Banco Davivienda S.A.

Separate financial statements as of December 31, 2016 with comparative figures as of December 31, 2015

Content

FREE ENGLISH LANGUAGE TRANSLATION

STATUTORY AUDITOR'S REPORT

To the Shareholders
Banco Davivienda S. A.:

I have audited the separated financial statements of Banco Davivienda S.A as of December 31, 2016; which comprise the separated statement of financial position, the separated statement of profit and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on that date, and their respective notes that include a summary of significant accounting policies and other explanatory information.

Management's responsibility regarding the separated financial statements

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

Statutory Auditor's responsibility

My responsibility is to express an opinion on these separated financial statements based on my audit. I obtained the necessary information and carried out my audit in accordance with the Information Assurance Standards accepted in Colombia. Such standards require that I comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the separated financial statements are free from material misstatement.
An audit involves performing procedures to obtain evidence about the amounts and disclosures in the separated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of items in the separated financial statement. In this risk assessment, the auditor considers internal controls relevant to the preparation and presentation of the separated financial statements, to design audit procedures that are appropriate in the circumstances. An audit also includes the assessing of appropriate accounting policies used and the reasonableness of the balances and accounting estimates made by the management, as well as evaluating the presentation of the separated financial statements in general.

I believe that the audit evidence I obtained provides a reasonable basis supporting the opinion expressed below.

Opinion

In my opinion, the separated financial statements mentioned and attached in this report, fairly present, in all significant material matters, the separated financial position of Banco Davivienda S. A. as of December 31, 2016, the separated results of its operations and the separated cash flows for the year ended on that date, according to the Accounting and Financial Reporting Standards accepted in Colombia.

Other matters

The separated financial statements as of the year ended on December 31, 2015 are presented exclusively for the purpose of comparison and they were audited by another public accountant member of KPMG Ltda. (today KPMG S.A.S.) in accordance with the auditing standards generally accepted in Colombia, and in her report of February 17, 2016 she expressed her opinion with no reservations about the statements.

Report on other legal and regulatory requirements
Based on the results of my tests, in my concept during 2016:

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. There has been compliance to the norms and instructions of 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 followed up the answers about the recommendation letters addressed to the Bank's management and there are not outstanding matters of material importance that can affect my opinion.

Original signed by
Rafael Rodríguez Martín
Statutory Auditor of Banco Davivienda S.A.
T.P. No. 214605-P
Member of KPMG S.A.S.

February 17th, 2017

CERTIFICATION OF SEPARATE FINANCIAL STATEMENTS

RESPONSIBILITY OF FINANCIAL INFORMATION

The undersigned Legal Representative and Accountant of Banco Davivienda S.A. in compliance with the terms established in articles 46 and 47 of Law 964 of 2005 and in accordance with the terms required in the Accounting and Financial Reporting Standards accepted in Colombia, the following are allowed:

To certify that the Financial Statements for the period between January 1 and December 31, 2016, do not contain any defects, inaccuracies or errors that prevent the Company from knowing the true financial situation or the operations of Davivienda, in accordance with the provisions of article 46 of Law 964 of 2005.

In accordance with the terms established by the accounting and financial information standards accepted in Colombia and taking into account the aspects referred to in the Conceptual Framework, the information and statements included in the Financial Statements have been duly verified and obtained from the accounting records prepared in acccordance with accounting standards and principles established in Colombia.

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

Likewise, we report that there have been no significant deficiencies presented in the design and operation of internal controls that would have prevented the Bank from recording, processing, summarizing or adequately presenting its financial information. Management control activities have been carried out to prevent the risk of fraud in processes that affect the quality of financial information or changes in its evaluation methodology.

In the Financial Statements, all the assets and liabilities existing at the cut-off date are recorded and these represent probable future rights and obligations, respectively. All transactions of the period were recorded and all economic facts have been recognized and correctly classified, described and disclosed. All elements have been recognized by the appropriate amounts, taking into account the aspects referred to in the Framework and in accordance with the Accounting and Financial Reporting Standards accepted in Colombia.

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

Bogotá, February 13, 2017

Ricardo León Otero
Representante Legal

Carmen Anilsa Cifuentes
Contador T.P. 35089-T

BANCO DAVIVIENDA S.A.
Separate Statement of Financial Position
As of December 31, 2016 with comparative figures as of December 31, 2015
(in Millions of Colombian pesos (COP))

	Note	December 31, 2016	December 31, 2015
ASSETS			
Cash	11.1.	4.933.356	3.907.931
Asset operations of money market and related	11.2.	152.866	315.604
Financial instruments of investment	11.3.	4.743.671	4.588.864
Derivatives	11.4.	238.506	434.950
Loan portfolio and financial leasing operations, net	11.5.	54.292.599	46.450.272
Accounts receivable, net	11.6.	1.711.033	807.694
Assets held for sale	11.7.	72.804	79.180
Investments measured at amortized cost	11.3.	1.369.644	1.213.795
Investments in subsidiaries and associates	11.3.7.	3.216.541	2.994.856
Property and equipment, net	11.8.	538.408	996.531
Investment properties, net	11.9.	45.885	37.105
Goodwill	11.11.	1.080.775	1.080.775
Intangibles	11.12.	77.357	72.519
Other non-financial assets, net	11.13.	233.520	122.611
Total Assets		**72.706.965**	**63.102.687**
LIABILITIES			
Deposits and payables on demand:	11.14.	45.600.939	38.514.504
Savings account		21.990.834	19.367.065
Deposits in checking accounts		4.680.765	5.048.186
Term deposit certificates		18.210.104	13.381.917
Other deposits		719.236	717.336
Liability operations of money market and related	11.15.	1.785.322	1.102.859
Derivatives	11.4.	246.170	364.451
Bank Credits and other obligations	11.16.	5.292.891	4.999.696
Debt instruments issued	11.17.	9.063.260	8.727.347
Accounts payable	11.18.	989.103	819.603
Deferred tax	12.7.	613.603	691.204
Estimated liabilities and other non-financial liabilities	11.19.	256.205	164.507
Total Liabilities		**63.847.493**	**55.384.171**
EQUITY			
Capital and reserves (1)	11.20.	6.385.568	5.421.093
Unrealized gains and losses (OCI)		174.713	268.880
First time adoption adjustments		507.026	734.409
Accumulated gains (losses) from previous years		253.479	79.871
Net income		1.538.686	1.214.263
Total equity		**8.859.472**	**7.718.516**
TOTAL LIABILITIES AND EQUITY		**72.706.965**	**63.102.687**

(1) Includes premium of placement of shares

See notes attached with the financial statements

RICARDO LEÓN OTERO
Legal Representative

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

RAFAEL RODRÍGUEZ MARTÍN
Statutory Auditor Banco Davivienda S.A.
TP. No. 214605-T
Member of KPMG S.A.S.
(see my report from 17 of February 2017)

BANCO DAVIVIENDA S.A.
Separate State of Income
For the year ended as of December 31, 2016 with comparative figures with the year ended as of December 31, 2015
(in Millions of Colombian pesos (COP))

	Notes	2016	2015
Interest income		7.070.485	5.288.781
Loan Portfolio		6.460.356	4.944.978
Investment and valuation, net	12.1.	565.640	317.029
Monetary market operations		44.489	26.774
Interest Expenses		3.147.079	1.833.686
Deposits and liabilities		2.120.091	1.105.587
Deposits in cheking accounts		41.276	31.102
Savings accounts		818.506	428.134
Term deposit certificates		1.260.309	646.350
Bank credits and other financial obligations		202.018	131.174
Debt instrument issued		723.611	529.403
Other interest		101.359	67.523
Gross financial Margin		**3.923.406**	**3.455.095**
Allowance for loan and accounts receivable, net		1.471.189	1.016.340
Allowance for loan and accounts receivable		2.600.995	1.993.607
Recovery of loan and accounts receivable		1.129.806	977.267
Net financial Margin		**2.452.217**	**2.438.755**
Commissions and service revenues, net	12.2.	742.013	680.495
Results of participative securities	12.3.	325.245	215.880
Dividends		25.524	31.960
Operational expenses		2.117.462	1.871.087
Staff expenses	12.4.	924.906	810.233
Operational	12.5.	1.141.258	1.025.976
Amortizations and depreciations	12.5.	51.298	34.878
Changes, net		(73.479)	196.963
Derivatives, net		206.061	(89.597)
Other revenues and expenses, net	12.6.	274.095	5.204
Operational Margin		**1.834.214**	**1.608.573**
Current income tax expense	12.7.	420.788	338.560
Deffered income tax expense	12.7.	(125.260)	55.750
Net income		**1.538.686**	**1.214.263**
Net income per share in Pesos (1)		3.407	2.734

(1) Calculated as: net income / weighted average number of shares outstanding
See notes attached with the financial statements

RICARDO LEÓN OTERO
Legal Representative

CARMEN ANILSA CIFUENTES BARRERA
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BANCO DAVIVIENDA S.A.
Separate Statement of Other Comprehensive Income
For the year ended as of December 31, 2016 with comparative figures with the year ended as of December 31, 2015
(in Millions of Colombian pesos (COP))

	2016	2015
Other comprehensive income		
Net income	1.538.686	1.214.263
Components of other comprehensive income that will not be re-classified to profit or loss, net of taxes:		
Long-term employee benefits	(31.078)	-
Components of other comprehensive income that will be re-classified to profit or loss, net of taxes:		
Gains from investments in equity instruments	4.567	(15.567)
Investments in subordinates and other non-controlled investments	25.431	(237.135)
Exchange difference of traslation	(162.035)	723.675
Hedges of net investments in foreign operations	68.948	(381.270)
Other comprehensive income	-	9.657
Total other comprehensive income, tax net	(94.167)	99.362
Total income and other comprehensive income	**1.444.519**	**1.313.624**

RICARDO LEÓN OTERO
Legal Representative

CARMEN ANILSA CIFUENTES BARRERA
Finance Director
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RAFAEL RODRÍGUEZ MARTÍN
Statutory Auditor Banco Davivienda S.A.
TP. No. 214605-T
Member of KPMG S.A.S.
(see my report from 17 of February 2017)

BANCO DAVIVIENDA S.A.

Estado Separado de Cambios en el Patrimonio

Por el año terminado al 31 de diciembre de 2016 con cifras comparativas con el año que termina el 31 de diciembre de 2015

(Millones de pesos colombianos (COP))

	CAPITAL Y RESERVAS						RESULTADOS ACUMULADOS		
	Capital	Prima de emisión	Reserva Legal	Reservas ocasionales	Adopción por primera vez	Ganancia no realizada (ORI)	Utilidad ejercicios anteriores	Utilidad del ejercicio	Total Patrimonio de los accionistas
Saldo a 31 de diciembre de 2014	62.190	3.389.608	475.695	903.053	748.757	169.520	(9.434)	1.095.478	6.834.867
Impuesto a la riqueza (1)				(60.563)					(60.563)
Distribución de dividendos:									
Pago de dividendos en efectivo de $788 por acción sobre 444.214.234 acciones suscritas y pagadas. Marzo 26 de 2015								(350.041)	(350.041)
Movimiento de Reservas:									
Reserva Legal			166.315					(166.315)	0
Reserva ocasional futuras capitalizaciones o aumentar reserva legal				484.795				(484.795)	0
Liberación Reserva Ocasional valoración Inversiones precios de mercado - Decreto 2336/95, para aumentar Reserva Legal			10.459	(10.459)					0
Emisión de acciones:									
Pago de dividendos en acciones a razón de $1.695 pesos por acción sobre 444.214.234 acciones suscritas y pagadas. Abril 8 de 2015 (2)	8.884	744.059		(752.943)					0
Otro resultado integral , neto de impuesto a las ganancias									
Realizaciones Aplicación NIIF por primera vez					(14.348)		14.348		0
Ajuste por convergencia año 2014							94.327	(94.327)	0
Método de Participación Patrimonial (MPP)						(237.135)			(237.135)
Diferencia en cambio controladas y cobertura de inversiones netas en el extranjero, neto de impuesto diferido						342.405			342.405
Variación de precios de mercado renta fija						(15.567)			(15.567)
Otros Resultados						9.657	(19.370)		(9.713)
Resultado del ejercicio								1.214.263	1.214.263
Saldo a 31 de diciembre de 2015	71.074	4.133.667	652.469	563.883	734.409	268.880	79.871	1.214.263	7.718.516
Impuesto a la riqueza (1)				(54.704)					(54.704)
Distribución de dividendos:									
Pago de dividendos en efectivo de $864 por acción por acción sobre 451.670.413 acciones suscritas y pagadas. Mar.29 y Sep.21 de 2016								(390.243)	(390.243)
Movimiento de Reservas:									
Reserva Legal			324.020					(324.020)	0
Reserva ocasional futuras capitalizaciones o aumentar reserva legal				475.000				(475.000)	0
Reserva ocasional aumentar Reserva Legal				25.000				(25.000)	0
Liberación Reserva Ocasional valoración Inversiones precios de mercado - Decreto 2336/95, para aumentar Reserva Legal			4.476	(4.476)					0
Disponer de utilidades de ejercicios de años anteriores realizadas en el periodo 2015, para aumentar Reserva Legal			70.215				(70.215)		0
Emisión de acciones:									
Pago de dividendos en acciones a razón de $940 pesos por acción sobre 451.670.413 acciones suscritas y pagadas. Abril 20 de 2016 (3)	4.517	420.053		(424.570)					0
Patrimonio Integrado Leasing Bolívar:	1.193	123.084		667	14.100		974		140.018
Otro resultado integral , neto de impuesto a las ganancias									
Realizaciones Aplicación NIIF por primera vez					(241.483)		242.849		1.366
Método de Participación Patrimonial (MPP)						25.431			25.431
Diferencia en cambio controladas y cobertura de inversiones netas en el extranjero, neto de impuesto diferido						(93.087)			(93.087)
Variación de precios de mercado renta fija						4.567			4.567
Beneficios a empleados largo plazo						(31.078)			(31.078)
Resultado del ejercicio								1.538.686	1.538.686
Saldo a 31 de diciembre de 2016	76.784	4.676.804	1.051.180	580.800	507.026	174.713	253.479	1.538.686	8.859.472

(1) En Asamblea Extraordinaria del 30 de Enero de 2015, se autorizó imputar el impuesto de la riqueza, de conformidad con lo establecido en la ley 1739 de 2014, a reservas patrimoniales, para los años 2015, 2016 y 2017.

(2) Se aumenta valor nominal en $20 quedando en $160 por acción y la diferencia de $1.675 pesos corresponde a prima en colocación de acciones.

(3) Se aumenta valor nominal en $10 quedando en $170 por acción y la diferencia de $930 pesos corresponde a prima en colocación de acciones.

Véanse las notas que acompañan los Estados Financieros

RICARDO LEÓN OTERO
Representante Legal

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

RAFAEL RODRÍGUEZ MARTÍN
Revisor Fiscal de Banco Davivienda S.A.
TP. No. 214605-T
Miembro de KPMG S.A.S.
(Véase mi informe del 17 de Febrero de 2017)

BANCO DAVIVIENDA S.A.

Separate Statement of Cash Flows

For the year ended as of December 31, 2016 with comparative figures with the year ended as of December 31, 2015
(in Millions of Colombian pesos (COP))

	Notes	2016	2015
Operation activities cash flows:			
Net Income		**1.538.686**	**1.214.263**
Conciliation between net income and net cash used in operation activities			
(Reimbursement) provision of negotiable investments, net	11.3.6	(532)	2.736
Reimbursement of investments held for sale, net	11.3.6	(188)	(266)
Provision (Reimbursement) of investments to term, net	11.3.6	517	(332)
Provision of loan portfolio and financial leasing, net	11.5.15	1.548.308	1.086.165
Provision of accounts receivable, net	11.6	84.685	42.693
Provision of assets held for sale, net	11.7	21.959	3.960
(Reimbursement) provision of investment property and equipment, net	11.8.4 / 11.9.2	(884)	4.510
(Reimbursement) Provision of other assets, net	11.13	(2.306)	7.291
Severance provision		3.931	17.908
Other provisions		8.680	7.908
Depreciations		39.223	34.579
Amortizations		12.075	300
Exchange difference and non-realized UVR		(393.952)	565.965
Profit from portfolio sale, net		-	(11.269)
Equity method profit		(270.755)	(215.880)
Investment Valuation, net		(543.244)	(312.711)
Profit from negotiable investments, net		(23.204)	(4.283)
Profit on sale of available-for-sale investments, net		(53.684)	(35)
Valuation of derivatives and cash operations, net		(206.061)	89.597
Profit from sales of assets held for sale	11.7	(225)	(2.039)
Profit from sale of properties and equipment and goods given in leasing, net		(147.105)	(186)
(profit) loss on sale from investment properties	11.9	(2.508)	1.702
loss in sale of other assets		370	57
Other recoveries estimated liabilities		(5.047)	(5.054)
severance payments		(4.145)	(13.796)
Income tax	12.7	295.528	394.310
Changes in operational assets and liabilities:			
(Increase) decrease in active positions of monetary and related markets		(24.504)	(30.075)
Increase in negotiable investments		(1.385.898)	(334.039)
Increase of loan portfolio and financial leasing operations		(15.028.504)	(13.317.432)
Increase in accounts receivable		(405.997)	(252.917)
Additions to assets held for sale		(78.411)	(87.604)
Product of sales of assets held for sale	11.7	19.071	16.635
Increase other assets		(181.348)	(28.579)
Product of sales of other assets		7.467	2.163
Increase deposits and liabilities		9.000.747	5.923.277
Increase (decrease) ordinary bought interbank funds		17.069	(103.658)
Increase accounts payable		96.083	81.464
Increase labor obligations		86.426	19.944
Increase (decrease) estimated liabilities and provisions		107.363	(17.743)
Rich tax		(54.704)	(60.563)
Income tax paid		(433.627)	(334.193)
Interest paid		(1.856.780)	(955.497)
Interest received		6.267.043	4.589.137
Net cash used for activity operations		**(1.948.382)**	**(1.981.587)**

BANCO DAVIVIENDA S.A.

Separate Statement of Cash Flows (continued)

For the year ended as of December 31, 2016 with comparative figures with the year ended as of December 31, 2015

(in Millions of Colombian pesos (COP))

	Note	2016	2015
Cash flows from investing activities:			
Cash product integration Leasing Bolivar		62.817	0
Received Dividends		25.524	79.871
Decrese in investments held for sale		1.769.559	869.801
(Increase) decrease in investments to term		(62.534)	42.604
Increase in investments of participative securities		(41.586)	(1.112)
Decrease (increase) in fiduciary duties		3.771	(3.771)
Decrease (increase) of acceptances, cash operations and derivatives		402.505	(110.210)
Decrease (increase) in property and equipment		44	(342)
Addition to property and equipment		(67.301)	(107.377)
Product from sales of loan portfolio	1.5.11 / 11.5.12	434.293	506.579
Product from sales of property and equipment		117.806	29.463
Product from sales of investment properties	11.9.3	19.784	6.281
Decrese of intangible assets		40.704	0
Net cash provided by investment activities		**2.705.387**	**1.311.787**
Cash flows in financing activities:			
Debt instruments issuance	11.17	958.589	1.700.000
Debt instruments redemption	11.17	(505.744)	(1.195.210)
(Decrease) increase in liability derivatives		(118.280)	63.990
New bank credits and other financial obligations	11.16	4.104.316	3.872.280
Period payments of bank credits and other financial obligations	11.16	(3.821.010)	(3.083.454)
Dividends paid in cash		(390.243)	(350.041)
Net cash provided by financing activities		**227.628**	**1.007.565**
Cash net increase in cash and cash equivalents		**984.633**	**337.765**
Effect of variation of the difference in changes on cash		**(146.452)**	**542.194**
Cash and cash equivalents at the beginning of the period		**4.163.051**	**3.283.092**
Cash and cash equivalents at the end of the period (*)		**5.001.232**	**4.163.051**

(*) includes cash equivalents prior to 90 days in active positions of the monetary market $67.876 for December 31, 2016 y $255.118 for December 31, 2015 according to note 11.2.

See notes attached w ith the financial statements

RICARDO LEÓN OTERO **Legal Representative**	**CARMEN ANILSA CIFUENTES BARRERA** **Finance Director** **TP. No. 35089-T**	**RAFAEL RODRÍGUEZ MARTÍN** **Statutory auditor Banco Davivienda S.A.** **TP. No. 214605-T** **member of KPMG S.A.S.** **(see my report from 17 of February 2017)**

(Millions of Colombian Pesos (COP))

1. Reporting Entity

Banco Davivienda S.A, ("the Bank") is a private entity which has its main domicile in the city of Bogotá D.C. at Avenida El Dorado 68 C-61 and was constituted by notarized deed number 3892 on the 16th of October of 1972, in the Fourteenth Notary Public Office of Bogotá; under Resolution 562 of June 10, 1997 which authorizes its functioning. The established duration under notarized deed 5145 of October 2003 is valid until October 17, 2053, but can be ended or extended before this term. The Bank forms part of Bolívar group and has as a social objective to sign or carry out all the transactions and contracts legally permitted to banking establishments of a commercial character subject to the requisites and limitations of Colombian law, owned as of December 31, 2016, 6,223,263 clients located in Colombia and the Miami International Branch.

As of December 31, 2016, it operated with twelve thousand six hundred and twenty-nine (12,629) employees through twenty-one (21) branches and agencies in Colombian territory and one (1) branch abroad in the city of Miami (United States of America); Five hundred and ninety-two (592) offices in Colombia and one (1) in Miami and as of December 31, 2015 operated twelve thousand fifty-six (12,056) employees through five hundred and ninety (590) offices; twenty-one (21) branches and agencies in Colombia and one (1) branch abroad in the city of Miami, (United States of America).

2. Significant Facts

During the year 2016, the following significant events were recorded in the Bank's operations affecting the Separate Financial Statements.

Leasing Bolívar Integration

On January 4, 2016, the integration with Leasing Bolívar S.A. was completed. As of December 31, 2015, this company had $1.2 trillion of assets. A ratio of exchange in preferred shares of 0.31040 shares of the Bank was established for each share of Leasing Bolívar S.A. for a total of 7,456,179 preferred shares that were issued to the major shareholders. The transaction was accounted for at book value.

The assets, liabilities and equity as of December 31, 2015 of Leasing Bolívar S.A. are detailed below. (Audited figures):

	Initial balance	Leasing Integration	Final Balance
Assets			
Cash	3,907,931	62,817	3,970,748
Investments	9,551,840	9,407	9,561,247
Portfolio	46,450,272	1,063,465	47,513,737
Other Assets	3,192,644	106,894	3,299,538
Total Assets	63,102,687	1,242,584	64,345,271
Liabilities			
Deposits and enforceabilities:	38,514,504	768,547	39,283,051
Bank Loans and other obligations	4,999,696	272,677	5,272,373
Accounts payable	819,603	49,564	869,167
Other Liabilities	11,050,368	11,779	11,062,147
Total Liabilities	55,384,171	1,102,567	56,486,738

(Millions of Colombian Pesos (COP))

	Initial balance	Leasing Integration	Final Balance
Equity			
Capital and Reserves	5,421,093	124,944	5,546,037
Unrealized gains or losses (OCI)	268,880	-	268,880
First time adoption adjustments	734,409	14,100	748,509
Accumulated gains from previous years	79,871	974	80,845
Net Income	1,214,263	-	1,214,263
Total equity	7,718,516	140,017	7,858,533
Total Liabilities and Equity	63,102,687	1,242,584	64,345,271

Payment of dividends

On March 10, 2016, the General Shareholders' Meeting approved the payment of $ 864 pesos of dividends per share, for a total of $ 390,243, representing a distribution of 32.1% of individual profits. 50% of this dividend was paid on March 29, 2016 and the remaining 50% was paid on September 21, 2016.

Capital Improvements

During the general shareholders' assembly held on March 10, 2016, the increase of the occasional reserves at the disposal of the assembly for future capitalization of $ 475,000 and legal reserve of $ 398,711 was approved.

In addition, the shareholders' board approved the payment of $424,570 in stock dividends, on April 20, at $940 pesos per share, through the increase in the nominal value of $10 pesos per share and the premium for placement of shares in the $930 pesos remaining; In this way, the registration to the Mercantile Register was done on April 20, from the increase in the subscribed capital and paid to $76,784, represented by 451,670,413 shares, caused by an increase in the nominal value of $10. An increase in authorized capital was also recorded at $77,350, represented by 455,000,000 shares, with an increase of $10 pesos of the nominal value.

Hedge

In April and October 2016, the accounting hedge in USD is renewed to cover net investment in foreign subsidiaries, in order to eliminate the accounting asymmetry between results and equity as a result of the exchange restatement between investments and financial liabilities. This hedge is additional to the existing one.

Ammount USD	Term (days)	Rate
50,000,000.00	180	2.16%
45,000,000.00	180	2.16%
41,000,000.00	360	2.57%
10,000,000.00	360	2.08%

Sale of shares

During the first half of 2016, CIFIN's shares were sold for $ 57,533, as follows: on February 8, 75% equivalent to 68,735 shares for $ 43,273 and on May 31 represented in 22,756 shares for $14,260. The impact on results was $56,983 of which $ 2,049 corresponds to realization of equity and $54,934 for profit on sale of equity securities. The Bank evaluates a business opportunity with a significant profitability for the realization of this Investment and the incidence of it in the composition of the Portfolio.

(Millions of Colombian Pesos (COP))

Davivienda Fiduciary Capitalization

According to the authorization of the Financial Superintendence of Colombia received on June 30, 2016, the Bank contributed $33,145 to capitalize the Fiduciaria Davivienda S.A., acquiring 33,145,415 shares for a total of 111,417,676, maintaining 94.7% participation.

Issuance of Bonds

In July, 2016, the issuance of ordinary national bonds in pesos for $ 600,000 was made as follows:

	Value	Average term	Term
Ordinary TF	222,385	3 Years	TF 8.64% E.A.
Ordinary CPI	131,864	7 Years	CPI + 3.67% E.A.
Ordinary CPI	245,751	12 Years	CPI + 4.00% E.A.

In September 2016 a new issue of subordinated national bonds in pesos for $ 358,589 was made, the term is 10 years with a yield of CPI + 4.16% EA and the periodicity of payment is quarter overdue.

Asset mobilization

During the month of December 2016, the Bank sold 98 properties equivalent to 710 registrations. The Bank entered into an operating lease agreement in order to improve working capital and to continue operating its offices in the same real estate. The mobilization amounted to $637,249 with net tax income of $200,286, of which $150,284 was income on the sale and $50,016 to taxes. The transaction represented a release of ESFA to retained earnings of $238,499 for the realization of valuations: Other Comprehensive Income $327,033 and Deferred Tax ($ 88,175).

Shares received

On December 30, 2016, the Bank received 1,404,627,860 shares of Credibanco S.A. for conversion to Public Limited Company, whose nominal value was $1 and market value $84.18 per share, the Bank's participation is 15.55%, this transaction generated net income of $ 106,805.

Exchange Rate Effect

For December 31, 2016, the TRM amounted to $3,000.71, which resulted in a revaluation of $148.76 pesos, compared to the closing TRM of December of 2015, which was $3,149.47, decreasing revenues by $320,739 generated mainly by the decrease in assets, as follows: cash $146,452, loan portfolio $182,670, accounts receivable $1,189; Expenses decrease by $247,260, mainly due to the decrease in liabilities for: deposits and liabilities of $44,111, ordinary bonds $73,429, financial obligations $157,778, for a net effect on results of $73,479.

The effect of the hedge for investments in foreign currency in Central America generated, at the end of 2016, a net decrease in equity of $65,508, consisting of: restatement of subordinated bonds $74,567 and decrease by restatement of investments in equity securities $134,456 and subordinated financial obligations $5,619.

(Millions of Colombian Pesos (COP))

3. Basis of Preparation

a. Declaration of fulfillment of the Accounting Norms and Financial Reporting accepted in Colombia

The financial statements have been prepared in accordance with Accounting Norms and Financial Reporting accepted in Colombia (NCIF), established in the Law 1314 of 2009, regulated by the Single Regulatory Decree 2420 of 2015 modified by the Decree 2496 of 2015 and the instructions of the Financial Superintendence of Colombia (SFC), according to what is established in Decrees 1851 of 2013 and 2267 of 2014 and the External Circular Letters 034 and 036 of 2014. The NCIF are based in the International Financial Reporting Standards (IFRS), as well as its interpretations, issued by the International Accounting Standards Board – (IASB); the basic standards correspond to those translated into Spanish and issued by the IASB as of December 31, 2013 for the financial statements of 2016 and as of December 31, 2012 for the financial statements of 2015. Except for the treatment of the following excepted items:

<table>
<tr><th><u>Rubric</u></th><th><u>Normative</u></th><th><u>Exception</u></th></tr>
<tr><td rowspan="2">Classification and valuation of investment portfolio</td><td>Decree 2267 of November 11, 2014</td><td rowspan="2">It exempts the application of the IAS 39 and the IFRS 9, in relation to the classification and valuation of investments, , defining the application to the established in chapter I -1 “Classification, Valuation and accounting of investments for individual or separate financial statements”, of the Basic Accounting and Financial Circular Letter (CBCF in Colombia) In accordance with article 35 of Law 222 of 1995, investments in subsidiaries must be valued in such a way that the books of the parent or parent company are recognized by the equity method in the separate financial statements.</td></tr>
<tr><td>External Circular Letter 034 of 2014</td></tr>
<tr><td>Treatment of the loan portfolio and its impairment</td><td>Decree 1851 of 2013</td><td>It exempts the application of the IAS 39 and IFRS 9, only in respect to the treatment of the loan portfolio in all its aspects and provisions, it maintains application of chapter II of the la Basic Accounting and Financial Circular Letter of the Financial Superintendence of Colombia in the individual or separate financial statements</td></tr>
<tr><td>Provision of Goods received in lieu of payment</td><td>External Circular Letter 036 of 2014</td><td>It maintains the provisions of goods received in lieu of payment or restituted, independently of their accounting classification, in conform with the instructions established in Chapter III of the Basic Accounting and Financial Circular Letter.</td></tr>
<tr><td>Wealth Tax</td><td>Law 1739 from December, 2014</td><td>It allows an annual causation of wealth tax and the recognition option under equity reserves.</td></tr>
</table>

In accordance with Colombian law, the Bank must prepare the separate financial statements, which are presented by the Board of Directors to the General Meeting of Shareholders to approve or reject them and determine the distribution of dividends and appropriations. Separate financial statements are those in which the Bank's investments are recorded as the parent. The consolidated financial statements are those in which assets, liabilities, equity, income, expenses, and cash flows of the Bank and its subordinates are presented as if they were a single economic entity, which are submitted to the highest body which are put to the consideration of the maximum social organ with the purpose of informing the management of the parent and its subordinates.

Law 1819 of 2016 establishes that as from 2017, assets, liabilities, equity, income, costs and expenses must be recognized and measured in accordance with the normative accounting frameworks in force in Colombia, with some exceptions. Tax declarations were prepared and presented until 2016 based on the current tax rules with reference to accounting principles accepted in Colombia until 2014, in accordance with article 165 of Law 1607 of 2012.

For legal purposes in Colombia, the main financial statements are the Separate financial statements.

The financial statements for 2015 were the first financial statements prepared in accordance with NCIF

<u>Separate Financial Statements</u>

The separate Financial Statements present information of the Bank as an individual entity and do not contain consolidated financial information.

Davivienda acts as the parent company of the following subsidiaries:

Name	Country
Corredores Davivienda S.A.	Colombia
Fiduciaria Davivienda S.A.	Colombia
Cobranzas Sigma S.A.S.	Colombia
Grupo del Istmo Costa Rica S.A.	Costa Rica
Inversiones Financieras Davivienda S.A.	Salvador
Banco Davivienda Panamá S.A.	Panamá
Banco Davivienda Panamá Internacional S.A.	Panamá
Seguros Bolívar Honduras S.A.	Honduras

These separate financial statements were prepared to comply with the legal dispositions that Banco Davivienda is subject to as an independent legal entity; some accounting principles may differ in relation to those applied in the consolidated financial statements, and additionally do not include the adjustments or eliminations necessary for the consolidated financial situation and the consolidated comprehensive results of the Company and its subordinates. Consequently, the separate financial statements should be read jointly with the consolidated financial statements of Banco Davivienda S.A. and its subordinates. For legal effects in Colombia the main financial statements are the separate financial statements.

b. Ongoing business

The preparation of the separate financial statements was done on the basis of a going concern: it was determined that there is no uncertainty at all about facts, events or conditions that could express significant doubt about the possibility that the Bank continues functioning normally. The judgments where it was determined that the Bank is a going concern are related to the evaluation of the present financial situation, its present intentions, the result of the operation and the access to the financial resources in the financial market, and also considered was the impact of such factors in the future operations and no situation was determined that could make the functioning of the Bank impossible as a going concern.

c. Accrual Basis of Accounting

The Bank elaborates its financial statements, except for those related with the information of cash flows, utilizing the accrual basis of accounting; in this manner the Bank recognizes accounting items as assets, liabilities, equity, income and expenses, when these satisfy the definitions and criteria of recognition provided by the conceptual framework of international norms of financial information adopted in Colombia.

d. Materiality

The administration of the Bank determined the relative importance of the figures to present in separate financial statements according to their function or nature. In other words, if a concrete item lacks relative importance, it is grouped with other items, since it is not necessary that the bank provides a specific disclosure required by IFRS, when the information lacks relative importance.

e. Uniformity of Presentation

The administration of the Bank will maintain the presentation and classification of the disclosed items in the separate financial statements from one period to another, except when there is a revision of activities of relevant importance to the separate financial statements, or when it becomes apparent that another presentation or classification would be more appropriate, taking into consideration the defined criteria according to the current polices of the Bank

The disclosure, in respect to the criteria and estimates utilized for the recognition of the asset and liability components of the Bank, will be shown in the note related with the accounting policies. When required for the purposes of comprehension, the importance of the use of these estimates and hypotheses that affect the amounts presented in the separate financial statements will be stipulated in the details of the explicative notes generated by each component that requires a segregated description in respect to the judgments of the value utilized relevant to the presentation of the separate financial statements.

In preparing separate financial statements they have been used under NCIF uniform accounting policies.

f. Presentation of separate financial statements defined by the Bank

i. Financial situation statement

It is presented showing the different accounts of assets and liabilities organized addressing their liquidity, by considering that, for a financial entity, this form of presentation provides the most relevant reliable information. Consequently, the development of each one of the notes of financial assets and liabilities is disclosed in the anticipated amount to be recovered or cancelled with twelve months or after twelve months.

ii. Results statement and other comprehensive result statements

They are presented separately in two states as permitted by IAS 1 "Presentation of Financial Statements". In the same way, the results statement is presented by the nature of the income and expenditures because it is a presentation that provides more reliable and more relevant information for the financial entities.

iii. Cash flows statement

It is presented by the indirect method. The income and expenditures for interests are presented in the activities of operation, the dividends received as investment activities and the dividends paid as finance activities.

4. Main accounting policies

4.1. Basis of measurement

The separate financial statements were elaborated on the basis of historical costs except in reference to the following financial instruments which are measured at their fair values at the close of each period, as is explained in the accounting policies included below:

Rubric	Measurement Base
Derivative financial instruments	Fair Value
Financial instruments at fair value with changes in the result and in other comprehensive income results	Fair Value
Long-Term Employee Benefits	Actuarial Calculation

i. Historical cost

The historical cost generally is based on the fair value of consideration given in exchange of goods and services

ii. Fair Value

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

4.2. Functional and presentation currency

The separate financial statements have been elaborated and presented in Colombian pesos to conform with the functional currency of the Bank and comply with the instructions of the Financial Superintendence of Colombia according to External Circular Letter 038 of 2013.

The items included in the separate financial statements of the Bank are expressed in the currency of the primary economic sphere where the Bank operates (Colombian peso – COP). All the information is presented in millions of pesos and has been rounded off to the nearest million.

4.3. Transactions in foreign currencies

To prepare the financial statements of the Bank, the transactions in currency other than the functional currency of the Bank (foreign currency) are recognized using the exchange rate in effect at the dates when the operations were made. At the end of each period, the monetary items denominated in foreign currency are reconverted at the exchange rate in effect on that date. The non-monetary items that are measured at historical cost, in foreign currency, are not reconverted.

Differences in foreign currency arising on the conversion of a financial liability designated as a hedge of a net investment in a foreign operation are recognized in other comprehensive income to the extent that the hedge is effective and is presented in the reserve of Conversion of equity. To the extent that the hedge is not effective, such differences are recognized in income. When part of the coverage of a net investment is eliminated, the corresponding amount recognized in other comprehensive income is transferred to profit or loss as part of the profit or loss in the disposal.

The conversion rates applied at the close of December 31, 2016 and 2015 are $ 3,000.71 and $ 3,149.47 per 1 USD respectively.

4.4. Cash and cash equivalents

Cash and equivalents of cash include available balances maintained with central banks, correspondent banks and financial instruments that are highly liquid, with original maturity of three months or less, subject to little significant risk and are used by the Bank for managing its obligations in the short run. The Bank defines as low significant risk financial instruments that rely on wide and deep markets, about which there is total certainty and facility for their valuation; and with minimum credit risk, shown in the ratings that support a strong capacity of the issuer or counterpart to fulfill the financial obligations.

The equivalents of cash are measured at a fair value or at the amortized cost the financial instruments that fulfill the conditions of this valuation have.

4.5. Money market and related operations

Money market and related operations embrace the operations of purchase and sale of interbank funds, the repo operations, the simultaneous operations and the temporary transfer of securities operations

The participation in repo operations, simultaneous and temporal transfer of securities are registered in the financial situation statement as an obligation or a right according to the position that corresponds These operations are considered guaranteed financings and are recognized initially at a fair value, the amount of cash being disbursed and received, respectively. The party that makes the payment takes possession of the securities that serve as a guarantee for the financing and they have a value equal or superior to the amount of capital lent

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

In the case of simultaneous operations, the initial amount cannot benefit with a discount on the market price of the securities object of the transaction; nor can it be established that over the term of the transaction, the initial securities delivered can be substituted for others. In addition, restrictions cannot be imposed to the mobility of the securities object of the operation.

The securities received under reverse repurchase agreements and securities delivered under repurchase agreements are not discharged in the financial situation statement, since the risks and benefits of the financial asset are not transferable.

The yield of repo or simultaneous operations and the interbank interests are registered in the results.

The interbank operations with term less than or equal to 90 days are considered as equivalent to cash for the presentation of cash flow.

4.6. Financial Instruments

The financial assets and liabilities are recognized when the Bank becomes part of the contractual terms of the instruments

The financial assets and liabilities are valued initially at their fair value. The costs of the transactions that are directly attributable to the liabilities are reduced from the fair value of the financial liabilities, in the initial recognition. The costs of transaction directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are recognized immediately in profit or loss.

