ meeting		877,982.9	505,934.3
For tax regulations		25,070.5	55,220.5
		903,053.4	567,127.1
	$	4,768,356.4	4,319,501.2

- ✓ The General Meeting of March 12 2014, approved:
- ✓ Distribution of the profits for 2013 increasing the taxed legal reserve by $76.805.4 and untaxed voluntary reserves by $179,911.0:

- ✓ Release of untaxed reserves from previous periods of $279,854.9 to pay cash dividends on March 26 at $630 per share.
- ✓ Release of reserves for donations of $5,002-3 to untaxed reserves iof capitalized and to make donations of $10,000.0 in 2014.
- ✓ Release fiscal reserves for investments to leave at the disposal of the General Meeting, for $30,150.0 for untaxed profits if capitalized.
- ✓ Release reserves available to stockholders of $36,122.4 to increase the legal reserve untaxed if capitalized over 2 years
- ✓ Release of reserves untaxed if capitalized for $472,962.5 for future capitalization and an irrevocable commitment to make capitalizations from voluntary reserves and increase the legal reserve for 5 years of the net profits for 2013, approved by the Financial Superintendency on April 7, 2014.

22 Contingent Accounts

A detail of the contingent accounts is the following

		2014	2013
Creditor:			
Securities received in repo and simultaneous operations	$	242,041.3	339,160.6
Bank guaranties		2,683,328.7	2,367,605.4
Letters of credit		97,985.0	78,547.0
Loans approved and not disbursed		7,784,762.6	6,404,594.7
Credit cards opened		9,922,081.6	8,639,176.5
Obligations under options		466,520.7	502,217.1
Litigation (Note 20)		148,181.9	155,552.6
Other (under 5%)		105,737.2	87,650.2
	$	21,450,639.0	18,574,504.1

Debtor:			
Securities in guarantee of repos and simultaneous	$	753,353.6	748,552.1
Loan interest		84,097.9	68,456.3
Rights under options		440,442.2	852,273.2
Purchase options pending receipt		5,759.2	3,999.3
Leasepayments receivable		197,392.6	171,904.1
Litigation in favor of the Bank		14,935.9	10,414.9
Other debtor contingencies(under 5%)		20,006.8	25,033.6
	$	1,515,988.2	1,880,633.5

23 Memorandum accounts

A detail of Memorandum Accounts, is the following

		2014	2013
Debtor:			
Assets, securities delivered in custody	$	5,916,052.7	5,587,836.0
Assets, securities delivered in guarantee		797,382.9	964,405.6
Valuations of foreclosed assets – real property		13,707.6	17,439.8
Valuations of foreclosed assets – movable assets		6,478.8	6,478.8
Outward remittances and collections		13,288.8	9,812.6
Assets written off		1,657,608.3	1,623,381.5
Loans to stockholders and related parties		51,302.5	35,981.3
Loans to Parents, affiliates and subsidiaries		0.0	200,000.0
New agricultural loans		1,262,364.6	1,075,835.6
Fully-depreciated property and equipment		267,498.7	138,447.8
Fiscal value of non-monetary assets		45,231,762.8	38,268,988.7
Trading investments, debt securities		2,396,136.3	2,363,054.6
Investments held to maturity		1,025,379.4	1,087,488.8
Investments available for sale – debt securities		1,817,627.5	1,280,833.4
Reciprocal operations with Parent and subsidiaries		2,108,081.6	1,714,529.8
Reciprocal operations effecting Parent costs and expenses		39,749.2	42,100.6
Capital, interest and insurance, on securitizations		1,744,409.0	1,548,297.4
Assets, expenses and contingencies on universalities		10,864.5	23,352.2
Interest, UVR, guarantees on write-offs		1,156,304.4	1,104,622.1
Special litigation		75,637.4	67,508.8
Indirect depositors DCV		1,987,391.4	2,074,356.2
Other debtor accounts (under 5%)		4,916,451.2	3,928,412.4
	$	72,495,479.6	63,163,164.0

		2014	2013
Creditor			
Assets, securities received in custody	$	8,240.1	8,284.9
Assets, securities received in guarantee		45,156,883.7	40,469,335.8
Assets received as sundry colateral		28,063.1	19,121.8
Recovery of assets written off		149,817.6	145,059.2
Fiscal value of equity		4,769,090.6	4,512,435.0
Capital, interest and other ítems, commercial loans		24,917,960.8	20,336,195.4
Capital, interest and other ítems, consumer loans		11,576,820.3	9,836,788.0
Capital, interest and other ítems, mortgage loans		4,725,995.5	4,181,355.6
Reciprocal liabiliy operations with Parent and subsidiaries		84,860.5	82,710.8
Reciprocal operations affecting Parent income		193,951.9	124,171.0
Collateral, liabilities and income, universalities		10,441.1	22,954.7
Collateral for securitizations		5,680,380.1	5,164,944.7
Dollar bonds		2,392,460.0	2,245,227.1
Computable capital - Oct/2014 - 2013		6,082,354.1	5,186,814.8
Computable capital - Nov/2014 - 2013		6,196,002.2	5,207,171.8
Base for self-withholdings Dec. 700 - Investments		2,454,078.9	2,012,170.9
Other contingent debtors(under 5%)		3,355,889.6	2,896,901.5
	$	117,783,290.1	102,451,643.0

24 Trust accounts

Universalities of mortgage loans written off (CCV)

At December 31, 2014 and 2013, the financial statements of the “universalities” CCV, CCVII and CCVIII were recorded in trust memorandum accounts.

The “universalities” are formed from accounts written off, as approved by the Shareholders´ General Meeting of December 16. 2003, May 11 and November 9, 2004 (Minutes 638, 646, 656). The decision was taken to withdraw a group of home mortgage loans from the balance sheet, due to the particular risks involved - full provision had been made against them – and simultaneously, to issue securities.

Following the terms of the universalities management agreement for CCV, VVII and CCVIII the securities matured in 2011 and 2012 and the universalities due for liquidation through a general meeting of holders of CCV securities according to the Minute 1 of the meeting of June 15, 2012, CCVII and CCVIII Minute 1 of the meeting of May 24, 2013 in which the representatives authorize the manager to start the liquidation process under the second option contained in the management agreement.

The Bank therefore, as manager of Universalities CCV, CCVII and CCVIII, made the offer and block sale of the portfolio of loans current at September 30, 2013. All three Universalities are now in the liquidation process.

- Sale. CCV Universalities were auctioned, realizing $7,357,0 after the holders´ meeting had approved this operation the sale was effected in November 2013 with a base price of the balances of CCV loans at September 30, 2013.

- Liquidation. The CCV´s were then liquidated with their holders, leaving the following items pending:

- Receivable due from investors for $491.4, CCV1
- Payable due to investors of CCV2 for $477.3 and CCV3 for $727,0; the funds are available.
- The Bank is in the process of legalizing 21 foreclosed real properties, holding $265.5 to pay for the expenses of the process

According to Superintendency Circular 47/2008, as of January 1, 2009 the Bank held balances of universalities of written-off loans in trust memorándum accounts. However, at December 31, 2014 and 2013, the Suoperintendency did not authorize the information transmitted and therefore there is a difference between the balance sheet sent to the Superintendency and the Bank´s official books for this item

25 Administrative and operating expenses

The detail of administrative and operating expenses is the following:

		2014	2013
Fees	$	132,671.5	118,612.2
Contributions and affiliations		54,258.2	53,114.8
Maintenance and repairs		32,663.9	28,842.1
Office remodelling		18,083.7	17,112.6
Cleaning and security		36,310.4	34,306.6
Advertising		97,186.3	80,924.6
Public servicess		58,208.9	65,071.8
Stationery		11,631.2	14,602.3
Insurance		66,511.3	65,664.4
Rent		77,952.5	65,859.3
Data processing		67,582.8	65,820.4
Transport		58,180.1	55,665.8
Comissions		171,798.8	134,300.0
Amortizations		21,013.8	25,566.0
Depreciations		43,779.0	44,724.0
Amortization of goodwill		79,021.7	71,575.1
Tax		150,835.5	136,898.8
Deposit insurance		85,755.0	77,682.7
Other, less tan 5%		63,656.9	57,615.1
		1,327,101.5	1,213,958.6

26 Other operating income and expenses, net

The following is The detail of operating income and expenses, net:

		2014	2013
Exchange	$	123,814.7	58,938.5
Derivatives		(32,692.9)	(41,598.1)
Valuation		115,520.3	(27,484.0)
Profit		(148,213.2)	(14,114.1)
Other (Repos, simultaneous, spot)		24,006.5	53,309.6
Profit on loan sales (neo)		8,245.0	15,295.6
Profit on sale of investments (netl		12,530.3	24,998.0
Other (net)		3,231.2	13,046.0
Valuation of subordinated bonds		4,815.0	94,646.0
Restatement of IFC bonds		(24,509.7)	(121,029.0)
Valuation of swaos		19,601.4	14,114.1
	$	115,035.0	58,411.1

		2013	2012
Exchange	$	58,938.5	(7,189.4)
Derivatives		(46,659.6)	43,916.2
Profit on sale of investments		24,998.0	46,089.6
Valuation of subordinated bonds		94,646.0	124,232.8
Reexpression of IFC bonds		(121,029.0)	(95,062.2)
Valuation of Swaps		14,114.1	(31,072.2)
'Other (Repos, simultaneous and spot operations, investments)		706.1	18,463.9
	$	25,714.1	99,378.7

27 Non-operating income and expenses, net

The following is The detail of non-operating income and expenses, net

		2014	2013
Profit on sale of foreclosed assets	$	3,780.1	3,881.0
Profit on sale of property and equipment		4,346.8	1,091.8
Rent		2,205.2	1,891.1
Sundry		22,658.7	19,886.7
Recoveries of estimated liabilities and provisions (1)		40,211.1	59,622.4
Insurance indemnities		0.0	5,620.0
Other recoveries		5,915.5	14,116.5
	$	79,117.4	106,109.5
Loss on sale of foreclosed assets		(1,568.6)	(1,351.0)
Loss on sale of property and equipment		(185.8)	(278.8)
Operating losses (SARO)		(22,978.4)	(29,498.6)
Fines and litigation		(7,186.1)	(14,349.4)
Expenses of foreclosed and restored assets		(1,565.2)	(2,034.8)
Condoned		(21,618.8)	(17,074.7)
Return of housing relief		(1,050.9)	(560.5)
Other		(21,512.6)	(14,410.9)
	$	(77,666.4)	(79,558.7)
Net	$	1,451.0	26,550.8

(1) Mainly composed of fines and litigation $10.177, insurance recoveries $2.977, rec eivables recoveries $4.054, universality recoveries $5.980, and deductible VAT $4.594.

28 Income and equity tax (CREE)

The following is the reconciliation between book profits and taxable profits for the periods ended on December 31, 2014 and 2013:

		2014	2013
Pre-tax profit	$	1.314.693,0	916.019,4
Plus or (less) (item that increase (decrease) taxable profit			
Non-allow able bank transaction tax		23.398,9	20.052,2
Fines and sanctions		31.673,4	47.734,0
Non-allow able prov isions on foreclosed assets, litigation, other assets		10.320,2	14.240,6
Fiscal income on sale of loans		0,0	3.494,6
fiscal income central america subsidiaries dividends		14.479,5	-
Difference in application of special valuation systems net 2013-2014		(143.635,2)	(129.631,2)
Untaxed dividends and other income		(43.548,1)	(55.470,5)
Difference betyw een book and fiscal depreciation and goodw ill		(198.882,0)	(203.516,2)
Recovery of no-allow able provisions		(33.465,3)	(47.772,5)
Other non-allow able deductions, taxes and expenses		166.835,2	141.270,6
Taxable income		1.141.869,6	706.421,0
Less: exempted income		(545.001,0)	(540.500,4)
Net taxable income		596.868,6	165.920,6
Presumed income		142.835,7	135.373,0
CREE (Equity tax)			
Plus:			
Net taxable income		596.868,6	165.920,5
Donations		11.484,6	7.506,2
Exempted income, residential property leasing		165.266,2	198.701,6
Tax base for income and equiry tax		773.619,4	372.128,3
Income tax 25%		149.217,1	41.480,1
Equity tax 9%		69.625,7	33.455,4
Miami sale expense		-	26,9
Discount for taxes paid outside the country		(19.126,2)	-
Deferred income and equity tax		113.825,6	111.377,0
Total income and equity tax	$	313.542,2	186.339,4

The effective tax rate for 2014 was 23.85% and for 2013, 20.34%

Law 1607 of December 2012 reduced the tax rate from 30% to 25% but created the Equity Tax at 9% until 2015; and 9%.