4.6.1. Financial assets

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

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

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

4.6.1.1. Investments

The Financial Superintendence of Colombia in the Basic Accounting and Financial Circular Chapter I-1, established the classification of investments according to the business model defined by the Bank. For this purpose, the Bank analyzes the financial instruments purchased as follows:

<u>Negotiable investments</u>

Securities acquired for the purpose of selling or repurchasing them in the short term are held for trading, the Bank administers these investments and takes decisions to buy or sell based on their fair values in accordance with risk administration or investment strategy. They are initially recognized by their acquisition cost and from that day they are valued daily according to the price stipulated by the provider of prices PIP Colombia appointed by the Bank in accordance with the instructions established in Chapter XVI of Title I of the Basic Legal Circular Letter of the Financial Superintendence of Colombia. The changes in the fair value and the profits or losses in sale are registered in profit or loss.

For the cases in which fair exchange prices do not exist for the day of valuation, they should be carried out in an exponential way from the internal rate of return. The fair value of the respective investments should be estimated or approximated through the calculation of the sum of the present value of the future flows of yield and capital.
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<u>Investments to be held until maturity</u>

They are financial instruments acquired with the objective of collecting contractual cash flows and the Bank has the capacity of maintaining them until maturity.

They are valued in an exponential way from the internal rate of return (IRR) at the moment of purchase, on the basis of 365 days. The updating of the present value of this class of investments should be registered as a greater value of the investment, affecting the results of the period.

The minimum expected returns pending collection are registered with a higher value of the investment. As a consequence, the collection of such returns should be calculated as a lower value of the investment.

The reclassification of financial instruments should comply with what is established in Chapter I-1 of the CBCF of the SFC, in addition to External Circular Letter 034 of 2014 of the Financial Superintendence of Colombia.

Investments available for sale

Financial instruments that are designated at fair value with changes in equity are recognized at fair value on the trade date. Changes in fair value are recorded in other comprehensive income; profits or losses generated when sold are calculated on the fair value and recognized in net income for profit (loss) in other operating income.

Securities classified as available for sale are valued daily according to the price provided by the supplier of authorized prices. Daily changes in the present value of the debt securities are recorded as the highest investment value charged to the income statements, the difference between the fair value and the present value of these securities, shall be recorded in the Profit or unrealized losses (OCI - Other Comprehensive Income).

The yields payable pending collection are recognized as greater value of the investment and collection of such income are recorded as a lower value of the investment, at the time of sale the unrealized gain or loss recorded in OCI, should be recognized in profit or loss on the date of the transaction.

Certain equity investments that complement the Bank's business in which no control or significant influence are recognized at cost and updated their value by subsequent changes in equity, because they are not registered equity securities on stock exchanges. Changes in equity securities are recorded in other comprehensive income according to the percentage of participation there is about changes in equity of the issuer. Dividends from these investments are recognized in income on the date they are entitled to their collection.

4.6.1.2. Discharge of financial assets

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

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

  Upon discharge of a financial asset in its entirety, the difference between the carrying amount of the asset and the sum of the consideration received and because of receiving and the cumulative gain or loss that has been recognized in other comprehensive income and retained earnings are recognized in results.

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

In this case, the following elements are recognized:

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

(Millions of Colombian Pesos (COP))

b) The income from the transferred financial asset not discharged and expenses of the new financial liability remain uncompensated

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

4.6.1.3. Investments in Subsidiaries

The Bank exercises control indirectly in companies in which subsidiaries consolidate other entities. All consolidated entities are subsidiaries. Subsidiaries are entities controlled by the Bank.

The subsidiaries are entities controlled by the Bank. An entity is controlled by the Bank when it has power over the investee, it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to influence on those returns through its power over the investee. Generally, the control exercise is aligned with the absorbed risks and returns of the Subsidiaries. Moreover, the Subsidiaries are consolidated from the date on which control is obtained to the date when control ceases.

Investments in subsidiaries are accounted for in the separate financial statements by the equity method, in accordance with the provisions of External Circular 034 issued by the Financial Superintendence of Colombia and the Article 35 of Law 222 of 1995 applicable from 01 January 2015, variations in results are recorded in the income statement and equity changes in the OCI. (See note 11.3.7).

4.6.1.4. Provision of investments

The price of securities or debt securities, as well as the securities or equity securities with low or minimum marketability or with no quotation, are adjusted in each valuation date based on the credit risk rating, as follows:

- The titles and/or values that have one or several ratings granted by external qualifiers recognized by the Financial Superintendence of Colombia, or securities and/or securities issued by entities that are qualified by them, cannot be recorded for an amount exceeding the following percentages of its net nominal value of amortizations made until the valuation date.

Long term rating	Short term rating	Maximum value %
BB+, BB, BB-	3	Ninety (90)
B+, B, B-	4	Seventy (70)
CCC	5 and 6	Fifty (50)
DD, EE	5 and 6	Zero (0)

− For bonds or securities that do not have an external rating, or debt securities issued by entities that are not qualified or equity securities, the amount of provisions shall be determined on the basis of the internal methodology developed, such methodology must be approved in advance by the Financial Superintendence of Colombia.

The rating for credit risk follows the lineaments of paragraph 8.2 of Chapter I of External Circular 100 of 1995 of the Financial Superintendence of Colombia, for investors' entities that do not have an internal methodology approved for determining provisions, as shown below:

Category	Concept	%
A	Normal risk investment	0%
B	Acceptable investment, higher than normal risk	80%
C	Appreciable risk investment	60%
D	Significant investment risk	40%
E	Non-collectable investment	100%

Internal or external public debt bonds or securities issued or guaranteed by the Nation, are not subject to credit risk, those issued by the Bank of the Republic and those issued or guaranteed by the Guarantee Fund of Financial Institutions FOGAFIN; in accordance with the provisions of Chapter I of External Circular 100 of 1995 of the Financial Superintendence of Colombia.

4.6.1.5. Financial Leasing Loan and Operations Portfolio

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

The loans are recorded at the value of the expenditure, excluding portfolio purchases which are carried at cost; the agreed interest rate does not affect the value by which loans are recorded.

4.6.1.5.1. Types of credit

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

Commercial

Those granted commercial loans are defined as granted to natural or legal persons organized for the development of organized economic activities, other than those granted in the form of microcredit.

Financial Leasing

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

The value to finance of financial leases operations is amortized with the payment of leasing fees in the subscription capital corresponding section.

For leasing operations, raise fees for each contract are recognized based on the maturity that the oldest canon has. The expiration period begins to run from the time when its payment is due.

Agreed contracts with running royalties that exceed the number of months set to suspend its causation, can only cause what applies to that number of months. To date of payment chargeable it will remain as current.

Consumption

They are the credits that are independently from the amount are granted to individuals whose purpose is to finance the purchase of consumer goods or payment of services for non-commercial or business purposes, other than those granted in the form of microcredit.

Housing

It records regardless of the amount, loans to natural persons for the purchase of new or used housing, or individual housing construction. They must be agreed in UVR or legal currency and be covered with first-degree mortgage, constituted on financed housing. The repayment period should be between five (5) years at least and thirty (30) maximum.

Loans may be prepaid in whole or in part at any time without penalty. In case of partial prepayments, the debtor shall be entitled to choose whether the amount paid decreases the value of the fee or term obligations; to have a remunerative interest rate, which is applied to the balance of the debt denominated in UVR or pesos, depending on whether the loan is denominated in UVR or legal currency, respectively.

Interest should be charged in arrears and may not be capitalized. The loan amount can be up to seventy percent (70%) of the property value. This value will be the purchase price or a technically practiced appraisal within six (6) months prior to granting credit. In the appropriations to finance social housing, the loan amount can be up to eighty percent (80%) of the property value.

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

Residential Leasing

In view of the provisions of External Circular 033 of 2014 residential leasing loans previously classified as commercial loans are classified as Housing portfolio, from January 1, 2015.

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

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

Microcredit

Microenterprise means the unit of economic exploitation by natural or juridical person in business, agricultural, industrial, commercial or services, rural or urban, whose staff does not exceed ten (10) workers or their total assets are lower than five hundred (500) minimum monthly wages; as defined under Law 590 of 2000.

The balance of indebtedness of the debtor shall not exceed one hundred and twenty (120) monthly legal minimum wages at the time of approval of the respective active credit transaction. Indebtedness balance means the amount of existing obligations by the corresponding micro financial sector and other sectors that are in the records of databanks operators consulted by the respective creditor, excluding mortgage loans for housing finance and adding the value of the new obligation.

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

4.6.1.5.2. Restructured loans

It is understood by restructured credit any credit that by holding any legal business tends to change the conditions initially raised in order to allow the debtor proper care of their obligation. For these purposes, novations are considered restructurings. Before restructuring a loan it should be reasonably established that the same will be recovered under the new conditions.

The restructured portfolio under the terms of Law 546 of 1999 for the housing portfolio is not considered restructurings.

Rules for posting restructured loans interests: in cases where as a result of restructuring agreements or any other form of agreement, capitalization of interests that are registered in memorandum accounts or balances of written-off portfolio including capital, interests and other items are contemplated, are accounted for as deferred payment and its capital repayment will be done proportionately to the values actually collected.

Rules for re-classification of restructured credits: When a commercial or housing obligation is restructured the qualification in force at the time of restructuring is kept and after 3 regular payments it is considered standardized and its rating is upgraded to "A". if it returns to be in arrears greater than 30 days it will return to the initial qualification and stay there until it catches up to date again and It is regularized to return to "A". If after two years the restructured loan is up-to-date it is moved to normal. “

For the consumer portfolio the following methodology applies, it is used by SARC qualifications prior to the Consumer Reference Model (MRCO) alignment process, as it is shown below.

Rating Scale
AA
A
BB
B
CC
D
E

Based on the vectors of each client payments, the following criteria apply:

- The first two months after normalization the initial rating is maintained.

From the third month following criteria are evaluated:

- Two months keeping up with the payments improves qualification
- One month keeping up with the payments and one overdue month maintains the rating arrears from the previous period.
- Rating worsens with two overdue months

The rating resulting from this methodology is compared each period to the rating obtained by MRCO score.

In the period in which the result of MRCO results in a higher risk rating than that obtained by the methods described above, the highest risk is left as the final rating and from this period on only the results obtained by the MRCO will be taken into account. This procedure ensures that the qualifying result will ever be in a lower risk category than the dictated by it.

If thirteen months elapse from the time of restructuring and the rating methodology has not converged with the MRCO, the methodology stops to be calculated and MRCO rating applies.

Insolvency regime Law 1116 of 2006

The judicial insolvency regime seeks credit protection and the recovery and conservation of the company as a unit of economic exploitation and job source, through the process of reorganization and judicial liquidation, always under the criterion of value aggregation.

Restructurings Law 550

With the Laws 550 of 1999 and 1116 of 2006, corporate recovery and restructuring of regional authorities were promoted and facilitated. When restructuring negotiating starts, the accrual of interest on outstanding loans is suspended and the rating that had the date of trading is maintained.

Winter wave

The Bank makes the restructuring of loans affected by the winter wave, following the provisions of External Circular 051 of 2010 through which the monitored entities are instructed in relation to the status of national disaster and economic, social and ecological emergency, because of serious public calamity declared by decree No. 4580 of 4579 and 2010.

(Millions of Colombian Pesos (COP))

Suspension of the accrual of interests

The accrued interest, monetary correction, exchange adjustments, fees and other income are not recorded in the income statement when a credit is in arrears, indicated in the following table:

Credit Mode	Arrears exceed
Commercial	3 months
Consumption	2 months
Housing	2 months
Microcredit	1 month

Causation is recorded in contingent accounts without affecting the income statement until the effective collection occurs.

For those cases where, as a result of restructuring agreements or any other form of agreement, the capitalization of interest that is registered in memorandum accounts or balances off portfolio including principal, interest and other concepts, are contemplated, these revenues are recorded as deferred credit and are carried to the income statement to the extent that cash collection occurs.

Loans that come into arrears and who have sometime ceased to cause interest, monetary correction, exchange adjustments, fees and other income, such income will no longer cause interest from the first day of delay. Once they catch up they can cause again. While its collection occurs, the corresponding recording will be by memorandum accounts.

When it is necessary to suspend the accrual of yields, monetary correction, exchange adjustments, fees and other income, allowances for all the caused and uncollected corresponding to such concepts should be made.

4.6.1.5.3. Rules for punishments

Taking into account the internal policies of penalties, these are made at the moment when the credits in the different modalities are considered irrecoverable; they are provisioned to 100% in capital, interests and other concepts and reach the following delays:

Portfolio	Product	Days in arrears
Commercial	Vehicles	More 360 days
	Others	More 570 days
	Portfolio superior to 500 M	According to evaluation
Housing	Housing	More 900 days
Consumption	Vehicles	More 540 days
	Others	More 180 days
	TC private brands	More 120 days
Microcredit	Microcredit	More 180 days

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

Leasing credits are not subject to punishment because the property is owned by the Bank.

Punishment does not relieve Bank management to continue collection efforts deemed appropriate.

4.6.1.5.4. Rules for collateral

Collateral is an instrument by which the expected loss (EL) is reduced when there is an event of default. The collateral represents a right acquired by the Bank when the debtor ceases payment for breach of its obligations.

Credit approvals should include the collateral under which the transaction is authorized. Perfecting it will be prior to disbursement.

The analysis of the collateral should include the following characteristics:

- Suitability: According to legal definition.
- Legality: Document duly perfected offering legal support to facilitate management of the collection of duties granted.
- Value: Established based on technical and objective criteria.
- Possibility of realization: reasonably adequate possibility to implement the guarantees.

For the consumer portfolio, once the guarantee valuation process has been applied, the Bank maintains as a policy to apply the PDI "without guarantee" except for release and vehicle.

When it comes to mortgages for housing loans first degree loans are required and for an undetermined amount for the Bank, on property offered as support. Mortgages must be improved through public deed before a notary and register in the relevant Registry Office of Public Instruments.

The updating of the realizable value of the guarantee for mortgage-backed securities portfolio is made by applying the values of the annual adjustment of IVIUR and IVP (PVI) rates accordingly.

4.6.1.5.5. Criteria for evaluation and requalification of credit risk

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

The Bank evaluates and rates credit operations of customers regardless of the type of credit. Portfolio performance by customers is updated monthly, with respect to subscriptions, cancellations, penalties and arrears height of operations.

There are methodologies and analytical techniques that allow measuring the credit risk inherent in a credit operation and potential future changes in the conditions of service of it. These methods and techniques are based on the information related to the historical behavior of the portfolio and credits; the particular characteristics of the debtors, their credits and guarantees that support them; the credit performance of the debtor in other entities and financial information of this or alternative information to adequately meet its financial situation; and sectorial and macroeconomic variables affecting the normal development of the same.

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

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

(Millions of Colombian Pesos (COP))

Alignment rules

The alignment process for each debtor is made monthly, for which it leads the credits of the same modality granted to it to higher risk category, unless there are sufficient reasons for qualification in a lower risk category, according to what is permitted by the rules.

For ordinary customers of the Bank and subsidiaries with which financial statements are consolidated, it is assigned the same rating to the credit of the same modality granted to a debtor, unless they can prove the existence of sufficient reasons for its classification in a lower risk category.

Credit Risk rating for reports

For purposes of standardizing risk ratings for reports to credit bureaus, reports of credit indebtedness and recording in the financial statements the following table applies:

Commercial portfolio

Type of Risk	Report rating	Group rating	Arrears height (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
Unredeemed	D	D	150- 569
Irrecoverable	E	E	Older than 569

A commercial loan is considered failed when it is in arrears greater than or equal to 150 days as well as treasury loans that are in arrears.

Consumer Portfolio

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

Type of risk	Report category	Group rating	Vehicles ´score	Other score	Credit cards score
Normal	AA	A	0.2484	0.3767	0.3735
Normal	A*	A	0.6842	0.8205	0.6703
Acceptable	A	B	0.6842	0.8205	0.6703
Acceptable	BB	B	0.81507	0.89	0.9382
Appreciable	B	C	0.94941	0.9971	0.9902
Appreciable	CC	C	1	1	1
unredeemed	D	D	1	1	1
Irrecoverable	E	E	1	1	1

A consumer credit is considered failed when it is in arrears for more than 90 days.

* Not to affect portfolio indicators, the Financial Superintendence of Colombia, defined for this rating addition the characteristics of the reference model of consumption, an arrears range between 0 and 30 days, to be recorded based on the group rating A.

(Millions of Colombian Pesos (COP))

Housing and microcredit

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

Rating	Risk	Housing	Microcredit
		Arrears month	
A	Normal	0 up to 2	0 up to 1
B	Acceptable	More than 2 up to 5	More than 1 up to 2
C	Appreciable	More than 5 up to 12	More than 2 up to 3
D	Significant	More than 12 up to 18	More than 3 up to 4
E	Unrecoverable	More than 18	More than 4

4.6.1.5.6. Rules for provisions for loan portfolio

Provisions are made charged to the income statement, as follows:

4.6.1.5.6.1. General provision

The Bank registers a general provision for microcredit and housing, equivalent to 1% of the total gross loan portfolio.

4.6.1.5.6.2. Individual provisions under reference models

As it is established by the Financial Superintendence of Colombia, for commercial and consumption reference models loan portfolio individual provisions are established as the sum of two individual components one procyclic and other countercyclical.

The procyclical individual component: it reflects the credit risk of each debtor in the present.

The countercyclical individual component: it reflects possible changes in the credit risk of debtors at the time in which the deterioration of these assets increases. This portion is constituted in order to reduce the impact on the income statement when the situation arises.

The two components are calculated separately for capital and accounts receivable of the portfolio and leasing obligations.

The following indicators should be assessed monthly to determine the calculation methodology to be used from next month for individual provisions:

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

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

Cumulative phase calculation methodology

Procyclical individual component (PIC): Procyclical individual component (PIC): for consumption and commercial portfolio, is the expected loss calculated with the matrix A, ie the result obtained by multiplying the exposure value of the debtor, the probability of default (PD) of the matrix A and the default Loss Given (LGD).

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

In no case, the countercyclical individual component of each obligation may be less than zero and cannot exceed the value of the expected loss calculated with the matrix B; likewise the sum of these two components may not exceed the exposure value.

Each year the Financial Superintendence of Colombia informed the matrixes in the first half, which will take effect from July of that year.

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

As of December 31, 2016 and 2015, the Bank applied the cumulative phase methodology.

4.6.1.5.6.3. Individual provision

Notwithstanding the general provision, individual provisions for the protection of the credits rated in all risk categories are calculated under the following parameters:

Commercial portfolio

The Bank adopted the Trade Reference Model (TRM) established by the Financial Superintendence of Colombia for the constitution of provisions resulting from its application.

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

Company Size	Asset Level
Big	More than 15,000 SMMLV (current legal minimum monthly salary)
Medium	Between 5,000 and 15.000 SMMLV
Small	Less than 5,000 SMMLV

To estimate the value of the asset level the current legal minimum monthly wage of the previous year is taken.

The TRM also has a category called "natural persons" which groups all natural persons who are debtors of trade credit.

Provisions of residential leasing operations are conducted in compliance with the policies of commercial loans "natural person with a business".

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

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

(Millions of Colombian Pesos (COP))

Where:

- The probability of default (PD)

It corresponds to the probability that in a period of twelve (12) months debtors of a given portfolio of commercial loans incur in default.

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

Rating	Big Business		Medium Business		Small Business		Natural person	
	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%

The loss given default (LGD)

It is defined as the economic deterioration that would happen if any of the situations of default materializes. The LGD for qualified debtors in the default category will increase according to the days elapsed after qualifying in that category. The LGD applied by the Bank includes two ranges of guarantee type "unsecured" and "Assets in property leasing ", which are described below

Type of Guarantee	L.G.D.	Days after default	New LGD	Days after default	New LGD
Real estate leased assets	35%	540	70%	1080	100%
Assets given in leasing other than real estate	45%	360	80%	720	100%
Real Estate Mortgage	40%	540	70%	1080	100%
Credit letters	0%				
Fund Guarantees	12%				
Collection rights	45%	360	80%	720	100%
Other Collateral - Vehicles	50%	360	80%	720	100%
Other personal guarantees	55%	210	80%	420	100%
No warranty	55%	210	80%	420	100%

Properties leasing contracts are classified into the category net goods given in leasing.

The expired loan portfolio is evaluated monthly and according to the MRC reference model, quality of customer guarantees, the percentage of coverage on debt and additional criteria, additional individual provisions can be estimated.

- Exposed asset value

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

(Millions of Colombian Pesos (COP))

Consumer portfolio

The Bank adopted the Reference Model for consumer loans (MRCO) established by the Financial Superintendence of Colombia, which is used for the constitution of provisions resulting from its application.

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

Expected losses are determined and provisions are constituted according to the following formula:

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

Where:

- The probability of default (PD)

  It corresponds to the probability that in a period of twelve (12) months debtors of a given portfolio of commercial loans incur in default.

The probability of default is defined in accordance with the following matrix:

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

The loss given default (PDI)

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

Type of Guarantee	L.G.D.	Days after default	New LGD	Days after default	New LGD	Type of Guarantee	L.G.D.	Days after default	New LGD
Not suitable Guarantee	60%	210	70%	420	100%				
Other not suitable guarantee	65%	1	80%	90	90%	150	95%	270	100%
Unsecured	75%	30	85%	90	100%				

The type of unsuitable guarantee applies to consumer loans granted with "promise note" guarantee.

The type of guarantee - other suitable guarantees is applied to the vehicle portfolio.

Adjustment by term (AT)

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

(Millions of Colombian Pesos (COP))

Remaining Term = Corresponds to the number of months remaining against the agreed credit term. In the event that the agreed term or remaining term is less than 72, AT shall be equal to one (1). For the Credit Card and Revolving segments, AT will be equal to one (1).

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

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

The effect on provisions of the application of this new factor must be fully constituted as of February 28, 2017.

Additional individual provision

To keep temporarily an additional individual provision of 0.5% in the procyclical individual component, when the mobile alpha parameter "α" is greater than zero (α> 0). It is understood by "α" the moving average of 6 months from the semi-annual variation of the real annual growth rate of consumption expired portfolio.

- Exposed asset value

  In the CRM, the exposure value of the asset is the existing principal balance, interests, interest receivables and other receivables, of the obligations of the consumption portfolio.

Housing Portfolio

Individual provisions for the protection of rated credits in all categories of credit risk have at least the following percentages at December 31, 2016 and 2015.

	% Standard minimum		% Bank minimum	
Rating	**Covered part**	**Non-covered part**	**Covered part**	**Non-covered part**
A	1.0%	1.0%	1.0%	3.0%
B	3.2%	100.0%	4.0%	100.0%
C	10.0%	100.0%	10.0%	100.0%
D	20.0%	100.0%	30.0%	100.0%
E	30.0%	100.0%	100.0%	100.0%

If during two (2) consecutive years, credit remains in the "E" category, the provisioning rate on the guaranteed portion will increase to sixty dot zero percent (60.0%). If an (1) additional year passes by under these conditions, the provisioning percentage on the guaranteed portion will rise to one hundred dot zero percent (100.0%).

For housing loans there is a provision percentage higher than the norm, except in the category "D" on the unguaranteed portion, provision must be hundred percent (100%) from the credit rating in "B" (acceptable)

(Millions of Colombian Pesos (COP))

Microcredit portfolio

Individual provisions for the protection of rated credits in all categories of credit risk have at least the following percentages at December 31, 2016 and 2015.

For the microcredit loans a percentage higher than that of the standard provision remains:

	% Standard minimum		% Bank minimum	
Rating	Covered part	Non-covered part	Covered part	Non-covered part
A	1.0%	0.0%	4.1%	4.1%
B	2.2%	1.0%	7.9%	100.0%
C	0.0%	20.0%	30.0%	100.0%
D	0.0%	50.0%	100.0%	100.0%
E	0.0%	100.0%	100.0%	100.0%

Effect of suitable guarantees on the Constitution of Individual Provisions

- To estimate individual portfolio provisions guarantees only support the capital of credit, therefore, outstanding balances of credits covered with securities that have the character of suitable guarantees, are provisioned in the percentage that corresponds according to their qualification applying that percentage to the difference between the unpaid balance and the value of guarantee.

- In the case of housing loans, in the unguaranteed portion, the difference between the unpaid balance and one hundred percent (100%) of the value of the guarantee. For the guaranteed portion, one hundred percent (100%) of the guaranteed debt balance.

4.6.1.5.7. Portfolio sales

It is the process by which financial assets held by the Bank transfer the rights and inherent risks or derivatives thereof at 100% to a third party as an outright sale where the payment obligation is received in money or other property, the assets sales that are sold are removed from the financial statements at their net book value on the trade date and the difference between the book value and the value received is recorded as profit or loss for the year, being recorded according to assessment studies issued by experts.

The Bank has management contracts for securitized portfolios where, through their applications, a third party portfolio is operatively controlled receiving in return of the service a defined percentage as a commission for this work.

4.6.1.6. Guarantee

Collateral is an instrument by which the expected loss (EL) is reduced when there is an event of default. The guarantee represents a right acquired by the Bank when the debtor ceases payment for breach of its obligations.

Credit approvals in the Bank must include the guarantee under which the transaction is authorized. Perfecting it will be prior to disbursement.

The analysis of the collateral should include the following characteristics:

Suitability: According to legal definition.

Legality: Document duly perfected offering legal support to facilitate management of the collection of duties granted.

Value: Established based on technical and objective criteria.

Possibility of realization: reasonably adequate possibility to implement the guarantees.

For commercial and consumer loans after applying the valuation process of guarantees, the Bank maintains a policy to apply the LGD "unsecured" except in Commercial for commercial leasing and Consumption for promissory note and vehicle.

First degree are required and for an undetermined amount for the Bank when it comes to mortgages for housing loans, on property offered as support. Mortgages must be improved through public deed before a notary and register in the relevant Registry Office of Public Instruments.

Updating the realizable value of the guarantee for mortgage-secured portfolio is made by applying the values of the annual adjustment of Rural and Urban Real Estate Appraisal Indexes (IVIUR) and the Property Rating Index (IVP) (PRI), as appropriate.

4.6.1.7. Derivative financial instruments

Derivatives are financial instruments that derive their value from changes in interest rates, exchange rates, credit spreads, commodities prices, stock prices, or other financial or non-financial metrics. The Bank's derivatives portfolio is made up of contracts on interest rates, exchange rates and debt securities. The Bank uses derivatives for trading purposes and risk management purposes associated with the balance sheet structure and are recognized at fair value in the statement of financial position.

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

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

On trading activity, the utility can be generated in three ways: i) by the distribution activity, defined as the intermediation carried out by the Treasury between professional markets, offshore clients, institutional and real sector; ii) by the activity of own position, by which positions are taken for short periods of time to take advantage of trends in valuation or devaluation of financial assets and derivative instruments; iii) by arbitrage activity, which allows by combining financial assets and derivative instruments, to generate financial margins without incurring market risks.

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

<u>Derivatives that are held for the purpose of managing risks</u>

The derivatives that are held for the purpose of managing risks correspond to derivatives in which the Bank enters with the purpose of covering market risks, interest rate or foreign currency within traditional banking business operations. If derivatives are held to manage risks and also meet hedge accounting requirements, they are recognized at fair value in the statement of financial position and changes in fair value are recognized in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedging risk, in the same line of the comprehensive income statement as the hedged item. Certain derivatives that are held for hedging purposes and do not meet the hedging requirements are recognized as derivatives to manage risks and their changes in fair value are recognized in profit or loss.

<u>Embedded derivatives</u>

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

4.6.1.8. Offsetting of financial instruments in the statement of financial position

Financial assets and liabilities are compensated and the net amount reported in the separate statement of financial position when there is a legal right to compensate the amounts recognized and there is an intention of the Bank to liquidate them on a net basis or to realize the asset and settle the liability simultaneously. As of December 31, 2016 and 2015, the Bank did not have any operations subject to Offsetting.

4.7. Hedge accounting

The Bank designates certain instruments as hedging, which include derivatives and non-derivative with respect to foreign currency risk, as either fair value hedges, cash flow hedges or hedges of net investment in a foreign operation. Foreign currency risk cover of a firm commitment is accounted for as cash flow hedges.

At the inception of the hedge, the Bank documents the relationship between the hedging instrument and the hedged item, as well as the objectives of risk management and management strategy for undertaking various hedge transactions. Additionally, the inception of the hedge and on an ongoing basis, the Bank documents whether the hedging instrument is highly effective in offsetting the exposure to changes in fair value or changes in cash flows of the hedged item.

-<u>Hedges of a net investment in a foreign operation</u>

Hedges of a net investment in a foreign operation are accounted in a similar way to the cash flow hedges. Any profit or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated in the translation reserve of foreign operations. The gain or loss related to the ineffective portion is recognized in profit or loss.

Gains and losses on the hedging instrument relating to the effective portion of the accumulated hedge in the translation reserve of foreign currencies are reclassified to income in the sale of the foreign operation.

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

Currently the Bank has only net investment hedges the in a foreign operation.

Note 11.4. include details on the fair value of the instruments used for hedging purposes.

4.8. Assets held for sale

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

Assets that are classified as held for sale are recorded at the lower value among their carrying amount and the fair value less sale costs, in this classification it is no longer depreciated or amortized and subsequent changes in their fair value less sales costs are carried to the income statement.

(Millions of Colombian Pesos (COP))

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

Frequency	Immovable property %	Movable property %
First year	30%	35%
Second year	30%	35%
Total	**60%**	**70%**
Greater than 2 years	40%	30%
Provision assets greater than 2 years	100%	100%

In addition to the monthly installments, the defect is provisioned in appraisal that is presented when the market value of the property is less than the carrying amount, as set out in the external circular 034 of August 2003.

Sales plan

The following are the sales plans that are set for assets held for sale:

- Available assets, once legal and administratively sanctioned by the collection area, are received by the Bank and are delivered to the sales channels (real estate, specialized natural persons and vehicle suppliers) that the Bank works with, to start its marketing process.
- All available assets are published in the Bank's official internal disclosure medium, Informador Express, as well as in the official external channel of the Bank, such as its page www.davivienda.com through the link "Inmuebles al Alcance de Todos". In addition, emails are sent to internal and external customers. In addition to this, the sales channels also publish in other media such as newspapers, own websites, broadcasters, and regional television among others. Regarding difficult marketing goods, that are categorized so when they have already served more than twelve months for property or more than 3 months for vehicles without receiving any offer from the beginning of their publication, specific action plans are carried out for the sale, with greater emphasis on those who have served this time, analyzing each case and creating strategies to achieve their disposal.
- Pricewise, the general policy is determined by a commercial appraisal (no greater than six months for property and three months for private vehicles), salability of good, physical conditions and real estate or vehicles market conditions in the specific area, among others.
- Business track is performed monthly, in order to verify the efforts of sales channels to meet the times set in the marketing of goods, generating commitments between the parties aimed at finding effective sale solutions.

4.9. Operations and joint ventures

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

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

4.10. Property and equipment

Land and buildings, computer equipment, furniture and fixtures and other equipment are recognized at cost, less depreciation and impairment. Cost includes expenditures that are directly attributable to the acquisition of the asset. Land is not depreciated. Gains or losses on sale of assets are recorded in other income or expense in the income statement.

The carrying amount of an item of property and equipment is discharged on disposal; or when no future economic benefits from its use or disposal are expected.

The costs of replacing a portion of the property and equipment are recorded as greater value of the asset if they meet the requirements for their registration and maintenance and remodeling costs of own assets that do not extend the useful life of the asset are recorded as expenses in the state of results.

Depreciation

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

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

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

4.11. Investment properties

Real estate that are not in use by the Bank and which are held to earn rentals and / or goodwill are classified as investment property.

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

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

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

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

4.12. Investments in associates

Associates are those entities in which the Bank has significant influence, but does not have control or joint control over the financial and operating policies or it owns more than 20% and less than 50% stake. Investments in associates are initially recognized at cost and the existence of impairment indicators is evaluated afterwards by applying the requirements of IAS (IFRS) 36. Dividends from associates are recognized in profit or loss when the right to receive payment is taken.

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

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

4.13. Business combinations

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

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

• Deferred tax assets or liabilities and assets or liabilities related to employee benefits, which are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

• Liabilities or equity instruments related to payment agreements based on shares of the acquired company or payment arrangements based on shares of the Bank held to replace payment agreements based on shares of the acquired company that are measured in accordance with IFRS 2 share-based payments at the date of acquisition and

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

The goodwill is measured as the excess of the amount of the consideration transferred, the amount of any non-controlling interest in the acquired company, and the fair value of the previous shareholder's holding in the acquired company (if any) on the net of identifiable acquired assets and liabilities assumed at the date of acquisition. If, after a revaluation, the net of the identifiable acquired assets and liabilities assumed at the acquisition date exceeds the amount of the consideration transferred, the amount of any non-controlling interest in the acquired company and the fair value of the previous shareholding of the acquirer in the acquired company (if any), the excess is recognized immediately in the consolidated statement of income as a gain for purchase at a bargain price.

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

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

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

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

Notwithstanding the foregoing, identifiable assets acquired and liabilities assumed must be recognized and measured, the date of acquisition shall be the date of registration with the competent authority. It is considered that this date corresponds to the one in which the control of the subordinate is acquired and that is normally referenced by the registration of the public deed for the merger before the Chamber of Commerce.
There will be no recognition of intangible assets, such as goodwill in this type of operations and the costs related to the merger processes will be recognized in the results of the period.

4.14. Intangible assets and goodwill

The Bank will proceed to register an intangible asset once the existence of control, the separability of the asset, is identified and expected to generate a future economic benefit. For its recognition it is indispensable that it fulfills the total of the characteristics previously described. The initial measurement of intangible assets depends on how the Bank obtains the asset. An intangible asset can be obtained through the following forms: through separate acquisition, as part of a business combination, or internally generated by the Bank.

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

Subsequent disbursements are capitalized only when future economic benefits increase, incorporated into the specific asset related to these disbursements. All other disbursements, including disbursements to generate capital gains and mark-ups internally, are recognized in results when incurred.

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

Intangible assets acquired separately which generally corresponds to software licenses or software, are amortized over an estimated lifespan between 1 and 11 years. Maintenance or support costs are recorded against income.

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

4.14.1. Tangible and intangible assets impairment excluding goodwill

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

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

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

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

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

4.14.2. Goodwill

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

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

A cash-generating unit, to which goodwill has been allocated, shall be subjected to testing for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of it. If the carrying amount of the unit exceeds the recoverable amount, the entity will immediately recognize the impairment loss in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

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

4.15. Other non-financial assets

There are assets for which it is not possible to find similar recognition and measurement criteria that enable them to be classified into categories or available financial assets groups; they will be classified in the category of other non-financial assets, among them are, art assets and culture, prepaid expenses, assets received in lieu of payment with restrictions for sale, among others. They are measured at cost and are subject to impairment assessment using a matrix based on the risks of non-compliance with impact on results.

4.16. Leases

Leases are classified as finance when lease terms transfer substantially all risks and rewards of ownership to tenants. All other leases are classified as operating leases.

-<u>The Bank as lessor</u>

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

The Bank will present, in its statement of financial position, assets subject to operating leases in accordance with the nature of the asset. Costs incurred in obtaining lease income, including depreciation of the asset, are recognized as expenses. Lease income is recognized in a linear fashion in the lease term. Depreciation and impairment of leased assets shall be made consistent with the policies for similar assets.

<u>-The Bank as lessee</u>

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

In the event that income incentives are received for having entered into an operating lease, such incentives are recognized as a liability. The aggregate benefit of the incentives is recognized as a reduction of lease expense on a straight-line basis.

4.17. Financial liabilities

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

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

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

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

A financial liability is classified as held for trading if:

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

Financial liabilities at fair value through profit or loss are recorded at fair value, recognizing any gain or loss arising from remeasurement in the income statement. The net gain or loss recognized in income includes any interest earned from the financial liability and it is recorded under the heading of 'other income and expenses' in the separate income statement. The fair value is determined as described in Note 7. The Bank designated derivative financial instruments as liabilities at fair value through profit or loss.

<u>Other financial liabilities</u>

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

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

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

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

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

Discharge of financial liabilities

The Bank derecognizes financial liabilities if, and only if, the Bank's obligations are met, canceled or have expired. The difference between the carrying amount of the discharged financial liability and the consideration paid and payable is recognized in income.

4.18. Income taxes

Strategy and tax policy

Based on the analysis and interpretation of the applicable tax regulations, the Bank gives adequate and timely compliance to different tax obligations, identifying opportunities for improvement and optimizing resources for payment of taxes.

The updating, analysis and permanent investigation of the norms allow the planning, implementation and effective adoption of decisions and control of risks in tax matters.

Current taxes

The current tax is the amount to be paid or to be recovered by the income tax, calculated based on the tax laws enacted at the date of the statement of financial position. Management periodically evaluates the position assumed in tax returns, regarding situations in which tax laws are subject to interpretation and, if necessary, provides provisions on the amounts that it expects to pay to the tax authorities.

Current tax is recognized in income for the period, except those items recognized in equity or in other comprehensive income.

Deferred taxes

Deferred tax is recognized in profit or loss, except when it relates to items recognized in equity or in other comprehensive income. In these cases, the tax is also recognized in equity or in other comprehensive result, respectively. The deferred tax liabilities are the amounts payable in the future in respect of income tax related to taxable temporary differences, while deferred tax assets are the amounts to be recovered by way of income tax due to the existence of deductible temporary differences, tax loss carry forwards or deductions pending application. Temporary difference means the existing between the carrying value of assets and liabilities and their tax base.

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

Recognition of taxable temporary differences

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

Recognition of deductible temporary differences

Deferred tax assets arising from deductible temporary differences are recognized whenever they correspond to temporary differences associated with investments in subsidiaries, associates and joint ventures to the extent that temporary differences will reverse in the foreseeable future and positive future taxable income is expected to be generated to compensate for differences;

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

Measurement

Deferred tax assets and liabilities are measured using the tax rates that are applied in the years in which the assets are expected to be realized or liabilities are paid, based on the approved legislation and after considering the tax consequences that will arise from the form in which it is expected to recover the assets or settle the liabilities.

The Bank reviews at the close of the year, the carrying amount of deferred tax assets, in order to reduce this value to the extent that it is unlikely that there will be sufficient future taxable income to allow that all or part of the deferred tax asset is used.

Offsetting and classification

The Bank only compensates for deferred income tax assets and liabilities if there is a legal right to compensate against the tax authorities and those assets and liabilities correspond to the same tax authority and to the same taxable person.

Rich Tax

Law 1739 of December 23, 2014, in its article 1 creates from January 1, 2015 an extraordinary tax called Rich tax, which will be of a temporary nature for the taxable years 2015, 2016 and 2017. The tax shall be caused on an annual basis on 1 January of each year.

The Bank recorded the Rich tax charged to the equity reserves without affecting the results of the year, in accordance with article 10 of Law 1739 of 2014.

4.19. Provisions

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

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

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

Litigation

Disputes analyzed are those with a probability of failure against the Bank, which should be recognized at fair value, recognizing the likely value of the fault and the estimated resolution date. The estimated cash flows are discounted at the rate of bank funding.

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

The Bank has provisions covered by guarantee contracts made in acquisitions of other companies, which are disclosed in Note 11.19.

4.20. Bank guarantees

They correspond to documents issued by the Bank to ensure compliance with one or more obligations in whole or in part, contracted by the client to third parties. In case of default by customers, the bank will respond to the third party paying the sum of money agreed in the document, and a credit obligation on behalf of the customer for the amount paid is created, at a deadline agreed by the customer. They are initially recognized at the guaranteed value and are subsequently evaluated in accordance with IAS 37.

4.21. Equity

Capital

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

Common shares

Common shares are classified as equity when they have no contractual obligation to transfer cash or another financial asset. Dividend payments are recognized as a deduction from equity.

Shares with minimum preferential dividend

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

Additional Paid-in capital

The additional Paid-in capital corresponds to the difference between the nominal value and the value paid for the share.

Reserves

i) Legal reserve - Banks in Colombia must constitute a legal reserve of 10% of the net profits of each year until reaching 50% of the subscribed capital. The reserve can be reduced to less than 50% of the subscribed capital, when it is intended to cover losses in excess of undistributed profits. The legal reserve cannot be used to pay dividends or to assume expenses or losses during the time that the Bank has undistributed profits. The Bank has set a legal reserve higher than regulatory parameters. By closing 2016 it amounted to $ 1.051.180 millions against a required value of $ 38,392.

ii) Statutory and voluntary reserves - Includes the following reservations that must be approved by the General Assembly of Shareholders:

- Reserve for valuation of investments at market prices. Decree 2336 of 1995
- Reserve available to General Shareholders Meeting for future distributions of profits.
- There are occasional reserves with irrevocable capitalization commitment, according to Decree 2555 of 2010, in use of the benefit of computing the solvency margin.
- Other

Other Comprehensive Income

It includes items of income and expenses that are not recognized in profit or loss for the period, such as unrealized gains on equity-rated debt securities, the effective portion of gains and losses on hedges of net investment abroad, surplus of equity method of subsidiaries and effect of deferred tax on items recognized in the OCI.

Earnings per share

Basic earnings per common share are calculated by dividing the controlling interest by the weighted average number of ordinary shares outstanding during the year.

4.22. Contingent accounts

In these accounts operations through which the Bank acquires a right or assumes an obligation whose coverage is conditional upon an event occurring or not, are recorded, depending on future, possible or remote factors. Among the debtor contingencies financial returns are recorded from the time the accrual in the accounts receivable is suspended.

Contingencies for fines and penalties are analyzed by the Legal Department and its external advisors. The estimated loss contingency necessarily involves an exercise of judgment; it evaluates among other things: merit to the complaint, case law in this regard and the current state of the process.

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

4.23. Income and expense recognition

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

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

Interest income, interest expenses and similar items

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

Fees from banking services are recognized when earned.

Fees or credit card income, including fees from credit or debit cards interchange and quarterly or annual handling fees are recognized when earned, except quarterly commissions that are recognized monthly.

The credit fees whether by availability of credit quotas, restructuring and syndicated loans, are recognized when the payment is made.

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

Dividends are recognized in income when the right to receive payment is established and in the case of dividends from subsidiaries they are recorded as a lower value of investment (goodwill?), for non-controlled entities and associates they are recognized at income statement the date on which it is entitled his collection.

Revenue gain on sale of goods is recognized when: a) the significant risks and rewards of ownership of the goods are transferred to the buyer, b) it is probable that associated economic benefits are received with the transaction, c) costs incurred and potential returns of goods can be measured reliably.

4.24. Operation segments

An operating segment is a component of the Bank that carries out business activities from which it can earn revenue and incur expenses whose operating results are regularly reviewed by the Strategic Committee headed by the Bank's President (MITDO - acronym in Spanish for: Maximum Instance in Making Operational Decisions), who decides on the resources to be allocated to the segment, evaluates their performance and in relation to which differentiated financial information is available.

5. Use of Estimates and Judgments

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

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

5.1. Critical judgments in applying accounting policies

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

(Millions of Colombian Pesos (COP))

Significant influence assessment

The Bank determined that it has significant influence in the following companies and their investment represents the cost of acquisition as follows:

Name	% Participation	No. Shares
Multiactivos **	21.12%	2,548,940
Redeban Multicolor S.A.	26.04%	4,080,051
Titularizadora Colombiana S.A	26.85%	16,072,773

** On December 29, 2015 liquidation was decreed.

Key sources of uncertainty in estimates

Here are the key assumptions concerning the future and other key sources of uncertainty estimation at the end of the period, that have a significant risk of resulting in significant adjustments to the carrying amounts of assets and liabilities within the next year are as follows:

Fair value measurements and evaluation processes

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

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

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

Derivative financial instruments are recognized in the consolidated statement of financial position at fair value at each reporting date. Additionally, the fair value of certain financial instruments, mainly loans and long-term debt, although it does not involve a risk of adjustment to the carrying instruments is disclosed. The above is described in Note 11.4.

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

Goodwill impairment

To determine whether goodwill is impaired involves calculating the use value of the cash-generating units to which it is assigned. The calculation of the use value requires the Bank to determine the future cash flows that the cash generating units are expected to obtain and deemed an appropriate discount rate to calculate the present value. The Bank makes this recovery with an external, specialized, independent consultant approved by the SFC.

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

As described in Note 4.10., the Bank periodically reviews the useful lives, residual values and depreciation methods of long-lived assets, including property and equipment and intangibles, valuations are carried out by technical experts. For intangible, it determines additionally whether its life is finite or indefinite. During the periods presented, these estimates were not changed.

Income tax

The Bank assesses the performance over time of deferred income tax asset, which represents income tax recoverable through future deductions from taxable profits and is recorded in the separate statement of financial position. Deferred tax assets are recoverable to the extent that the realization of the relative tax benefits is likely. As of December 31, 2016, 2015 the Bank estimates that the items of deferred income tax assets will be recoverable according to its estimates of future taxable profits. Deferred tax liabilities as taxable differences in the calculation of deferred taxes, will reflect the values to be paid for income tax in future periods.

Provisions and contingencies

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

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

Probability of the outcome	**Provision / contingent liability**
Probable	Recognize and disclose
Possible	Disclose
Remote	Neither recognizes nor discloses

Impairment of loan portfolio

The Bank regularly reviews its loan portfolio for impairment and to determine the amount of such impairment, to analyze its reasonableness and record it under current earnings.

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

Customer loyalty program

The Bank operates a loyalty program, in which customers accumulate points for purchases made through their credit cards, which gives them the right to redeem points for prizes in accordance with the policies and the pre-existing plan to the date of redemption. Points for awards are recognized as a separately identifiable component of the initial sale transaction by assigning the fair value of the consideration received between the points of reward and other components of the sale, so that loyalty points are initially recognized as income deferred at fair value. The effect on the income statement is made to the extent that customers redeem their points.

Employee Benefits

Short-term benefits

Short-term employee benefits are those that the Bank expects to be fully liquidated before the end of the twelve-month period reported, such as wages and salaries, annual leave, sick leave, layoffs and interests on severance pay, among others. When an employee has served the Bank during the accounting period, the amount (without deduction) of the short-term benefits to be paid for such services as a liability (accrued or accrued expense) and expense shall be recognized.

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

Long-term benefits

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

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

Post-employment benefits

These are different from termination benefits and short-term benefits, which are paid after the worker completes his / her employment period. Defined contribution plans are those in which the Bank makes predetermined contributions to a separate entity (a fund) and has no legal or implicit obligation to make additional contributions, the supplementary pension plan benefits and the senior extra-legal premium are included in this classification.

In the defined benefit plans, the Bank grants benefits for pensioners' health insurance, these benefits determined based on the present value of the estimated future payments to be made to employees, supported by actuarial studies, using the unit projected credit, in which profits are distributed between the periods in which the payment obligation arises as the employees render the services. Changes in liabilities related to cost of service and net interest (financial cost) are recognized in profit or loss, and changes in actuarial measures are recorded in other comprehensive income.

6. New standards and interpretations issued but not yet effective

In accordance with Decree 2496 of December 2015, the rules issued applicable from 2017 (except IFRS 15 and IFRS 9, applicable from January 1, 2018, although its anticipated application is permitted). The impact of these standards is under evaluation by Bank management.

IAS 1 – Presentation of financial statements: Disclosure Initiative. In relation to the presentation of financial statements the amendment clarifies disclosure requirements.

Some of the relevant issues identified in the amendments are as follows:

Materiality requirements IAS 1.

- Indicates the specific lines in the income statement, comprehensive income and changes in financial position that can be disaggregated.
- Flexibility in the order in which the notes are presented to the financial statements.

• The entity does not need to disclose specific information required by an IFRS if the resulting information is not material.

The implementation of the amendments need not be revealed.

IFRS 9 – Financial instruments: Financial instruments (as revised in 2014).

The replacement project refers to the following phases:

Phase 1: Classification and measurement of financial assets and liabilities.
Phase 2: Methodology of impairment.
Phase 3: Hedge Accounting.

In July 2014, the IASB completed the reform of accounting for financial instruments and issued IFRS 9 - Accounting for Financial Instruments (in its revised version of 2014), which will replace IAS 39
- Financial instruments: recognition and measurement after the expiry date of the previous one.

IFRS 11 – Joint operations: Accounting for acquisitions of interest in joint operations.

It provides indications on accounting for the acquisition of an interest in a joint venture in which the activities constitute a business, as defined in IFRS 3 - Business Combinations.

Entities should apply the changes prospectively to the acquisitions of interests in joint operations (in which the activities of the joint operations constitute a business as defined in IFRS 3).

IFRS 10 – Consolidated financial statements IAS 28 - Investment entities:

Application of the consolidation exception
It is clarified that the exception to the preparation of consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value in accordance with IFRS 10.

The investment method is applied to an investor in an associate or joint venture, if it is a subsidiary of an investment entity that measures all its subsidiaries at fair value.

Sale or contribution of Assets among investor and associate or joint venture

They deal with matters relating to IFRS 10 and IAS 28 in the treatment of control losses of a subsidiary that is sold or contributed to an associate or joint venture. The gain or loss resulting from the sale or contribution of assets represents a business, as defined in IFRS 3, between the investor and its associate or joint venture and is fully recognized.

IFRS 15 – Income from contracts with customers.

Income from contracts with customers

It establishes a five-step model that applies to revenue from customer contracts. It will replace the following income standards and interpretations after the effective date:

- IAS 18 - Income.
- IAS 11 - Construction contracts.
- IFRIC 13 - Customer loyalty programs.
- IFRIC 15 - Agreements for the construction of real estate.
- IFRIC 18 - Transfers of assets from customers.
- SIC 31 - Barter transactions that include advertising services.

IAS 16 - Property, plant and equipment.

Clarification of acceptable depreciation methods

They prohibit entities from using a depreciation method based on income for items of property, plant and equipment.

IAS 27 - Separate financial statements

Participation method in the separate financial statements

The use of the equity method is permitted to account for investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments clarify that when a holding company ceases to be an investment entity, or becomes an investment entity, the change must be accounted for as of the date on which the change occurs**.**

NIC 38 – Intangible assets

Clarification of acceptable depreciation methods

Establishes conditions related to the amortization of intangible assets on:

A) when the intangible asset is expressed as a measure of income.

B) when it can be shown that the income and consumption of the economic benefits of intangible assets are closely related

Other standards issued

IAS 7- Statement of cash flows

Disclosure Initiative
Require entities to provide disclosures to enable users of financial statements to assess changes in liabilities arising from financing activities

IAS 12-Income tax

Recognition of Deferred Tax Assets for Unrealized Losses
Clarify the requirements for recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value.

IFRS 15- Income from ordinary activities arising from contracts with customers

Clarifications

The purpose of these amendments is to clarify the IASB's intentions in developing the requirements of IFRS 15 without changing the underlying principles of IFRS 15.

Although the new IFRS 16 **-** Leases was issued in January 2016, it has not been adopted to be applicable in Colombia.

7. Fair Value Measurement

According to IFRS 13, fair value is the price received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the measurement date. Such transaction would take place in the main market; in its absence, it would be done in the "most advantageous" market. For this reason, the Bank will perform the valuation considering the market in which the transaction would normally perform with the best available information.

The Bank assesses the financial assets and liabilities traded in an active market with available information and sufficient to the valuation date such as derivatives and debt and equity, through price information published by the supplier of official prices (PIP S.A.), whose methodologies are endorsed by the Colombian Financial Superintendence (Superintendencia Financiera de Colombia) and centralizes the information in the market. Thus, the Bank uses prices and curves published by the supplier and assign them according to the instrument being valued.

For those instruments that do not have an active market, the Bank develops methodologies that uses market information, prices of similar banks and in certain cases, unobservable data. Methodologies seek to maximize the use of observable data, to reach the closest approximation of a starting price of assets and liabilities that do not have large markets.

IFRS 13 provides the following hierarchy for fair value measurement:

Level 1: Quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Different variables to the quoted prices from Level 1, observable for the asset or the liability, either direct or indirectly.

Level 3: Variables unobservable for the asset or liability.

The Bank classifies the financial assets or liabilities in each one of the hierarchies starting from the evaluation of the input data used to obtain the reasonable value. For these purposes, the Bank determines which variables are observable based on criteria such as availability of prices in markets, its publication and regular updating, reliability and verifiability, and its publication on behalf of independent sources involved in the markets.

Measurements of fair value on recurring basis

Recurrent measurements are those that require or permit IFRS accounting standards in the financial position statement at the end of each reporting period on which it is reported. If required circumstantially, they are categorized as non-recurring.

(Millions of Colombian Pesos (COP))

Below are assets and liabilities measured on a recurring basis at fair value by type of instrument, indicating the corresponding hierarchy for December 31, 2016 and 2015.

	Fair Value		Hierarchy	
	December 31, 2016	1	2	3
Asset				
Investments in debt securities issued and guaranteed	4,490,970	4,084,726	222,804	183,440
In Colombian pesos	4,341,355	3,935,111	222,804	183,440
Colombian Government	2,097,587	2,084,850	12,736	-
Financial Institutions	1,942,887	1,745,665	194,206	3,016
Real Sector entities	19,514	3,653	15,861	-
Other	281,367	100,943	-	180,424
In Foreign Currency	149,615	149,615	-	-
Colombian government	40,692	40,692	-	-
Foreign governments	16,691	16,691	-	-
Financial Institutions	61,538	61,538	-	-
Real Sector entities	16,207	16,207	-	-
Other	14,487	14,487	-	-
Investments in equity instruments	23,911	23,911	-	-
With change in results	23,911	23,911	-	-
Trading derivatives	238,447	-	238,447	-
Forward currency	92,521	-	92,521	-
Forward securities	635	-	635	-
Interest rate swap	121,352	-	121,352	-
Currency swap	1,377	-	1,377	-
Other	22,561	-	22,561	-
Total assets	4,753,328	4,108,637	461,250	183,440
Liabilities				
Trading derivatives	246,106	-	246,106	-
Forward currency	97,509	-	97,509	-
Forward securities	1,003	-	1,003	-
Swap rate	122,707	-	122,707	-
Swap currency	2,492	-	2,492	-
Other	22,395	-	22,395	-
Total Liabilities	246,106	-	246,106	-

(Millions of Colombian Pesos (COP))

	Fair Value December 31, 2015	Hierarchy 1	2	3
Asset				
Investments in debt securities issued and guaranteed	4,483,483	4.016.890	266.820	199.773
In Colombian pesos	4,303,985	3.850.628	253.584	199.773
Colombian Government	3,655,387	3.648.162	7.225	-
Financial Institutions	268,049	55.248	212.801	-
Real Sector entities	17,103	4.715	12.388	-
Other	363,446	142.504	21.169	199.773
In Foreign Currency	179,498	166.262	13.236	-
Colombian Government	45,788	45.788	-	-
Financial Institutions	87,266	87.266	-	-
Real Sector entities	31,103	17.867	13.236	-
Other	15,341	15.341	-	-
Trading derivatives	434,745	-	434.745	-
Forward currency	313,620	-	313.620	-
Forward securities	76	-	76	-
Swap interest rate	107,263	-	107.263	-
Swap currency	1,519	-	1.519	-
Other	12,267	-	12.267	-
Total assets	4,918,228	4.016.890	701.565	199.773
Liabilities				
Trading derivatives	364,441	-	364.441	-
Forward currency	256,944	-	256.944	-
Forward securities	1,350	-	1.350	-
Swap rate	88,497	-	88.497	-
Swap currency	1,456	-	1.456	-
Other	16,194	-	16.194	-
Total Liabilities	364,441	-	364.441	-

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

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

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

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

- Other methods: for assets to which the official price provider does not report the prices from the previously described methodologies, the Bank uses approximations to estimate a fair value maximizing the use of observable data. These methods, which are located in a Level 3 hierarchy, usually based on the use of an internal rate of return obtained from the primary market of the instrument, in the last observed quotes and in the use of reference curves. In the Level 3 hierarchy, investments in subordinated mortgage portfolio securitizations and residual rights product thereof, are located. For these assets there is no secondary market from which evidence may be obtained of a fair exchange price, making the best reference price generated by the transaction at the time of issuance of each instrument. . The valuation of these instruments, which is based on the income approach, has as its main variable the internal rate of return implicit in the purchase value. If this variable changes by 1%, keeping the other factors constant it would affect the fair value by an equal amount of 3.7% of book value

  For those equity instruments that are not quoted in an active market and do not have an available reference information on the used market models and standardized techniques in the financial sector, the investments in subsidiaries are carried at fair value at the acquisition cost and they are valued by the participation equity method. Other capital investments where no control or significant influence is recognized at its acquisition cost because of absence of market prices and because they are investments that financial institutions in Colombia required to operate according to local regulation, in addition to assessing the cost benefit of making recurring valuation models does not justify the financial impact of these investments in the statement of financial position.

Methodologies applicable to the valuation of derivative financial instruments:

- OTC financial derivatives instruments: these instruments are valued using the approach of discounted cash flow, in which from published inputs by the price supplier of curves for domestic, foreign and implicit interest rates and exchange rates, project and discount future cash flows of each contract depending on the underlying asset in question. The portfolio of these instruments classified in Level 2 for fair value, are composed of interest rate swaps and foreign exchange contracts forwards on currencies and bonds, and European currency options.

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

For the period from December 31, 2016 to December 31, 2015, there were no transfers between fair value levels.

(Millions of Colombian Pesos (COP))

Measurements of fair value of instruments measured at amortized cost

The Bank's assets and liabilities at fair value and their carrying amounts at December 31, 2016 and December 2015 are as follows:

	December 31, 2016				
	Fair value	Hierarchy			Carrying amount
		1	2	3	
Assets					
Loan portfolio (gross)	53,283,882	-	-	53,283,882	56,650,646
Investments at amortized cost	1,371,521	2,334	836,622	532,566	1,369,644
Total financial assets	54,655,403	2,334	836,622	53,816,448	58,020,290
Liabilities					
Certificates of Term Deposit	18,075,977	-	18,075,977	-	18,210,104
Debt instruments issued	9,297,062	9,297,062	-	-	9,063,260
Banks loans and other liabilities	5,296,238	-	-	5,296,238	5,292,891
Total Liabilities	32,669,277	9,297,062	18,075,977	5,296,238	32,566,255

	December 31, 2015				
	Fair value	Hierarchy			Carrying amount
		1	2	3	
Assets					
Loan portfolio (gross)	47,351,800	-	-	47,351,800	48,488,336
Investments at amortized cost	1,213,515	4,014	669,998	539,503	1,213,795
Total financial assets	48,565,315	4,014	669,998	47,891,303	49,702,131
Liabilities					
Certificates of Term Deposit	13,214,247	-	13,214,247	-	13,381,917
Debt instruments issued	8,625,683	8,625,683	-	-	8,727,347
Bank loans and other obligations	4,993,437	-	-	4,993,437	4,999,696
Total liabilities	26,833,367	8,625,683	13,214,247	4,993,437	27,108,960

8. Operation segments

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

a) Natural and corporate activities, which are reported separately at the level of assets, liabilities, income and expenses
b) The results that are examined periodically by the MODMI (MITDO)
c) The relationship with which differentiated financial information is available

(Millions of Colombian Pesos (COP))

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

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

2. **Companies**
   This segment includes the supply of products and services aimed at corporations. It provides financial and transactional solutions in local and foreign currency and financing products, savings and investment in order to meet the needs of these customers in different sectors of the economy.

3. **Differentiated Financial Information ALM**
   The Differentiated Financial Information segment ALM (Asset and Liability Management) corresponds to segments of assets, liabilities, income and treasury expenses equal to or greater than 10% of the assets, which are presented in an aggregate manner, as well as to the management of the mismatching and liability, and any effect of re-expression by change, either by position of the treasury or the banking book. That is why the result of this segment does not only reflect the result of a line of business but reflects corporate decisions on the management of issuances and financing of the bank. Even so, when managing liquidity resources of the bank, the management monitors it, the same as it does the other segments. With this in mind we present the main dynamics in the segment.

The results by segment of Banco Davivienda S.A. which were prepared under International Financial Reporting Standards and following the guidelines established by senior management for follow-up, are as follows:

Results by segment

January- December 2016

INCOME STATEMENTS	People	Companies	ALM Differentiated Financial Information (1)	Total Bank
Interest revenue	3,680,179	2,779,464	610,842	7,070,485
Interest expense	(327,025)	(1,792,686)	(1,027,368)	(3,147,079)
FTP* Net	(1,114,605)	357,142	757,463	-
Provisions and net accounts receivable	(976,761)	(494,944)	516	(1,471,189)
Net Interest Income	**1,261,789**	**848,975**	**341,453**	**2,452,217**
Net income and services commission	530,049	215,543	(3,580)	742,012
Income from investments in subsidiaries and associates	-	-	325,245	325,245
Dividends	-	-	25,524	25,524
Operating costs	(1,342,388)	(506,989)	(268,085)	(2,117,462)
Changes and derivatives, net	-	-	132,583	132,583
Other Income and Expenses, net	3,049	928	270,118	274,095
Operating margin	**452,499**	**558,457**	**823,258**	**1,834,214**
Income tax and complementary	(31,805)	(210,277)	(53,446)	(295,528)
Net profit	**420,694**	**348,180**	**769,812**	**1,538,686**
Assets	27,908,208	28,742,437	16,056,319	72,706,965
Liabilities	12,541,507	32,401,062	18,904,924	63,847,493

(1) Asset and Liability Management

(Millions of Colombian Pesos (COP))

Results by segment

January - December 2015

INCOME STATEMENTS	People	Companies	ALM Differentiated Financial Information (1)	Adjustments and reclassifications	Total Bank
Interest revenue	3,087,615	1,843,997	356,360	809	5,288,781
Interest expense	(166,547)	(940,877)	(733,690)	7,427	(1,833,686)
FTP* Net	(796,171)	454,647	341,524	-	-
Provisions and net accounts receivable	(626,300)	(342,902)	(49,931)	2,793	(1,016,340)
Net Interest Income	**1,498,599**	**1,014,865**	**(85,738)**	**11,029**	**2,438,755**
Net revenue from services, commissions and insurance	662,824	242,391	-	(224,720)	680,495
Income from investments in subsidiaries and associates	-	-	-	215,880	215,880
Dividends	-	-	119,211	(87,251)	31,960
Operating costs	(1,485,576)	(576,912)	(212,006)	403,408	(1,871,087)
Changes and derivatives, net	-	-	138,755	(31,389)	107,366
Other Income and Expenses, net	21,076	30,028	-	(45,900)	5,204
Operating margin	**696,922**	**710,371**	**(39,778)**	**241,057**	**1,608,573**
Income tax and complementary	(123,000)	(263,062)	(3,895)	(4,353)	(394,310)
Net profit	**573,923**	**447,309**	**(43,673)**	**236,704**	**1,214,263**
Assets	23,691,624	24,827,972	14,487,626	95,464	63,102,687
Liabilities	11,244,043	26,671,179	17,533,927	(64,978)	55,384,171

(1) Assets and liabilities management

*** FTP Net** refers to the costs of resources transfer between segments, which are assigned in a systematic and coherent and is managed within the entity.

People banking

Accumulated net income to December 2016 in the retail banking segment was $ 420,694 million, 26.7% less than the accumulated results at December 2015, and its share of the Bank's total profit fell from 47.3% to 27.3% In the same periods, Mainly due to the increase in the participation of the ALM Differentiated Financial Information in the total results of the bank.

The net financial margin of the people banking segment in December 2016 decreased by 15.8% compared to 2015, totaling $1,261,789 million due to the increase in portfolio provisions and accounts receivable of 56.0% and the financial costs of 96.4%, however, financial income increased 19.2%, explained by the good performance of the housing portfolios and bookings which showed a growth in annual revenues of 19.4% and 11.7% respectively.

In addition, we highlight the revenues of the means of payment line, which showed growth of 21.5% and fixed consumption loans, which grew 45.2%, an increase of $ 110,074 million compared to December 2015.

The financial expenses of the segment increased 96.4% as a result of a greater participation of the forward instruments with comparatively higher rates within the sources of funding in this segment.

Net provisioning expense in the personal banking segment increased by $350,461 million, closing at $ 976,761 million, mainly explained by the increase in provisions for fixed consumption lines, means of payment and bookings in 71.2%, 52.5% and 27.6%, respectively.

Revenues from net fees and services decreased by 20.0% to $ 530,049 million, as capitation products, its largest source of income with a 49.2% share, showed a decrease of 11.8% % in this item, followed by a decrease in the income of the means of payment line of 40.4% and of the rotary consumption line of 29.9%.

Finally, bank operating expenses decreased 9.6% in the period analyzed, mainly explained by the 28.1% decrease in the operational expenses of the means of payment lines, 11.0% in the consumption lines and 6.0% in areas related to the recruitment of the people segment.

Corporate banking
The results up to December 2016 for the Corporate Banking segment totaled $ 348,180 million, representing 22.6% of the Bank's profits.

The net financial margin for this segment in December 2016 showed a 16.3% decrease compared to the accumulated in 2015 as a result of a 50.7% growth in financial income, which was offset by a higher growth in financial costs of 90.5% for the same periods, mainly explained by the higher financial cost of corporate banking, whose expenses increased by 93.0%.

Portfolio revenues in the banking segment reached $ 2,779,464 million, an additional 50.7% compared to 2015, mainly due to the increase in revenues from the corporate portfolio, which totaled $1,623,039 million, an increase of 49.8% and the SME portfolio with an increase of 68.9%.

Net provisioning expense increased by $ 152,042 million when closing at $ 494,944 million, mainly explained by the increase of $184,414 million in provisioning expenses of the corporate portfolio, which has a 79.2% share of the bank's provisions. This portfolio was affected in its levels of risk as a result of the economic slowdown, exchange rate, additional to the conjuncture generated by the fall in oil prices.

Revenues from commissions and services totaled $215,543 million, 11.1% less than the accumulated results at December 2015, mainly explained by the decrease in revenues of the SME banking sector by 29.9% and by corporate banking by 20.0%, however, net commission and services revenues from corporate banking and construction grew by 18.1% and 16.9%, respectively.

Finally, operating expenses of the corporate segment decreased by 12.1% at the end of December 2016, mainly explained by the decrease in corporate and SME banking expenses of 19.7% and 5.7%, respectively.

Differentiated Financial Information ALM
This segment closed with a profit of $769,812 million during the year, since for December 2016 presented results of $325,245 million for investments in subsidiaries and associates.

The net financial margin for this segment in December 2016 increased by $ 813,485 million compared to December 2015. This is due to the fact that the results of the investment portfolio grew 71.4% in revenue and growth in the financial outflow ff the bank's debt obligations of 40.0%, in addition to a significant decrease of 101.0% in the provisions of the segment.

Other net income and expenses of the differentiated Financial Information ALM obtained a 98.5% share of the bank's total, closing at $270,118 million as of December 2016, mainly explained by the mobilization of fixed assets and the receipt of extraordinary income by Credibanco.

9. Risk management

The integrated risk management of the Bank is based on a governance structure designed to achieve the strategic objectives, on the basis of management, administration and risk control that support business growth and leveraging opportunities. On this basis the efforts towards the implementation of the strategy and control of the associated risks are focused.

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

The comprehensive risk management of the Bank and its Subsidiaries are governed by the principles and policies of Grupo Empresarial Bolivar, under the autonomy of each company in its risk management and being responsible in their environment control.

Principles and policies

- The companies will permanently maintain sufficient liquidity levels.

- The companies will manage appropriate economic capital levels to their risk levels and to their growth prospects.

- The risk management system is supported on a scheme of weights and counterweights that is guaranteed by the independence between the business, operational and risk areas.

- Risk management must be commensurate with the business' nature and activity. We act only in businesses that we understand and that do not affect economic stability or reputation.

- Meeting the growth targets cannot lead the Bolivar Business Group to overexposures generating present and future losses outside the risk levels of the organization.

- The risks that may affect the achievement of objectives and key corporate strategies that also impact the organization significantly as a whole are managed centrally. Risk management which by their nature are managed in a better way at the process level and / or area is decentralized because its involvement is particular to each process without this meaning that the ability of the organization to successfully implement their strategies change.

- The strength developed in knowledge, understanding and quantification of risks, as well as the characteristics of each business define Grupo Empresarial Bolivar's risk levels. Boldness in decisions depends on that understanding.

- To strengthen the culture of risk and compliance at Bank level.

- Human resource policies should include career plans that include technical and specialized knowledge for their job; additionally, they should strive for the formation of successors, who have the required skills.

- The remuneration systems must be aligned with the strategic objectives of companies and their risk appetites.

- The Grupo Empresarial Bolívar has in its business sectoral and / or regional business expertise. Any investment in different sectors or regions will be done with the approval of the Holding Board and / or Subsidiary companies, after analysis of their particular characteristics.

- For new businesses that do not adequately fit the Risk Philosophy and risk appetite defined, the only body that can authorize is the Board of Directors (BD) of each Company and Holding.

- •The risk management, normative compliance and internal policies are the responsibility of the three lines of defense of the company, in their order: areas of business, commercial and operational, in second instance the risk areas and last the internal audit.

- The structure of the companies must recognize key areas that should have a special supervision done.

Subsidiaries, in accordance with Corporate Governance norms, must adopt policies, norms and procedures and internal control structures that guarantee the integrity and efficiency of the management processes. In addition they have manuals that establish the way in which their process of integral management of the risks and of the strategy is governed.

General Frame

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

Risk management should be done by including a vision from the TOP DOWN to ensure its integrity, its consistency and interrelationship of the various risks. It should also be done BOTTOM UP through the development of management and control schemes of each and everyone to ensure their effectiveness and depth as well as where it clearly defines the governance model of each risk, the relevance and strength of each definition of limits for these positions, as well as the severity of the breaches they come to present.

The application of the risk management model is carried out within a clear framework of segregation of functions in order to achieve a timely identification of risks, defining three lines of defense that involve all areas of the organization; The first line of defense is composed of Business Lines, Operations and Commercial; The second line by Risk Areas and the third line by Audit.

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

The risk areas are responsible for promoting and protecting the adequate control of each of the risks, through the supervision of the way they are managed in the different areas, the effectiveness of the controls and the levels of the risks, always ensuring that they are within the levels of risk defined by the Grupo Empresarial Bolivar.

Government structure

A set of risk principles and policies have been defined that clearly delineate the Bank's risk levels, while establishing the levels of authority and those responsible for risk management. Based on the risk approach, the Board of Directors is the highest management and control body for risk management, which in turn is supported by a Corporate Risk Committee that integrates in its assessment and control all risk dimensions Identified in the organization.

The risk management is executed through the Executive Vice-Presidency of Risk and the Vice-Presidency of Risk of Investments of Societies who report to the Corporate Risk Committee of the Bank being this a committee of Board with two active members.

<u>Board</u>

> The members of the Boards of Directors, both of Davivienda and its Subsidiaries, as the main managers of corporate governance, evaluate in depth the risks associated with the business and support the work of the supervisory and control bodies.
>
> The Board of Directors shall provide authority, guidance and oversight to senior management, so that its members shall have adequate experience and knowledge of the activities, objectives and structure of the respective entity.

The Board of Directors is responsible for the risk of:

- Evaluate, approve and supervise the Bank's corporate risk management.
- Approve the appetite and risk tolerance limits of the entity and the general corporate risk scheme and its policies.
- Ensure that integrated risk management is aligned with the attainment of the Bank's strategic objectives.

Audit Committee

- Supervise internal and external audit activities regarding the evaluation of the methodology and implementation of the Bank's risk management model.
- Report semiannually the results of its risk-focused management to the Board of Directors.
- Issue recommendations on risk management carried out by the different risk committees.

Internal audit

- Evaluate the methodology and implementation of the Bank's risk management model.
- Verify the development of risk management in accordance with the provisions of the Regulations and the Comprehensive Risk Management Manual
- Follow up on recommendations arising from the evaluation process and guidelines of the Audit Committee and Board of Directors.

Corporate Risk Committee

- Evaluate the comprehensive analysis of the different risks to which Banco Davivienda and its subsidiaries are exposed, as well as the action plans associated with each risk.
- Analyze and measure the risk borders where the Bank and its Subsidiaries operate, and ensure compliance.
- Evaluate the regulatory and regulatory changes related to risk, the possible impacts to which Banco Davivienda and its Subsidiaries are exposed, presenting the corresponding recommendations to the Board of Directors.

9.1. Risk management model

The Bank's comprehensive risk management is addressed from the Banking People, Companies and Treasury business, managing its risks within a clear segregation framework that allows independence in the analysis and control of associated risks. The vice-presidency of business in charge of each unit (people, companies and treasury) is responsible for the risks generated by the decisions they make within the framework approved by authorized bodies such as committees, business meetings and Board of Directors.

In addition, specialized risk areas are responsible for promoting the appropriate control scheme for each of the risks. Thus, from the Executive Vice-Presidency of Risk, the granting policies are administered, the risk assessment of the portfolios is made, SMEs, business and corporate, and a risk-return balance is maintained, the Vice-Presidency of Investment Risk assesses the financial risks to which the Bank is exposed.

For the People Banking segment, the People Banking Credit Vice President is in charge of the evaluation, administration and collection of all lines of credit. The approval is based on a pyramid structure of attributions with definite ceilings. Likewise, there are credit committees with collegial decision. For these credit products, award scores are available, which have been constructed based on historical information of their own and that assess customer variables, their behavior and indebtedness in the financial sector, the product and the guarantee. There are also methodologies developed to segment the homogeneous groups into the universe of credits and thus be able to individually assign risk levels. In the SME and Corporate segment, the credit evaluation is vested in the Corporate Credit Vice-President, which is responsible for analyzing credit applications, following up on current obligations, assigning risk categories and carrying out recovery procedures in cases that deserve it.

The Corporate Credit Vice-Presidency is also responsible for granting credit facilities to national and international companies whose economic activity is framed within the norms and conditions established by both the Superintendency of Corporations and by the Bank to achieve this objective. A thorough analysis of the creditworthiness of companies, examines the macroeconomic and microeconomic conditions in which it operates, the culture, strategy, policies, procedures and the various quantitative and qualitative risks and the size and importance of the economic sector in which it operates.

Finally, market and liquidity risk management, as well as the Treasury, is executed from the Vice-President of Corporate Investments Risks, which has designed and implemented a robust structure of exposure limits to the different risks to control the portfolios and activities implements to carry out the management of the same.

9.2. Risk Management system

9.2.1. Credit risk

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

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

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

- *Monitoring and Management of the Credit Portfolio :* The monitoring process and portfolio management have as their main objective the monitoring of the composition and quality of the portfolio, detecting concentrations, relevant segments, risk factors and articulating their management with the control and monitoring process of the credit risk. In this process, adjustments to business rules and credit policies according to the desired risk level for the product or strategy are proposed. Monitoring and analyzing potential losses of portfolios are carried out. Strategies and effectiveness of collection and its effect on mitigating losses occurred among others are analyzed.

- *Credit Risk Methodologies and Models:* This process is aimed towards the study, design, development and implementation of methodologies, models and tools for proper management of credit risk, as well as awareness of portfolios in the face of various economic scenarios.

- *Credit Risk Monitoring and Control* The control process and the monitoring of credit risk has as its main objective to ensure compliance and proper implementation of the definitions established by the Board and the Risk Committees. The controls and monitoring are established, implemented and coordinated with the Credit Cycle units against the established provisions, in order to prevent deviations from the strategy defined by the Bank.

Organizational Structure for Credit Risk Management

Banco Davivienda manages credit risk from the Risk and Financial Control Vice President, whose internal structure is aligned with the defined segmentation: credit risk of personal, SME, corporate and business banking in order to promote and protect the right control scheme for each risk.

In line with the established processes for the Credit Risk Management, it is up to the Board (BD) to set the Credit Risk Management System and the elements necessary to harmonize it with the strategy of the organization and the existing rules on the matter.

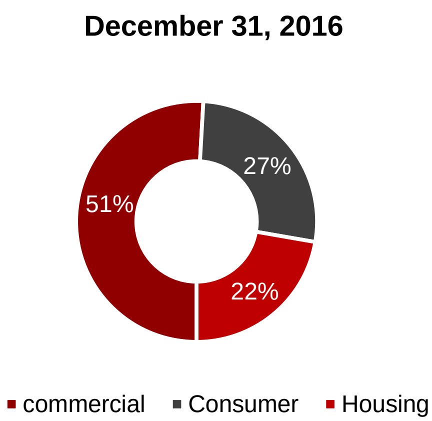
The BD defines and establishes the structure of four credit risk committees: Personal, SME, Corporate and the Accounts Receivable Rating Committee, as specialized bodies and for the coordination of issues regarding credit risk management. The BD confers supervised authority to the credit risk committees as well as the accounts receivable grading to be the only collegiate bodies with attribution to recommend policies and authorize rules and / or provisions relating to the credit risk management, portfolio recovery and portfolio rating under the governance process established and the sole purpose of materializing the policies established by the board.