The 2013 income tax filing is open to review by the tax authority DIAN; and becomes in firm in April 2016.

For the years ended December 31, 2014 and 2013 the following deferred tax movements are recorded.

		2014	2013
Difference between book and fiscal income			
Investment valuations	$	15,303.4	22,868.8
Provision for turnover tax		(239.5)	(787.4)
Provisión Davipuntos and Frech		(1,303.0)	1,868.9
Excess value of goodwill		67,619.8	67,383.5
Syndicated loan, IFC bonds, derivatives and residual rights		34,558.4	21,815.2
Restructured loans and profit on loan sales		(352.9)	(1,772.0)
Alliance rate		(1,730.7)	0.0
	$	113,825.5	111,377.0

The difference between book and fiscal equity at December 31, 2014 and 2013 is as follows:

		2014	2013
Book equity	$	6,938,782.9	5,997,223.5
Plus (less) ítems that increase (decrease) equity			
Allowances against assets		65,793.5	81,044.9
Estimated liabilities and provisions		61,728.9	63,247.7
Effect of derivatives		(113,875.6)	(15,414.3)
Valuations - gains		(1,083,190.4)	(875,032.0)
Effect of deferred tax		404,405.6	288,349.0
Excess amortization of goodwill		(1,011,830.8)	(812,959.9)
Fiscal equity	$	5,261,811.1	4,726,458.9

The following is a reconciliation of the effective rate

Effective rate

The reconciliation between income tax and equity tax (CREE) at December 31, 2014 and 2013 is as follows:

	2014			2013		
	Base	**Tax**	**Rate**	**Base**	**Tax**	**Rate**
Profit before tax	1,314,692.9	446,995.6	34%	916,019.4	311,446.6	34.0%
Effect						
Non-allowable expenses and fiscal income	231,126.4	78,583.0	5.98%	247,364.9	84,104.1	9.18%
Fiscal deductions and non-taxable income	(464,155.4)	(157,812.8)	-12.00%	(524,501.2)	(178,300.4)	-19.47%
Exempted income	(484,795.2)	(164,830.4)	-12.54%	(472,962.5)	(160,807.2)	-17.55%
Specialo base for CREE	176,750.8	15,907.6	1.21%	205,806.0	18,522.5	2.02%
Effect of deferred tax	304,780.7	113,825.4	8.66%	327,579.4	111,377.0	12.16%
	(206,292.8)	302,668.4	25.30%		186,312.6	20.34%
Tax deduction for taxes paid abroad		(19,126.2)	-1.45%		0.0	0.00%
Net effect		313,542.2	23.85%		186,312.6	20.34%

The marginal rate for income tax at December 31 is 25% and for CREE is 9%, the effective rate for 2014 and 2013 was 23.85% and 20.34%.

Strategy and policy for tax payment.

The Bank has made analysis and interpretation of tax regulations, and compliance correctly and promptly with its various tax obligations, detecting opportunities for improvement and optimizing funds set aside for tax payments.

The review of strategies and policies, regulations, definitions of new products or services, the analysis of the Bank's financial statements are part of the activities undertaken, and are intended to establish a basis for tax processes, allowing prompt and appropriate decision-making, the presentation of reports, results and analysis of fiscal effects and effective rates.

The updating, analysis and ongoing investigation of national and municipal regulations has allowed the Bank to plan and implement actions, and effectively adopt decisions, and control risks in tax matters.

The following are the most important policies for the management and payment of taxes, depending on their nature.

Income tax

The Bank is a "major taxpayer" for income tax, and complies with its obligations to file and pay taxes due within the terms established.

Income tax action includes the recording of current and deferred tax, originating from timing differences which may be reversed in the future.

The Bank records advance taxes paid in the financial statements as follows:

Withholdings made on the Bank's behalf are recorded on an accrual basis, that is, at the time that income is generated

Self withholding at source for financial yields is recorded monthly based on information taken from the application used

Self with Holdings for commissions and loan interest are recorded in the financial statements at each monthly close.

If there are credit balances, adjustments are made at the close of the period, and they are offset or rebates are applied for.

Sales tax stamp tax and income tax withholdings.

The Bank is a "withholding agent" for income tax, sales tax and stamp tax. At the same time, it is a "self-withholder" for commissions, in accordance with Regulatory Decree 1740/1992 and a self withholder for financial yields on securities under Resolution 1460/1997. It is a self-withholder on loans, under Decree 2418 of October 31, 2013.

As required by regulations, filings are made at national level and findings and payments are made at national level monthly.

Sales tax (VAT)

The Bank is a VAT taxpayer on financial services provided, and VAT generated in its operations, and with exclusions or exemptions in certain services. According to tax regulations, it makes files for VAT every two months within the terms established for Bogotá for the tax, at national level

Turnover tax (ICA)

The Bank is liable for payment of turnover tax, in the 188 municipalities where it has a presence. If files the income received according to the bases established, including additional taxes such as surcharges, and for the presence of the additional offices.

ICA filings are made in accordance with Orders from each municipality or city, within the terms established for the various frequencies-monthly, to monthly, six monthly and annually.

Turnover tax withholdings
Following the individual regulations in each municipality the Bank as a withholding agent for turnover tax. In order to comply with this obligation, withholdings are made, and filed and paid in each municipality or city, within the deadlines and using the formats of presentation required.

The frequency of payment varies: it may be monthly, to monthly, six monthly or annually.

Equity tax (CREE)

The Bank is liable for payment of the equity tax-CREE-and a monthly liquidation is made for self withholdings of CREE for the items established by law. The return is filed and paid annually.

The Bank is also responsible for payment of the surcharge in 2015-18. A monthly estimate is made of tax liability, and a provision is recorded over the year.

Bank transaction tax (GMF)

The Bank, being supervised by the Financial Superintendency, is a withholding agent for GMF under current tax regulations. In the course of its, financial transactions, the Bank makes withholdings for GMF. A withholding is filed monthly on the standard form.

Risk and controls

Risks are related to statutory penalties for failure to comply with obligations of substance and form, and the principal causes identified are:

- Disregard of accounting, tax and process regulations
- Human error in the preparation, presentation, validation and approval of information
- Mistakes in liquidation and calculation taxes
- Errors in information generated by Bank applications that support tax filings and certifications
- Lack of promptitude in the delivery of information by the various areas involved in the process
- Other risks related to information security

In its operating risk management matrix (SARO), the Bank has identified risks associated with tax issues, and has implemented controls in relation to them, to cover them and secure compliance with regulations.

29 Transactions with related parties

The following are considered to be related parties:

- Sociedades Bolívar S.A. and their affiliates and subsidiaries.
- Shareholders holding 10% or more of the Bank´s capital (Inversora Anagrama S.A.S. and Inversiones Financieras Bolívar S.A.S.).
- Corporate entities in which the Bank is a direct beneficiary with 10% or more capital interest (Davivalores
- S.A., Fiduciaria Davivienda S.A., Corredores Asociados S.A., Corredores Asociados Panama S.A. Banco Davivienda (Panamá, S.A.), Grupo del Istmo (Costa Rica) S.A., Inversiones Financieras Davivienda S.A., Banco Davivienda Honduras S.A., Seguros Bolívar Honduras S.A., ACH Colombia S.A., Deceval S.A., Finagro, Redeban Red Multicolor S.A., Titularizadora Colombiana S.A., Multiactivos S.A.). Capital invested in these companies is disclosed in Note 6
- The Bank´s management and the management of members of the Grupo Empresarial Bolívar and companies in which the Bank´s management hold an interest of 10% or more directly or otherwise.
- Other shareholders holding less than 10% and more than 5% of the Bank´s capital (Inversiones Cusezar S.A. e Inversiones Meggido S.A.).

The Bank may enter into operations, agreements and contracts with related parties provided that any such relationship is conducted for reasonable amounts and observing the following criteria, amongst others:

- Market conditions and rates for the sector in which the operation takes place.
- The activity of the companies involved.
- The growth prospects of the business

The Bank has office network agreements and business collaboration agreements with Davivalores S.A., Fiduciaria Davivienca S.A., Capitalizadora Bolivar S.A., and Leasing Bolivar S.A.; property leases signed with Fiduciaria Davivienda S.A., Promociones y Cobranzas Beta S.A., Ediciones Gamma S.A., Davivalores S.A. ,Seguros Comerciales Bolivar S.A. and Constructora Bolivar Bogotá S.A. ; commercial agreement with Asistencia Bolivar S:A.; a collection management contracts with Promociones y Cobranzas Beta S.A.; and a publishing and commercialization agreement with Ediciones Gamma S.A.

There are also insurance placement and collection agreements and Banking-Insurance comercialization contracts with Seguros Bolivar S.A. and Seguros Comerciales Bolivar S.A.

All operations are undertaken at market prices; Deposit rates are 0.0-6.7% and placement rates are between 0.01% and 28.63% including housing loans to management at UVR and UVR+2% and business purchasing cards at one month with no interest.

At the close of December 2014 there were no loans with interest, term., collateral or other conditions other than those agreed with third parties for loans to affiliates, subsidiaries and other companies classed as related parties for the Bank.

At the close of December 31, 2014 there were no loans with a shareholder holding less than 10% but more than 5% of the Bank´s computable capital.

The Bank is required to make and maintain certain mandatory investments in Fondo para el Financiamiento del Sector Agropecuario –FINAGRO issues. The following are the Títulos de Desarrollo Agropecuario (TDA) held:

Assets - investments	2014	2013
Trading investments, debt securities	$ 0,0	$ 9.859,4
Held to maturity	$ 600.834,6	$ 572.942,5
Total Assets	$ 600.834,6	$ 582.801,9

There were rediscount operations with Finagro as follows

Rediscounts	2014	2013
Small-guarantee rediscounts	$ 164.174,4	$ 208.839,3
Interest payable on rediscounts	$ 1.737,1	$ 2.105,8
Rediscount interest expense	$ 7.155,9	$ 10.350,4

The most important balances at December 31, 2014 and 2013 are:

2014

($ millions)

	Stockholders =>10%	Companies holding. =>10% and subsidiaries	Other Grupo Bolívar	Management of Grupo Bolívar (1)	Other Stockholders <10% y =>5%	Total
Assets	**0,0**	**185.190,3**	**40.938,7**	**30.116,1**	**0,0**	**256.245,1**
Cash and due from banks	0,0	184.131,7	0,0	0,0	0,0	184.131,7
Investments	0,0	0,0	5.010,4	0,0	0,0	5.010,4
Loans and financial leasing operations	0,0	371,0	20.856,1	29.870,2 (3)	0,0	51.097,3
Acceptances, spot operations, derivatives	0,0	23,9	0,0	0,0	0,0	23,9
Accounts receivable	0,0	632,8	217,3	241,8	0,0	1.091,9
Property and equipment	0,0	0,0	0,0	4,1	0,0	4,1
Other assets	0,0	30,9	14.854,9	0,0	0,0	14.885,8
Liabilities	**543,1**	**247.856,4**	**89.161,0**	**9.978,9**	**1.072,8**	**348.612,2**
Deposits and demand accounts	543,1 (2)	221.294,2	82.337,4	8.818,2 (4)	1.072,8 (5)	314.065,7
Money market and overnight liability positions	0,0	3.648,5	0,0	0,0	0,0	3.648,5
Acceptances and derivatives	0,0	52,7	0,0	0,0	0,0	52,7
Accounts payable	0,0	19.361,0	2.515,7	910,7	0,0	22.787,4
Long-term debt	0,0	3.500,0	4.300,7	250,0	0,0	8.050,7
Other liabilities	0,0	0,0	7,2	0,0	0,0	7,2
Income	**0,5**	**244.377,7**	**99.509,8**	**3.416,6**	**0,1**	**347.304,7**
Operating	0,5	222.422,7	97.869,8	2.799,8	0,1	323.092,9
Non-Operating	0,0	21.955,0	1.640,0	616,8	0,0	24.211,8
Expenses	**145,7**	**85.665,7**	**50.347,9**	**1.541,2**	**2,2**	**137.702,7**
Operating	145,7	84.566,8	50.293,7	1.409,7	2,2	136.418,1
Non-Operating	0,0	1.098,9	54,2	131,5	0,0	1.284,6

(1) Legal Representatives and Directors of Grupo Bolivar companies, managers, deputy managers at branches, judicial legal representatives of the Bank and Bank management companies
(2) Checking accounts, zero interest and savings accounts 4.2% interest of shareholders holding 10% or more of the Bank´s capital
(3) Included housing loans for management with employment benefits at UVR or UVR +2% approved by the Board. At 15 years with collateral; and consumer loans at market rates up to 28.6%
(4) Checking accounts at zero interest; savings accounts at 0.1% interest and TDs at interest 3.5%-4.6% for Grupo Bolivar management
(5) Savings account at 3.7% interest for shareholders holding less than 10% and 5% or more of the Bank´s capital

BANCO DAVIVIENDA S.A.