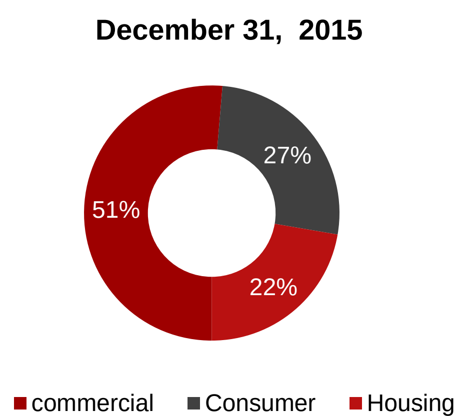
Credit Risk Management Procedure Manual (CRMPM) represents the navegation chart for the Credit Risk Management System. In it our culture, policies, methods, rules and general procedures are described. It is the recording instrument, orderly and systematic transmission of information to the organization in this area.

Risk exposure - Portfolio Composition

The loan portfolio of Banco Davivienda is distributed in: Consumption, Housing and Commercial. The first two relate to loans granted to individuals to finance their consumption needs (free investment and unsecured, revolving credit, promissory note, car and credit card) and housing (Social Interest - VIS, Traditional - Mayor VIS and Habitational Leasing) respectively and the commercial portfolio corresponds to loans granted to finance the needs of companies and businesses.

By December 31, 2016 the portfolio has a value of $ 56,651 million pesos of which the portfolio of Personal Banking contributes 49% and the portfolio of Corporate Banking 51%, maintaining a relatively stable proportion relative to the previous year as it is presented in the following graph:





* The commercial portfolio includes a microcredit portfolio

At the end of 2016, the portfolio of Banco Davivienda grew 16.8% over the previous year, with Corporate Banking being the largest share in that Portfolio. In terms of economic sectors, the most dynamic are related to Telecommunications, Construction, Food, Coffee and Energy, increasing its share from 24% to 27%.

Excluding the effect of the portfolio balance resulting from the merger with Leasing Bolívar, the SME segment has been moderating its growth rate compared to 2015. At the end of 2016 this is at 20%, leveraged mainly by Small Enterprises (Less than $ 3,500 MM). The deceleration of this Portfolio coincides with the dynamics of the sector in general, taking into account the current economic situation.

The housing portfolio increased by 16.7% in relation to the end of 2015, due to the growth of the portfolio of social interest housing (VIS) with a growth of 22%, driven by the coverage programs on the housing rate. Interest offered by the national government in order to encourage the construction of new housing and its acquisition by the colombian population, followed by the Housing Leasing Portfolio with a growth of 15%. As regards to the larger portfolio than VIS the growth is 12%.

The consumption portfolio shows a growth of 18.9% compared to December of the previous year, where the largest variations are presented in free investment loans with no real guarantee and private vehicle, with increases of 41.2and 32.6% respectively, followed by the loan portfolio with a real guarantee with a growth of 26.4%. These changes, as well as the portfolio quality, provisions and coverage are shown in the table below:

Millions of Pesos COP

Business Line	Balance	CDE Portfolio	Provision	Coverage	∆ Residual	∆ Provision
Commercial						
December 31, 2015	24,895,084	2.65%	927,579	140.83%	22.39%	27.75%
December 31, 2016	28,836,387	3.24%	960,078	102.90%	15.83%	3.50%
Consumption						
December 31, 2015	12,778,007	5.63%	852,016	118.35%	11.48%	16.72%
December 31, 2016	15,198,270	6.19%	1,078,813	114.69%	18.94%	26.62%
Housing*						
December 31, 2015	10,815,245	1.15%	258,469	208.69%	17.40%	1.08%
December 31, 2016	12,615,989	1.60%	319,156	158.03%	16.65%	23.48%
Total						
December 31, 2015	**48,488,336**	**3.10%**	**2,038,064**	**135.65%**	**18.22%**	**19.06%**
December 31, 2016	**56,650,646**	**3.66%**	**2,358,047**	**113.61%**	**16.83%**	**15.70%**

The commercial portfolio was affected in its risk levels as a result of the economic slowdown, exchange rate, additional to the conjuncture generated by the fall in oil prices, and in a direct manner the problem in some actors such as: Integrated system of mass transport, Civil works engineering and Energy generating the increase in the indicator of impairment of the commercial portfolio of 60 bps in the year, add to the above.

At the close of 2016, the SME portfolio increased by 10 bps in its CDE portfolio indicator, from 6.2% in December 2015 to 6.3% in December 2016. This increase is explained by the deterioration of the small business segment and the transportation sector. In part due to the deceleration of the oil sector, that affected the demand for land and transportation of hydrocarbons. It also highlights the impact of the truck stoppage in the middle of the year. The coverage of the portfolio at risk is 93%.

The indicator of non-performing portfolio by Consumption rating (CDE portfolio) increased by 56 basis points compared to the end of 2015, mainly due to the negative impact of the country's economic situation on promissory notes portfolio and associated consumption. In addition to this, the free investment loan portfolio contributes to this increase as a result of the growth of the portfolio.

As a consequence of the factors mentioned above, in addition to the growth of the portfolio balance, the provision associated with the consumer portfolio increased by $227 billion pesos. The combined dynamics of the portfolio indicator and the provisions make its coverage decrease from 118.4% in December 2015 to 114.7% at the end of December 2016.

On the other hand, the unproductive portfolio by housing rating indicator increased by 46 basis points compared to the end of 2015. This is explained by portfolio growth, the effect of the expansion of the punishment parameter made in 2015 and the opening of policies in the housing leasing portfolio.

The investment portfolio is mainly concentrated in sovereign debt securities of nations where Davivienda operates, following the portfolio's main mandate to establish a liquidity reserve. In this order, the portfolio is concentrated in assets with low credit risk and high liquidity. There are also positions in corporate debt securities, most of which are recognized and recurring issuers, with high credit ratings, and mortgage portfolio securitizations. In terms of participation for December 2016, 58% corresponds to corporate debt, followed by sovereign debt, mostly Colombian with 37% and finally securitizations with 5% participation. The composition of the portfolio reflects a conservative and adequate credit risk management, in accordance with the policies defined by the Bank's management bodies.

The consolidated exposure to credit risk includes Davivienda Colombia's loan portfolio and treasury operations subject to counterparty credit risk. The following table shows the comparative exposure separating the book value of financial assets between those that are guaranteed with some collateral that depends on the nature of the product and / or the counterparty and those that are granted without guarantee.

(Millions of Colombian Pesos (COP))

	December 31, 2016		December 31, 2015	
	Guaranteed	Not guaranteed	Guaranteed	Not guaranteed
Debt instruments at fair value	-	4,753,387	-	4,918,228
Colombian Government	-	2,138,278	-	3,701,175
Foreign Governments	-	16,691	-	-
Financial institutions	-	2,004,425	-	355,315
Entities of the Real Sector	-	59,633	-	48,206
Others	-	295,854	-	378,786
Derivatives	-	238,506	-	434,745
Debt instruments at amortized cost	-	1,371,040	-	1,214,596
Investments in debt securities	-	1,371,040	-	1,214,596
Loan Portfolio	27,774,990	28,875,656	22,115,734	26,372,602
Commercial	13,320,956	15,515,431	9,711,748	15,183,336
Consumption	1,838,045	13,360,225	1,588,742	11,189,266
Housing	12,615,989	-	10,815,245	-
Total Financial Assets with Credit Risk	27,774,990	35,000,083	22,115,734	32,505,426
Out-of-Balance Credit Risk	10,350,303	7,052,738	8,062,289	6,356,722
Credit Quotas	10,350,303	7,052,738	8,062,289	6,356,722
Total Maximum Exposure to credit risk	38,125,293	42,052,821	30,178,023	38,862,148

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

In order to determine the value of the guarantees and the periodicity of the valuation, the Bank takes into account the particular characteristics of the good covered by the operation, which determine whether the market price is the main input for its appraisal, the calculated valuation ratios by governmental entities and / or the expert judgment when deemed necessary.

At the close of 2016, 49% of the portfolio exposure is backed by a guarantee: The commercial portfolio has guarantees such as mortgages, garments, financial collaterals, trust contracts, guarantees granted by the National Guarantee Fund (FNG) And the Agricultural Guarantee Fund (FAG), among others, covering 46% of the exhibition.

The consumer portfolio is mostly unsecured with the exception of vehicle loans with pledge, free investment loans with mortgage guarantee (12% of consumer exposure). It is worth clarifying that within the non-guaranteed consumer portfolio there are the collection credits which have a guarantee of collection. The balance of promissory notes credits constitutes approximately 36% of unsecured consumer loans.

Finally, housing loans are fully backed by a mortgage guarantee or are assets of the Bank in the case of Housing Leasing, whereby exposure to credit risk can always be mitigated by such guarantee.

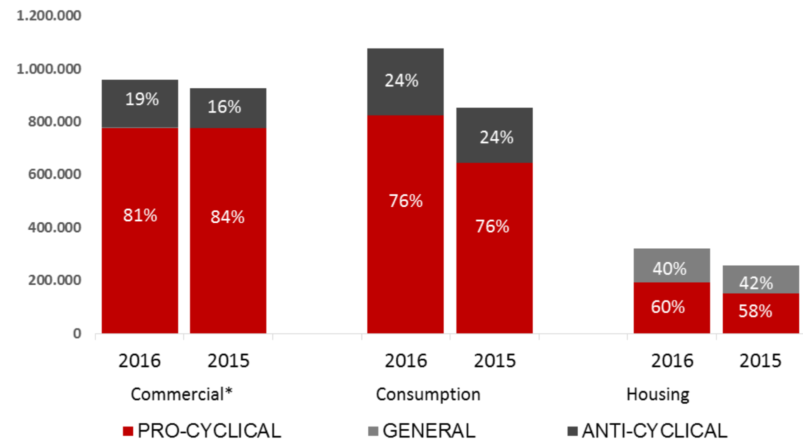
Provisions estimation for credit risk

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

Similarly, the Bank implemented the provisions' calculation methodology with a countercyclical approach, according to what is required by the Colombian Financial Superintendence, for consumer and commercial loans.

As for the housing and microcredit portfolios, the Bank continues to apply the existing rules to qualify and provision, the issued by the Colombian Financial Superintendence.

The composition of commercial, consumer and housing loans' provisions is presented bellow:



As of December 31, 2016, the total provision of the Bank's portfolio reached $ 2,358,047 million pesos, equivalent to 4.4% of the total portfolio, which implies a 15.7% increase over the provision observed in December 2015. This increase is explained among other factors by the growth of the portfolio and the natural maturation of the portfolios of cards and fixed with and without guarantee.

The increase in provisions deriving from the commercial portfolio is mainly reflected in sectors such as: Integrated Mass Transportation System, Palm, Infrastructure, Energy and Health, where there is an increase from 18% to 30% last year.

During the year, punishments of $537,204 thousand were made, of which 68% correspond to special punishments, the most important being in the oil and engineering and civil works sector, the remaining 32% corresponds to automatic punishments.

Changes of provisions during the year

Aiming to promote a healthy origination and the growth of consumer loans, the Colombian Financial Superintendence through the External Circular 026 of 2012, established a percentage of additional individual provision of a transitional nature on consumer loans conditioned on the indicator that measures the acceleration of the annual variation of nonperforming loans. For the Bank, this indicator remained positive throughout the year, which is why the additional provision remains constituted during this period (corresponding to 0.5% of the principal balance of each loan multiplied by the corresponding Loss Given Default (LGD)). By December 2016 this provision is of $51,623 million pesos.

Risk Management for Derivative Financial Instruments

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

- Market or authorized product.
- Counterparty limits and authorized credit, eligible collateral mechanisms in credit risk mitigation, concentration of credit exposure by the counterparty and / or sector, and overall credit exposure of the company.
- Conclusion of framework contracts and / or ISDA considering in due diligence an analysis if clauses related to credit risk mitigation, early termination and breach.
- Counterparts authorized, even for cases that intend to interpose a central risk chamber for the counterparty.

Under the criteria previously described, the Bank's derivatives portfolio, which focuses on a distribution and speculation business, focuses on the counterparts of the financial sector and real sector of high quality credit, and in the short and medium term.

The information of financial derivative instruments is presented in note 11.4.

9.2.2. Management of the Market Risk Management and Liquidity

The Vice President of Risk Investment is the instance in which the Board of Directors of each company delegates the responsibility for risk assessment, identification of new ones, and definition of calculation methodologies, policy suggestion and control of the various risks.

The Administration and Risk Management the companies owned by Grupo Empresarial Bolívar is done through a synergy strategy between the companies, consolidating a Market and Liquidity Risk Directorate for all of the companies, which optimizes technological and human resources. The Market and Liquidity Risk Directorate depends on the Vice President of Risk Investment of the Grupo Empresarial Bolívar, following the guidelines of the Vice President for Risk and Financial Control and of the Corporate Risk Committee.

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

On the other hand, the Financial Risk Management Handbook for Grupo Empresarial Bolivar (MARF) consolidates management and financial risk aspects as well as management and treasury liquidity in the Group's companies and it is the document through which it establishes the management system required for this purpose.

This way, the companies have designed and implemented a robust structure of exposure limits to the various risks to be able to control the portfolios and the activities undertaken to carry out their management. They are defined for each company, among others, investment limits and counterparty portfolios, operator limits, value at risk, sensitivity, duration, time, and various early warnings to monitor and control the operation.

The Board delegates to Grupo Empresarial Bolivar's Financial Risk Committee (FRC) and to the Investment and Risk of Mutual Funds Committees accordingly, the responsibility to evaluate and authorize the various operating alternatives and investments between the treasuries of each of the companies, and the Assets and Liabilities Management Committee (C-GAP), or whoever replaces him, the definition, monitoring and control of general policies for the managing of assets and liabilities (market risk of the Balance structure), as well as the management policies for liquidity risk.

9.2.2.1. Market risk

The market risk management consists of identifying, measuring, monitoring and controlling the risks arising from fluctuations in interest rates, exchange rates, prices, indicators and other risk factors to which the entity's activity is exposed to.

The strategic principles under which risk management is governed in Davivienda's market are:

- ✓ Consistency between expected return and level of exposure tolerated.
- ✓ Participation in markets and products on which it has deep knowledge and management tools.
- ✓ Strategy segmentation and risk profiles for each business model.
- ✓ Management at the consolidated and disaggregated level.

Davivienda participates through its investment portfolio in the capital market, money market and foreign exchange market. The managed portfolios are composed of a number of assets that diversify income sources and assumed risks, which are part of a series of limits and early warnings seeking to maintain the risk profile of the balance sheet and profitability / risk ratio.

Given the nature of the business and the markets that Davivienda accesses to, the banking book and the treasury book are exposed to the risk of interest rate, to the exchange rate risk and to the change in the price of stocks and mutual funds risk.

Business Model and Portfolio Structure

Since the market risk management starts from the recognition of defined business models for managing the investment portfolio, Davivienda set two mandates; i) structural management: investments for which its purpose is associated with financial intermediation, market risk management of the balance and the need for a backup of liquid assets in the financial intermediation process and other participatory investments required for the operation of the Bank; and ii) trading management: investments for which its purpose is to maximize the profits generated by the Treasury by buying and selling financial instruments.

From these business models, fields of action to manage them are established through limits, alerts and risk policies that reflect the appetite and risk tolerance, the depth of markets, and the goal of each business line.
The gross investment portfolio, up to December 2016, stood at 6,122,692 million pesos, according to the business models exposed:

Millions of pesos			**Variation**	
Business model	**December 31, 2016**	**December 31, 2015**	**$**	**%**
Trading	638,036	734,616	(96.580)	(13,15)
Structural	5,484,656	5,077,624	407.032	8,02
Liquidity reserve	4,407,714	4,098,680	309.034	7,54
Balance Management	1,076,941	978,944	97.998	10,01
Total	**6,122,692**	**5,812,239**	**310.453**	**5,34**

The most significant amount of the investments corresponds to the reserve to meet liquidity demands; In the second instance, the trading portfolio and finally investments for the purpose of risk management of the balance sheet.

The accounting classification rules for investments are associated with the business models with which the portfolios are managed. As of December 2016, gross portfolios were classified as follows:

Millions of pesos			**Variation**	
Accounting classification	**December 31, 2016**	**December 31, 2015**	**$**	**%**
Negotiables	4.139.033	2.142.438	1,996,595	93.19
Available for sale	612.619	2.455.205	(1,842,586)	(75.05)
Upon maturity	1.371.040	1.214.596	156,444	12.88
Total	**6.122.692**	**5.812.239**	**310,453**	**5.34**

Most investments are classified as negotiable and available for sale, as liquidity reserve and trading portfolios, given their nature of possible sale at market prices, should reflect the settlement price or fair value. As of December 2016, there is a large variation in the investments classified as available for sale and negotiable, this variation is due to the change in the composition of the investments of the liquidity reserve, which passed its concentration of public debt securities to shares in fiduciary charges.

Compared to December 2015, there was an increase in the investment portfolio of 5.27%, explained by the significant restructuring of the liquidity reserve portfolio. In particular, it is important to mention that the liquidity reserve, most of the investment portfolio, is in line with the growth structure of the liability, so as to preserve the risk profile tolerated by the Bank. On the other hand, the trading portfolio varies, in terms of magnitudes, depending on the market conditions and expectations that prevail on the date of analysis.

Measuring market risk

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

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

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

Interest rate and exchange rate risk

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

As a complement Davivienda uses the RiskMetrics methodology developed by JP Morgan, which provides a parametric VaR approach. Likewise, the calculation scheme includes measurements of absolute VaR, Component VaR (CVaR) and relative VaR. Depending on the type of portfolio, it defines which the best complementary measures to be used are. The model has tools to analyze the effects on the portfolios in the face of market stress scenarios (stress test), as well as mechanisms for performance evaluation of the model through Backtesting analysis. These measurements are applied at a consolidated level, at company level and at product level.

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

According to the standard model, the value at risk for the investment portfolio of the separate balance sheet as of December 31, 2016 and December 31, 2015 was as follows:

Maximum, minimum and average values of the Value at Risk (in millions of pesos)

	December 31, 2016			
	Minimum	**Average**	**Maximum**	**Last**
Interest rate	92,160	149,912	201,119	92,160
Exchange rate	50,315	59,050	71,729	52,353
Shares	-	624	3,515	3,515
Collective portfolio	-	75	276	276
VeR	148,304	209,609	266,743	148,304

	December 31, 2015			
	Minimum	**Average**	**Maximum**	**Last**
Interest rate	201,475	222,232	252,779	203,633
Exchange rate	43,472	57,104	71,466	68,316
Shares	-	-	-	-
Collective portfolio	-	-	-	-
VeR Total	262,082	279,436	300,524	271,949

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

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

The second technique is a sensitivity analysis based on the largest depreciations, recorded along local and international financial crisis, with which portfolios are impacted in the different risk factors.

Risk of changes in exchange rates

Davivienda is exposed to changes in the exchange rates, first as a product of its international presence through its subsidiaries in the Central American and American markets, and secondly because of its trading activities in the foreign exchange market.

The banking book has exposure to currencies like the American dollar, the Lempira from Honduras and the Costa Rican CRC. These exposures are the result of the presence that Davivienda has in these countries through its subsidiaries and are managed by financial hedging strategies that seek to reduce the sensitivity of the income statement and of the patrimony. The hedges are defined in terms of the depth of market instruments for each currency and on the basis of a prospective analysis of economies and the juncture of the market.

The management of the exchange position of the balance is part of the established regulations of the Colombian Bank of the Republic, which are restricted, depending on the assets of the entity, long positions and short maximum coins.

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

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

	December 31, 2016		December 31, 2015	
	Foreign Balance	**Pesos Balance**	**Foreign Balance**	**Pesos Balance**
American Dollar	(252)	(756.439)	(322)	(1.014.056)
Lempira	3.025	386.458	2.427	341.802
Colons	46.247	249.524	85.390	505.595
Other*	(4)	(12.821)	(1)	(4.209)
Total	-	(133.278)	-	(170.868)

The estimated effect for the increase or decrease by 1% in the exchange rate of the US dollar, keeping the other exchange rates constant, compared to the current exchange rate on December 31, 2016, would be +/- 1,204.57 million pesos.

Interest rate risk in the balance sheet structure

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

The sensitivity of interest-bearing assets and liabilities at financial cost is presented below. Thus, by December 31, 2016, an increase or decrease of 50 basis points in interest rates could have caused a decrease or increase, respectively, of 20,433 million of the Bank's margin throughout the year. By 2015 this sensitivity would have been 16,605 million.

BANCO DAVIVIENDA S.A.
Notes to the financial statements
As of December 31, 2016 with comparative figures as of December 31, 2015.
(Millions of Colombian Pesos (COP))

	December 31, 2016				
	Monthly average	Income / expense	Average rate	Impact Δ50 bp	
				Increase	Decrease
Interest-bearing financial assets					
Money market operations	579.984	44.489	7,7%	2.900	(2.900)
Legal Currency	501.206	35.184	7,0%	2.506	(2.506)
Foreign currency	78.778	9.305	11,8%	394	(394)
Investments in negotiable and available-for-sale debt securities	4.552.232	232.560	5,1%	(905)	905
Legal Currency	4.409.213	405.763	9,2%	(404)	404
Foreign currency	143.019	5.122	3,6%	(501)	501
Investments in debt securities until maturity	1.259.158	84.901	6,7%	6.296	(6.296)
Legal Currency	1.259.158	84.901	6,7%	6.296	(6.296)
Foreign currency	-	-	0,0%	-	-
Loan Portfolio	53.682.355	6.463.400	12,0%	174.376	(174.376)
Legal Currency	48.731.663	6.245.833	12,8%	149.867	(149.867)
Foreign currency	4.950.692	217.567	4,4%	24.509	(24.509)
Total Assets in legal currency	**54.901.239**	**6.771.680**	**12,3%**	**158.265**	**(158.265)**
Total Foreign currency assets	**5.172.490**	**231.994**	**4,5%**	**24.402**	**(24.402)**
Total interest-bearing assets	**60.073.729**	**7.003.674**	**11,7%**	**182.667**	**(182.667)**
Financial liabilities with financial cost					
Public Collections	42.829.785	2.120.091	5,0%	145.329	(145.329)
Legal Currency	41.721.760	2.109.665	5,1%	141.840	(141.840)
Foreign currency	1.108.024	10.426	0,9%	3.489	(3.489)
Bonds	8.750.333	723.611	8,3%	25.026	(25.026)
Legal Currency	5.716.113	584.484	10,2%	25.026	(25.026)
Foreign currency	3.034.220	139.127	4,6%	-	-
Money market operations	1.456.363	100.119	6,9%	7.282	(7.282)
Legal Currency	1.426.676	100.101	7,0%	7.133	(7.133)
Foreign currency	29.687	18	0,1%	148	(148)
Loans Entities	5.092.664	202.018	4,0%	25.463	(25.463)
Legal Currency	1.608.449	122.680	7,6%	8.042	(8.042)
Foreign currency	3.484.216	79.338	2,3%	17.421	(17.421)
Liabilities in legal currency	**50.472.998**	**2.916.930**	**5,8%**	**182.042**	**(182.042)**
Liabilities in foreign currency	**7.656.147**	**228.909**	**3,0%**	**21.058**	**(21.058)**
Total Liabilities with financial cost	**58.129.145**	**3.145.839**	**5,4%**	**203.100**	**(203.100)**
Total Net financial assets subject to interest rate risk	**1.944.584**	**3.857.835**		**(20.433)**	**20.433**
Legal Currency	4.428.241	3.854.750		(23.777)	23.777
Foreign currency	(2.483.657)	3.085		3.344	(3.344)

(Millions of Colombian Pesos (COP))

	December 31, 2015				
	Monthly average	Income / expense	Average rate	Impact Δ50 bp	
				Increase	Decrease
Interest-bearing financial assets					
Money market operations	353.016	26.774	7,6%	1.765	(1.765)
Legal Currency	286.884	19.188	6,7%	1.434	(1.434)
Foreign currency	66.132	7.586	11,5%	331	(331)
Investments in negotiable and available-for-sale debt securities	4.940.252	232.560	4,7%	(9.992)	9.992
Legal Currency	4.746.402	227.410	4,8%	(8.617)	8.617
Foreign currency	193.850	5.150	2,7%	(1.375)	1.375
Investments in debt securities until maturity	1.202.368	80.151	6,7%	6.012	(6.012)
Legal Currency	1.202.368	80.151	6,7%	6.012	(6.012)
Foreign currency	-	-	0,0%	-	-
Loan Portfolio	44.518.583	4.933.829	11,1%	143.845	(143.845)
Legal Currency	40.159.370	4.764.971	11,9%	122.161	(122.161)
Foreign currency	4.359.214	168.858	3,9%	21.684	(21.684)
Total Assets in legal currency	**46.395.023**	**5.091.721**	**11,0%**	**120.991**	**(120.991)**
Total Foreign currency assets	**4.619.196**	**181.594**	**3,9%**	**20.639**	**(20.639)**
Total interest-bearing assets	**51.014.219**	**5.273.314**	**10,3%**	**141.630**	**(141.630)**
Financial liabilities with financial cost					
Public Collections	35.866.894	1.105.587	3,1%	107.531	(107.531)
Legal Currency	34.781.089	1.097.274	3,2%	104.300	(104.300)
Foreign currency	1.085.805	8.313	0,8%	3.231	(3.231)
Bonds	8.107.587	529.403	6,5%	23.122	(23.122)
Legal Currency	5.315.328	407.882	7,7%	23.122	(23.122)
Foreign currency	2.792.259	121.521	4,4%	-	-
Money market operations	1.478.301	67.523	4,6%	7.392	(7.392)
Legal Currency	1.420.833	67.475	4,7%	7.104	(7.104)
Foreign currency	57.467	48	0,1%	287	(287)
Loans Entities	4.038.250	131.174	3,2%	20.191	(20.191)
Legal Currency	1.522.314	87.579	5,8%	7.612	(7.612)
Foreign currency	2.515.936	43.595	1,7%	12.580	(12.580)
Liabilities in legal currency	**43.039.565**	**1.660.210**	**3,9%**	**142.138**	**(142.138)**
Liabilities in foreign currency	**6.451.467**	**173.476**	**2,7%**	**16.098**	**(16.098)**
Total Liabilities with financial cost	**49.491.032**	**1.833.686**	**3,7%**	**158.236**	**(158.236)**
Total Net financial assets subject to interest rate risk	**1.523.187**	**3.439.628**		**(16.605)**	**16.605**
Legal Currency	3.355.458	3.431.511		(21.147)	21.147
Foreign currency	(1.832.271)	8.117		4.542	(4.542)

9.2.2.2. Liquidity risk

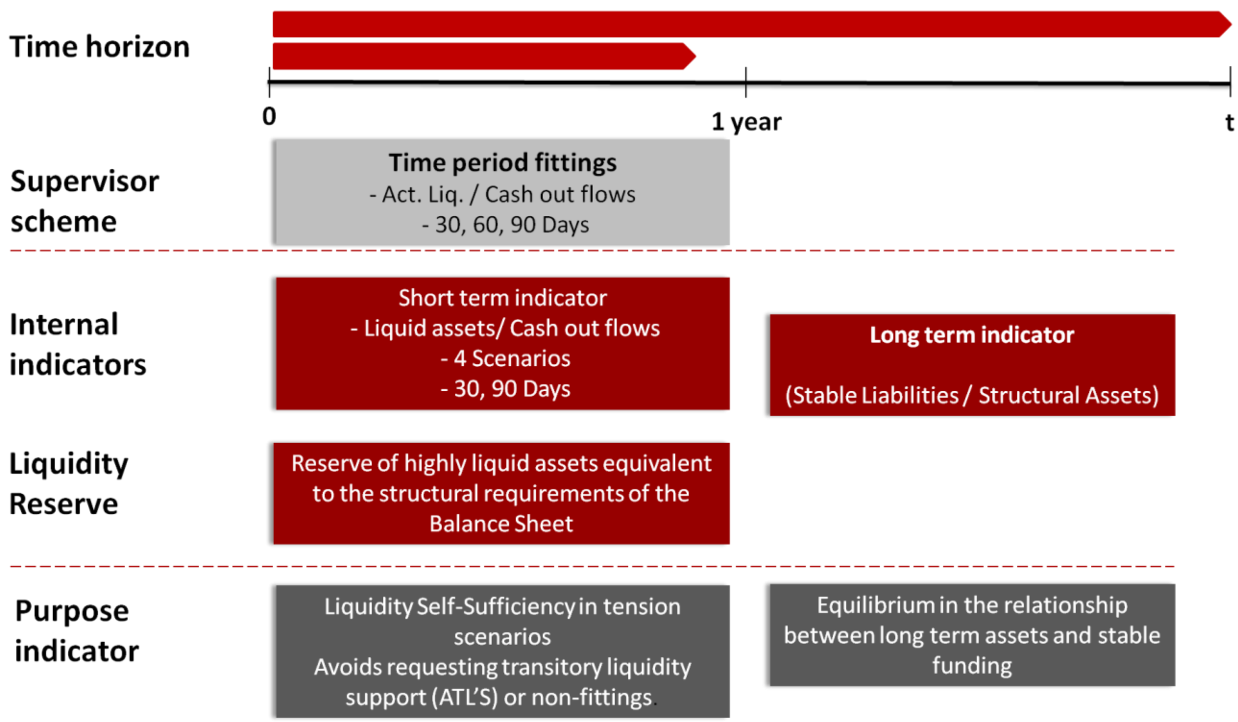
Liquidity risk is materialized in the contingency of being unable to comply fully, in a timely and efficient manner the cash flows expected and unexpected, current and future, without affecting the course of daily operations or the financial condition of the entity. This contingency (funding liquidity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

The strategic principles under which liquid risk management is governed in Davivienda are:

- ✓ Permanent availability of high quality liquid assets, according to the balance sheet structure and risk appetite.
- ✓ Self-reliance should prevail in Davivienda’s balance and each of its subsidiaries in a liquidity crisis.

- ✓ Do not overestimate the availability of liquid assets; that is, we must constantly assess the level of liquidity of the assets that are part of the reserves and anticipate changes.
- ✓ Mitigate reputational risk, so that with its own resources the ability to address adverse situations without compromising the compliance with current regulations and reduce the likelihood of requiring to temporary support from state entities.

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



The methodologies used to estimate liquidity risk consists, for short-term effects in calculating the cash flows of the assets, liabilities and off balance sheet positions in different time bands, allowing to permanently monitor the liquidity gap. For long-term management, the methodologies focus on the analysis of funding sources, its composition at the segment's and product's level, and the characterization of assets and liabilities that have not defined permanence conditions.

Davivienda has a defined policy to maintain a required minimum size portfolio, invested in highly liquid assets so that a crisis can be addressed in a moderate scenario, without resorting to temporary liquidity support provided by the Bank of the Republic. The size of the portfolio or the liquidity reserve is determined based on an estimate of withdrawals, in a situation of stress, affecting the volatile components of the deposits of both the individuals as well as the institutional ones. Thereof, in the estimation of the liquidity reserve it is incorporated in a prospective way the defined funding strategy in the bank's growth plan to guarantee sufficient liquidity assets in accordance with the balance sheet structure and the desired risk profile.

Meanwhile, the assets of the liquidity reserve must have minimum characteristics like being eligible as collateral for Central Banks, low credit and market risk, and quotes in wide and recognized markets. Additionally, these assets must be free of charge, ie, free from any contractual commitment or that they have not been previously pledged as collateral in conducting money market deposit rates or any other figure.

The indicator of liquidity risk (IRL), standard of the SFC that compares liquid assets available versus net outflows of short-term cash, is characterized by the acidity that defines the liquidity needs. The main variables in the model consist of a run on deposits of at least 10%, contractual expense flows that do not consider renewal rates, as well as punished cash flow income.

The IRL is measured for the seven, fifteen, thirty and ninety day-time bands. The SFC sets limits for the first and third band, forcing the liquidity gap to be greater than or equal to zero. The ninety day band is a highly adverse scenario, in which at least 30% of the deposits are removed, along with the realization of the outflow of resources because of all contractual liability maturities. Given these assumptions, this scenario is taken as a reference only.

The result of standard liquidity indicator is presented below - IRL for the 31 of December 2016, December 31 and January 1st, 2015 (Figures in millions of pesos).

	December 31, 2016			
Bands	Minimum	Average	Maximum	Last
7 Days	5,651,266	6,487,812	7,892,271	6,064,716
15 Days	3,901,413	5,055,902	6,757,674	4,365,903
30 Days	1,883,429	2,937,136	4,464,959	2,005,226

	December 31, 2015			
Bands	Minimum	Average	Maximum	Last
7 Days	5,704,561	6,662,698	7,668,013	6,869,303
15 Days	4,865,416	5,550,507	6,374,514	5,643,076
30 Days	2,654,790	3,608,147	4,710,729	3,707,040

As a result of internal policies and the conservative profile of Davivienda in liquidity management, the standard model of the SFC reflects an excess of liquid assets for a 30-day horizon of 2.9 billion pesos on average by 2016. The liquid assets of Bank, according to the standard model of the SFC, are located around eight billion pesos. These are mainly composed of cash, securities accepted in monetary expansion operations by the Bank of the Republic and other debt securities.

The contractual capital and interest flows of the financial liabilities of the balance sheet are as follows, up to 31 December 2016 and 31 December 2015.

Flows of financial liabilities as of December 31, 2016	**Up to one month**	**More than a month but not more than three months**	**More than three months but no more than a year**	**More than a year and no more than five years**	**More than five years**	**Total**
Certificates of Term Deposit	2,350,083	4,254,650	7,196,645	6,106,195	67,073	19,974,646
Savings and current accounts	26,671,599					26,671,599
Bonds	104,363	237,888	1,171,570	5,458,603	5,756,707	12,729,131
Loans Entities	58,057	309,305	2,198,372	1,441,662	2,641,084	6,648,480
Total Financial Liabilities	29,184,102	4,801,843	10,566,587	13,006,460	8,464,864	66,023,856

Flows of financial liabilities as of December 31, 2015	**Up to one month**	**More than a month but not more than three months**	**More than three months but no more than a year**	**More than a year and no more than five years**	**More than five years**	**Total**
Certificates of Term Deposit	1,962,731	3,016,280	6,877,426	2,021,562	498,104	14,376,103
Savings and current accounts	24,415,107	-	-	-	-	24,415,107
Bonds	93,078	321,765	690,346	5,772,639	5,482,657	12,360,486
Loans Entities	7,813	660,433	1,925,694	1,341,280	1,974,778	5,909,998
Total Financial Liabilities	26,478,729	3,998,477	9,493,467	9,135,480	7,955,539	57,061,693

9.2.3. Internal Control System - SCI

Banco Davivienda permanently carries out the review and updating of the controls, taking into account the regulatory changes, the environment, new products and services, the processes, as well as the materialization of events to determine the causes and action plans that minimize exposure of risks.

All the policies and guidelines developed for each of the elements of the Internal Control System (ICS) (SCI), contribute to the compliance with the objectives of the Entity.

During 2016, the Organizational Culture, which is part of the Control Environment, continued to be strengthened; awareness-raising and virtual training strategies were developed for the Code of Ethics, Corporate Governance Code, Disciplinary Code and the importance for these guidelines of being part of the philosophy of life of all officials, in addition it reinforces the relevance of the principle of Self-control as a basis for conducting the monitoring of processes.

Optimizations were made in the formats that are part of the Internal Control System Monitoring methodology, guaranteeing the updating and dissemination of the ICS (SCI) Manual, in addition to the participation of the vertical and transversal risk, in order to strengthen the analysis and determine the effectiveness of the controls in the processes.

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

9.2.4. Financial Consumer Service System– SAC

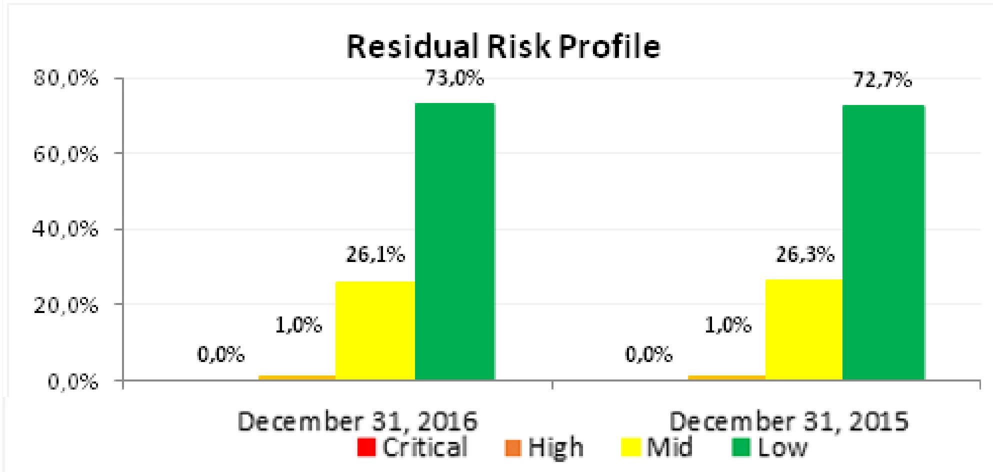
In 2016, the Bank focused its strategic plan SAC to consolidate an effective model of customer service in accordance with our principles of maintaining a friendly, reliable and simple relationship with our financial consumers and for this the following fundamental elements have been defined among others:

- To know directly from the clients the level of satisfaction of their interaction with the Bank.
- To know of the different officials that attend the needs of Financial Consumers directly to obtain an effective attention to the financial consumer.
- Detailed study of causes of complaints received from financial consumers, developing action plans for their mitigation.
- Continuous development of training plans for officials who have direct attention to financial consumers.
- Strengthen different channels of communication to reach the financial consumer with greater opportunity and effectiveness.

It is the purpose of the Bank to achieve high satisfaction indicators for our financial consumers and for this reason it is constantly developing actions that lead to meet the needs and expectations of our financial consumers and to mitigate the risks that may arise in contractual relations with them.

(Millions of Colombian Pesos (COP))

In compliance with the policies approved by the Board of Directors in accordance with the regulatory framework, SAC risks are adequately controlled as shown in the comparative chart as of December 31, 2016 and December 31, 2015:



December 31, 2016					December 31, 2015				
Risks				Controls	Risks				Controls
Low	Medium	High	Critical		Low	Medium	High	Critical	
456	163	6	0	1182	429	155	6	0	1021

9.2.5. Management System of the Operational Risk -

In 2016 a new strategic approach was developed and consolidated in the SARO Operational Risk management system covering the following three fundamental fronts:

1. Operational risks affecting the Bank's revenues and costs
2. Operational risks in operational and financial processes
3. Risks of fraud, information security and business continuity.