Notes to the financial statements

Transactions with related parties

The following are operations with legal entities in which the Bank holds 10% or more and subsidiaries:

2014

($ millions)

		Davivalores S.A.	Fiduciaria Dvvda S.A.	Banco Dvvda Panamá S.A.	Inv Financieras Dvvda. S.A (El Salvador)	Grupo del Itsmo Costa Rica S.A.	Seguros Bolívar Honduras S.A.	A.C.H. Colombia S.A.	Deceval S.A.	Finagro	Redeban Red Multicolor S.A.	Titularizadora Colombia S.A.	+	TOTAL
1	**Assets**	**2,5**	**3,3**	**184.749,8**	**0,0**	**0,0**	**0,0**	**0,0**	**30,9**	**0,0**	**135,2**	**244,7**	**23,9**	**185.190,3**
11	Cash and due from banks	0,0	0,0	184.131,7 (4)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	184.131,7
14	Loans	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	134,7	236,2	0,0	370,9
15	Acceptances, spot operations and derivatives	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	23,9	23,9
16	Accounts receivable	2,5	3,3	618,1	0,0	0,0	0,0	0,0	0,0	0,0	0,5	8,5	0,0	632,9
19	Other assets	0,0	0,0	0,0	0,0	0,0	0,0	0,0	30,9	0,0	0,0	0,0	0,0	30,9
2	**Liabilities**	**558,7**	**10.107,6**	**5.073,5**	**0,0**	**0,0**	**0,0**	**52,2**	**4.500,0**	**191.708,5**	**19.352,3**	**11.811,4**	**4.692,2**	**247.856,4**
21	Deposits and demand accounts (1)	558,7	10.103,7	1.425,0	0,0	0,0	0,0	52,2	4.500,0	191.665,4	98,1	8.251,6	4.639,5	221.294,2
22	Money market and overnight liability positions	0,0	0,0	3.648,5 (5)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	3.648,5
23	Acceptances and derivatives	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	52,7	52,7
25	Accounts payable	0,0	3,9	0,0	0,0	0,0	0,0	0,0	0,0	43,1	19.254,2 (9)	59,8	0,0	19.361,0
26	Long-term debt	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	3.500,0 (11)	0,0	3.500,0
4	**Income**	**2.086,5**	**37.770,7**	**4.610,3**	**65.789,1**	**8.215,9**	**6.316,4**	**1.482,9**	**2.883,0**	**15.658,3**	**70.276,8**	**28.572,9**	**715,0**	**244.377,8**
41	Operating	2.063,9 (2)	15.980,2 (2)	4.610,3 (6)	65.789,1 (2)	8.215,9 (2)	6.316,4 (2)	1.341,0 (2)	2.883,0 (2)	15.658,3 (2)	70.276,8 (10)	28.572,9 (12)	715,0	222.422,8
42	Non-Operating	22,6	21.790,5 (3)	0,0	0,0	0,0	0,0	141,9	0,0	0,0	0,0	0,0	0,0	21.955,0
5	**Expenses**	**1.098,4**	**703,5**	**112,3**	**0,0**	**0,0**	**0,0**	**3.465,0**	**2.068,0**	**10.721,3**	**65.785,7**	**1.449,0**	**262,6**	**85.665,8**
51	Operating	1.098,4	694,9	112,3	0,0	0,0	0,0	3.406,1 (7)	2.068,0	10.721,3 (8)	65.784,9 (10)	421,2	259,7	84.566,8
52	Non-Operating	0,0	8,6	0,0	0,0	0,0	0,0	58,9	0,0	0,0	0,8	1.027,8	2,9	1.099,0

(1) Checking accounts, zero interest, savings accounts interest rate between 0% and 4.8% and TD´s interest rate up to 4,7%
(2) Received dividends
(3) Corporate collaboration contract
(4) Available in checking account owned by Banco Davivienda S.A. in Banco Davivienda Panamá S.A.
(5) Interbank funds bought with interes rate of 0.2%.
(6) Deposits interest
(7) Paid commissions for network usage.
(8) Savings accounts and TD’s interest
(9) Payable debts for network compensation
(10) Received and paid commissions for network usage.
(11) Dematerialized bonds due 24 months and interest rate IBR+2 Spread.
(12) Received commissions for receivables management and received dividends

Transactions with related parties

The following are operations with other Grupo Bolivar companies

2014

($ millions)

	Capitalizadora Bolívar S.A.	Seguridad Cía Adm Fondos de Inversión S.A.	Leasing Bolívar S.A.	Compañía de Seguros Bolívar S.A.	Seguros Comerciales Bolívar S.A.	Sociedades Bolívar S.A.	Ediciones Gamma S.A.	Promociones y Cobranzas Beta S.A.	Constructora Bolívar Bogotá S.A.	Other	TOTAL
1 **Assets**	**1,0**	**0,0**	**5.090,9**	**900,6**	**13.906,2**	**391,1**	**11,8**	**32,3**	**20.353,8**	**250,8**	**40.938,5**
13 Investments	0,0	0,0	5.010,4 (4)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	5.010,4
14 Loans	1,0	0,0	8,2	244,2	33,4	0,0	0,0	0,0	20.318,7 (12)	250,6	20.856,1
16 Accounts receivable	0,0	0,0	72,3	23,7	74,0	0,0	11,8	0,0	35,1	0,2	217,1
19 Other assets	0,0	0,0	0,0	632,7	13.798,8 (7)	391,1	0,0	32,3	0,0	0,0	14.854,9
2 **Liabilities**	**14.002,2**	**6.299,0**	**19.021,7**	**22.591,0**	**9.109,5**	**2.027,0**	**2.337,3**	**1.310,9**	**4.687,3**	**7.775,2**	**89.161,1**
21 Deposits and demand accounts (1)	14.002,2	1.966,3	19.021,7	20.927,6	8.611,3	2.027,0	2.073,8	1.249,7	4.687,3	7.770,4	82.337,3
25 Accounts payable	0,0	32,0	0,0	1.658,8 (5)	495,6	0,0	263,5	61,2	0,0	4,8	2.515,9
26 Long-term debt	0,0	4.300,7 (3)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	4.300,7
27 Other liabilities	0,0	0,0	0,0	4,6	2,6	0,0	0,0	0,0	0,0	0,0	7,2
4 **Income**	**2.630,1**	**1,4**	**1.185,0**	**67.017,8**	**19.365,3**	**6.978,7**	**126,1**	**238,6**	**1.501,3**	**465,4**	**99.509,7**
41 Operating	2.627,4 (2)	1,4	331,5	66.902,9 (2)	19.060,9 (2)	6.969,4 (9)	31,1	27,4	1.452,3	465,4	97.869,7
42 Non-Operating	2,7	0,0	853,5	114,9	304,4	9,3	95,0	211,2	49,0	0,0	1.640,0
5 **Expenses**	**0,0**	**341,4**	**354,3**	**20.530,1**	**16.484,6**	**1.875,0**	**1.782,7**	**4.556,9**	**1,4**	**4.421,4**	**50.347,8**
51 Operating	0,0	341,4	354,3	20.530,1 (6)	16.430,4 (8)	1.875,0	1.782,7 (10)	4.556,9 (11)	1,4	4.421,4	50.293,6
52 Non-Operating	0,0	0,0	0,0	0,0	54,2	0,0	0,0	0,0	0,0	0,0	54,2

(1) Checking accounts interest rate betwwen 0% and 0,7%, savings accounts interest rate between 0% and 4.2% and TD´s interest rate between 4,2% and 4,4%
(2) Commissions for insurances recoveries
(3) Dematerialized bonds with an equivalent capital of 20 million UVR, due 84 months and interest rate UVR+6.7 Spread.
(4) TD´s with interest rate DTF+1,85 and due 18 months
(5) Payable accounts insurance policies
(6) Insurance policies, credit cards debtors, health, collective life and personal accidents.
(7) Insurance Policies pending to amortize.
(8) Accomplishment Insurance policies, weak flowing, subtraction, fire, vehicle, and civil responsibilities
(9) Accumulated interest free investment 7000323005372652 canceled on june 13th 2014
(10) Magazines bought
(11) Expenses for recovery matters.
(12) Building loans due up to 44 months, interest rate between 4,6% and 5,3%, no guarantee

Transactions with related parties

2013

($,million)

	Shareholders =>10%	Companies with share of. =>10% and subsidiaries	Other Grupo Bolívar companies	Grupo Bolívar management (1)	Other shareholders <10% and =>5%	Total
Assets	**0.0**	**153,654.8**	**237,131.2**	**26,605.9**	**0.0**	**417,391.9**
Cash	0.0	150,711.5	0.0	0.0	0.0	150,711.5
Investments	0.0	0.0	10,001.3	0.0	0.0	10,001.3
Loans and financial leasing operations	0.0	1,304.4	208,124.9	26,230.8 (3)	0.0	235,660.1
Accounts receivable	0.0	1,608.0	962.8	375.1	0.0	2,945.9
Other assets	0.0	30.9	18,042.2	0.0	0.0	18,073.1
Liabilkities	**145.5**	**314,307.8**	**108,264.6**	**9,956.9**	**7.9**	**432,712.7**
Deposits and demand accounts	145.5 (2)	290,830.7	100,599.1	9,457.2 (4)	7.9 (5)	401,040.4
Money market operations	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	0.0	22,507.1	3,500.6	358.7	0.0	26,366.4
Bonds	0.0	1,000.0	4,156.8	141.0	0.0	5,297.8
Other liabilities	0.0	0.0	8.1	0.0	0.0	8.1
Income	**0.0**	**164,730.3**	**102,880.1**	**2,532.9**	**0.3**	**270,143.6**
Operating income	0.0	164,567.5	101,614.3	2,499.2	0.3	268,681.3
Non operating	0.0	162.8	1,265.8	30.7	0.0	1,462.3
Expenses	**327.6**	**71,169.5**	**51,203.6**	**1,482.6**	**450.9**	**124,634.2**
Operating	327.6	69,302.0	51,157.1	1,346.8	450.9	122,584.4
Non operating	0.0	1,867.5	46.5	135.8	0.0	2,049.8

(1) Legal Representatives and Directors of Grupo Bolivar companies, managers, deputy managers at branches, judicial legal representatives of the Bank and Bank management companies
(2) Checking accounts, zero interest and savings accounts 3.3% interest of shareholders holding 10% or more of the Bank´s capital
(3) Included housing loans for management with employment benefits at UVR or UVR +2% approved by the Board. At 15 years with collateral; and consumer loans at market rates up to 31.2%
(4) Checking accounts at zero interest; savings accounts at 0.1% interest and TDs at interest 2.5%-4.6% for Grupo Bolivar management
(5) Savings account at 3.7% interest for shareholders holding less than 10% and 5% or more of the Bank´s capital

Transactions with related parties

BANCO DAVIVIENDA S.A.
Notes to the financial statements

2013

($ million pesos)

	Davivalores S.A.	Fiduciaria Dvvda S.A.	Corredores Asociados S.A.	Banco Dvvda Panamá S.A.	Inv Financieras Dvvda. S.A (El Salvador)	Grupo del Itsmo Costa Rica S.A.	Finagro	Redeban Red Multicolor S.A.	Titularizadora Colombia S.A.	Otras	TOTAL
Assets	**11.2**	**-**	**-**	**151,209.3**	**-**	**-**	**-**	**1,011.6**	**296.1**	**1,126.6**	**153,654.8**
Cash and banks	-	-	-	150,711.5 (3)	-	-	-	-	-	-	150,711.5
Loans	-	-	-	-	-	-	-	1,009.9 (6)	294.5	-	1,304.4
Receivables	11.2	-	-	497.8	-	-	-	1.7	1.6	1,095.7	1,608.0
Other	-	-	-	-	-	-	-	-	-	30.9	30.9
Liabilities	**6,967.9**	**10,580.1**	**5,178.8**	**21,828.1**	**-**	**-**	**219,637.9**	**22,249.2**	**10,677.7**	**17,218.1**	**314,337.8**
Deposits and demand (1)	6,967.8	10,579.8	5,178.8	21,828.1	-	-	219,637.9	-	10,672.5	15,965.8	290,830.7
Money market liabilities	-	-	-	- (4)	-	-	-	-	-	-	-
Accounts s payable	0.1	0.3	-	-	-	-	-	22,249.2 (7)	5.2	252.3	22,507.1
Bonds	-	-	-	-	-	-	-	-	-	1,000.0	1,000.0
Income	**4,082.7**	**28,494.6**	**0.8**	**2,729.9**	**2,813.2**	**1,921.2**	**6,643.0**	**71,912.7**	**39,613.9**	**6,518.3**	**164,730.3**
Operating	4,060.3 (2)	28,474.1 (2)	0.8	2,729.9	2,813.2 (2)	1,921.2 (2)	6,643.0 (2)	71,912.7 (8)	39,613.9 (9)	6,398.4	164,567.5
Non Operating	22.4	20.5	-	-	-	-	-	-	-	119.9	162.8
Expenses	**1,058.3**	**531.5**	**62.1**	**65.6**	**-**	**-**	**4,183.2**	**56,815.2**	**2,250.5**	**6,203.1**	**71,169.5**
Operating	1,058.3	531.5	62.1	65.6	-	-	4,183.2 (5)	56,815.2 (8)	427.0	6,159.1	69,302.0
Non Operating	-	-	-	-	-	-	-	-	1,823.5 (9)	44.0	1,867.5

(1) Checking acounts with interest rate between 0% and 3%, savings accounts with interest rate between 0,1% and 4,1%,TD´s with interest rate between 3.3% and 6.7%.

(2) Received dividends .

(3) Available in checking account owned by Banco Davivienda S.A. in Banco Davivienda Panamá S.A.

(4) Interbank funds bought with interes rate of 0.2%.

(5) Savings accounts interest

(6) Corporate loans with interest rate between 6.9% and 7.2%, due between 48 and 60 months, no guarantee

(7) Payable debts for network compensation

(8) Received and paid commissions for network usage.

(9) Receivable accounts Sale Profit, received dividends and expenses for managed accounts.

BANCO DAVIVIENDA S.A.

Notes to the financial statements

Transactions with related parties

Transactions with other parties from Bolivar group

2013

($ millions)

	Capitalizadora Bolívar S.A.	Seguridad Cía Adm Fondos de Inversión S.A.	Leasing Bolívar S.A.	Compañía de Seguros Bolívar S.A.	Seguros Comerciales Bolívar S.A.	Sociedades Bolívar S.A.	Promociones y Cobranzas Beta S.A.	Constructora Bolívar Cali S.A.	Constructora Bolívar Bogotá S.A.	Other	TOTAL
1 **Assets**	**3,3**	**0,0**	**10.004,6**	**803,0**	**17.238,6**	**201.066,6**	**104,5**	**69,0**	**7.477,2**	**364,4**	**237.382,0**
13 Investments	0,0	0,0	10.001,3 (4)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	10.001,3
14 Loans	3,3	0,0	3,3	196,5	47,2	200.000,0	0,0	68,6	7.442,9 (12)	363,1	208.124,9
16 Accounts receivable	0,0	0,0	0,0	10,2	103,6	708,5	104,5	0,4	34,3	1,3	962,8
19 Other assets	0,0	0,0	0,0	596,3	17.087,8 (7)	358,1	0,0	0,0	0,0	0,0	18.042,2
2 **Liabilities**	**11.752,0**	**6.692,5**	**11.093,3**	**10.608,8**	**3.569,2**	**22.138,5**	**7.679,8**	**2.455,8**	**2.523,7**	**29.751,0**	**108.264,6**
21 Deposits and demand accounts (1)	**11.752,0**	2.504,7	11.093,3	8.806,8	2.646,7	22.138,5	7.344,0	2.455,8	2.523,7	29.333,6	100.599,1
25 Accounts payable	0,0	31,0	0,0	1.802,0 (5)	914,4	0,0	335,8	0,0	0,0	417,4	3.500,6
26 Long-term debt	0,0	4.158,8 (3)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	4.158,8
27 Other liabilities	0,0	0,0	0,0	0,0	8,1	0,0	0,0	0,0	0,0	0,0	8,1
4 **Income**	**3.992,8**	**1,7**	**1.432,1**	**59.532,3**	**17.900,8**	**16.625,2**	**160,1**	**1.192,4**	**1.466,4**	**576,3**	**102.880,1**
41 Operating	3.990,3 (2)	1,7	788,3	59.488,1 (2)	17.589,4 (2)	16.621,3 (9)	26,7	1.192,4	1.438,9	477,2	101.614,3
42 Non-Operating	2,5	0,0	643,8	44,2	311,4	3,9	133,4	0,0	27,5	99,1	1.266,8
5 **Expenses**	**0,0**	**346,2**	**166,2**	**19.463,0**	**20.406,1**	**1.066,6**	**3.376,8**	**0,8**	**2,2**	**63.767,0**	**51.203,6**
51 Operating	0,0	346,2	166,2	19.463,0 (6)	20.361,5 (8)	1.066,6	3.374,9 (11)	0,8	2,2	63.767,0	51.157,1
52 Non-Operating	0,0	0,0	0,0	0,0	44,6	0,0	1,9	0,0	0,0	0,0	46,5

(1) Checking accounts with interest rate between 0.0% and 1.1%; savings accounts with interest rate between 0.1% and 3.3%; and TD´s with interest rate between 0.8% and 5.0%.

(2) Commissions for insurances recoveries, and checking accounts commissions.

(3) Dematerialized bonds with an equivalent capital of 20 million UVR, due 84 months and interest rate UVR+6.6 Spread.

(4) TD´s in pesos, due 3 months and facial interest rate 4.6% Spread

(5) Policies bonus pending to amortize.

(6) Payable accounts insurance policies

(7) Commissions for insurances recoveries

(8) Insurance policies, credit cards debtors, health, collective life and personal accidents.

(9) Accomplishment Insurance policies, weak flowing, subtraction, fire, vehicle, and civil responsibilities .

(10) Corporate loans due 84 months, interest rate 8.1%, no guarantee.

(11) Corporate loans interest received.

(12) Expenses for recovery matters.

(13) Work capitak loans due 36 months, interest rate between 7.3% and 7.8%, no guarantee.

30 Risk management

Risk management and control is achieved a number of areas, which is which have specialized functions by lines specific segments, such as credit risk, market risk and liquidity; and some focus their efforts transversely, such as in the functioning of the operating risk system or internal control.

The implementation of the strategy is the responsibility of Finance Control and the President´s Committee.

The fundamental principle of comprehensive risk management is the maintenance of business over time, and on that definition, policies and principles which regulate risk management at all levels of the organization are constructed.

30.1. Organizational structure.

Following the basic guidelines for security and professionalism, the risk and commercial operating areas of the Bank function separately from each other. Nonetheless, in order to take advantage of synergies between group companies, the transverse support programs provide assistance in the development of tools for risk management.

The Personal Banking Credit Division is responsible for the evaluation, administration and collection of all lines of credit. Approvals are based on a pyramid-structure of authority, with defined authority levels. There are also credit committees, which take collegiate decisions.

For the credit products, there are scoring systems constructed on the basis of the Bank´s historical information, and which value variables of the customer, credit record and business sector, the product and the guarantee. There are also methods to segment loan portfolio by homogeneous groups, and thus allocate individual risk levels.

The principal homogeneous groups in Personal Banking are:

- Mortgage loans and residential leasing.
- Loans
- Credit card
- Payroll deductions.
- Other consumer credit.

In Corporate and Business Banking, the commercial strategy is the responsibility of Business Banking group and the evaluation is the responsibility of the Corporate Credit Division, which analyses loan applications, follows up loans, assigns them risk categories, and arranges recoveries where necessary.

The Corporate Credit Division is responsible for granting credit facilities: its target market is the group of Colombian and international companies with economic activities within the guidelines and conditions of the Superintendency of Corporations and the Bank. In order to achieve this objective, a careful examination is made of the creditworthiness of the company, the macro and micro economic circumstances in which it operates, culture, strategies and policies and procedures and a range of quantitative and qualitative risks, taking account of the size and importance of the sector in which it operates.

Risk categories are assigned to Business and Corporate Loans, and recovery efforts cover the entire business segment

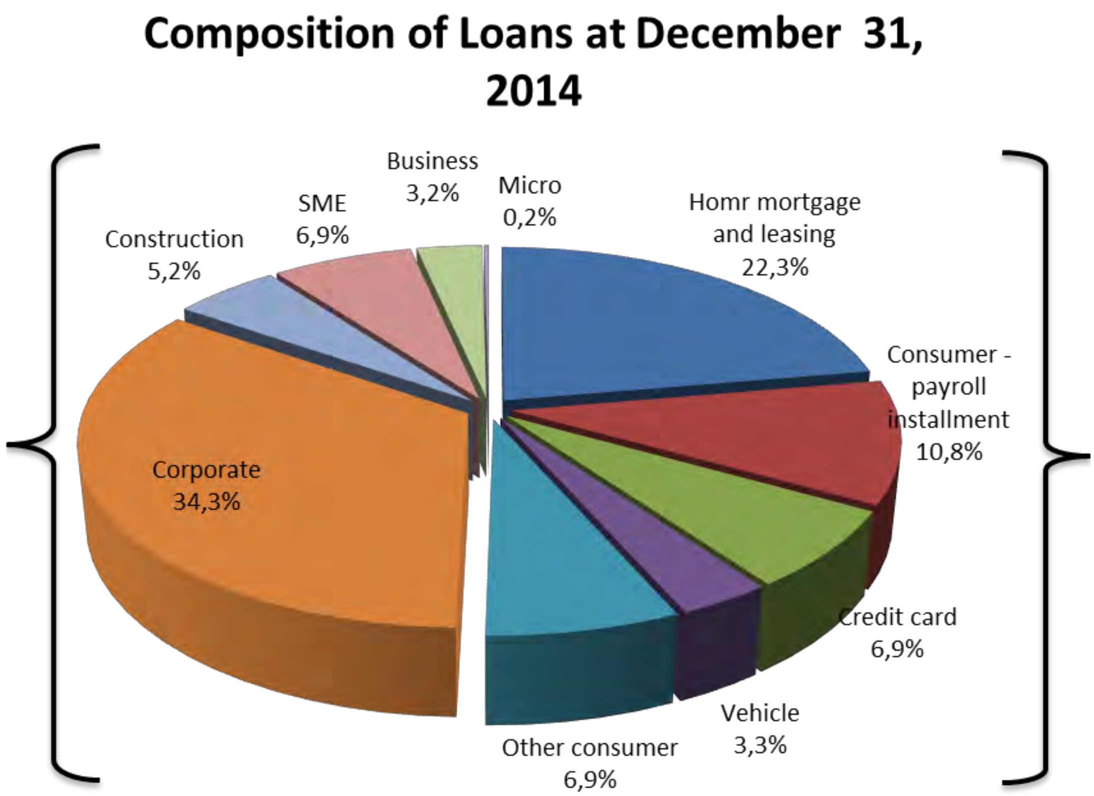
The Financial Risk and Control Division is responsible for regulating various alternatives for hedging financial risks to which the bank is exposed, managing policies for approvals, the evaluation of risk in mass portfolios, SMEs and Business banking, and maintaining a balance between risk and profitability within parameters set by the Board.