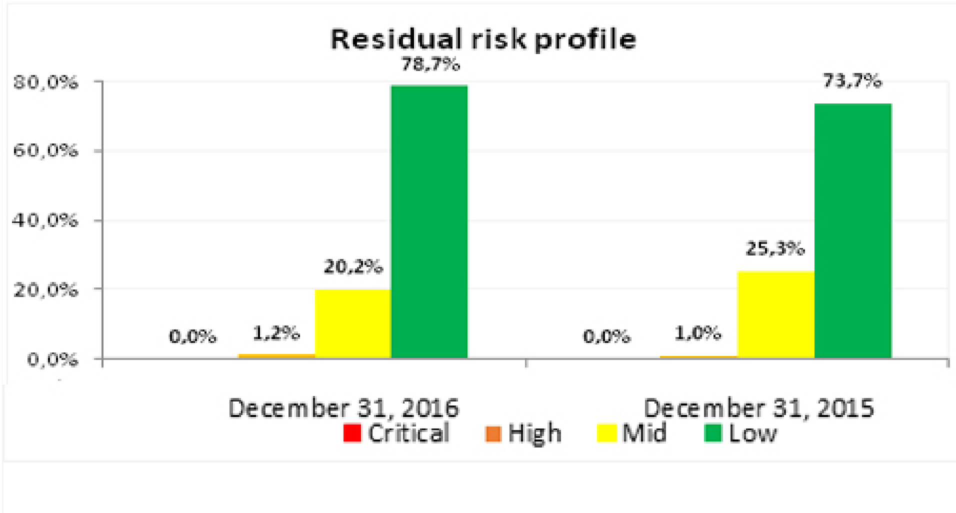
The first front has allowed identifying and mitigating those events and risks that due to operational failures or inconsistencies can affect the revenues and costs of the Bank in the different operations that are carried out.

The second front has made it possible to identify, strengthen, create new controls and restructure some processes to reduce the events that by operational failures generate economic losses to the Bank. Also on this front ensures compliance with policies approved by the Board of Directors in accordance with the regulatory framework established in C.E 041 of 2007 of the SFC.

The third front has allowed the development of different strategies to mitigate fraud events, ensure the integrity, confidentiality and availability of information and for processes of high criticality, to have business continuity plans.

(Millions of Colombian Pesos (COP))

This model of operational risk management has been able to support significantly the achievement of the Bank's objectives and also maintain an adequate control of operational risks, as seen in the SARO risk profile in comparative charts as of December 31, 2016 and as of 31 December 2015:



December 31, 2016						December 31, 2015					
Processes	Risks				Controls	Processes	Risks				Controls
	Low	Medium	High	Critical			Low	Medium	High	Critical	
131	1197	307	18	0	3905	134	1080	371	14	0	3657

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

The Bank and its Subsidiaries have adopted and implemented an Anti-Money Laundering and Terrorist Financing Control (ALD-CFT) Compliance Program, based on the premise of managing LA-FT risk events and their controls, which includes Its identification, measurement, control and monitoring, through the consolidation of information, implementation of a robust technological platform, use of data mining methodologies, customer knowledge and its financial operations, risk profile of the different factors of risk, design and implementation of mitigating controls, definition and management of risk segments and characteristics of customers, products, distribution channels and jurisdictions, generation of warning signals, analysis and monitoring of unusual transactions and reports of suspicious transactions to the competent authorities; with the purpose of avoiding being used to create the appearance of legality to assets arising from illicit activities and / or to finance terrorist activities, in accordance with the Basic Legal Circular (CE) 029 of 2014 issued by the Financial Superintendence of Colombia and íts subsequent updates, the AML-CFT compliance program is periodically evaluated by internal control bodies such as audit and fiscal review.

The application of the compliance program in 2016 makes it possible to determine that the evolution of consolidated risk of risk factors has remained stable during the year 2016 and within exposure thresholds categorized as low.

The ALD-CFT Compliance Program is supported by a culture and organizational structure, policies, controls and procedures that are known and applied by the entire organization and which include the entire Colombian regulatory framework, as well as international recommendations and best practices in this matter, especially those of the Financial Action Task Force "FATF" (GAFI).

The procedures and rules of conduct regarding the application of all control mechanisms and instruments are integrated in the Compliance Manual and the Code of Conduct which is known and accessible to all officials of the Bolivar Business Group entities. The Bank carries out periodic training programs aimed at its officials, third parties, allies, suppliers, among others, seeking to create awareness and commitment in each of them in the mitigation of money laundering offenses and / or financing of terrorism through the entities of the group.

In compliance with the established norms, the Board of Directors appointed a Compliance Officer and his deputy, who are properly named before the Financial Superintendence of Colombia.

The Bank and its Subsidiaries have adopted an organizational culture, policies, controls and procedures to comply with the guidelines established by the Foreign Account Tax Law (FATCA), for which purpose our Entities are duly registered with the IRS and have obtained the respective *Global Intermediary Identification Number* (GIIN), with which they certify their participation in said Law.

9.2.7. Management System for Environmental and Social Risk (SARAS)

The Environmental and Social Risk Management System SARAS allows the Bank to identify, classify, evaluate and control the environmental and social risks associated with projects and activities financed through loans granted to clients of the Corporate Credit, Business. Additionally it applies in the evaluation of the strategic suppliers of the Bank.

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

In accordance with established policies regarding amounts, terms and sensitive sectors, in 2016 SARAS evaluated 269 credit operations of the Corporate, Construction and Business segments for a total amount of 6 billion pesos. Likewise, this System has been given scope and accompaniment during the structuring and approval of the loans for Fourth Generation Infrastructure (4G) projects.

Commercial, operational and risk officers involved in the SARAS process receive awareness and training on the policies of the System in order to ensure its proper implementation.

Davivienda continues to participate in the Green Protocol Committee, performing the role of Chairman of this committee during 2016. The Green Protocol of the Financial Sector, Asobancaria and National Government initiative allows to promote the sustainable development of the country and to work for the environmental preservation and the sustainable use of natural resources, through the execution of strategies and tools of common benefit and the socialization of good practices for the management of environmental issues within linked financial entities.

9.2.8. Fraud Risk Management System (SARFRA)

The Risk of Fraud, classified as any illegal act whose characteristics may be deception, concealment or breach of trust and whose objective is the appropriation of money, goods, services and / or advantages or individual benefits[1], has been managed by Banco Davivienda through Fraud Risk Management System (SARFRA) in compliance with the regulatory framework of the Operational Risk Management (SARO) system.

The management carried out through SARFRA covers every stage of the fraud management cycle (prevention, detection, mitigation, analysis, government, investigation, prosecution and deterrence) generating controls, policies and reports of both management and expenditure materialized by fraud, To the budget projection defined by the Bank; These materialization expense reports are implicit in the Operational Risk management and are presented to the Fraud Risk Committee for decision making that protects the organization, its clients, shareholders and other stakeholders in seeking a balance between the level of fraud to prevent and impact on the customer and business.

[1] *Reference: [1]Document of investigation - the best anti-fraud practices - AMV*

For the year 2017, Banco Davivienda works on the implementation of a digital strategy that allows to counteract fraud in an efficient and timely manner for the safety of its clients and investors.

9.2.9. Security of the information

During the year 2016, the Bank, through the Department of Information Security Management, focused its efforts on fine-tuning policies, standards and security guidelines; On the other hand, technological and level process upgrades were made to increase capacity, detect and contain in a timely manner possible computer attacks, threats and vulnerabilities. Among the most outstanding projects there is the the implementation of the SIEM correlation and monitoring tool to generate alerts and timely treatment of possible incidents and / or violations of information security, improvement of the process of the user and identity management for access control to applications and sensitive information, information asset management through asset discovery and assurance, client-side protection controls through automated malware control tools and specialized intrusion testing to assess security posture and timely response before possible attacks and incidents.

At the process and regulatory level, procedures, policies and standards have been updated and adjusted according to the needs of the business, in order to mitigate the identified threats and risks for the protection of information assets. On the other hand, the Bank has developed periodic training programs aimed at its officials, third parties, allies, suppliers, among others, seeking to create awareness and commitment in each of them in the identification and mitigation of associated risks.

In terms of regulatory compliance, the Bank complies with the security requirements required by External Circular Letter 042 of October 17, 2012 of the Colombian Financial Superintendence and includes these requirements in the development of each of the projects from its stage of planning. Likewise, it has been working on the definition of the government, the program and implementation plan of the management program to comply with law 1581 on protection of personal data. Through the Information Security area, internal monitoring is carried out to identify the level of compliance and possible risks.

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The Bank continues to investigate market trends, new threats, tools and control mechanisms to mitigate risks and maintain acceptable levels of risk for the business, thus ensuring the delivery of products and services with high levels of quality and safety to our customers.

10. <u>Compensation of financial assets and liabilities</u>

An asset and a financial liability shall be the purpose of offsetting, so as to be disclosed in the statement of financial position at the present time, the legally enforceable right to offset the amounts recognized, and it is intended, in the normal course of business, the intention to settle the net amount.

In this context, the detail of the financial instruments subject to offset as of December 31, 2016 and December 31, 2015, as well as the impact of the offsetting of instruments subject to agreements related to credit risk mitigation (*Master Netting Agreements* and spinning collaterals), are presented as follows:

(Millions of Colombian Pesos (COP))

Assets — December 31, 2016

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Amounts not cleared in the statement of financial position: Impact of Master Netting Aggrements	Collateral in cash	Collaterals in debt securities	Net amount
Money Market Operations	67,876	-	67,876	-	-	44,670	23,206
Derivative financial instruments	238,447	-	238,447	175,718	10,572	-	52,157
Total Assets	**306,323**	**-**	**306,323**	**175,718**	**10,572**	**44,670**	**75,363**

Liabilities — December 31, 2016

	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the statement of financial position	Net amount of financial liabilities presented in the statement of financial position	Amounts not cleared in the statement of financial position: Impact of Master Netting Aggrements	Collateral in cash	Collaterals in debt securities	Net amount
Money Market Operations	1,608,208	-	1,608,208	-	-	1,675,706	(67,498)
Derivative financial instruments	246,106	-	246,106	175,718	3,931	-	66,457
Total Liabilities	**1,854,314**	**-**	**1,854,314**	**175,718**	**3,931**	**1,675,706**	**(1,041)**

Assets — December 31, 2015

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Amounts not cleared in the statement of financial position: Impact of Master Netting Aggrements	Collateral in cash	Collaterals in debt securities	Net amount
Money Market Operations	245,613	-	245,613	-	-	212,460	33,154
Derivative financial instruments	434,745	-	434,745	225,656	14,488	-	194,602
Total Assets	**680,359**	**-**	**680,359**	**225,656**	**14,488**	**212,460**	**227,755**

Liabilities — December 31, 2015

	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the statement of financial position	Net amount of financial liabilities presented in the statement of financial position	Amounts not cleared in the statement of financial position: Impact of Master Netting Aggrements	Collateral in cash	Collaterals in debt securities	Net amount
Money Market Operations	942,813	-	942,813	-	-	909,568	33,245
Derivative financial instruments	364,441	-	364,441	225,656	19,407	-	119,377
Total Liabilities	**1,307,253**	**-**	**1,307,253**	**225,656**	**19,407**	**909,568**	**152,622**

(Millions of Colombian Pesos (COP))

The "Impact of Master Netting Agreement" column details the amounts associated with netting agreements generally applicable in situations where credit risk events materialize. These amounts are not included in the statement of financial position because they do not meet the criterion of simultaneous liquidation of the asset and liability or because the rights of set-off are conditioned to the default of the counterparty. The collateral columns in cash and debt securities present the amounts received, delivered or pledged in relation to money market operations.

11. Balance sheet specific statement

11.1. Cash and cash equivalents

11.1.1. Details of the Available

Following are the details of the cash and cash equivalent:

	December 31, 2016	December 31, 2015
Legal currency		
Cash and balances with banks	3,739,520	3,071,229
Exchange and remittances in transit	38,951	21,820
	3,778,471	3,093,049
Foreign currency		
Cash and balances with banks	1,151,515	809,846
Exchange and remittances in transit	3,370	5,036
	1,154,885	814,882
	4,933,356	3,907,931

Cash and the Bank of the Republic balances in legal currency, are part of the required reserve purposes that the Bank must maintain on the deposits received from customers, according to the laws. These deposits do not have remuneration.

On deposits and requirements we had restricted deposits that are intended to support the customer withdrawals in regulatory compliance with the reserve as follows:

	December 31, 2016	December 31, 2015
Average reserve requirements	3,283,231	2,856,364
Average reserve available	3,324,556	2,883,521

Further in accordance with current regulations, the Miami Branch must maintain a cash reserve at the Federal Reserve Bank. The average amount was about USD$ 102 and USD$ 110 million for December 31, 2016 and 2015, respectively.

11.1.2. Creditworthiness

The details of the creditworthiness determined by independent risk ratting agents of major financial institutions in which the Bank holds cash, is shown below (not audited):

	December 31, 2016	December 31, 2015
Nation Guaranteed Republic Bank	2,406,159	1,797,399
Investment Grade	2,527,197	2,110,532
	4,933,356	3,907,931

(Millions of Colombian Pesos (COP))

11.2. Active positions in Money Market Operations

The following is a breakdown of the active money market operations and related:

December 31, 2016

	Amount in dollars	Rate	Date Initial	Date Final	Amount in pesos
Foreign currency					
Interbank	USD 25,320,917	0.76% -0.84%	8/14/2014	3/13/2017	75,981
Legal currency					
Simultaneous					
Others		6.00% - 7.55%	12/20/2016	1/6/2017	67,876
Interbank					
Banks/ Financial Corporations		7.35%	12/26/2016	1/2/2017	9,009
					152,866

December 31, 2015

	Amount in dollars	Rate	Date Initial	Date Final	Amount in pesos
Foreign currency					
Interbank	USD 19,200,000	0.05% - 0.51%	6/27/2012	3/21/2016	60,486
Legal currency					
Simultaneous					
Stock Exchange Brokerage Firms		5.75% - 7.00%	12/28/2015	1/6/2016	27,772
Others		2.50% - 6.05%	12/28/2015	1/19/2016	217,842
Interbank					
Banks/ Financial Corporations		5.86%	12/28/2015	1/5/2016	9,504
					315,604

The following is a breakdown of credit quality for money market operations:

	December 31, 2016	December 31, 2015
Investment Grade	152,866	315,604
	152,866	315,604

(Millions of Colombian Pesos (COP))

11.3. Investment Financial Instruments

11.3.1. Investment by classification, species and provisions

The classification of the financial investment instruments because if species and provisions is detailed as follows:

	December 31, 2016			December 31, 2015 (*)		
	Cost	Provision	Net	Cost	Provision	Net
Negotiables						
Equity Instruments	23,911	-	23,911	-	-	-
Private Debt Bonds	121,964	-	121,964	156,091	472	155,619
Public Debt securities Different to Treasury Securities (TES)	53,428	-	53,428	57,747	-	57,747
DCT	199,056	-	199,056	280,645	-	280,645
Sovereign debt of other nations	16,691	-	16,691	14,226	-	14,226
Collective Investment Funds, pensions and fiduciary charges	1,725,439	-	1,725,439	-	-	-
Mandatory investments	5,166	-	5,166	2,834	-	2,834
Credit Content Title	1,362	-	1,362	4,436	-	4,436
Mortgage bonds and Real Estate Securitizations	107,246	3,299	103,947	132,343	3,357	128,986
TES Bonds	1,884,770	-	1,884,770	1,776,781	-	1,776,781
	4,139,033	3,299	4,135,734	2,425,103	3,829	2,421,274
Available for sale						
Debt Bonds						
Private Debt Bonds	1,646	-	1,646	11,310	-	11,310
Mortgage Bonds and TIPS	174,122	307	173,815	175,689	575	175,114
TES Bonds	200,080	-	200,080	1,871,381	-	1,871,381
Equity Instruments	236,771	4,375	232,396	114,160	4,375	109,785
	612,619	4,682	607,937	2,172,540	4,950	2,167,590
To keep till its due date						
Mandatory investments	836,148	-	836,148	671,081	-	671,081
Mortgage bonds and Real Estate Securitizations	534,892	1,396	533,496	543,515	801	542,714
	1,371,040	1,396	1,369,644	1,214,596	801	1,213,795
	6,122,692	9,377	6,113,315	5,812,239	9,580	5,802,659

(*)TES securities presentation is updated for 645,941 for December 31, 2015 classified as negotiable to available for sale

The detail of provisions is as follows:

	December 31, 2016	December 31, 2015
By Issuer		
Foreign Banks	-	472
Corporate	4,375	4,373
Financial Institutions	-	2
Securitization	5,002	4,733
	9,377	9,580

(Millions of Colombian Pesos (COP))

11.3.2. Investments classified according to the risk and provision classifier

The detail of the classification of the financial investment instruments is presented according to the risk rating and provision:

	December 31, 2016			December 31, 2015		
	Cost	Partic. %	Provision	Cost	Partic. %	Provision
Long Term Qualification						
AAA	1,267,275	20.7%	-	1,169,094	20.1%	-
AA+	74,403	1.2%	-	177,904	3.1%	-
AA	31,403	0.5%	-	14,718	0.3%	-
AA-	43,614	0.7%	-	52,383	0.9%	-
A+	36,498	0.6%	-	40,172	0.7%	-
A	54,902	0.9%	-	91,671	1.6%	-
A-	42,373	0.7%	-	50,050	0.9%	-
BBB+	154,680	2.5%	-	126,632	2.2%	-
BBB	67,925	1.1%	-	78,596	1.4%	-
BBB-	23,120	0.4%	-	39,682	0.7%	516
BB+	5,527	0.1%	576	5,847	0.1%	692
BB	24,103	0.4%	3,059	17,638	0.3%	2,187
BB-	1,334	0.0%	139	1,625	0.0%	169
B+	883	0.0%	317	892	0.0%	326
B	3,036	0.0%	911	3,035	0.1%	910
B-	-	0.0%	-	1,334	0.0%	405
Equity Instruments	260,682	4.3%	4,375	114,160	2.0%	4,375
Nations (*)	2,154,969	35.2%	-	3,711,230	63.9%	-
Without qualification	1,725,439	28.2%	-	-	0.0%	-
Short Term Qualification						
1.	131,330	2.1%	-	96,028	1.7%	-
2.	19,196	0.3%	-	19,548	0.3%	-
	6,122,692	100.0%	9,377	5,812,239	100.0%	9,580

(*)They do not present qualification because they correspond to securities issued by the Colombian government and other nations, whose issuer will not have liquidity risk.

11.3.3. Investments by issuer

The detail of the issuer Classification is as follows:

	December 31, 2016		December 31, 2015	
	Cost	Provision	Cost	Provision
Foreign currency				
Foreign Banks	55,927	-	76,361	472
Corporate	40,119	-	31,103	-
Foreign Governments	16,691	-	-	-
National Government	40,692	-	45,788	-
Financial Institutions	6,248	-	10,905	-
Multilateral credit organisms	14,487	-	15,991	-
	174,164	-	180,148	472

(Millions of Colombian Pesos (COP))

	December 31, 2016		December 31, 2015	
	Cost	Provision	Cost	Provision
Legal currency				
Foreign Banks	-	-	30,676	-
Corporate	26,224	4,375	28,240	4,373
National Government	2,097,587	-	3,665,442	-
Financial Institutions	3,008,458	-	1,056,186	2
Securitization	816,259	5,002	851,547	4,733
	5,948,528	9,377	5,632,091	9,108
	6,122,692	9,377	5,812,239	9,580

11.3.4. Classification per currency

Following the financial instruments of the investments for each currency is shown:

	December 31, 2016	December 31, 2015
Pesos	5,637,694	3,507,186
Dollars	150,253	180,148
Canadian Dollars	23,911	-
UVR (*)	310,834	2,124,905
	6,122,692	5,812,239

(*) Real Value Unit

11.3.5. Classification by maturity of the Investment

The detail of the classification by maturity of the investments is presented (does not include equity instruments):

December 31, 2016

	From 0 to 1 years	From 1 to 5 years	From 5 to 10 years	More then 10 years	Total
Negotiables	2,723,315	1,094,368	150,130	147,309	4,115,122
Available for sale	146,708	18,789	126,588	83,763	375,848
To keep till its due date	836,148	9,383	346,285	179,224	1,371,040
	3,706,171	1,122,540	623,003	410,296	5,862,010

December 31, 2015

	From 0 to 1 years	From 1 to 5 years	From 5 to 10 years	More then 10 years	Total
Negotiables	659,151	1,287,567	251,067	227,318	2,425,103
Available for sale	480,025	1,286,811	207,780	83,764	2,058,380
To keep till its due date	671,081	-	333,869	209,646	1,214,596
	1,810,257	2,574,378	792,716	520,728	5,698,079

(Millions of Colombian Pesos (COP))

The following is a breakdown of credit quality for investments:

December 31, 2016

Creditworthiness	Fair Value - Debt Bonds	Fair Value - Equity Instruments	Amortized cost
Investment Grade	586,724	-	1,359,995
Issued and guaranteed by the Nation and/or the Central Bank	2,154,969	-	-
Speculation grade	23,838	-	11,045
Without a qualification or not available	1,725,439	260,682	-
	4,490,970	260,682	1,371,040

December 31, 2015

Creditworthiness	Fair Value - Debt Bonds	Fair Value - Equity Instruments	Amortized cost
Investment Grade	753,655	-	1,034,974
Issued and guaranteed by the Nation and/or the Central Bank	3,701,175	-	10,055
Speculation grade	28,653	-	1,719
Without a qualification or not available	-	114,160	167,848
	4,483,483	114,160	1,214,596

11.3.6. Provision (Impairment) of the investments

The detail of the provisions of the investments is as follows:

	December 31, 2016	December 31, 2015
Initial Balance	9,580	7,441
Plus:		
Provision	585	2,249
Minus:		
Reimbursement	(788)	(110)
Final balance	9,377	9,580

(Millions of Colombian Pesos (COP))

11.3.7. Investments in subsidiaries and associates

The detail of the investments in subsidiaries and associates is as follows:

December 31, 2016

Corporate Name	Country:	% Participation	Acquisition cost	MPP	Adjusted cost	Dividends
International Subsidiaries						
Banco Davivienda Panamá S.A.	Panama	100.0%	218,290	194,606	424,047	-
Banco Internacional Davivienda S.A.	Panama	100.0%	77,507	20,847	100,781	-
Grupo del Istmo Costa Rica S.A	Costa Rica	97.3%	553,872	218,330	829,930	-
Inversiones Financieras Davivienda S.A.	Salvador	96.1%	746,487	260,867	1,042,202	14,509
Banco Davivienda Honduras S.A.	Honduras	94.2%	229,889	99,114	361,976	-
Seguros Bolívar Honduras S.A.	Honduras	88.6%	68,895	14,832	80,444	6,544
			1,894,940	808,596	2,839,380	21,053
National Subsidiaries						
Corredores Davivivienda S.A.	Colombia	91.6%	123,269	8,271	133,565	6,675
Fiduciaria Davivienda S.A.	Colombia	94.7%	150,320	46,859	182,974	14,205
Sigma	Colombia	100.0%	475	688	1,163	-
			274,064	55,818	317,702	20,880
Associates						
Redeban Multicolor S.A.	Colombia	26.0%	18,816	-	18,816	-
Titularizadora Colombiana S.A.	Colombia	26.9%	28,741	-	40,643	3,854
			47,557	-	59,459	3,854
			2,216,561	864,414	3,216,541	45,787

December 31, 2015

Corporate Name	Country:	% Participation	Acquisition cost	MPP	Adjusted cost	Cash Dividends
International Subsidiaries						
Banco Davivienda Panamá S.A.	Panama	100.0%	218,290	148,990	378,430	-
Banco Internacional Davivienda S.A.	Panama	100.0%	19,268	10,858	32,554	-
Grupo del Istmo Costa Rica S.A	Costa Rica	100.0%	553,872	216,947	828,547	-
Inversiones Financieras Davivienda S.A.	Salvador	96.1%	746,487	222,882	1,004,217	-
Banco Davivienda Honduras S.A.	Honduras	94.2%	238,411	82,665	345,527	-
Seguros Bolívar Honduras S.A.	Honduras	88.6%	60,373	4,662	75,337	5,382
			1,836,701	687,004	2,664,612	5,382
National Subsidiaries						
Corredores Davivivienda S.A.	Colombia	91.6%	123,269	3,559	133,863	-
Fiduciaria Davivienda S.A.	Colombia	94.7%	117,174	15,427	132,602	18,561
			240,443	18,986	266,465	18,561
Associates						
Multiactivos (*)	Colombia	21.1%	4,319	-	4,319	-
Redeban Multicolor S.A.	Colombia	26.0%	18,816	-	18,816	506
Titularizadora Colombiana S.A.	Colombia	26.9%	28,741	-	40,644	3,262
			51,876	-	63,779	3,768
			2,129,020	705,990	2,994,856	27,711

* In this company the bank has 2,548,940 shares and filed for grounds for liquidation as of December 29, 2015

(Millions of Colombian Pesos (COP))

The value of the assets, liabilities and equity homogenates are the calculating basis for the method of equity participation is as follows (Audited figures):

December 31, 2016

	Participation	Total assets	Total Liabilities	Total equity	(Profits /Loss)
Fidudavivienda S.A	94.7%	209,414	16,203	193,211	35,007
Corredores Davivienda S.A	91.6%	219,294	153,571	65,723	7,115
Sigma	100.0%	1,714	551	1,163	667
Banco Davivienda Panamá General Lic	100.0%	3,816,913	3,392,538	424,375	22,932
Banco Davivienda Panamá International Lic	100.0%	466,694	370,014	96,680	9,041
Grupo del Istmo S.A	97.3%	8,004,089	7,284,415	719,674	54,834
Inversiones Financieras Davivienda S.A.	96.1%	6,909,906	6,050,781	859,125	77,302
Banco Honduras Davivienda S.A	94.2%	3,053,395	2,719,550	333,845	44,024
Seguros Honduras S.A	88.6%	237,932	156,794	81,137	19,832
		22,919,351	20,144,417	2,774,933	270,754

December 31, 2015

	% Participation	Total assets	Total Liabilities	Total equity	(Profits /Loss)
Fiduciaria Davivienda S.A	94.7%	156	18	139	26,191
Corredores Davivienda S.A	91.6%	102	36	66	3,888
Banco Davivienda Panamá General Lic	100.0%	4,241,303	3,827,082	414,221	25,623
Banco Davivienda Panamá International Lic	100.0%	372,410	343,588	28,823	(7,011)
Grupo del Istmo S.A	100.0%	6,940,620	6,313,714	626,905	68,665
Inversiones Financieras Davivienda S.A.	96.1%	898,831	79,333	819,498	79,278
Banco Honduras Davivienda S.A	94.2%	3,388,432	3,072,046	316,386	44,380
Seguros Honduras S.A	88.6%	237,434	162,059	75,376	10,764
Total Investments in subsidiaries		16,079,288	13,797,876	2,281,414	251,778

The following is the movement in the investments in associates:

	(*) December 31, 2016	(**) December 31, 2015
Balance at the beginning of the period	63,779	63,779
Discharge (Liquidation of Multiactivos)	(4,320)	-
Balance at the end of the period	59,459	63,779

* The dividends received by December 31, 2016 are $3,854 in cash and 1,477 in shares.
** The dividends received by December 31, 2015 are $3,769

(Millions of Colombian Pesos (COP))

11.3.8. Joint operations

The summary of shares in joint operations corresponding to participation in retail business is as follows:

	December 31, 2016			December 31, 2015		
	Assets	Liabilities	% Participation	Assets	Liabilities	% Participation
Credit portfolio	48,043	-	50%	23,094	-	50%
Interests	923	-	0%	305	-	0%
Other charges applicable	366	-	0%	144	-	0%
	49,332	-	50%	23,543	-	50%

Holdings in joint operations assets include:

	December 31, 2016	December 31, 2015
In Colombian pesos		
Credit portfolio	48,043	23,094
Interests	923	305
Other charges applicable	366	144
Total assets	49,332	23,543

Holdings in joint operations do not include balances in liabilities.

The following is the movement of the joint operations:

	December 31, 2016	December 31, 2015
Balance at the beginning of the period	25,186	1,643
Growth in loan portfolio, interests and other charges	24,146	23,543
Balance at the end of the period	49,332	25,186

11.4. Derivatives

The following is the summary of the derivatives held by the Bank:

December 31, 2016

Product	Assets		Liabilities		Total
	National Amount	Fair Value	National Amount	Fair Value	
Cash transactions	-	59	-	64	(5)
Options Contracts	1,028,733	22,561	977,428	22,395	166
Future Contracts	2,107,664	-	2,107,664	-	-
Swap contracts	14,940,972	122,729	16,815,093	125,199	(2,470)
Forward Contracts	5,132,418	93,157	6,033,350	98,512	(5,355)
	23,209,787	238,506	25,933,535	246,170	(7,664)

December 31, 2015

Product	Assets		Liabilities		Total
	National Amount	Fair Value	National Amount	Fair Value	
Cash transactions	-	204	-	10	194
Options Contracts	625,485	12,267	638,398	16,194	(3,927)
Future Contracts	97,349	-	97,349	-	-
Swap contracts	11,515,516	108,782	10,168,908	89,953	18,829
Forward Contracts	10,387,031	313,697	8,705,750	258,294	55,403
	22,625,381	434,950	19,610,405	364,451	70,499

(Millions of Colombian Pesos (COP))

The result of derivative speculations is as follows:

December 31, 2016

		Forward	Future	Swaps	Options	Total
Currency purchase	Rights	5,247,922	1,126,154	104,717	-	6,478,793
	Obligation	5,310,369	1,126,154	105,269	-	6,541,792
Sells on currencies	Rights	5,735,773	931,422	89,821	-	6,757,016
	Obligation	5,678,315	931,422	90,384	-	6,700,121
Purchase over bonds	Rights	26,311	116,884	-	-	143,195
	Obligation	25,675	116,884	-	-	142,559
Sells on bonds	Rights	201,169	328,754	-	-	529,923
	Obligation	202,171	328,754	-	-	530,925
On interest rates	Rights	-	-	3,028,581	-	3,028,581
	Obligation	-	-	3,029,936	-	3,029,936
Call Options	Purchase	-	-	-	1,418	1,418
	Sell	-	-	-	(20,208)	(20,208)
Put Options	Purchase	-	-	-	21,143	21,143
	Sell	-	-	-	(2,187)	(2,187)
Total rights		11,211,175	2,503,214	3,223,119	-	16,937,508
Total obligations		11,216,530	2,503,214	3,225,589	-	16,945,333
Total Net		(5,355)	-	(2,470)	166	(7,659)

December 31, 2015

		Forward	Future	Swaps	Options	Total
Currency purchase	Rights	8,133,793	992,858	30,123	-	9,156,774
	Obligation	7,736,154	992,858	30,060	-	8,759,072
Sells on currencies	Rights	6,972,211	1,457,361	-	-	8,429,572
	Obligation	7,313,173	1,457,361	-	-	8,770,534
Purchase over bonds	Rights	24,063	83,490	-	-	107,553
	Obligation	24,020	83,490	-	-	107,510
Sells on bonds	Rights	164,195	4,893	-	-	169,088
	Obligation	165,512	4,893	-	-	170,405
On interest rates	Rights	-	-	23,263,918	-	23,263,918
	Obligation	-	-	23,245,152	-	23,245,152
Call Options	Purchase	-	-	-	1,968	1,968
	Sell	-	-	-	(15,374)	(15,374)
Put Options	Purchase	-	-	-	10,299	10,299
	Sell	-	-	-	(820)	(820)
Total rights		15,294,262	2,538,602	23,294,041	-	41,126,905
Total obligations		15,238,859	2,538,602	23,275,212	-	41,052,673
Total Net		55,403	-	18,829	(3,927)	70,305

(Millions of Colombian Pesos (COP))

The following is a breakdown of the maturity periods of assets and liabilities:

December 31, 2016

	Less than a year	From 1 to 5 years	From 5 to 10 years	More then 10 years	Total
Cash transactions	(5)	-	-	-	(5)
Options Contracts	166	-	-	-	166
Swap contracts	5,427	(3,512)	(4,381)	(4)	(2,470)
Forward Contracts	(11,285)	5,930	-	-	(5,355)
	(5,697)	2,418	(4,381)	(4)	(7,664)

December 31, 2015

	Less than a year	From 1 to 5 years	From 5 to 10 years	More then 10 years	Total
Cash transactions	194	-	-	-	194
Options Contracts	(3,927)	-	-	-	(3,927)
Swap contracts	1,244	16,150	1,752	(317)	18,829
Forward Contracts	55,415	(12)	-	-	55,403
	52,926	16,138	1,752	(317)	70,499

Credit worthiness of the derivatives

Below is a detail of the credit quality of the derivatives portfolio, based on the rating assigned by independent risk rating agents, to the counterparties with which we have entered into derivative contracts:

December 31, 2016

Creditworthiness	Options Contracts	Swap contracts	Forward Contracts
Investment Grade	22,241	122,053	54,471
Without a qualification or not available	320	677	38,685
	22,561	122,730	93,156

December 31, 2015

Creditworthiness	Options Contracts	Swap contracts	Forward Contracts
Investment Grade	10,579	108,782	240,199
Without a qualification or not available	1,688	-	73,498
	12,267	108,782	313,697

(Millions of Colombian Pesos (COP))

11.5. Credit portfolio

11.5.1. Loan portfolio and financial leasing by type

The loan portfolio and financial leasing by type is detailed as follows:

	December 31, 2016	December 31, 2015
Commercial portfolio		
Corporate and builders	18,934,248	17,495,878
Other commercial lines	6,726,280	5,826,416
Financial Leasing	1,838,313	384,482
Credit Cards	372,107	350,942
Vehicles	717,023	590,284
Checking account overdrafts	130,594	138,561
	28,718,565	24,786,563
Housing portfolio (1):		
Housing portfolio	6,365,128	5,463,485
Housing leasing	6,250,861	5,351,760
	12,615,989	10,815,245
Consumer Portfolio:		
Credit Cards	3,592,248	2,909,577
Other consumer lines	9,614,870	8,362,637
Vehicles	1,935,951	1,460,496
Checking account overdrafts	34,355	33,014
Financial Leasing	20,846	12,283
	15,198,270	12,778,007
Microcredit portfolio		
Financial Leasing	867	1,029
Microcredit	116,955	107,492
	117,822	108,521
Gross Portfolio	56,650,646	48,488,336
Minus individual provision (impairment)	(2,230,345)	(1,928,514)
Minus general provision	(127,702)	(109,550)
Total Net Portfolio	54,292,599	46,450,272

(1) Includes Employee Portfolio $194,212 by December 31, 2016 and $180,574 by December 31, 2015

11.5.2. Social Interest Housing

The Bank placed resources by $ 2,046,485, which correspond to individual credits for $ 1,085,311 and builder for $ 961,175 on December 31, 2016, and $ 2,194,661, corresponding to individual loans for $ 1,059,383 and constructor $ 1,135,278 for December 31, 2015.