The exposure limits by strategic segment and risk management policies are approved by the Board.

The Financial Risk and Control Division is responsible for operating risk management, ensuring the integrity of all business processes, and the ability to maintain services available to customers and partners, with the general purpose of obtaining transparency in business management.

<u>30.2. Credit risk.</u>

The composition of loans claims by business lines is the following at 2014 and 2013 is as follows:



The graph above shows that Personal Banking accounts for 50.31% of loans, and business banking for 49.69%.

30.2.1 Estimate of allowances for credit risk

As part of its credit risk management measurement policies, the Bank has implemented the Commercial Reference Model and the Consumer Reference Model, following Superintendency definitions. For restructured loans the Bank´s method of classification recognizes the risk arising in the early months after restructuring, in some instances estimating risk levels above those of the reference models.

In Mortgage loans, the Bank continues to apply current Superintendency rules to classify and make allowances.

The following is the composition of allowances against commercial, consumer and home mortgage loans.

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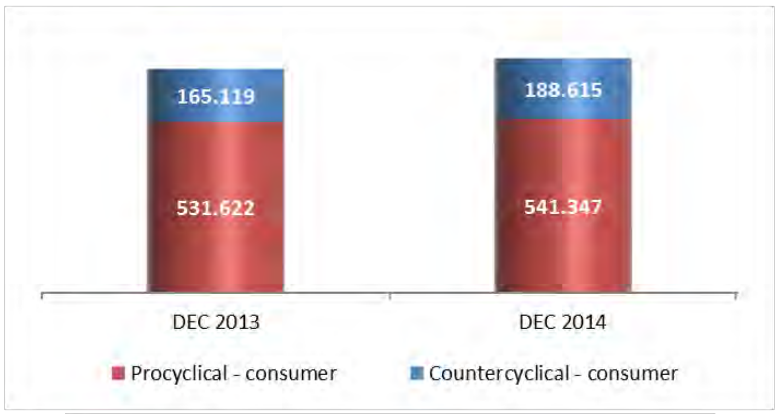
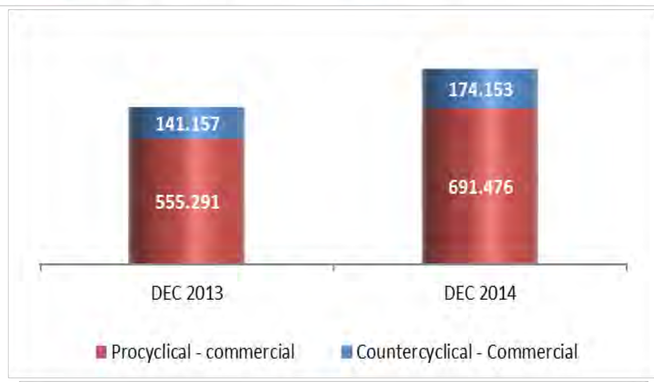
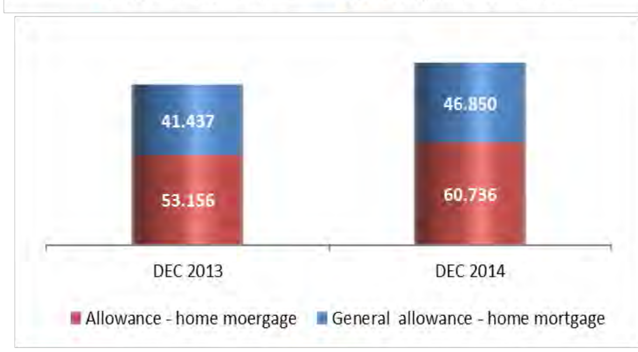






These reference models and the related regulations are the basis for the estimation of loan allowances, of which details are:

(&000 million)	Countercyclical allowance	Procyclical allowance	General allowance *	Total allowances
Allowances				
Dec 2013	$306.3	1.144.7	42.2	$1,493.2
Dec 2014	362.8	1,300.0	47.8	1,710.6

* Apliés to home mortgages and ,icrocredit

Changes to allowances during the 2014

In order to promote healthy origination and growth in consumer lending. the Superintendency issued Circular 026/2012 setting an additional percentage for allowances as a temporary measure in consumer lending set by the indicator that ,measures the acceleration of the annual variation in ´past-due accounts

During the period March-September the indicator was negative and a percentage of the additional allowance was temporarily released. However, as a result of the growth in gross loans over the year, the entire additional allowance was reinstated in October. At the December close. $37,573 million of consumer loan allowances was attributable to this additional element.

32.3.2 Personal Banking

These portfolios include loans to individuals, mainly for consumer operations (free spending, credit card, payroll installment operations and vehicle loans) and Home mortgages and Residential Property Leasing operations

The following are the principal balances by lending segment and loan allowances associated with them.

	($ millions)		Balance	% C, D, E	Allowance	Cover C,D,E
PERSONAL BANKING	**Home mortgage and leasing**					
		dic-13	7.700,5	1,2%	208,1	233,1%
		dic-14	9.132,5	1,4%	254,5	205,9%
	Credit card					
		dic-13	2.805,	4,4%	176,2	142,4%
		dic-14	2.833,8	4,3%	172,9	142,9%
	Other consumer					
		dic-13	2.391,1	12,6%	292,4	97,0%
		dic-14	2.841,3	10,7%	296,8	97,9%
	Consumer payroll installment					
		dic-13	3.310,1	3,2%	159,2	148,8%
		dic-14	4.421,9	2,6%	192,6	167,7%
	Vehicle					
		dic-13	1.216,4	6,6%	69,	85,6%
		dic-14	1.364,9	5,9%	67,6	84,7%
	Total					
		dic-13	17.423,2	4,0%	904,8	128,9%
		dic-14	20.594,4	3,6%	984,5	132,6%

Other consumer: Crediexpress Fijo, Crediexpress Rotativo, Preferencial and Normalizados

In relation to the previous year´s close, cover of these products increased as a result of a health growth in lending in 2014 and the additional cover provided by allowances against the consumer portfolio

Consumer portfolio growth and quality evolved positively in 2014. Loans grew 18% over the year, especially among installment loans – increase of 65.6% - and payroll installment loans – an increase of 33.6%. In both cases, placement was enhanced by competitive rates for personal loans and portfolio purchases. There was an important element of low-risk borrowing in placements. Portfolio quality was stable in terms of estimated risk levels.

Growth and dynamics in home mortgages and residential leasing grew rapidly at the end of 2013 and in early 2014, partly driven by a Housing Fair held in mid-2013. The pace slowed towards the end of the year when the Government ceased to offer interest rate protection and there was securitization of ordinary (i.e. above social housing levels) home loans in the last quarter, amongst other factors. Growth by product was as follows:

($ millions)		Balance	Variation %	Variation $	Share %
PERSONAL BANKING	**Home mortgage and leasing**				
	dic-13	7.700,5	46,1%	2.428,5	44,2%
	dic-14	9.132,5	18,6%	1.432,	44,3%
	Credit card				
	dic-13	2.805,	-1,7%	-47,4	16,1%
	dic-14	2.833,8	1,0%	28,8	13,8%
	Other consumer				
	dic-13	2.391,1	-6,4%	-162,3	13,7%
	dic-14	2.841,3	18,8%	450,2	13,8%
	Consumer payroll installment				
	dic-13	3.310,1	24,2%	646,	19,0%
	dic-14	4.421,9	33,6%	1.111,8	21,5%
	Vehicle				
	dic-13	1.216,4	1,2%	14,8	7,0%
	dic-14	1.364,9	12,2%	148,5	6,6%
	Total				
	dic-13	17.423,2	19,8%	2.879,6	100,0%
	dic-14	20.594,4	18,2%	3.171,3	100,0%

Other consumer: Crediexpress Fijo, Crediexpress Rotativo, Preferencial y Normalizados

The dynamics of the portfolios has allowed continuous calibration of policies and rules for credit, in which the Bank has taken advantage of new business opportunities, at the same time as identifying segments of clients with early warning of impairment: this has restricted some client profiles without notably affecting placements of new loans.

The Credit Risk Department sontinues to create methods and calibrate policies for the Bank to increase its market share in this sector while maintaining expected risk levels in the portfolios.

30.2.3 BUSINESS BANKING

Since January 2014 bussiness banking is classified as follows:

- SME:Sales $200.0 - $20.000.0 million
- Business: Sales $20.000.0- $70.000.0,
- orporate: Sales over $70.000.0
- Construction: Construction sector.
- Special segments:Public sector and institutions

For the purposes of risk management Business Banking has its own tools and evaluation models to monitor and measure credit risk, including the SME, Business and Corporate Classification Model, the Model for Expected Losses and the Early Warning System.

During 2014 loans, including Business Banking loans, were segmented on an historical basis. The following are the most important items in each segment and risk allowances allocated to each after segmentation.

		Balance	% C, D, E	Allowance	Cover C, D, E	$ C, D, E
BUSINESS BANKING	**Corporate**					
	dic-13	11.613,7	1,03%	285,0	238,30%	119,6
	dic-14	14.025,8	1,05%	360,8	245,35%	147,1
	Construction					
	dic-13	1.661,5	1,98%	51,2	155,27%	33,0
	dic-14	2.118,9	0,91%	50,0	258,92%	19,3
	SME					
	dic-13	1.912,1	7,89%	171,6	113,76%	150,9
	dic-14	2.807,5	7,58%	245,1	115,15%	212,9
	Business					
	dic-13	1.412,8	3,11%	75,1	171,05%	43,9
	dic-14	1.296,9	3,88%	65,8	130,69%	50,4
	Micro					
	dic-13	75,9	2,22%	4,7	277,48%	1,7
	dic-14	91,5	3,74%	6,5	189,67%	3,4
	TOTAL					
	dic-13	16.676,0	2,09%	587,6	168,3%	349,1
	dic-14	20.340,6	2,13%	728,2	168,2%	433,0

** Does not include residential leasing operations*

***$ millions*

The corporate portfolio grew at an annual rate of 21%, while the indicator for loans classed C, D or E rose only 2%, to a total of 1.05%. Coverage rose from 238% to 245%.

Results show that Construction loans grew 28% in the year; and coverage of Loans classed C, D or E increased 66.8% to close at 259%. The indicator for non-performing loans classed C. D or E fell 107 basic points to 0.91% at December..

As of January, the Business and SME loans were separated. At December, Business loans totalled $1,296,9 million compare to $1,412,8 at December 2013, an increase of 8.2%. The indicator for non-performing loans classed C, D or E rose 77 basIc points from 3.11% to 3.88% at the close. Coverage remained at over 100%, and closed at 131%.

SME lending rose 47% from $1,921,200 million at December 2013 to $2,807,400 million at December 2014. Non-performing loans classed C, D or E represented 7.58% of the total, with coverage of 115,1%, compared to 7.89% and 113.7% for 2013.