(Millions of Colombian Pesos (COP))

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

	December 31, 2016		December 31, 2015	
	Number of Obligations	Value	Number of Obligations	Value
Individuals	148,041	4,308,724	128,359	3,586,088
Builders	197	667,669	205	865,983
Leasing	323	6,274	439	8,022
	148,561	4,982,667	129,003	4,460,093

11.5.3. Portfolio with subsidized rate

The balances of the portfolio for subsidized rate are as follows:

December 31, 2016

Decree	Value of the Property in SMMLV	Coverage Rate%	Amount of credits	Amount Disbursed	Capital Balance
1143/2009	Vis till135	5.0%	26,763	765,641	548,804
	>135 up to 235	4.0%	4,013	246,288	157,725
	>235 up to 335	3.0%	2,730	239,312	145,391
			33,506	1,251,241	851,920
1190/2012	Vis till 70	5.0%	13,624	307,877	289,394
	>70 up to 135	4.0%	40,446	1,726,329	1,608,557
			54,070	2,034,206	1,897,951
0701/2013	>135 SMMLV up to 235 SMMLV >235 SMMLV up to 235 SMMLV	2.5%	8,164	759,580	636,103
2480/2014 161/2014	0 SMMLV up to 70 SMMLV	5.0%	12,838	296,105	295,399
428/2015	>70 SMMLV up to 135 SMMLV	4.0%	2,300	114,178	112,719
2500/2015	>136 SMMLV up to 235 SMMLV >235 SMMLV up to 335 SMMLV	2.5%	4,438	466,718	456,188
			115,316	4,922,028	4,250,280

December 31, 2015

Decree	Value of the Property in SMMLV	Coverage Rate%	Amount of credits	Amount Disbursed	Capital Balance
1143/2009	Vis till135	5.0%	29,174	838,127	639,078
	>135 up to 235	4.0%	4,557	279,205	194,364
	>235 up to 335	3.0%	3,145	274,761	183,757
			36,876	1,392,093	1,017,199
1190/2012	Vis till 70	5.0%	12,139	270,826	258,495
	>70 up to 135	4.0%	33,103	1,379,183	1,311,841
			45,242	1,650,009	1,570,336
0701/2013	>135 SMMLV up to 235 SMMLV >235 SMMLV up to 235 SMMLV	2.5%	8,805	818,204	729,392
2480/2014 161/2014	0-70 SMMLV	5.0%	2,835	63,340	63,571
			93,758	3,923,646	3,380,498

(Millions of Colombian Pesos (COP))

11.5.4. Loan portfolio and financial leasing by risk rating

The loan portfolio by risk rating is as follows:

December 31, 2016

						Provisions		
Clasification	Capital	Interests	Others	Total	Acceptable Guarantee	Capital	Interests	Others
Commercial								
A - Normal	24,937,442	277,301	8,777	25,223,520	20,837,776	(388,529)	(4,935)	(418)
B - Acceptable	1,118,374	23,669	792	1,142,835	900,276	(105,554)	(2,428)	(197)
C - Appreciable	321,986	6,571	551	329,108	374,428	(53,053)	(5,131)	(498)
D - Significant	399,449	14,686	2,094	416,229	472,378	(228,134)	(14,686)	(2,094)
E - Unrecoverable	103,001	1,900	412	105,313	173,545	(89,344)	(1,900)	(412)
	26,880,252	324,127	12,626	27,217,005	22,758,403	(864,614)	(29,080)	(3,619)
Consumption								
A - Normal	13,773,622	129,239	36,300	13,939,161	3,551,388	(414,382)	(4,934)	(1,450)
B - Acceptable	464,896	10,170	1,920	476,986	103,591	(58,338)	(2,182)	(560)
C - Appreciable	345,066	6,364	1,281	352,711	104,560	(66,839)	(5,908)	(1,201)
D - Significant	365,675	9,308	1,929	376,912	76,458	(318,361)	(9,308)	(1,929)
E - Unrecoverable	228,165	4,383	2,148	234,696	111,309	(218,986)	(4,383)	(2,148)
	15,177,424	159,464	43,578	15,380,466	3,947,306	(1,076,906)	(26,715)	(7,288)
Housing								
A - Normal	6,064,056	28,188	8,332	6,100,576	14,310,282	(60,184)	(1,863)	(1,282)
B - Acceptable	175,829	589	1,129	177,547	458,654	(7,099)	(589)	(1,129)
C - Appreciable	86,013	330	1,073	87,416	222,544	(8,651)	(330)	(1,073)
D - Significant	21,438	79	490	22,007	57,281	(6,438)	(79)	(490)
E - Unrecoverable	17,792	103	742	18,637	48,443	(17,792)	(103)	(742)
	6,365,128	29,289	11,766	6,406,183	15,097,204	(100,164)	(2,964)	(4,716)
General Provision (Housing Impairment)	-	-	-	-	-	(63,850)	-	-
	6,365,128	29,289	11,766	6,406,183	15,097,204	(164,014)	(2,964)	(4,716)
Microcredit								
A - Normal	105,740	1,093	405	107,238	154,993	(4,335)	(99)	(59)
B - Acceptable	3,184	20	29	3,233	4,587	(689)	(20)	(29)
C - Appreciable	2,102	15	26	2,143	2,685	(915)	(15)	(26)
D - Significant	1,447	10	20	1,477	1,796	(1,447)	(10)	(20)
E - Unrecoverable	4,482	51	124	4,657	5,854	(4,482)	(51)	(124)
	116,955	1,189	604	118,748	169,915	(11,868)	(195)	(258)
General Provision (Microcredit impairment)	-	-	-	-	-	(1,170)	-	-
	116,955	1,189	604	118,748	169,915	(13,038)	(195)	(258)
Portfolio (*)	48,539,759	514,069	68,574	49,122,402	41,972,828	(2,118,572)	(58,954)	(15,881)

* Does not include Leasing Portfolio

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December 31, 2015

Clasification	Capital	Interests	Others	Total	Acceptable Guarantee	Provisions Capital	Provisions Interests	Provisions Others
Commercial								
A - Normal	23,080,361	183,548	7,607	23,271,516	18,122,585	(366,236)	(3,451)	(357)
B - Acceptable	694,835	7,526	632	702,993	425,653	(122,608)	(761)	(128)
C - Appreciable	274,842	4,492	373	279,707	214,202	(109,309)	(3,068)	(320)
D - Significant	230,686	9,670	2,130	242,486	323,476	(185,267)	(9,670)	(2,130)
E - Unrecoverable	121,357	1,894	307	123,558	187,344	(115,082)	(1,894)	(307)
	24,402,081	207,130	11,049	24,620,260	19,273,260	(898,502)	(18,844)	(3,242)
Consumption								
A - Normal	11,671,753	101,217	29,440	11,802,410	3,103,402	(348,306)	(3,846)	(1,385)
B - Acceptable	374,663	7,372	1,738	383,773	94,191	(46,697)	(1,573)	(617)
C - Appreciable	271,725	4,418	1,147	277,290	84,415	(52,881)	(4,089)	(1,086)
D - Significant	264,852	6,444	1,556	272,852	44,208	(230,220)	(6,444)	(1,556)
E - Unrecoverable	182,731	3,330	1,594	187,655	77,357	(173,133)	(3,330)	(1,594)
	12,765,724	122,781	35,475	12,923,980	3,403,573	(851,237)	(19,282)	(6,238)
Housing								
A - Normal	5,249,104	22,005	7,886	5,278,995	12,687,040	(53,341)	(1,596)	(1,213)
B - Acceptable	132,282	378	853	133,513	435,598	(5,360)	(378)	(853)
C - Appreciable	55,795	184	735	56,714	150,020	(5,720)	(184)	(735)
D - Significant	16,849	77	409	17,335	44,883	(5,195)	(77)	(409)
E - Unrecoverable	9,455	48	428	9,931	24,787	(9,455)	(48)	(428)
	5,463,485	22,692	10,311	5,496,488	13,342,328	(79,071)	(2,283)	(3,638)
General Provision (Housing Impairment)	-	-	-	-	-	(54,947)	-	-
	5,463,485	22,692	10,311	5,496,488	13,342,328	(134,018)	(2,283)	(3,638)
Microcredit								
A - Normal	100,686	976	392	102,054	146,305	(4,128)	(40)	(16)
B - Acceptable	2,424	16	21	2,461	3,688	(463)	(16)	(21)
C - Appreciable	1,120	7	11	1,138	1,530	(415)	(7)	(11)
D - Significant	772	5	16	793	1,469	(771)	(5)	(16)
E - Unrecoverable	2,490	26	75	2,591	3,057	(2,490)	(26)	(75)
	107,492	1,030	515	109,037	156,049	(8,267)	(94)	(139)
General Provision (Microcredit Impairment)	-	-	-	-	-	(1,075)	-	-
	107,492	1,030	515	109,037	156,049	(9,342)	(94)	(139)
Portfolio (*)	42,738,782	353,633	57,350	43,149,765	36,175,210	(1,893,099)	(40,503)	(13,257)

* Does not include Leasing Portfolio

(Millions of Colombian Pesos (COP))

The financial leasing is presented by risk rating, as follows:

December 31, 2016

Classification	Capital	Interests	Others	Total	Acceptable Guarantee	Provisions Capital	Provisions Interests	Provisions Others
Commercial Leasing								
A - Normal	1,674,422	13,181	2,417	1,690,020	2,852,295	(36,116)	(634)	(274)
B - Acceptable	63,377	1,040	330	64,747	107,247	(2,614)	(95)	(89)
C - Appreciable	33,281	597	230	34,108	47,009	(5,388)	(495)	(198)
D - Significant	43,750	1,798	1,031	46,579	92,145	(20,159)	(1,798)	(1,031)
E - Unrecoverable	23,483	955	3,619	28,057	76,287	(18,088)	(955)	(3,619)
	1,838,313	17,571	7,627	1,863,511	3,174,983	(82,365)	(3,977)	(5,211)
Consumer Leasing								
A - Normal	18,765	186	48	18,999	11,583	(545)	(7)	(3)
B - Acceptable	355	7	9	371	364	(43)	(1)	(6)
C - Appreciable	466	4	8	478	254	(133)	(3)	(8)
D - Significant	469	15	9	493	213	(397)	(15)	(9)
E - Unrecoverable	791	18	278	1,087	1,093	(788)	(18)	(278)
	20,846	230	352	21,428	13,507	(1,906)	(44)	(304)
Housing Leasing								
A - Normal	6,047,812	27,312	7,137	6,082,261	13,777,702	(61,779)	(1,415)	(796)
B - Acceptable	126,334	609	578	127,521	253,760	(5,063)	(609)	(578)
C - Appreciable	45,076	266	483	45,825	89,130	(4,635)	(266)	(483)
D - Significant	15,213	91	320	15,624	29,588	(4,564)	(91)	(320)
E - Unrecoverable	16,426	202	1,239	17,867	34,982	(16,426)	(202)	(1,239)
	6,250,861	28,480	9,757	6,289,098	14,185,162	(92,467)	(2,583)	(3,416)
General Provision (Housing impairment)	-	-	-	-	-	(62,674)	-	-
	6,250,861	28,480	9,757	6,289,098	14,185,162	(155,141)	(2,583)	(3,416)
Microcredit Leasing								
A - Normal	849	7	3	859	-	(35)	(2)	(2)
E - Unrecoverable	18	-	1	19	-	(18)	-	(1)
	867	7	4	878	-	(53)	(2)	(3)
General Provision (Microcredit impairment)	-	-	-	-	-	(9)	-	-
	867	7	4	878	-	(62)	(2)	(3)
Financial Leasing	8,110,887	46,288	17,740	8,174,915	17,373,652	(239,474)	(6,606)	(8,934)

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Classification	Capital	Interests	Others	Total	Guarantee Admissible	Capital	Interests	Others
Commercial Leasing								
A - Normal	344,375	1,563	116	346,054	538,161	(5,688)	(37)	(6)
B - Acceptable	12,732	164	8	12,904	27,838	(509)	(7)	(1)
C - Appreciable	23,743	241	7	23,991	25,978	(11,030)	(165)	(7)
D - Significant	2,852	50	36	2,938	2,483	(1,801)	(50)	(36)
E - Unrecoverable	780	1	9	790	1,495	(635)	(1)	(9)
	384,482	2,019	176	386,677	595,955	(19,663)	(260)	(59)
Consumer Leasing								
A - Normal	11,339	77	19	11,435	501	(305)	(2)	(2)
B - Acceptable	319	2	2	323	-	(39)	-	(1)
C - Appreciable	257	3	4	264	-	(69)	(2)	(4)
D - Significant	68	-	-	68	-	(62)	-	-
E - Unrecoverable	300	7	18	325	-	(303)	(7)	(18)
	12,283	89	43	12,415	501	(778)	(11)	(25)
Housing Leasing								
A - Normal	5,231,361	21,322	6,198	5,258,881	11,756,484	(52,460)	(1,113)	(570)
B - Acceptable	78,646	367	383	79,396	164,594	(3,609)	(367)	(383)
C - Appreciable	23,722	178	227	24,127	46,639	(2,683)	(178)	(227)
D - Significant	8,359	65	251	8,675	19,519	(2,508)	(65)	(251)
E - Unrecoverable	9,672	144	953	10,769	22,271	(9,672)	(144)	(953)
	5,351,760	22,076	8,012	5,381,848	12,009,507	(70,932)	(1,867)	(2,384)
General Provision (Housing Impairment)	-	-	-	-	-	(53,518)	-	-
	5,351,760	22,076	8,012	5,381,848	12,009,507	(124,450)	(1,867)	(2,384)
Microcredit Leasing								
A - Normal	1,008	7	3	1,018	104	(41)	-	-
B - Acceptable	21	-	1	22	-	(21)	-	(1)
	1,029	7	4	1,040	104	(62)	-	(1)
General Provision (Microcredit Impairment)	-	-	-	-	-	(10)	-	-
	1,029	7	4	1,040	104	(72)	-	(1)
Financial Leasing	5,749,554	24,191	8,235	5,781,980	12,606,067	(144,963)	(2,138)	(2,469)

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11.5.5. Loan portfolio and financial leasing by economic sector

The loan portfolio and financial leasing by economic sector is detailed as follows:

December 31, 2016

Sector	Commercial	Consumption	Housing	Financial Leasing	Microcredit	Total	% Particip.
Agriculture, forestry and fishing	1,579,490	-	-	85,052	1,945	1,666,487	2.94%
Mining and quarrying	442,632	-	-	17,309	-	459,941	0.81%
Manufacturing Industries	4,171,857	-	-	312,159	2,406	4,486,422	7.92%
Electricity, gas, steam and air conditioning	2,379,391	-	-	3,585	39	2,383,015	4.21%
Water supply; sewage disposal, waste management and decontamination	63,331	-	-	9,188	163	72,682	0.13%
Building	5,372,994	-	-	113,897	552	5,487,443	9.69%
Wholesale and Retail; repair of motor vehicles and motorcycles	4,017,174	-	-	331,938	6,275	4,355,387	7.69%
Transport and storage	2,627,275	-	-	328,967	86,173	3,042,415	5.37%
Accommodation and food service activities	161,137	-	-	40,746	405	202,288	0.36%
Information and communication	971,575	-	-	29,034	237	1,000,846	1.77%
Financial and insurance activities	1,508,702	-	-	11,236	117	1,520,055	2.68%
Real estate	933,154	-	-	139,143	85	1,072,382	1.89%
Professional, scientific and technical activities	540,220	-	-	100,971	4,183	645,374	1.14%
Administrative and support services activities	338,404	-	-	79,466	1,034	418,904	0.74%
Public administration and defense; compulsory social security plans	482,374	-	-	643	22	483,039	0.85%
Education	192,491	-	-	36,626	184	229,301	0.40%
Human health care and social assistance activities	447,842	-	-	57,252	141	505,235	0.89%
Artistic, entertainment and recreation activities	150,196	-	-	3,260	-	153,456	0.27%
Other service activities	75,330	-	-	7,446	87	82,863	0.15%
Household activities as employers; Undifferentiated household activities as producers of goods and services for their own use	7,717	-	-	2,517	-	10,234	0.02%
Employees	239,191	15,177,424	6,365,128	6,371,426	11,843	28,165,012	49.72%
Capital rentiers only for individuals:	177,775	-	-	29,026	1,064	207,865	0.37%
	26,880,252	15,177,424	6,365,128	8,110,887	116,955	56,650,646	100.00%

(Millions of Colombian Pesos (COP))

December 31, 2015

Sector	Commercial	Consumption	Housing	Financial Leasing	Microcredit	Total	% Particip.
Agriculture, forestry and fishing	1,516,248	-	-	3,465	1,632	1,521,345	3.14%
Mining and quarrying	576,620	-	-	604	-	577,224	1.19%
Manufacturing Industries	3,709,310	-	-	64,046	2,141	3,775,497	7.79%
Electricity, gas, steam and air conditioning	1,829,380	-	-	3,373	60	1,832,813	3.78%
Water supply; sewage disposal, waste management and decontamination	50,071	-	-	2,572	187	52,830	0.11%
Building	5,092,137	-	-	28,773	535	5,121,445	10.56%
Wholesale and Retail; repair of motor vehicles and motorcycles	3,569,297	-	-	51,795	6,284	3,627,376	7.48%
Transport and storage	2,419,505	-	-	53,082	55,421	2,528,008	5.21%
Accommodation and food service activities	195,250	-	-	1,446	1,095	197,791	0.41%
Information and communication	579,551	-	-	8,942	491	588,984	1.21%
Financial and insurance activities	1,406,332	-	-	868	422	1,407,622	2.90%
Real estate	530,175	-	-	65,530	177	595,882	1.23%
Professional, scientific and technical activities	779,417	-	-	20,656	2,134	802,207	1.65%
Administrative and support services activities	627,523	-	-	18,690	7,591	653,804	1.35%
Public administration and defense; compulsory social security plans	476,294	-	-	419	126	476,839	0.98%
Education	202,054	-	-	3,453	583	206,090	0.43%
Human health care and social assistance activities	356,542	-	-	20,972	74	377,588	0.78%
Artistic, entertainment and recreation activities	54,025	-	-	612	182	54,819	0.11%
Other service activities	75,677	-	-	1,734	226	77,637	0.16%
Household activities as employers; Undifferentiated household activities as producers of goods and services for their own use	6,390	-	-	845	514	7,749	0.02%
Activities of extraterritorial organizations and bodies	-	-	-	-	125	125	0.00%
Employees	166,814	12,765,724	5,463,485	5,390,969	19,727	23,806,719	49.10%
Capital rentiers only for individuals:	183,469	-	-	6,708	7,765	197,942	0.41%
	24,402,081	12,765,724	5,463,485	5,749,554	107,492	48,488,336	100.00%

(Millions of Colombian Pesos (COP))

11.5.6. Loan portfolio and financial leasing by type geographical area

The loan portfolio by geographic area is as follows:

	December 31, 2016	December 31, 2015
Commercial portfolio		
Bogotá	12,609,916	11,682,926
Antioquia	5,733,200	5,265,173
Northeast	4,447,289	3,736,545
Southwest	3,186,861	2,725,400
Total Colombia	25,977,266	23,410,044
Foreign (Miami)	902,986	992,037
	26,880,252	24,402,081
Consumer Portfolio:		
Bogotá	7,072,124	5,967,466
Antioquia	2,757,468	2,308,746
Northeast	3,263,352	2,742,461
Southwest	2,082,820	1,745,355
Total Colombia	15,175,764	12,764,028
Foreign (Miami)	1,660	1,696
	15,177,424	12,765,724
Microcredit		
Bogotá	92,814	107,060
Antioquia	11,348	432
Northeast	12,793	-
Total Colombia	116,955	107,492
	116,955	107,492
Housing portfolio		
Bogotá	4,170,269	3,742,362
Antioquia	688,941	551,440
Northeast	913,533	661,643
Southwest	592,385	508,040
Total Colombia	6,365,128	5,463,485
	6,365,128	5,463,485
	48,539,759	42,738,782

(Millions of Colombian Pesos (COP))

Following the financial leasing is presented by geographic area:

	December 31, 2016	December 31, 2015
Commercial Leasing		
Bogotá	1,228,173	259,107
Antioquia	289,743	41,331
Northeast	191,370	56,642
Southwest	129,027	27,402
Total Colombia	1,838,313	384,482
	1,838,313	384,482
Consumer Leasing		
Bogotá	17,663	12,283
Antioquia	1,784	-
Northeast	758	-
Southwest	641	-
Total Colombia	20,846	12,283
	20,846	12,283
Microcredit Leasing		
Bogotá	765	1,029
Antioquia	102	-
Total Colombia	867	1,029
	867	1,029
Housing Leasing		
Bogotá	2,949,683	2,512,453
Antioquia	1,377,559	1,182,564
Northeast	1,200,764	1,024,051
Southwest	722,855	632,692
Total Colombia	6,250,861	5,351,760
	6,250,861	5,351,760
	8,110,887	5,749,554

(Millions of Colombian Pesos (COP))

11.5.7. Loan portfolio and financial leasing by currency

The loan portfolio and financial leasing by monetary unit is detailed as follows:

December 31, 2016

Concept	Legal currency	Foreign currency	UVR	Total
Commercial	19,450,999	4,929,538	2,499,715	26,880,252
Microcredit	116,955	-	-	116,955
Consumption	15,088,069	89,355	-	15,177,424
Housing (1):	4,634,679	-	1,730,449	6,365,128
Financial Leasing (1)	7,608,327	-	502,560	8,110,887
	46,899,029	5,018,893	4,732,724	56,650,646

(1) It includes employee portfolio.

December 31, 2015

Concept	Legal currency	Foreign currency	UVR	Total
Commercial	17,044,824	5,111,574	2,245,683	24,402,081
Microcredit	107,492	-	-	107,492
Consumption	12,674,317	91,407	-	12,765,724
Housing (1):	4,068,139	-	1,395,346	5,463,485
Financial Leasing (1)	5,304,571	-	444,983	5,749,554
	39,199,343	5,202,981	4,086,012	48,488,336

(1) It includes employee portfolio.

11.5.8. Loan portfolio and financial leasing by maturing period

The loan portfolio by maturing period is as follows:

December 31, 2016

Concept	From 0 to 1 years	From 1 to 5 years	From 5 to 10 years	More then 10 years	Total
Commercial	8,288,019	10,867,219	6,262,648	1,462,366	26,880,252
Microcredit	4,650	106,158	6,147	-	116,955
Consumption	1,217,663	10,597,197	3,143,647	218,917	15,177,424
Housing	7,151	166,527	1,129,478	5,061,972	6,365,128
	9,517,483	21,737,101	10,541,920	6,743,255	48,539,759

December 31, 2015

Concept	From 0 to 1 years	From 1 to 5 years	From 5 to 10 years	More then 10 years	Total
Commercial	7,303,525	9,826,008	5,662,382	1,610,166	24,402,081
Microcredit	4,145	96,769	6,578	-	107,492
Consumption	1,125,748	8,610,426	2,906,034	123,516	12,765,724
Housing	9,184	170,249	865,052	4,419,000	5,463,485
	8,442,602	18,703,452	9,440,046	6,152,682	42,738,782

(Millions of Colombian Pesos (COP))

Following the financial leasing is presented by maturation period:

December 31, 2016

Concept	From 0 to 1 years	From 1 to 5 years	From 5 to 10 years	More then 10 years	Total
Commercial Leasing	46,393	738,485	946,119	107,316	1,838,313
Microcredit Leasing	33	783	51	-	867
Consumer Leasing	1,116	19,247	483	-	20,846
Housing Leasing	2,738	111,382	835,651	5,301,090	6,250,861
	50,280	869,897	1,782,304	5,408,406	8,110,887

December 31, 2015

Concept	From 0 to 1 years	From 1 to 5 years	From 5 to 10 years	More then 10 years	Total
Commercial Leasing	6,089	221,175	123,586	33,632	384,482
Microcredit Leasing	45	984	-	-	1,029
Consumer Leasing	580	10,910	793	-	12,283
Housing Leasing	4,353	89,547	722,827	4,535,033	5,351,760
	11,067	322,616	847,206	4,568,665	5,749,554

11.5.9. Restructured portfolio detail

The detail of the Restructured Portfolio is as follows:

December 31, 2016

Concept	Number of Obligations	Restructured Ordinaries	Provision	Guarantee
Commercial	2,516	571,930	194,823	704,493
Microcredit	69	1,821	1,426	2,401
Consumption	49,990	1,102,078	285,052	75,208
Housing	5,687	155,376	14,384	455,069
	58,262	1,831,205	495,685	1,237,171

December 31, 2015

Concept	Number of Obligations	Restructured Ordinaries	Provision	Guarantee
Commercial	2,705	515,840	189,142	695,414
Microcredit	21	624	485	1,083
Consumption	43,514	852,477	205,952	55,291
Housing	4,696	116,309	9,311	373,108
	50,936	1,485,250	404,890	1,124,896

(Millions of Colombian Pesos (COP))

The detail of restructured financial leasing is as follows:

December 31, 2016

Concept	Number of Obligations	Restructured Ordinaries	Provision	Guarantee
Commercial Leasing	271	44,227	8,169	93,894
Consumer Leasing	4	99	57	176
Housing Leasing	575	67,328	4,755	154,660
	850	111,654	12,981	248,730

December 31, 2015

Concept	Number of Obligations	Restructured Ordinaries	Provision	Guarantee
Commercial Leasing	22	2,483	724	170
Consumer Leasing	1	39	13	-
Housing Leasing	335	26,270	2,595	75,416
	358	28,792	3,332	75,586

11.5.9.1. Restructured loans by qualification

The detail of the restructured portfolio by qualification is as follows:

December 31, 2016

Concept	Commercial		Consumption		Microcredit		Housing	
	Credit No.	Value	Credit No.	Value	Credit No.	Value	Credit No.	Value
A - Normal	422	96,569	28,482	612,968	10	253	2,688	65,840
B - Acceptable	773	164,087	4,662	111,970	9	133	1,124	32,083
C - Deficient	346	48,338	6,435	149,998	5	102	1,371	42,171
D - Significant	856	212,292	6,176	132,167	9	241	355	10,177
E - Irrecoverable	119	50,644	4,235	94,975	36	1,092	149	5,105
	2,516	571,930	49,990	1,102,078	69	1,821	5,687	155,376

December 31, 2015

Concept	Commercial		Consumption		Microcredit		Housing	
	Credit No.	Value	Credit No.	Value	Credit No.	Value	Credit No.	Value
A - Normal	794	138,467	25,975	492,791	4	49	2,724	58,917
B - Acceptable	457	188,149	4,067	83,591	2	71	815	23,779
C - Deficient	361	57,226	5,458	114,818	2	38	820	23,577
D - Significant	966	69,888	4,715	91,160	3	105	247	7,077
E - Irrecoverable	127	62,110	3,299	70,117	10	361	90	2,959
	2,705	515,840	43,514	852,477	21	624	4,696	116,309

(Millions of Colombian Pesos (COP))

The detail of the restructured leasing by qualification is as follows:

December 31, 2016

Concept	Commercial Leasing		Consumer Leasing		Microcredit Leasing		Housing Leasing	
	Credit No.	Value	Credit No.	Value	Credit No.	Value	Credit No.	Value
A - Normal	59	8,454	-	-	-	-	325	28,979
B - Acceptable	71	17,947	-	-	-	-	141	23,298
C - Deficient	23	3,197	2	52	-	-	67	10,403
D - Significant	50	9,276	-	-	-	-	23	3,258
E - Irrecoverable	68	5,353	2	47	-	-	19	1,390
	271	44,227	4	99	-	-	575	67,328

December 31, 2015

Concept	Commercial Leasing		Consumer Leasing		Microcredit Leasing		Housing Leasing	
	Credit No.	Value	Credit No.	Value	Credit No.	Value	Credit No.	Value
A - Normal	-	-	-	-	-	-	232	16,318
B - Acceptable	-	-	-	-	-	-	50	3,954
C - Deficient	17	1,819	1	39	-	-	31	3,888
D - Significant	5	664	-	-	-	-	9	1,006
E - Irrecoverable	-	-	-	-	-	-	13	1,104
	22	2,483	1	39	-	-	335	26,270

11.5.9.2. Restructured loans by geographic area

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

December 31, 2016

Concept	Commercial	Consumption	Microcredit	Housing	Total
Bogotá	178,690	545,425	1,158	115,310	840,583
Antioquia	82,920	171,279	183	7,788	262,170
Northeast	271,057	252,106	480	20,327	543,970
Southwest	39,263	133,268	-	11,951	184,482
	571,930	1,102,078	1,821	155,376	1,831,205

December 31, 2015

Concept	Commercial	Consumption	Microcredit	Housing	Total
Bogotá	192,062	425,520	624	83,917	702,123
Antioquia	110,516	137,018	-	7,852	255,386
Northeast	183,574	183,165	-	14,472	381,211
Southwest	29,688	106,774	-	10,068	146,530
	515,840	852,477	624	116,309	1,485,250

(Millions of Colombian Pesos (COP))

Detail of restructured financial leasing portfolio by geographical area:

December 31, 2016

Concept	Commercial	Consumption	Microcredit	Housing	Total
Bogotá	39,426	99	-	39,243	78,768
Antioquia	3,352	-	-	11,691	15,043
Northeast	469	-	-	9,835	10,304
Southwest	980	-	-	6,559	7,539
	44,227	99	-	67,328	111,654

December 31, 2015

Concept	Commercial	Consumption	Microcredit	Housing	Total
Bogotá	2,483	39	-	13,006	15,528
Antioquia	-	-	-	5,121	5,121
Northeast	-	-	-	3,588	3,588
Southwest	-	-	-	4,555	4,555
	2,483	39	-	26,270	28,792

11.5.10. Portfolio with shareholders and employees

Shareholder loans and housing loans granted to employees with benefit rate:

Concept	December 31, 2016	December 31, 2015
Shareholders*	205	124
Housing employees	105,579	89,256
Housing Leasing Employees	88,633	91,318
	194,417	180,698

* Shareholders holding more than 5%

The Bank in applying IFRS 9 and IAS 19, incorporated in its financial statements the profit rate that it gives its employees in loans for house purchase recognizing the income portfolio and personnel costs by $ 9,698 million by December 2016 and $ 12,481 million for 2015.

(Millions of Colombian Pesos (COP))

11.5.11.Sales of current portfolio

The detail from sales of portfolio is presented:

December 31, 2016

Titularizadora Colombiana S.A.

Issuance	Date	Number	Rate	Capital	Interests	Others	Total	Net	Proceeds from the sale	Recovery provisions
TIPS Pesos N-12	08-Sept-2016	2,471	840%	220,023	1,045	276	221,344	-	221,783	4,491
TIPS Pesos N-13	November-10-2016	2,344	837%	168,830	852	170	169,852	-	170,869	4,560
		4,815		388,853	1,897	446	391,196	-	392,652	9,051

December 31, 2015

Titularizadora Colombiana S.A.

Issuance	Date	Number	Rate	Capital	Interests	Others	Total	Profit	Proceeds from the sale	Recovery provisions
TIPS Pesos N-11	10-June-2015	6,100	11.2%	367,102	1,646	507	369,255	7,342	377,500	7,500
TIPS UVR U-1	15-Oct-2015	3,665	11.1%	122,972	501	194	123,667	4,920	129,078	2,581
		9,765		490,074	2,147	701	492,922	12,262	506,578	10,081

11.5.12. Sales of written off portfolio

The detail from sales of written off portfolio is presented below:

December 31, 2016

1. On April 20 a sale of written off portfolio is done through auction for a total value of $ 310,656 whose sale price amounted to $ 18,510, it was awarded to two of the offering entities and the payment was made within less than one month .

Portfolio	Number of Credits	Capital	Interests	Other Concepts	Total	Sales price
1	8,406	28,768	1,260	4,485	34,513	2,450
2	3,707	28,708	1,182	4,503	34,392	1,864
3	7,374	29,684	1,228	4,243	35,156	2,219
4	7,293	28,054	1,174	3,874	33,102	2,098
5	7,400	28,640	1,268	4,058	33,966	1,992
6	7,556	30,009	1,273	4,846	36,128	2,223
7	9,133	86,859	2,937	13,603	103,399	5,664
	50,869	260,722	10,322	39,612	310,656	18,510

(Millions of Colombian Pesos (COP))

2. On July 25 a sale of written off portfolio is done through auction for a total value of $ 83,494 whose sale price amounted to $ 5,181, the payment was made within less than one month.

Portfolio	Number of Credits	Capital	Interests	Other Concepts	Total	Sales price
1	3,509	17,985	568	2,294	20,846	1,315
2	3,546	18,320	590	2,221	21,131	1,311
3	3,533	18,271	596	2,168	21,034	1,282
4	3,440	17,917	557	2,010	20,483	1,273
	14,028	72,493	2,311	8,693	83,494	5,181

3. On November 24 a sale of written off portfolio is done through auction for a total value of $ 179,504 whose sale price amounted to $ 9,236, it was awarded to two of the offering and the payment was made within less than one month.

On November 30, 2016, the process of direct sale of written off portfolio on the portfolios 3,4 and 6 was carried out, for a total of $ 180,425, with a sale price of $ 8,066, with a term of less than one month.

Portfolio	Number of Credits	Capital	Interests	Other Concepts	Total	Sales price
1	7,544	45,825	11,582	3,858	61,265	2,748
2	7,982	45,850	11,350	4,256	61,456	3,347
3	8,097	45,480	10,792	4,959	61,231	2,729
4	7,677	45,615	10,983	4,576	61,174	2,737
5	7,557	42,904	10,366	3,513	56,783	3,141
6	7,375	43,326	10,282	4,413	58,020	2,600
	46,232	269,000	65,355	25,575	359,929	17,302

4. On November 30th, the process of direct sale of the written off portfolio corresponding to the vehicle consumption portfolio 8 was punished for a total of $ 1,411, with a sale price of $ 118, with a term of less than one month.

Portfolio	Number of Credits	Capital	Interests	Other Concepts	Total	Sales price
7	25	635	10	766	1,411	118
	25	635	10	766	1,411	118

5. On December 6, 2016, the sale process was carried out in the retail portfolio for a total of $ 3,436, with a sale price of $ 178.3, with a term of less than one month. Then it will start collecting through Fenalcobro and from the amounts that are recovered by over 6%, discounting the costs of collection will be transferred monthly to the Alianza.

Number of Credits	Capital	Interests	Other Concepts	Total	Sales price
1,204	2,973	303	161	3,436	178
1,204	2,973	303	161	3,436	178

6. On December 30th, the process of direct sale of the written off portfolio corresponding to the vehicle consumption portfolio 8 was punished for a total of $ 4,466, with a sale price of $ 352, with a term of less than one month.

Portfolio	Number of Credits	Capital	Interests	Other Concepts	Total	Sales price
8.	74	1,915	35	2,516	4,466	352
	74	1,915	35	2,516	4,466	352

(Millions of Colombian Pesos (COP))

December 31, 2015

1. On February 19, a $ 160,491 the sale of a written off portfolio was carried out, with a sale price of $ 12,089, of which $ 7,155 was received on February 27, 2015, paying 100% of portfolios 1, 4 and 5. On the 5th of March, 2015 $4,933 was received paying 100% of portfolios 2 and 3.

Portfolio	Number of Credits	Capital	Interests	Other Concepts	Total	Sales price
1	6,315	30,286	1,316	433	32,035	2,307
2	6,066	28,317	839	276	29,432	2,268
3	6,775	31,727	971	324	33,022	2,665
4	6,735	30,875	952	312	32,139	2,351
5	7,096	32,567	959	337	33,863	2,498
	32,987	153,772	5,037	1,682	160,491	12,089

2. On July 16, the sale of a written off portfolio for a total value of $ 1,197 was made, with a sale price of $ 130, which was received on July 29, 2015.

Portfolio	Number of Credits	Capital	Interests	Other Concepts	Total	Sales price
1	41	798	149	249	1,197	130
	41	798	149	249	1,197	130

3. On November 24, a $ 130,372 written off portfolio sale was carried out, with a sale price of $ 8,835, of which $ 6,554 was received between December 9 and 10, 2015, paying 100% of portfolios 2, 3 and 4. On December 7, 2015, $ 570 was received, paying the first, of four equal installments for portfolio 1. With a balance of $ 1,711 to be paid in equal installments in the months of January, February and March 2016.

Portfolio	Number of Credits	Capital	Interests	Other Concepts	Total	Sales price
1	5,993	30,413	1,585	487	32,485	2,281
2	5,748	30,492	1,368	537	32,397	2,073
3	6,050	30,539	1,325	466	32,330	2,229
4	5,716	31,275	1,342	543	33,160	2,252
	23,507	122,719	5,620	2,033	130,372	8,835

11.5.13. Written off portfolio

The result of Write-off Ratio is as follows:

December 31, 2016

Concept	Capital	Interests	Other Concepts	Total
Commercial	516,962	17,413	2,790	537,165
Consumption	765,773	25,401	6,059	797,233
Housing	5,638	38	356	6,032
Microcredit	1,930	21	90	2,041
Other Accounts receivable	-	-	227	227
	1,290,303	42,873	9,522	1,342,698

(Millions of Colombian Pesos (COP))

December 31, 2015

Concept	Capital	Interests	Other Concepts	Total
Commercial	141,878	5,776	2,218	149,872
Consumption	611,746	19,586	4,130	635,462
Housing	5,425	27	327	5,779
Microcredit	1,638	17	102	1,757
Other Accounts receivable	-	-	937	937
	760,687	25,406	7,714	793,807

11.5.14. Purchases and portfolio holdings

The detail of purchase portfolio is as follows:

As of December 31, 2016 there are no portfolio purchase transactions.

December 31, 2015

Number of Credits	Capital	Interests	Others	Total	Premium	Profit per purchase
975	16,767	94	212	17,072	81	431

It corresponds to purchase of portfolio with cash payment in 2015.

The detail of the holding portfolio is as follows:

As of December 31, 2016 and December, 2015, the balance of portfolio holdings with Miami is of $ 288,186 and $486,913 respectively, which correspond to credit operations where the Miami branch participates in the funding structure and its registration is in proportion to the transaction, therefore these transactions do not generate effect on the income statement.

December 31, 2016

Number of Credits	Capital	Interests	Others	Total	Premium	Profit per purchase
10	288,186	2,352	-	290,538	-	-

December 31, 2015

Number of Credits	Capital	Interests	Others	Total	Premium	Profit per purchase
9	486,913	2,810	-	489,723	-	-

As of December 31, 2016, there is no investee portfolio with the Panama Branch.

(Millions of Colombian Pesos (COP))

11.5.15. Provision for the loan portfolio and financial leasing

The movement of the credit portfolio provision is as follows:

December 31, 2016

	Commercial	Consumption	Microcredit	Housing	Total
Initial Balance	918,164	852,016	9,415	258,470	2,038,065
Plus:					
Leasing Bolívar Integration	57,320	727	-	-	58,047
Provision charged to operating expenses	1,024,720	1,337,360	8,936	103,374	2,474,390
Others	196	-	-	-	196
Minus:					
Punished loans	(516,962)	(765,773)	(1,930)	(5,638)	(1,290,303)
Deferred punishment portfolio	329	3,265	-	139	3,733
Reimbursement	(536,788)	(348,783)	(3,321)	(37,190)	(926,082)
	946,979	1,078,812	13,100	319,155	2,358,046

December 31, 2015

	Commercial	Consumption	Microcredit	Housing	Total
Initial Balance	718,696	729,963	7,403	255,700	1,711,762
Plus:					
Provision charged to operating expenses	704,178	1,060,222	6,771	129,797	1,900,968
Others	23	992	-	-	1,015
Restatement	342	-	-	-	342
Minus:					
Punished loans	(141,878)	(611,746)	(1,638)	(5,425)	(760,687)
Others	-	-	(75)	(457)	(532)
Reimbursement	(363,197)	(327,415)	(3,046)	(121,145)	(814,803)
	918,164	852,016	9,415	258,470	2,038,065

Starting in January 2015, the housing leasing portfolio that was classified as a commercial portfolio was part of the housing portfolio.

The Bank, in compliance with current regulations, applies the reference model of consumption established in the standard in three large segments, the promissory notes, vehicles and other consumptions including credit card, the latter with an unsecured IMP because they are personal signatures. On the other hand, in the portfolio without reference models, it maintains a moderate level of risk, allocating additional percentages on the guaranteed part; generating a higher value of provisions of $ 77,574 and $ 76,353 at the closing of December 2016 and December 2015.

Provision commercial portfolio

The Bank's policy on provisions for this type of portfolio is focused on recognizing the real risk and for this it admits the resilience through guarantees in the commercial segment, which motivated the decision that as of December 2016 the guarantees for the application of the IMP according to the norm, this change originated a refund of provision of $52,457. This decision is based mainly on the correct support of the processes annexed to the control of the guarantees, such as valuation and correct custody.

(Millions of Colombian Pesos (COP))

Provision of consumption portfolio

The vehicle portfolio is provisioned by applying the PDI of "other suitable guarantees" and the portfolio with guarantee by guarantee applies the PDI of "non-suitable guarantee.

Additionally, a methodology is applied to qualify consumer loans that have been restructured or standardized, which avoids rating volatility.

According to External Circular 026 of June 22, 2012 issued by the Colombian Financial Superintendence, the additional provision of 0.5% for the consumer portfolio in December 2016 and 2015 was $ 51,623 and $ 43,067 respectively, generating an increase in the $ 8,556.

Provision of housing portfolio

As of December 31, 2015, $ 55,803 of individual provision, $ 43,939 of general provision and a reimbursement of $ 46,361 were recorded as a result of the reclassification of commercial housing leasing portfolio (C.E. 033 from 2013 issued by the Financial Superintendence of Colombia).

11.5.16.Maturity of financial leases

Maturity of financial leases follows:

	0-1 years	1-5 years	More than 5 years	Total
Gross investment in finance leases	1,453,845	5,007,721	8,013,700	14,475,266
Unearned finance income from financial leases-interests	(918,562)	(3,006,019)	(4,193,688)	(8,118,269)
Total minimum financial lease payments receivable, at present value	535,283	2,001,702	3,820,012	6,356,997

December 31, 2015 (*)

	0-1 years	1-5 years	More than 5 years	Total
Gross investment in finance leases	502,384	1,603,372	7,662,701	9,768,457
Unearned finance income from financial leases-interests	(276,126)	(887,989)	(4,187,131)	(5,351,246)
Total minimum financial lease payments receivable, at present value	226,258	715,383	3,475,570	4,417,211

(*) Figures presented with a December 31, 2015 cut for comparative purposes are updated.