Micro-credit grew 231% in the year to $91,500 million in December. The indicator for non-performing loans was 3.7% in December, an increase of 152 basic points compared to m2013; and the coverage of C, D and E-classed loans was 190%.

In general, commercial loans grew 22% over the year and the overall indicator for non-performing loans did not vary greatly: it increased 4 basic point in the year from 2.09% in December 2013 to 2.13% in December 2014. Coverage was stable at 168%.

30.3. Market risk.

30.3.1. Treasury book.

- **Financial risk management.**

The Market and Liquidity Risk Department follows the instructions of the Grupo Bolívar Risk and Financial Control of Investment Division and is responsible for proposing to define and oversee compliance with the policies and procedures for risk management, following decisions and guidelines of the Bank's Board or the Financial Risk Committee of Grupo Bolívar, taking account of the authority limits on each organization.

The Market and Liquidity Risk Department is also responsible for measuring and analyzing risks, and for making regular reviews and evaluations of methods used to value financial instruments.

The Financial Risk Management Manual (MARF) consolidates policies related to the management and administration of financial risk in the Bank´s treasury, and it is the document, which sets up the administration system required for this. The Manual contains rules and general procedures required to provide adequate administration for risks associated with Treasury operations permitted, including market risk.

- **Operations**

The definition of the institutions which the Bank may use as a counterpart in Treasury dealings is made by using a model that evaluates the financial performance of the counterpart, through a points system for made for important financial indicators, and taking account of qualitative considerations.

When the Bank comes into new markets and products, it first dimensions the impact and profile of the related risks, and then seeks the approval by the Financial Risks and Investment Committee, and the Bank's Board, following established procedures.

The Bank has designed an appropriate structure for exposure limits to control the various portfolios in the Treasury Book, operations with derivatives, exchange rate exposure and activities to implement their management. Section l 30.3.2 above explains the main limits applied and authority levels for approvals.

Operations are managed using internally-produced robust tools and applications or platforms for dealing and recording.

Further, tools have been developed to permit detailed monitoring of operations following corporate and regulatory guidelines.

Portfolio composition

The following is the composition of the investment portfolio at December 31, 2014 and 2013:

Investment portfolio – accounting classification

($000 million)

	2014	Part.%	2013	Part.%
Trading	$2.870.7	46.4%	$2.811.4	48.2%
Available for sale	2.140.4	34.6%	1.796.9	30.8%
Held to maturity	1.176.2	19.0%	1.228.6	21.0%
	6.187.3	100,0%	5.836.9	100,0%

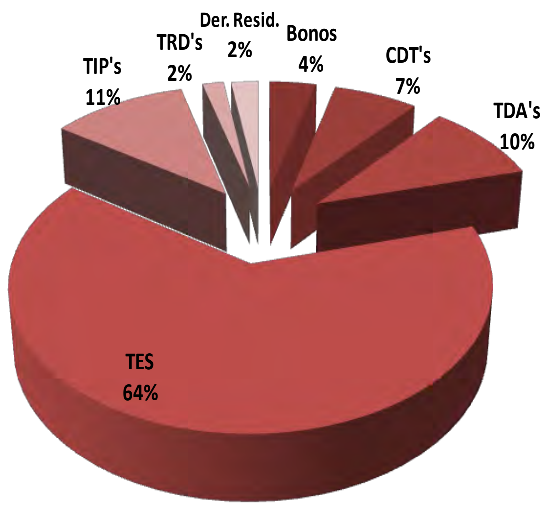
Investment portfolio – accounting classification by instrument

($000 million)

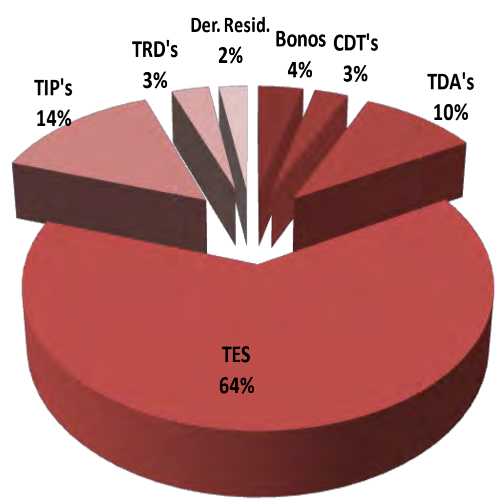
Instrument	Trading	Share %	Avaialble for sale	Share %	Held to maturity	Share %
Bonds	$215.5	7.5%	28.4	1.3%	0.0	0.0%
TD	437.2	15.2%	0.0	0.0%	0.0	0.0%
TDA's	0.0	0.0%	0.0	0.0%	600.8	51.1%
TES	2.002.9	69.8%	1.950.5	91.1%	0.0	0.0%
TIP's	214.1	7.5%	161.6	7.5%	316.0	26.9%
TRD's	1.0	0.0%	0.0	0.0%	108.5	9.2%
Residual rights	0.0	0.0%	0	0%	150.9	12.8%
Total	$ 2.870.7	100.0%	2.140.4	100.0%	1.176.2	100.0%

Composition of the portfolio by instrument

December 2014



December 2013



Figures include trading investments, investments available for sale and held to maturity. Money market and allowances are not included.

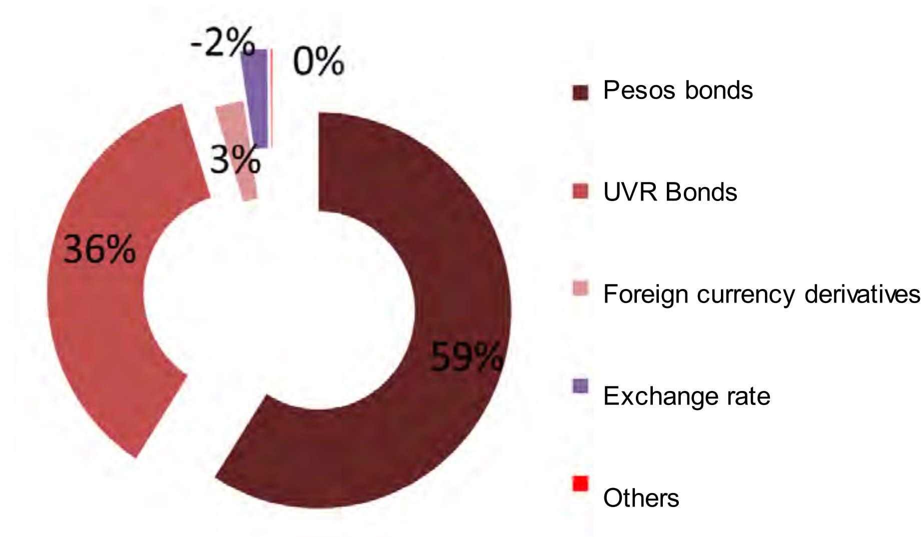
- **Value at Risk, internal model**

Treasury operates with guidelines and strategies defined by the Bank's Board and by the Financial Risk and Investment Committee. The control of risks to which the various business lines are exposed is implemented by the Market and Liquidity Risk Division.

The internal model has not been submitted to Superintendency as the tool for regulatory calculations, because it is used as a complementary mechanism for analysis and risk management, given in the regulatory model. The risk measurement system takes as a reference the value at risk (VaR) model of JP Morgan (1994), in the document "Return to Risk Metrics: the Evolution of the Standard".

For the calculation of return volatility, the EWMA model is used[1], and this gives greater weight to more recent information and less weight to past situations, declining exponentially over time.

The calculation of VaR in the internal model is as follows at December 31, 2014



The principal risk factor of the portfolio is that of interest rates on local currency sovereign debt, followed by the sensitivity to the UVR.

30.3.2 Policy for limits and risk positions.

The Financial Risks Committee, and the Asset and Liability Management Committee (GAP), and the Board are responsible for defining general guidelines in relation to the risks derived from the Bank´s business. The Board and the Financial Risk Committee are responsible for setting limits of tolerance to financial risk in Treasury, and position levels, duration and/or maximum loss, amongst other things, for each of the products in which the Bank has a position. The Board and the GAP Committee must ensure that tolerance limits are set for liquidity risk, and for following up levels, terms, mismatches, and so on, for each business line in which the Bank and takes an interest.

These bodies are also responsible for authorizing the introduction of new products, defining related exposure limits to a range of risks, and ensuring that the Bank has sufficient capacity to manage them efficiently, taking account of current regulations. Likewise, the Financial Risks Committee and the GAP Committee and the Board are responsible for authorizing changes to current limits for exposure to risk.

Here, any proposal that implies a change of policy defined by the Board, whether for an existing product or a new one, is studied by the Investment Risk Division together with the areas involved[2], and evaluated and authorized by Financial Risks and Investment Committee and/or the GAP Committee, and subsequently presented to the board for ratification.

[1] Exponentially Weighted Moving Average
[2] Including Front Office, Back Office, Legal Department, Accounts, Technology, etc.

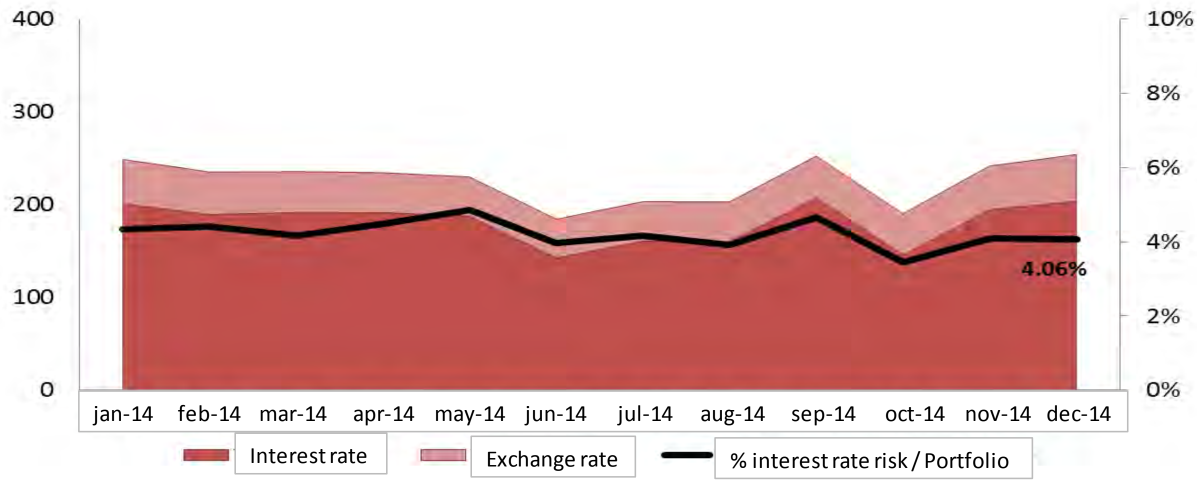
Regulatory Value at Risk.

- **Value at Risk (VaR)**

According to the method established in Annex I Chapter XXI of Superintendency Basic Financial and Accounting Circular (Circular 100/1995), the value at Risk (VaR) at December 31, 2013, was $252,747, consuming 36.92% of the limit (10% of computable capital).