(Millions of Colombian Pesos (COP))

11.6. Accounts receivable

The following is a breakdown of the accounts receivable:

	December 31, 2016	December 31, 2015
Interests	518,688	354,194
Real estate sales	511,216	-
Advances for contractors and suppliers	321,803	76,399
Resources transferred to Icetex - abandoned accounts (*)	130,858	-
Payments for account of customer portfolio	86,316	65,582
Financial component of the financial leasing operations	46,174	24,191
Costs of administrative leasing portfolio	27,022	30,629
National Treasurer	18,417	16,887
Tax Advance	16,132	199,280
Deposits	13,107	17,725
Banco de la República - Rate Coverage	11,755	10,158
TIPS Interest receivable	10,834	8,769
Payments for account of customers	6,822	7,612
To Parent Company, subsidiaries, branches and asociated	4,921	3,939
To employees	2,714	2,009
Commissions	1,492	5,336
Forward Liquidation transactions	654	1,736
Others	86,316	46,765
Accounts receivable	1,815,612	871,211
Impairment (Provision)	(104,579)	(63,517)
Accounts receivable, net	1,711,033	807,694

(*) As of August 1, 2016, and in compliance with Law 1777 of 2016, the Bank transferred resources from savings accounts and current accounts with 3 or more years of inactivity greater than 322 UVR to ICETEX for the creation and fund management to promote higher education. Such resources will be delivered to the depositors at the moment they request them, and the Bank will process the corresponding reimbursement before the administrator of the Fund.

(Millions of Colombian Pesos (COP))

The following is the seniority of accounts receivable:

December 31, 2016

	Up to 1 year	From 1 to 5 years	More than 5 years	Total
Interests	515,601	3,085	2	518,688
Real estate	511,216	-	-	511,216
Advances for contractors and suppliers	307,130	14,673	-	321,803
Resources transferred to Icetex - abandoned accounts	130,858	-	-	130,858
Payments for account of customer portfolio	78,233	1,620	6,463	86,316
Financial component of the financial leasing operations	44,718	1,336	120	46,174
Costs of administrative leasing portfolio	27,022	-	-	27,022
National Treasurer	18,417	-	-	18,417
Tax Advance	16,132	-	-	16,132
Deposits	13,107	-	-	13,107
Banco de la República - Rate Coverage	11,755	-	-	11,755
TIPS Interest receivable	10,834	-	-	10,834
Payments for account of customers	6,822	-	-	6,822
To Parent Company, subsidiaries, branches and associated	4,921	-	-	4,921
To employees	2,178	536	-	2,714
Commissions	1,492	-	-	1,492
Forward Liquidation transactions	654	-	-	654
Others	79,631	7,050	6	86,687
Accounts receivable	1,780,721	28,300	6,591	1,815,612
Impairment (Provision)	(91,955)	(10,882)	(1,742)	(104,579)
Accounts receivable, net	1,688,766	17,418	4,849	1,711,033

(Millions of Colombian Pesos (COP))

December 31, 2015 (*)

	Up to 1 year	From 1 to 5 years	More than 5 years	Total
Interests	350,689	3,504	1	354,194
Real estate	1,417	-	-	1,417
Advances for contractors and suppliers	76,397	-	-	76,397
Payments for account of customer portfolio	62,264	3,313	5	65,582
Financial component of the financial leasing operations	23,964	227	-	24,191
Costs of administrative leasing portfolio	30,629	-	-	30,629
National Treasurer	16,887	-	-	16,887
Tax Advance	199,280	-	-	199,280
Deposits	17,725	-	-	17,725
Banco de la República - Rate Coverage	10,158	-	-	10,158
TIPS Interest receivable	8,769	-	-	8,769
Payments for account of customers	7,612	-	-	7,612
To Parent Company, subsidiaries, branches and associated	3,939	-	-	3,939
To employees	1,629	380	-	2,009
Commissions	5,336	-	-	5,336
Forward Liquidation transactions	1,736	-	-	1,736
Others	44,750	600	-	45,350
Accounts receivable	863,181	8,024	6	871,211
Impairment (Provision)	(56,466)	(7,045)	(6)	(63,517)
Accounts receivable, net	806,715	979	-	807,694

* Maturity is modified for comparative purposes

The Bank to minimize credit risk which is exposed by the other receivables evaluates its behavior in each reporting period and applies an estimated provision based on the age of the items as protection to the risk of exposure.

The movement of the provision of accounts receivable is detailed below:

	December 31, 2016	December 31, 2015
Initial Balance	63,517	53,937
Plus:		
Initial Balance Leasing	9,422	-
Provision charged to expenses	129,246	75,065
Others	22	8
Minus:		
Recuperation of the impairment	(44,561)	(32,372)
Punishments	(52,393)	(33,119)
Others	(674)	(2)
Final balance	104,579	63,517

(Millions of Colombian Pesos (COP))

11.7. Assets held for sale

11.7.1. Detail of Assets Held for Sale

The detail of assets held for sale (ANCMV) is as follows:

	December 31, 2016	December 31, 2015
Intended for housing		
Voluntary surrender	7,200	8,005
Awarding	447	595
Total intended for housing	7,647	8,600
Different than housing		
Voluntary surrender	7,316	11,754
Awarding	831	150
Total Different than housing	8,147	11,904
Property		
Vehicles	484	584
Rights	39,229	3,238
Others	404	404
Total Different than housing	40,117	4,226
Returned goods from Leasing contracts		
Machinery and equipment	61	-
Vehicles	14,324	470
Real Estate Leasing Housing	12,186	10,545
Property	10,689	-
Total Returned Goods from Leasing Contracts	37,260	11,015
Property		
Leasing Property	-	47,578
Total Different than housing	-	47,578
Subtotal	93,171	83,323
Provision (Impairment)	(20,367)	(4,143)
Total	72,804	79,180

(Millions of Colombian Pesos (COP))

11.7.2. Movement of assets held for sale

The movement of assets held for sale is as follows:

December 31, 2016

	Intended for housing	Different than housing	Returned goods from Leasing Housing leasing	Property	Total
Cost					
Initial Balance	8,600	16,130	11,015	47,578	83,323
Leasing Integration	-	2,995	14,145	-	17,140
Additions (received)	2,472	42,638	33,301	-	78,411
Withdrawals (Sales)	(3,076)	(7,685)	(8,085)	(47,578)	(66,424)
Transfers	(349)	(5,814)	(13,116)	-	(19,279)
Final balance	7,647	48,264	37,260	-	93,171
Impairment					
Initial Balance	(471)	(1,501)	(2,171)	-	(4,143)
Leasing Bolívar Integration	-	(936)	(3,131)	-	(4,067)
Additions (received)	(2,210)	(10,684)	(12,298)	-	(25,192)
Transfers	180	2,776	6,845	-	9,801
Refunds	247	384	2,603	-	3,234
Provision (Impairment)	(2,254)	(9,961)	(8,152)	-	(20,367)

December 31, 2015

	Intended for housing	Different than housing	Returned goods from Leasing Housing contracts	Property	Total
Cost					
Initial Balance	5,726	9,089	8,477	-	23,292
Additions (received)	9,232	17,032	13,762	47,578	87,604
Withdrawals (Sales)	(2,328)	(2,084)	(10,184)	-	(14,596)
Transfers	(4,030)	(7,907)	(1,040)	-	(12,977)
Final balance	8,600	16,130	11,015	47,578	83,323
Impairment					
Initial Balance	(1,489)	(3,069)	(896)	-	(5,454)
Additions (received)	(976)	(2,248)	(3,278)	-	(6,502)
Withdrawals (Sales)	651	283	1,609	-	2,543
Transfers and other movements	1,343	3,533	394	-	5,270
Provision (Impairment)	(471)	(1,501)	(2,171)	-	(4,143)

(Millions of Colombian Pesos (COP))

11.7.3. Time of permanence of assets held for sale

The breakdown of assets held for sale, according to the time spent:

	December 31, 2016	December 31, 2015
Up to a year	89,519	79,772
Between 1 and 3 years	3,652	3,551
	93,171	83,323

During this period, the Bank has carried out different strategies in the sale of assets held for sale (ANCMV), with the following results:

	December 31, 2016		December 31, 2015	
Concept	Amount	Value	Amount	Value
Foreclosed assets	244	18,846	194	14,596
Total sales	244	18,846	194	14,596
Gain on sale		2,356		2,371
Depreciation of Deferred profit		968		840
Income from previous periods (Leasing Housing)		185		-
Total profit sales		3,509		3,211
Loss on sale of foreclosed assets		2,131		350
Loss from previous periods (Leasing Housing)		509		-
Loss in sales		2,640		350
Net effect on results		869		2,861

11.7.4. Provision movements

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

	December 31, 2016	December 31, 2015
Initial Balance	4,143	5,454
Plus:		
Leasing Integration	4,067	-
Provision	25,193	4,818
Reclassification	(9,802)	-
Minus:		
Decrease	-	(5,270)
Reimbursement	(3,234)	(859)
Final balance	20,367	4,143

(Millions of Colombian Pesos (COP))

11.8. Property and equipment

The movement of property and equipment is detailed below:

	Land	Buildings and Improvements	Computer Equipment	Furniture and equipment	Vehicles	Total
Cost:						
Balance as of the 31 of December 2014	285,697	567,059	170,307	118,613	10,295	1,151,971
Additions	3,291	6,330	44,292	38,920	4,058	96,891
Purchase	3,291	6,330	44,292	38,920	4,058	96,891
Withdrawals	(1,678)	(5,826)	(35,828)	5,999	(3,593)	(40,926)
Sales	(2,661)	(5,730)	(14,367)	(15,231)	(3,593)	(41,582)
Disposal of assets designated at cost	-	-	(61)	(24)	-	(85)
Removed from use and not classified as held for sale	983	(96)	(21,400)	21,254	-	741
Currency Restatement	-	-	463	511	-	974
Transfers	(1,348)	(424)	(102,215)	101,587	-	(2,400)
Balance as of the 31 of December 2015	**285,962**	**567,139**	**77,019**	**265,630**	**10,760**	**1,206,510**
Cumulative depreciation:						
Balance as of the 31 of December 2014	-	(6,800)	(118,525)	(57,879)	(4,412)	(187,616)
Withdrawal	-	723	7,150	2,426	2,299	12,598
Sales	-	88	5,857	4,062	2,299	12,306
Disposal of assets designated at cost	-	-	61	24	-	85
Removed from use and not classified as held for sale	-	635	1,232	(1,660)	-	207
Accumulated Movement Depreciation	-	(7,604)	(15,704)	(8,953)	(2,369)	(34,630)
Currency Restatement	-	-	(374)	(257)	-	(631)
Transfers	-	160	60,800	(60,660)	-	300
Balance as of the 31 of December 2015	**-**	**(13,521)**	**(66,653)**	**(125,323)**	**(4,482)**	**(209,979)**
Cost:						
Balance as of the 31 of December 2015	285,962	567,139	77,019	265,630	10,760	1,206,510
Additions	2,141	12,100	34,851	23,608	4,115	76,815
Purchase	325	4,138	34,048	23,573	4,115	66,199
Leasing Bolívar Integration	1,816	7,962	803	35	-	10,616
Withdrawals	(128,141)	(358,158)	(8,373)	(1,245)	(3,472)	(499,389)
Sales (*)	(128,141)	(358,158)	(8,370)	(1,204)	(3,472)	(499,345)
Disposal of assets designated at cost	-	-	(3)	(41)	-	(44)
Currency Restatement	-	-	(96)	(99)	-	(195)
Transfers	(7,603)	(8,853)	(726)	(3,837)	-	(21,019)
Impairment	-	(312)	-	-	-	(312)
Balance as of the 31 of December 2016	**152,359**	**211,916**	**102,675**	**284,057**	**11,403**	**762,410**

(Millions of Colombian Pesos (COP))

	Land	Buildings and Improvements	Computer Equipment	Furniture and equipment	Vehicles	Total
Cumulative depreciation:						
Balance as of the 31 of December 2015	-	(13,521)	(66,653)	(125,323)	(4,482)	(209,979)
Additions	-	(189)	(218)	-	-	(407)
Leasing Bolívar Integration	-	(189)	(218)	-	-	(407)
Withdrawal	-	13,104	2,393	874	2,518	18,889
Sales	-	13,104	2,390	833	2,518	18,845
Disposal of assets designated at cost	-	-	3	41	-	44
Accumulated Movement Depreciation	-	(7,045)	(4,790)	(24,196)	(2,268)	(38,299)
Currency Restatement	-	-	85	66	-	151
Transfers	-	542	(1,469)	6,570	-	5,643
Balance as of the 31 of December 2016	**-**	**(7,109)**	**(70,652)**	**(142,009)**	**(4,232)**	**(224,002)**
Book Value:						
Balance as of the 31 of December 2014	**285,697**	**560,259**	**51,782**	**60,734**	**5,883**	**964,355**
Balance as of the 31 of December 2015	**285,962**	**553,618**	**10,366**	**140,307**	**6,278**	**996,531**
Balance as of the 31 of December 2016	**152,359**	**204,807**	**32,023**	**142,048**	**7,171**	**538,408**

(*) Real estate sales were made in December 2016 in order to improve working capital and take them on lease to continue operating their offices in the same real estate.

11.8.1. Proceeds from the sale

The following is the breakdown of proceeds from the sale of Property and equipment:

December 31, 2016

	Amount	Value in Books:	Sales Value	Profit	Loss
Property	690	473,195	620,834	(152,887)	5,248
Computer Equipment	4,469	5,980	5,533	(223)	670
Furniture and equipment	268	370	287	(12)	96
Vehicles	35	954	951	(71)	74
	5,462	480,499	627,605	(153,193)	6,088

December 31, 2015

	Amount	Value in Books:	Sales Value	Profit	Loss
Land	13	2,661	3,153	(492)	-
Buildings and Improvements	13	5,643	6,650	(1,007)	-
Computer Equipment	115	8,510	8,513	(10)	7
Furniture and equipment	6,331	11,169	9,932	(215)	1,452
Vehicles	38	1,294	1,216	(109)	186
	6,510	29,277	29,464	(1,833)	1,645

(Millions of Colombian Pesos (COP))

11.8.2. Restrictions on ownership of property and equipment

No ownership restrictions is presented for any of the periods reported

11.8.3. Transfers

The detail from sales of transfers of property and equipment:

	December 31, 2016			December 31, 2015		
	Cost	Depreciation	Total	Cost	Depreciation	Total
Decrease due to transfer to investment properties	(16,456)	1,079	(15,377)	(2,400)	301	(2,099)
Decrease transfer between Properties and Equipment	(4,563)	4,563	-	-	-	-
	(21,019)	5,642	(15,377)	(2,400)	301	(2,099)

11.8.4. Provision movements

December 31, 2016

	Land	Buildings and Improvements	Computer hardware	Furniture and equipment	Vehicles	Total
Initial Balance	-	-	-	-	-	-
Plus:						
Provision	-	312	-	-	-	312
Final balance	-	312	-	-	-	312

There is no provision movement for December 31, 2015.

11.9. Investment Property

The movement of investment property is detailed below:

	December 31, 2016	December 31, 2015
Cost:		
Initial Balance	61,890	60,433
Additions		
Received real estate	-	10,484
Leasing Integration	9,710	-
Withdrawals		
Sales	(17,605)	(8,093)
Removed from use and not classified as held for sale	-	(318)
Transfers	(1,831)	(616)
Final balance	52,164	61,890

(Millions of Colombian Pesos (COP))

	December 31, 2016	December 31, 2015
Cumulative depreciation		
Initial Balance	(698)	(397)
Withdrawals		
Sales	329	110
Removed from use and not classified as held for sale	-	20
Accumulated Movement Depreciation	(925)	(599)
Transfers	71	168
Final balance	(1,223)	(698)
Impairment	(5,056)	(24,087)
Value in Books:	45,885	37,105

11.9.1. Effect on Income Statement

The results recognized in the separate income statement by the management of the investment properties are:

	December 31, 2016	December 31, 2015
Rental Income	1,488	1,453
Direct operating expenses arising from investment properties that generate rental income	548	194
Direct operating expenses arising from investment properties that DO NOT generate rental income	1,197	554
Net	(257)	705

11.9.2. Provision movements

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

	December 31, 2016	December 31, 2015
Initial Balance	24,087	19,787
Plus:		
Provision	1,452	8,511
Reclassification	(17,835)	-
Minus:		
Decrease	-	(210)
Reimbursement	(2,648)	(4,001)
Final balance	5,056	24,087

The fair value of investment properties with maturity as of December 31, 2016 and 2015 respectively amounts to $74,961 and to $89,979.

(Millions of Colombian Pesos (COP))

11.9.3. Proceeds from the sale

Below is the proceeds from the sale of Investment Property.

December 31, 2016

	Amount	Value in Books:	Sales Value	Profit	Loss
Investment property	25	14,292	16,861	(4,647)	2,077
Goods Received in Payment	9	2,984	2,923	(9)	71
		17,276	19,784	(4,656)	2,148

December 31, 2015

	Amount	Value in Books:	Sales Value	Profit	Loss
Investment property	4	1,639	957	(132)	814
Goods Received in Payment	23	6,344	5,324	-	1,020
		7,983	6,281	(132)	1,834

11.9.4. Transfers

Investment Property Transfers are shown below.

December 31, 2016

	Cost	Depreciation	Total
Increase due to transfer of property plant and equipment	16,456	23	16,479
Decrease by transfer to other assets	(18,287)	48	(18,239)
	(1,831)	71	(1,760)

December 31, 2015

	Cost	Depreciation	Total
Increase by transfer to held for sale	7,295	0	7,295
Increase due to transfer of property plant and equipment	1,931	168	2,099
Decrease by transfer to other assets	(9,842)	0	(9,842)
	(616)	168	(448)

(Millions of Colombian Pesos (COP))

11.10. Operating Leases

Operating leases are related to leases of land and buildings whose lease periods are between 5 and 60 years. All operating leases over 5 years contain clauses to review the renting market every 5 years. The Entity does not have the option to purchase the leased land at the expiration date of the lease periods.

The following is a breakdown of non-cancelable operating lease commitments:

	December 31, 2016	December 31, 2015
1 year or less	59,407	-
More than 1 to 5 years	237,630	-
More then 5 years	401,110	-
	698,147	-

Payments recognized as expenses are detailed as follows:

	December 31, 2016	December 31, 2015
Minimum lease payments	698,147	-
	698,147	-

11.11. Goodwill

The detail of the goodwill generated in the purchase of Granbanco is as follows:

Name of the acquiree	Granbanco
Date of acquisition	February 2007
% Participation	99.06%

	December 31, 2016	December 31, 2015
Cost	1,080,775	1,080,775
Total	1,080,775	1,080,775

For purposes of performing impairment tests, merchant's credit was allocated to the following cash-generating units:

Business Line	Participation	Goodwill	Accumulated depreciation COLGAAP	Balance NCIF
Consumption	21.3%	292,103	61,276	230,827
Commercial	43.8%	600,872	126,049	474,823
SME	6.9%	95,195	19,970	75,225
Credit Cards	16.2%	222,395	46,653	175,742
Housing	11.2%	153,150	32,127	121,023
Branches	0.6%	8,743	5,608	3,135
Total	100%	1,372,458	291,683	1,080,775

An impairment test was performed as of December 31, 2016, by external consultants Deloitte Asesores y Consultores Ltda., giving as a result that the business lines generated no impairment loss.

(Millions of Colombian Pesos (COP))

The CGUs were fully identified by the Bank when the Goodwill acquired was registered. In this way, the Goodwill was allocated to the following six CGUs: consumption, commercial, SME, credit card, housing and subsidiaries (Panama and Davivienda Fiduciaria).

The criteria used to determine each of the CGUs were the placement rate, the average balance per customer and per product, the profile of clients, portfolio growth and the allocation of expenses.

The recoverable amount per UGE is as follows:

Business Line	December 31, 2016	December 31, 2015
Consumption	2,094	2,792
Commercial	5,631	5,694
SME	901	958
Credit Cards	852	868
Housing	3,008	2,967
Branches	1,101	1,072
	13,587	14,351

The recoverable amount is based on the calculation of the value in use for each CGU.

The valuation process has been described as a systematic analysis of the factors that affect the value of each line of business and generally includes the consideration of three widely accepted and commonly applied value approaches: the income approach, the market or comparison of sales approach and the cost or asset approach.

Given the nature of each of the entities to be valued, two different methodologies for the estimation of fair value were established. For Banco Davivienda and Banco Davivienda (Panama), the flow of dividends available to shareholders (DDM) and for Fidudavivienda, the methodology used was the free cash flow of the firm (FCFF).

The main projection assumptions used for impairment testing are presented:

	2016.	2017.	2018.	2019.	2020.	2021.
Placement interest rates (%)	12.6%	13.6%	12.8%	12.5%	12.2%	13.5%
Deposit interest rate (%)	3.7%	3.7%	3.4%	3.4%	3.4%	3.4%
Operating revenue growth	4.4%	-1.5%	8.8%	8.2%	7.7%	7.5%
Growth other operating expenses (CPI)	4.9%	2.3%	2.3%	2.5%	2.4%	2.3%
Inflation	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
Annual GDP Growth	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%

The discount rate to determine the cost of capital that generates the income source is determined by the weighted average cost of capital at market value cost of all sources of funding in the capital structure of the bank, it is estimated at 15 %, when performing sensitivity analyzes to value in use and the impairment test of each CGU identified for Capital Gains vs the discount rate it is at a greater allocation of risk in the discount rate would not generate impairment in most of the CGU.

(Millions of Colombian Pesos (COP))

11.12. Intangibles

The movement of intangibles is as follows:

Concept	Licenses	Programs and software applications	Total
Balance to December 31, 2015	15,488	57,031	72,519
Leasing Bolívar Integration	868	-	868
Acquisitions	11,172	5,529	16,701
Accumulated amortization:	(8,134)	(3,941)	(12,075)
Reclassifications	35,363	(35,994)	(631)
Restatement	(3)	(22)	(25)
Balance to December 31, 2016	54,754	22,603	77,357

Concept	Licenses	Programs and software applications	Total
Balance to December 31, 2014	13,577	28,674	42,251
Acquisitions	6,594	41,401	47,995
Accumulated amortization:	(3,285)	(10,146)	(13,431)
Reclassifications	(1,398)	(3,074)	(4,472)
Restatement	-	175	176
Balance to December 31, 2015	15,488	57,030	72,519

11.13. Other non-financial assets

The following are the other non-financial assets:

	December 31, 2016	December 31, 2015
Goods received in lieu of payment	74,219	18,247
Prepaid expenses	74,012	56,519
Deferred tax assets	106,027	49,531
Deferred payment letter of credit	10,537	3,979
Fiduciary rights	956	4,900
Artworks	2,381	2,276
Outstanding assets to be Activated	8,526	3,991
Impairment	(43,138)	(16,832)
	233,520	122,611

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

	December 31, 2016	December 31, 2015
Initial Balance	16,832	4,078
Plus:		
Leasing Integration	1,019	-
Provision	2,571	8,667
Minus:		
Decrease	27,593	5,481
Reimbursement	(4,877)	(1,394)
Final balance	43,138	16,832

(Millions of Colombian Pesos (COP))

11.14. Deposits and Liabilities

Following the deposits and current liabilities accounts are presented:

	December 31, 2016		December 31, 2015	
	Balance	Interest paid	Balance	Interest paid
Interest-bearing liabilities				
Checking account	962,404	41,276	1,080,407	31,102
Saving accounts	21,985,199	812,745	18,901,209	427,164
Term deposits	18,210,104	1,163,444	13,381,917	568,692
	41,157,707	2,017,465	33,363,533	1,026,958
non-interest bearing liabilities				
Checking account	3,718,361	-	3,967,781	-
Saving accounts	5,635	-	465,855	-
Current liabilities for services	477,373	-	507,549	-
Electronic deposits	60,866	-	53,075	-
Others*	180,997	-	156,711	-
Total non-interest bearing liabilities	4,443,232	-	5,150,971	-
	45,600,939	2,017,465	38,514,504	1,026,958

* Banks and correspondents, special deposits, collection service, affiliated establishments and canceled accounts

Below deposits by currency and rate are presented:

	December 31, 2016		December 31, 2015	
	Balance		Balance	
	Capital	% Implicit rate	Capital	% Implicit rate
Legal currency				
Deposits and Liabilities				
Checking account	4,227,773	3.35%	4,608,633	0.70%
Saving accounts	21,895,158	3.34%	19,334,078	2.31%
Term deposits (CDT)	17,483,713	6.69%	12,785,189	5.43%
Current liabilities for services	430,911		433,331	
Electronic deposits	60,866		53,075	
Others*	176,991		137,226	
	44,275,412		37,351,532	

	December 31, 2016		December 31, 2015	
	Balance		Balance	
	Capital	% Implicit rate	Capital	% Implicit rate
Foreign currency				
Deposits and Liabilities				
Checking account	452,992		439,553	
Saving accounts	95,676	2.13%	32,987	2.57%
Term deposits (CDT)	726,391	1.21%	596,728	0.98%
Current liabilities for services	46,462		74,218	
Others*	4,006		19,486	
	1,325,527		1,162,972	
	45,600,939		38,514,504	

* Banks and correspondents, special deposits, collection service, affiliated establishments and canceled accounts

(Millions of Colombian Pesos (COP))

The maturity of financial liabilities follows:

December 31, 2016

	Less than a year	From 1 to 5 years	From 5 to 10 years	Total
Checking account	4,680,765	-	-	4,680,765
Saving accounts	21,988,813	2,021	-	21,990,834
Term deposits	12,081,428	6,077,136	51,540	18,210,104
Current liabilities for services	477,373	-	-	477,373
Electronic deposits	60,866	-	-	60,866
Others (*)	180,997	-	-	180,997
	39,470,242	6,079,157	51,540	45,600,939

December 31, 2015

	Less than a year	From 1 to 5 years	From 5 to 10 years	Total
Checking account	5,048,188	-	-	5,048,188
Saving accounts	19,367,064	-	-	19,367,064
Term deposits	11,173,974	1,762,337	445,606	13,381,917
Current liabilities for services	507,549	-	-	507,549
Electronic deposits	53,075	-	-	53,075
Others (*)	156,711	-	-	156,711
	36,306,561	1,762,337	445,606	38,514,504

* Banks and correspondents, special deposits, collection service, affiliated establishments and canceled accounts

11.15. Passive Money Market Transactions

The following are related to the monetary and related market transactions:

December 31, 2016

		Date		
	Rate	Initial	Final	Amount
Legal currency				
Interbank Liabilities				
Banks	7.14% - 7.33%	12/16/2016	1/6/2017	177,115
Simultaneous				
Others	7.50%	12/29/2016	1/2/2017	834,631
Liability Repos	7.50%	12/29/2016	1/2/2017	750,297
Commitments arising from short positions	7.00% - 7.75%	12/20/2016	1/6/2017	23,279
				1,785,322

December 31, 2015

		Date		
	Rate	Initial	Final	Amount
Legal currency				
Interbank Liabilities				
Banks	5.75% - 5.79%	12/28/2015	1/4/2016	160,045
Simultaneous				
Banks	5.75%	12/30/2015	1/4/2016	25,598
Others	1.00% - 5.75%	12/28/2015	1/4/2016	884,188
Commitments arising from short positions	0.00%	12/29/2015	1/5/2016	33,027
				1,102,859

(Millions of Colombian Pesos (COP))

11.16. Bank loans and other obligations

The following are the financial obligations:

	Currency	Interest rate range	Interest rate range	Balance
Balance to December 31, 2014				3,542,622
New loans				
	Pesos	0.19% - 14%	2027	404,503
	Dollars	0.36% - 4.75%	2017	3,467,778
Payments for the period				
	Pesos	0.19% - 14%	2027	(768,476)
	Dollars	0.36% - 4.75%	2024	(2,314,978)
Other Movements				
Interests payable				92,417
Restatement				575,822
Others				8
Balance to December 31, 2015				4,999,696

	Currency	Interest rate range	Interest rate range	Balance
Balance to December 31, 2015				4,999,696
New loans				
	Pesos	1.72% - 12.64%	2016 to 2032	675,830
	Dollars	0.858% - 4.834%	2016-2034	3,428,486
Payments for the period				
	Pesos	DTF + 1.5% - DTF + 2.8%	2016	(123,524)
	Pesos	1.72% - 12.64%	2016 to 2032	(589,507)
	Dollars	0.450% - 4.582%	2016 - 2024	(3,107,979)
Other Movements				
Leasing Bolívar Integration				272,677
Interests payable				138,079
Restatement				(400,875)
Others				8
Balance to December 31, 2016				5,292,891

(Millions of Colombian Pesos (COP))

The following are the loans and credits of the Bank per currency:

	December 31, 2016	December 31, 2015
Entities of the country:		
Legal currency		
Financial obligations	1,729,828	1,380,238
Others	8	-
Foreign currency		
Other obligations	532,680	266,605
Foreign Entities		
Financial obligations	2,592,271	3,352,853
Designated as hedging instruments	438,104	-
	5,292,891	4,999,696

The maturation of financial obligations is as follows:

	Less than a year	From 1 to 5 years	From 5 to 10 years	More then 10 years	Total
Other entities in the country:					
Legal currency					
Bancoldex	22,547	160,458	88,062	-	271,067
Finagro	8,981	80,418	72,491	9,577	171,467
Findeter	7,689	202,467	666,385	410,754	1,287,295
Other banks and financial institutions of the country	8	-	-	-	8
Foreign currency					
Bancoldex	3,502	59,364	124,160	124,857	311,883
Findeter	815	-	100,123	119,858	220,796
Foreign Entities	1,744,904	759,747	525,724	-	3,030,375
	1,788,446	1,262,454	1,576,945	665,046	5,292,891

December 31, 2015

	Less than a year	From 1 to 5 years	From 5 to 10 years	More then 10 years	Total
Other entities in the country:					
Legal currency					
Bancoldex	20,470	139,447	35,891	-	195,808
Finagro	8,511	79,477	56,967	2,452	147,407
Findeter	44,043	255,804	401,547	335,621	1,037,015
Other banks and financial institutions of the country	8	-	-	-	8
Foreign currency					
Bancoldex	910	10,452	76,841	25,668	113,871
Findeter	481	-	77,781	74,472	152,734
Foreign Entities	2,391,779	417,790	-	543,284	3,352,853
	2,466,202	902,970	649,027	981,497	4,999,696

(Millions of Colombian Pesos (COP))

11.17. Debt instruments

The movement of the bonds is detailed below:

	Date	Issuance value	Term (Months)	Performance	Due date	Balance
Balance as of December 31, 2015						8,727,347
New issuances						
CPI	07/27/2016	131.864	84	CPI + 3.67	07/27/2023	131,864
CPI	07/27/2016	245.751	144	CPI+4.00	07/27/2028	245,751
CPI	09/28/2016	358.589	120	CPI + 4.16	09/28/2026	358,589
Fixed rate	07/27/2016	222.385	36	TF 8.64	07/27/2019	222,385
						958,589
Redemptions						(505,744)
RMR Variation						(147,996)
UVR Variation						8,467
Interests						6,846
Amortized cost						15,751
Balance as of December 31, 2016						9,063,260

	Date	Issuance value	Term (Months)	Performance	Due date	Balance
Balance as of December 31, 2016						7,405,779
New issuances						
CPI	05/13/2015	400.000	120	CPI+4.14	05/13/2025	400,000
CPI	02/12/2015	187.241	60	CPI + 2.84	02/12/2020	187,241
CPI	02/12/2015	134.003	120	CPI + 3.67	02/12/2025	134,003
CPI	11/10/2015	148.956	60	CPI + 3.45	11/10/2020	148,956
CPI	11/10/2015	273.623	120	CPI + 4.50	11/10/2025	273,623
IBR	11/10/2015	177.421	24	IBR + 2.05	11/10/2017	177,421
Fixed rate	02/12/2015	378.756	36	TF 5.94%	02/12/2018	378,756
						1,700,000
Redemptions						(1,195,210)
RMR Variation						757,010
UVR Variation						7,901
Interests						34,922
Amortized cost						16,945
Balance as of December 31, 2015						8,727,347

(Millions of Colombian Pesos (COP))

The detail of the debt instruments issued, as follows:

Issuance type	Date	Issuance value	Term (Months)	Performance	Due date	December 31, 2016 Value in Books	December 31, 2015 Value in Books
Bonds issued in Colombia							
Secured Subordinated Bonds							
PCI	Feb-25-10 - Sep-28-16	1,297,086	84 - 180	CPI+4.14 - CPI+5.25	Feb-24-17 - Apr-25-27	1,297,086	938,497
UVR	Feb-24-2010	111,503	120	UVR+5.50	Feb-20-2020	144,743	136,276
Interests						16,715	15,352
In dollars							
International bonds	Jul-09l-2010	895,125	120	TF 5.875%	Jul-09-2022	1,500,355	1,574,735
Interests						42,849	44,325
					Total Subordinated Bonds	3.001.748	2,709,185
Ordinary Bonds (unsecured)							
PCI	Oct-04-10 - Jul-27-16	3,129,586	60-180	CPI+2.84 - CPI+4.50	Oct-07-17 - Jul-27-28	3,375,337	3,121,155
IBR	May-15-14 - Nov-10-15	523,342	24 - 36	IBR+1.25 - IBR+2.05	May-15-17 - Nov-10-17	523,342	523,342
Fixed rate	Feb-12-15 - Jul-27-16	873,831	36	TF 5.94% - TF 8.64%	Feb-05-14 - Feb-12-18	601,141	752,425
Interests						55,652	47,300
In dollars							
International bonds	Jan-29-2013	889,920	60	TF 2.95%	Jan-29-2018	1,500,355	1,574,735
Interests						19,057	19,686
					Total Ordinary Bonds	6,074,884	6,038,643
					Cost to be amortized	(13,372)	(20,481)
					Total Bonds	9,063,260	8,727,347

Liabilities designated in hedging

The Bank chose to manage hedge accounting by appointing liabilities for USD 500 million as a hedging instrument of net investments in foreign subsidiaries in Central America (hedged item) from January 1, 2015, considering the intention the administration has had to cover the exchange rate risk associated with such an investment. As of December 31, 2016 this coverage is effective according to tests conducted by the Administration.

Following the Bonds are listed by currency:

	December 31, 2016	December 31, 2015
Legal currency	5,868,959	5,393,359
Foreign currency	3,048,671	3,196,072
RVU	145,630	137,916
	9,063,260	8,727,347

The Bonds by maturing period are as follows:

	December 31, 2016	December 31, 2015 (*)
Less than a year	866,944	503,364
Between 1 and 5 years	3,584,669	3,847,548
Between 5 and 10 years	3,717,486	3,457,644
Greater than 10 years	894,161	918,791
	9,063,260	8,727,347

(*)Updated figures presented as of December 31, 2015 for comparative purposes.

(Millions of Colombian Pesos (COP))

Following the redemption of the bonds are as follows:

December 31, 2016

Date	Issuance type	Term	Rate	Maturity date	Value
02/05/2009	First emission - Series G	84	CPI + 5.50	02/05/2016	126,886
02/13/2013	Fourth Ordinary Bond Fixed Rate - 1st lot F Series	36	TF 5.14%	02/13/2016	102,249
10/09/2014	Ordinary fixed rate	24	TF 5.89%	10/09/2016	276,609
					505,744

December 31, 2015

Date	Issuance type	Term	Rate	Maturity date	Value
02/19/2008	First issuance - Series C	84	CPI+6.65	02/19/2015	151,383
02/19/2008	First issuance - Series D	84	UVR+6.65	02/19/2015	195,978
02/12/2010	Second issuance - Series 5	60	CPI+3.98	02/12/2015	218,921
10/07/2010	Third issuance - Series C5	60	CPI + 3.14	10/07/2015	122,389
03/10/2011	First issuance - Series C120	48	CPI+3.60	03/10/2015	91,575
12/10/2013	Fifth issuance - Series B	24	IBR + 2.00	12/10/2015	317,640
08/15/2012	Second issuance - Series E3	36	TF 6.5%	08/15/2015	97,324
					1,195,210

Evaluation coverage of net investment abroad

The Bank's hedging instrument for net investment abroad with different exchange rates (Lempira, CRC and US dollar) for which it only uses the US dollar starting from the economic relationship between the behavior of the currencies of emerging economies in the same region, they tend to move in unison with respect to the US dollar in the medium and long term. The above effect is because the Central American economies as well as the Colombian one share among others the following features:

- Political and institutional democratic schemes
- Dependence generating raw materials
- Important share of remittances on local economies
- Similar levels of GDP / per capita and economic development.

On the other hand, the exchange rate policies that prevail in the economies of Costa Rica and Honduras are based on an exchange rate regime that limits fluctuations in the value of the currencies against the dollar.

Based on the historical behavior of the exchange rates in question with respect to the Colombian peso, there is a strong correlation between the three currencies, confirming the high level of coverage provided by the dollar for items denominated in colones and lempiras, where correlations are presented (Correlations of daily returns for a sample of three years) greater than 70%, as explained below.
Correlaciones

	USD	HNL	CRC
USD	100%	100%	97%
HNL	100%	100%	95%
CRC	97%	95%	100%

Likewise, it is evident that relations are maintained through time.

The amounts of the hedged items denominated in Costa Rican CRCes, lempiras and US dollars are as follows:

Branch investments	Investment value Foreign currency	Value USD investment	Coverage Amount USD	Overdraft Amount USD
Costarican CRCs	89,836.9	176.8	148.5	28.3
Lempiras	2,625.4	131.8	110.7	21.1
Dollars	240.9	240.9	240.9	-
Total		**549.5**	**500.0**	**49.5**

Figures in millions.

Hedge effectiveness

The items being hedged are denominated in CRCes, lempiras and dollars, and the hedging instrument denominated in dollars. In assessing retrospectively the effectiveness of the hedge, linking the effect on changes in currency versus the Colombian peso of the items hedged, with the effect on changes of the hedging instrument we get the following result:

	Hedging Efficiency Ratio 2016
Total	**100%**

The efficiency ratio reflects the perfect coverage for the COP / USD risk factor, since the assets and liabilities are exposed to the same factor.