The following is the comportment of monthly VaR in 2013:

Evolution of regulatory VaR
$000 million



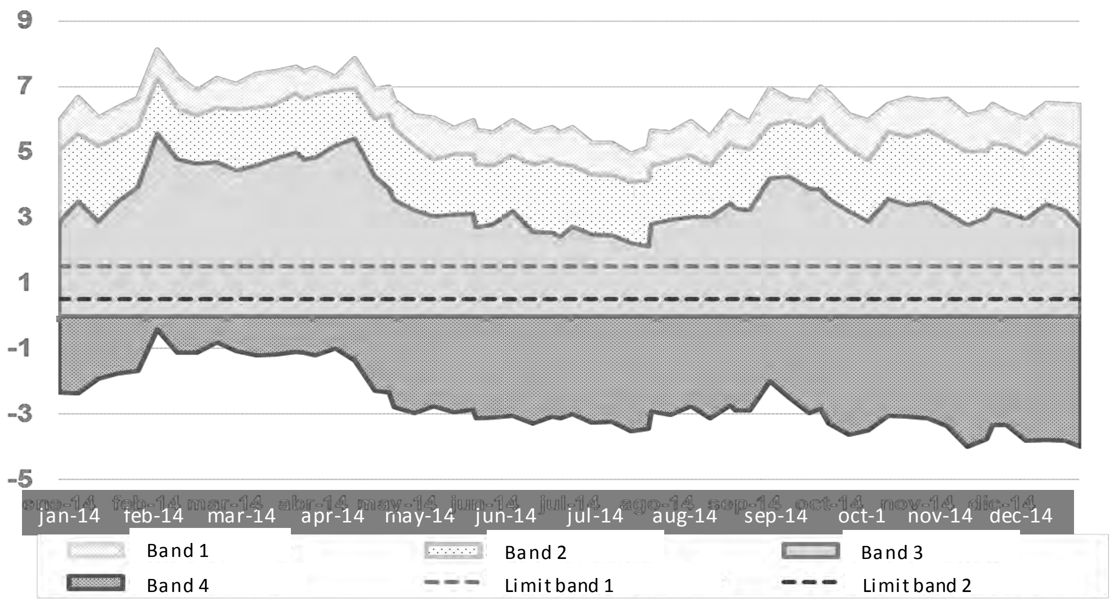
Liquidity Risk

The Bank´s liquidity situation is analyzed by the GAP Committee. The Committee is a collegiate body responsible for studying the structure of the balance sheet in the short and medium-term. Its main purpose is to monitor the balance sheet, its stability and profits, by anticipating changes in the balance sheet and margins, and in an approximate quantification of un-anticipated changes, that is, the risk that could achieve a maximum level in important magnitudes such as financial margin, profitability, ROE, ROA, liquidity cover ratio, financial stability coefficient, etc. This Committee is responsible for supporting the Board and senior management in the definition, follow-up and control of general and policies for asset and liability management, and risk-taking.

The Bank manages its liquidity risk taking account of risk-return criteria, within global strategic planning parameters and regulatory parameters of Chapter VI one of Superintendency Circular 100/1995, implementing the liquidity risk management system, whose description and guidelines are documented in the Financial Risk Management Manual (MARF).

Schedule I of Chapter VI of Superintendency Circular 100/1995 sets out the method for measurement and characteristics of the weekly liquidity risk report (IRL) for the credit establishments, and the this method was amended as of 2013.

The following is an evaluation of liquidity risk for the various asset and liability positions and expected flows, through the liquidity risk indicator (IRL) from January 1 to December 31, 2014:



The results for the IRL calculation by bands, and the high-quality liquid assets indicator at December 31, 2014 are as follows:

<u>Results for IRL at December 31, 2014</u>

($000 million)

Band	Value IRL	Legal limit
1	6.438	>=0
2	5.195	N.A.
3	2.701	>=0
4	-3.981	N.A.

The value of the IRL indicator refers to liquid assets adjusted for market liquidity and the net between the projected assets and liability flows with contractual and non-contractual maturities. The SFC has determined that Bands 1 and 3[3] should always be zero or higher. Within the Bank, the Board decided of a limit of $1.5 billion for Band 1 and $500,000 for Band 2.

This historical graph shows a stable performance in IRL around $6 billion for the 7-day band, and 3.5 boillion for nthe 30-day band. This level of cover confirms Davivienda´s commitment to its liquidity policies
.

[3] For the SFC, Band 1 is the 1-7 Day Band, and Band 3 is a 30-day horizon

Speculative derivatives

The Bank's Treasury risk strategy has taken account of a participation in markets for exchange-rate derivatives in the form of standardized and over-the-counter operations. The intention is mainly designed to generate sources of income by offering clients exchange rate hedging and the management of exchange risk arising from operations in the Treasury Book and the Bank Book. Participation in these markets adopts high standards of best corporate practice and risk management.

Local and foreign currency derivative portfolios have structures of policies, limits and alerts authorized by the collegiate bodies designated and described in the Financial Risks Management Manual; all elements to comply with legal requirements have also been incorporated.. Amongst other things, there are limits, positions, durations, maturities, sensitivities, value at risk and counterpart risk that lend a conservative profile to the assumption of risk..

As additional mechanisms of risk mitigation for financial derivative operations in the over-the-counter market, there are contracts that incorporate credit risk mitigation clauses.. Also, an important part of the portfolio´s operations is transferred to the Risk Counterpart Clearing Chamber in order to reduce credit risk exposure.

Local currency derivatives
The Bank participates in dealing for the following local currency financial derivatives: Futures TES notional bond, Futures IBR, Futures CPI, Forwards on TES and Swaps OIS.

Foreign currency derivatives
The Bank took part in the following foreign currency derivatives: TRM futures, currency forwards and European options

The total exposition of the portfolios, one day horizon, is the following as for 2014:

Portfolios	VaR 95%
Foreign currency	1,338
Peso derivatives	697
Total	1,442

$000 millions

30.4 Internal Control system

Since 2009, The Bank has been strengthening internal control systems as part of its structure of government, implementing forms of prevention, detection and correction required by the whole range of its processes such that their functional integrality in operations will be secured over sustainably over time.

Those responsible for each process are required to supervise the correct and timely application of their controls constantly, taking corrective action as required to ensure that they are effective.

As par5t of a dynamic process, the Bank is continuously analyzing changes of environment in order to apply corresponding changes in the internal control systems and secure quality and effective performance min operations.

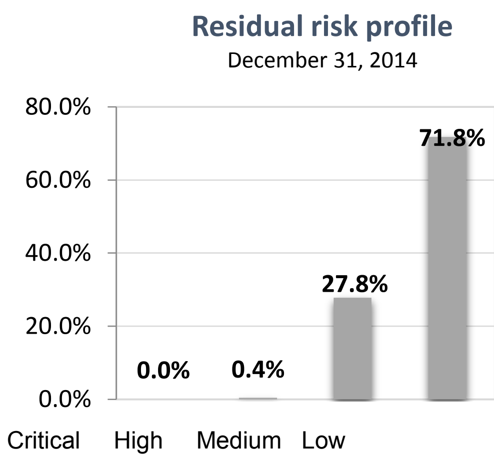
The Bank also complies with legal requirements of Superintendency Circular 38/2009.

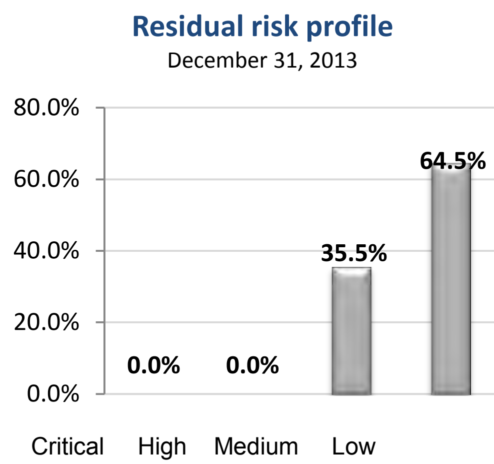
a. Financial Consumer Service System (SAC)

The Bank has been optimizing several procedures and in 2014 improved its effectiveness in meeting the need sof clients and other financial consumers; and there is an ongoing commitment to the construction of mechanisms to strengthen the culture of service and respect they expect and the timeliness and effectiveness of attention to complaints, requests and claims.

The risk management systems have enabled the Bank to take preventive action in the face of possible risks and immediate corrective action should such risks materialize.

This system also allows the Bank to conduct constant monitoring of the effectiveness of controls and the Bank´s risk profile, with appropriate elements of risk management, as can be seen in the comparative graphs for 2014 and 2013.





Level	No. of risks	%
Critical	0	0.0%
High	3	0.4%
Medium	187	27.8%
Low	483	71.8%
Total	**673**	**100,0%**

Level	No. of risks	%
Critical	0	0.0%
High	0	0.0%
Medium	264	35.5%
Low	479	64.5%
Total	**743**	**100,0%**

The system also enables the Bank to meet legal requirements regarding Financial Consumer Service in Law 1328/2009 and Superintendency Circular 15/2010.

b. **Management system for the financing for asset-laundering and the financing of terrorism (SARLAFT**

The Bank has adopted and implemented a Compliance Program for the risk of asset-laundering and the financing of terrorism – ALM/CFT- based on the premise that this area of risk management includes the knowledge of customer and of his operations with the Bank, the definition of market segments, customers, products, distribution channels and jurisdictions, monitoring of transactions, and reports of operations to the competent authorities, to avoid the Bank being used to give the appearance of legality to assets which are the proceeds of illegal activities, or to finance terrorist activities, as described in Superintendency Circular 026 of June 2008 and subsequent updates.

The ALM/CFT Program is supported by an organizational culture, policies, controls and procedures which are known to all its members, applied by it, and bringing together the entire regulatory framework in force in Colombia, together with recommendations and international best practices on the matter, particularly those of the International Financial Action Group – IFAG..

The procedures and rule of conduct for the application of all the mechanisms and instruments of control are contained in the Compliance Manual and the Code of Conduct known and accessible to all staff

The Bank regularly provides training programs for its officers, seeking to create awareness and commitment in all of them.

Likewise, the ALM/CFT Compliance Program has been included in the regular evaluations of the Statutory Auditor and Internal Audit.

In compliance with regulations, the Board has appointed a Compliance Officer and his Deputy, who have been sworn in by the Superintendency.

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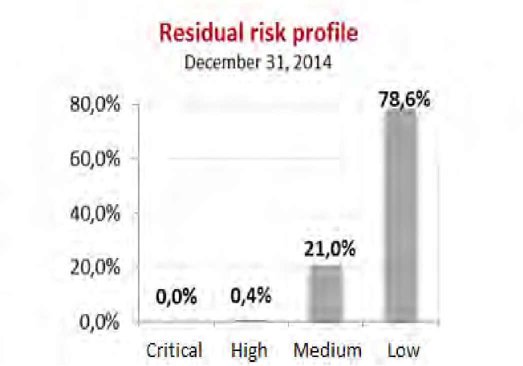
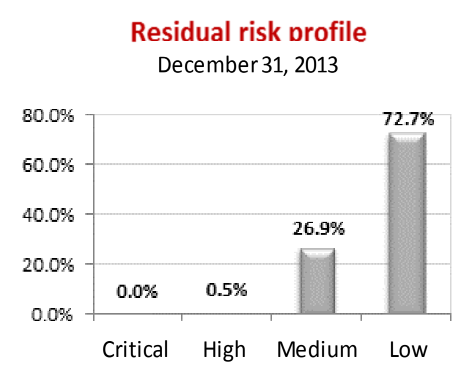
c. Operating Risk Management System (SARO)

A detailed analysis has been made of each Bank process to identify operating risks that could affect normal and safe operation; and controls have been applied for appropriate and effective mitigation; an evaluation has been made of the causes of risk events and action plans are in place to ensure that economic impact, or legal or reputational effects or events that might affect the Bank´s good name, are avoided.

The operating risks management system which the Bank was built into its processes keeps risks under control, as can be seen in the comparative risk profile for 2014 and 2013, within tolerance levels set by the Board.





Level	No. Of risks	%
Critical	0	0,0%
High	7	0,4%
Medium	331	21,0%
Low	1238	78,6%
Total	**1576**	**100,0%**

Level	No. of risks	%
Critical	0	0,0%
High	7	0,5%
Medium	408	26,9%
Low	1104	72,7%
Total	**1519**	**100,0%**

Therefore the bank accomplish the legal requirements about the operative risk management system established in the superintendency external circular 041/2007

d. Environmental and Social Risk Management System SARAS

The Environmental and Social Risk Management System SARAS has been implemented in alignment with credit evaluation processes o identify, classify, evaluate and monitor possible environmental or social impact. It is implemented in corporate credit lines, construction and the evaluation of strategic suppliers.