11.18. Accounts payable

The detail of the accounts payable is as follows:

	December 31, 2016	December 31, 2015
Commissions and Fees	8,760	3,736
Taxes	58,792	34,456
Dividends and Surpluses	3,558	3,306
Transaction Contribution	21,549	13,243
Promising Buyers	4,294	5,744
Vendors and Services to Pay	373,345	281,632
Retentions and Labor Contributions	82,057	74,026
Accounts Payable Parent - Subordinated	16,905	12,415
Balance Available Prepaid VISA	9,667	12,482
Account Payable Nation Law 546	11,522	33,724
Deposit Insurance	59,580	50,388
Disbursements outstanding creditors	17,498	75,649
Associated Brokers Creditors	25,935	25,935
Security Bonds	19,622	19,760
Outstanding checks	12,699	18,442
Third Party Forward liquidation	5,088	902
Insurance	11,682	5,654
FNG and FNA creditors	10,081	2,341
Creditors Franchises	15,558	10,309
Cards	13,112	12,444
Various	46,531	49,654
Labor liabilities (1)	161,268	73,361
	989,103	819,603

(Millions of Colombian Pesos (COP))

(1) The detail of labor liabilities is as follows:

	December 31, 2016	December 31, 2015
Payroll payable	30	-
Consolidated settlements	21,526	17,908
Interest on layoffs	2,544	2,112
Consolidated vacations	38,009	35,267
Other social benefits (*)	99,159	18,074
	161,268	73,361

(*)They correspond mainly to seniority premium $35,756, other benefits $17,018, health insurance policy $46,385.

Employee benefits

The bank has the following long-term benefits:

a. Loans for the purchase of housing at a preferential variable interest rate are granted to civil servants who have a minimum of 2 years of seniority, which is available only during the time of employment relationship that is, in the case of retirement, immediately lost the benefit. For the above two funds have been set up with a maximum cap established by the administration and updated periodically. The estimate of the amount of the benefit in interest rate with respect to the market rate in force on the date of origination of the loans, this difference in rates is the sum of the present values and is recognized in the statement of financial position.

b. On the occasion of the signing of the collective bargaining agreement 2015-2018, an extralegal premium is recognized for seniority to employees, equivalent to 15 days of salary when completing 5 years of work and 30 days of salary when completing 10 years and for every subsequent five years..

The Bank has post-employment benefits like this:

- Defined contribution plan

Contribution made by the bank equivalent to the same value defined by the official with a limit up to 5% of the salary, applicable to officials who are 10 years or less from their pension and will only be granted when the employee fulfills the pension conditions, without having to make payments on that date. They are accounted for by the amounts contributed with a charge to results and do not require actuarial assumptions as they are predetermined contributions in a fund where the bank does not assume any actuarial or investment risk.

- Defined benefit plan

Health policy for pensioners and their spouses, recognized through actuarial calculation with changes in the OCR.

The following is a breakdown of employee benefits:

	December 31, 2016	December 31, 2015
Present value of employee benefit obligations	46,385	-

Currently, all employees of the bank have the right to a collective health insurance policy while in service, and subsequently, upon reaching the pension age, the employee and his / her spouse are entitled to a 30% subsidy on a policy of individual health sponsored by the bank, this as long as some conditions are met.

Movement in the present value of defined benefit obligations

	December 31, 2016	December 31, 2015
Defined benefit obligations at end of period	46,385	-

(Millions of Colombian Pesos (COP))

Actuarial assumptions

The following are the main actuarial assumptions at the balance sheet date (expressed as a weighted average):

	December 31, 2016	Decembe 31, 2015
Discount rate as of December 31	CPI+4.56%	-
Future wage increases	7.57%	-

After reaching the pension age, it is assumed that those who access the benefit will die according to the table of mortality of valid rentiers of 2008, recorded in the resolution number 1555 of 2010 of the Financial Superintendence.

11.19. Other non-financial liabilities and estimated liabilities

Other non-financial liabilities and estimated liabilities are presented in detail, as follows:

	December 31, 2016	December 31, 2015
Interests originated in restructuring	39,050	27,573
Other Provisions (1)	29,625	26,277
Litigation, Claims and Compensation (2)	25,790	25,339
Sanctions Financial Superintendence of Colombia	-	130
Anticipated revenues	41,903	18,738
Deferred Payment Credit Card	10,538	3,979
Deferred payments	7,800	3,692
Diverse	101,499	58,779
	256,205	164,507

(1) The most significant provision relates to the provision for differential rate of the mortgage loans, that the Bank covers for additional 8 years, worth $ 26,322.

The following is the movement of the provision:

	December 31, 2016	December 31, 2015
Initial balance	26,277	19,400
Plus:		
Provision	533,408	309,418
Reclassifications	-	24,890
Minuss:		
Retiring	(114)	(68,944)
Reimbursement	(529,946)	(258,487)
Final balance	29,625	26,277

(Millions of Colombian Pesos (COP))

(2) Litigation, Penalties and Fines

The following is the movement of the provision for litigation, Penalties and Fines:

	December 31, 2016	December 31, 2015
Initial balance	25,339	26,676
Plus:		
Provision	8,785	6,650
Minus:		
Reimbursement	(8,334)	(7,987)
Final balance	25,790	25,339

The following is a summary of the processes:

	December 31, 2016			December 31, 2015		
	No. Processes	Provision value	Claims value	No. Processes	Provision value	Claims value
Litigation covered by the Fogafín Guarantees Agreement	52	16,042	12,262	72	16,099	15,798
Tax proceedings	1	752	752	1	659	659
Labor lawsuits	18	3,177	3,178	16	3,094	3,095
Ordinary Processes	146	5,819	5,819	111	5,487	5,487
	217	25,790	22,011	200	25,339	25,039

The outflows of resources are indicated below:

Other Provisions:

December 31, 2016

	1 year	1 to 3 years	3 to 5 years	Total
Provision Frech Premium	3,445	9,718	13,159	26,322
UGPP Provision	-	3,269	-	3,269
Government Relief	34	-	-	34
	3,479	12,987	13,159	29,625

December 31, 2015

	1 year	1 to 3 years	3 to 5 years	Total
Provision Frech Premium	4,249	14,305	4,323	22,877
UGPP Provision	-	3,384	-	3,384
Government Relief	16	-	-	16
	4,265	17,689	4,323	26,277

(Millions of Colombian Pesos (COP))

Litigation, Penalties and Fines:

December 31, 2016

	1 year	1 to 3 years	3 to 5 years	Total
Litigation covered by the Fogafín Guarantees Agreement	-	16,042	-	16,042
tax processes	752	-	-	752
Labor lawsuits	210	2,967	-	3,177
Ordinary Processes	1,830	3,109	880	5,819
	2,792	22,118	880	25,790

December 31, 2015

	1 year	1 to 3 years	3 to 5 years	Total
Litigation covered by the Fogafín Guarantees Agreement	-	16,099	-	16,099
tax processes	659	-	-	659
Labor lawsuits	2,068	1,026	-	3,094
Ordinary Processes	2,303	3,184	-	5,487
	5,030	20,309	-	25,339

The proceedings instituted by the Bank may be:

Criminal

Provided that in criminal proceedings the Bank is linked as a third party liable.

Ordinary civil, special, contentious-administrative and labor.

This type of process generates passive contingency to the Bank regardless of the procedural step it takes for the effect, in general because of their eventual contract or extra-contractual liability and also on the occasion of fines or penalties imposed by competent entities in the performance of their duties. Each of these processes has a corresponding rating and provision, if necessary.

Judicial processes that can generate greater economic impact to the Bank are as follows:

Processes related to other Bank activities

The arbitration procedure that Lotes y Proyectos S.A.S and other natural and legal persons propitiated against Davivienda is being held in the Chamber of Commerce of Bogotá. In this process they claim that the behavior of Davivienda in the negotiation efforts and in the conclusion of a contract for the promise of a sale of a lot caused them damages in the order of $6,000. The Bank is still waiting to answer the complaint. The contingency has been rated as possible.

11.20. Equity

Includes all concepts and values that represent the contributions or shareholders' rights for the share capital, appropriated earnings from previous year's profits by mandate of the Assembly, with the goal of meeting legal, statutory or special purpose provisions, Surplus and dividends are declared on shares as paid-in capital.

11.20.1. Capital Stock

At December 31, 2016 and December 31, 2015, the authorized capital of the Bank amounts to $77,350 and $72,800 represented by 455,000,000 shares, with a nominal value of $170 and $160 (pesos per share), respectively.

(Millions of Colombian Pesos (COP))

At the Ordinary Shareholders' Meeting held on March 10, 2016, the amendment of the Bank's Articles was approved, to increase the nominal value of the share from $160 to $170 (pesos per share) and the authorized capital increase by $ 4,550.

The capital subscribed and paid as of December 31, 2016 and as of December 31, 2015 amounts to: $76,784 and $71,074

The authorized, subscribed and paid capital, is represented in the following shares and the other data of equity at the end of each year are:

	December 31, 2016	December 31, 2015
Common shares subscribed and paid	343,676,929	343,676,929
Shares with preferential right subscribed and paid	107,993,484	100,537,305
Total outstanding shares	451,670,413	444,214,234
Nominal value on the date	170	160
Equity value	8,859,472	7,718,516
Intrinsic value (pesos)	19,614.91	17,375.66

The movement of outstanding shares is detailed below:

	December 31, 2016	December 31, 2015
Shares at the beginning of the period	444,214,234	444,214,234
Leasing integration shares	7,456,179	-
Shares at end of period	451,670,413	444,214,234

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

The preferred dividend shares will give their holders the right to receive a minimum preferential dividend corresponding to zero point five percent (0.5%) semi-annually over the subscription price of the first issue of the program, that is, COP 80.65, which will be paid by decision of the Assembly on a preferential basis to the one corresponding to the ordinary shares. The minimum preferred dividend is not cumulative and not guaranteed.

The payment of the Minimum Preferential Dividend shall be made at the intervals and in the manner determined by the General Meeting of Shareholders, in Colombian pesos. At present, the accounting year of Davivienda is annual.

In the event that the distributable profits are sufficient to pay the Ordinary and Preferred Shareholders a dividend equivalent to or higher than the minimum preferred dividend, the profits will be distributed, pro rata, between the preferred shareholders and the ordinary shareholders according to the decisions made by the assembly.

The absorption merger carried out at the Bank with Leasing Bolivar as from January 2016 generated an exchange ratio for the shares of the absorbed Entity, causing an increase in the Bank's subscribed and paid-up capital of $1,192.9 million, equivalent to 7,456,179 new shares subscribed.

11.20.2. Additional paid-in capital

There has been accounting of the values in the placement of shares for the higher amounts obtained on the nominal value of the share and for the capitalization of occasional reserves obtained in the distribution of profits from previous years with increased nominal value, determined by the decisions of the General meeting of shareholders.

The detail of the additional paid-in capital on placement of shares that make up the assets is as follows:

	December 31, 2016	December 31, 2015
For additional paid-in capital on placement of ordinary shares	2,902,187	3,009,047
For additional paid-in capital on placement of preferred shares	1,774,617	1,124,620
	4,676,804	4,133,667

The absorption merger carried out at the Bank with Leasing Bolivar as of January 2016 generated an additional paid-in capital on placement of preferred shares of $123,084 million.

11.20.3. Reserves

By decision of the General Assembly of Shareholders there have been appropriations made of profits earned during fiscal years.

The breakdown of the figures in reserves that make up the assets is as follows:

	December 31, 2016	December 31, 2015
Legal Reserve		
By appropriating profits	1,051,180	652,469
Statutory and occasional reserves:		
At the disposal of the Assembly and commitment	569,997	549,272
By tax provisions	10,803	14,611
	580,800	563,883
Total reserves	1,631,980	1,216,352

At the Ordinary Shareholders' Meeting held on March 10, 2016, the following decisions were approved:

Distribution of results

The General Shareholders' Meeting approved distribution of the results at the end of 2015 for $1,214,263, as follows:

- **a.** Increase the Legal Reserve by $324,020 (millions of pesos) of taxed and untaxed profits for the year.
- **b.** Payment of cash dividends for $390,243 (millions of pesos), at a rate of $864 pesos per share 50% payable for $432 per share on March 29 and the other 50% for $432 on September 21, 2016.
- **c.** Establish an irrevocable commitment to capitalize or increase the legal reserve by $475,000 (millions of pesos).
- **d.** Increase Occasional Reserves for $25,000 (millions of pesos)

Other decisions:

a. Release of the untaxed Reserve at the disposal of the Assembly to pay dividends in shares for $424,570 (millions of pesos) at the rate of $940 pesos per share on April 20, 2016. For that purpose, the nominal value was increased in $10 pesos increasing it to $170 pesos per share; The difference of $930 pesos corresponds to a share placement premium, for an increase in the capital stock of $4,517 (millions of pesos) and an issue premium of $420,053 (millions of pesos).

b. Release $4,476 (millions of pesos) from the Occasional Reserve for valuation of Investments at market prices - Decree 2336/95, to increase Legal Reserve.

c. Increase the Legal Reserve by $70,214 (millions of pesos) of earnings from prior years carried out in the period of 2015.

11.20.4. Realizations of IFRS Adoption for the first time

The following details the movement of realizations in adoption for the first time:

	December 31, 2016	December 31, 2015
Initial balance	734,409	748,757
Leasing Bolívar Integration	14,100	-
Subsidiary dividends	(3,323)	(79,871)
Valuations for use of Fixed Assets	(238,741)	(27,987)
Deferred tax realization adjustment	581	(816)
Convergence year 2014	-	94,327
Others	-	(1)
Final balance	507,026	734,409

11.20.5. Capital Management

Davivienda Bank defines its capital as the level of own funds with which it could face a scenario of losses resulting from the materialization of financial risks to which it is exposed. The Bank's policy is to maintain sufficient levels of solvency that allow it to develop its various activities with a capital commensurate with the risks taken, looking out for the organization´s sustainability in the long run.

Based on the above, the Bank is governed by Colombian regulations, which define the calculation standards and capital limits of credit institutions. In accordance with Articles 2.1.1.1.2 and 2.1.1.1.3 of Decree 2555 of 2010, the minimum level of total solvency is 9% and the basic solvency ratio must exceed 4.5%. In this way, the Bank complies with the minimum levels of both technical and ordinary capital stock, with which it is possible to establish the total and basic solvency ratios, respectively.

The Technical Equity is the sum of Regular Basic Assets (PBO for its Spanish acronym), the Additional Basic Assets (PBA for its Spanish acronym) and Additional Assets (PA for its Spanish acronym), minus PBO deductions, according to the guidelines of Decree 2555 of 2010. For their part, the percentages established by the Financial Superintendence of Colombia for assets weighted by risk level and including market risk according to the established methodology, are applied.

(Millions of Colombian Pesos (COP))

The Bank has met the minimum requirements, maintaining capital levels that exceed the minimum of total solvency by approximately 550 basis points on average during 2016. The Bank's solvency ratio at December 31, 2016 and December 31, 2015, as follows:

	December 31, 2016	December 31, 2015	Variation Dec16 - Dec15	%
Technical Equity	9,086,341	7,994,396	1,091,945	13,66%
Ordinary Basic Equity	5,016,550	4,263,463	753,087	17,66%
Ordinary Basic Equity Deductions	-788,217	-593,747	-194,470	32,75%
Additional Equity	4,069,791	3,730,932	338,859	9,08%
Bonds and subordinated debt	3,363,926	3,109,694	254,232	8,18%
Value at Market Risk	148,304	271,949	-123,645	-45,47%
Weighted Assets by Risk Level	63,735,871	53,258,541	10,477,330	19,67%
Total Solvency ≥ 9%	13.90%	14.20%	-0.31%	-0.31%
Basic Solvency ≥ 4.5%	7.67%	7.58%	0.10%	0.10%

Finally, capital levels are monitored monthly in order to identify possible changes in the current solvency ratios and to take corrective measures in a timely manner. Likewise, for the purposes of strategic planning, in the budget process and Resistance Testing Scheme[2], the Bank relies on tools that allow it to measure future capital levels and establish the actions required to ensure compliance with levels of capital needed to develop the strategies proposed.

12. Specific Items of Income Statement

12.1. Investment Income

The following is a breakdown of investment income:

	December 31, 2016	December 31, 2015
Debt instruments		
Profit	711,359	529,768
Loss	(300,474)	(297,208)
Valuation of investments at fair value, net	410,885	232,560
Profit	97,565	80,827
Loss	(12,664)	(676)
Valuation of investments at amortized cost, net	84,901	80,151
Ut. Valuation of investments at fair value – Equity instruments.	50,838	-
Loss Valuation Of Investments At Reasonable Value - Equity Instruments.	(3,380)	-
Profit	46,304	40,297
Loss	(23,908)	(35,979)
Investments sale, net	22,396	4,318
	565,640	317,029

2 Chapter XXVIII of the Basic Accounting and Financial Circular, published in December of 2015 by the Financial Superintendence of Colombia

(Millions of Colombian Pesos (COP))

12.2. Income from fees and services

The breakdown of fees and income from services is as follows:

	December 31, 2016	December 31, 2015
Income fees and services	945,787	862,151
Expenses fees and services	203,774	181,656
Total	742,013	680,495

The main concepts of these fees are originated by transactions: Transactions, means of payment, insurance banking, foreign trade, among others.

12.3. Result of equity securities

The detail of the results of equity securities is as follows:

	December 31, 2016	December 31, 2015
Equity method	270,755	215,880
Profit on sale of equity securities, net	54,490	-
	325,245	215,880

12.4. Staff expenses

The detail of staff costs is presented:

	December 31, 2016	December 31, 2015
Salaries and Benefits	630,736	554,086
Incentives	124,638	109,135
Staff Benefits	169,532	147,012
	924,906	810,233

(Millions of Colombian Pesos (COP))

12.5. Operating expenses

The detail of operating expenses is as follows:

	December 31, 2016	December 31, 2015
Maintenance and Adaptations	116,189	93,194
Cleaning and Security Services	91,020	90,414
Advertising, Advertisement and Public Relations	71,794	66,106
Insurance	60,635	61,532
Contributions and Others	93,683	78,612
Leases	80,944	80,553
Electronic data processing	44,507	55,462
Fees	169,422	147,239
Transportation	83,624	79,159
Taxes	153,711	124,085
Deposit insurance	110,298	95,591
Others	65,431	54,029
Operating expenses	1,141,258	1,025,976
Amortizations and depreciations	51,298	34,878
Total Operating Expenses	2,117,462	1,871,087

12.6. Other income and expenses

The detail of other income and expenses is as follows:

	December 31, 2016	December 31, 2015
Other operating income		
Operational Risk Insurance Recovery	6,415	9,410
Judicial Recoveries and Other	5,509	5,875
From the sale of assets held for sale	161,349	4,998
Reversals of impairment losses	25,263	16,432
Other income (*)	177,270	27,578
	375,806	64,293
Other operating income		
Operational risk losses	27,055	17,167
Judicial Loses and Other	8,686	7,994
From the sale of assets held for sale	11,950	4,378
Reversals of impairment losses	54,020	29,550
	101,711	59,089
Total other operating income and expenses, net	274,095	5,204

(*) Includes $119,141 for shares received from Credibanco S.A. by conversion to public limited company.

(Millions of Colombian Pesos (COP))

12.7. Income tax

Components of income tax expense:

Income tax expense includes the following:

	December 31, 2016	December 31, 2015
Income tax	252,443	227,133
CREE Income Tax	102,091	95,274
CREE Income Tax Surcharge	68,060	52,930
Tax discount	(6,234)	(22,082)
Recovery from previous periods	4,428	(14,695)
Total current tax	420,788	338,560
Deferred taxes	(125,260)	55,750
Total Income tax	295,528	394,310

In the years 2016 and 2015, the adjustment of the income tax provision and the CREE tax were recognized as the higher and lower value of the income tax expense, respectively, according to the statements presented for taxable years 2015 and 2014.

Law 1607 of 2012 in Article 165, provided that for tax purposes the references contained in the tax rules to accounting standards remain in effect for the next 4 years after the entry into force of the International Financial Reporting Standards - IFRS – therefore, for the period up to and including 2015 to the year 2018, tax returns are prepared and presented based on current tax regulations with reference to applicable GAAP until 2014.

Tax revenues are taxed until 2016 at the rate of 25% as income tax and supplementary. Law 1819 of 2016 establishes as of 2017 for tax revenues a rate of 34%, for 2018 and subsequent 33%; Additionally, an income tax surcharge of 6% for the year 2017 and 4% for the year 2018 is created. And the tax for the CREE equity is eliminated.

(Millions of Colombian Pesos (COP))

Reconciliation of effective taxation rate:

The following is a breakdown of the reconciliation between income tax calculated at current tax rates and the tax expense actually recorded in the Income Statement:

	December 31, 2016	Effective Rate	December 31, 2015	Effective Rate
Earnings before income taxes	1,834,214		1,608,573	
Income tax	458,553	25%	402,143	25%
CREE Income Tax	165,080	9%	144,772	9%
CREE Income Tax Surcharge	110,053	6%	80,429	5%
Income tax at nominal rate 2016 (40%) - 2015 (39%)	733,686	40%	627,344	39%
Tax discount	(6,234)		(22,082)	
Non-deductible expenses and tax revenues	71,667		79,094	
Tax deductions and untaxed income	(144,714)		(79,950)	
Exempt income	(169,989)		(175,683)	
Adjustment rate on temporary differences	(20,340)		(19,719)	
Expense (Recovery) from previous periods	4,428		(14,695)	
Total income tax expense	468,504	26%	394,309	25%
Other (1)	(172,975)	-9%	-	0%
	295,529		394,309	

(1) Others correspond to: i) Recognition of deferred tax receivable on the balance of the general provision of portfolio equivalent to $42,142; ii) Recovery of deferred tax payable on sale of fixed assets for $95,512 and iii) Differential tax recognition between ordinary rate and occasional gain on acquisition of equity securities for $35,321

In compliance with its tax obligations, the Bank recognizes the amount of other national and territorial taxes and parafiscal contributions as follows:

	December 31, 2016	December 31, 2015
Rich tax	54,705	60,563
Sales tax	89,420	55,499
Parafiscal contributions	113,020	98,123
Industry and trade tax	67,914	52,772
Taxation of financial movements	74,431	61,505
Others (Surcharges - Property-Vehicles-Stamps)	11,365	9,807
Total Other taxes	410,855	338,269

The Rich tax was created by Law 1739 of 2014 and its taxable base is the value of equity owned at January 1, 2015, 2016 and 2017. The rate applicable to the Bank for 2015 was 1.15% and for 2016 of 1%. This tax is charged against the patrimonial reserves according to the provision of the same law.

(Millions of Colombian Pesos (COP))

Deferred tax for concept

Differences between the bases of assets and liabilities for IFRS purposes and the bases thereof for tax purposes give rise to temporary differences that generate deferred taxes calculated and recorded taking into account the tax rates for the years in which said temporary differences will be reversed.

	December 31, 2015	Financial impact	Effect at OCI	December 31, 2016
Deferred tax assets				
Fixed Income Investments	26,627	(24,936)	(1,691)	-
General Portfolio Provision	-	42,142	-	42,142
Industry and Commerce	7,690	2,619	-	10,309
Provisions	12,234	15,223	15,307	42,764
Others	2,980	4,766	-	7,746
Derivative transactions	-	3,066	-	3,066
Total Assets	49,531	42,880	13,616	106,027
Deferred tax liabilities				
Equity Investments	5,083	18,271	16	23,370
Fixed Income Investments	-	1,127	-	1,127
Derivative transactions	29,028	(29,028)	-	-
Property, Equipment and Investment Assets	163,322	(94,259)	4,764	73,827
Goodwill	428,085	20,907	-	448,992
Residual rights	57,068	(1,211)	-	55,857
Others	8,618	1,813	-	10,431
Total Liabilities	691,204	(82,380)	4,780	613,604
Deferred tax net	(641,673)	125,260	8,836	(507,577)

	December 31, 2014	Financial impact	Effect at OCI	December 31, 2015
Deferred tax assets				
Fixed Income Investments	6,991	19,636	-	26,627
Industry and Commerce	7,433	257	-	7,690
Deferred assets	10,685	(10,685)	-	-
Provisions	10,352	1,882	-	12,234
Others	4,698	(1,718)	-	2,980
Total Assets	40,159	9,372	-	49,531
Deferred tax liabilities				
Equity Investments	12,196	(7,113)	-	5,083
Derivative transactions	44,411	(15,383)	-	29,028
Property, Equipment and Investment Assets	159,734	3,588	-	163,322
Goodwill	349,505	78,580	-	428,085
Residual rights	51,295	5,773	-	57,068
Others	8,941	(323)	-	8,618
Total Liabilities	626,082	65,122	-	691,204
Deferred tax net	(585,923)	(55,750)	-	(641,673)

(Millions of Colombian Pesos (COP))

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

	December 31, 2015	OCI component movement	Current Tax	Deferred tax	Reclassifications	December 31, 2016
Financial instruments measured at fair value	(4,791)	7,625	-	(1,691)	(1,367)	(223)
Difference in Exchange for investments in associates	574,980	(134,456)	-	-	-	440,524
Exchange difference in net investment hedging abroad	(232,574)	68,948	(27,579)	-	-	(191,205)
Financial instruments measured at equity variation	16,136	3,321	-	(16)	-	19,441
Surplus due to the equity participation method	(84,870)	22,125	-	-	-	(62,745)
Adjustments of first time IFRS implementation	734,409	(312,812)	-	(4,764)	90,194	507,027
Others to Equity net	-	(46,385)	-	15,307	-	(31,078)
	1,003,290	(391,634)	(27,579)	8,836	88,827	681,741

	December 31, 2014	OCI component movement	Current Tax	Deferred tax	Reclassifications	December 31, 2015
Financial instruments measured at fair value	10,775	(24,072)	-	8,506	-	(4,791)
Difference in exchange for investments in associates	-	574,980	-	-	-	574,980
Difference in change of net foreign investment coverage	-	(381,269)	148,695	-	-	(232,574)
Financial instruments measured at equity	158,744	(150,219)	-	7,611	-	16,136
Surplus by equity method	-	(84,870)	-	-	-	(84,870)
Adjustments to IFRS for the first time	748,757	(14,348)	-	-	-	734,409
Reclassification to Profits	-	-	-	(16,117)	16,117	-
	918,276	(79,798)	148,695	-	16,117	1,003,290

During the year 2015, $16,117 of deferred taxes were recognized to realized profits, corresponding to taxes associated with dividend payments, sale of fixed assets and realization of available-for-sale investments.

By legal provision, the difference adjustment in exchange for investments in foreign currency only has fiscal impacts at the time of the disposal or liquidation of the investment. With respect to the deferred tax, no effect has been recognized under the exception to IAS 12, since the Bank has control over the investment and does not expect the exchange difference to reverse in the foreseeable future.

Uncertainties in open tax positions

For the Statement of Financial Position as of December 31, 2016, the tax positions adopted in the declarations subject to review by the Tax Authorities were analyzed and no facts or situations were identified that generate uncertainties associated with a difference between such positions and those of the Tax Administration.

Deferred taxes on subsidiaries, associates and joint ventures

Pursuant to paragraph 39 of IAS 12, the Bank recognizes deferred tax on investments in associates over retained earnings that may be distributed as taxed. For such effect for the years 2016 and 2015, on the value of the temporary difference between the book value of the investments and their equivalent tax cost of $1,477,822 and $1,109,473 respectively, no deferred tax is recognized, as long as the time at which such differences are reversed can be controlled and this is not expected to occur in the foreseeable future.

13. Related areas

The Bank may carry out transactions, agreements or contracts with related parties, on the understanding that any such transactions will be made with fair values, taking into account, among other, the following criteria:

- The conditions and rates of the existing markets wherever the transactions take place
- The activity of the company involved
- The growth perspective of the respective business.

The following are considered related parties

1. Group companies

Parent Company: Bolívar Group

Subsidiaries: Fiduciaria Davivienda, Corredores Davivienda, Cobranzas Sigma, Banco Davivienda Panamá, Banco Davivienda Panamá Licencia Internacional, Corredores Panamá, Banco Davivienda Honduras, Seguros Honduras, Grupo del Istmo Costa Rica, Davivienda Seguros Costa Rica, Banco Davivienda Costa Rica, Corporación Davivienda Costa Rica, Davivienda Sociedad Agencia de Seguros, Davivienda Leasing Costa Rica, Banco Davivienda El Salvador, Davivienda Puesto de Bolsa, Inversiones Financieras Davivienda Salvador, Almacenadora Davivienda El Salvador, Factoraje Davivienda El Salvador, Seguros Comerciales Bolívar El Salvador, Seguros Bolívar Seguros de Personas El Salvador, Valores Davivienda El Salvador.

Companies Grupo Empresarial Bolívar: Capitalizadora Bolívar, Compañía de Seguros Bolívar, Seguros Comerciales Bolívar, Investigaciones y Cobranzas el Libertador, Multinversiones Bolívar, Asistencia Bolívar, Riesgo e Inversiones Bolívar, Construcción y Desarrollo Bolívar, Inversora Bolívar, Ediciones Gamma, Promociones y Cobranzas Beta, Constructora Bolívar Bogotá, Constructora Bolívar Cali, CB inmobiliaria, CB Hoteles y Resorts, Prevención Técnica, Riesgo e Inversiones Bolívar Internacional, Delta Internacional Holding, Agencia de Seguros el Libertador, Sentido Empresarial, Sentido Empresarial Internacional, Grupo Empresarial Richnestt, Negocios e Inversiones Bolívar, Sociedades Bolívar, Inversora Anagrama, Inversiones Financieras Bolívar.

2. **Associated companies:** Redeban y Titularizadora.
3. **Key Management personnel:** Board and Strategic Committee, the latter composed of the President and Executive Vice-Presidents.
4. **Other:** Shareholders between 5% and 10%: Inversiones Cusezar and Inversiones Meggido; ACH, Deceval, Finagroand Credibanco, Companies in which the Bank participates in more than 10%.

Bank managers and companies where managers have direct or indirect participation, greater than or equal to ten percent (10%) of the outstanding shares or of payments part of social interest.

The bank has office network conventions and business collaboration agreements with Corredores Davivienda. Fiduciaria Davivienda, Capitalizadora Bolívar and Leasing Bolívar; real estate lease contracts with Fiduciaria Davivienda, Promociones y Cobranzas Beta, Ediciones Gamma, Seguros Comerciales Bolívar and Constructora Bolívar Bogotá; commercial agreements with Asistencia Bolívar; collections management contracts with Promociones y Cobranzas Beta; and editing and commercialization agreement of magazines with Ediciones Gamma; administration and support contract of portal Davivienda empresarial Multilatina between Banco Davivienda el Salvador and Banco Davivienda Colombia, Banco Davivienda Costa Rica and Banco Davivienda Panamá.

There are also agreements of placement and collection of insurance policies and commercialization contracts Banking Insurance with Seguros Bolivar and Seguros Comerciales Bolivar insurance companies.

(Millions of Colombian Pesos (COP))

All operations were carried out at market prices; deposit rates are between 0.1 % and 8.5% and placement rates are between 0.01 % and 32.92% including housing loans to key management personnel with UVR and UVR+2 % rates; agreed as employee benefits.

At the end of December 2016, there were no loans with interest rates, terms, guarantees and other conditions other than those agreed with third parties for loans granted by the companies that make up the related parties of the Bank..

As of December 31, 2016, there are no portfolio operations with shareholders whose participation is less than 10% of the Bank's capital stock, and which represent more than 5% of the technical capital.

The Bank by normative provision must make and maintain obligatory investments in securities issued by the Fund for the Financing of the Agricultural Sector as TDA - Agricultural Development Titles (ADT) amounting to $ 841,314; For class A issued at a rate of 2.06% nominal quarter overdue and for class B 4.02% nominal quarter overdue; which does not correspond to market rates.

Likewise, the Bank conducted Rediscount operations with Finagro, which are listed below:

Rediscount operations	December 31, 2016
Small Guarantee rediscount	150,811
Interests for paying rediscount	2,301
Rediscount interest expense	8,680

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

The following are transactions with the Related Parties:

December 31, 2016

	Group companies						
	Holding company	Subsidiaries	Other	Affiliates	Key personnel (1)	Other	Total
Assets (2)	5	271,097	125,520	2,281	4,452	17,935	421,290
Cash	-	267,971	-	-	-	-	267,971
Loan portfolio and financial leasing operations	5	30	112,359	114	4,366	-	116,874
Accounts Receivable	-	3,096	2,173	1,970	86	17,836	25,161
Other assets	-	-	10,988	197	-	99	11,284
Liabilities (3)	31,719	148,419	135,579	41,798	4,903	130,918	493,335
Financial liabilities	31,719	142,677	118,951	11,589	4,408	107,989	417,332
Acceptances	-	5,393	-	-	-	-	5,393
Accounts receivable	-	180	16,554	30,209	42	18,877	65,862
Others	-	169	74	-	453	4,052	4,748
Income	10	49,672	139,361	116,343	427	232,749	538,563
Fees	2	30	123,327	108,401	7	72,085	303,852
Interests	1	-	11,145	12	413	-	11,571
Dividends	-	-	-	5,331	-	11,817	17,149
Other	7	49,642	4,889	2,599	7	148,847	205,991
Expenses	4,726	14,994	56,700	75,616	1,202	80,354	233,592
Fees	-	1,285	-	62,422	-	70,850	134,557
Others	4,726	13,709	56,700	13,194	1,202	9,504	99,035

(Millions of Colombian Pesos (COP))

(1) In accordance with IAS 24 key management personnel are defined as those persons who have the authority and responsibility to plan, direct and control the activities of the entity, directly or indirectly: Strategic Committee Members and Board Members of the Board. It includes all transactions with key management personnel, except the employee benefits detailed below.

(2) Assets: The most significant transactions with related parties in the assets included housing loans with labor benefits, rate of placement to the UVR or UVR + 2.0% approved by the Board with a 15-year term with eligible guarantees and consumer credits at maximum market rates of 32.92%.

Working capital loans, construction credit and corporate loans and credit card to Group companies with rates between 0.01% and 32.92%.

(3) Liabilities: The most significant transactions in liabilities were: With Group Companies current accounts with a rate of 0% and 8.3%, Savings Accounts with interest rates between 0% and 8.5% and CDT'S rate Interest ranging from 0.5% to 7.3%. With Other Shareholders Savings accounts with interest rate of 6% of shareholders with participation less than 10% and greater or equal to 5% of the Bank's capital and current accounts with 0% rate and Savings Accounts with interest rate of 7.5 % of shareholders with a stake equal to or greater than 10% of the capital of the Bank.

December 31, 2015	Group companies			Affiliates	Key personnel (1)	Other	Total
	Holding company	Subsidiaries	Other				
Assets (2)	-	245,461	110,213	252	4.065	99	360.089
Cash	-	242,621	-	-	-	-	242.621
Investments	-	-	4,980	-	-	-	4.980
Loan portfolio and Financial Leasing operations	-	-	92,076	222	4.024	-	96.322
Accounts receivable	-	2,840	1,098	30	41	-	4.009
Other assets	-	-	12,058	-	-	99	12.157
Liabilities (3)	75,633	121,908	162,254	32.881	4.453	64.507	461.636
Financial liabilities	75,633	121,905	148,598	12.000	4.400	64.277	426.813
Accounts payables	-	3	12,378	20.881	53	230	33.545
Other	-	-	1,278	-	-	-	1.278
Income	16	46,983	120,072	110.572	405	4.110	282.159
Fees	2	10	105,205	93.278	7	-	198.502
Interests	-	-	5,458	21	371	-	5.850
Dividends	-	23,944	-	3.769	-	3.700	31.413
Others	14	23,030	9,409	13.504	27	410	46.394
Expenses	3,026	4,545	44,895	61.171	694	12.526	126.857
Fees	-	1,311	-	54.194	-	4.881	60.386
Others	3,026	3,234	44,895	6.977	694	7.645	66.471

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

It includes all transactions with key management personnel, excluding employee benefits which are described below.

(2) Assets: The most significant transactions with related parties in the assets included housing loans with labor benefit, placement rate to UVR or UVR + 2.0% approved by Board of Directors with a 15 year term with eligible collateral and consumer loans at 28.92% maximum market rates.

(Millions of Colombian Pesos (COP))

Working capital loans, builder credit and corporate loans and credit card to Group Companies with rates between 0.01% and 28.92%.

(3) Liabilities: The most significant transactions in liabilities were: With Group companies bank accounts a rate of 0.0%, Savings Accounts with interest rate of 0.1 % to 6.0 % and CDTs with interest rates ranging from 4.2% and 5.8%. With Other Shareholders Savings accounts with an interest rate of 3.7%. belonging to shareholders with less than 10% and greater than or equal to 5% of the Bank's capital and bank accounts with a 0.0% rate and savings accounts with interest rate of 5.3% of shareholders with participation equal to or greater than 10% of the bank´s capital.

Transactions with key management personnel are as follows:

	December 31, 2016		December 31, 2015	
	Maximum balance	Closing balance	Maximum balance	Closing balance
Mortgage loans and other secured loans	797	3,373	852	3,292
Credit Cards	29	198	26	248
Other loans	362	795	171	484
	1,188	4,366	1,049	4,024

Below are detailed payments to key personnel:

	December 31, 2016	December 31, 2015
Short term benefits	1,176	1,550
Remuneration to key management personnel		
Salaries	4,304	4,301
	5,480	5,851

In 2016 expenditures to managers who have authority and responsibility for planning, directing and controlling the activities of the entity, amounted to $ 5.5 billion pesos

There were no major decisions taken by the Banco Davivienda or neglected due to influence or in the interest of Sociedades Bolivar S.A., nor decisions made or neglected by Sociedades Bolívar S.A. in the interest of Davivienda.

14. Contingent accounts

The following is a detailed breakdown of the contingent accounts, both creditors and debtors:

	December 31, 2016	December 31, 2015
Creditors		
Undisbursed approved loans	8,930,698	6,158,184
Credit Cards	10,859,370	10,861,853
Diverse	4,819,820	3,478,244
	24,609,888	20,498,281

	December 31, 2016	December 31, 2015
Debtors		
Interest Loan Portfolio	113,378	90,352
Financial Leasing interests	28,116	481
Price level restatement loan portfolio	8,868	6,753
Restatement of Financial leasing operations	1,768	1,345
Royalties Receivable	2,643,342	487,196
Purchase transactions receivable	1,136,036	629,577
Diverse	33,816	23,400
	3,965,324	1,239,104

15. Events or subsequent events

Capitalization Panama International

The Board of Directors approved the capitalization of its subsidiary Banco Davivienda Internacional (Panama) S.A. in US $21 million. In turn, it approved said subsidiary to capitalize Grupo del Istmo Costa Rica, subject to regulatory authorizations.

16. Approval of financial statements

The separate financial statements and accompanying notes were approved by the Board of Directors and the Legal Representative in accordance with Act No. 932, dated January 24, 2017, to be presented to the General Meeting of Shareholders for approval, and it may approve or modify them.