In 2014 SARAS was implemented into Business Credit. In the second half of the year equivalent methods and procedures for the evaluation of environmental and social risk were introduced into the subsidiaries in Central America. Efforts were concentrated on making the Bank´s "green lines" more generally known for the financing of cleaner production projects, energy efficiency. Renewable energy and sustainable infrastructure which enables environmental impacts to be prevented, managed and mitigated and facilitates adaptation to climate change.

In 2014 the Bank continued to take part in "Green Protocol*" working sessions, helpíng to produce guides related to environmental issues as a contribution to the development of these themes in the financial institutions involved in the initiative.

*Green Protocol is an initiative of the financial sector and the Government to promote sustainable development and work for conservation and the sustainable use of natural resources.

31 Information security

Continuing with compliance with Superintendency Circular 52/2007, Circular 22 of July 2010 and Circular 42 of October 17, 2012 , the Bank includes these requirements in all new projects from the planning stage forward, and compliance with regulatory requirements is taken into account in proceses of improvement and optimization, to ensure permanence and sustainability over tiome.

Circular 42 (October 17, 2012) confirmed that the Bank was meeting security requirements for Mobile Banking and EMV-related requirements (Europe MasterCard Visa, interoperability of cards and cards with microprocessors). The Bank introduced its Chip cards on schedule in 2011. The ATM channel was updated to secure EMV functionality at the level of issuer.

As of 2014, the Information Security Area has implemented a system of follow-up and internal validation to identify compliance levels and confirm that the Bank is effectively adhering to the regulatory framework.

The Bank will continue to investigate new trends, threats, tools and mechanisms for control to mitigate risks and keep them down to acceptable levels for the business. The Bank will make these controls available to serve its clients to secure the delivery of products and services with high levels of quality and security.

32 Corporate Governance

The Bank continues to comply with the precepts of the Code of Good Government and adopted Board Regulations, following guidelines in the Best Corporate Practice Code – Country Code – and on the basis of the principles of transparency, respect for shareholders´ rights, disclosure of information, due diligence and loyalty of consultants and administrators; it also decided on the regime to be followed by the Bank´s organs of management in order to promote participation by shareholders.

In the same vein, the Shareholders´ Meeting adopted Shareholders´ Meeting Regulations and implemented the means of disseminating notices of meetings and held on-line meetings through the webpage.

Further, the Bank has strengthened communications channels for shareholders and investors, including financial and other information on the webpage where all the documents in the Corporate Government system can be consulted, including the bylaws, the guide to shareholder rights and obligations the corporate Code of Good Government, the regulations of the Board and Shareholders´ Meetings, information related to financial performance, administrative performance, management, control bodies, shares, etc

Further, the Bank´s Code of Corporate Government has defined the policy of disclosures of information to shareholders and investors, in order to guarantee the timely supply of accurate and reliable information. The Bank webpage therefore provides relevant information in Spanish and English which transmits it to the public with an application supplied by the Superintendency.

The Corporate Government Code presents the Bank´s policies on:

- Evaluation and control of the activities of managers, senior executives and directors
- Disclosure of information to shareholders on issues related to institutional policy, government structure and capital composition, the handling of conflict of interest, risks to which the Bank may be exposed in the course of business, the detection of relevant findings by the Statutory Auditor, financial information and the occurrence of relevant events.
- The internal control, system.

With regard to the structure of government and risk management, the Board as created the committees required by law and others which are not mandatory but equally, support the actions of the Board and keep it informed of processes, the structure and management of risk in each business line, providing an appropriate flow of information and monitoring and regular follow-up

Under this scheme, the Board and senior management are aware of risk positions and intervene actively in risk management, defining the methods of measurement to be used in identifying exposure by product, policies, profiles and limits, amongst other matters. Further the Board decides on strategies guidelines for the Bank and exercises oversight on implementation and follow-up

Functions of the organs of the Bank

a) Audit Committee
Supervises the internal control structure, verifies that transactions are being properly authorized and recorded, supervises the functions of internal audit, checks on the transparency of financial information and appropriate disclosures, evaluates internal control reports from the Internal Auditor and Statutory Auditor, checks that management has acted on their suggestions and recommendations, conforms or challenges the Statutory Auditor´s opinion as to the sufficiency and suitability of internal control measures, establishes policy, criteria and practices used by the Bank in the construction, disclosure and dissemination of financial information and mechanisms to consolidate the information for the regulators and supervisors for presentation to the Board.

b) Corporate Government Committee

The Committee supports the Board in relation to the implementation of good corporate practices and compliance with Bank policies in that area. It also works to ensure that shareholders, and the market in general, have access to complete, truthful and timely information that the issuer is required to provide.

c) Strategy Committee

Manages the business, strategy, human talent and risk of the Bank and its affiliates. Analyzes progress in the strategy and associated risks, exercising follow-.up of the strategic indicators of the Bank and its business lines.

d) Risk Committee

This is the instance whose purpose is to evaluate policies, mechanisms and procedures related to risks and implemented in the Bank, and to make a comprehensive analysis of the risks to which the bank and its affiliates are exposed.

e) Specific Risk Committees

The Specific Risk Committees are defined as a function of the types of risk to which the Bank and its affiliates are exposed. Some of them are: Credit Risk, Operating Risk, SARLAFT. Asset and Liability Management, Financial and Investment Risks (CRFeI) etc.

The Bank also has an internal audit function and a Compliance Officer, with the following functions:

f) Internal Audit

Internal Audit analyzes and follows up the Bank´s internal control system, supplying each of the areas audited, and the Audit Committee and the Board, with recommendations to strengthen the internal control system to meet the Bank´s needs

It also engages in work to verify Bank operations taken at random, analysis of risk to determine processes, risks and controls that match the policies and responsibilities laid down in the manuals. It also takes part in projects developed in order to advise users on the definition of controls so that the controls will become embedded in the applications. As a result, Audit helps Management to analyze and recommend the strengthening of Internal Control. It also fosters a culture of self-control within officers at all levels of the organization, with an emphasis on information security and compliance with regulations and procedures.

g) Compliance Officer

Ensures that specific procedures are adopted to prevent money-laundering and the financing of terrorism in the Bank, verifying that all mechanisms required to obtain adequate knowledge of clients and the market have been implemented. Along with those that enable suspect or unusual operations to be detected and to control cash operations, and in particular, to promote the development of training programs for all Bank staff with instructions on compliance with current regulations to prevent asset-laundering.

h) Management, measurement and areas of risk

The methods and results of the management of risk measurement are explained in Note 32 (Risk Management) and the methods used to identify different types of risks and ways to measure them are described.

The staff of the Risk area are well qualified and trained and with professional experience taken into account in the selection process for their employment; the Bank also seeks individuals who match the principles and values of the institution, so that our human resources will be ideal from a personal moral and professional point of view also.

The Risk Area has technological infrastructure, tools and systems required to obtain an effective, efficient and timely service in Treasury Risk Management; it has technological support to match the size, nature, complexity and volumes of operations, and processes to implement timely controls and monitoring of established policies and limits.

The Board decided on the segregation of functions between Front, Middle and Back Offices as independent from each other in order to avoid conflicts of interest. The Front Office is accountable to the treasury Division and is directly responsible for dealing, client relations and commercial matters; the Middle Office has amongst other things responsible for risk measurement and checking that established policies and limits are being observed and for analyzing risks: it is accountable to the Financial Risk and Control Division and is supervised by the Grupo Bolivar Financial Risks Division; and finally, the Back Office is responsible for the operational side of the business, such as closing, recording and giving final authorization to operations; and is accountable to the Operations Division.

Information on portfolios of loans and investments is used for risk management and is stored in robust platforms and in applications that allow it to be handled in generating reports. At the same time, its follows information security policies and has sufficient capacity for the size for the databases required for each different type of business.

33. Mandatory controls

At December 31, 2014 and 2013 the Bank complied with all requirements of own position, minimum capital, capital ratios, mandatory cash reserves, mandatory investments, and investment limits in fixed assets.

i. Own position

The following was the own position at December 31, 2914 and 2013 (US$ millions)

		Limits	2014	2013
Average own position	USD		164.2	48.5
Maximum permitted:		20% PT	551.4	536.9
Minimum permitted (5% of computable capital		-5% PT	(137.8)	(134.2)
Average own spot position			150.9	66.6
Maximum permitted: 50% of computable capital	USD	50% PT	1,378.5	1,342.4
Average gross leverage position			5,786.3	6,339.2
Maximum permitted: 550% of computable capital		550% PT	15,163.2	14,766.7

At December 31, 2014 and 2013 the Bank was within the own-position limits permitted.

ii. Capital Ratios

As of August 2013 the Bank began to report capital rations using the new methodology of Decree 1771/2012 which changed definitions and calculations of regulatory capital regulated by the SFC under Circular 20/2013

In general the changes follow criteria and recommendations of Basel III and aim to adjust Colombian regulations to international standards, strengthen public trust and make criteria of competitiveness and security more robust among the supervised institutions

The following are the capital ratios at December 31, 2014 and 2013

	2014	2013
Tier 1 (basic) capital	$ 3,364,778.7	3,239,852.3
Deductkons PBO	-562,714.3	-574,711.8
Tier 2 (additional) capital	2,972,002.9	1,967,156.1
Computable capital	6,336,781.6	5,207,008.5
Market risk VaR	253,986.1	253,287.2
Risk-weighted assets	46,076,107.7	38,453,334.3
Total ratio (PT/(APNR+((100/9)*VaR)) ≥ 9%	12.96%	12.62%
Basic ratio (PBO/(APNR+((100/9)*VaR)) ≥ 4.5%	6.88%	7.85%

Mandatory cash reserves

The Bank complied with mandatory cash reserve requirements deposits and demand accounts under 18 months, 11% and TDs under 18 months at 4.5% (Note 13):

	2014	2013
Reserve requirement	$2,681,900.0	2,488,407.7
Cash held	2,684,439.0	2,515,793.7

iii. Mandatory investments

Following Banco de la Republica Resolution 3/ 2000, 37% must be invested in Class A TDAs and 63% in Class B TDAs.

The following is the detail of the value of the investments of the Bank in FINAGRO at December 31, 2014 and 2013..

	2014	2013
Finagro		
TDA A (37%)	$466,388.0	$427,537.5
TDA B (63%)	794,120.4	727,969.3
Total required	1,260,508.4	1,155,506.8
Substitute portfolio	(493,667.8)	(488,740.9)
Investment in TDA A and B:	610,059.2	666,765.8
TDA A (37%)	370,860.1	427,387.0
TDA B (63%)	239,199.1	239,378.8

34 Relevant events

Implementation of international standards

During 2014 the Bank began its transition to IFRS within the technical rules of Decree 2784/2012, i.e. the Spanish version of IFRS in force at January 1, 2012.

At the close of July and August we sent separate and consolidated opening balance sheets to the Superintendency as at December 31, 2013 including notes for disclosures as defined in Circular 014/2014, and the Special Audit Report on the Opening Statement of Financial Situation prepared by the Statutory Auditor.

The Separate Opening Statement of Financial Situation sent to the Superintendency includes an exception ,to the full application of IFRS, as established in Decree 1851/2013, in relation to the treatment of loans and loan impairment.m The consolidated statement was sent in full compliance with IFRS.

With the rules issued by the Superintendency at the end of 2014,a further exception was included in the Separate Financial Statements, in relation to the classification and valuation of investments, added to Chapter I-1 of the Superintendency´s Accounting and Financial Circular: the principal effect falls on the valuation of investments available for sale using the application of the equity participation method.

The first IFRS-compliant financial statements will be issued for 2015, with comparative information for 2’014, including tghe effects of the opening balance sheet.

35 Subsequent events

The Stockholders at an EGM of January 30. 2015, ordered that the Wealth Tax of Law 1739 of December 23, 2014 for the years 2015-2017 should be set against the Bank´s voluntary reserves under Article 10 of that law.